

## **Zambia**

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# **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

## **Main report and annexes**

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East and Southern Africa Division  
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# Map of the Project Area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 25-06-2024

## Abbreviations and Acronyms

<b>AF</b>	Adaptation Fund
<b>ARCAFIM</b>	Africa Rural Climate Adaptation Finance Mechanism
<b>AWPB</b>	Annual Work Plan and Budget
<b>BFF</b>	Blending Finance Facility
<b>BOZ</b>	Bank of Zambia
<b>CARLF</b>	Climate Adaptation of Livelihoods through Rural Finance
<b>CATSP</b>	Comprehensive Agriculture Transformation Program
<b>CBFIs</b>	Community Based Financial Institutions
<b>CI</b>	Core Indicator
<b>COI</b>	Core Outcome Indicator
<b>COSOP</b>	Country Strategic Opportunities Programme
<b>DFS</b>	Digital Financial Services
<b>EiF</b>	Entry into Force
<b>EMD</b>	Economic Management Division
<b>E-SAPP</b>	Enhanced Smallholder Agribusiness Promotion Programme
<b>ESG</b>	Environment, Social and Governance
<b>E-SLIP</b>	Enhanced Smallholder Livestock Investment Programme
<b>FI</b>	Financial Inclusion
<b>FM</b>	Fund Manager
<b>FIRIP</b>	Financial Inclusion for Resilience and Innovation Project
<b>FISP</b>	Farmer Input Support Programme
<b>FS</b>	Financial Services
<b>FSPs</b>	Financial Service Providers
<b>GCF</b>	Green Climate Fund
<b>GTA</b>	Gender Transformative Approach
<b>GRZ</b>	Government of the Republic of Zambia
<b>IFAD</b>	International Fund for Agricultural Development
<b>IGA</b>	Income Generating Activity
<b>IOF</b>	Innovation and Outreach Facility
<b>IP</b>	Implementing Partner
<b>IRFP</b>	Inclusive Rural Finance Policy
<b>ME&amp;KM</b>	Monitoring, Evaluation and Knowledge Management
<b>MG</b>	Matching Grant
<b>MGEE</b>	Ministry of Green Economy and Environment
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MFIs</b>	Microfinance Institutions
<b>MIS</b>	Management Information System
<b>MoA</b>	Ministry of Agriculture
<b>MoFNP</b>	Ministry of Finance and National Planning
<b>MOU</b>	Memorandum of Understanding
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>NFIS II</b>	National Financial Inclusion Strategy
<b>NGOs</b>	Non-Governmental Organization
<b>ORMS</b>	Operational Results Management System
<b>PACRA</b>	Patents and Companies Registration Agency
<b>PC</b>	Program Coordinator
<b>PCO</b>	Programme Coordination Office

<b>PFSPs</b>	Participating Financial Service Providers
<b>PIM</b>	Project Implementation Manual
<b>POS</b>	Points of Sale
<b>PP</b>	Procurement Plan
<b>PS</b>	Permanent Secretary
<b>PSC</b>	Program Steering Committee
<b>PWDs</b>	persons with disabilities
<b>RF</b>	Rural Finance
<b>RFU</b>	Rural Finance Unit
<b>RUFEP</b>	Rural Finance Extension Programme
<b>S3P</b>	Smallholder Production Productivity Programme
<b>SECAP</b>	Social, Environment, Climate Assessment Procedures
<b>SHF</b>	Smallholder Farmers
<b>SME</b>	Small and Medium Enterprise
<b>SP</b>	Strategic Partnership
<b>TOC</b>	Theory of Change
<b>TOR</b>	Terms of Reference
<b>UNSDCF</b>	United Nations Sustainable Development Cooperation Framework
<b>VC</b>	Value Chain
<b>ZICTA</b>	Zambia Information and Communication Technology Authority
<b>ZPPA</b>	Zambia Public Procurement Authority

## In line with IFAD mainstreaming commitments, the project has been validated as:

Be gender transformative  Be youth sensitive  Be nutrition sensitive  Prioritize persons with disabilities  Prioritize indigenous peoples  Include climate finance  Build adaptive capacity

## Executive Summary

The Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP) will foster the expansion of client-centred financial services at scale enabling rural smallholders and Micro, Small Medium Enterprises (MSMEs) to better manage risks, increase productivity, and invest in green and climate-resilient technologies. Building on the Rural Finance Expansion Programme (RUFEP, 2015-24), FIRIP will take a demand-driven approach to strengthen the delivery capacity of Financial Service Providers (FSPs) and improve in the enabling environment for inclusive rural finance. The project will be implemented by the Ministry of Finance and National Planning (MoFNP).

**Context.** Zambia is a landlocked, resource-rich country with a population of 19.6 million (2023), of which 57% resides in rural areas and 26% are youth. The country has been recovering from a period of slow economic growth, triggered by a weakened fiscal situation due to high inflation, a rapid increase in public debt, low copper prices, El Niño-related drought resulting in poor harvests, and declining maize prices. According to IMF's Debt Sustainability Analysis, the debt situation remains critical and may curtail public investment, adversely affecting the country's poverty reduction goals.

Zambia ranks 153rd on the Human Development Index in 2023, putting the country in the medium human development category. Rural poverty has slightly increased, from 76.6% in 2015 to 78.8% in 2022. Zambia also faces recurrent and severe climate shocks such as seasonal flash floods, droughts, extreme temperatures, and wet and dry spells, which pose a serious threat to its economy, increase power cuts, and above all, threaten the food security and livelihoods of its population.

While accounting for only 2.8% of GDP in 2022, agriculture remains the primary source of livelihood for 2.3 million rural households<sup>[1]</sup>, including 1.65 million rural smallholders. Most smallholder farmers have diversified livelihoods, with non-farm income contributing an average of 40% of total household income. About two third of all smallholder farmers cultivate on less than 2 hectares and approximately 61% sell less than a quarter of their farm output. Women and youth provide a disproportionate share of the farm labour but are disadvantaged in terms of access to land and other productive resources, as well as at household-level decision making.

Macroeconomic instability has also impacted the financial sector, including the availability and costs of finance to the private sector, particularly in agriculture. Driven by fiscal deficits, government borrowing has crowded out lending to the productive sector. The share of private sector credit to GDP was only 10% in 2022, against a sub-Saharan average of 34.5%. Despite notable progress in financial inclusion, mainly driven by the rapid expansion of mobile money, rural areas continue to lag behind, with a widening rural to urban gap. The dearth of client-centric financial services responding to the various specific needs of smallholders, women, youth, and rural MSMEs curtails their ability to manage risks, cope with shocks and invest. Farmers' financial exclusion levels remain at 40% and only less than 0.5% have access to agricultural credit from formal sources (mainly from MFIs). The situation is similarly dire for MSMEs, with only 6.5% of them having bank accounts and 7.9% having applied for loans during 2017-2022.

Improved access to a broader range of client-centric financial services can promote social inclusion, strengthen livelihoods, facilitate productive investments in agriculture and related value chains (VCs) and enhance resilience and adaptation to climate change. Building on IFAD's long-standing experiences in inclusive rural finance and RUFEP's achievements, FIRIP will continue advancing the rural financial inclusion agenda, with a stronger focus on supporting second-generation, client-centric financial services that will help smallholder farmers and associated MSMEs to better manage risks, adapt to climate change and enhance productivity and income.

**Project goals and objectives:** FIRIP's goal is to improve rural livelihoods through increased resilience and inclusive sustainable growth. The **Project Development Objective (PDO)** is to support improved access to and use of financial services to strengthen resilience and green growth of rural production systems, VCs and livelihoods of poor rural men, women and youth. This will be achieved through 3 main outcomes:

- **Outcome 1:** Improved availability of sustainable client-centric rural financial services for specific sectors and groups;
- **Outcome 2:** Increased uptake and use of more suitable and affordable financial services by the target groups;
- **Outcome 3:** Enhanced enabling environment for inclusive rural financial services provision.

**Alignment.** The project aligns with and supports the implementation of key national strategies, such as the National Financial Inclusion Strategy II (NFIS II) (2024), the Comprehensive Agriculture Transformation Program (CATSP) (2024-2033), the National Adaptation Plan (2023), the National Policies on Gender (2023), Youth (2024), and MSME Development (2023). It further aligns with IFAD's 2016-2025 Strategic Framework, its policies and strategies on Inclusive Rural Finance (2021), Poverty Targeting (2023), Gender Equality and Women Empowerment (2021), Private Sector (2011), Environment and Climate Change (2019-2025), and its Social, Environmental, and Climate Assessment Procedures (SECAP, 2021). FIRIP's IFAD mainstreaming themes are youth sensitive, gender transformative, climate finance and build adaptive capacity.

**Project Area.** FIRIP will focus on underserved rural areas nationwide, to be identified through a demand-driven process guided by clear selection criteria and cost-sharing arrangements. Expansion of basic financial infrastructure will be limited to rural districts with no formal access points. Client-centric financial services for agriculture, rural MSMEs, greening and climate resilience will be rolled out in rural areas with basic financial infrastructure and sufficient demand and absorption capacity.

**Target groups.** FIRIP will target 370,110 unique beneficiaries including 315,511 direct beneficiaries through improved access to financial and other services, and 54,599 direct beneficiaries through decent jobs created on the back of such services (excluding those already benefitting from access to finance). With an average rural household size of 5, the total number of beneficiary household members is 1,850,550 (16% of all rural households).

Target beneficiaries are divided into three categories: (i) Category 1: 227,078 semi-subsistence smallholder farmers and rural micro-enterprises (about 72% of all beneficiaries) selling less than 25% of their crop and livestock production. Most are land-constrained, farming on less than 2 ha even though some farm up to 5 ha. (ii) Category 2: 86,126 market-oriented smallholder farmers and micro-enterprises (27.3%) includes smallholder farmers with better farming skills, selling at least 25% of their crop and livestock production. The majority of these farmers tend to have a higher land endowment and farm between 1-5ha and have better access to markets and other support services; (iii) Category 3: 2,307 emergent farmers and rural SMEs (0.7%) with farm areas of 20-100 ha, that play important roles as conduits for market and VC integration by providing inputs (often through buyer or supplier credit), support services and market outlets to smallholder farmers, e.g., within outgrower arrangements. They are also main sources of rural employment, especially for youth and women. All target groups require diverse financial services for their household and enterprise needs, including savings, credit insurance and payment services. For category 1, the main emphasis will be on savings-based products, whereas credit will play a larger role for categories 2 and 3.

At least 40% of the project beneficiaries will be women and 30% will be youth aged 19-34 years (accounting for 52% and 26% of the total population, respectively).

The project will be delivered through three components:

**Component 1: Improved availability and uptake of sustainable client-centric rural financial services** will strengthen FSPs' capacity to expand their service offerings into underserved rural areas and provide client-centric financial services to smallholder farmers, women, youth and rural MSMEs, for increased resilience and investments in agriculture, green and climate smart technologies. It will also strengthen the capacity of the target groups, especially smallholder farmers, women and youth, to use these financial services properly. This will be achieved by two mutually-re-enforcing subcomponents:

**Subcomponent 1.1: Innovative Products and Delivery Mechanisms for Inclusive Rural Outreach** will be delivered through a demand-driven Innovation and Outreach Facility (IOF), with 3 Windows geared towards 1) Expanding Rural outreach in Underserved Areas; 2) Financial Innovations for Smallholder Agriculture; and 3) Financial Innovations for Green Investments and Climate Resilience.

**Sub-component 1.2: Increased Access to Affordable Finance for Agriculture and Green Investment** will establish a Blending Finance Facility (BFF) to mobilize private capital for agriculture and green investments, while reducing FSPs' cost of funds for and the resulting interest rates for end borrowers.

**Component 2: Enhanced enabling environment for inclusive rural financial services** will address critical bottlenecks for providing client-centric and affordable rural financial services at scale. This will include policy support as well as trainings, capacity development, and studies for various actors and key stakeholders. It will further co-finance Strategic Partnerships (SPs) with actors at the macro- and meso level that have a catalytic role in facilitating the expansion of inclusive rural financial services (IRFS) at scale.

**Component 3: Institutional support and project coordination** will deal with project coordination and management, monitoring and evaluation (M&E), knowledge management (KM) and learning.

The project duration is **seven years (2025-2032)**: total project costs are USD 49.8 million funded through a USD 30 million IFAD loan at highly concessionary terms, USD 12.4 million from the private sector, USD 5 million from beneficiaries, USD 2.2 million by the Government of the Republic of Zambia (GRZ), and USD 0.3 million by strategic partners. The total investment costs are estimated at US\$43.7 million (89%), and recurrent costs at US\$5.2 million (11%). Price contingencies have been estimated at US\$0.883 million. Component 1 (Improved Availability and Use of Client-Centric Financial Services) has been allocated US\$ 38.6 million (78%). Component 2 (Enhanced Enabling Environment for Inclusive Rural Financial Services) has been allocated US\$3.9 million (8%). Project management (component 3) accounts for US\$ 7.2 million (14%). The summary of project costs by components is presented in the table below.

**Table 1: Project costs by components/sub-components**

Republic of Zambia  
Financial Inclusion for Resilience and Innovation Project (FIRIP)  
Components by Financiers  
(US\$ '000)

	GRZ		IFAD Loan 12		IFAD 13		Strategic Partners		Private Sector		Ben Contribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>														
1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach	22	0.2	1,027	9	6,745	57	-	-	4,041	34	-	-	11,835	24
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment	719	3	3,462	13	9,320	35	-	-	8,325	31	5,000	19	26,826	54
<b>Subtotal</b>	<b>741</b>	<b>2</b>	<b>4,490</b>	<b>12</b>	<b>16,064</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>12,366</b>	<b>32</b>	<b>5,000</b>	<b>13</b>	<b>38,661</b>	<b>78</b>
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>														
	235	6	1,941	49	1,511	38	300	8	-	-	-	-	3,987	8
<b>3. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowle</b>														
	1,224	17	2,470	34	3,524	49	-	-	-	-	-	-	7,218	15
<b>Total PROJECT COSTS</b>	<b>2,200</b>	<b>4</b>	<b>8,900</b>	<b>18</b>	<b>21,100</b>	<b>42</b>	<b>300</b>	<b>1</b>	<b>12,366</b>	<b>25</b>	<b>5,000</b>	<b>10</b>	<b>49,866</b>	<b>100</b>

The **Lead Programme Implementing Agency** will be the Ministry of Finance and National Planning (MoFNP) which has mandated the Rural Finance Unit (RFU), created, capacitated and supported under RUFEP. The RFU is housed by the Economic Management Division (EMD) and will be directly responsible for FIRIP implementation. A **Project Coordination Unit (PCU)** will be set up to implement the project and will work closely with the RFU. A **Programme Steering Committee (PSC)** chaired by the Permanent

Secretary Budget and Economic Affairs in the MoFNP, will oversee and guide program implementation. The PSC, which will have relevant representation at national level provides strategic oversight, policy direction and coordination between key government institutions. Alignment will be sought with the Ministry of Agriculture and other key Ministries at the PSC and operational levels, including during the preparation of Annual Work Plans and Budgets (AWPBs). Project implementation will benefit from technical assistance through strategic partnerships with national and international institutions operating in the country.

Components 1 and 2 will mainly be implemented through Implementing Partners (IPs) identified through a demand-driven approach based on eligibility and selection criteria. These include FSPs (under both BFF and IOF); Promoters of Community-Based Financial Institutions (CBFIs), value chain integrators (under the IOF); and various public institutions and apex bodies under component 2 (Strategic Partnerships). The BFF will be managed by a competitively recruited independent Fund Manager. Both facilities will be overseen by a Project Vetting Committee (PVC) composed of technical experts from key Ministries and private sector.

### Mainstreaming Themes

FIRIP's development objectives include the following mainstreaming themes:

The project aims to be **gender transformative** as reflected in the Empowerment indicator *Individuals demonstrating an improvement in empowerment (IE.2.1)* with a targeted empowerment score of 40% (50% among women and 30% among men). Moreover, 10% of all households are expected to report that they can influence decision-making of local authorities and project-supported service providers (SF 2.2).

FIRIP also aims to be **youth-sensitive** measured through Core Indicator 2.2.1. *Beneficiaries with new jobs/employment opportunities*, targeting 145,430 new jobs.

In addition, FIRIP is geared towards **building adaptive capacities**, with a target of 83,604 households reporting adoption of environmentally sustainable, green and climate-resilient technologies and practices (CI 3.2.2). FIRIP aims to commit USD 12.9 million (43% of IFAD funding) to climate adaptation and mitigation measures, hence meeting the climate finance target under IFAD12.

## Chapter 1: Context

### 1.1 Project in brief

1. FIRIP will improve access to a diverse range of financial services enabling smallholders and rural MSMEs to better manage risks, increase productivity, and invest in green and climate-resilient technologies. FIRIP will foster the expansion of client-centred financial services at scale by combining capacity strengthening of FSPs and users (especially, women and youth) with improvements in the enabling environment. It will focus on underserved rural areas nationwide, to be identified through a demand-driven process guided by clear selection criteria and cost-sharing arrangements with IPs. The project duration is seven years. Total project costs of USD 49.86 million will be financed by US\$ 30 million IFAD loan, with co-financing from FSPs, beneficiaries and the GRZ. The lead agency will be MoFNP, working in close coordination with the MoA and other key Ministries<sup>[2]</sup>.

### 1.2 National or Regional Context



2. Zambia is a landlocked, lower-middle income country with a population of 19.6 million (2021), of which 57% resides in rural areas. Almost 70% of the population are below the age of 35, with 26.7% classified as youth[3]. Zambia has been recovering from a period of slow economic growth (2015-2018), triggered by high inflation, rapid public debt increase, low copper prices, El Niño-related drought resulting in poor harvests. Inflation has gradually declined from 22% to 10.9% between 2021-23[4], while GDP grew by 5.8% in 2023, reaching US\$ 28.16 billion and US\$ 1,369 per capita.
3. Zambia's high public debt (98.5% of its GDP in 2022) remains a major challenge to economic development. The IMF Debt Sustainability Analysis indicates that the situation remains critical and may curtail public investment, adversely affecting the country's poverty reduction goals.
4. Macroeconomic instability has also impacted the financial sector, including the availability and costs of funding to the private sector, including agriculture. Driven by fiscal deficits, government borrowing has crowded out lending to the productive sector which only received 27.7% of total lending in 2022[5]. The share of private sector credit to GDP was only 10%, against a sub-Saharan average of 34.5%[6]. Coupled with high inflation, limited competition in the financial sector and high risks, credit to small farmers and rural MSME remains very scarce and high cost (view PIM chapter 3.3, annex 1).
5. Zambia's HDI was 0.559 in 2023 ranking 153<sup>rd</sup> out of 193 countries[7]. The country struggles with high levels of poverty and inequality, with 60% of the population below the poverty line and a Gini index 51.2 in 2022.5 Rural poverty has slightly increased, from 76.6% in 2015 to 78.8% in 2022, 2.5 times higher than urban poverty (31.9%)<sup>6</sup>. Food insecurity and malnutrition remain high: 31% of the population is undernourished and a similar percentage of children under five suffers from stunting. Zambia also faces **recurrent and severe climate shocks** such as seasonal flash floods, droughts, extreme temperatures, and wet and dry spells, posing serious threats to food security and livelihoods and leading to increased power cuts.
6. While contributing only 2.8% to GDP in 2022, **agriculture** remains the primary source of livelihood for 2.3 million rural households[8], including 1.65 million rural smallholders[9]. Approximately 65% of them farm on less than 2 hectares (ha) and 61% sell less than 25% of their farm output. Most have diversified livelihoods with non-farm income contributing to 40% of total household income on average[10]. Women and youth provide a disproportionate share of the farm labour but are disadvantaged in household level decision making and access to productive assets including land (more details on country context in PIM chapter 2, annexes 1-10).
7. FIRIP will support the implementation of key national strategies such as the NFIS II; the CATSP and Sustainable Agricultural Finance Facility (SAFF); the National Adaptation Plan for Zambia, and the National Gender and Youth Policies.

### 1.3 Strategic Alignment

8. FIRIP will contribute to SDGs 1, 2, 5, 8, and 13. It fully aligns with Zambia's 8th National Development Plan (8NDP) and Zambia's 'Vision 2030' agenda, supporting programs in agriculture and productivity enhancement, value addition, financial inclusion, digital capacities, MSME development, green growth, and climate resilience. It further aligns with the United Nations Sustainable Development Cooperation Framework (UNSCDF) 2023–2027, which outlines the United Nations Country Team's (UNCT's) collective efforts to support GRZ's national priorities – especially under Strategic Priority 1 (Prosperity).
9. The project aligns with key national strategies, such as i) the NFIS II, 2024-28 focusing on rural financial inclusion, support for agriculture and small businesses, reaching underserved groups, and promoting green financing; ii) the National Agriculture Policy (2012-30) and related investment plan CATSP (2022-26) and recently launched financing facility (SAFF, 2023).; iii) the Revised National MSME Development Policy (2023); iv) the National Gender Policy (2023); v) Zambia's Employment Act (2019), vi) the National Youth Policy (2024); vii) the National Adaptation Plan for Zambia (2023); viii) National Green Growth Strategy 2024-2030; ix) Updated National Determined Contributions (2021); and x) National Policy on Climate Change (2016).
10. FIRIP also aligns with IFAD's 2016-2025 Strategic Framework and mainstreaming priorities and the 2019-2024 COSOP[11], emphasizing rural development, financial inclusion, climate adaptation, and sustainable livelihoods. It complies with IFAD's policies and strategies on Inclusive Rural Finance (2021), Poverty Targeting (2023), Gender Equality and Women Empowerment (2021), Private Sector (2011), Environment and Climate Change (2019-2025), and its Social, Environmental, and Climate Assessment Procedures (SECAP, 2021).
11. FIRIP will complement initiatives by key development partners (DPs), such as the EU-funded Enterprise Challenge Fund II and GIZ's CREATE II, particularly in the areas of climate resilience and smallholder-inclusive VCs.

### 1.4 Portfolio and Lessons Learned

12. IFAD's portfolio currently consists of the Enhanced Smallholder Livestock Investment Programme (E-SLIP; 2014- 24), which received additional financing of \$US 7.9M (repurposed from E-SAPP) and has requested for a two-year extension. Recently closed projects included RUFEP (2013-24), the Smallholder Production Productivity Programme (S3P, 2020) and the Enhanced Smallholder Agribusiness Promotion Programme (E-SAPP, 2022).
13. The portfolio is set to expand in 2025, following progress towards debt restructuring and IFAD's recognition by the GRZ as a creditor of choice, following IMF approval. The GRZ's proposed pipeline projects for IFAD 13 are the operationalisation of the Village Industries Services Commission Project, and the Zambia Emergency Irrigation Support Project.
14. FIRIP builds on lessons from RUFEP, other rural finance (RF) projects, other projects in Zambia, and the recently concluded project cluster evaluation on RF in the East and Southern Africa (ESA) region. These include:
  - Building access points for first-generation Digital Financial Services (DFS) through agent networks and mobile money can foster rapid progress in financial inclusion (FI), especially in rural areas with no or limited presence of formal FSPs. It also prepares the ground for more client-centric, second-generation financial services responding to specific needs of target groups. FIRIP will thus continue supporting basic financial access points in financially excluded rural areas.
  - Generic DFS based on mobile banking do not respond well to many of the specific needs of different rural target groups often leading to low account usage. Client-centric financial services and delivery mechanisms responding to the needs of smallholders, women, rural youth, and of specific sectors and purposes such agriculture, climate smart and green technologies, can address this gap. Developing and rolling out such services is expensive and risky for private FSPs. FIRIP will therefore co-finance related costs, along with training and capacity building needs.
  - IOFs are comparatively low-cost, demand-driven instruments that encourage private sector buy in, leverage local knowledge and foster innovations. FIRIP will build on RUFEP's IOF, with some adjustments to reflect new priorities.
  - A conducive enabling policy and institutional environment is critical for the roll out of inclusive and client-centric rural financial services at scale. While Zambia has several specific enabling policies, regulations and instruments in place [\[12\]](#), implementation and institutional capacity gaps remain. FIRIP will help address these, along with needs for new policies, regulatory instruments and institutional capacities.
  - In high interest-rate environments linked to macro-policy issues and small financial sectors, low supply of credit at high interest rates can pose a major challenge for farmers and rural MSMEs to expand viable economic activities. FIRIP will address this issue through a BFF providing lower priced loanable funds to viable borrowers.
  - In line with international best practices, blending facilities should be managed in accordance with highest professional standards and without political interference in operational decisions. FIRIP's BFF will therefore be managed by an independent FM operating under a strong governance structure.
  - Evaluations of IFAD rural finance projects often revealed weaknesses in properly monitoring numbers and types of beneficiaries, use of financial services by target groups and their impacts on beneficiary livelihoods. FIRIP will have a strong ME&KM system with clear data requirements for all IPs, ongoing guidance and capacity building, and a focus on analysis of how using financial services translates into economic growth, increased resilience and improved livelihoods.
  - A lean Project Coordination Unit (PCU), with only one RF specialist as was the case in RUFEP, is inadequate to provide appropriate implementation support. FIRIP PCU will be staffed with a range of skills sets, including two RF Specialists, an Environment and Climate Adaptation Specialist, and a Gender, Targeting and Social Inclusion Specialist, among others.
  - Startup delays have negatively impacted overall project performance, primarily due to delayed recruitment of PCU staff. On average, the Zambia portfolio experiences a delay of approximately 11 months between approval and the first disbursement. To mitigate these startup delays, the FIRIP design has incorporated a startup plan to be managed by the RFU to expedite the recruitment of key PCU staff within the first six months. RFU's experience with RUFEP will provide support helping the PCO to become fully operational quickly.
15. FIRIP will also draw on complementarities with two additional climate finance pipeline projects currently under development, namely: (i) the second phase of the Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM) – at concept note stage; and (ii) the Climate Adaptation of Livelihoods through Rural Finance project (CALRF), a US\$ 10m Adaptation Fund (AF) grant – at proposal review stage by the AF Secretariat. ARCAFIM will provide climate finance through private banks complementing FIRIP's financial and technical support to FSPs. CALRF will strengthen climate resilience and adaptive capacities of rural people in select districts enhancing their ability to access and use the financial products introduced by FIRIP.

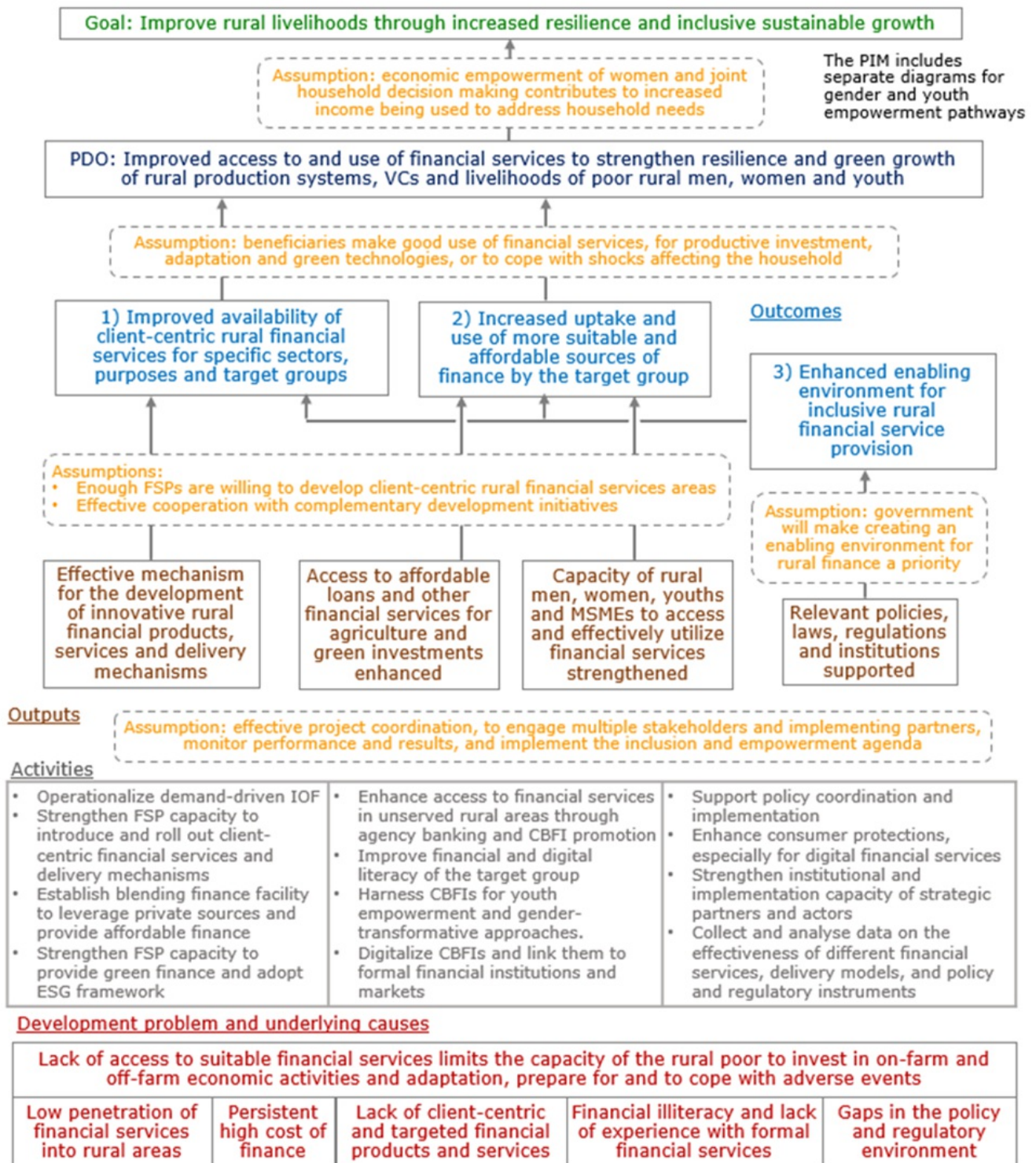
## 1.5 Rationale and IFAD's comparative advantage

16. FIRIP will promote access to financial services, which remains a major challenge in rural Zambia. FI increased much faster in urban areas (from 70.3% to 83.8%) compared to rural areas (from 50.1% to 56.9%) between 2015 and 2020, resulting in a widening gap[13]. FI among youth and women improved substantially and the gender FI gap diminished to 3.3% in 2020. However, advances in FI have mainly been driven by first-generation DFS, notably the rapid expansion of mobile money. Important issues remain around sustained use, quality, diversity, and costs of services. Client-centric financial services responding to the diverse and specific needs of smallholders, women, youth, and rural MSMEs remain scarce. About 40% of farmers are financially excluded and less than 0.5% accessed formal agricultural credit in 2023. Among MSMEs, only 6.5% have bank accounts and 7.9% applied for loans during 2017-2022[14].
17. The growing intensity and frequency of droughts and floods are threatening the livelihoods of 60% of the population dependent on agriculture (Mubanga et al. 2020). Rural households are also affected by recurrent health crises, and macro-economic, production and market risks. Social challenges include gender inequality, chronic malnutrition, and limited access to land, labor markets and other markets, especially among youth. Gender-based violence remains significant, affecting with 52% of women experiencing physical violence.[15] Women and youth have a huge untapped potential to contribute to Zambia's economic growth and development if access to financial services, labour markets, and productive assets is improved[16].
18. Better access to a broader range of client-centric financial services can promote social inclusion, enhance resilient livelihoods, facilitate productive investments in agriculture and enhance adaptation to climate change, supporting GRZ to deliver on its related policies. Building on IFAD's long-standing experiences in inclusive RF and on RUFEP's achievements, FIRIP will further advance the rural FI agenda in Zambia, with a stronger focus on second-generation, client-centric financial services that will help smallholder farmers and associated MSMEs to better manage risks, adapt to climate change and enhance productivity and income.

## Chapter 2: Project/Programme Description

### 2.1 Theory of Change

19. FIRIP's target group includes poor rural men, women and youths facing high levels of vulnerability to climate change, health and other shocks, and with weak integration in well-functioning markets and VCs. Agriculture is an important source of income and livelihoods, often supplemented by off-farm Income Generating Activities (IGAs). Rural FI remains low and some rural areas lack any formal financial access points. Moreover, there is a dearth of client-centric financial services responding to the needs of specific sectors (agriculture), purposes (climate adaptation), and target groups (smallholders, women, youth). Such FI gaps limit the capacity of FIRIP's target groups to manage risks, prepare for and cope with shocks, and invest in on-farm and off-farm economic activities, as well as in climate smart and green technologies. Underlying causes for this development problem include: low penetration of FSPs into rural areas; high interest rates and costs of finance; low FSP capacity to offer client-centric financial products; financial illiteracy; and gaps in the policy environment for inclusive RF.
20. FIRIP will address these challenges by enhancing FSPs' capacity to expand their rural outreach and offer a range of client-centric financial services catering for the needs of different target groups. This support will be delivered through an IOF that will cost-share the development, piloting and rollout of innovative products, services and delivery mechanisms; strengthen FSPs' capacity to provide finance for agriculture, climate smart and green investments; and support further rollout of existing services to underserved rural areas. An assumption is that enough FSPs are willing and able to develop and roll out such services. The improved delivery capacity of FSPs including through the use of digital innovations and delivery channels is expected to lead to a decline in costs to end-users. In addition, a BFF will be established that leverages additional private funds from banks and MFIs through concessionary funds from IFAD and GRZ. The lower average costs of funds for FSPs are expected to result in an equivalent interest rate reduction - through negotiations with FSPs during their accreditation -leading to increased access to affordable loans by FIRIP target groups.
21. These interventions will lead to improved availability, uptake and use of client-centric financial services for agriculture, climate smart and green investments catering for the specific needs of FIRIP target groups. The above also requires these target groups to have the skills to properly manage their finances at household, farm and enterprise level and make adequate investment decisions. The project will strengthen financial and digital literacy of poor smallholders, youth and women; and enhance their business skills and knowledge about green and climate smart technologies. In addition, FIRIP will collaborate with other complementary development initiatives that focus on non-financial services and capacity development in these areas. An assumption building on consultations during design is that effective cooperation with several complementary development initiatives would be feasible.
22. The improved availability and use of financial services by the target group will foster growth and diversification of rural production systems and VCs and strengthen resilience and safety nets. Increased use of savings and insurance products along with investment in climate-smart agriculture, will strengthen resilience and reduce the need for distress sales of assets in adverse events. More resilient households are more willing to invest in productivity-enhancing and green technologies facilitated through a broader range of loan product available to FIRIP target groups. Jointly, these results will contribute to improved livelihoods and increased resilience of poor rural households and to inclusive and sustainable growth..



23. The above must take place within an enabling policy and regulatory framework for inclusive RF, which requires support for GRZ's efforts to provide such environment. This would include the development or strengthening of policies, laws, and regulations and their implementation. It would further include enhanced policy coordination and coherence and strengthening institutional capacities of key macro and meso-level actors. An assumption is that GRZ would sufficiently prioritize the enabling environment for RF.
24. RUFEP has shown the impact of RF services on women economic empowerment, enabling them to gain control over their income and play a stronger role in household decisions. FIRIP would build on and scale-up this experience and integrate household approaches in CBFi development. Household approaches and empowerment of female clients will lead to more joint decision making among spouses and youth resulting in better use of finance for different household needs. In this context, improved access to financial services would contribute to empowerment, agency, relational and structural change, and policy change. Contributing factors would include capacity building for CBFIs, which predominantly consist of women; increase in women controlling their own finances as group members and through mobile wallets, and improved household-level decision making.

25. FIRIP will also be youth-sensitive: young people would benefit from financial services as group members, capacity building, and employment creation by SMEs that access financial services. Providing training on gender and youth sensitive approaches for FSPs would improve their ability to design and deliver demand-driven financial services to women and youth.

## 2.2 Targeting Strategy

26. **Programme area.** FIRIP will focus on underserved rural areas nationwide, to be identified through a demand-driven process guided by clear selection criteria and cost-sharing arrangements. The expansion of formal financial access points (IOF Window 1) will focus on financially-excluded rural districts to be identified in collaboration with Bank of Zambia (BoZ) and Zambia Information and Communication Technology Agency (ZICTA) at project start. [17] Client-centric financial services for agriculture, rural MSMEs, greening and climate resilience (IOF Windows 2 and 3, BFF) will be rolled out in poor rural areas with basic financial and economic infrastructure and services in place, and where demand and absorption capacity for financial services exist. To ensure the latter, priority will be given to areas where complementary GRZ and DP funded initiatives are strengthening relevant capacities of FIRIP target groups such as financial and business skills, climate smart agriculture (CSA), market access and inclusive VCs [18].

27. Following RUFEP's approach, the identification of specific areas, client groups, VCs or livelihood activities and respective financial service response will rest with FSPs and other IPs leveraging their knowledge of local conditions and opportunities and their willingness to share 40-50% the costs of rolling out new service to FIRIP target groups. Promising VCs include horticulture, small livestock, maize, soyabean and legumes production, given their potential for enhancing resilient livelihoods of local communities, and complementary assistance from the GRZ.

28. **Target groups:** FIRIP's outreach includes 370,110 unique beneficiaries through improved access to financial and employment generated, including 315,511 through access to financial services, and 54,599 through jobs creation (excluding beneficiaries benefitting from both). With an average household size of 5, the total number of beneficiary household members is 1,850,550 (16% of all rural households).

29. Target beneficiaries are divided into three categories:

- **Category 1: 227,078 semi-subsistence smallholder farmers and rural micro-enterprises** (about 72% of all beneficiaries) selling less than 25% of their farm production. Most are land-constrained, farming on less than 2 ha even though some farm up to 5ha. This category includes many poor women and youth and the lower echelon of micro-enterprises engaged in small-scale IGAs providing part-time employment. People in this category are highly vulnerable to climatic, health-related and other shocks therefore relying on a diversified portfolio of livelihoods activities, on and off-farm including wage employment. They have limited access to formal financial services and mainly rely on informal finance and safety nets, such as saving in kind and borrowing from family and friends, with some being engaged in CBFIs. The main intervention strategy will be savings-based, linked to CBFi promotion and include financial literacy and business development training combined with household approaches, youth specific interventions, and linkages to formal financial institutions and markets. Some beneficiaries will be reached through innovative microfinance products (including micro insurance and client-centric savings and loan products), DFS, and linkages to MSMEs through inclusive business models.
- **Category 2: 86,126 market-oriented smallholder farmers and micro-enterprises** (27.3%) includes smallholder farmers with better farming skills who are selling more than 25% of their farm output. Most have a higher land endowment - between 1-5ha – along with better access to markets and other support services. Still, they lack access to suitable financial services to increase productivity and better manage climate and other risks. Micro-enterprises are owner-operated with few employees, mainly engaged in aggregation, collection, and marketing of agricultural products, as well as other rural businesses. Category 2 beneficiaries are better positioned to access client-centric financial services from formal FSPs such as different types of agricultural loans, innovative savings and insurance products, or VC finance innovations such as warehouse receipts. They will also receive a substantial share of the loans extended under the BFF.
- **Category 3: 2,307 emergent farmers and rural SMEs** (0.7%) play important roles as conduits for market and VC integration by providing inputs (often through buyer or supplier credit), support services and market outlets to smallholder farmers, e.g., through outgrower schemes. Emergent farmers (20-100 ha) and rural SMEs are important sources of decent jobs for youth, women, and other vulnerable groups. Still, only very few of them have access to formal financial services and access to credit frequently comes out as number 1 constraint in SME surveys. They will benefit from BFF loans for working and investment purposes including in green and climate resilient technologies, along with VC finance and DFS innovations. To benefit from FIRIP support, they must have demonstrated forward and backward linkages with beneficiaries from the first two categories as described above. Most of the funding received by these enterprises will be channelled to Category 1 and 2 beneficiaries through VC finance arrangements, extension support and/or through creation of decent jobs, especially for women and youth.

30. Women will account for at least 40 per cent and youth aged 19-34 years for 30 per cent of all beneficiaries (52% and 26% of the total target population, respectively).

31. **Targeting Strategy.** FIRIP will use blended targeting measures to ensure that investments promote sustainable financial inclusion, resilience, poverty and food insecurity for poor and excluded groups such as smallholders, women, youth, persons with disabilities (PWDs), Persons Living with HIV/AIDS and other vulnerable groups. Beyond geographic targeting, the following targeting measures will be used:

- **Self-targeting:** working with pro-poor IPs (e.g., CBFi Promoters, MFIs), developing financial services and delivery mechanisms coupled with training and mentoring tailored to the needs of different target groups.
- **Empowerment and capacity-building:** different interventions (including household methodologies within CBFi promotion) to build capacities of smallholders, women and youth in financial and business management enabling them to gain trust, confidence, and skills to improve their social and economic status building on better access to financial services and markets. Sensitization and capacity development of IPs including FSPs.
- **Direct targeting:** Making it mandatory for g Category 3 beneficiaries to provide tangible support to Category 1 and 2

beneficiaries in a demonstrated, measurable way (e.g., in the form of lending, extension services, and off-taking arrangements). Incentivising sub-projects targeting smallholders, youth and women through specific selection criteria under the IOF. Leveraging CBFIs and their community networks to enhance inclusion of marginalised groups.

- **Enabling measures:** Promoting a conducive policy and institutional ecosystem that supports empowerment of youth and other target groups and transformation of gender relationships.
32. **Youth empowerment.** FIRIP will support the development and uptake of a broader range of youth-centric financial services to foster self-employment through IGAs that are appropriate for young men and women. It will further improve youth' skills through digital and financial literacy and entrepreneurship training[19] that would enable them to take advantage of these opportunities. The above will go in tandem with increasing youth participation in decision-making, and with job creation in rural and agricultural VCs.
33. **Job creation.** Based on the employment trends in agriculture and MSMEs, FIRIP's activities are expected to generate 145,430 new jobs resulting from improved access to finance and other support services, as follows: i) around 40% of category 1 beneficiaries are expected to expand their farming and other IGAs to the equivalent of full-time self-employment; ii) 50% of farmers and micro enterprises in category 2 are expected to employ one additional person full-time following an expansion of their operations; iii) SMEs and emerging farmers are estimated to generate five new jobs on average. In order to avoid double-counting of beneficiaries, only persons incrementally employed by beneficiaries of categories 2 and 3 are considered as additional beneficiaries towards the logframe target (totaling 54,599). The 90,840 persons achieving full-time self-employment are already counted as beneficiaries under recipients of financial services.
34. **Gender equality and women empowerment:** FIRIP will contribute to increasing women economic empowerment through enhanced access to financial services. The integration of household approaches in CBFIs will foster joint decision-making using household financial management as an entry point. It will further contribute to more balanced and reduced workloads for women, more equitable use of productive resources, a reduction of GBV[20], and increased female representation, voice and role in decision-making, at household and community level. Combined with training and sensitization of FSP, other IPs and strategic partners, and with incorporation of gender analyses in policies and programmes for inclusive RF and development[21], FIRIP will contribute to transforming gender norms in rural areas.

## 2.3 Project/Programme Objectives

35. The **Overall Goal** of the project is to Improve Rural Livelihoods through Increased Resilience and Inclusive Sustainable Growth.
36. The **Project Development Objective (PDO)** is "Improved access to and use of financial services to strengthen resilience and green growth of rural production systems, VCs and livelihoods of poor rural men, women and youth". The expected outcomes and related indicators and targets are summarized below:

**Outcome 1:** Improved availability of sustainable client-centric rural financial services for specific sectors and groups

- Number of new financial products, services and delivery mechanism deployed (24);
- Number of access points for formal financial services established with project support (22,500);
- CI 1.2.6 Partner financial service providers with a Portfolio at Risk (PAR)  $\geq$  30 days below 5% (62%);
- CI 1.2.7 Partner financial service providers with operational self- sufficiency above 100% (62%);
- Proportion of non-performing loans (>90 days) in the loan portfolio of banks: Agriculture, small and emergent (<5%); MSMEs (<10%)

**Outcome 2:** Increased uptake and use of more suitable and affordable financial services by the target group

- CI 1.2.5. Households reporting using financial services (296,088[22])
- SF 2.1 Households satisfied with project-supported services (296,088).

**Outcome 3:** Enhanced enabling environment for inclusive rural financial service provision.

- Annual Volume of Lending to Smallholder Farmers (US\$2 million).
- Formally financially included adults in rural areas: 57% (Baseline 44%).

37. FIRIP's development objectives include the following **mainstreaming themes**:

- **Gender-transformative** as reflected in the Empowerment indicator *Individuals Demonstrating an Improvement in Empowerments* (IE.2.1) which a targeted empowerment score of 40% (50% among women and 30% among men). Moreover, 10% of all households are expected to report that they can influence decision-making of local authorities and project-supported service provider (SF 2.2).
- **Youth sensitive** measured through the Core Indicator 2.2.1. *Beneficiaries with New jobs/employment Opportunities*, with a target of 145,430 new jobs created.
- **Building adaptive capacities**, with a target of 83,604 households reporting adoption of environmentally sustainable and climate-resilient technologies and practices (CI 3.2.2). The project will also allocate 40% of its IFAD project costs with climate finance as per the IFAD12 targets.

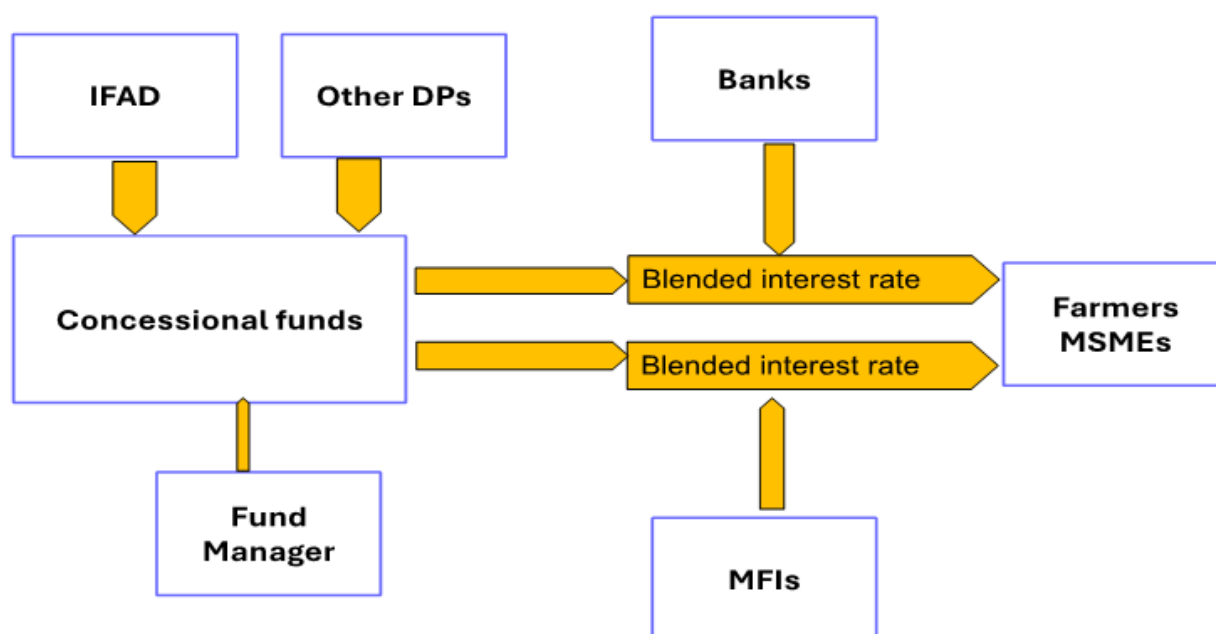
## 2.4 Component, Sub-component and Activities

38. FIRIP will have two technical components and one component for project coordination and KM.
39. **Component 1: Improved availability and uptake of sustainable client-centric rural financial services** will contribute to Outcome 1: Improved availability of sustainable client-centric rural financial services for specific sectors and groups; and Outcome 2: Increased uptake and use of more suitable and affordable sources of finance by the target groups. This component will strengthen FSPs' capacities to expand their service offerings into underserved rural areas and provide client-centric financial services to smallholder farmers, women, youth and rural MSMEs, for increased resilience and investments in agriculture, green and climate smart technologies. It will also strengthen the capacity of the target groups, especially smallholder farmers, women and youth, to access and use these financial services properly.
40. This will be achieved by two mutually-re-enforcing subcomponents:
41. **Subcomponent 1.1: Innovative products and delivery mechanisms for inclusive rural outreach** will be implemented through an IOF, building on RUFEP's model but with some modifications such as a stronger focus on: i) agriculture, green and climate smart technologies; ii) youth and women financial inclusion and empowerment; and iii) higher cost sharing by IPs. The IOF will co-finance demand-driven sub-projects implemented by FSPs (Banks, MFIs), CBF Promoters and other service providers<sup>[23]</sup> to expand financial services to underserved rural areas, population segments and for agriculture, green investments and climate adaptation. The IOF will support participatory and client-centric market research; feasibility studies; testing, piloting and roll-out of services; training of FSP staff and clients; Technical Assistance Services (TAS); and other costs related to piloting and roll-out.
42. **Proposals** will be assessed and evaluated according to various criteria including technical quality and financial viability; types and number of beneficiaries reached; relevance for FIRIP objectives and target groups; innovativeness of the proposal and scope for scaling up and sustainability; institutional strength and commitment by the applicant, etc<sup>[24]</sup>. Applicants are encouraged to form partnerships with complementary government and donor-funded programs that are strengthening FIRIP target groups' capacity to access and use the financial services, as mentioned in para 25. These partnerships could be operationalized either through joint applications under the IOF or through close coordination during implementation, e.g. by working in in the same areas and with the same beneficiary groups.
43. The IOF will have 3 windows<sup>[25]</sup>:
44. **Window 1: Financial Inclusion of Unserved Areas and Population Segments** will target rural areas with little or no financial infrastructure and co-finance access points through banking agents and expansion of basic payment, money transfer and savings products. It will also develop and strengthen CBFs<sup>[26]</sup> with a focus women and youth empowerment, and where feasible, digitalize and link CBFs to formal FSPs to enhance members' access to a larger range of financial services.
45. **Window 2: Financial Innovations for Smallholder Agriculture** will support the development of innovative and client-centric financial products and delivery mechanisms to reach SHF and MSMEs in agricultural VCs at lower costs and risks. This may include: i) specific agricultural loan products for working and investment capital needs taking into account seasonalities and gestation periods, e.g. for farm inputs, mechanisation, storage, processing, etc; ii) tailored savings products for inputs and investments (possibly linked with loans); iii) innovative VC finance arrangements (e.g., warehouse receipt financing, invoice discounting, digitalization of payments, buyer and supplier credit); v) innovations in risk management (e.g., agricultural credit scoring, alternative collateral, geodata); and vii) digital delivery and payment mechanisms, especially targeting SHFs, youth and women. In addition, commercial, marketing, business and financial management skills of smallholder farmers and their organizations will be strengthened to enhance market and value chain integration and their ability to use financial services properly<sup>[27]</sup> (view paras 68,70,74 and 129 in PIM).
46. **Window 3: Financial Innovations for Green Investments and Climate Resilience** will support the development of specific financial products for investments in green and climate resilient technologies in agricultural and non-agricultural VCs. Emphasis will be placed on technologies that mitigate drought related risks (e.g., drip irrigation equipment, water harvesting facilities, drought-tolerant seed varieties, shade nets, green houses, etc.), along with renewable energy along the value chain (e.g., solar powered irrigation, biogas/biodigesters, energy saving cook stoves), cold storage, processing, waste and water treatment and reuse, climate-proofing productive infrastructure, and circular economy related technologies. Innovative weather insurance models will also be eligible for support.
47. **CBFI promoters** can apply under all three windows, depending on the specific interests of their associated CBFs. Sub-projects under Window 1 will support CBFs with diversified livelihoods whereas Window 2 will target groups interested in further developing agricultural activities, either individually or as a group. Window 3 will strengthen knowledge about green and climate smart technologies and assist CBF members in their adoption. Cross-cutting support will include financial and digital literacy training, strengthening of commercial, business skills and marketing skills, as well as linkages with FSPs, markets and VC actors. Another cross-cutting priority is a stronger focus on youth empowerment and gender transformative approaches, including through household methodologies.
48. The IOF also offers a small facility to co-finance market research and feasibility studies that can help applicants to prepare: i) detailed and evidence-based proposals to be supported under the IOF; ii) a pipeline of eligible borrowers to be funded by the BFF, or iii) identification of partners / complementary programs strengthening target groups' capacity in the aforementioned areas thereby enhancing their ability to access and use financial services properly.
49. Co-financing requirements have been increased, based on RUFEP experiences, to ensure strong buy in from IPs and enhance sustainability of the product innovations supported. IPs are required to co-finance 50% of subprojects costs under Window 1, and 40% under Windows 2 and 3, respectively, given their higher levels of risks and need for innovation. FIRIP will co-finance 80% of the costs of CBF sub-projects and 50% of the cost of market research and feasibility studies.

## Subcomponent 1.2 Increased access to affordable finance for agriculture and green investment

50. This sub-component will establish a BFF to crowd private capital into agriculture, climate smart green investments, while reducing the cost of funds for FSPs and the resulting interest rates for end borrowers[28]. The BFF responds to the problem of very high interest rates in Zambia resulting from macroeconomic instability, high-risk primes for international funding, along with high distribution costs and risk in rural areas. It also provides longer-term funds to enable banks and MFIs to provide more investment loans at lower costs.
51. The BFF will be initially capitalised with concessionary funds from IFAD and GoRZ by way of pricing, tenor and repayments for on-lending through Participating FSPs (PFSP). During implementation, other sources of concessionary funding may contribute to the pool. A mechanism for a second-level blending of concessionary funds with matching contributions by each PFSP will be established. The blended cost of funds would differ for each PFSP, depending on its average costs of funds and BFF's lending rate. Interest rates chargeable to end-borrowers (farmers, etc) shall be based on a negotiated process, balancing the needs of the FSP and borrowers following the principles of responsible lending[29].

# Blended Finance Facility



52. The BFF will operate through two windows: for banks and MFIs, respectively. Banks would have to co-finance 50% and MFI's 40% of eligible sub-loans, in view of their limited resource pool and higher costs of funds. The BFF will co-finance a pipeline of eligible sub-loans issued to incentivise agricultural, climate and green finance at more affordable costs. The BFF will also co-finance agricultural or green loans introduced under the IOF. This includes loans for working and investment capital purposes for farmers and MSME along agricultural VCs, such as mechanization, storage and processing, as well as VC finance arrangements such as outgrower schemes and supplier credit. Specific emphasis would be on green and climate smart technologies such as various scale of irrigation equipment, along with renewable energy along the value chain (e.g., solar powered irrigation, biogas/biogas, energy saving cook stoves), cold storage, processing, waste and water treatment and reuse, and climate proofing and circular economy related technologies (as mentioned under IOF Window 3 above). Within the above, lending to youth, women and smallholders would be a priority. While most direct lending would flow to farmers and MSMEs in categories 2 and 3, important spillover effects are expected from Category 3 loans through outgrower schemes and supplier credit arrangements benefitting SHFs. FSP may be supported under the BFF and IOF simultaneously.
53. The BFF will be operated by an independent, professional fund management team/firm which will also set up the fund and finalize its operational structure. FSPs will be accredited based on satisfactory financial performance, demonstrated ability to finance FIRIP target groups and a pipeline of eligible sub-loans[30].
54. Both the IOF and the BFF will complement the recently launched SAFF which provides crop insurance and partial credit guarantee coverage to loans issued by banks to small and emergent farmers under the scheme[31]. The IOF will help banks and MFIs to design and effectively deliver loans to farmers across various value chains while the BFF will provide access to lower-cost and longer-term funds. FIRIP will help SAFF to reach smaller farmers and bring MFIs into the scheme[32]. TA to strengthen SAFF's policies and implementation modalities will be funded under component 2.



55. **Component 2: Enhanced enabling environment for inclusive rural financial services** will address critical bottlenecks for providing client-centric and affordable financial services in rural areas at scale. It will tackle broader policy, legal and regulatory issues; strengthen implementation capacities of key actors; contribute to KM; and help mainstreaming cross-cutting themes in RF such as gender and youth empowerment, ESG, climate change, etc. Longer term support for developing policies, legal and regulatory instruments and their implementation will be provided through Strategic Partnerships (SPs) with macro and meso-level actors based on the successful experiences under RUFEP. This will be complemented through specific trainings, capacity development, KM and TA for various actors at meso and micro-level.
56. Strategic partners are actors that have a catalytic role in facilitating the expansion of IRFS at scale. SPs are identified and formalized through a demand-driven process based on certain principles and procedures outlined in the PIM. Two SPs have been tentatively identified during design: Bank of Zambia (BOZ) may be supported in automating its complaints mechanism for fraudulent practices in DFS in collaboration with ZICTA; implementing its recently launched Green Finance Framework; and supporting proper ESG frameworks among FSPs. The Savings-Led Microfinance Network of Zambia (SaveNet) may be supported in developing i) a geo-referenced CBFi database; and ii) methodologies and training content for incorporating GTA and inclusion of youth, males and PWDs in CBFIs. Other SPs will be identified during implementation.
57. Trainings, capacity development, and studies for various actors and key stakeholders include: i) a series of workshops on emerging topics and innovations in inclusive rural, agricultural and climate finance for FSPs; ii) FSP trainings on climate risk management; iii) TA for PFSPs on developing or improving internal ESG policies, along with Environmental and Social Action Plans (view SECAP appendix 1); iv) gender audits assessing current methodologies of CBFi Promoters for gender and youth empowerment, including household approaches and other GTAs; v) developing training material and conducting trainings for CBFi Promoters and FSPs on women and youth empowerment and GTAs.
58. Other TA and studies will strengthen the capacity of key meso-level institutions and government initiatives supporting agricultural and rural MSME finance. This will include TA to strengthen the SAFF and the Zambia Credit Guarantee Scheme (ZCGS) ; and to assess options for a permanent institutional structure for the BFF as part of FIRIPs exit strategy.
59. Component 3 will deal with project coordination and management, M&E, and KM further described in Chapter 3.

## 2.5 Sustainability, Scaling Up and Exit Strategy

60. FIRIP's strategies for sustainability, scaling up and exit are closely intertwined. The project will enhance FSPs' capacity to provide client-centric financial services sustainably, along with FIRIP target groups' capacity to use these services to strengthen their resilience and livelihoods. It will further improve the enabling environment for the sustained provision and use of IRFS at scale. The above will be achieved through market creating interventions that crowds in commercial finance into underserved rural spaces setting the base for continuation and scaling up of innovative approaches. All interventions combined are expected to lead to sustainable rural financial market expansions beyond project duration.
61. FIRIP aims for sustainability across five dimensions:
1. *Socio-Economic Sustainability*: FIRIP adopts an inclusive approach targeting poor and financially excluded rural population segments through saving-led interventions accompanied by strong investments in training, capacity development and mentoring. CBFIs play a significant role in enhancing economic and social sustainability at community level including providing much needed safety nets. Specific emphasis is placed on including youth and women beyond access to financial services, through targeted empowerment measures and approaches that help transform social norms and gendered entrepreneurship ecosystems. Beyond strengthening resilience and diversifying livelihoods, a part of category 1 beneficiaries will access formal financial services, grow their enterprises and have better access to markets and VCs. This will be fostered through client-centric financial services and inclusive business models promoted for beneficiary category 3.
  2. *Institutional Sustainability* will be achieved by FIRIP's focus on institutional capacity development at all levels: Support to catalytic actors at macro- and meso-level through SPs will enhance their capacity to provide critical regulatory and support services strengthening the enabling environment for sustainable IRFS. TA for important GRZ initiatives such as the SAFF and ZCGS will contribute to enhance their sustainability and impact. Options for a more permanent institutional setup for the IOF and BFF will also be developed in consultation with public and private stakeholders. At micro-level, institutional capacities of FSP and CBFi will be strengthened through TA based on cost-sharing to ensure strong buy-in for sustainable outcomes.
  3. *Technical Sustainability* will be achieved through TA along with knowledge creation and sharing among key sector professionals and institutions to improve learning and enhance the calibre of skills and competencies in the IRFS ecosystem. Technical sustainability will further be strengthened by partnering with other development initiatives addressing complementary technical areas related to the investments financed by FIRIP. Last, being hosted in the RFU and working closely with MoA and other Ministries during implementation, FIRIP will ensure technical sustainability beyond its closure.
  4. *Environmental/Climate Change Sustainability*: FIRIP will promote specific financial services to enable the uptake of green and climate smart technologies by its target groups along agricultural and non-agricultural value chains. In addition, an environment and social exclusion list is promoted at the inception of the BFF and IOF to guide the investment activities, ensuring environmental sustainability. These strategies are built upon the environmental and climate change related aspects of the SECAP analysis to ensure they respond to the felt needs of the sector. The integration of Environmental and Social criteria into the lending process as part of broader efforts to strengthen ESG frameworks of PFPs will contribute to better risk assessment and management.
  5. *Financial Sustainability*: The co-financing requirements of 40% in cash under the IOF are designed to encourage FSPs to be strongly committed to the product innovations supported under the IOF also from a financial sustainability angle. TA will help to better understand the market, manage risks and calibrate systems to improve their credit processes, a critical long-term business management skill. PFSPs will be accredited based on satisfactory financial and institutional performance. Investments and activities financed by FIRIP beneficiaries need to be financially sustainable to attract external finance. In addition, financial management and entrepreneurship training at the CBFi level, combined with a savings-led empowerment strategy will ensure financial sustainability of the investments by FIRIP target groups. Lower interest rates under the BFF will support financial sustainability of borrowers while the co-financing requirement for PFIs under the facility will instil prudent lending decisions. The financial sustainability of the BFF will be ensured through an experienced FM independent of political influence which will also facilitate the mobilization of additional funds to grow its pool.
62. **Scaling-up** – FIRIP strengthens capacities of IPs to innovate and introduce new services and delivery mechanisms as well as to scale up existing ones (including those introduced under RUFEP. Once the financial, economic and social viability of new financial services and delivery mechanisms have been demonstrated, FSPs are likely to continue and scale up using their own resources. This also applies to the BFF: Once the concept has proven successful, other funders are expected to come on stream. Support to strengthening the broader enabling policy, regulatory and institutional environment along with training, capacity development and KM will further contribute to scaling up support at micro-level.
63. **Exit Strategy** – FIRIP's focus on working with a range of private institutions including FSPs, NGOs and apex bodies as IPs and on strengthening their technical and institutional capacities sets the basis for its successful exit. Higher cofinancing requirements under the IOF will incentivize strong FSP ownership of subprojects and the introduction of client-centric financial services that are financially viable and will be continued and expanded beyond FIRIP. Support for savings-based approaches through CBFIs helping them to become self-reliant constitutes a further building block for its exit. Technical support to critical public institutions and programs will enhance GRZ's capacity to take over rural finance support services and strengthen the enabling environment. As soon as the BFF has been established, FIRIP will liaise with other funders to source additional resources into the pool reducing the share IFAD funding. After mid-term, it will hold consultations with various key stakeholders including from GRZ and DPs on options to institutionalize the BFF and other support services (e.g., IOF) to ensure their continuity under proper management. This exit strategy will be supported through dedicated TA<sup>[33]</sup>.

## 2.6 Project financing

64. The total anticipated costs for FIRIP, including base costs and price contingencies are estimated at US\$ 49.8 million. Investment costs have been estimated at US\$43.7 million (89% of base costs), and recurrent costs at US\$5.2 million (11 per cent of base

costs). Price contingencies have been estimated US\$0.636 million.

65. **Component/Subcomponent Allocation:** Component 1: Enhanced Access to Client-Centric Financial Services and Delivery Mechanisms has been allocated US\$ 38.6 million (78 percent). Component 2: Enhanced Enabling Environment for Inclusive Rural Financial Services has been allocated US\$3.9 million (8 percent). The project management component 3 accounts for US\$ 7.2 million (14.5 percent). The summary of project costs by components and expenditure categories is presented in the table below.

**Table 2: Project costs by components/sub-components and financier**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Components by Financiers

(US\$ '000)

	GRZ		IFAD Loan 12		IFAD 13		Strategic Partners		Private Sector		Ben Contribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<b>1. Improved Availability and Use of Client-Centric Financial Services</b>													
1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach	22	0.2	1,027	9	6,745	57	-	-	4,041	34	-	-	11,835	24
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment	719	3	3,462	13	9,320	35	-	-	8,325	31	5,000	19	26,826	54
<b>Subtotal</b>	741	2	4,490	12	16,064	42	-	-	12,366	32	5,000	13	38,661	78
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>	235	6	1,941	49	1,511	38	300	8	-	-	-	-	3,987	8
<b>3. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowledge</b>	1,224	17	2,470	34	3,524	49	-	-	-	-	-	-	7,218	15
<b>Total PROJECT COSTS</b>	2,200	4	8,900	18	21,100	42	300	1	12,366	25	5,000	10	49,866	100

**Table 3: Project costs by expenditure category and financier**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Expenditure Accounts by Financiers

(US\$ '000)

	GRZ		IFAD Loan 12		IFAD 13		Strategic Partners		Private Sector		Ben Contribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<b>I. Investment Costs</b>													
Technical Assistance	443	11	2,313	55	1,024	24	-	-	450	11	-	-	4,229	9
Training	-	-	587	77	176	23	-	-	-	-	-	-	763	2
Goods, Services and Inputs	227	4	1,551	29	3,211	61	300	6	-	-	-	-	5,289	11
Equipment and Vehicles	66	13	425	86	5	1	-	-	-	-	-	-	496	1
IOF Window Grant	-	-	391	6	3,128	50	-	-	2,691	43	-	-	6,210	13
CBFI Window Grant	-	-	360	8	3,240	72	-	-	900	20	-	-	4,500	9
Lines of Credit	500	2	2,039	9	7,136	31	-	-	8,325	36	5,000	22	23,000	46
<b>Total Investment Costs</b>	1,236	3	7,667	17	17,919	40	300	1	12,366	28	5,000	11	44,488	89
<b>II. Recurrent Costs</b>														
Salaries and Allowances	646	15	1,016	24	2,648	61	-	-	-	-	-	-	4,310	9
Operating Costs	317	30	218	20	533	50	-	-	-	-	-	-	1,069	2
<b>Total Recurrent Costs</b>	964	18	1,234	23	3,181	59	-	-	-	-	-	-	5,379	11
<b>Total PROJECT COSTS</b>	2,200	4	8,900	18	21,100	42	300	1	12,366	25	5,000	10	49,866	100

**Table 4: Project costs by component/subcomponent and by year**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Project Components by Year – Totals Including Contingencies

(US\$ '000)

	Totals Including Contingencies							Total
	2025	2026	2027	2028	2029	2030	2031	
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>								
1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach	-	1,373	2,513	2,500	2,500	1,810	1,140	11,835
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment	-	5,452	5,648	5,661	5,675	3,688	702	26,826
<b>Subtotal</b>	-	6,824	8,161	8,161	8,175	5,498	1,842	38,661
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>	-	843	1,049	716	589	562	227	3,987
<b>3. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowledge</b>	674	1,282	1,011	1,071	1,048	1,042	1,091	7,218
<b>Total PROJECT COSTS</b>	674	8,950	10,221	9,948	9,812	7,102	3,160	49,866

### Project financing/co-financing strategy and plan

66. FIRIP will be financed as follows: The available IFAD financing is US\$30 million (60% of the total project costs) consisting of both IFAD 12 allocation of US\$8.9 million and IFAD 13 allocation of US\$ 21.1 million, which may be covered by subsequent cycles of the PBAS (under financing terms to be determined and subject to internal procedures and Executive Board approval). Should those resources materialize, it would bring the total IFAD contribution to US\$30 million. Domestic co-financing from Private Sector is estimated at US\$ 12.3 million (25%). This includes co-financing from FSPs under the BFF and co-financing of FSPs and other IPs under the IOF. Co-financing from the target beneficiaries is estimated at US\$5 million (10%). This contribution is 25% of the disbursement from the Banks and MFIs under the BFF.
67. Contribution from the Government of Zambia in form of both cash and in-kind (duties and taxes) and the strategic partners is estimated at US\$ 2.5 million equivalent to 5 percent of the overall financing (US\$2.2 million and US\$0.3 million respectively). The

summary of the financing plan is presented in the table below.

68. Contribution from the Government of Zambia in form of both cash and in-kind (duties and taxes) and the strategic partners is estimated at US\$ 2.5 million equivalent to 5 percent of the overall financing (US\$2.2 million and US\$0.3 million respectively). The summary of the financing plan is presented in the table below.

**Table 5: Financing Plan**

Republic of Zambia				
<b>Financial Inclusion for Resilience and Innovation Project (FIRIP)</b>				
<b>Financing Plan</b>				
(US\$ '000)				
	<b>Foreign</b>	<b>Local</b>	<b>Total</b>	<b>Percent</b>
GRZ	-	2,200	2,200	4
IFAD Loan 12	722	8,178	8,900	18
Financing Gap	1,909	19,191	21,100	42
Strategic Partners	30	270	300	1
Private Sector	1,263	11,103	12,366	25
Ben Contribution	500	4,500	5,000	10
<b>Total</b>	<b>4,424</b>	<b>45,442</b>	<b>49,866</b>	<b>100</b>

69. **IFAD Financing:** IFAD financing of US\$ 30 million (60% of total project costs) will be spread among the three components and the various activities. The component 1 will account for US\$ 20.5 million (69 percent); component 2 US\$3.4 million (12 percent) and component 3 US\$5.9 million (20 percent). FIRIP aims to allocate at least USD 12.9 million (43% of IFAD funding) to climate finance, primarily focusing on adaptation measures. Component 1 includes 44.75% of climate finance, while Components 2 and 3 comprise 16.3% and 40%, respectively.

## 2.7 Economic and Financial Analysis

70. **Summary of Benefits and Economic Analysis:** The Financial and Economic Analysis of FIRIP is different from a typical agriculture or livestock project, given its demand-driven nature. Moreover, as rural finance project, it cannot be anticipated how the beneficiaries will use the financial services and in which activities they will invest. Based on an assessment of the livelihoods of the main target beneficiaries, the main agricultural VCs, and the most pressing needs in terms of climate adaptation technologies, some illustrative farm and activity models have been developed to assess the investment in these financial products for different households who will be supported by FIRIP. In addition, reductions in transaction costs related to travel time and transport costs due to the introduction of DFS have been estimated.
71. **Target groups:** FIRIP's outreach includes 370,110 unique beneficiaries through improved access to financial and employment generated, including 315,511 beneficiaries through access to financial services, and 54,599 beneficiaries through job creation (excluding beneficiaries benefitting from both). With an average household size of 5, the total number of beneficiary household members is 1,850,550 (16% of all rural households).
72. **Project Benefits:** While some of the benefits will accrue from reduced transaction costs resulting from expanded and improved access to financial services, the most important benefits derive from the use of financial services for agricultural activities and related enterprises. For example, as a result of access to finance, households will have increased use of improved inputs and other means of production for agriculture; increased ability for households and enterprises to enter into primary processing of agricultural products based on the agricultural commodities and goods, both crops and livestock derived. These benefits will lead to higher incomes.
73. **Employment benefits:** Based on the employment trends in agriculture and MSMEs, FIRIP's activities are expected to generate 145,430 new job opportunities, with substantial share of these for youth. The EFA analysis has only taken into account 54,599 households which excludes self-employment of financial service beneficiaries to avoid double counting. These incremental benefits have been quantified and included in the overall benefits cash-flow. Some non-quantifiable benefits will come from selected support for strategic partners which will contribute to improvement of framework conditions for rural financial sector growth and outreach. The detailed financial analysis is presented in the EFA annex 4.
74. **Economic results:** FIRIP is projected to yield a baseline Economic Rate of Return of 34 percent with a positive Net Present Value of US\$38.7 million, equivalent to ZMW 969.2 million (1 US\$ <>25ZMW). Quantifiable benefits have been discounted over a period of 20 years including 7 years of project implementation period using a rate of 25.5 percent. The overall benefits cost ratio is computed at 3.7. The detailed economic analysis is presented in annex 4.
75. **Results of sensitivity analysis:** The results of the sensitivity analysis indicate that a change in benefits by 20% increase in costs and decrease in benefits using the same proportion, the project yields an ERR of 33.0% and 32.2% with positive NPVs of US\$36.2 million and US\$28.5 million, respectively. An increase in project benefits by either 10% & 20%, the project yields a higher IRR of 34.1% and 34.4% with positive NPVs of US\$43.8 million and US\$48.9 million, respectively. A delay in project benefits by 1 & 2 years still yields positive results as the two scenarios yield an IRR of 32.5% and 31.0% with positive NPVs. Results of the analysis indicate that the Project is only vulnerable to a 4 year delay in implementation as it yields very low ERR of 27.5% compared to the discount rate of 25.5% used for economic analysis. The summary of sensitivity analysis matrix is presented in the table below.

Sensitivity analysis matrix				
	%	IRR	NPV (US\$'000)	Link between EFA and IPRM
Base Scenario		33.8%	38,769	
Decrease of Project benefits	-10%	33.4%	33,654	The risk involving the non-repayment of loans provided to the target groups. Zambia is also currently grappling with considerable fragility and security concerns, precipitated by a severe drought that has been officially recognized as a national disaster and emergency which resulted in the loss of 1 million hectares from a total of 2.2 million hectares of cultivated crops.
	-20%	32.9%	28,539	
	-30%	32.3%	23,424	
Cost Increase	10%	33.4%	37,531	Vulnerability to potential increases in fuel prices and electricity tariffs, along with fluctuations in global fertilizer prices. Economic instability may arise from the debt crisis and delayed resolutions. External factors such as perennial droughts, volatile copper prices, and global geopolitical events could also present challenges
	20%	33.0%	36,293	
	50%	32.1%	32,936	
Delay of benefits	1 Year	32.5%	27,233	A risk associated with potential inability to effectively coordinate & enhance implementation arrangements that involve various government entities. Political tensions that may surface around election periods, potentially leading to instability and change of political commitment shifts. Significant policy gaps arising from fragmented initiatives like the NFIS II outside of the RFU, a risk undermining the project's implementation and its objectives
	2 Years	31.0%	18,040	
	3 Years	29.3%	10,715	
	4 Years	27.5%	4,879	
Increase of benefits	10%	34.1%	43,884	Promotion of climate-smart and sustainable agricultural practices, as well as green and climate-smart technologies. This will be achieved by leveraging CBF savings and establishing linkages to banking systems to facilitate the higher adoption of these practices.
	20%	34.4%	48,999	

## Chapter 3: Organisation and Management

### 3.1 Organisational set-up and Governance

76. **The Lead Programme Implementing Agency** will be the MoFNP, which has mandated the RFU created and supported under

RUFEP and housed by its Economic Management Division (EMD) to be directly responsible for FIRIP implementation.

77. **Programme oversight.** The **Programme Steering Committee (PSC)**, chaired by the Permanent Secretary (PS), Budget and Economic Affairs (BEA) in the MoFNP will oversee and guide program implementation. The PSC will have relevant representation at national level and provides oversight, policy direction and coordination between key government institutions. The PSC members include:
1. PS, BEA, MoFNP
  2. Director, EMD, MoFNP
  3. Assistant Director, RFU, EMD, MoFNP
  4. Chief Accountant, BEA, MoFNP
  5. Director, Financial Conduct, BoZ
  6. Director, Agribusiness Department, MoA
  7. Principal Economist, Investment and Debt Management (IDM), MoFNP
  8. PS, Ministry of Green Economy and Environment (MGEE)
  9. PS, Ministry of Small and Medium Enterprise development (MSME)
78. The PS serves as chairperson to the PSC and the Program Coordinator (PC) serves as Secretary (without voting rights). The PSC approves SPs under component 2 and supervises the overall implementation of the project under components 1 and 3. The PSC will convene semi-annually to offer guidance and review progress reports and AWPBs. During the initial 1 – 2 years, the PSC may meet more frequently on an ad-hoc basis to ensure smooth start-up in the establishment of the various instruments, committees and partnerships.
79. It is recommended that all or part of the members of the PSC who have actively participated in the FIRIP design process be transformed into a **Technical Advisory Group (TAG)** for Programme implementation. The group could also bring in other stakeholders from the rural finance/banking sector and should have at least half of its members coming from the private sector. The TAG will be co-chaired by the Director IDM and Director EMD. It will include directors from other relevant departments within the MoFNP, MoA and the MGEE in addition to other private sector players.
80. A **PCU**, composed of competitively selected or seconded staff, will manage the day-to-day operations of the programme. The PCU will have the following key technical staff to manage its implementation:
- Program Coordinator – (with strong professional background in rural finance)
  - Technical Specialist – Rural Finance (focus on Agriculture and Climate Finance)
  - Technical Specialist – Rural Finance (focus on CBFIs, linkage banking and DFS)
  - Gender and Social Inclusion Officer
  - Environment and Climate Adaptation Specialist
  - Monitoring, Evaluation and Knowledge Management (ME&KM) Officer
  - ME&KM Assistant
  - Financial Controller
  - Procurement Specialist
  - Procurement Assistant
81. PCU Specialists will manage some of the initial assessments, trainings and TA activities directly (especially under component 2). However, most activities will be implemented through IPs including SPs, FSPs, CBFi Promoters and other NGOs.
82. SPs under Component 2 will be identified during implementation. The IOF will be managed by the PCU under a specific governance structure ensuring a transparent and fair process. FSPs and other IPs will be engaged competitively through calls for proposals. For the BFF, an independent FM will be recruited by the PCU who will also provide the technical oversight.
83. **An independent Programme Vetting Committee (PVC)** oversees the approval of IOF grants. Based on RUFEP experiences, the PVC will be composed of technical specialists from a range of key government institutions such as MoFPD and MoA; sector apexes such as the bankers Association of Zambia and the Association of Microfinance Institutions of Zambia (AMIZ), as well as several representatives from the private sector well versed in finance recruited through a tender process. The PVC has authority to approve, defer approval and reject proposals.
84. Regarding the BFF, the PVC will receive from the FM team for approval and direction: (i) requests for accreditation of PFSPs, (ii) recommendations for subsidiary loan agreements at the concessionary wholesale level and FSP loans blended at the retail level to sub-borrowers, (iii) monitoring and financial reports for guidance, and (iv) proposed amendments to the operational guidelines of the BFF.
85. **Managing partnership arrangements.** The work of competitively selected IPs under Component 2 will be governed by grant agreements (IOF) and commercial contracts (FM of BFF). SPs under Component 2 will be formalized through partnership agreements or Memorandum of Understanding (MOU), depending on the type of partner. FIRIP will develop a detailed framework and set of guidelines for work planning and budgeting, progress reporting, financial and procurement management. These ensure the quality of the work and monitor project performance, to allow FIRIP to terminate partnership arrangements when required.
86. **Linkages with other actors.** Coordination, linkages and partnerships with various actors will be actively pursued by FIRIP at all levels including through the PSC, TAG and PCU. Maintaining dialogue with various partners and proactively exploring opportunities for linkages will be one of the important tasks for the PCU, which will also contribute to coordinating the support for the sector under the RFU. The PCU will hold periodic meetings with key partners including public entities, DPs, and non-state actors at technical and operational level to identify concrete area for collaboration, especially regarding the IOF. This may include

joint or aligned planning or activities as part of the AWPB consultations, as well as joint sensitization and outreach events to inform potential IPs about opportunities for alignment around specific locations, VCs and technical areas. Such collaboration would include government institutions as well as DP funded initiatives.

### 3.2 IFAD Supervision

87. **Supervision.** FIRIP will be jointly supervised by IFAD and GRZ to assess achievements and lessons learned, and when required, provide implementation support with the objective of ensuring effective project implementation and increasing the likelihood of achieving the target objectives. A supervision mission will be fielded at least once every twelve months. However, depending on the extent and quality of implementation progress, implementation support missions will be fielded as frequently as warranted by conditions on the ground to address any emergent issues that may negatively impact FIRIP's implementation. The composition of the supervision and implementation support missions will be determined based on the issues identified as needing redress. During the missions, IFAD and GRZ will discuss necessary actions to address challenges, and the PCU will ensure that the agreed actions are implemented within the agreed timeframe.
88. **Mid-term Review (MTR).** An MTR will be undertaken halfway through project implementation jointly by the Lead Agency and IFAD. The MTR will evaluate whether the project is on course to achieve its objectives. It will identify any prevailing constraints and recommend such re-orientations as may be required to support FIRIP in getting back on course to achieve its objectives. Prior to the MTR, a survey institution coordinated by the PCU will conduct a mid-term survey, in line with IFAD Core Outcome Indicator (COI) guidelines, while the PCU will prepare an analytical report on the project's achievements to adequately prepare for the MTR mission. The PCU will ensure that the agreed actions at the MTR are implemented within the agreed timeframe.
89. **Project Completion.** Undertaking the Project Completion Review (PCR) is a statutory requirement. The review should be done after project completion but before project closure. The completion review will be led by IFAD, with key contributions from the borrower, in line with IFAD's Guidelines for Project Completion Reports. The main purposes of the completion review process will be to promote accountability, reflect on performance, elicit lessons learned to inform future project design, and define an appropriate post-project strategy. The learning dimension of the completion process will be used by both IFAD and the Government as the foundation for improvements in future project design and implementation. The completion review process will also be critical for identifying opportunities for scaling up best practices. As part of the completion activities, an endline survey will be undertaken, and the findings will be used to inform the Project Completion Report.

### 3.3 Planning, Monitoring and Evaluation

90. FIRIP implementation will be carried out based on an approved AWPB, for which the M&E &KM Officer and Financial Controller will take the lead. An annual planning & review workshop will be held with strategic partners, financial institutions and other development agencies, to present the draft AWPB, get feedback, and harmonize project activities with those of other institutions. The AWPB will be results-oriented, with a clear link between planned activities and project outputs.
91. Monitoring will be a continuous process focused on activities, outputs and outreach. All IPs will be expected to submit data related to their specific project interventions. The precise monitoring requirements will vary and will be specified in Terms of Reference (TORs) or MOUs. Electronic templates will be prepared to report on activities in the AWPB and submit indicator data (*see the M&E matrix in the PIM*).
92. At outreach level, the PCU will report on total numbers of beneficiaries. As highlighted in IFAD's recent cluster evaluation on RF, overreporting can be a major challenge. The ME&KM team will therefore work with each IP to ensure that sufficiently detailed data is submitted (persons who benefit from various services) while data on the total number of unique individuals is also reported. Such capacity building will be an ongoing task, through backstopping and M&E workshops.
93. Field visits are expected to take place at least once every quarter for field verification, to get feedback from project implementers and beneficiaries, as well as lessons learned, to check records, and for backstopping regarding monitoring and reporting.
94. Questions that evaluation will try to answer include: has the use of financial services increased; has this resulted in growth of economic activities; has investment in CSA and green technologies resulted in increased resilience; and are households better off? FIRIP will be gender transformative, and evaluation includes the empowerment indicator and analysis of the ability of beneficiaries to make strategic choices. The project will assess resilience by considering increased savings, which enables better response to and recovery from shocks, as well as adoption of technologies that allow households to cope with climate-related risks.
95. Quantitative data will be collected through three COI surveys. Early preparation is needed to ensure that survey reports are available to MTR and PCR missions. The surveys will focus on: (i) semi-subsistence farmers, who have a potential to become integrated in value chains; (ii) market-oriented smallholders and owners of microenterprises, who can grow their business. This will require stratification.
96. Complementary qualitative information will be collected through focus group discussions, including CBFIs, groups of women, and groups of youths. Provision has also been made for focused studies, to investigate some aspects of the project in more detail. These studies will be demand-driven, but may analyse, for example: the quality of client-centric financial services; and the employment effect of financial services to SMEs. Quantitative data and qualitative information will both be used to test the validity of the TOC, including the youth and gender empowerment pathways of the project.
97. The ME&KM Officer will have overall responsibility for planning, monitoring, evaluation and knowledge management and manage all related processes. He or she will be assisted by an ME&KM Assistant who will focus on tools for data collection, backstopping for project implementers, data quality, and the Management Information System (MIS). The assistant will also be involved in stakeholder feedback, fora for information exchange and learning, knowledge products (write-ups, audio-visual products), and dissemination (print, broadcast and social media). The ME&KM team will facilitate data collection, but actual data collection will be done mainly by IPs: each IP will have clearly defined responsibility for submitting monitoring data for the specific aspects of the project that they implement. The ME&KM team will work closely with the FM of the BFF and its two field officers, who have an important monitoring role under sub-component 1.2.
98. FIRIP will establish a computerized system that ensures ME&KM data is stored systematically, safely and is easily accessible; and to transform data into useful information. The specific requirements will be defined by the PCU in dialogue with the government and IFAD. The system would be characterized by: (i) adaptable and where possible open-source technology; (ii) electronic data entry by project implementers using standardized templates, for enhanced efficiency and data quality; (iii) secure cloud-based data storage, to avoid the risks associated with staff turnover and damage or loss of individual computers.
99. Information on physical progress - AWPB implementation and outputs will be one of the M&E deliverables. The three COI survey reports will be another set of M&E deliverables. Using monitoring and survey data, the ME&KM Officer will ensure that indicator data in the Logframe is regularly updated. M&E data will also serve as the basis for consolidated progress reports. Finally, presenting processed information to project management and IFAD on a regular basis to facilitate evidence-based decision making will be a key ME&KM deliverable.

### 3.4 Knowledge Management and Country Level Policy Engagement (CLPE)



100. KM will focus on two key characteristics of FIRIP: innovation and policy engagement. First, the development and rollout of client-centric financial products and services, especially those supported under the IOF, is expected to result in better meeting the needs of the target group. The KM approach will focus on understanding how and to what extent project-supported financial services succeed in responding to these needs. This will include answering the following questions:

- How do new, client-centric products and services result in increased use of financial services? What specific product characteristics are most appreciated and contribute to increased use?
- How does the increased use of financial services translate into growth of the economic activities of the target group? What factors in particular contribute to this?
- How does the increased use of financial services, especially investment in CSA and green technologies, translate into increased resilience? What types of investments are successful and why?
- How can the access to and benefits from financial services be extended to women and young beneficiaries? What types of targeting mechanisms are effective in this respect?
- How best can a better understanding of the above aspects be shared with other projects and development partners in Zambia; how can it contribute to policy development and mainstreaming?

101. The ME&KM Officer and ME&KM Assistant will work with each recipient of IOF support to ensure that the necessary analysis is carried out and included in their respective grant completion reports. In a similar manner, they will work with the FM and PFSPs regarding the blending facility. They will then draw on the various reports, as well as available M&E data, to package the findings into modes of presentation that can be shared with key stakeholders.

102. Second, the project will contribute to an enhanced enabling environment for rural financial services, as outlined in the NFIS II. The KM approach will include supporting the preparation of knowledge products and organizing fora for learning and information exchange on emerging topics and innovations in rural and agricultural finance. These could include: developing an MSME Financing Strategy; devising credit enhancing and guarantee schemes; developing an agriculture financing strategy; revising the SAFF; and enhancing consumer awareness of complaint resolution and redress mechanisms. Priorities for FIRIP will be agreed during implementation with the project's strategic partners, including the RFU, MoA, MFL, BoZ and ZICTA.

103. To facilitate the KM themes outlined above, provision has been made for technical assistance, workshops on topics related to inclusive RF, and several focused studies. In addition, compiling, analyzing and sharing lessons learned and stories from the field will be an ongoing KM activity throughout the life of the project. To this end, the ME&KM Officer and ME&KM Assistant will conduct interviews and take photographs; establish mechanisms for sharing information and experiences with strategic partners and project implementers; hold regular consultations with other PCU members; and set up a channel for stakeholder feedback. To ensure that this happens in a structured manner, KM-related tasks will be included in the AWPB, and where needed in the TOR / MOU of implementing agencies.

104. The lessons learned will be packaged for different audiences and purposes, will be used for improving implementation, and to identify the need for adaptation of implementation approaches. A summary of lessons learned will be presented each year during annual review & planning workshops and will feature prominently in consolidated annual reports. Stories and images from the field are an important knowledge product that will complement M&E, by providing examples and adding a human face to tabulated data and charts in reports and during presentations. At mid-term, a key knowledge product will be an analytical report prepared by the PCO, based on monitoring data, survey data, special studies and lessons learned. This report will be a critical input for the MTR mission.

105. Knowledge products will be accessible online and securely archived on cloud platforms to ensure their long-term availability and use beyond the project's lifetime. The project will make relevant information available in electronic form (e.g. a FIRIP website or Facebook page); through leaflets and brochures (e.g. project at a glance; IOF windows and their conditions); and newspaper and magazine articles (e.g. stories from the field). The specific needs and opportunities for these types of dissemination will be assessed each year during the annual planning process.

### 3.5 Target group engagement

106. Target group engagement will take place at different levels and phases. The engagement with CBF promoters will involve capacity building, community sensitisation, mentoring and periodic monitoring sessions and review of reports. The sensitisation sessions will present the project objectives, rules of engagement and expectations. Target group engagement will include market research to assess the needs of beneficiaries, which will help FSPs deliver appropriate financial services. End user engagement will be through sensitisation meetings and consultations with institutions that will provide financial services. The sensitization will take the form of community level public meetings to convey the project objectives, presenting different financial products/services and criteria and expectations for participation in the project. These meetings will be conducted in local languages and at times that allow maximum participation of different groups i.e women, men, youth, and PwD, and they will be announced in different media outlets. Further engagement will be done through FSPs during their risk analyses and advisory services for enterprises, groups, and individuals.
107. Other opportunities for target group feedback include monitoring visits by the ME&KM team and other PCU staff, as well as COI surveys that will investigate the level of satisfaction with project services and challenges being faced. The feedback received through these various mechanisms will be used in the adaptive management of the project through annual reviews, semi-annual progress reporting, and restructuring at mid-term.
108. All interventions are managed, and regularly monitored by the PCO. Channels of communication between implementers, partners, and the PCU will be provided for feedback to be received systematically and follow up on actions taken. Through the targeting strategy, participants will be selected in the targeted geographical areas with a strong adherence to IFAD's mandate to engage the less advantaged and marginalised groups, especially women, youth, and PwD. Sensitization, gender audit, and capacity building will also be provided to all implementing partners, to ensure appropriate and standardized processes of service delivery, reporting, communication, and inclusion of target beneficiaries.
109. The **Grievance Redress Mechanism (GRM)** will address potential challenges and complaints arising from FIRIP activities through a structured, three-tiered approach: a community-based system, a formal system, and the IFAD Complaints procedure as a last resort. Individuals with grievances may opt for either the community-based or formal routes. The community-based GRM will leverage existing traditional structures to resolve issues locally, ensuring accessibility through culturally sensitive communication. Key community institutions involved will include village headmen, area chiefs, principal chiefs, ward councils, and district councils. This process will emphasize negotiation, consensus-building, and potential escalation to traditional leaders or courts when necessary. Communities often rely on internal social regulatory systems for grievance resolution, which function alongside formal mechanisms. The FIRIP will facilitate access to information in culturally appropriate languages, enabling communities to utilize these internal systems whenever possible.
110. Beneficiaries will be informed about the GRM through initial scoping and ongoing client feedback, ensuring awareness of available grievance channels. The mechanism is designed to document and address complaints promptly and transparently, avoiding any costs or discrimination against those reporting issues. The PCU will maintain a Grievances Register to track each complaint and its resolution status, which will be monitored by IFAD and the PSC. A Grievance Redress Committee, comprising the Gender and Social Inclusion Specialist from the PCU, a district/province representative, and a community representative, will investigate grievances to assess their validity and determine appropriate resolutions.
111. In addition to the Project level GRM, individuals can also utilize the IFAD Complaints procedure for issues that may arise from IFAD-funded projects or programs that do not comply with IFAD's Social and Environmental Policies. Complaints may be submitted via email at [SECAPcomplaints@ifad.org](mailto:SECAPcomplaints@ifad.org), focusing on environmental, social, and climate matters, while allegations of fraud or corruption are managed by IFAD's Office of Audit and Oversight. IFAD maintains a zero-tolerance policy for Sexual Exploitation and Abuse, with related complaints referred directly to IFAD's Ethics Office. Overall, the GRM aims to effectively address grievances, fostering community collaboration and harmony while providing accessible channels for redress.

### 3.6 Strategic partnerships

112. During its implementation, FIRIP will expand RUFEP's impact by leveraging established partnerships and synergies with key strategic actors in the macro, meso, and micro levels of the finance sector. This approach aims to enhance the delivery of client-centric financial products and services to rural communities. These partnerships are expected to drive transformational changes at the institutional level, positively influencing policy, infrastructure, financial access, resilience building and livelihoods. Potential partnerships have been pre-determined based on the competitive advantage and successful experiences from RUFEP, as well as the strategic roles these partners currently play or are expected to play in promoting increased rural access and general sector growth.
113. At the macro level, partnerships will focus on supporting policy, legal and regulatory frameworks. Key partners may include the BoZ, ZICTA, Competition and Consumer Protection Commission (CCPC), the Patents and Companies Registration Agency (PACRA), the MoA, MSME, and MGEE. Notably, GRZ has demonstrated its commitment to rural development through the formation of the RFU within the MoFNP, which will be a key SP overseeing the operations of the RF sector post FIRIP.
114. At the meso level, partnerships will be established to provide infrastructure and build capacity of FSPs and CBF Promoters, and these may include SaveNet, Micro-insurance Working Group, and others. At the micro level, FIRIP will partner with FSPs, including commercial banks and MFIs, as well as CBFs.
115. Access to finance activities are designed to identify and capacitate stakeholders along the selected value chains with private sector and financial institutions. FIRIP will also collaborate with development partners with active or pipeline projects in the sector including the EU-funded Enterprise Challenge Fund and GIZ's CREATE I and II, particularly in the areas of climate resilience and smallholder-inclusive value chains. For livestock VCs, FIRIP will collaborate with E-SLIP during its two-year extension.

### 3.7 Financial Management

116. Financial management capacity and risk assessment was undertaken during the design mission and involved meetings with different departments within the MoFNP, including the team that implemented the predecessor project – RUFEP. The assessment also involved review of documents such as the PEFA report (2017) and project audit reports by the Office of the Auditor General.
117. MoFNP has experience managing donor funded programs, including financing provided by IFAD. One of the most recent projects is RUFEP which was successfully closed in March 2024. The country was ranked 98th out of 180 countries by Transparency International on corruption perception index, with a score of 37 out of 100, indicating relatively high corruption perception in the country. Performance against the 2017 PEFA assessment identified low scores related to fiscal risk reporting, in-year monitoring of budget execution, and public investment management. Implementation will be cascaded to various IPs such as banks and MFIs who will have primary responsibility of implementing the line of credit, with the PCU being responsible for the financial management of the project. The number of financing instruments and multiple implementers increases the project complexity, and hence the inherent risk.
118. Financial management will be the responsibility of a dedicated finance team within the PCO. The PCU finance team will include a financial controller and at least one accountant and an administrative assistant to ensure segregation of roles and efficient coverage of the financial management function. Staff will be required to have appropriate accounting qualifications and experience in implementing donor-funded projects. Finance staff that will be recruited will be trained on IFAD financial management requirements to ensure that financial reporting is appropriately done.
119. A designated account (DA) will be opened at BoZ to receive IFAD funds. DAs will also be opened for other co-financiers' financing as required to ensure full traceability of financial transactions in line with government and donors' requirements. The government accounting system Integrated Financial Management Information System (IFMIS) is used for processing government related transactions. There are sufficient controls within IFMIS to facilitate segregation of duties between the initiators, reviewers and approvers of financial transactions. However, the system is not tailored for IFAD financial reporting requirements. Whilst the customisation process was meant to be piloted with the predecessor project (RUFEP), it did not take place. The project will therefore use an off-the-shelf accounting system, preferably one that is customised with the IFAD financial reporting requirements.
120. The country's Supreme Auditing Institute (SAI), Office of the Auditor General is an independent body reporting to the Zambian parliament and has the relevant structures and capacity to undertake the project financial audits. The SAI has experience conducting external audits of the previous IFAD financed projects in the country. However, the latest audit conducted by SAI (E-SLIP project) was rated 3-moderately unsatisfactory. Financial Management Division (FMD) shall provide adequate capacity building to SAI around IFAD audit requirements. The audit TORs are based on the standard template contained in the IFAD Handbook for Financial reporting and Auditing 2023. Further tailoring of the TORs may be necessary depending on the circumstances that require audit attention for the particular year.

### 3.8 Procurement

121. **Procurement:** The Zambia Public Procurement environment is governed by a strong legal and regulatory framework that has undergone significant improvements in the past 5 years through reforms. Key notable reforms in the procurement system include: (i) revised Public Procurement Act (PPA) and Regulations; (ii) revision of the standard bidding documents; and (iii) introduction of the use of the electronic government procurement system (e-GP). The PPA No. 12 of 2008, revised through Act No. 15 of 2011 was replaced by the PPA No.8 of 2020 and amended in 2023. The new PPA forms the anchor in the procurement regulatory framework and is supported by very comprehensive Public Procurement Regulations of 2022 and the standard bidding documents. The PPA, 2020 (Amended in 2023) defines the responsibilities, principles and processes applicable in the public procurement of works, goods and services.
122. The procurement legal framework follows good international practices and provides for a range of competitive procedures depending on the degrees of complexity in procurement, with open competitive bidding as the default method. Zambia Public Procurement Regulatory Authority (ZPPA) is the regulatory and normative agency for regulation and overall supervision of public procurement activities in Zambia. The other responsibilities are standard setting, planning, compliance and performance monitoring, professional development, information management and dissemination in public procurement. However, the PPA has gaps in its application, transparency, and disclosure of procurement information/data, barriers to competition (forced association of foreign bidders with local firms or citizens), clarity and independence of the complaints-handling mechanism etc., resulting in a risk assessment rating of "**Substantial**".
123. Project procurements for FIRIP using IFAD funds will follow the Zambia national legal procurement framework to the extent that they are consistent with the IFAD Project Procurement Framework and in cases of any inconsistency between them, the IFAD project procurement framework shall prevail. The identified risks must be mitigated through suitable measures suggested. To mitigate the risk of improper use of non-competitive methods of procurement by the IA by seeking approval from the ZPPA, FIRIP shall adopt IFAD's End-to-End procurement system (OPEN) for the preparation of Procurement Plan (PP), with the requirement of prior review for use of such methods beyond identified thresholds. Threshold values for use of various methods have been fixed based on the risk rating assigned. FIRIP shall also use the newly developed Contract Monitoring Tool (CMT) of OPEN system for better integration of procurement process. All Contracts, MoUs, Grant Agreements, Purchase Orders and related payments must be recorded in the CMT. IFAD prior review and No Objection is required for procurements surpassing the relevant standards in the IFAD Project Procurement Guidelines. The overall procurement responsibility will be with the PCU for FIRIP under the implementing agency (MoFNP). The procurement unit of the PCU will be staffed with a Procurement Specialist and a Procurement Assistant. Details of procurement arrangement are elaborated in the Procurement sub-manual of PIM.
124. Zambia has an "e-GP" online portal for conducting electronic procurement for the PEs. The portal enhances transparency, eases procurement processes, provides visibility and standardizes electronic procurement documents, enables supplier registration and authentication of information, and streamlines all elements of public procurement transactions. The GRZ has mandated all PEs to use the e-GP system for all public procurement. FIRIP PCU will conduct all project procurement using the e-GP system.
125. Zambia's score on Transparency International's Corruption Perceptions Index is 37/100 which has improved from the previous score of 33/100 and ranks now at 98 out of 180 countries. IFAD's Policy on Preventing Fraud and Corruption, Code of Conduct, and Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation, and Abuse (SH/SEA), and Anti-Money Laundering and Countering the financing of Terrorism Policy, apply to all project and procurement activities undertaken by the FIRIP and shall also comply with required SECAP standards.

### 3.9 Risks and Risk Management

126. **Risks External to FIRIP.** FIRIP faces significant **external** risks, including high debt levels, inflation, and severe drought. Youth unemployment, poor economic performance, corruption, and declining household incomes could exacerbate the situation. Policy gaps from fragmented initiatives also pose risks. Despite limited project-level interventions, FIRIP will prioritize resilience-building and promoting agriculture-led growth with IFAD's highly concessional loans. FIRIP is dedicated to harmonizing rural finance and agriculture policies and will support financial service providers in innovating and expanding financial products for the target groups.
127. **Project Risks.** RUFEP experienced **start-up** delays, becoming fully operational 14 months after Entry into Force (EIF), with full staffing achieved. The late start-up resulted in delays in implementing crucial activities such as the baseline study. To address this risk, FIRIP will leverage RUFEP's experience, utilizing its established capabilities and management frameworks to ensure implementation readiness, as described in section 3.10.
128. **M&E** systems may not be fully operational to support comprehensive macro-level indicators. Non-compliance with reporting deadlines by partners can result in data gaps, adversely affecting thorough project evaluation. To address these risks, a robust and user-friendly M&E system will be developed, drawing on RUFEP's experiences. FIRIP will enhance M&E arrangements by appointing a dedicated M&E team, with sufficient technical assistance and budget allocation for M&E during implementation.
129. **Fiduciary** risks include: (a) delays in recruiting accounting staff; (b) inadequate skills of accounting staff concerning IFAD financial management procedures; (c) delays in engaging IPs due to lengthy risk assessment procedures; (d) unmet co-financing commitments due to the country's debt distress; and (e) ineffective financial management due to the absence of a proper accounting information system. Proposed mitigation measures include conditions precedent to disbursement, such as the signing of MoUs with key IPs, the installation of off-the-shelf accounting software tailored to the project's needs and IFAD financial reporting requirements, and the recruitment, training, and orientation of key staff.
130. **Procurement** risks include: (a) restriction on foreign bidders, limiting competition and non-compliance with IFAD standards; (b) approval of less competitive procurement methods by ZPPA, risking improper use and conflicts of interest; (c) low compliance with procurement legal frameworks by PEs, leading to delays and improper contract management. The project involves interdependent contracts with multiple partners, which, if not properly sequenced, may impact implementation. Additionally, IAs/IPs/SPs may lack qualified procurement staff and processes. Mitigation measures include: 1) applying IFAD procurement framework in case of inconsistencies; 2) detailing procurement processes in the PIM; 3) prior review by IFAD for less competitive methods beyond thresholds; 4) Using the e-GP system for project procurement; and 5) developing procurement/contract management capacity of PCU staff and other stakeholders at project startup.
131. FIRIP's **Environment and Social risk** category is Moderate. The environmental and social risks pertain to unsustainable natural resource use and pollution (Standard 2); informal wage employment and potential high gender inequality and lack of equal opportunities (Standard 5); potential limited access to clean and safe drinking water (Standard 6); restricted land rights and limited land ownership, which hinder access to credit (Standard 7); and the need to strengthen Environment Social Management System (ESMS) and complaints mechanisms for partnering financial institutions and service providers (Standard 8).
132. FIRIP's **climate change-related risk** classification is Substantial. Zambia faces significant challenges due to its high vulnerability score and low readiness score, ranking 56th in vulnerability and 141st in readiness according to the Notre Dame Gain score. In early March 2024, the President of Zambia declared the drought a national disaster and emergency. The prolonged drought has severely impacted food production, water availability, and energy supply, posing significant risks to national food security and the livelihoods of millions of people.
133. Further risks and mitigation measures are detailed in Annex 10.

### 3.10 Implementation Readiness

134. ICO aims to obtain IFAD Board Approval for FIRIP in December 2024 and anticipates a 3-month period between design completion and start-up in Q2 2025. This will allow for loan negotiations and signing of the financing agreement in Q1 2025, with start-up expected in Q2 2025. Typically, this process usually takes about a year. However, following revisions in Zambia's public debt management process, which now requires loans to be pre-approved by parliament in the previous year, it is expected that the project will be included in the Annual Borrowing Plan (ABP) of 2025. Therefore, the 3-month period is deemed sufficient for administrative processes.
135. The implementation readiness of FIRIP will be ensured through a comprehensive set of actions, which include proactive management of potential delays and adequate time allocation to critical processes such as permits, participation, procurement, etc to facilitate a smooth transition from design to implementation in alignment with the Government and IFAD's frameworks. FIRIP is not anticipated to apply for the Facility for faster Implementation of Project Start-up (FIPS) but will benefit from a start-up advance not exceeding US\$500,000.
136. Building on RUFEP, FIRIP will leverage existing institutional arrangements to ensure a quicker start-up process. The RFU, the unit which provided technical oversight to RUFEP and facilitated coordination of the rural finance stakeholders as per its mandate, will continue to play this role under FIRIP. To avoid start up delays, the RFU will undertake key preparatory activities during the period between design completion and actual start up<sup>[34]</sup>. These include:
1. Reviewing and finalizing the ToRs of the PCU staff as well as the project governance arrangements.
  2. Obtaining necessary internal clearances for recruitment of key PCU staff including the Project Coordinator, Financial Controller, Procurement Specialist, and M&E Officer. This will ensure that adverts are sent out just after EIF, reducing the recruitment period by 3 months to enable the key staff to be in place by the 6th month. The remaining staff are expected to be onboarded 9 months after effectiveness.
  3. In consultation with the ICO, refining the AWPB and PIM and ensuring the project is well appreciated among the key ministries.
137. Once the key PCU staff are recruited, the ICO will organize an onboarding session on IFAD's OPEN system and IFAD Client Portal (ICP) for the Procurement Specialist and Financial Controller. The PCU staff will ensure timely finalization of the AWPB, PIM, PPs, establishment of procurement processes and contracts, and preparation of an M&E system and baseline. They will also:
1. Open designated and operational accounts and set up project management offices.
  2. Ensure the program budget is included in the national and line ministry's approved budget for the relevant fiscal year through timely submission of the AWPB for review and approval.
  3. Draft and finalize frameworks for onboarding key IPs and oversee the preparation and planning for the program launch and start-up workshop, based on an elaborate plan within the first year.
  4. Ensure establishment of the PSC, headed by MoFNP, to provide strategic oversight and guidance for the project.
  5. Ensure timelines incorporate environmental due diligence and address any grievances, ensuring compliance with both national and international standards, policies and practices.
  6. Ensure dependencies on legal changes and agreements critical to the project, such as special covenants in the financing agreement, are identified and addressed. These include disbursement conditions and effectiveness conditions pivotal for implementation readiness.
138. The project's financial planning and budgeting align with the government's annual budget allocation procedures. This requires the project to communicate its financing needs, as outlined in the AWPB, in the fourth quarter of each year. By doing so, government counterpart contributions can be submitted in time for inclusion in the budget for the subsequent year, ensuring smooth financing of project activities.
139. The implementation of sub-project activities under FIRIP will take place in various locations of selected programme districts. As such, several challenges and complaints may arise especially those which relate to infringement of rights of sections of the society. To address this, a GRM for FIRIP <sup>[35]</sup> was developed during design to ensure due consideration is given to grievances. Similarly, the ESCMP was developed based on local conditions and findings and serves as a guiding tool for mitigation and management of environmental, social and climate change impacts during and after project implementation. In this way, the project will guarantee environmental and social sustainability beyond the project life cycle<sup>[36]</sup>.

## Footnotes

[1] Census of Population and Housing 2022, Zambia Statistics Agency, ZAMSTAT

[2] Such as the Ministries of MSME Development, Green Economy, Youth, and Community Development and Social Services.

[3] Between 19 and 35 years of age. Zambia Statistics Agency: 2022 Census of Population and Housing

[4] Zambia | Data (worldbank.org)

[5] BOZ Annual Report 2023),

[6] <https://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS?locations=ZG> accessed on 28 July 2024

[7] UNDP Zambia, accessed 27 August 2024.

- [8] Census of Population and Housing 2022, Zambia Statistics Agency, ZAMSTAT
- [9] According to ZAMSTAT 2022 Poverty Assessment in Zambia.
- [10] Rural Agricultural Livelihoods Survey (RALS), 2019.
- [11] Two of the project's Core Indicators directly contribute to the COSOP results management framework: CI 1.2.5 (Outcome 2) and CI 3.2.2 (PDO).
- [12] Recent examples include the NFIS II; regulations for Agency Banking and Green Finance, the moveable collateral registry at PACRA, view PIM chapter, 3.3, annex 1.
- [13] NFIS II, based on FINSCOPE surveys
- [14] BOZ (2022): MSME Finance Survey Report
- [15] Zambia Statistics Agency, Ministry of Health (MOH) Zambia, and ICF. 2019. Zambia Demographic and Health Survey 2018.
- [16] World Bank. (2023). Promoting Skills Development for Youth in Zambia. World Bank, Washington, DC.
- [17] Taking into data from the next FinScope survey scheduled for 2025 and ZICTA's expansion plans of mobile network coverage in financial excluded districts – view PIM paras 63 ff and 114/115 for more details.
- [18] Such as the EU Enterprise Challenge Fund and the GIZ CREATE program.
- [19] It will also collaborate with other DP and GRZ programs providing vocational, skills and entrepreneurship training for youth.
- [20] Any cases of GBV will be addressed through the Grievance Redress Mechanism to ensure local partners and GRZ actors are mapped for survivors to receive the required support.
- [21] View PIM chapter 2 for more details on targeting and social inclusion measures.
- [22] This CI only counts recipients of financial services who use these for productive purposes. The total number of households using financial services is 315,511.
- [23] Non-Governmental Organizations (NGOs), VC developers, agribusiness companies, and FinTechs.
- [24] View PIM para 152 for details
- [25] More details are provided in the PIM.
- [26] The most common types of CBFs are savings groups and Village Savings and Loan Associations (VSLAs).
- [27] Such training might be provided by specialised entities partnering with the FSP
- [28] Banks average lending rates are around 25% and MFI lending rates range from 60-80% in nominal terms, while inflation was around 15% in July 2024, according to BOZ.
- [29] View Smart Campaign's [Client Protection Principles](#)
- [30] View PIM para 317 ff.
- [31] More details in PIM, Chapter 3.4, appendix 1.
- [32] More information on SAFF is provided in the PIM, Chapter 3.3, Appendix to Annex 1.
- [33] For more details, view PIM paras 446 – 451.
- [34] The design will be completed in December 2024 and Entry Into Force (EIF) is anticipated in Q2 2024.
- [35] A draft Grievance Redress Mechanism (GRM) document has been developed as an annex to the PDR
- [36] A draft Environment, Social and Climate Management Plan (ESCMP) has been developed as an annex to the PDR

## Zambia

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# Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report

## Annex 1: Key Files

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department





## Annex 1: Key files PDR Stage

Table 1: Rural poverty and agricultural sector issues (key file table 1)

<b>Priority area</b>	<b>Affected groups</b>	<b>Major Issues</b>	<b>Actions needed</b>
Youth unemployment and low participation in agriculture	<ul style="list-style-type: none"> <li>• Youth poor farmers</li> <li>• Youth smallholder farmers</li> <li>• Youth medium farmers</li> <li>• Agro dealers</li> <li>• Unemployed youth</li> <li>• Youth out of school</li> <li>Youth male youth (18+)</li> </ul>	<ul style="list-style-type: none"> <li>• Low participation of youth in farming and agribusiness</li> <li>• Inadequate skills and information for youth in agriculture</li> <li>• Lack of access to finance</li> <li>• Limited access to productive assets (land, livestock, machinery)</li> <li>• Limited interest to engage in primary production at small scale</li> <li>• Disempowering community outlook toward youth</li> <li>• Climate shocks leading to more jobs</li> <li>• Lack of access to wage employment</li> <li>• Dependency on family funds to join saving groups or establishing micro-enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen FSP capacity to design and deliver youth centric financial services;</li> <li>• Increase youth access to financial services,</li> <li>• Increase participation of youth in farming, agribusiness</li> <li>• Strengthen youth skills in farming and related activities</li> <li>• Create rural employment opportunities for youth</li> <li>• Strengthen access to land and other productive assets (e.g., livestock) including through leasing</li> <li>• Harness other entrepreneurial opportunities for youth along agricultural VCs, e.g., as service providers, mobile money agents, machinery operators.</li> </ul>
Rural finance	<ul style="list-style-type: none"> <li>• Smallholders and their community savings and credit groups;</li> <li>• Rural MSMEs linked to agricultural value chains</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of access to a diverse range of client-centric and affordable formal financial services and products in rural areas</li> <li>• Low levels of financial and digital literacy</li> <li>• Lack of tangible collateral and collateral alternatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen capacities of FSPs to deliver client-centred financial services to different segments of the rural population</li> <li>• Develop innovative risk management instruments such as value chain finance and use</li> </ul>

Priority area	Affected groups	Major Issues	Actions needed
		<ul style="list-style-type: none"> <li>• SMEs have limited access to credit at high costs.</li> <li>• There are limited risk mitigation instruments available leading</li> <li>• Agricultural loan portfolio of banks and MFIs have high levels of non-performing loans.</li> <li>• Macroeconomic instability and high levels of government domestic borrowing are crowding out private sector finance and drive up cost of lending</li> </ul>	<p>of alternative data for credit scoring</p> <ul style="list-style-type: none"> <li>• Expand the use of alternative forms of collateral including movable assets, warehouse receipts</li> <li>• Expand access points for formal financial services in unserved rural areas.</li> <li>• Improve the enabling environment for rural financial services provision including reducing macro-economic distortions, strengthening credit culture and improved client protection for digital financial services.</li> </ul>
Gender equality and women empowerment	<ul style="list-style-type: none"> <li>• Smallholder farmers (female headed household, male headed household and youth-headed households)</li> <li>• Persons with disability</li> <li>• Persons Living with HIV and AIDs (PLWHAs)</li> <li>• Vulnerable groups</li> <li>• Small holder micro enterprises</li> <li>• Smallholder youth enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient supply of women centric financial services;</li> <li>• Low participation of women (and youth) in household decision making</li> <li>• Inadequate information on HIV and AIDS,</li> <li>• High cases of gender-based violence (GBV), i.e. teenage pregnancies, early marriages</li> <li>• Lack of access and control of productive assets</li> <li>• Lack tailored financial products and services</li> <li>• Lack financial and digital literacy</li> <li>• Lack of collateral</li> </ul>	<ul style="list-style-type: none"> <li>• Development of tailored financial products and services for women</li> <li>• Sensitize FSPs on gender sensitive and gender transformative approaches;</li> <li>• Targeted gender equality and women empowerment activities through CBFIs</li> <li>• Promote joint benefits sharing at household using household methodologies</li> <li>• Promote income generating activities for vulnerable groups</li> <li>• Promote gender, nutrition, GBV HIV and AIDS awareness campaigns</li> </ul>

Priority area	Affected groups	Major Issues	Actions needed
		<ul style="list-style-type: none"> <li>• Vulnerability to climate change shocks, losses</li> <li>• Lack of access to markets</li> </ul>	<ul style="list-style-type: none"> <li>• Provide financial and digital literacy</li> <li>• Provide alternative collateral</li> <li>• Provide affordable loans</li> </ul>
<p>Climate Change - increase in frequency and severity of seasonal droughts, insect outbreaks, occasional dry spells, intense precipitation, increased temperatures in valleys and wildfires, flash floods and changes in the growing season</p>	<ul style="list-style-type: none"> <li>• Smallholder farmers</li> <li>• Emergent farmers</li> <li>• MSMEs</li> </ul>	<p>Climate Change Impact on Zambia's Agriculture:</p> <ul style="list-style-type: none"> <li>• Waterlogged fields, water shortages, ravaged crops, and increased crop and livestock diseases are causing challenges in the agricultural sector.</li> <li>• Climate change has led to increased frequency and severity of droughts, insect outbreaks, dry spells, intense precipitation, and flash floods.</li> <li>• Declining water supplies, reduced agricultural yields, health impacts in cities, and flooding and erosion are additional concerns. Each</li> <li>• Smallholders, the major food producers, remain vulnerable due to reliance on rain-fed agricultural systems.</li> <li>• Energy crisis due to frequent power cuts</li> </ul>	<ul style="list-style-type: none"> <li>• To combat climate change, the agriculture sector needs climate resilient cultivation systems and greater access to finance and investment in irrigation services.</li> </ul>
<p>Environmental degradation caused by high levels of deforestation</p>	<p>Rural households</p>	<ul style="list-style-type: none"> <li>• Unsustainable agricultural practices; heavy reliance on wood fuel as main source of energy; uncontrolled harvesting and encroachment of the protected and open forest areas; uncontrolled fires; land use and infrastructure development and</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of livelihoods, climate smart agricultural technologies and practices, access to renewable energy, Agricultural insurance, etc.</li> </ul>

Priority area	Affected groups	Major Issues	Actions needed
		especially land use that has no regard for forest integrity and biodiversity conservation	
Market linkages	<ul style="list-style-type: none"> <li>• Smallholder farmers</li> <li>• MSMEs in agricultural value chains</li> </ul>	<ul style="list-style-type: none"> <li>• Weak farmer organizations</li> <li>• Low population densities and high costs</li> <li>• Limited volumes and quality issues</li> <li>• Weak contract enforcements and lack of trust and transparency among VC actors</li> <li>• Inadequate access to financial services</li> </ul>	<ul style="list-style-type: none"> <li>• Link farmer groups to formal markets and off-takers</li> <li>• Strengthen collective marketing arrangements including through warehouse receipts</li> <li>• Promote effective and transparent value chain finance arrangements</li> <li>• Digitize value chains to reduce transactions costs, enhance transparency and create track record.</li> <li>• Develop and disseminate market information.</li> <li>• Promote inclusive business models and value chain finance</li> <li>• Link farmers to FSPs and off-takers</li> </ul>

Table 2: Organisational capabilities matrix (key file table 2)

<b>Organisation</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
Ministry of Finance and National Planning	<ul style="list-style-type: none"> <li>• Overall mandate for Financial Inclusion including agricultural financing.</li> <li>• Prior successful collaboration with IFAD</li> </ul>	<ul style="list-style-type: none"> <li>• Mainly in Lusaka with limited presence in other provinces</li> <li>• Inadequate financial and staff resources</li> <li>• lack of policy coordination</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to bring other players on board</li> <li>• Ability to crowd in climate financing</li> </ul>	<ul style="list-style-type: none"> <li>• Fragmented Policy</li> </ul>
Ministry of Agriculture	<ul style="list-style-type: none"> <li>• Overall mandate to support agriculture and rural development</li> <li>• Presence in most underserved areas</li> </ul>	<ul style="list-style-type: none"> <li>• Limited financial and human resources</li> <li>• Limited capacity on agriculture financing and private sector engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Linking VC players to funders, match making;</li> <li>• Improved policy coordination with MoFNP related to agricultural finance</li> </ul>	<ul style="list-style-type: none"> <li>• Poor coordination</li> <li>• Political interference</li> <li>• Enduring subsidy culture and poorly designed financing schemes.</li> </ul>
Ministry of Green Economy and Environment	<ul style="list-style-type: none"> <li>• Responsible for climate and resilience actions</li> <li>• New Ministry with strong political support</li> </ul>	<ul style="list-style-type: none"> <li>• No prior engagement with IFAD</li> </ul>	<ul style="list-style-type: none"> <li>• Mobilisation of co-financing including climate funds</li> <li>• Capitalizing on piloted and tested climate and environmental practices and technologies suitable for the local context.</li> <li>• Integrating environmental and climate risk management into agricultural interventions to enhance the resilience of rural livelihoods.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited government financing</li> <li>• Limited human resource capacity</li> </ul>

<b>Organisation</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
Rural Finance Unit	<ul style="list-style-type: none"> <li>• Responsible for the coordination and oversight of Rural Finance Policies and Programmes</li> <li>• Responsible for implementation of the Rural Finance Policy and Strategy (RFSP)</li> <li>• Prior engagement with IFAD and was set up with the support of the RUFEP.</li> <li>• Knowledge of rural finance and microfinance</li> </ul>	<ul style="list-style-type: none"> <li>• Mandate of the Unit was through the RFPS which may be superseded by the NFIS II</li> <li>• Weak coordination with the unit in charge of broader financial sector development including financial inclusion.</li> <li>• Limited convening power on other key line Ministries</li> </ul>	<ul style="list-style-type: none"> <li>• Merging with the unit responsible for the implementation of the NFIS under the Economic Management Division</li> </ul>	<ul style="list-style-type: none"> <li>• Staff turnover or movements</li> <li>• Lack of policy harmonisation including with Ministry of Agriculture</li> <li>• Lack of donor and policy support for updating the RFSP</li> </ul>
Bank of Zambia	<ul style="list-style-type: none"> <li>• Policy enabling environment for financial services.</li> <li>• Regulation of agency and mobile banking operations</li> <li>• Issued the Banking and Financial Services Green Loans Guidelines</li> <li>• Launch of the Green Finance Framework and capacity building of financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Mainly operational in Lusaka, with limited capacity to supervise small rural financial institutions such as SACCOS.</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation with ZICTA and MoFNP to expand DFS to other underserved areas, to strengthen consumer protection and to mainstream ESG policies and management, monitoring systems throughout the financial and non-bank financial institutions sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Fragmented policy</li> <li>• Limited implementation capacity beyond core mandate</li> </ul>

<b>Organisation</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
ZICTA	<ul style="list-style-type: none"> <li>• Responsible for consumer awareness on use of DFS</li> <li>• Leads on the provision of rural digital infrastructure in collaboration with MNOs</li> <li>• Prior engagement with IFAD under RUFEP</li> </ul>	<ul style="list-style-type: none"> <li>• Limited outreach capacity</li> <li>• Inadequate financial and staff resources</li> <li>• Absence of a unified platform for documenting grievances from consumers of Mobile Network Operators (MNOs).</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership with the BoZ to strengthen consumer awareness on the use of DFS including complaints and redress mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Reliance on project and donor financing</li> </ul>
SaveNet	<ul style="list-style-type: none"> <li>• Apex organisation for all savings groups in Zambia</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate staff and financial resources</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration on the graduation of savings groups to financial cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>• Operations heavily dependent on project funds</li> </ul>
Commercial banks	<ul style="list-style-type: none"> <li>• Financial strength and liquidity</li> <li>• Lower costs of funds</li> </ul>	<ul style="list-style-type: none"> <li>• Limited rural outreach capacity</li> <li>• Lack of Suitable products and delivery mechanisms for smallholders</li> </ul>	<ul style="list-style-type: none"> <li>• Leveraging capacities of some progressive banks (branch network, promising pilots)</li> </ul>	<ul style="list-style-type: none"> <li>• High levels of risk aversion</li> <li>• Limited buy-in</li> <li>• High NPLs in agriculture</li> </ul>
Micro Finance Institutions	<ul style="list-style-type: none"> <li>• Mission and ability to reach lower income groups</li> </ul>	<ul style="list-style-type: none"> <li>• Limited number of development-oriented MFIs;</li> <li>• Limited capacity to reach rural areas and finance agriculture</li> <li>• Heavily focussed on credit</li> </ul>	<ul style="list-style-type: none"> <li>• Some promising examples of MFIs developing innovative financial products and delivery mechanisms in rural areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited access to funds, at high costs.</li> <li>• High lending rates to clients</li> <li>• High NPLs in agriculture</li> </ul>



<b>Organisation</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
Gender Division	<ul style="list-style-type: none"> <li>• Mission and priorities for Gender empowerment</li> </ul>	<ul style="list-style-type: none"> <li>• Working at national level and limited access to rural areas</li> <li>• Gender programmes are implemented by other ministries</li> <li>• Limited capacity on knowledge management and monitoring of programmes' impact</li> </ul>	<ul style="list-style-type: none"> <li>• Integration of efforts with other gender implementing national entities</li> <li>• Integrating empowerment at community, province and national levels</li> </ul>	<ul style="list-style-type: none"> <li>• Limited of policy and implementation mechanism</li> </ul>
TEVETA	<ul style="list-style-type: none"> <li>• Vision</li> <li>• Expertise</li> <li>• Flexible duration of programmes (short-medium)</li> </ul>	<ul style="list-style-type: none"> <li>• Theoretical capacity building</li> <li>• Implementation and on-job programmes are strongly needed so the youth are equipped with both theoretical and practical experience</li> <li>• Vocational programmes are not free which limited the poor youth from joining</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation in youth capacity building curricula and quality control</li> </ul>	

<b>Organisation</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
Ministry of Youth, Sport, and Art	<ul style="list-style-type: none"> <li>• Implementation of different youth empowerment programmes</li> <li>• An umbrella to a number of Youth Resource Centres that provides capacity building for youth (including agriculture and youth skills development)</li> </ul>			
Ministry of Community Development and Social Services	<ul style="list-style-type: none"> <li>• Implementation of a nationwide integrated social protection and women economic empowerment programme</li> <li>• Strong mission and pillars of priorities</li> <li>• Existence at different levels (national, province, and district levels)</li> <li>• Community implementers and volunteers</li> <li>• Conducting nationwide vulnerability assessment</li> <li>• Responsible for Persons with Disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Focus is mainly on women only</li> <li>• Limited interactions with youth</li> <li>• Sustainability and resilience to shocks for female beneficiaries as community mentoring is limited to six months</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration in women economic empowerment interventions</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability beyond programmes</li> </ul>

<b>Organisation</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
Ministry of Small and Medium Enterprise Development	<ul style="list-style-type: none"> <li>• Strong policy support</li> <li>• Mandate with emphasis on SME development as a key driver for economic growth</li> <li>• Responsible for developing and streamlining regulations governing SME operations</li> </ul>	<ul style="list-style-type: none"> <li>• No Prior Engagement with IFAD</li> <li>• Insufficient financial allocations or resources</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration with NGOs and private sector</li> <li>• Enhanced policy coordination with MoA, MGEE to support SME development related to agriculture and climate financing</li> </ul>	<ul style="list-style-type: none"> <li>• Limited Government allocations</li> </ul>
Competition and Consumer Protection Commission	<ul style="list-style-type: none"> <li>• Overall mandate – leads on safeguarding of competition and ensuring financial consumer protection</li> <li>• Prior engagement with IFAD under RUFEP</li> <li>• Ability to reach different groups e.g. women, youth</li> <li>• Effective operational, Monitoring and Evaluation systems in place present Countrywide</li> </ul>	<ul style="list-style-type: none"> <li>• Limited capacity to reach very rural areas</li> <li>• Inadequate staff capacity and financial resources to support implementing partners</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to partner with other stakeholders in the financial sector</li> <li>• Collaboration with ZICTA, BoZ and FSPs to enhance DFS literacy and to develop and implement effective Grievance redress strategies e.g. fraud</li> </ul>	<ul style="list-style-type: none"> <li>• Limited implementation capacity beyond core mandate</li> <li>• Bureaucratic processes, creating hurdles in timeliness of interventions</li> </ul>
Patents and Companies Registration Agency	<ul style="list-style-type: none"> <li>• Effective collaboration with FSPs to achieve organizational objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Limited presence in other areas other than the capital city, especially rural areas</li> </ul>	<ul style="list-style-type: none"> <li>• Strong potential to support formalization of rural enterprises/groups and improved access to Financial services</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Some operations dependent on availability of grant funding</li> </ul>



Table 3: Complementary donor initiatives / partnership potential (key file table 3)

Donor/Agency	Project	Geographical Area	Remarks
<b>GIZ</b>	<ul style="list-style-type: none"> <li>• Agriculture Finance Project. Project has been running since 2017 and is scheduled to close in 2025. It has been supporting a range of financial institutions including commercial banks, MFIs and SACCOs to develop tailored financial products for agric based MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Southern, Eastern, Lusaka and Central Province</li> </ul>	<ul style="list-style-type: none"> <li>• The GIZ CREATE project will receive funding for a second phase and the IFAD design mission team met with the GIZ appraisal team to explore areas of collaboration. GIZ is likely to implement the Enterprise Challenge FUND 2.</li> <li>• Given that the approaches are complementary, IFAD and GIZ have agreed to coordinate project implementation through parallel co-financing</li> </ul>
	<ul style="list-style-type: none"> <li>• Climate Resilient Agri-Food Systems (CREATE) I and 2. Aims to organize effective multi-stakeholder platforms, integrate subnational data into national policy processes, and provide methodological and technical qualifications for cross-sectoral food system approaches.</li> <li>• 5 million plus 8 million EURO</li> </ul>	<ul style="list-style-type: none"> <li>• National</li> </ul>	<ul style="list-style-type: none"> <li>• The CREATE Project will oversee aspects of agriculture financing building on the work of the Agriculture Finance Programme.</li> <li>• IFAD and GIZ have agreed to coordinate implementation once FIRIP is rolled out.</li> </ul>
<b>EU</b>	<ul style="list-style-type: none"> <li>• Enterprise Challenge Fund 1: Matching Grant Fund for Agribusiness Companies to advance smallholder value chain integration and mainstreaming of climate-smart practices. (implementation from 2020 to 2025)</li> <li>• Enterprise Challenge Fund 2 will be operational from (2025 until 2028 with a total allocation of EUR 28 million.</li> </ul>	<ul style="list-style-type: none"> <li>• National Enterprise Fund 2 will focus on legumes and horticultural value chains.</li> </ul>	<ul style="list-style-type: none"> <li>• Currently in the final year of implementation and the Commission is preparing for a second phase.</li> <li>• Opportunity to collaborate on agri-MSME financing under the IOF and the Blended Finance Facility through parallel co-financing</li> <li>• Enterprise Challenge Fund and GIZ CREATE will create pipeline for financial products developed under FIRIP.</li> </ul>

Donor/Agency	Project	Geographical Area	Remarks
<b>USAID</b>	<ul style="list-style-type: none"> <li>Enterprise Development and Growth Enhanced Activity (EDGE)</li> </ul>	<ul style="list-style-type: none"> <li>Eastern, Central, Lusaka, and Southern Provinces</li> </ul>	<ul style="list-style-type: none"> <li>Currently in the final year of implementation.</li> <li>EDGE has generated a number of lessons on engaging rural SMEs which can inform FIRIP's strategy on rural finance accessibility and capacity building.</li> <li>Insights from EDGE can further contribute to designing tailored financial products for SMEs in rural areas under FIRIP.</li> </ul>
<b>Foreign, Commonwealth and Development Office (FCDO)</b> – British High Commission in Zambia	<ul style="list-style-type: none"> <li>Rural Resilience Building Project</li> </ul>	<ul style="list-style-type: none"> <li>National</li> </ul>	<ul style="list-style-type: none"> <li>Current operations are in the close out phase.</li> <li>FCDO will in the next 4 month develop a concept note focusing on agriculture finance which aligns with FIRIP's objective of enhancing access to finance for rural communities.</li> <li>Technical assistance components can support FIRIP's capacity-building efforts for financial institutions serving rural areas.</li> </ul>
<b>World Bank</b>	<ul style="list-style-type: none"> <li>Zambia Growth Opportunities Program For Results (ZAMGROW)</li> </ul>	<ul style="list-style-type: none"> <li>National</li> </ul>	<ul style="list-style-type: none"> <li>Complementary efforts in promoting agricultural diversification and job creation align with FIRIP's goals of rural economic empowerment through finance.</li> <li>Lessons on sustainability from ZAMGROW can inform FIRIP's strategy for ensuring the long-term impact of financial interventions in rural areas.</li> <li>ZAMGROW supported the development of an updated Climate-Smart Agriculture (CSA) Manual and Training Guidelines tailored to the local context. These materials would serve as valuable resources for Innovation Window 2 on Smallholder agriculture window and Innovation window 3, which focuses on Green Investments and Climate Resilience.</li> </ul>

Donor/Agency	Project	Geographical Area	Remarks
<b>SIDA</b>	<ul style="list-style-type: none"> <li>Agriculture and Resilience Building Programs</li> </ul>	<ul style="list-style-type: none"> <li>Southern, Eastern and Central Province</li> </ul>	<ul style="list-style-type: none"> <li>Currently in the final year of implementation.</li> <li>Focus on private sector engagement can provide insights into how FIRIP can collaborate with local businesses to deliver financial services in rural communities.</li> <li>Market linkage initiatives can complement FIRIP's efforts to connect rural producers with markets through financial inclusion.</li> </ul>
<b>WFP</b>	<ul style="list-style-type: none"> <li>Smallholder Market Access Project</li> </ul>	<ul style="list-style-type: none"> <li>National</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration with IFAD for enhancing climate adaptation and resilience can feed into FIRIP's strategy for integrating climate-smart financing solutions.</li> <li>Lessons on access to finance gains can inform FIRIP's approach to building financial resilience among smallholder farmers facing climate risks.</li> <li></li> </ul>
<b>FAO</b>	<ul style="list-style-type: none"> <li>Support to the Comprehensive Agriculture Transformation Support Programme (CATSP)</li> </ul>	<ul style="list-style-type: none"> <li>National</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration opportunities under CATSP implementation can facilitate knowledge exchange between FIRIP and FAO on integrating financial services into broader agricultural transformation initiatives.</li> <li>Targeted activities under CATSP can provide insights into how FIRIP can support agricultural value chain financing and investment promotion in rural areas.</li> </ul>

Table 4: Target group typology, priority needs and potential response (key file table 4)

Typology	Poverty level and causes	Coping strategies	Priority needs	Support from other programs	Potential response
<p>Semi-subsistence smallholder farmers and rural micro-enterprises associated with agricultural value chains. This population segment is typically engaged in Community Based Financial Institutions (CBFIs) such as savings and loan groups,</p>	<ul style="list-style-type: none"> <li>• Poor and vulnerable to climate and other shocks;</li> <li>• Mostly farm less than 2 ha and market less than 25% of their output</li> <li>• Limited access to formal financial services and products</li> <li>• Lack of adequate business skills, limited access to markets,</li> <li>• Lack of collateral</li> <li>• Vulnerable to climate shocks</li> <li>• Low level of productive assets and (net) income</li> </ul>	<ul style="list-style-type: none"> <li>• They rely on traditional safety nets such as borrowing from family, friends and savings groups and often are vulnerable to climate shocks.</li> <li>• Highly-diversified livelihoods (farm and non-farm)</li> <li>• Distress sales of assets in case of shocks</li> </ul>	<ul style="list-style-type: none"> <li>• Improved access to savings, loan and insurance products to enhance resilience, diversified livelihoods and build assets</li> <li>• Improved access to reliable and low-cost payment services</li> <li>• Improved financial and digital literacy</li> <li>• Enhanced livelihood and business development skills</li> </ul>	<ul style="list-style-type: none"> <li>• Government input subsidies</li> <li>• CBFIs promoters including financial literacy training;</li> <li>• Basic livelihoods, entrepreneurship and digital literacy training.</li> <li>• Training on climate-smart agricultural practices</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced access to formal financial service outlets;</li> <li>• Client-centred digital financial services and CBFIs linkages with formal FSPs</li> <li>• Access to lower cost flexible credit for various purposes</li> <li>• Green and climate resilient products</li> <li>• Financial literacy and business skills</li> </ul>
<p>Market-oriented smallholder farmers and micro and small rural enterprises associated with agricultural value chains. This beneficiary category has the skills</p>	<ul style="list-style-type: none"> <li>• Moderately poor and food insecure</li> <li>• Most farm between 1-5ha</li> <li>• Limited access to financial services</li> </ul>	<ul style="list-style-type: none"> <li>• Rely on own sources of funds, informal savings and loans, buyer and supplier credit and, in rare cases,</li> </ul>	<ul style="list-style-type: none"> <li>• Improved access to diverse financial services and lower costs including digital payments, deposits and insurance;</li> </ul>	<ul style="list-style-type: none"> <li>• Training in climate smart agriculture, marketing and business development</li> </ul>	<ul style="list-style-type: none"> <li>• Digitization of payments and other transactions;</li> <li>• Customized loan products based on alternative collateral and low-</li> </ul>



Typology	Poverty level and causes	Coping strategies	Priority needs	Support from other programs	Potential response
<p>to practice commercial agricultural production and engage in aggregation, collection, and marketing activities.</p>	<ul style="list-style-type: none"> <li>• Higher level of market and VC integration</li> <li>• Lack of alternative collateral</li> <li>• Limited financial and business skills</li> <li>• Limited scale of operation and productive assets</li> <li>• Low productivity and income</li> <li>• Often are vulnerable to climate shocks</li> </ul>	<p>borrowing from MFIs and banks</p> <ul style="list-style-type: none"> <li>• Integration into markets and value chains</li> <li>• Remain vulnerable to climate shocks</li> </ul>	<ul style="list-style-type: none"> <li>• Access to affordable credit structured in line with seasonal farm household cash flows</li> <li>• Better integration in structured value chains including support services and finance</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• integration in outcry arrangements</li> <li>• Access to mobile money and, in some cases, outgrower schemes and access to loans from MFIs</li> <li>• Financial literacy training,</li> </ul>	<p>cost delivery mechanism,</p> <ul style="list-style-type: none"> <li>• Savings and insurance products</li> <li>• Financial services to invest in green and climate resilient technologies</li> </ul>
<p>Commercial farmers, as well as SMEs associated with agricultural value chains that have demonstrated forward and backward linkages o smallholders. These farmers and SMEs provide market outlets or inputs for smallholder farmers, often linked to buyer and supplier credit, and strengthen smallholders' capacities and knowledge. They</p>	<ul style="list-style-type: none"> <li>• Food secure with market potential and enterprise development</li> <li>• Highly credit constrained due to risk profile and lack of tangible collateral limiting the expansion of their operations.</li> <li>• May also lack other financial services (insurance, payments)</li> </ul>	<ul style="list-style-type: none"> <li>• Rely largely on own sources of fund and informal finance</li> <li>• Minority is borrowing from MFIs and banks at high costs.</li> <li>• remain vulnerable to climate and other shocks and may revert to asset sales as coping strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Access to well-structured and affordable credit products for investment and working capital purposes</li> <li>• Access to a reliable digital payment ecosystem for various transactions and financial services</li> </ul>	<ul style="list-style-type: none"> <li>• SME and emerging farmer development programmes (training in agronomic and business skills, climate smart practices, etc)</li> <li>• Microfinance Institutions</li> <li>• In some case, linkages to lead firms in structured value chains, as well</li> </ul>	<ul style="list-style-type: none"> <li>• Digitalization of transactions to reduce costs and create track record facilitating access to formal financial services.</li> <li>• Tailored credit products for working capital and investment purposes (including leasing, warehouse receipt finance, etc).</li> </ul>

<b>Typology</b>	<b>Poverty level and causes</b>	<b>Coping strategies</b>	<b>Priority needs</b>	<b>Support from other programs</b>	<b>Potential response</b>
are also an important source of decent jobs, especially women and youth and other vulnerable groups.	<ul style="list-style-type: none"> <li>• Limited business and financial skills</li> <li>• Limited green and climate resilient products</li> </ul>			as to small farmers as buyers and suppliers	<ul style="list-style-type: none"> <li>• Alternative collateral and de-risking</li> <li>• Financial services to invest in green and climate resilient technologies</li> </ul>

Table 5: Project actors and roles (key file table 5)

Outcome / Component	Activity	Principal institution(s) involved	Supporting institution(s)	Other Possible Partners in Execution
<p><b>Component 1: Improved availability and uptake of sustainable client-centric rural financial services</b></p>	<ul style="list-style-type: none"> <li>• Provide technical assistance and capacity building to CBFIs to improve financial management and governance</li> <li>• Facilitate access to financial services and products for savings groups, including loans and insurance.</li> <li>• Advocate for the interests of savings groups and represent them in policy dialogues and engagements with stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Various Promoters of Savings Groups (national and international NGOs operating in this field)</li> <li>• Banks</li> <li>• MFIs</li> </ul>	<ul style="list-style-type: none"> <li>• Savenet</li> </ul>	<ul style="list-style-type: none"> <li>• FSDZ</li> </ul>
<p>Component 1: Improved availability and uptake of sustainable client-centric rural financial services.</p>	<ul style="list-style-type: none"> <li>• Expand branch networks and agent banking services to reach underserved rural areas.</li> <li>• Develop tailored financial products and services for rural populations, such as agricultural loans and savings accounts.</li> <li>• Collaborate with government and development partners to leverage resources and support rural finance initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Banks, MFIs, SACCOs, MNOs, Fintechs and AgriTechs, in collaboration with agribusiness companies</li> </ul>	<ul style="list-style-type: none"> <li>• Technical Assistance and Service Providers,</li> <li>• Value chain integrators and linkage facilitators,</li> </ul>	<ul style="list-style-type: none"> <li>• Other donors and government entities promoting local economic development, capacity building on green and climate smart technologies and financial/digital literacy training. Farmer and MSME Associations,</li> </ul>

<b>Outcome / Component</b>	<b>Activity</b>	<b>Principal institution(s) involved</b>	<b>Supporting institution(s)</b>	<b>Other Possible Partners in Execution</b>
Component 1: Improved availability and uptake of sustainable client-centric rural financial services	<ul style="list-style-type: none"> <li>• Design and implement investment strategies to maximize the impact of the BFF.</li> <li>• Evaluate and select eligible projects and financial institutions for funding, ensuring alignment with FIRIP objectives and investment criteria.</li> <li>• Monitor the performance of funded projects and provide technical assistance to enhance their sustainability and impact on rural development.</li> </ul>	<ul style="list-style-type: none"> <li>• Fund Manager</li> </ul>	<ul style="list-style-type: none"> <li>• TA Providers,</li> <li>• Locally operating actors to collaborate in loan monitoring</li> <li>• Agricultural value chain actors in structured value chains providing inputs, advisory services and serving as market outlets</li> </ul>	<ul style="list-style-type: none"> <li>• Donor funded projects and government entities promoting local economic development, capacity building on green and climate smart technologies and financial/digital literacy training. Farmer and MSME Associations,</li> <li>• Other blended funds</li> </ul>
Component 1: Improved availability and uptake of sustainable client-centric rural financial services	<ul style="list-style-type: none"> <li>• Design and offer innovative financial products tailored towards green investments and climate smart agriculture</li> <li>• Provide financial education and capacity-building programs to empower rural clients with knowledge on managing finances and accessing credit responsibly.</li> </ul>	<ul style="list-style-type: none"> <li>• Banks, MFIs, SACCOs, MNOs, Fintechs and AgriTechs, in collaboration with agribusiness companies</li> </ul>	<ul style="list-style-type: none"> <li>• Providers of green/climate smart technologies;</li> <li>• NGOs, and private actors providing training, capacity development technical assistance on green and climate smart technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Donor funded projects and government entities promoting green and climate resilience local economic development and developing capacities of local actors on green and climate smart technologies and financial/digital literacy</li> </ul>

<b>Outcome / Component</b>	<b>Activity</b>	<b>Principal institution(s) involved</b>	<b>Supporting institution(s)</b>	<b>Other Possible Partners in Execution</b>
Component 2: Enhanced enabling environment for inclusive rural financial services.	<ul style="list-style-type: none"> <li>• Lead the development of policies and regulations that foster rural financial inclusion, ensuring alignment with national development goals and international best practices.</li> <li>• Develop and implement strategies to incentivize financial institutions to expand their services into rural areas</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Finance and National Planning</li> </ul>	<ul style="list-style-type: none"> <li>• Bank of Zambia,</li> <li>• Zambia Information and Communications Technology Authority (ZICTA)</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Sector Deepening Zambia (FSDZ),</li> <li>• Association of Microfinance Institutions in Zambia (AMIZ);</li> <li>• Bankers' Association</li> </ul>
Component 2: Enhanced enabling environment for inclusive rural financial services.	<ul style="list-style-type: none"> <li>• Provide policy guidance on agriculture development and financing.</li> <li>• Facilitate linkages to other sector programmes such as CATSP.</li> <li>• Oversee when appropriate, the incorporation of rural finance components into agricultural development policies and programs</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• MoFNP</li> <li>• Ministry of Small and Medium Scale Enterprise,</li> <li>• Ministry of Green Economy and Environment</li> </ul>	<ul style="list-style-type: none"> <li>• World Food Programme (WFP),</li> <li>• Food and Agriculture Organisation (FAO)</li> </ul>
Component 2: Enhanced enabling environment for inclusive rural financial services.	<ul style="list-style-type: none"> <li>• Develop and enforce regulations that promote environmentally sustainable financing practices, such as green bonds or preferential lending rates for eco-friendly projects.</li> </ul>	<ul style="list-style-type: none"> <li>• BOZ</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Agriculture</li> <li>• Ministry of Green Economy and Environment</li> <li>• Ministry of Finance and Economic Development</li> </ul>	<ul style="list-style-type: none"> <li>• United Nations Development Program (UNDP)</li> <li>• Food and Agriculture Organisation (FAO)</li> </ul>

<b>Outcome / Component</b>	<b>Activity</b>	<b>Principal institution(s) involved</b>	<b>Supporting institution(s)</b>	<b>Other Possible Partners in Execution</b>
Component 2: Enhanced enabling environment for inclusive rural financial services.	<ul style="list-style-type: none"> <li>• Develop and implement policies and programs that facilitate access to finance for rural SMEs,</li> <li>• Facilitate linkages to existing government support programs such as the Citizens economic empowerment fund, youth funds and others.</li> </ul>	<ul style="list-style-type: none"> <li>• MoEFP</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Commerce Trade and Industry</li> <li>• Ministry of Small and Medium Scale Enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• EU, GIZ</li> </ul>
Component 2: Enhanced enabling environment for inclusive rural financial services.	<ul style="list-style-type: none"> <li>• Develop and oversee the implementation of the Rural Finance Policy and strategy.</li> <li>• Provide technical assistance and capacity building support to the FIRIP PMU.</li> <li>• Facilitate coordination among stakeholders involved in rural finance initiatives.</li> <li>• Monitor and evaluate the impact of rural finance interventions.</li> </ul>	<ul style="list-style-type: none"> <li>• Rural Finance Unit</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Small and Medium Scale Enterprise</li> </ul>	<ul style="list-style-type: none"> <li>• GIZ, FSDZ</li> </ul>

<b>Outcome / Component</b>	<b>Activity</b>	<b>Principal institution(s) involved</b>	<b>Supporting institution(s)</b>	<b>Other Possible Partners in Execution</b>
Component 2: Enhanced enabling environment for inclusive rural financial services.	<ul style="list-style-type: none"> <li>• Provide technical expertise on regulatory frameworks related to rural finance.</li> <li>• Reviewing and refining regulatory policies to ensure the stability and soundness of the financial sector in rural areas.</li> <li>• Developing guidelines and standards for financial institutions operating in rural communities, including microfinance institutions and community-based financial institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Bank of Zambia</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Finance and National Planning</li> </ul>	<ul style="list-style-type: none"> <li>• FSDZ</li> <li>• SaveNet</li> </ul>
Component 2: Enhanced enabling environment for inclusive rural financial services.	<ul style="list-style-type: none"> <li>• Develop and enforce regulations to ensure fair and secure digital financial services provision in rural areas.</li> <li>• Funding allowing, expand and improve digital infrastructure, including mobile and internet connectivity, to enhance access to financial services in rural communities.</li> <li>• Promote the adoption of digital financial services through awareness campaigns and support for innovative solutions tailored to rural needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Zambia Information and Communications Technology Authority (ZICTA)</li> <li>• BOZ</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Finance and National Planning</li> </ul>	<ul style="list-style-type: none"> <li>• SaveNet</li> <li>• FSDZ</li> <li>• UNCDF</li> </ul>

<b>Outcome / Component</b>	<b>Activity</b>	<b>Principal institution(s) involved</b>	<b>Supporting institution(s)</b>	<b>Other Possible Partners in Execution</b>
Enhanced enabling environment for inclusive rural financial services	<ul style="list-style-type: none"> <li>• Strengthen database on CBFIs</li> <li>• Develop guidelines for CBFi linkage programs with formal FSPs</li> <li>• Sharing of best practices, developing training materials and conducting trainings on youth empowerment and gender-transformative approaches through CBFIs</li> </ul>	<ul style="list-style-type: none"> <li>• SaveNet</li> </ul>	<ul style="list-style-type: none"> <li>• BOZ</li> </ul>	<ul style="list-style-type: none"> <li>• GIZ</li> <li>• UNCDF</li> <li>• FSDZ</li> </ul>
Enhanced enabling environment for inclusive rural financial services	<ul style="list-style-type: none"> <li>• Strengthening the legal and regulatory environment for cooperative financial institutions</li> <li>• Develop technical support for establishing rural cooperative financial institutions (guidance and training materials)</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Small and Medium Scale Enterprises</li> <li>• Apex for Financial Cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>• BOZ</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• FSDZ</li> <li>•</li> </ul>



## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 2: Logframe**

Mission Dates: 03 – 21 June 2024

Document Date: 28/10/2024

Project No. 2000004924

Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department



Financial Inclusion for Resilience and Innovation Project for Rural Zambia

Logical Framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b>	1 Persons receiving services promoted or supported by the project				PFIs and CBFi promoters	Quarterly	M&E &KM team	"outreach assumption: •The average household size in rural areas is 5 persons per household (2022 census of population and housing). •Each beneficiary comes from a different household (CI 1.a = CI 1). If data becomes available on numbers of households that have multiple beneficiaries, this can be adjusted."
	Males (number)	0	88826	222066				
	Females (number)	0	59218	148044				
	Young (number)	0	44413	111033				
	Not Young (number)							
	Non-Indigenous people (number)							
	Total number of persons receiving services (number)	0	148044	370110				
	1.b Estimated corresponding total number of households members				PFIs and CBFi promoters	Quarterly	M&E &KM team	
	Household members (number)	0	740220	1850550				
	1.a Corresponding number of households reached				PFIs and CBFi promoters	Quarterly	M&E &KM team	
Households (number)	0	148044	370110					
<b>Project Goal</b> Improve rural livelihoods through increased resilience and inclusive sustainable growth	Change in household asset ownership				COI Survey (additional questions for PSIs)	Baseline, Mid-Term, and Completion	ME&KM team	"assumptions for sustainability: •Positive experiences with the impact of financial services will lead to a 'virtuous cycle' of using financial services; economic growth and strengthened resilience; and improved rural livelihoods."
	Households assets ownership index (%)	49	53	60				
	Rural households reporting an increase in savings				COI Survey (additional questions for PSIs)	Baseline, Mid-Term, and Completion	ME&KM team	
	Proportion of rural households (%)	0	28	70				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Development Objective</b> Improved access to and use of financial services to strengthen resilience and green growth of rural production systems, VCs and livelihoods of poor rural men, women and youth.	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				COI Survey (additional questions for PSIs)	Baseline, Mid-Term, and Completion	ME&KM team	"development objective to goal: •Economic empowerment of women and joint household decision making contributes to increased income being used to address household needs •Stable political and economic environment.
	Total number of household members (number)	0	167210	418020				
	Households (%)	0	23	23				
	Households (number)	0	33442	83604				
	2.2.1 Persons with new jobs/employment opportunities				COI Survey	Baseline, Mid-Term, and Completion	ME&KM team	
	Males (number)	0	34903	87258				
	Females (number)	0	23269	58172				
	Young (number)	0	17452	43629				
	Total number of persons with new jobs/employment opportunities (number)	0	58172	145430				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI Survey	Baseline, Mid-Term, and Completion	ME&KM team	
	Household members (number)	0	37010	185055				
	Non-indigenous households (number)							
	Non-women-headed households (number)							
	Households (%)	0	5	10				
	Households (number)	0	7402	37011				
	Persons reporting improved income from economic activities (agriculture/other IGAs)				COI Survey (additional questions for PSIs)	Baseline, Mid-Term, and Completion	ME&KM team	
	Males (number)	0	71061	177653				
	Females (number)	0	47374	118435				
	Young (number)	0	35531	88826				
	Cat 1 beneficiaries reporting improved income (number)	0	85273	213183				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Cat 2 beneficiaries reporting improved income (number)	0	32333	80832				
	Beneficiaries using financial services in all categories reporting improved income (number) (number)	0	118435	296088				
	IE.2.1 Individuals demonstrating an improvement in empowerment				COI Survey	Baseline, Mid-Term, and Completion	ME&KM team	
	Total persons (%)	0	19	38				
	Total persons (number)	0	28129	140642				
	Females (%)	0	25	50				
	Females (number)	0	14805	74022				
	Males (%)	0	15	30				
	Males (number)	0	13324	66620				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outcome</b> "Outcome 1 Improved availability of sustainable client-centric rural financial services for specific sectors and groups"	Number of new financial products, services and delivery mechanism deployed				IOF recipients	Semi-annual	ME&KM team	"outcome to development objective: • Beneficiaries make good use of financial services, for productive investment, adaptation and green technologies, or to cope with shocks affecting the household. •An enabling policy environment and corresponding incentives are in place, encouraging FSPs to offer financial services and products to rural communities at affordable rates. •Sufficient economic/investment opportunities and capacity of the target group to make use of those opportunities."
	Financial products and services (number)	0	12	24				
	Number of access points for formal financial services established with project support				IOF recipients	Semi-annual	ME&KM team	
	Access points (number)	0	11250	22500				
	1.2.6 Partner financial service providers with portfolio-at-risk ≥30 days below 5%				PFIs (banks, MFIs)	Annually	ME&KM team	
	Percentage (%)	57	59	62				
	1.2.7 Partner financial services providers with operational self- sufficiency above 100%				PFIs (banks, MFIs)	Annually	ME&KM team	
	Percentage (%)	57	59	62				
	Proportion of non-performing loans in the loan portfolio of banks (agriculture, small and emergent)				PFIs (banks, MFIs)	Annually	ME&KM team	
	agriculture - small and emerging farmers (%)	8.7	6	5				
MSMEs (%)	13.7	12.3	10					
<b>Output</b> "Output 1.1 Effective mechanism for the development of innovative rural financial products, services and delivery mechanisms"	1.1.6 Financial service providers supported in delivering outreach strategies, financial products and services to rural areas				PMU (contracts, MOUs)	Semi-annual	ME&KM team	
	Service providers (number)	0	29	57				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outcome</b> "Outcome 2 Increased uptake and use of more suitable and affordable sources of finance by the target group"	SF.2.1 Households satisfied with project-supported services				COI Survey	Baseline, Mid-Term, and Completion	ME&KM team	The financial services developed are responding to the needs of the rural communities and are affordable. The rural communities have capacity and interest to use the rural finance services.
	Household members (number)	0	518155	1480440				
	Non-indigenous households (number)							
	Non-women-headed households (number)							
	Households (%)	0	70	80				
	Households (number)	0	103631	296088				
	1.2.5 Households reporting using rural financial services				COI Survey	Baseline, Mid-Term, and Completion	ME&KM team	
	Total number of household members (number)	0	468293	1480440				
	Households (%)	55.9	66	80				
	Households (number)	0	97561	296088				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Output</b> "Output 2.1 Access to affordable loans and other financial services for agriculture and green investments enhanced"	1.1.5 Persons in rural areas accessing financial services				PFIs (banks, MFIs) and CBFi promoters	Quarterly	ME&KM team	"output to outcome: •Interest of beneficiaries to invest in climate-smart and green technologies. •Effective cooperation with complementary development initiatives. •A sufficient number of reliable suppliers of green technologies for production and household use. •Effective promotion of CSA and green technologies, and an increasing interest in green technologies as a results of factors such as the 2024 drought and load shedding.
	Total number of accesses to financial services (number)	0	183732	459332				
	Women in rural areas accessing financial services - savings (number)	0	35304	88260				
	Young people in rural areas accessing financial services - savings (number)	0	26478	66195				
	Men in rural areas accessing financial services - savings (number)	0	52956	132390				
	Men in rural areas accessing financial services - credit (number)	0	48996	122491				
	Women in rural areas accessing financial services - credit (number)	0	32664	81661				
	Young people in rural areas accessing financial services - credit (number)	0	24498	61246				
	Total persons accessing financial services - savings (number)	0	88260	220650				
	Total persons accessing financial services - credit (number)	0	81660	204152				
	Total persons accessing financial services - insurance (number)	0	13812	34530				
	Men in rural areas accessing financial services - insurance (number)	0	8287	20718				
	Women in rural areas accessing financial services - insurance (number)	0	5525	13812				
	Young people in rural areas accessing financial services - insurance (number)	0	4144	10359				
	1.1.5b Persons in rural areas accessing financial services							
Total persons accessing financial services (all services) (number)	0	126204	315511					



Results Hierarchy	Indicators				Means of Verification			Assumptions				
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility					
	Men in rural areas accessing financial services (all services) (number)	0	75723	189307								
	Women in rural areas accessing financial services (all services) (number)	0	50482	126204								
	Young people in rural areas accessing financial services (all services) (number)	0	37861	94653								
	Total persons accessing financial services (digital payment services) (number)	0	67200	168000								
	Men in rural areas accessing financial services (digital payment services) (number)	0	40320	100800								
	Women in rural areas accessing financial services (digital payment services) (number)	0	26880	67200								
	Young people in rural areas accessing financial services (digital payment services) (number)	0	20160	50400								
	Households accessing green technologies								IOF implementers; PMU	Semi-Annual	ME&KM team	
	Households (number)	0	41802	104505								

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Output</b> "Output 2.2Capacity of rural men, women, youths and MSMEs to obtain and effectively utilize financial services strengthened"	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services				IOF recipients	Quarterly	ME&KM team	"output to outcome: •Interest of beneficiaries to invest in climate-smart and green technologies. •Effective cooperation with complementary development initiatives. •Sufficient numbers of interested people in selected rural areas to make rollout of financial products/services worthwhile."
	Males (number)	0	36000	90000				
	Females (number)	0	24000	60000				
	Young (number)	0	18000	45000				
	Persons in rural areas trained in FL and/or use of FProd and Services (total) (number)	0	60000	150000				
	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks				IOF recipients	Quarterly	ME&KM team	
	Total size of groups (number)	0	20000	50000				
	Groups supported (number)	0	1000	2500				
	Males (number)	0	8000	20000				
	Females (number)	0	12000	30000				
	Young (number)	0	6000	15000				
<b>Outcome</b> Outcome 3: Enhanced enabling environment for inclusive rural financial service provision	Change in volume to agriculture lending to smallholders				Bank of Zambia's Credit Market Survey	Semi-Annual	ME&KM team	"outcome 3 to outcome 1&2: •Private sector actors (FSPs, MNOs) are willing and able to respond to incentives and opportunities offered by a more conducive policy and regulatory framework."
	Annual disbursements to agriculture (small and emergent) (million USD) (number)	20.1	23.1	34.2				
	Formally financially included adults in rural areas				FinsScope; MOFNP	Baseline, Mid-Term, and Completion	PCU	
	Percentage of rural adults (%)	44	48	57				

Results Hierarchy	Indicators			Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	
<b>Output</b> "Output 3.1 Policies, laws, regulations and institutions supported to create an enabling environment for rural finance"	Strategic partnerships established to enhance policy review and coordination, and to support implementation			PCU (MOUs)	Semi-Annual	ME&KM team	"output to outcome: •Government will make creating an enabling environment for rural finance a priority. •The partners see value in the project and there is willingness to be part of its implementation. •There is buy-in from different stakeholders to participate in multi-stakeholders dialogues to address policy issues affecting rural finance."
	Partnerships (number)	0	6				
	Laws, regulations and policies supported by the project			National Government Records	Semi-Annual	ME&KM team	
	Number (number)	0	2	4			
	Policy 1 Policy-relevant knowledge products completed			National Government records	Semi-Annual	ME&KM team	
Number (number)	0	2	6				

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 3: Project Cost and Financing**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department



### **Annex 3: Project Costs and Financing**

1. **Introduction:** This annex provides information on the assumptions made to estimate Project costs and presents the resultant summary and detailed cost tables for Financial Inclusion for Resilience and Innovation Project (FIRIP) including the financing plan, prepared using the COSTAB software.

2. The summary tables of the project costs are available in the PDR. The detailed costs tables per component are available in this Annex, where each table includes: (i) physical quantities phased by year, unit costs in US\$ and (ii) the total project costs including contingencies (in US\$).

#### **I. Methods and Assumptions**

##### **A. Summary of the Project Background**

3. The project has been designed with a goal to “Improve rural livelihoods through economic growth and increased resilience”. The Project Development Objective (PDO) is to “Improve use of financial services by poor rural men, women and youths, for growth of rural production systems and value chains, and to strengthen resilience and safety nets”.

4. The project development objective will be achieved through the effective implementation of three interlinked components: **Component 1:** Improved Availability and Use of Client-Centric Financial Services; **Component 2:** Enhanced Enabling Environment for Inclusive Rural Financial Services; and **Component 3:** Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management.

#### **II. Assumptions**

##### **B. Price Contingencies, including inflation and exchange rates**

5. Price contingency allowances has been applied to reflect the expected increases in Project costs due to changes in unit prices for the various resources that the Project will require. They also include the impact of expected inflation and alterations in the exchange rate. For the case of FIRIP, the input currency is US\$ and, therefore, a price contingency of 2%. This percentage does not reflect the local inflation which is in the range of 15.4%<sup>1</sup>. The exchange rate used at the time of project design between the USD and Zambian Kwacha is 1US\$=25 ZMW. Given the nature of the project, there are no physical infrastructures and limited equipment. Therefore, no physical contingences have been provided.

6. All these assumptions have been put into the COSTAB software for the calculation of the total project cost as provided in the table below.

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<sup>1</sup>[Zambia Inflation Rate \(tradingeconomics.com\)](http://tradingeconomics.com)

**Table 1: Inflation and Exchange Rates**

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) Inflation and Exchange Rates		Up to Project								
		Up to Negotiation	Start	2025	2026	2027	2028	2029	2030	2031
<b>Inflation (in %'s) /a</b>										
<b>Inflation</b>										
<b>Annual rates</b>										
Local		0.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Foreign		0.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>Compounded rates</b>										
Local		0.0	0.0	1.0	3.0	5.1	7.2	9.3	11.5	13.7
Foreign		0.0	0.0	1.0	3.0	5.1	7.2	9.3	11.5	13.7
<b>No inflation</b>										
<b>Annual rates</b>										
Local		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Compounded rates</b>										
Local		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Exchange rates (Local/Foreign) /b</b>										
<b>Inflation</b>										
Rates actually used		25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Constant purchasing parity rates		25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
% deviation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>No inflation</b>										
Rates actually used		25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Constant purchasing parity rates		25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
% deviation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>a</sup> Yearly values are within Each Project Year  
<sup>b</sup> Yearly values are at Project Year Midpoints

### C. Project Start and Duration

7. FIRIP will be implemented over a period of seven years. The Project start would be during the first quarter of 2025 to 2031.

### III. Project Costs and Financing:

#### D. Project Costs

8. The estimated costs for FIRIP, including base costs and price contingencies are estimated at US\$ 49.8 million. The overall investment costs have been estimated at US\$43.9 million (89% of base costs), and recurrent costs at US\$5.2 million (11 per cent of base costs). Price contingencies have been estimated at US\$0.625 million. The summary of the project budget is presented in the tables below.

**Table 2: Project costs by component/sub-component: Base costs and contingencies**

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) Components Project Cost Summary		(Kwacha '000)			(US\$ '000)			% Foreign Exchange	% Total Base Costs
		Local	Foreign	Total	Local	Foreign	Total		
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>									
1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach		266,288	29,588	295,875	10,652	1,184	11,835	10	24
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment		596,779	66,309	663,088	23,871	2,652	26,524	10	54
<b>Subtotal</b>		<b>863,066</b>	<b>95,896</b>	<b>958,963</b>	<b>34,523</b>	<b>3,836</b>	<b>38,359</b>	<b>10</b>	<b>78</b>
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>									
		86,288	9,588	95,875	3,452	384	3,835	10	8
<b>3. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowledge</b>									
		171,813	4,388	176,200	6,873	176	7,048	2	14
<b>Total BASELINE COSTS</b>									
		1,121,167	109,871	1,231,038	44,847	4,395	49,242	9	100
Price Contingencies		14,271	1,349	15,621	571	54	625	9	1
<b>Total PROJECT COSTS</b>									
		1,135,438	111,221	1,246,659	45,418	4,449	49,866	9	101

**Table 3: Project costs by expenditure categories: Base costs and contingencies**

Republic of Zambia  
Financial Inclusion for Resilience and Innovation Project (FIRIP)  
Expenditure Accounts Project Cost Summary

	(Kwacha '000)			(US\$ '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
<b>I. Investment Costs</b>								
Technical Assistance	90,821	10,091	100,913	3,633	404	4,037	10	8
Training	16,491	1,832	18,323	660	73	733	10	1
Goods, Services and Inputs	112,129	12,459	124,588	4,485	498	4,984	10	10
Equipment and Vehicles	10,926	1,214	12,140	437	49	486	10	1
IOF Window Grant	139,725	15,525	155,250	5,589	621	6,210	10	13
CBFI Window Grant	101,250	11,250	112,500	4,050	450	4,500	10	9
Lines of Credit	517,500	57,500	575,000	20,700	2,300	23,000	10	47
<b>Total Investment Costs</b>	<b>988,842</b>	<b>109,871</b>	<b>1,098,713</b>	<b>39,554</b>	<b>4,395</b>	<b>43,949</b>	<b>10</b>	<b>89</b>
<b>II. Recurrent Costs</b>								
Salaries and Allowances	107,131	-	107,131	4,285	-	4,285	-	9
Operating Costs	25,194	-	25,194	1,008	-	1,008	-	2
<b>Total Recurrent Costs</b>	<b>132,324</b>	<b>-</b>	<b>132,324</b>	<b>5,293</b>	<b>-</b>	<b>5,293</b>	<b>-</b>	<b>11</b>
<b>Total BASELINE COSTS</b>	<b>1,121,167</b>	<b>109,871</b>	<b>1,231,038</b>	<b>44,847</b>	<b>4,395</b>	<b>49,242</b>	<b>9</b>	<b>100</b>
Price Contingencies	14,271	1,349	15,621	571	54	625	9	1
<b>Total PROJECT COSTS</b>	<b>1,135,438</b>	<b>111,221</b>	<b>1,246,659</b>	<b>45,418</b>	<b>4,449</b>	<b>49,866</b>	<b>9</b>	<b>101</b>

## E. Project Financing

9. FIRIP will be financed as follows: The available IFAD financing under IFAD 12 is US\$8.9 million (18 per cent of the total project costs). The project has been designed with a financing gap of US\$21.1 million (42% of the total costs) that will be covered by IFAD 13 funds. This will bring the total IFAD financing to US\$30 million. Domestic co-financing from the private sector is estimated at US\$ 12.3 million (25 percent). This includes co-financing from FSPs under the BFF and co-financing of FSPs and other IPs under the IOF. Co-financing from the target beneficiaries is estimated at US\$5 million (10 percent). This contribution is 25 percent of the disbursement from the Banks and MFIs under the BFF<sup>2</sup>. All co-financing will be in cash.

10. Contribution from the Government of Zambia in form of both cash and in-kind (duties and taxes) and the strategic partners is estimated at US\$ 2.5 million equivalent to 5 percent of the overall financing (US\$2.2 million and US\$0.3 million respectively)<sup>3</sup>. The summary of the financing plan is presented in the table below.

11. **IFAD Financing:** The available IFAD financing of US\$ 8.9 million will be spread among the three components and the various activities. The component 1 will account for US\$ 4.4 million (50 percent); component 2 US\$1.9 million (22 percent) and component 3 US\$2.4 million (28 percent).

12. FIRIP aims to allocate at least 40% of IFAD funding to climate finance, primarily focusing on adaptation measures. Component 1 includes 44.75% of climate finance, while Components 2 and 3 comprise 16.3% and 40%, respectively.

<sup>2</sup>Typically, FSPs do not finance 100% of an investment but would require co-financing from the investor/borrower. On average, a co-financing requirement of 25% is assumed.

<sup>3</sup>Most of the strategic partners will be public institutions but some might be private (e.g., apexes of FSPs). The strategic partners will only be identified during implementation.



**Table 4: Financing Plan**

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) Financing Plan (US\$ '000)				Foreign	Local	Total	Percent
GRZ				-	2,200	2,200	4
IFAD Loan 12				804	8,096	8,900	18
Financing Gap				1,828	19,272	21,100	42
Strategic Partners				30	270	300	1
Private Sector				1,263	11,103	12,366	25
Ben Contribution				500	4,500	5,000	10
<b>Total</b>				<b>4,424</b>	<b>45,442</b>	<b>49,866</b>	<b>100</b>

13. **Component/Subcomponent Allocation:** Component 1: Improved Availability and Use of Client-Centric Financial Services has been allocated US\$ 38.6 million (78 percent). Component 2: Enhanced Enabling Environment For Inclusive Rural Financial Services has been allocated US\$3.9 million (8 percent). Component 3; Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management accounts for US\$ 7.2 million (15 percent). The summary of project costs by component is presented in the table below.

**Table 5: Project costs by components/sub-components and financier**

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) Components by Financiers (US\$ '000)				GRZ		IFAD Loan 12		Financing Gap		Strategic Partners		Private Sector		Ben Contribution		Total	
	Amount	%		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>																	
1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach	22	0.2		1,027	9	6,745	57	-	-	4,041	34	-	-	-	-	11,835	24
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment	719	3		3,462	13	9,320	35	-	-	8,325	31	5,000	19	-	-	26,826	54
<b>Subtotal</b>	<b>741</b>	<b>2</b>		<b>4,490</b>	<b>12</b>	<b>16,064</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>12,366</b>	<b>32</b>	<b>5,000</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>38,661</b>	<b>78</b>
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>																	
2.1. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge	235	6		1,941	49	1,511	38	300	8	-	-	-	-	-	-	3,987	8
2.2. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge	1,224	17		2,470	34	3,525	49	-	-	-	-	-	-	-	-	7,218	15
<b>Total PROJECT COSTS</b>	<b>2,200</b>	<b>4</b>		<b>8,900</b>	<b>18</b>	<b>21,100</b>	<b>42</b>	<b>300</b>	<b>1</b>	<b>12,366</b>	<b>25</b>	<b>5,000</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>49,866</b>	<b>100</b>

14. **Expenditure categories:** The project expenditure categories (investment and recurrent) comprise the following: a) Technical Assistance; b) Training; c) Goods Services and Inputs; d) Equipment and materials. Other investment categories include Line of Credit and grants under the IOF & CBFi window. Recurrent costs categories include Salaries and Allowances and operating costs. The associated costs are allocated across IFAD and Government of Zambia. The overall recurrent costs are 11% for the total Project. For IFAD financing, recurrent costs are 14% and 15% for the financing gap; this is within acceptable limits. The summary of costs by expenditure categories and disbursement by semester is presented in the tables below.

**Table 6: Project costs by expenditure categories and financiers.**

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) Expenditure Accounts by Financiers (US\$ '000)				GRZ		IFAD Loan 12		Financing Gap		Strategic Partners		Private Sector		Ben Contribution		Total	
	Amount	%		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment Costs</b>																	
Technical Assistance	443	11		2,313	55	1,024	24	-	-	450	11	-	-	-	-	4,229	9
Training	-	-		587	77	176	23	-	-	-	-	-	-	-	-	763	2
Goods, Services and Inputs	227	4		1,551	29	3,211	61	300	6	-	-	-	-	-	-	5,289	11
Equipment and Vehicles	66	13		426	86	5	1	-	-	-	-	-	-	-	-	497	1
IOF Window Grant	-	-		391	6	3,128	50	-	-	2,691	43	-	-	-	-	6,210	13
CBFi Window Grant	-	-		360	8	3,240	72	-	-	900	20	-	-	-	-	4,500	9
Lines of Credit	500	2		2,039	9	7,136	31	-	-	8,325	36	5,000	22	-	-	23,000	46
<b>Total Investment Costs</b>	<b>1,236</b>	<b>3</b>		<b>7,667</b>	<b>17</b>	<b>17,919</b>	<b>40</b>	<b>300</b>	<b>1</b>	<b>12,366</b>	<b>28</b>	<b>5,000</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>44,488</b>	<b>89</b>
<b>II. Recurrent Costs</b>																	
Salaries and Allowances	648	15		1,018	24	2,655	61	-	-	-	-	-	-	-	-	4,321	9
Operating Costs	316	30		215	20	526	50	-	-	-	-	-	-	-	-	1,057	2
<b>Total Recurrent Costs</b>	<b>964</b>	<b>18</b>		<b>1,233</b>	<b>23</b>	<b>3,181</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,378</b>	<b>11</b>
<b>Total PROJECT COSTS</b>	<b>2,200</b>	<b>4</b>		<b>8,900</b>	<b>18</b>	<b>21,100</b>	<b>42</b>	<b>300</b>	<b>1</b>	<b>12,366</b>	<b>25</b>	<b>5,000</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>49,866</b>	<b>100</b>

**Table 7: Project costs by disbursement semesters and Government cash-flows.**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Disbursements by Semesters and Government Cash Flow

(US\$ '000)

	Financing Available					Total	Costs to be Financed Project Costs
	IFAD Loan 12	Financing Gap	Strategic Partners	Private Sector	Ben Contribution		
	Amount	Amount	Amount	Amount	Amount		
1	289	-	-	-	-	289	337
2	289	-	-	-	-	289	337
3	2,576	-	25	1,165	500	4,265	4,475
4	2,576	-	25	1,165	500	4,265	4,475
5	704	2,304	50	1,359	500	4,917	5,111
6	704	2,304	50	1,359	500	4,917	5,111
7	255	2,644	25	1,359	500	4,783	4,974
8	255	2,644	25	1,359	500	4,783	4,974
9	217	2,625	25	1,359	500	4,725	4,906
10	217	2,625	25	1,359	500	4,725	4,906
11	208	1,920	25	747	500	3,400	3,551
12	208	1,920	25	747	500	3,400	3,551
13	202	1,058	-	195	-	1,454	1,579
14	202	1,058	-	195	-	1,454	1,579
<b>Total</b>	<b>8,900</b>	<b>21,100</b>	<b>300</b>	<b>12,366</b>	<b>5,000</b>	<b>47,666</b>	<b>49,866</b>

## **Attachments to this Annex**

### **Appendix A: Summary Cost Tables**

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Table 9: Expenditure Accounts by Years -- Totals Including Contingencies

**Table 1: Project costs by component/sub-component and financier**

Republic of Zambia  
**Financial Inclusion for Resilience and Innovation Project (FIRIP)**  
**Components by Financiers**  
(US\$ '000)

	GRZ		IFAD Loan 12		Financing Gap		Strategic Partners		Private Sector		Ben Contribution		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>																	
1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach	22	0.2	1,027	9	6,745	57	-	-	4,041	34	-	-	11,835	24	1,184	10,630	22
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment	719	3	3,462	13	9,320	35	-	-	8,325	31	5,000	19	26,826	54	2,683	23,924	219
<b>Subtotal</b>	<b>741</b>	<b>2</b>	<b>4,490</b>	<b>12</b>	<b>16,064</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>12,366</b>	<b>32</b>	<b>5,000</b>	<b>13</b>	<b>38,661</b>	<b>78</b>	<b>3,866</b>	<b>34,554</b>	<b>241</b>
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>	235	6	1,941	49	1,511	38	300	8	-	-	-	-	3,987	8	399	3,353	235
<b>3. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowledge Management</b>	1,224	17	2,470	34	3,524	49	-	-	-	-	-	-	7,218	15	184	6,774	260
<b>Total PROJECT COSTS</b>	<b>2,200</b>	<b>4</b>	<b>8,900</b>	<b>18</b>	<b>21,100</b>	<b>42</b>	<b>300</b>	<b>1</b>	<b>12,366</b>	<b>25</b>	<b>5,000</b>	<b>10</b>	<b>49,866</b>	<b>100</b>	<b>4,449</b>	<b>44,681</b>	<b>736</b>

**Table 2: Project costs by expenditure category and financier**

Republic of Zambia  
**Financial Inclusion for Resilience and Innovation Project (FIRIP)**  
**Expenditure Accounts by Financiers**  
(US\$ '000)

	GRZ		IFAD Loan 12		Financing Gap		Strategic Partners		Private Sector		Ben Contribution		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>I. Investment Costs</b>																	
Technical Assistance	443	11	2,313	55	1,024	24	-	-	450	11	-	-	4,229	9	423	3,364	443
Training	-	-	587	77	176	23	-	-	-	-	-	-	763	2	76	687	-
Goods, Services and Inputs	227	4	1,551	29	3,211	61	300	6	-	-	-	-	5,289	11	529	4,533	227
Equipment and Vehicles	66	13	426	86	5	1	-	-	-	-	-	-	497	1	50	381	66
IOF Window Grant	-	-	391	6	3,128	50	-	-	2,691	43	-	-	6,210	13	621	5,589	-
CBFI Window Grant	-	-	360	8	3,240	72	-	-	900	20	-	-	4,500	9	450	4,050	-
Lines of Credit	500	2	2,039	9	7,136	31	-	-	8,325	36	5,000	22	23,000	46	2,300	20,700	-
<b>Total Investment Costs</b>	<b>1,236</b>	<b>3</b>	<b>7,667</b>	<b>17</b>	<b>17,919</b>	<b>40</b>	<b>300</b>	<b>1</b>	<b>12,366</b>	<b>28</b>	<b>5,000</b>	<b>11</b>	<b>44,488</b>	<b>89</b>	<b>4,449</b>	<b>39,303</b>	<b>736</b>
<b>II. Recurrent Costs</b>																	
Salaries and Allowances	648	15	1,018	24	2,655	61	-	-	-	-	-	-	4,321	9	-	4,321	-
Operating Costs	316	30	215	20	526	50	-	-	-	-	-	-	1,057	2	-	1,057	-
<b>Total Recurrent Costs</b>	<b>964</b>	<b>18</b>	<b>1,233</b>	<b>23</b>	<b>3,181</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,378</b>	<b>11</b>	<b>-</b>	<b>5,378</b>	<b>-</b>
<b>Total PROJECT COSTS</b>	<b>2,200</b>	<b>4</b>	<b>8,900</b>	<b>18</b>	<b>21,100</b>	<b>42</b>	<b>300</b>	<b>1</b>	<b>12,366</b>	<b>25</b>	<b>5,000</b>	<b>10</b>	<b>49,866</b>	<b>100</b>	<b>4,449</b>	<b>44,681</b>	<b>736</b>

**Table 3: Project costs by disbursement semesters and Government cash-flows**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Disbursements by Semesters and Government Cash Flow

(US\$ '000)

	Financing Available					Total	Costs to be Financed		GRZ	
	IFAD Loan 12	Financing Gap	Strategic Partners	Private Sector	Ben Contribution		Project Costs	Cash Flow	Cumulative Cash Flow	
	Amount	Amount	Amount	Amount	Amount					
1	289	-	-	-	-	289	337	-49	-49	
2	289	-	-	-	-	289	337	-49	-97	
3	2,576	-	25	1,165	500	4,265	4,475	-210	-307	
4	2,576	-	25	1,165	500	4,265	4,475	-210	-517	
5	704	2,304	50	1,359	500	4,917	5,111	-194	-711	
6	704	2,304	50	1,359	500	4,917	5,111	-194	-905	
7	255	2,644	25	1,359	500	4,783	4,974	-192	-1,097	
8	255	2,644	25	1,359	500	4,783	4,974	-192	-1,288	
9	217	2,625	25	1,359	500	4,725	4,906	-181	-1,469	
10	217	2,625	25	1,359	500	4,725	4,906	-181	-1,650	
11	208	1,920	25	747	500	3,400	3,551	-150	-1,800	
12	208	1,920	25	747	500	3,400	3,551	-150	-1,950	
13	202	1,058	-	195	-	1,454	1,579	-125	-2,075	
14	202	1,058	-	195	-	1,454	1,579	-125	-2,200	
<b>Total</b>	<b>8,900</b>	<b>21,100</b>	<b>300</b>	<b>12,366</b>	<b>5,000</b>	<b>47,666</b>	<b>49,866</b>	<b>-2,200</b>	<b>-2,200</b>	

**Table 4: Financing Plan**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Financing Plan

(US\$ '000)

	Foreign	Local	Total	Percent
GRZ	-	2,200	2,200	4
IFAD Loan 12	820	8,080	8,900	18
Financing Gap	1,836	19,264	21,100	42
Strategic Partners	30	270	300	1
Private Sector	1,263	11,103	12,366	25
Ben Contribution	500	4,500	5,000	10
<b>Total</b>	<b>4,449</b>	<b>45,418</b>	<b>49,866</b>	<b>100</b>

**Table 5: Component project cost summary – base costs and total with contingencies**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Components Project Cost Summary

	(Kwacha '000)			(US\$ '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>								
1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach	266,288	29,588	295,875	10,652	1,184	11,835	10	24
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment	596,779	66,309	663,088	23,871	2,652	26,524	10	54
<b>Subtotal</b>	<b>863,066</b>	<b>95,896</b>	<b>958,963</b>	<b>34,523</b>	<b>3,836</b>	<b>38,359</b>	<b>10</b>	<b>78</b>
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>	86,288	9,588	95,875	3,452	384	3,835	10	8
<b>3. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowledge</b>	171,813	4,388	176,200	6,873	176	7,048	2	14
<b>Total BASELINE COSTS</b>	<b>1,121,167</b>	<b>109,871</b>	<b>1,231,038</b>	<b>44,847</b>	<b>4,395</b>	<b>49,242</b>	<b>9</b>	<b>100</b>
Price Contingencies	14,271	1,349	15,621	571	54	625	9	1
<b>Total PROJECT COSTS</b>	<b>1,135,438</b>	<b>111,221</b>	<b>1,246,659</b>	<b>45,418</b>	<b>4,449</b>	<b>49,866</b>	<b>9</b>	<b>101</b>

**Table 6: Expenditure accounts project cost summary – base costs and total with contingencies**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Expenditure Accounts Project Cost Summary

	(Kwacha '000)			(US\$ '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
<b>I. Investment Costs</b>								
Technical Assistance	90,821	10,091	100,913	3,633	404	4,037	10	8
Training	16,491	1,832	18,323	660	73	733	10	1
Goods, Services and Inputs	112,129	12,459	124,588	4,485	498	4,984	10	10
Equipment and Vehicles	10,926	1,214	12,140	437	49	486	10	1
IOF Window Grant	139,725	15,525	155,250	5,589	621	6,210	10	13
CBFI Window Grant	101,250	11,250	112,500	4,050	450	4,500	10	9
Lines of Credit	517,500	57,500	575,000	20,700	2,300	23,000	10	47
<b>Total Investment Costs</b>	<b>988,842</b>	<b>109,871</b>	<b>1,098,713</b>	<b>39,554</b>	<b>4,395</b>	<b>43,949</b>	<b>10</b>	<b>89</b>
<b>II. Recurrent Costs</b>								
Salaries and Allowances	107,131	-	107,131	4,285	-	4,285	-	9
Operating Costs	25,194	-	25,194	1,008	-	1,008	-	2
<b>Total Recurrent Costs</b>	<b>132,324</b>	<b>-</b>	<b>132,324</b>	<b>5,293</b>	<b>-</b>	<b>5,293</b>	<b>-</b>	<b>11</b>
<b>Total BASELINE COSTS</b>	<b>1,121,167</b>	<b>109,871</b>	<b>1,231,038</b>	<b>44,847</b>	<b>4,395</b>	<b>49,242</b>	<b>9</b>	<b>100</b>
Price Contingencies	14,271	1,349	15,621	571	54	625	9	1
<b>Total PROJECT COSTS</b>	<b>1,135,438</b>	<b>111,221</b>	<b>1,246,659</b>	<b>45,418</b>	<b>4,449</b>	<b>49,866</b>	<b>9</b>	<b>101</b>

**Table 7: Expenditure Accounts by Components - Totals Including Contingencies**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Expenditure Accounts by Components - Totals Including Contingencies

(US\$ '000)

	Improved Availability and Use of Client-Centric Financial Services				
	Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach	Increased Access to Affordable Finance for Agriculture and Green Investment	Enhanced Enabling Environment For Inclusive Rural Financial Services	Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management	Total
<b>I. Investment Costs</b>					
Technical Assistance	1,038	-	2,102	1,090	4,229
Training	88	-	386	290	763
Goods, Services and Inputs	-	3,692	1,500	97	5,289
Equipment and Vehicles	-	134	-	363	497
IOF Window Grant	6,210	-	-	-	6,210
CBFI Window Grant	4,500	-	-	-	4,500
Lines of Credit	-	23,000	-	-	23,000
<b>Total Investment Costs</b>	<b>11,835</b>	<b>26,826</b>	<b>3,987</b>	<b>1,840</b>	<b>44,488</b>
<b>II. Recurrent Costs</b>					
Salaries and Allowances	-	-	-	4,321	4,321
Operating Costs	-	-	-	1,057	1,057
<b>Total Recurrent Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,378</b>	<b>5,378</b>
<b>Total PROJECT COSTS</b>	<b>11,835</b>	<b>26,826</b>	<b>3,987</b>	<b>7,218</b>	<b>49,866</b>
Taxes	22	219	235	260	736
Foreign Exchange	1,184	2,683	399	184	4,449

**Table 8: Project Components by Year - Totals Including Contingencies**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Project Components by Year -- Totals Including Contingencies

(US\$ '000)

	Totals Including Contingencies							Total
	2025	2026	2027	2028	2029	2030	2031	
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>								
1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach	-	1,373	2,513	2,500	2,500	1,810	1,140	11,835
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment	-	5,452	5,648	5,661	5,675	3,688	702	26,826
<b>Subtotal</b>	-	6,824	8,161	8,161	8,175	5,498	1,842	38,661
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>	-	843	1,049	716	589	562	227	3,987
<b>3. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowledge</b>	674	1,284	1,011	1,071	1,049	1,041	1,089	7,218
<b>Total PROJECT COSTS</b>	674	8,951	10,222	9,949	9,812	7,101	3,158	49,866

**Table 9: Expenditure Accounts by Years -- Totals Including Contingencies**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Expenditure Accounts by Years -- Totals Including Contingencies

(US\$ '000)

	Totals Including Contingencies							Total
	2025	2026	2027	2028	2029	2030	2031	
<b>I. Investment Costs</b>								
Technical Assistance	121	902	797	789	620	572	428	4,229
Training	106	164	134	102	104	127	26	763
Goods, Services and Inputs	-	583	1,164	927	941	955	719	5,289
Equipment and Vehicles	163	319	-	-	14	-	-	497
IOF Window Grant	-	690	1,380	1,380	1,380	690	690	6,210
CBFI Window Grant	-	450	900	900	900	900	450	4,500
Lines of Credit	-	5,000	5,000	5,000	5,000	3,000	-	23,000
<b>Total Investment Costs</b>	390	8,108	9,375	9,099	8,959	6,244	2,313	44,488
<b>II. Recurrent Costs</b>								
Salaries and Allowances	238	679	681	682	684	685	671	4,321
Operating Costs	45	163	165	167	170	172	174	1,057
<b>Total Recurrent Costs</b>	284	843	846	850	853	857	845	5,378
<b>Total PROJECT COSTS</b>	674	8,951	10,222	9,949	9,812	7,101	3,158	49,866



## **Appendix B: Detailed Cost Tables**

### **Component 1: Improved Availability and Use of Client-Centric Financial Services**

Sub-component 1.1: Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach

- Quantities and Costs
- Financing Rule

Sub-component 1.1: Increased Access to Affordable Finance for Agriculture and Green Investment

- Quantities and Costs
- Financing Rule

### **Component 2: Enhanced Enabling Environment For Inclusive Rural Financial Services**

Sub-component 2.1: Enhanced Enabling Environment For Inclusive Rural Financial Services

- Quantities and Costs
- Financing Rule

### **Component 3: Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management**

Sub-component 3.1: Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

- Quantities and Costs
- Financing Rule

## Component 1: Improved Availability and Use of Client-Centric Financial Services

### Sub-component 1.1: Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach

#### Quantities and Costs

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach

#### Detailed Costs

(US\$)

#### I. Investment Costs

##### A. Innovative Products and Delivery Mechanisms for Inclusive Rural Outreach

	Unit	Quantities							Unit Cost	Totals Including Contingencies ('000)								
		2025	2026	2027	2028	2029	2030	2031		Total	2025	2026	2027	2028	2029	2030	2031	Total
IOF Window 1 /a	Sub-project	-	1	2	2	2	1	1	9	230,000	-	230	460	460	460	230	230	2,070
CBFI Window 1 /b	Number of Sub-project	-	1	2	2	2	1	1	10	150,000	-	150	300	300	300	150	150	1,500
IOF Window 2	Sub-project	-	1	2	2	2	1	1	9	230,000	-	230	460	460	460	230	230	2,070
CBFI Window 2 /c	Number of Sub-project	-	1	2	2	2	1	1	10	150,000	-	150	300	300	300	150	1,500	
IOF Window 3	Sub-project	-	1	2	2	2	1	1	9	230,000	-	230	460	460	460	230	230	2,070
CBFI Window 3 /d	Number of Sub-project	-	1	2	2	2	1	1	10	150,000	-	150	300	300	300	150	1,500	
Market research and feasibility studies	Study	-	6	6	6	6	6	-	30	30,000	-	180	180	180	180	-	900	
Launching events of the IOF	Launch	-	1	1	0.5	0.5	0.5	-	3.5	25,000	-	25	25	13	13	13	88	
Internal Review Committee external experts remuneration	Proposal	-	50	50	50	50	50	-	250	250	-	13	13	13	13	13	63	
Partner pre-Implementation Orientation meetings	Meeting	-	1	1	1	1	1	-	5	15,000	-	15	15	15	15	-	75	
<b>Total</b>												1,373	2,513	2,500	2,500	1,810	1,140	11,835

<sup>1</sup>a Under the IOF, the target is to reach at least 40% Women and 30% youth overall. This may vary by Window and Sub-project. Window 1 (digital financial services) is likely to have a higher uptake by women and youth (based on RUFEP experiences) than can be expected under in line with their expected share in total beneficiaries, approximately 40% and 30% of the resources would be directed towards them. This does include employment generated through loans and other financial services by beneficiary categories 2 and 3.

<sup>1</sup>b/c/d CBFI subprojects include cost for training, social mobilization, monitoring of CBFI groups and members. A substantial part of the resources will be devoted to youth empowerment, household methodologies, and other gender transformative approaches. Given the demand-driven nature and the differences among CBFI Promoters, the share or such expenditures cannot be determined ex ante.

#### Financing Rule

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach

#### Detailed Costs

(US\$)

#### I. Investment Costs

##### A. Innovative Products and Delivery Mechanisms for Inclusive Rural Outreach

	Fin. Rule	GRZ							
		2025	2026	2027	2028	2029	2030	2031	Total
IOF Window 1 /a	IFAD_LOAN ( 50% FOR 2, 0% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 50% FOR 5 ), PRIVATE_SECTOR ( 50% )	-	-	-	-	-	-	-	-
CBFI Window 1 /b	IFAD_LOAN ( 80% FOR 2, 0% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 80% FOR 5 ), PRIVATE_SECTOR ( 20% )	-	-	-	-	-	-	-	-
IOF Window 2	IFAD_LOAN ( 60% FOR 2, 0% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 60% FOR 5 ), PRIVATE_SECTOR ( 40% )	-	-	-	-	-	-	-	-
CBFI Window 2 /c	IFAD_LOAN ( 80% FOR 2, 0% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 80% FOR 5 ), PRIVATE_SECTOR ( 20% )	-	-	-	-	-	-	-	-
IOF Window 3	IFAD_LOAN ( 60% FOR 2, 0% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 60% FOR 5 ), PRIVATE_SECTOR ( 40% )	-	-	-	-	-	-	-	-
CBFI Window 3 /d	IFAD_LOAN ( 80% FOR 2, 0% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 80% FOR 5 ), PRIVATE_SECTOR ( 20% )	-	-	-	-	-	-	-	-
Market research and feasibility studies	IFAD_LOAN ( 50% FOR 3, 0% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 50% FOR 4 ), PRIVATE_SECTOR ( 50% )	-	-	-	-	-	-	-	-
Launching events of the IOF	IFAD_LOAN ( 100% FOR 3, 0% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 100% FOR 4 )	-	-	-	-	-	-	-	-
Internal Review Committee external experts remuneration	IFAD_LOAN ( 100% FOR 3, 0% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 100% FOR 4 )	-	2	2	2	2	2	2	10
Partner pre-Implementation Orientation meetings	IFAD_LOAN ( 100% FOR 3, 0% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 100% FOR 4 )	-	2	2	2	2	2	2	12
<b>Total</b>		-	4	4	4	4	4	4	22

## Continued

Republic of Zambia  
 Financial Inclusion for Resilience and Innovation Project (FIRIP)  
 Table 1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach  
**Detailed Costs**  
 (US\$)

	<b>Expenditures by Financiers ('000)</b>																							
	<b>IFAD Loan 12</b>								<b>Financing Gap</b>								<b>Private Sector</b>							
	2025	2026	2027	2028	2029	2030	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total
<b>I. Investment Costs</b>																								
<b>A. Innovative Products and Delivery Mechanisms for Inclusive Rural Outreach</b>																								
IOF Window 1 /a	-	115	-	-	-	-	-	115	-	-	230	230	230	115	115	920	-	115	230	230	230	115	115	1,035
CBFI Window 1 /b	-	120	-	-	-	-	-	120	-	-	240	240	240	120	120	1,080	-	30	60	60	60	60	30	300
IOF Window 2	-	138	-	-	-	-	-	138	-	-	276	276	276	138	138	1,104	-	92	184	184	184	92	92	828
CBFI Window 2 /c	-	120	-	-	-	-	-	120	-	-	240	240	240	120	120	1,080	-	30	60	60	60	60	30	300
IOF Window 3	-	138	-	-	-	-	-	138	-	-	276	276	276	138	138	1,104	-	92	184	184	184	92	92	828
CBFI Window 3 /d	-	120	-	-	-	-	-	120	-	-	240	240	240	120	120	1,080	-	30	60	60	60	60	30	300
Market research and feasibility studies	-	90	90	-	-	-	-	180	-	-	-	90	90	90	-	270	-	90	90	90	90	90	-	450
Launching events of the IOF	-	25	25	-	-	-	-	50	-	-	-	13	13	13	-	38	-	-	-	-	-	-	-	-
Internal Review Committee external experts remuneration	-	11	11	-	-	-	-	21	-	-	-	11	11	11	-	32	-	-	-	-	-	-	-	-
Partner pre-Implementation Orientation meetings	-	13	13	-	-	-	-	25	-	-	-	13	13	13	-	38	-	-	-	-	-	-	-	-
<b>Total</b>	-	889	138	-	-	-	-	1,027	-	-	1,502	1,628	1,628	1,237	751	6,745	-	479	868	868	868	569	389	4,041

## Sub-component 1.2: Increased Access to Affordable Finance for Agriculture and Green Investment

### Quantities and Costs

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 1.2. Increased Access to Affordable Finance for Agriculture and Green Investment

**Detailed Costs**

(US\$)

	Unit	Quantities							Unit Cost	Totals Including Contingencies ('000)								
		2025	2026	2027	2028	2029	2030	2031		Total	2025	2026	2027	2028	2029	2030	2031	Total
<b>I. Investment Costs</b>																		
<b>A. Lines of Credit /a</b>																		
Disbursements Banks	Per Year	-	1	1	1	1	0.5	-	4.5	2,500,000	-	2,500	2,500	2,500	2,500	1,250	-	11,250
Co-financing end-beneficiaries (25% on top of unit costs)	Per Year	-	1	1	1	1	1	-	5	625,000	-	625	625	625	625	625	-	3,125
Disbursements MFIs	Per Year	-	1	1	1	1	0.5	-	4.5	1,500,000	-	1,500	1,500	1,500	1,500	750	-	6,750
Co-financing end-beneficiaries (25% on top of unit costs)	Per Year	-	1	1	1	1	1	-	5	375,000	-	375	375	375	375	375	-	1,875
<b>Subtotal</b>											-	5,000	5,000	5,000	5,000	3,000	-	23,000
<b>B. Fund Management Fee</b>																		
<b>1. Capex and Monitoring &amp; Reporting Expenses</b>																		
Fund Management Software	Units	-	1	-	-	-	-	-	1	50,000	-	52	-	-	-	-	-	52
Motor Vehicles	Units	-	2	-	-	-	-	-	2	40,000	-	82	-	-	-	-	-	82
Motor Vehicle Maintenance and Running Costs	Per/Annum	-	0.5	1	1	1	1	1	5.5	120,000	-	62	126	129	131	134	136	718
Field Trips and Related Operating Costs	Per/Annum	-	0.5	1	1	1	1	1	5.5	100,000	-	52	105	107	109	112	114	598
<b>Subtotal</b>											-	247	231	236	241	245	250	1,450
<b>2. Staff Costs</b>																		
Fund Manager	Per/Annum	-	0.5	1	1	1	1	1	5.5	90,000	-	46	95	96	98	100	102	539
Field Officer (2 Officer as follows: Southern/Lusaka, Eastern/Chipata, Western/Ndola)	Per/Annum	-	1	2	2	2	2	2	11	36,000	-	37	76	77	79	80	82	431
Accounts/Treasurer Officer	Per/Annum	-	0.5	1	1	1	1	1	5.5	60,000	-	31	63	64	66	67	68	359
Support Staff (drivers, assistants, etc)	Per/Annum	-	0.5	1	1	1	1	1	5.5	80,000	-	41	84	86	87	89	91	479
<b>Subtotal</b>											-	156	317	324	330	337	344	1,807
<b>3. Other Operating Costs+Institutional Overheads</b>																		
Other Admin Costs (office rental, utility bills, equipment maintenance, etc)	Per/Annum	-	0.5	1	1	1	1	1	5.5	45,000	-	23	47	48	49	50	51	269
Institutional Margin	Per/Annum	-	0.5	1	1	1	1	1	5.5	50,000	-	26	53	54	55	56	57	299
<b>Subtotal</b>											-	49	100	102	104	106	108	568
<b>Total</b>											-	5,452	5,648	5,661	5,675	3,688	702	26,826

<sup>1/a</sup> An exact allocation of the loans provided under the BFF to women and youth is difficult to estimate ex ante. However, it can be assumed that on average, at least 30% of the loans would go to women and 25% to youth. In addition, youth and women will benefit from the employment generated by loans to categories 2 and 3

## Financing Rule

Republic of Zambia

**Financial Inclusion for Resilience and Innovation Project (FIRIP)**

Table 1.2. Increased Access to Affordable Finance for Agriculture and Green Investment

**Detailed Costs**

(US\$)

Other Accounts	Fin. Rule	GRZ										IFAD Loan 12					
		2025	2026	2027	2028	2029	2030	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total
<b>I. Investment Costs</b>																	
<b>A. Lines of Credit /a</b>																	
Disbursements Banks	IFAD_LOAN ( 45% FOR 2, 0% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 45% FOR 5 ), PRIVATE_SECTOR ( 50% )	-	111	111	111	111	56	-	500	-	1,139	-	-	-	-	-	1,139
Co-financing end-beneficiaries (25% on top of unit costs)	BEN_CONTRIBUTION ( 100% )	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disbursements MFIs	IFAD_LOAN ( 60% FOR 2, 0% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 60% FOR 5 ), PRIVATE_SECTOR ( 40% )	-	-	-	-	-	-	-	-	-	900	-	-	-	-	-	900
Co-financing end-beneficiaries (25% on top of unit costs)	BEN_CONTRIBUTION ( 100% )	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>		-	111	111	111	111	56	-	500	-	2,039	-	-	-	-	-	2,039
<b>B. Fund Management Fee</b>																	
<b>1. Capex and Monitoring &amp; Reporting Expenses</b>																	
Fund Management Software	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	8	-	-	-	-	-	8	-	43	-	-	-	-	-	43
Motor Vehicles	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	-	-	-	-	-	-	-	-	82	-	-	-	-	-	82
Motor Vehicle Maintenance and Running Costs	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	10	20	21	21	21	22	115	-	52	106	16	17	17	17	225
Field Trips and Related Operating Costs	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	8	17	17	17	18	18	96	-	43	88	14	14	14	14	188
<b>Subtotal</b>		-	26	37	38	38	39	40	219	-	221	194	30	31	31	32	539
<b>2. Staff Costs</b>																	
Fund Manager	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	-	-	-	-	0	-	0	-	46	95	14	15	15	15	201
Field Officer (2 Officer as follows: Southern/Lusaka, Eastern/Chipata, Western/Ndola)	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	-	-	0	0	0	0	0	-	37	76	12	12	12	12	160
Accounts/Treasurer Officer	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	-	-	0	0	0	0	0	-	31	63	10	10	10	10	134
Support Staff (drivers, assistants, etc)	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	-	-	0	0	-	-	0	-	41	84	13	13	13	14	178
<b>Subtotal</b>		-	-	-	0	0	0	0	0	-	156	317	49	50	51	52	673
<b>3. Other Operating Costs-Institutional Overheads</b>																	
Other Admin Costs (office rental, utility bills, equipment maintenance, etc)	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	-	-	-	-	0	-	0	-	23	47	7	7	8	8	100
Institutional Margin	IFAD_LOAN ( 100% FOR 3, 15% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 85% FOR 4 )	-	-	0	0	-	0	-0	0	-	26	53	8	8	8	9	111
<b>Subtotal</b>		-	-	0	0	-	0	-0	0	-	49	100	15	16	16	16	212
<b>Total</b>		-	137	148	149	150	95	40	719	-	2,464	611	94	96	98	100	3,462

## Continued

Republic of Zambia

### Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 1.2. Increased Access to Affordable Finance for Agriculture and Green Investment

#### Detailed Costs

(US\$)

	Expenditures by Financiers ('000)																									
	Other Accounts	Financing Gap							Private Sector							Ben Contribution										
		2025	2026	2027	2028	2029	2030	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total	
<b>I. Investment Costs</b>																										
<b>A. Lines of Credit /a</b>																										
Disbursements Banks	-	-	1,139	1,139	1,139	569	-	3,986	-	1,250	1,250	1,250	1,250	625	-	5,625	-	-	-	-	-	-	-	-	-	
Co-financing end-beneficiaries (25% on top of unit costs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	625	625	625	625	625	-	-	3,125	
Disbursements MFIs	-	-	900	900	900	450	-	3,150	-	600	600	600	600	300	-	2,700	-	-	-	-	-	-	-	-	-	
Co-financing end-beneficiaries (25% on top of unit costs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	375	375	375	375	375	-	-	1,875	
<b>Subtotal</b>	-	-	2,039	2,039	2,039	1,019	-	7,136	-	1,850	1,850	1,850	1,850	925	-	8,325	-	1,000	1,000	1,000	1,000	1,000	-	-	5,000	
<b>B. Fund Management Fee</b>																										
<b>1. Capex and Monitoring &amp; Reporting Expenses</b>																										
Fund Management Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Motor Vehicle Maintenance and Running Costs	-	-	-	92	94	95	97	378	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Field Trips and Related Operating Costs	-	-	-	76	78	79	81	315	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	-	-	-	168	171	175	178	693	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>2. Staff Costs</b>																										
Fund Manager	-	-	-	82	84	85	87	338	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Field Officer (2 Officer as follows: Southern/Lusaka, Eastern/Chipata, Western/Ndola)	-	-	-	66	67	68	70	270	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accounts/Treasurer Officer	-	-	-	55	56	57	58	225	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Support Staff (drivers, assistants, etc)	-	-	-	73	74	76	77	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	-	-	-	275	281	286	292	1,134	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>3. Other Operating Costs+Institutional Overheads</b>																										
Other Admin Costs (office rental, utility bills, equipment maintenance, etc)	-	-	-	41	42	43	44	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Institutional Margin	-	-	-	46	46	47	48	188	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	-	-	-	87	88	90	92	357	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	-	-	2,039	2,569	2,579	1,571	562	9,320	-	1,850	1,850	1,850	1,850	925	-	8,325	-	1,000	1,000	1,000	1,000	1,000	-	-	5,000	

## Component 2: Enhanced Enabling Environment For Inclusive Rural Financial Services

### Sub-component 2.1: Enhanced Enabling Environment For Inclusive Rural Financial Services

#### Quantities and Costs

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 2.1. Enhanced Enabling Environment For Inclusive Rural Financial Services

#### Detailed Costs

(US\$)

Unit	Quantities								Unit Cost	Totals Including Contingencies ('000)								
	2025	2026	2027	2028	2029	2030	2031	Total		2025	2026	2027	2028	2029	2030	2031	Total	
<b>I. Investment Costs</b>																		
A. Strategic partnerships	Partnerships	-	1	2	1	1	1	-	6	250,000	-	250	500	250	250	250	-	1,500
<b>B. Technical Assistance and Training /a</b>																		
Activity 2.1: Technical workshops on emerging topics and innovations in rural and agricultural finance	Workshop	-	1	1	1	1	1	-	5	100,000	-	103	105	107	109	112	-	536
Activity 2.2: Training of FSP on climate risk management	Training	-	1	1	-	1	1	-	4	20,000	-	21	21	-	22	22	-	86
Activity 2.3: Specific TA for FSPs participating in FIRIP (under BFF and / or IOF) for developing / improving ESG framework	TA	-	3	3	2	-	-	-	8	50,000	-	155	158	107	-	-	-	419
Activity 2.4: Gender and youth audit of CBFI Promoters and MFIs (fully funded by FIRIP) (different years)	Audit	-	1	1	1	-	-	-	3	25,000	-	26	26	27	-	-	-	79
Activity 2.5: Development of training content for gender and youth sensitive approaches for CBFI Promoters and FSPs	TA	-	1	1	-	-	-	-	2	25,000	-	26	26	-	-	-	-	52
Activity 2.6: General training on gender and youth sensitive approaches for financial service development and delivery for C	Training	-	3	3	3	2	3	-	14	20,000	-	62	63	64	44	67	-	300
Activity 2.7: TA to review the ZCGS and enhance its efficiency, outreach and sustainability	TA	-	-	-	0.5	0.5	-	-	1	300,000	-	-	-	161	164	-	-	325
Activity 2.8: TA to strengthen SAFF based on its implementation results and proposal improved its efficiency, scalability, and	TA	-	0.5	0.5	-	-	-	-	1	300,000	-	150	150	-	-	-	-	300
Activity 2.9: TA for the detailed design of the Blending Facility and recruitment of Fund Manager	TA	-	1	-	-	-	-	-	1	50,000	-	52	-	-	-	-	-	52
Activity 2.10: TA for developing a permanent institutional structure for the Blending Facility /b	TA	-	-	-	-	-	-	0.5	0.5	200,000	-	-	-	-	-	-	114	114
Activity 2.11: Other TA (td during second half of project implementation)	TA	-	-	-	-	-	0.5	0.5	1	200,000	-	-	-	-	-	112	114	225
<b>Total</b>												843	1,049	716	589	562	227	3,987

<sup>a</sup> In addition to activities 2.4, 2.5, and 2.6 which are directly related to women and youth, there will be at least one related workshop under activity 2.1 related to innovations in women and youth sensitive financial services. In addition, the SP with SaveNet as a strong focus on gender transformative and youth sensitive approaches through CBFI promotion.

<sup>b</sup> and – possibly – other instruments (IOF, Guarantee) as part of the exist strategy of FIRIP.

#### Financing Rule

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 2.1. Enhanced Enabling Environment For Inclusive Rural Financial Services

#### Detailed Costs

(US\$)

Other Accounts	GRZ							
	2025	2026	2027	2028	2029	2030	2031	Total
<b>I. Investment Costs</b>								
A. Strategic partnerships	IFAD_LOAN ( 80% FOR 2, 0% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 80% FOR 5 ), STRATEGIC_PARTNERS ( ;							
<b>B. Technical Assistance and Training /a</b>								
Activity 2.1: Technical workshops on emerging topics and innovations in rural and agricultural finance	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.2: Training of FSP on climate risk management	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.3: Specific TA for FSPs participating in FIRIP (under BFF and / or IOF) for developing / improving ESG fra	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.4: Gender and youth audit of CBFI Promoters and MFIs (fully funded by FIRIP) (different years)	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.5: Development of training content for gender and youth sensitive approaches for CBFI Promoters and FS	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.6: General training on gender and youth sensitive approaches for financial service development and deliv	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.7: TA to review the ZCGS and enhance its efficiency, outreach and sustainability	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.8: TA to strengthen SAFF based on its implementation results and proposal improved its efficiency, scalat	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.9: TA for the detailed design of the Blending Facility and recruitment of Fund Manager	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.10: TA for developing a permanent institutional structure for the Blending Facility /b	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
Activity 2.11: Other TA (td during second half of project implementation)	IFAD_LOAN ( 100% FOR 3, 60% FOR 4 ), FINANCING_GAP ( 0% FOR 3, 40% FOR 4 )							
<b>Total</b>	-	60	56	47	27	22	23	235

## Continued

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 2.1. Enhanced Enabling Environment For Inclusive Rural Financial Services

**Detailed Costs**

(US\$)

	<b>Expenditures by Financiers ('000)</b>																									
	<b>Other Accounts</b>		<b>IFAD Loan 12</b>					<b>Financing Gap</b>								<b>Strategic Partners</b>										
	2025	2026	2027	2028	2029	2030	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total		
<b>I. Investment Costs</b>																										
A. Strategic partnerships	-	200	-	-	-	-	-	200	-	-	400	200	200	200	-	1,000	-	50	100	50	50	50	-	300		
<b>B. Technical Assistance and Training /a</b>																										
Activity 2.1: Technical workshops on emerging topics and innovations in rural and agricultural finance	-	93	95	51	52	53	-	344	-	-	-	45	46	47	-	139	-	-	-	-	-	-	-	-		
Activity 2.2: Training of FSP on climate risk management	-	21	21	-	13	13	-	68	-	-	-	-	9	9	-	18	-	-	-	-	-	-	-	-		
Activity 2.3: Specific TA for FSPs participating in FIRIP (under BFF and / or IOF) for developing / improving ESG frai	-	130	132	54	-	-	-	316	-	-	-	36	-	-	-	36	-	-	-	-	-	-	-	-		
Activity 2.4: Gender and youth audit of CBF Promoters and MFIs (fully funded by FIRIP) (different years)	-	23	24	14	-	-	-	61	-	-	-	10	-	-	-	10	-	-	-	-	-	-	-	-		
Activity 2.5: Development of training content for gender and youth sensitive approaches for CBF Promoters and FSF	-	23	24	-	-	-	-	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Activity 2.6: General training on gender and youth sensitive approaches for financial service development and delive	-	62	63	39	26	40	-	230	-	-	-	26	17	27	-	70	-	-	-	-	-	-	-	-		
Activity 2.7: TA to review the ZCGS and enhance its efficiency, outreach and sustainability	-	-	-	87	89	-	-	175	-	-	-	58	59	-	-	117	-	-	-	-	-	-	-	-		
Activity 2.8: TA to strengthen SAFF based on its implementation results and proposal improved its efficiency, scalab	-	135	135	-	-	-	-	270	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Activity 2.9: TA for the detailed design of the Blending Facility and recruitment of Fund Manager	-	46	-	-	-	-	-	46	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Activity 2.10: TA for developing a permanent institutional structure for the Blending Facility /b	-	-	-	-	-	-	61	61	-	-	-	-	-	-	41	41	-	-	-	-	-	-	-	-		
Activity 2.11: Other TA (td during second half of project implementation)	-	-	-	-	-	60	61	122	-	-	-	-	-	-	40	41	81	-	-	-	-	-	-	-		
<b>Total</b>	-	733	493	245	180	167	123	1,941	-	-	400	375	332	323	82	1,511	-	50	100	50	50	50	-	300		



## Component 3: Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

### Sub-component 3.1: Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

#### Quantities and Costs

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 3.1. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

**Detailed Costs**

(US\$)

Unit	Quantities								Unit Cost	Totals Including Contingencies ('000)								
	2025	2026	2027	2028	2029	2030	2031	Total		2025	2026	2027	2028	2029	2030	2031	Total	
<b>I. Investment Costs</b>																		
<b>A. PMC Vehicles</b>																		
Double Cabin Vehicles (4X4)	Units	-	3	-	-	-	-	-	3	60,000	-	185	-	-	-	-	-	185
<b>B. Office Equipment</b>																		
Laptop	Units	5	-	-	-	5	-	-	10	1,500	8	-	-	-	8	-	-	15
Desktop	Units	8	-	-	-	5	-	-	13	1,200	10	-	-	-	7	-	-	16
Printer/Photocopier	Units	1	-	-	-	-	-	-	1	9,000	9	-	-	-	-	-	-	9
Accounting software	Units	1	-	-	-	-	-	-	1	60,000	61	-	-	-	-	-	-	61
Safe box	Units	1	-	-	-	-	-	-	1	1,200	1	-	-	-	-	-	-	1
Projector	Units	1	-	-	-	-	-	-	1	1,800	2	-	-	-	-	-	-	2
Video Conference Equipments	Units	1	-	-	-	-	-	-	1	10,000	10	-	-	-	-	-	-	10
Server	Units	1	-	-	-	-	-	-	1	10,000	10	-	-	-	-	-	-	10
Internet Network Equipment	Units	1	-	-	-	-	-	-	1	3,000	3	-	-	-	-	-	-	3
Office Furniture	Lumpsum	1	-	-	-	-	-	-	1	50,000	51	-	-	-	-	-	-	51
<b>Subtotal</b>											163	-	-	-	14	-	-	177
<b>C. Audit</b>																		
External Audit	Per Year	-	1	1	1	1	1	1	6	10,000	-	10	11	11	11	11	11	65
Internal Audit	Semi-annual	-	1	1	1	1	1	1	6	4,000	-	4	4	4	4	4	5	26
<b>Subtotal</b>											-	14	15	15	15	16	16	91
<b>D. Monitoring and Evaluation (M&amp;E)</b>																		
Baseline survey	Survey	1	-	-	-	-	-	-	1	50,000	51	-	-	-	-	-	-	51
Mid-term survey	Survey	-	-	-	1	-	-	-	1	50,000	-	-	-	54	-	-	-	54
Endline Survey	Survey	-	-	-	-	-	-	1	1	50,000	-	-	-	-	-	-	57	57
TA for M&E during implementation	TA Per/Year	0.5	1	1	1	1	1	1	6.5	10,000	5	10	11	11	11	11	11	70
Development of M&E plan and data collection and reporting tools	Lumpsum	1	-	-	-	-	-	-	1	40,000	40	-	-	-	-	-	-	40
Development of project MIS including related infrastructure, accessories and training of st	Units	-	1	-	-	-	-	-	1	50,000	-	52	-	-	-	-	-	52
Maintenance of the MIS and servers	Per Year	-	1	1	1	1	1	1	6	15,000	-	15	16	16	16	17	17	97
Thematic Surveys	Study	-	-	-	-	1	1	1	3	10,000	-	-	-	-	11	11	11	33
Periodic Monitoring and Supervision and field data collection	Survey	-	1	1	1	1	1	1	6	20,000	-	21	21	21	22	22	23	130
<b>Subtotal</b>											96	98	47	102	60	61	119	584
<b>E. Knowledge Management (KM)</b>																		
Development of a Knowledge Management and Communication Strategy	Lumpsum	1	-	-	-	-	-	-	1	20,000	20	-	-	-	-	-	-	20
Development of a Programme Knowledge Management Portal	Lumpsum	-	1	-	-	-	-	-	1	25,000	-	26	-	-	-	-	-	26
Maintenance of the Knowledge Management Portal	Per Year	-	1	1	1	1	1	1	6	10,000	-	10	11	11	11	11	11	65
Sensitisation and awareness campaigns	Workshop	0.5	1	1	1	1	1	1	6.5	10,000	5	10	11	11	11	11	11	70
Production and Printing of Knowledge Products and Communications materials	Lumpsum	-	1	1	1	1	1	1	6	15,000	-	15	16	16	16	17	17	97
Organise Exchange and learning visits	Per Year	-	1	1	1	1	1	1	6	5,000	-	5	5	5	5	6	6	32
Participation in programme Quarterly implementation Review workshops	Per Year	-	1	1	1	1	1	1	6	20,000	-	20	20	20	20	20	20	120
Development of case studies	Study	-	-	1	1	1	1	1	5	15,000	-	-	16	16	16	17	17	82
<b>Subtotal</b>											25	87	78	79	80	81	83	513
<b>F. Workshops</b>																		
Launch and Startup workshop	Workshop	1	-	-	-	-	-	-	1	35,000	35	-	-	-	-	-	-	35
Sensitization Workshops	Workshop	3	2	-	-	-	-	-	5	15,000	45	31	-	-	-	-	-	76
Annual planning & review workshop	Workshop	1	1	1	1	1	1	1	7	20,000	20	20	20	20	20	20	20	140
Hold Steering Committee Meetings	Workshop	1	1	1	1	1	1	1	7	5,063	5	5	5	5	6	6	6	38
<b>Subtotal</b>											106	56	25	25	26	26	26	290
<b>Total Investment Costs</b>											390	441	165	221	195	184	244	1,840

**Continued**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 3.1. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge

**Detailed Costs**

(US\$)

	Unit	Quantities							Unit Cost	Totals Including Contingencies ('000)								
		2025	2026	2027	2028	2029	2030	2031		Total	2025	2026	2027	2028	2029	2030	2031	Total
<b>II. Recurrent Costs</b>																		
<b>A. Staff Salaries</b>																		
Project Coordinator	Per Month	6	12	12	12	12	12	12	78	7,500	45	90	90	90	90	90	90	585
Financial Controller	Per Month	6	12	12	12	12	12	12	78	6,300	38	76	76	76	76	76	76	491
Procurement Specialist	Per Month	6	12	12	12	12	12	12	78	5,645	34	68	68	68	68	68	68	440
Technical Specialist - Rural Finance	Per Month	3	12	12	12	12	12	12	75	6,000	18	72	72	72	72	72	72	450
Gender and Social Inclusion Officer	Per Month	3	12	12	12	12	12	12	75	3,000	9	36	36	36	36	36	36	225
Monitoring and Evaluation Officer	Per Month	6	12	12	12	12	12	12	78	3,500	21	42	42	42	42	42	42	273
Second Technical Specialist - Rural Finance	Per Month	3	12	12	12	12	12	12	75	6,000	18	74	76	77	79	80	82	486
Climate Adaptation Specialist	Per Month	3	12	12	12	12	12	12	75	4,500	14	54	54	54	54	54	54	338
M&E & KM Assistant	Per Month	3	12	12	12	12	12	12	75	2,500	8	30	30	30	30	30	30	188
Programme/Administrative Assistant	Per Month	3	12	12	12	12	12	12	75	2,500	8	30	30	30	30	30	30	188
Assistant Accountant	Per Month	3	12	12	12	12	12	12	75	2,500	8	30	30	30	30	30	30	188
Driver/Mechanic	Per Month	3	12	12	12	12	12	12	75	1,260	4	15	15	15	15	15	15	95
Driver	Per Month	3	12	12	12	12	12	12	75	1,260	4	15	15	15	15	15	15	95
Office Assistant	Per Month	3	12	12	12	12	12	12	75	1,300	4	16	16	16	16	16	16	98
Procurement Assistant	Per Month	3	12	12	12	12	12	6	69	2,667	8	32	32	32	32	32	16	184
<b>Subtotal</b>											<b>238</b>	<b>679</b>	<b>681</b>	<b>682</b>	<b>684</b>	<b>685</b>	<b>671</b>	<b>4,321</b>
<b>B. Operation and Maintenance</b>																		
Field DSA (including SECAP compliance monitoring)	Per Year	0.3	1	1	1	1	1	1	6.3	17,781	5	18	18	18	18	18	18	112
Vehicle Operating and Maintenance	Per Year	-	1	1	1	1	1	1	6	4,375	-	4	4	4	4	4	4	26
Stationery & printing costs	Per Year	0.3	1	1	1	1	1	1	6.3	7,000	2	7	7	8	8	8	8	48
Office Rent	Per Year	0.3	1	1	1	1	1	1	6.3	40,000	12	41	42	43	44	45	45	272
Office Recurrent & Operating Costs	Per Year	0.3	1	1	1	1	1	1	6.3	2,000	1	2	2	2	2	2	2	13
IT Support & Accessories	Per Year	0.3	1	1	1	1	1	1	6.3	3,780	1	4	4	4	4	4	4	24
Vehicle Fuel & Oils	Per Year	-	1	1	1	1	1	1	6	5,589	-	6	6	6	6	6	6	34
Communication Costs	Per Year	0.3	1	1	1	1	1	1	6.3	2,850	1	3	3	3	3	3	3	18
Postage & Courier	Per Year	0.3	1	1	1	1	1	1	6.3	856	0	1	1	1	1	1	1	5
Cleaning	Per Year	0.3	1	1	1	1	1	1	6.3	2,565	1	3	3	3	3	3	3	16
Office Insurance and GPA	Per Year	0.3	1	1	1	1	1	1	6.3	6,063	2	6	6	6	6	6	6	38
Advertising Costs	Per Year	0.3	1	1	1	1	1	1	6.3	1,250	0	1	1	1	1	1	1	8
Bank Charges	Per Year	0.3	1	1	1	1	1	1	6.3	4,500	1	5	5	5	5	5	5	28
Medical Insurance	Per Year	0.3	1	1	1	1	1	1	6.3	11,000	3	11	11	11	11	11	11	69
Gratuity/Leave	Per Year	0.3	1	1	1	1	1	1	6.3	30,000	9	31	32	32	33	33	34	204
NAPSA / NHIS	Per Year	0.3	1	1	1	1	1	1	6.3	20,825	6	21	22	22	23	23	24	142
<b>Subtotal</b>											<b>45</b>	<b>163</b>	<b>165</b>	<b>167</b>	<b>170</b>	<b>172</b>	<b>174</b>	<b>1,057</b>
<b>Total Recurrent Costs</b>											<b>284</b>	<b>843</b>	<b>846</b>	<b>850</b>	<b>853</b>	<b>857</b>	<b>845</b>	<b>5,378</b>
<b>Total</b>											<b>674</b>	<b>1,284</b>	<b>1,011</b>	<b>1,071</b>	<b>1,049</b>	<b>1,041</b>	<b>1,089</b>	<b>7,218</b>

## **Financing Rule**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 3.1. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

**Detailed Costs**

(US\$)

	Other Accounts	GRZ							
		2025	2026	2027	2028	2029	2030	2031	Total
	<b>Fin. Rule</b>								
<b>I. Investment Costs</b>									
<b>A. PMC Vehicles</b>									
Double Cabin Vehicles (4X4)	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	30	-	-	-	-	-	30
<b>B. Office Equipment</b>									
Laptop	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	1	-	-	-	1	-	-	2
Desktop	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	2	-	-	-	1	-	-	3
Printer/Photocopier	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	1	-	-	-	-	-	-	1
Accounting software	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	10	-	-	-	-	-	-	10
Safe box	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	0	-	-	-	-	-	-	0
Projector	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	0	-	-	-	-	-	-	0
Video Conference Equipments	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	2	-	-	-	-	-	-	2
Server	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	2	-	-	-	-	-	-	2
Internet Network Equipment	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	0	-	-	-	-	-	-	0
Office Furniture	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	8	-	-	-	-	-	-	8
<b>Subtotal</b>		26	-	-	-	2	-	-	28
<b>C. Audit</b>									
External Audit	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	2	2	2	2	2	2	11
Internal Audit	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	1	1	1	1	1	1	4
<b>Subtotal</b>		-	2	3	3	3	3	3	15
<b>D. Monitoring and Evaluation (M&amp;E)</b>									
Baseline survey	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	9	-	-	-	-	-	-	9
Mid-term survey	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	-	-	9	-	-	-	9
Endline Survey	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	-	-	-	-	-	10	10
TA for M&E during implementation	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	1	2	2	2	2	2	2	12
Development of M&E plan and data collection and reporting tools	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	7	-	-	-	-	-	-	7
Development of project MIS including related infrastructure, accessories and training of staff	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	9	-	-	-	-	-	9
Maintenance of the MIS and servers	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	3	3	3	3	3	3	17
Thematic Surveys	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	-	-	-	2	2	2	6
Periodic Monitoring and Supervision and field data collection	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	4	4	4	4	4	4	22
<b>Subtotal</b>		16	17	8	17	10	10	20	99
<b>E. Knowledge Management (KM)</b>									
Development of a Knowledge Management and Communication Strategy	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	3	-	-	-	-	-	-	3
Development of a Programme Knowledge Management Portal	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	4	-	-	-	-	-	4
Maintenance of the Knowledge Management Portal	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	2	2	2	2	2	2	11
Sensitisation and awareness campaigns	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	1	2	2	2	2	2	2	12
Production and Printing of Knowledge Products and Communications materials	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	3	3	3	3	3	3	17
Organise Exchange and learning visits	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	1	1	1	1	1	1	6
Participation in programme Quarterly implementation Review workshops	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	3	3	3	3	3	3	20
Development of case studies	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	-	3	3	3	3	3	14
<b>Subtotal</b>		4	15	13	13	14	14	14	87
<b>F. Workshops</b>									
Launch and Startup workshop	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	-	-	-	-	-	-	-
Sensitization Workshops	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	-	-	-	-	-	-	-
Annual planning & review workshop	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	-	-	-	-	-	-	-
Hold Steering Committee Meetings	IFAD_LOAN ( 100% FOR 2, 60% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 40% FOR 5 )	-	-	0	-	0	-0	0	0
<b>Subtotal</b>		-	-	0	-	0	-0	0	0
<b>Total Investment Costs</b>		47	64	24	33	29	27	37	260

## Continued

Republic of Zambia  
Financial Inclusion for Resilience and Innovation Project (FIRIP)  
Table 3.1. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

### Detailed Costs

(US\$)

	Other Accounts	Fin. Rule	GRZ							
			2025	2026	2027	2028	2029	2030	2031	Total
<b>II. Recurrent Costs</b>										
<b>A. Staff Salaries</b>										
Project Coordinator		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	7	14	14	14	14	14	14	88
Financial Controller		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	6	11	11	11	11	11	11	74
Procurement Specialist		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	5	10	10	10	10	10	10	66
Technical Specialist - Rural Finance		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	3	11	11	11	11	11	11	68
Gender and Social Inclusion Officer		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	1	5	5	5	5	5	5	34
Monitoring and Evaluation Officer		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	3	6	6	6	6	6	6	41
Second Technical Specialist - Rural Finance		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	3	11	11	12	12	12	12	73
Climate Adaptation Specialist		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	2	8	8	8	8	8	8	51
M&E & KM Assistant		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	1	5	5	5	5	5	5	28
Programme/Administrative Assistant		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	1	5	5	5	5	5	5	28
Assistant Accountant		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	1	5	5	5	5	5	5	28
Driver/Mechanic		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	1	2	2	2	2	2	2	14
Driver		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	1	2	2	2	2	2	2	14
Office Assistant		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	1	2	2	2	2	2	2	15
Procurement Assistant		IFAD_LOAN ( 85% FOR 2, 7% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 78% FOR 5 )	1	5	5	5	5	5	5	28
<b>Subtotal</b>			<b>36</b>	<b>102</b>	<b>102</b>	<b>102</b>	<b>103</b>	<b>103</b>	<b>101</b>	<b>648</b>
<b>B. Operation and Maintenance</b>										
Field DSA (including SECAP compliance monitoring)		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	2	5	5	5	5	5	5	34
Vehicle Operating and Maintenance		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	-	1	1	1	1	1	1	8
Stationery & printing costs		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	1	2	2	2	2	2	2	14
Office Rent		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	5	16	16	11	11	11	11	80
Office Recurrent & Operating Costs		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	0	1	1	1	1	1	1	4
IT Support & Accessories		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	0	1	1	1	1	1	1	7
Vehicle Fuel & Oils		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	-	2	2	2	2	2	2	10
Communication Costs		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	0	1	1	1	1	1	1	5
Postage & Courier		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	0	0	0	0	0	0	0	2
Cleaning		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	0	1	1	1	1	1	1	5
Office Insurance and GPA		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	1	2	2	2	2	2	2	11
Advertising Costs		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	0	0	0	0	0	0	0	2
Bank Charges		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	0	1	1	1	1	1	1	9
Medical Insurance		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	1	3	3	3	3	3	3	21
Gratuity/Leave		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	3	9	9	10	10	10	10	61
NAPSA / NHIS		IFAD_LOAN ( 70% FOR 2, 6% FOR 5 ), FINANCING_GAP ( 0% FOR 2, 64% FOR 5 )	2	6	7	7	7	7	7	42
<b>Subtotal</b>			<b>15</b>	<b>53</b>	<b>53</b>	<b>48</b>	<b>49</b>	<b>49</b>	<b>50</b>	<b>316</b>
<b>Total Recurrent Costs</b>			<b>50</b>	<b>154</b>	<b>155</b>	<b>150</b>	<b>151</b>	<b>152</b>	<b>150</b>	<b>964</b>
<b>Total</b>			<b>97</b>	<b>218</b>	<b>179</b>	<b>184</b>	<b>180</b>	<b>179</b>	<b>187</b>	<b>1,224</b>

## Continued

Republic of Zambia  
Financial Inclusion for Resilience and Innovation Project (FIRIP)  
Table 3.1. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

### Detailed Costs

(US\$)

	Expenditures by Financiers ('000)															
	IFAD Loan 12							Financing Gap								
	2025	2026	2027	2028	2029	2030	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total
<b>I. Investment Costs</b>																
<b>A. PMC Vehicles</b>																
Double Cabin Vehicles (4X4)	-	156	-	-	-	-	-	156	-	-	-	-	-	-	-	-
<b>B. Office Equipment</b>																
Laptop	6	-	-	-	4	-	-	10	-	-	-	-	3	-	-	3
Desktop	8	-	-	-	3	-	-	11	-	-	-	-	2	-	-	2
Printer/Photocopier	8	-	-	-	-	-	-	8	-	-	-	-	-	-	-	-
Accounting software	51	-	-	-	-	-	-	51	-	-	-	-	-	-	-	-
Safe box	1	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-
Projector	2	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-
Video Conference Equipments	8	-	-	-	-	-	-	8	-	-	-	-	-	-	-	-
Server	8	-	-	-	-	-	-	8	-	-	-	-	-	-	-	-
Internet Network Equipment	3	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-
Office Furniture	42	-	-	-	-	-	-	42	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>5</b>
<b>C. Audit</b>																
External Audit	-	9	5	5	5	6	6	36	-	-	3	4	4	4	4	18
Internal Audit	-	3	2	2	2	2	2	14	-	-	1	1	1	1	2	7
<b>Subtotal</b>	<b>-</b>	<b>12</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>25</b>
<b>D. Monitoring and Evaluation (M&amp;E)</b>																
Baseline survey	42	-	-	-	-	-	-	42	-	-	-	-	-	-	-	-
Mid-term survey	-	-	-	27	-	-	-	27	-	-	-	18	-	-	-	18
Endline Survey	-	-	-	-	-	-	28	28	-	-	-	-	-	-	19	19
TA for M&E during implementation	4	9	5	5	5	6	6	40	-	-	3	4	4	4	4	18
Development of M&E plan and data collection and reporting tools	34	-	-	-	-	-	-	34	-	-	-	-	-	-	-	-
Development of project MIS including related infrastructure, accessories and training of staff	-	43	-	-	-	-	-	43	-	-	-	-	-	-	-	-
Maintenance of the MIS and servers	-	13	8	8	8	8	8	54	-	-	5	5	5	6	6	27
Thematic Surveys	-	-	-	-	5	6	6	17	-	-	-	-	4	4	4	11
Periodic Monitoring and Supervision and field data collection	-	17	10	11	11	11	11	72	-	-	7	7	7	7	8	36
<b>Subtotal</b>	<b>80</b>	<b>81</b>	<b>24</b>	<b>51</b>	<b>30</b>	<b>31</b>	<b>59</b>	<b>355</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>34</b>	<b>20</b>	<b>20</b>	<b>40</b>	<b>129</b>
<b>E. Knowledge Management (KM)</b>																
Development of a Knowledge Management and Communication Strategy	17	-	-	-	-	-	-	17	-	-	-	-	-	-	-	-
Development of a Programme Knowledge Management Portal	-	21	-	-	-	-	-	21	-	-	-	-	-	-	-	-
Maintenance of the Knowledge Management Portal	-	9	5	5	5	6	6	36	-	-	3	4	4	4	4	18
Sensitisation and awareness campaigns	4	9	5	5	5	6	6	40	-	-	3	4	4	4	4	18
Production and Printing of Knowledge Products and Communications materials	-	13	8	8	8	8	8	54	-	-	5	5	5	6	6	27
Organise Exchange and learning visits	-	4	3	3	3	3	3	18	-	-	2	2	2	2	2	9
Participation in programme Quarterly implementation Review workshops	-	17	10	10	10	10	10	66	-	-	7	7	7	7	7	33
Development of case studies	-	-	8	8	8	8	8	41	-	-	5	5	5	6	6	27
<b>Subtotal</b>	<b>21</b>	<b>72</b>	<b>39</b>	<b>39</b>	<b>40</b>	<b>41</b>	<b>41</b>	<b>293</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>26</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>133</b>
<b>F. Workshops</b>																
Launch and Startup workshop	35	-	-	-	-	-	-	35	-	-	-	-	-	-	-	-
Sensitization Workshops	45	31	-	-	-	-	-	76	-	-	-	-	-	-	-	-
Annual planning & review workshop	20	20	12	12	12	12	12	100	-	-	8	8	8	8	8	40
Hold Steering Committee Meetings	5	5	3	3	3	3	3	27	-	-	2	2	2	2	2	11
<b>Subtotal</b>	<b>106</b>	<b>56</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>239</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>51</b>
<b>Total Investment Costs</b>	<b>344</b>	<b>377</b>	<b>85</b>	<b>113</b>	<b>100</b>	<b>94</b>	<b>124</b>	<b>1,237</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>75</b>	<b>67</b>	<b>63</b>	<b>83</b>	<b>344</b>

**Continued**

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP)

Table 3.1. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

**Detailed Costs**

(US\$)

	<b>Expenditures by Financiers ('000)</b>															
	<b>IFAD Loan 12</b>							<b>Financing Gap</b>								
	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>Total</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>Total</b>
<b>II. Recurrent Costs</b>																
<b>A. Staff Salaries</b>																
Project Coordinator	38	77	6	6	6	6	6	146	-	-	70	70	70	70	70	351
Financial Controller	32	64	5	5	5	5	5	123	-	-	59	59	59	59	59	295
Procurement Specialist	29	58	5	5	5	5	5	110	-	-	53	53	53	53	53	264
Technical Specialist - Rural Finance	15	61	5	5	5	5	5	102	-	-	56	56	56	56	56	281
Gender and Social Inclusion Officer	8	31	3	3	3	3	3	51	-	-	28	28	28	28	28	140
Monitoring and Evaluation Officer	18	36	3	3	3	3	3	68	-	-	33	33	33	33	33	164
Second Technical Specialist - Rural Finance	15	63	5	5	6	6	6	106	-	-	59	60	61	63	64	307
Climate Adaptation Specialist	11	46	4	4	4	4	4	76	-	-	42	42	42	42	42	211
M&E & KM Assistant	6	26	2	2	2	2	2	42	-	-	23	23	23	23	23	117
Programme/Administrative Assistant	6	26	2	2	2	2	2	42	-	-	23	23	23	23	23	117
Assistant Accountant	6	26	2	2	2	2	2	42	-	-	23	23	23	23	23	117
Driver/Mechanic	3	13	1	1	1	1	1	21	-	-	12	12	12	12	12	59
Driver	3	13	1	1	1	1	1	21	-	-	12	12	12	12	12	59
Office Assistant	3	13	1	1	1	1	1	22	-	-	12	12	12	12	12	61
Procurement Assistant	7	27	2	2	2	2	1	44	-	-	25	25	25	25	12	112
<b>Subtotal</b>	<b>203</b>	<b>577</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>47</b>	<b>1,018</b>	<b>-</b>	<b>-</b>	<b>531</b>	<b>532</b>	<b>533</b>	<b>535</b>	<b>523</b>	<b>2,655</b>
<b>B. Operation and Maintenance</b>																
Field DSA (including SECAP compliance monitoring)	4	12	1	1	1	1	1	22	-	-	11	11	11	11	11	57
Vehicle Operating and Maintainance	-	3	0	0	0	0	0	4	-	-	3	3	3	3	3	14
Stationery & printing costs	1	5	0	0	0	0	0	9	-	-	5	5	5	5	5	24
Office Rent	7	25	26	2	2	2	3	68	-	-	-	30	30	31	32	123
Office Recurrent & Operating Costs	0	1	0	0	0	0	0	2	-	-	1	1	1	1	1	6
IT Support & Accessories	1	3	0	0	0	0	0	5	-	-	2	2	2	2	2	12
Vehicle Fuel & Oils	-	4	0	0	0	0	0	6	-	-	4	4	4	4	4	18
Communication Costs	1	2	0	0	0	0	0	3	-	-	2	2	2	2	2	9
Postage & Courier	0	1	0	0	0	0	0	1	-	-	1	1	1	1	1	3
Cleaning	1	2	0	0	0	0	0	3	-	-	2	2	2	2	2	8
Office Insurance and GPA	1	4	0	0	0	0	0	7	-	-	4	4	4	4	4	19
Advertising Costs	0	1	0	0	0	0	0	2	-	-	1	1	1	1	1	4
Bank Charges	1	3	0	0	0	0	0	5	-	-	3	3	3	3	3	14
Medical Insurance	2	8	1	1	1	1	1	13	-	-	7	7	7	7	7	35
Gratuity/Leave	6	22	2	2	2	2	2	38	-	-	20	21	21	21	22	105
NAPSA / NHIS	4	15	1	1	1	1	1	26	-	-	14	14	15	15	15	73
<b>Subtotal</b>	<b>31</b>	<b>111</b>	<b>33</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>79</b>	<b>110</b>	<b>111</b>	<b>112</b>	<b>114</b>	<b>526</b>
<b>Total Recurrent Costs</b>	<b>233</b>	<b>688</b>	<b>81</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>57</b>	<b>1,233</b>	<b>-</b>	<b>-</b>	<b>610</b>	<b>642</b>	<b>644</b>	<b>647</b>	<b>637</b>	<b>3,181</b>
<b>Total</b>	<b>577</b>	<b>1,066</b>	<b>166</b>	<b>170</b>	<b>158</b>	<b>152</b>	<b>181</b>	<b>2,470</b>	<b>-</b>	<b>-</b>	<b>667</b>	<b>717</b>	<b>711</b>	<b>710</b>	<b>720</b>	<b>3,524</b>

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 4: Economic and Financial Analysis**

Mission Dates: 03 – 21 June 2024

Document Date: 28/10/2024

Project No. 2000004924

Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department





## Annex 4: Economic and Financial Analysis (EFA)

### A. Context

1. FIRIP is designed with a development objective as *"Improved use of financial services by poor rural men, women and youth for growth of rural production systems and value chains, and to strengthen resilience and safety nets.* Another special dimension to FIRIP, it is climate centric as illustrated in the log-frame. The project has the following investment components:

Investment component	Investment amount
Enhanced Access to Client-Centric Financial Services and Delivery Mechanisms	US\$ 38.2 million
Enhanced Enabling Environment for Inclusive Rural Financial Services	US\$ 3.9 million

2. The Financial and Economic Analysis of FIRIP is different from a typical agriculture or livestock project<sup>1</sup>, given its demand-driven nature. Moreover, as rural finance project, it cannot be anticipated how the beneficiaries will use the financial services and in which activities they will invest. Based on an assessment of the livelihoods of the main target beneficiaries, the main agricultural value chains, and the most pressing needs in terms of climate adaptation technologies, some illustrative farm and activity models have been developed to assess the investment in these financial products for different households who will be supported by FIRIP. In addition, reductions in transaction costs related to travel time and transport costs due to the introduction of DFS have been estimated.

3. EFAs of rural financial services projects like FIRIP are not rather straight forward. Ideally, the financial analysis part would measure the impact of improved access to financial services (savings, money transfer, loans) on the resilience of beneficiaries: For example, households no longer selling their productive and household assets (livestock, equipment, appliances, etc) or taking kids out of school in case of external shocks (be they climate, health, or market related). However, there is not sufficient data at this stage to carry out such analysis. The EFA therefore uses a subset of exemplary farm and enterprise that can be assumed being representative of activities that will be demanded by FIRIP beneficiaries and financed by PFSPs.

4. The target beneficiaries have a very big standard deviation spread, which adds another layer on the EFA analysis complexity. The range of beneficiaries and, therefore, the benefit stream are as follows.

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<sup>1</sup>In such project, the type of activities and investments of project beneficiaries are determined ex ante and specific quantitative targets for each activity can be determined in the logframe and M&E system.

	No of Beneficiaries accessing financial services	Weight	Loan sizes (USD)	
			MFIs/ SACCOs	Banks
	2,307	1%	10,000	50,000
	86,126	27%	1,000	2,000
	227,077	72%	150	500
No. of HHs accessing financial services	315,511	85%		
No. of HHs through jobs creation excluding self employment of financial service beneficiaires	54,599	15%		
<b>Total no. of FIRIP Beneficiaries</b>	<b>370,110</b>	<b>115%</b>		

5. **Target groups:** FIRIP's outreach includes 370,110 unique beneficiaries through improved access to financial and employment generated, including 315,511 beneficiaries through access to financial services, and unique 54,599 beneficiaries through jobs creation (excluding beneficiaries benefitting from full time self-employment as a result of financial services and other project support, in order to avoid double counting<sup>2</sup>). With an average household size of 5, the total number of beneficiary household members is 1,850,550 (16% of all rural households).

6. Over 70% of all beneficiaries accessing financial services (227,077 out of 315,511) are semi- subsistence smallholder micro enterprises. Most of their income generating activities and investments will be financed through savings which will be facilitated by the project through CBFi promotion, financial literacy training, improved access to a wide range of savings products, including products which are specifically designed agricultural inputs or climate smart investments. A smaller part of these beneficiaries will access loans from MFIs and banks, in many cases through indirect lending via on-lending from SMEs and emergent farmers (cat 3), through supplier credit and out-grower schemes (facilitated by the IOF and co-financed by the BFF). Loan amount would typically range between USD 150 – 500, but might be larger in some cases (e.g., group investments or acquisition of equipment or climate smart investments).

7. The second target group is better positioned to receive loans which will be mostly in the range between USD 1,000 – USD 2,000 (but might also be larger in some cases). SMEs and emergent farmers only make up less than 1% of beneficiaries but play an important role as sources of buyer and supplier credit, market access, and job creation for categories 1 and 2. Currently, access to credit among these enterprises is very limited. Hence, FIRIP – through the IOF and BRR is expected to have an important impact on enhancing access to lower cost finance to this category, with important spill-over effects on cat 1 and 2.

8. Only less than 1% of the target group (emergent farmers and SMEs) will be seeking bigger loan products for resilient growth. The EFA, therefore, has been cognizant of this spread.

<sup>2</sup>This includes 90,831 persons achieving full-time self-employment as a result of better access to financial and non-financial services (training, etc), resulting in a total target of full-time employment of 145,430 persons.

Investment categories of beneficiaries	Who are they?	What are the FIRIP inputs—to—outputs—to outcomes?
Cat 1: Semi-subsistence smallholder micro-enterprise farmers.	<ul style="list-style-type: none"> <li>• These are the biggest FIRIP target beneficiaries.</li> <li>• There are of utmost importance (70%).</li> <li>• These are the beneficiaries that drive the EFA</li> <li>• These farmers sell less than 30% of their crop and livestock production</li> <li>• The majority of these farmers are land-constrained, with less than 2 ha of land, but some also farm up to hectares.</li> </ul>	<ul style="list-style-type: none"> <li>• These need smaller loans mainly in the range of USD 150 to 500.</li> <li>• The financial analysis demonstrates how this smaller FIRIP input can have a real change in the beneficiaries' income stream, resilience and livelihoods.</li> <li>• These will benefit more from the CBFi kind of interventions. All the support around VSLA share-outs can finance suitable enterprises that can improve resilience and livelihoods. In addition, some of the farmers and micro-entrepreneurs access micro-loans from MFI and through outgrower schemes,</li> <li>• FIRIP support towards improved access to financial services especially own savings, financial literacy all aimed at strengthening resilience of beneficiary households can help avoid selling when prices are very low or in some scenarios avoid disposing of critical assets like livestock.</li> <li>• Support from other categories of beneficiaries, like aggregators will also have a multiplier beneficial effect on this lower category. Premium prices arising from such efficiency gains like aggregators have been factored into the models.</li> </ul>
Cat 2: Commercializing smallholders and micro-enterprises	<ul style="list-style-type: none"> <li>• These constitute like 26% of the RUFIP target group.</li> <li>• This segment includes more market-oriented smallholder farmers.</li> <li>• They have a higher degree of commercialization of their crop and livestock production (above 30%).</li> <li>• They have better farming skills, and better access to markets and other support services.</li> <li>• These farmers tend to have a higher land endowment, mainly between 2-5ha.</li> </ul>	<ul style="list-style-type: none"> <li>• These need bigger loan sizes to up their enterprises. FIRIP design estimates an average range of loan sizes from USD 1,000 to 2,000 (but this could go up to USD 10,000 depending on type of enterprises and investments). This is still small but financial models show that farm/ business enterprises can be improved with this time of intervention.</li> <li>• These are the category of beneficiaries that can take on CSA/green investments to up their livelihoods and resilience.</li> </ul>

Investment categories of beneficiaries	Who are they?	What are the FIRIP inputs—to—outputs—to outcomes?
Cat 3: SME emergent farmers	<ul style="list-style-type: none"> <li>FIRIP support is only around 1%.</li> <li>These households demonstrate forward and backward linkages with the first two beneficiary categories.</li> <li>These enterprises play important roles as conduits for market and VC integration by providing inputs, support services and market outlets to smallholder farmers, e.g. through -grower arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>Bigger loan sizes: USD 10,000 to 50,000, or even higher in some cases.</li> <li>Their businesses can have trickle down benefits to category 1 and 2 above beneficiaries, (including through supplier and buyer credit, out-grower schemes, etc.).</li> <li>Premium prices are also embedded in the illustrative models to show that with improved access to financial services especially savings, resilience can be improved by household and avoid selling when prices very low or, in some scenarios, avoid disposing off critical assets like livestock.</li> </ul>

9. In addition to the farm enterprise and investment models for categories 12, and 3, a model showing reduction in transaction costs, for the agency banking (IOF Window 1) has been developed to make a broader estimate about the share of beneficiary transitioning from cash into digital payments (as well as digitization of FPS's processes, sales transactions of value chain actors.

**Project Benefits:** While some of the benefits will accrue from reduced transaction costs as a result of expanded and improved access to financial services, the most important benefits derive from the use of financial services for agricultural activities and related enterprises. For example, as a result of access to finance, households will have increased use of improved inputs and other means of production for agriculture; increased ability for households and enterprises to enter into primary processing of agricultural products based on the agricultural commodities and goods, both crops and livestock derived. These benefits will lead to higher incomes.

Employment benefits: Based on the employment trends in agriculture and MSMEs, FIRIP's activities are expected to generate 147,000 new job opportunities, with substantial share of these for youth. The EFA analysis has only taken into account 54,599 households which excludes self-employment of financial service beneficiaries to avoid double-counting. These incremental benefits have been quantified and included in the overall benefits cash-flow. Some nonquantifiable benefits will come from selected support for strategic partners which will contribute to improvement of framework conditions for rural financial sector growth and outreach.

**10. Sources of financing for the different interventions: Community Based Financial Institutions (CBFIs):** FIRIP will disburse US\$4.5 million and support 30 sub-projects under this intervention. A review of benefits and impact of the community based financial institutions (CBFIs) services to category 1 and 2 beneficiaries indicates that members will be able to increase their engagement in livelihood diversification and resilient practices such as on-farm and off-farm agricultural and livestock practices including climate smart green activities such as use of bio-gas digesters. A financial analysis has been carried out considering a total of

150,000 beneficiaries under this investment (category 1: 120,000 households and 30,000 under category 2).

**11. Micro-Finance Institutions/Savings and Credit Cooperatives (MFIs/SACCOs) and Banks lending under the Blended Finance Facility (BFF):** Under this intervention, the project will disburse US\$18 million including FSP co-financing. The most important immediate benefits of sub-component 1.2 derive from access to financial services, by poor rural men, women and youth and the resulting economic impacts of borrowing for business and agricultural purposes. The estimated target beneficiaries under this intervention are 48,422 including 23,973 benefiting from sub-loans provided by SMEs. It is assumed that 50% of loans under the BFF will be made by FSPs that also receive support under the IOF. Hence 24,211 borrowers are also IOF beneficiaries

12. There would be supplemental benefits from this intervention particularly from activities facilitating improved access and adoption of innovative technologies and methodologies that would enable MFIs/SACCOs and banks to become more competitive in providing accessible financial services and more cost efficient in providing services and in expanding their outreach.

The selected target beneficiaries under this intervention (BFF) are grouped into 3 categories: Category 1- 29,205; Category 2- 19,048; and Category 3 168 (with 50% of these beneficiaries also benefiting from IOF). The hypothesis of the three categories is presented in the table below:

**Table 1: Assumptions for analysis of lending under the BFF (MFIs and banks)**

Type of Financial Institution	Total No. of Incremental Loans	Average Loan Size (USD)	Distribution of New Loans									
			PY2	PY3	PY4	PY5	PY6	PY7	PY8	PY9	PY10	
<b>MFI/SACCOs</b>			<b>Cumulative No. of Loans</b>									
Cat 1 MFIs	11,250	150	1,250	2,250	3,050	3,690	4,202	4,612	4,939	5,201	5,411	
Cat 2 MFIs	3,375	1,000	375	656	867	1,025	1,144	1,233	1,300	1,350	1,387	
Cat 3 MFIs	169	10,000	19	33	43	51	57	62	65	67	69	
<b>Total</b>	<b>14,794</b>		<b>1,644</b>	<b>2,939</b>	<b>3,961</b>	<b>4,767</b>	<b>5,403</b>	<b>5,906</b>	<b>6,304</b>	<b>6,619</b>	<b>6,868</b>	
<b>Banks</b>												
Cat 1 Banks	2,250	500	250	450	610	738	840	922	988	1,040	1,082	
Cat 2 Banks	2,250	2,000	250	438	578	684	763	822	867	900	925	
Cat 3 Banks	113	50,000	-	13	22	29	34	38	41	43	45	
<b>Total</b>	<b>4,613</b>		<b>500</b>	<b>900</b>	<b>1,210</b>	<b>1,451</b>	<b>1,637</b>	<b>1,782</b>	<b>1,895</b>	<b>1,983</b>	<b>2,052</b>	

**Table 2: Number of beneficiaries under the BFF**

No. of Beneficiaries under MFIs/SACCOs	WOP										Total
	Y2	Y3	Y4	Y5	Y6-10	Y7	Y8	Y9	Y10		
Category 1	984	612	829	1,003	1,142	1,254	1,343	1,414	1,471		<b>10,053</b>
Category 2	609	305	409	491	555	605	644	675	699		<b>4,992</b>
Category 3	9	4	5	6	7	8	8	8	9		<b>65</b>
<b>No. of Beneficiaries under Banks</b>											
Category 1	484	274	372	450	512	562	602	634	659		4,550
Category 2	672	266	359	431	488	533	568	596	618		4,532
Category 3	6	2	2	2	2	2	2	2	2		19
<b>Total Beneficiaries MFIs and Banks</b>											<b>24,211</b>

**13. Innovation and Outreach Facility (IOF window 1):** The project will disburse US\$2.07 million to reach 87,300 beneficiaries under this window. A business model has been developed to assess benefits accruing from this investment. Benefits will arise from reduction in transaction costs attributable to mobile banking services to be supported by FIRIP. The benefits are in form of reduced time taken by the beneficiary to collect make and receive payments of any kind (including remittances) in the without project situation where it takes

over two hours for a rural farmer to access a nearby bank or mobile money agent or make any other payments which is very costly. The below model is very conservative as it does not include digitization of payments linked to loans and other financial products introduced under IOF Windows 2 and 3 which would have similar reductions in transaction costs (or may even make access to institutional credit viable for remote rural households).

14. The benefits computation is presented in the table below.

**Table 3: IOF window 1 benefits computation**

IOF Window 1 - Incremental Reduction on Transaction Costs				Y1	Y2	Y3	Y4	Y5	Y6	Y7
	WoP	WP	Reduced transaction cost							
	ZMW	ZMW	ZMW							
1 Current bank charges/ ZMW 500 transaction	45									
2 Transport from inner Village to nearby bank branch	10									
3 Time spent off farm to transact at nearby bank branch	10									
	65									
4 Transfer charges under e-banking, based on Zoono Charges		30	35							
5 Number of transaction/beneficiary/year			14							
6 Total saving/beneficiary/year			490							
7 Projected number of beneficiaries			87,300	-	9,700	19,400	19,400	19,400	9,700	9,700
8 No. of beneficiaries adopting use of rural financial services			80%	-	7,760	15,520	15,520	15,520	7,760	7,760
9 Aggregate reduced transaction costs- ZMW'000 - Financial Cashflow				-	3,802	7,605	7,605	7,605	3,802	3,802
10 Aggregate reduced transaction costs- ZMW'000 - Economic Cashflow				-	3,520	7,039	7,039	7,039	3,520	3,520
Standard Conversion Factor (CF)	0.93									

15. **Innovation and Outreach Facility (IOF window 2&3):** FIRIP will also invest US\$ 4.14 million under window 2&3 interventions. The expected benefits under these windows will be derived from farm/enterprise models for category 1, 2& 3 beneficiaries. The project will reach a total of 54,000 households under this intervention, shared equally across the 2 windows.

16. The analysis is presented in two parts: i) Financial Analysis. ii) Economic Analysis.

17. **The financial analysis** seeks to validate FIRIP proposed activities considering the impact they are expected to have on the above three target groups': resilience, income and wealth. The models have been developed taking the point of view of the single beneficiary household who needs to decide whether investing using FIRIP supported products is viable. The decision to proceed would be ultimately based on financial returns on the capital, labour and inputs invested, but above all affordability. Rather than stopping at conventional crop/farm budgets, the analysis presents illustrations how groups can save and accumulate savings to finance working capital needs (drought resilient inputs, green investments, etc) or take on a simple loan thanks to the outreach structure to be supported by FIRIP.

18. **Economic analysis:** After all project activities have been modelled and financially validated the FIRIP EFA analysis has done a consolidation to determine whether, the project is beneficial to the entire Zambia society/economy. Under economic analysis, a public perspective has been taken and measures the effects of the project on the entire Zambia economy. This has involved valuing costs and benefits using a different set of prices (Economic/Shadow prices) as well as bringing some change to the parameter used in the financial analysis.

## B. Financial Analysis (FA)

19. The following illustrative models have been used to assess the impact of FIRIP on the CBFIs and MFIs/SACCO members who would participate in the provision of financial services for the different categories of beneficiaries. The profile of these activity models shows that households would spend the savings and loan funds on climate smart agriculture and livestock, CSA/green investments including creating new businesses and expanding the already existing businesses. This being a rural financial services programme, the interest in these models is to illustrate how FIRIP supported products and systems can support the three types of categories for the following VCs in Zambia.

20. The following representative models have been used to measure the potential increase in incomes and resilience for the different categories of beneficiaries. The models include 5 crop models, 2 livestock models and 4 off-farm enterprise models of which the 5 crop models have been converted into farm models. These have been used to model investments in improved inputs and technologies to understand the profitability and repayment capacity.

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**1. On-farm crop models:**

- Tomatoes, soya bean, maize, groundnuts and cowpeas.

**2. On-farm livestock models**

- Small-ruminants (goats) and poultry (backyard)

**3. Off-farm enterprise models**

- Maize and groundnuts processing, laundry services and bio-digester model.
- 

21. Crop and farm budgets are used in the context that this is a rural financial services project. Beneficiaries, especially category 1 and 2 would be able to finance climate resilient working capital or CAPEX itself using savings or loan products thanks to the FIRIP support. An illustration using a typical farm budget below relates to the kind of support under FIRIP is shown below. Family labor costs have been included in the models in case labor is being hired. Returns to family labor have also been calculated.



**Table 4: Financial cash-flow of a farm model**

<b>Revenue</b>					
Sales (Hectare)	ZMW	24,000	51,000	51,000	61,200
<b>Total Revenue</b>	<b>ZMW</b>	<b>24,000</b>	<b>51,000</b>	<b>51,000</b>	<b>61,200</b>
<b>Production Costs</b>					
<b>Capital Investment</b>					
Irrigation Equipment (Solar powered)	ZMW		60,000		
<b>Operating Costs</b>					
Recycled Seed	ZMW	10,000	-	-	-
Drought Resistant Seeds	ZMW	-	20,000	20,000	20,000
DAP	ZMW	-	1,000	1,000	1,000
Pesticides/Herbicides	ZMW	-	400	400	400
Slashers	ZMW	240	600	-	600
Hoes	ZMW	240	600	-	600
Transport from field	ZMW	160	160	160	160
Post harvest Crates	ZMW	1,600	3,400	3,400	4,080
<b>Total Operating Costs</b>	<b>ZMW</b>	<b>12,240</b>	<b>26,160</b>	<b>24,960</b>	<b>26,840</b>
<b>Labour Costs</b>					
Land clearing	ZMW	800	1,200	1,200	1,200
Nursery bed preparation	ZMW	800	800	800	800
Fertilizer application	ZMW	-	600	600	600
Pesticides/Herbicides	ZMW	-	600	600	600
Planting	ZMW	1,200	1,600	1,600	1,600
First weeding	ZMW	800	800	800	800
Second weeding	ZMW	640	640	640	640
Mulching	ZMW	800	800	800	800
Irrigation	ZMW	800	2,000	2,400	2,400
Harvesting	ZMW	560	800	1,200	1,600
Packaging	ZMW	560	800	1,200	1,600
<b>Total Labour Costs</b>	<b>ZMW</b>	<b>6,960</b>	<b>10,640</b>	<b>11,840</b>	<b>12,640</b>
<b>Total Production Costs</b>	<b>ZMW</b>	<b>19,200</b>	<b>96,800</b>	<b>36,800</b>	<b>39,480</b>
<b>Net Income Before Labour Costs</b>	<b>ZMW</b>	<b>11,760</b>	<b>24,840</b>	<b>26,040</b>	<b>34,360</b>
<b>Net Income After Labour Costs</b>	<b>ZMW</b>	<b>4,800</b>	<b>(45,800)</b>	<b>14,200</b>	<b>21,720</b>
<b>Net Incremental Benefits</b>	<b>ZMW</b>		<b>(50,600)</b>	<b>9,400</b>	<b>16,920</b>
Cost of financing	ZMW		36,645	18,322	18,322

In the with-project scenario, beneficiaries can finance the acquisition of a solar pump using loan or own savings. The financial analysis aims therefore, to check whether this will be affordable to attract the participation of target beneficiaries

Using savings or loan products supported under CBFIs and other windows, the FA aims to illustrate whether FIRIP products can support financing of working capital.

The financial analysis aims to illustrate whether the bottom line can service a loan product under FIRIP or whether products like VSLAs in that case would be a better option.

**Overview on financial models:**

Table 2 provides overview on the farm and investment models which are subsequently described in more detail. Overall, the models assume that the incremental investment costs are financed through a loan while current farm operations are funded from the farmers' own resources. In line with responsible lending practices, loan repayments have been capped at 30% of net income in order to mitigate loan defaults as a result of financial distress.

**Table 5: Synthesis table showing the no. of financial models used**

Type of Investment and models used	Account area	Incremental Cost		Source of Incremental Income (Key driver of the model)	Break even point (Months)	Profitability measures			
		ZMW	USD			NPV (ZMW)	NPV (\$)	IRR	B/CR
1. Acquisition of a solar pump (Tomato, soya bean & groundnuts models)	Solar pump for irrigation (CAPEX)	60,000	2,400	I. More crop cycles II. Premium prices in off rainfed seasons	28	280,818	11,233	24%	2.1
2. Acquisition of drought resistant inputs (Maize & cowpeas)	Working capital	13,620	545	I. Stable income irrespective of droughts	24	30,503	1,220	20%	1.6
				II. Increase in yields					
3. Acquisition of off-farm investments (bio-gas digester)	Equipment and works	70,000	2,800	I. Reduction of fuel wood	81	74,341	2,974	22%	4.2
				II. Reduction of chemical fertilizer use (basal & top)					
4. Acquisition of equipment (Maize processing equip)	Equipment and works	12,000	480	Sales from maize flour and maize bran	20	132,947	5,318	32%	1.0
5. Acquisition of equipment (G.nuts processing equip)	Equipment and works	12,000	480	Improved sales from g.nuts flour, paste and clean roasted grains	17	207,903	8,316	68%	1.3
6. Acquisition of equipment (Laundry service)	Working tools and inputs	3,600	144	Income from washing and ironing	12	153,027	6,121	Num	2.2
7. Livestock - Goats	Herd	16,400	656	Income from sale of goats (live weight)	14	202,041	8,082	182%	3.0
8. Livestock - backyard poultry	No. of birds	14,000	560	Income from sale of birds	44	111,678	4,467	122%	1.3
9. IOF - Reduction in transaction costs	Mixed (Equipment, product development and training)	N/A	N/A	With increased outreach, transaction costs can drop from ZMW 65 to ZMW 30 per transaction. Average no. of transactions per rural person is 14 which yields ZMW 490 per annum.	N/A	N/A	N/A	N/A	N/A
10. Employment multiplier	This is a multiplier	N/A	N/A	145,430 jobs will be created and the estimated income per month is US\$ 2.8 million.	N/A	N/A	N/A	N/A	N/A

**Financial model 1: Acquisition of a solar pump by a category 2 beneficiary using a loan facility thanks to the FIRIP investment in financial services outreach:**

22. This model looks at household with the following crop/ enter mix but aspires to acquire solar irrigation pump of ZMW 60,000.

Description of crop budget	Land size (Ha)	ZMW
Tomato	1-2 ha	36,400
Soyabean	1-2 ha	25,892
Groundnuts	1-2 ha	23,458
<b>Aggregate household income per year</b>		<b>85,750</b>
<b>Maximum prudent loan instalment (30%)</b>		<b>25,725</b>
Balance after loan installment payment/year		60,025
Loan size		60,000
Loan Repayment period (Months)		28.0

23. Such a category 2 household can generate annual income level of ZMW 85,750. Therefore, from the above income stream, such a household would be able to put aside around ZMW 25,725(30%) towards loan repayments. The household cash-flow demonstrate that the enterprise can generate adequate incremental benefits to repay a loan of ZMW 60,000 in a period of 28 months, with annual instalment of ZMW 25,725, and have a balance of ZMW 60,025 for household income.

- The incremental cost for this model is ZMW 60,000 (US\$2,400). This will be used to finance the acquisition of a solar powered irrigation system.
- The sources of incremental income include more crop cycles and premium prices paid to farmers in off rainfed seasons.
- With an incremental investment of ZMW 60,000, the model shows that a farmer is capable of generating a financial rate of return of 24% and a net present value of ZMW 280,818 (US\$11,233), with a benefits cost ratio of 2.1. The incremental cash-flow has been discounted over a period of 20 years including the 7 years of project implementation
- The amortization schedule shows that if FIRIP can manage to lower half of the current prevailing interest rates (from 80% to 40% annually), instead of paying an amount of ZMW 3,671, a beneficiary will instead pay ZMW 3,054 per months for a period of 28 months. This will be affordable and could attract participants.

24. The amortization schedule has been computed to assess the household's ability to payback such a loan facility. It shows that it is possible to payback a loan of ZMW 60,000 while at the same time finance drought resistant inputs. This also confirms the financial viability of the selected value chains that represent the typical CBFIs and MFIs/SACCOs investment opportunities. For a household finance a solar powered irrigation pump and other improved inputs like drought resistant seeds and fertilizers, a facility of ZMW 60,000 is needed. The detailed analysis of the loan repayment framework is presented in the EFA excel assuming equal monthly instalments of principal and interest, for illustration purposes. With proper product development thanks to the envisaged FIRIP support under the IOF, the instalments can be better timed around harvests with sufficient timings to minimise early sales due at low prices due to financial distress.

**Financial model 2: Acquisition of farm inputs including fertilizers and drought resistant seeds by category 1 and 2 beneficiaries to the FIRIP investment in financial services outreach:**

25. This model looks at household with the following crop/ enterprise mix but aspires to acquire agricultural inputs such as fertilizers and climate smart/drought-resilient seeds.

Description of crop budget	Land size (Ha)	ZMW
Maize	1-2 ha	12,793
Cowpeas	1-2 ha	9,583
<b>Aggregate household income per year</b>		<b>22,376</b>
Incremental costs		13,620

26. Most of the household under this investment type are category 1 farmers comprising of 80% of CBFIs beneficiaries with the majority using their own savings to finance on-farm and off-farm input costs and few category 2 farmers including 20% of the CBFIs beneficiaries who will finance their inputs using credit. Such household can generate annual incremental income level of ZMW 22,376. Beneficiaries under this category are also able to finance agricultural inputs using their own savings from VSLAs.

- The incremental cost for this model is ZMW 13,620 (US\$545). This will be used to finance working capital which includes acquisition of drought resistant inputs.
- The sources of incremental income include stable income irrespective of droughts and increase in yields.
- With an incremental investment of ZMW 13,620, the model shows that a farmer is capable of generating a financial rate of return of 20% and a net present value of ZMW 30,503 (US\$1,220), with a benefits cost ratio of 1.6. The incremental cash-flow has been discounted over a period of 20 years including the 7 years of project implementation.

**Financial model 3: Acquisition of off-farm investments like bio-gas digester by category 2 and 3 beneficiaries:**

The model looks at households dealing in off-farm enterprises such as bio-gas digester.

Description of enterprise budget	Facility	ZMW
Bio-gas digester	1	34,450
<b>Aggregate household income per year</b>		<b>34,450</b>
<b>Maximum prudent loan instalment (30%)</b>		<b>10,335</b>
Balance after loan installment payment/year		24,115
Loan size		70,000
Loan Repayment period (Months)		81

27. Beneficiaries under this category mostly 2&3 household can generate annual income of ZMW 34,450. On prudence grounds, amount allocated to loan instalment payments are restricted to 30% to mitigate loan defaults as a result of financial distress. Therefore, from the above income stream, such a household would be able to put aside around ZMW 10,335 towards loan repayments.

28. The household cash-flow demonstrates that the enterprise can generate adequate incremental benefits to repay a loan of ZMW 70,000 in a period of 81 months which is not viable in a long run, with annual instalment of ZMW 10,335, and have a saving balance of ZMW 24,115.

- The incremental cost for this model is ZMW 70,000 (US\$2,800). The loan will be used to finance the bio-digester equipment and installation works of the equipment.

- The main sources of incremental income include reduction of fuel wood and reduction of chemical fertilizer use (basal and top).
- With this incremental cost of financing, the model shows that the investment is capable of generating a financial rate of return of 22% and a net present value of ZMW 74,341 (US\$2,974), with a benefits cost ratio of 4.2. The incremental cash-flow has been discounted over a period of 20 years including the 7 years of project implementation.
- The amortization schedule shows that if the project can manage to lower half of the current prevailing interest rates (from 80% to 50% annually), instead of paying an amount of ZMW 4,283, a beneficiary will instead pay ZMW 3,563 per month for a period of 81 months.
- Since this is regarded to as a new investment, a proxy of ZMW 18,600, which represents farm annual wage rate has been adopted for the without project situation. With the financing to be accessed for this new technology, thanks to FIRIP, the incremental margin estimated to be ZMW 34,450 at maximum.

29. The amortization schedule has been computed to assess the household's ability to payback such a loan facility. It shows that it is possible to payback a loan of ZMW 70,000 to acquire bio-digester equipment and facilitate other installation works. The detailed analysis of the loan repayment framework is presented in the EFA excel assuming equal monthly instalments of principal and interest, for illustration purposes.

30. **Micro-enterprise Model 4 - Maize Processing (Acquisition of equipment).** This is a model that illustrates a typical micro-enterprise relevant to a village, in the form of a small maize processing unit. It would have a capacity to generate a net income of ZMW 24,160 annually. The products under this processing unit include: i) Maize flour and ii. Maize bran (bi-products).

Description of enterprise budget	Facility	ZMW
Maize processing	1	24,160
<b>Aggregate household income per year</b>		<b>24,160</b>
<b>Maximum prudent loan instalment (30%)</b>		<b>7,248</b>
Balance after loan installment payment/year		16,912
Loan size		12,000
Loan Repayment period (Months)		20

31. The investment typology will mostly comprise of category 1 and category 2 households. Such household can generate annual incremental income level of ZMW 24,160. Beneficiaries under this investment type will facilitate the incremental costs using their own savings from VSLAs or a loan facility. Assuming the household will use a loan facility, 30% of the net income will be allocated to loan instalment payments to mitigate loan defaults as a result of financial distress. Therefore, from the above income stream, such a household would be able to put aside around ZMW 7,248 towards loan repayments.

- The incremental cost for this model is ZMW 12,000 (US\$480). The loan will be used to finance acquisition of a maize processing equipment and installation works.
- The main sources of incremental income include incremental sales from maize flour and bi-products.
- With this incremental cost, the model shows that the investment is capable of generating a financial rate of return of 32% and a net present value of ZMW 132,947 (US\$5,318), with a benefits cost ratio of 1.0. The incremental cash-flow has been discounted over a period of 20 years including the 7 years of project implementation.
- The amortization schedule shows that as a result of project intervention, if the current prevailing interest rates can be halved by half from 80% to 40% annually,

instead of paying an amount of ZMW 734 for this loan facility, a beneficiary will instead pay ZMW 611 per months for a period of 20 months.

- For this analysis, the model has been regarded to as a new investment, a proxy of ZMW 12,000, which represents off-farm monthly wage rate has been adopted for the without project situation. The WOP ZMW 12,000 is equivalent to the value of the labour effort to be deployed in the business which would have been hired out elsewhere. This is presented in the detailed business model. With the financing to be accessed for this new technology, thanks to FIRIP, the incremental margin estimated to be ZMW 21,760 at maximum production.

32. Operating costs for this small operation consist of hired labour, rent, electricity, license fees, packaging materials and fuel and maintenance. The cost of 1 kg of maize flour is 13 ZMW. There is also revenue from sale of maize bran with the cost per kg estimated at 4ZMW. This translates in annual gross margin of ZMW 383,040.

33. The amortization schedule has been computed to assess the household's ability to payback such a loan facility. It shows that it is possible to payback a loan of ZMW 12,000 to acquire maize processing equipment and facilitate other installation works within a period of 20 months. The detailed analysis of the loan repayment framework is presented in the EFA excel assuming equal monthly instalments of principal and interest, for illustration purposes.

34. **Micro-enterprise Model 5 – Groundnuts processing.** This is a model that illustrates a typical micro-enterprise relevant to a village, in the form of a small groundnuts processing unit. It would have a capacity to process 170 kg per month. The main products under this processing unit are: i) Clean/roasted grains; ii) groundnuts flour; and iii) groundnuts paste.

Description of enterprise budget	Facility	ZMW
Groundnuts processing	1	28,750
<b>Aggregate household income per year</b>		<b>28,750</b>
<b>Maximum prudent loan instalment (30%)</b>		<b>8,625</b>
Balance after loan installment payment/year		20,125
Loan size		12,000
Loan Repayment period (Months)		17

35. Related to the above maize processing model, this investment type will also comprise of category 1 and 2 households. The capital expenditure for this modest enterprise is projected to be 12,000 ZMW for the engine and grinding mill. The proprietor would obtain a loan facility to be repaid over 17 months.

- The incremental cost for this model is ZMW 12,000 (US\$480). The loan will be used to finance acquisition of a maize processing equipment and installation works.
- The main sources of incremental income include incremental sales from groundnut paste, flour and clean roasted grains.
- With this incremental cost, in financial terms the model shows that the investment is capable of generating a financial rate of return of 68% and a net present value of ZMW 207,903 (US\$8,316), with a benefits cost ratio of 1.3. The incremental cash-flow has been discounted over a period of 20 years including the 7 years of project implementation.
- The amortization schedule shows that as a result of project intervention, if the current prevailing interest rates can be halved by half from 80% to 40% annually, instead of paying an amount of ZMW 734 for this loan facility, a beneficiary will instead pay ZMW 611 per month for a period of 17 months.
- For this analysis, the model has been regarded to as a new investment, a proxy of ZMW 12,000, which represents off-farm monthly wage rate has been adopted for the without project situation. The WOP ZMW 12,000 is equivalent to the value of the labour effort to be deployed in the business which would have been hired out

elsewhere. This is presented in the detailed business model. With the financing to be accessed for this new technology, thanks to FIRIP, the incremental margin estimated to be ZMW 26,350 at maximum production.

36. Operating costs for this small operation consist of hired labour, rent, electricity, license fees, packaging materials, and maintenance costs. The cost of 1 kg of clean/roasted grains is 70ZMW while for groundnuts flour and paste is 80 ZMW. This translates in annual incremental margin of 26,350 ZMW.

37. The amortization schedule has been computed to assess the household's ability to payback such a loan facility. It shows that it is possible to payback a loan of ZMW 12,000 to acquire a groundnuts processing equipment and facilitate other installation works within a period of 17 months. The detailed analysis of the loan repayment framework is presented in the EFA excel assuming equal monthly instalments of principal and interest, for illustration purposes.

38. **Micro-enterprise Model 6 – Laundry Service:** The model that illustrates a typical small micro-enterprise relevant to a village, in form of a laundry service unit.

Description of crop budget	Land size (Ha)	ZMW
Laundry service	1	33,277
<b>Aggregate household income per year</b>		<b>33,277</b>
Incremental costs		3,600

39. The business unit would have a capacity to generate gross revenue of 4,650 ZMW per months (55,800 annually) from washing and ironing of clothes, shoes and socks. The capital expenditure for this business unit is projected to be 3,600 ZMW for the washing and ironing equipment. This business unit is suitable for category I beneficiaries. Beneficiaries under this investment type are able to finance the incremental investment costs using their own savings from VSLAs.

40. Operating costs for this small business enterprise consist of hired labour, rent, electricity, water and detergents.

- The incremental cost for this model is ZMW 3,600 (US\$144). The loan will be used to finance acquisition of working tools and inputs.
- The main sources of incremental income include payment from washing and ironing clothes and shoes.
- With this incremental cost, in financial terms the model shows that the investment is capable of generating a net present value of ZMW 153,027 (US\$6,121), with a benefits cost ratio of 2.2. The incremental cash-flow has been discounted over a period of 20 years including the 7 years of project implementation
- The model has been regarded as a new investment. Therefore, a proxy of ZMW 12,000, which represents off-farm annual wage rate has been adopted for the without project situation. The WOP ZMW 12,000 is equivalent to the value of the labour effort to be deployed in the business which would have been hired out elsewhere. This is presented in the detailed business model. With the financing to be accessed for this new technology, thanks to FIRIP, the incremental margin estimated to be ZMW 21,277 at maximum operation.

41. **Livestock Model– Goats:** The model looks at a typical farmer aspiring to acquire small livestock herd.

Description of enterprise budget	Land size (Ha)	ZMW
Livestock - goats	0.4	51,949
<b>Aggregate household income per year</b>		<b>51,949</b>
Incremental costs		16,400

42. For a farmer to sustain in this business unit, a stock of 7 animals is required. The unit would generate gross revenue of ZMW 51,949 annually at maximum from sale of animals (live weight). The capital expenditure for this business unit is projected to be ZMW 16,000 to acquire the herd (ZMW 2,000 per head), and ZMW 2,400 for housing. This business unit is suitable for category I and 2 beneficiaries. Beneficiaries under this investment type are able to finance the incremental investment costs using their own savings from VSLAs.

- The incremental cost for this model is ZMW 16,400 (US\$656).
- The main sources of incremental income include sales of more animals live weight as a result of increased stock due to reduced mortality rates for kids and adults.
- With this incremental cost, in financial terms the model shows that the investment is capable of generating a net present value of ZMW 202,041 (US\$8,082), with a benefits cost ratio of 3.0. The IRR is 182%. The incremental cash-flow has been discounted over a period of 20 years including the 7 years of project implementation

43. **Livestock Model– backyard poultry:** The model looks at a typical farmer aspiring to finance a small backyard poultry unit.

Description of enterprise budget	Land size (Ha)	ZMW
Livestock - backyard poultry	0.2	12,837
<b>Aggregate household income per year</b>		<b>12,837</b>
Incremental costs		14,000

44. For a farmer to sustain backyard poultry business unit, a stock of 200 birds annually is required. The unit would generate gross revenue of ZMW 12,837 annually at maximum from sale of birds and eggs. The capital expenditure for this business unit is projected to be ZMW 14,000 to acquire the 200 birds per year (100 birds each batch). This micro-enterprise unit is suitable for category I and 2 beneficiaries. Beneficiaries under this investment type are able to finance the incremental investment costs using their own savings from VSLAs.

- The incremental cost for this model is ZMW 14,000 (US\$560).
- The main sources of incremental income include sales of birds and eggs.
- With this incremental cost, in financial terms the model shows that the investment is capable of generating a net present value of ZMW 111,678 (US\$4,467), with a benefits cost ratio of 1.3. The IRR is 122%. The incremental cash-flow has been discounted over a period of 20 years including the 7 years of project implementation

45. **Warehouse receipt financing:** Besides the conventional value chain models, FIRIP will help banks to consider financing other innovative value chain (VC) arrangements such as warehouse receipt financing, invoice discounting, digitalization of payments, buyer and supplier credit etc. Such a facility would have capacity to hold 260,000 tons of grain that will serve so many farmers/producers to use securely stored goods as loan collateral or avoid farmers to sell their products when prices are very low.

46. An illustrative model to this end has been developed using a hypothetical warehouse receipt company. This is based on experience from other Countries particularly Ethiopia. The detailed model is available in the EFA excel file.

47. A capital outlay of about ZMW 35 million (US\$420,000) would be required to construct the premises of warehouse company. The construction of the premises and rolling on of farmer would take at least 2 years. If well managed, the company would breakeven within the initial year.

48. The facility has a potential to generate a baseline rate of return of 106% and a net present value of ZMW 245.03million (US\$9.8 million) with a benefits cost ratio of 1.1. The incremental cash-flow has been discounted over a period of 20 years including the 7 years of project implementation



**Table 6: Illustrative P&L and balance sheet of a warehouse receipt facility**

<b>Operational Data (Amount in ZMW'000)</b>	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>
Sales volume (Tonnes)	100,000	125,000	150,000	200,000	260,000
Own storage capacity (Tonnes)	25,000	31,250	37,500	50,000	65,000
Average maize price (per Tonnes)	6,450	6,450	6,450	6,450	6,450
<b>Profit and loss (ZMW'000)</b>					
Sales	645,000	806,250	967,500	1,290,000	1,677,000
Cost of goods sold	40,545	55,332	81,090	74,889	101,124
Gross profit	604,455	750,918	886,410	1,215,111	1,575,876
Fixed cost	7,155	8,348	9,540	11,925	14,310
<b>Operating profit (earnings before interest and tax)</b>	<b>597,300</b>	<b>742,571</b>	<b>876,870</b>	<b>1,203,186</b>	<b>1,561,566</b>
Interest cost	14,310	23,850	42,930	38,160	42,930
Earnings before tax	50,085	189,608	138,330	59,625	171,720
Tax (30%)	15,026	56,882	41,499	17,888	99,216
<b>Net profit</b>	<b>35,060</b>	<b>132,725</b>	<b>96,831</b>	<b>41,738</b>	<b>120,204</b>
<b>Balance Sheet (ZMW'000)</b>					
Fixed Assets	47,700	71,550	81,090	95,400	119,250
Current assets of which	155,058	308,874	495,802	528,130	718,930
Inventories	111,082	227,392	377,679	410,351	554,104
Accounts receivables	39,205	74,327	109,775	105,855	152,901
Cash balance	4,770	7,155	8,348	11,925	11,925
<b>Total Assets</b>	<b>202,758</b>	<b>380,424</b>	<b>576,892</b>	<b>1,151,661</b>	<b>1,545,186</b>
Capital	35,775	35,775	35,775	35,775	35,775
Retained earnings	25,520	86,695	111,976	129,863	202,367
<b>Total Equity</b>	<b>61,295</b>	<b>122,470</b>	<b>147,751</b>	<b>165,638</b>	<b>238,142</b>
Long-term loans	11,925	35,775	47,700	47,700	47,700
Short-term loans	107,322	184,280	325,900	348,640	469,223
Accounts payables	22,216	37,899	55,541	61,553	83,116
<b>Current liabilities</b>	<b>129,538</b>	<b>222,179</b>	<b>381,442</b>	<b>410,192</b>	<b>552,338</b>
<b>Total Equity and Liabilities</b>	<b>202,758</b>	<b>380,424</b>	<b>576,892</b>	<b>623,530</b>	<b>838,180</b>

49. These businesses are all strongly profitable, with very good returns for their proprietors. All can afford debt repayment according to schedule, and all have relatively low cost of sales. The financial rates of return are high because revenue and profit is high relative to capital costs, although this is offset by higher variable costs.

50. The table below shows the production summary of results of incremental benefits which is a comparison of the without and with-project scenarios for the selected crops, livestock, value addition and other green investments. The models also present the financial rates of return, net present value and return to family labour.

**Table 7: Financial analysis results of the illustrative farm/enterprise models**

Project Year	Farm models' net incremental benefits (in ZMW)									
	Tomato Model	Soyabean Model	Maize Model	G.Nuts Model	Cowpeas Model	Livestock - Goats Model	Livestock - Chicken model	Maize Processing	G.Nuts Processing	Laundry Services
PY1	(50,600)	(50,078)	(12,363)	(56,714)	(2,928)	(23,762)	6,017	(43,280)	(43,430)	(28,223)
PY2	9,400	16,990	3,429	7,886	288	3,141	10,441	9,520	3,345	4,537
PY3	16,920	20,524	5,008	14,276	1,079	8,181	12,837	9,520	16,350	12,907
PY4	26,840	24,058	5,008	18,110	1,870	18,543	10,957	9,520	16,350	21,277
PY5	30,400	24,058	5,008	21,944	1,870	19,743	12,837	21,760	16,350	21,277
PY6	31,600	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
PY7	30,400	24,058	5,008	21,944	1,870	21,543	10,957	21,760	16,350	21,277
PY8	31,600	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
PY9	30,400	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
PY10	31,600	24,058	5,008	21,944	1,870	21,543	10,957	21,760	16,350	21,277
PY11	30,400	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
PY12	31,600	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
PY13	30,400	24,058	5,008	21,944	1,870	21,543	10,957	21,760	16,350	21,277
PY14	31,600	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
PY15	30,400	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
PY16	31,600	24,058	5,008	21,944	1,870	21,543	10,957	21,760	16,350	21,277
PY17	30,400	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
PY18	31,600	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
PY19	30,400	24,058	5,008	21,944	1,870	21,543	10,957	21,760	16,350	21,277
PY20	31,600	24,058	5,008	21,944	1,870	21,543	12,837	21,760	16,350	21,277
IRR	42%	42%	37%	29%	42%	47%	Num	34%	30%	49%
NPV (ZMW) @12%	193,589	156,865	31,352	120,040	11,796	138,154	111,678	122,625	92,799	92,705
B/C Ratio	1.54	1.60	1.61	2.30	2.88	2.11	1.3	1.0	1.3	2.2
Return to Family Labour (ZMW)	308.5	1,035.7	261.1	1,303.2	576.4	1,630.9	134	805	945	N/A

51. The selection of the above value chains is considered in a way that it strikes a balance between the potential for mainstreaming themes and climate resilience.

52. The main results of the financial analysis is a relative significant increase in gross and net returns from the model compared to the without sub-project situation. All models record positive net present values (NPVs) over a 20-year period (*including 7 years of project implementation*) and positive internal rate of returns (IRRs) well above the opportunity cost (8%)<sup>3</sup> as illustrated in the table below. The discount rate used for financial analysis is closer to saving products rather than loan products. It reflects the opportunity cost of investing rather than just keeping the funds in a savings account.

**Table 8: Summary of models**

<sup>3</sup><https://tradingeconomics.com/zambia/deposit-interest-rate>

Model	Annual Net Benefits-after financing					NPV
	WOP Project	WP -Full Develop	Incremental	IRR	Average IRR	
Maize Model	16,905	62,622	45,717	45%		299459
Tomato Model	4,800	48,300	43,500	32%		239762
Soyabean Model	1,834	25,892	24,058	24%		114712
Groundnut Model	1,513	23,458	21,944	14%		57084
Cowpeas Model	4,620	33,732	29,112	20%	27%	112790
Goat Model	812	30,522	29,710	190%		338211
Chicken Model	3,185	16,023	12,837	122%	156%	91585
Maize processing (Proxy for WoP)	2,400	54,400	52,000	49%		338927
Groundnuts processing (Proxy for WoP)	2,400	28,750	26,350	108%		91585
Laundry Services (Proxy for WoP)	12,000	21,277	9,277	Num		156108
Bio-gas Digester Model	1,550	34,450	32,900	26%	61%	89760

53. **Programme costs and log-frame indicators:** The table below provides a summary of project costs and log-frame indicators, including cost per beneficiary analysis. The project costs have been estimated using Costab software, with a total budget estimated at US\$49.9 million over the 7-years project implementation period. The cost per household is estimated at US\$135. The analysis is provided in the table below.

**Table 9: Programme costs and log-frame indicators**

PROGRAMME COSTS AND INDICATORS FOR LOGFRAME	
<b>TOTAL PROGRAMME COSTS (in million USD )</b>	
<b>Persons receiving services promoted or supported by the project</b>	<b>370,110</b>
<b>Persons reporting improved income from economic activities (agric./IGA - 80%)</b>	<b>296,088</b>
<b>Households reporting using financial services (80% of the beneficiaries)</b>	<b>296,088</b>
<b>Beneficiaries with new jobs/employment opportunities</b>	<b>145,430</b>
<b>Cost per Household</b>	<b>135</b>
<b>Components and Cost (USD million)</b>	
<b>A. Improved Availability and Use of Client-Centric Financial Services</b>	38.7
<b>B. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>	4.0
<b>C. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowledge Management</b>	7.2
<b>Total</b>	<b>49.9</b>

**Commented [FH1]:** Pls re-arrange the table a bit to make it more coherent with our responses and the structure of the logframe.

- 1)Persons receiving services promoters are supported by the project: 370,110;
- 2)Persons reporting improved income from economic activities (agriculture/other IGAs) 296,000 (80%)
- 3)Households reporting using financial services : 296,000 / 80% of total beneficiaries.
- 4)Beneficiaries with new jobs/employment opportunities 145430.

54. **Economic Analysis:** The primary objectives of the economic analysis include the following:

- Determine the economic viability and overall cost effectiveness of the project, estimated from a societal level, through comparison of aggregated economic benefits and the total project economic costs.
- Perform sensitivity analysis to measure the robustness of the proposed investment and measure the variations in the overall Internal Rate of Return (IRR) and Net Present Value (NPV) due to risks and unforeseen factors.

55. **Methodology:** The economic analysis has been undertaken using the above financial analysis. All benefit streams and costs for labour and tradable goods have been adjusted into economic values using standard conversion factor (SCF) to compute the economic values. The main assumptions and shadow prices used for economic analysis are provided in the table below.

**Table 10: Main assumptions and shadow prices**

MAIN ASSUMPTIONS & SHADOW PRICES					
FINANCIAL	Model	Unit of measure	Yields (Annually) Kg		
			WOP	WP	Price (ZMW)
	Tomato Model	Kg	2,000	6,000	15
	Soyabean Model	Kg	800	3,100	12
	Maize Model	Kg	3,000	6,300	6
	G.Nuts Model	Kg	370	2,200	15
	Cowpeas Model	Kg	500	900	18
	Livestock - Goats Model	Head	2	15	2,000
	Livestock - Chicken model	Bird	40	200	250
	Maize Processing	Kg	-	36,000	13
	G.Nuts Processing	Kg	-	2,040	80
Economic	Standard Conversion Factor	0.93	Discount rate for Financial Analysis	8%	
	Labour Conversion Factor	0.94	Discount rate for Economic Analysis	25.5%	
	Unemployment Rate	5.9%	VAT rate on imports	16%	

**Other assumptions:**

56. **Key parameter:** The period of the analysis is 20 years to account for the phasing and gestation period of the proposed interventions. The analysis presented in table 12 demonstrates the scope of profitability originated from the conditions prevailing at the time of project design.

57. **Prices:** Prices estimates for tradable goods are 2024 constant prices collected during the design mission in-country field visits and discussion with the technical consultants on the mission.

58. **Economic costs:** The project economic costs have been derived from the project budget using Costab software by deducting taxes and duties that can affect market price. Operating costs (assumed up to 15 percent of the recurrent costs) have been included from year 8 to year 20 as it is assumed that these costs will have to be incurred if project benefits are to be sustained. All economic costs used in the EFA analysis are estimated in ZMW thousands as presented in the table below.

**Table 11: Economic costs used for economic analysis**

Republic of Zambia								
Financial Inclusion for Resilience and Innovation Project (FIRIP)								
Expenditure Accounts by Years – Totals Including Contingencies								
Economic Costs	Economic Costs (ZMW '000)							
	2025	2026	2027	2028	2029	2030	2031	Total
<b>I. Investment Costs</b>								
Technical Assistance	2,677	20,387	17,092	15,596	12,263	11,238	7,088	86,340
Training	2,730	3,978	3,228	2,415	2,165	2,165	1,353	18,035
Goods, Services and Inputs	-	13,834	27,356	21,106	21,106	21,106	14,856	119,365
Equipment and Vehicles	3,364	6,740	-	-	280	-	-	10,384
IOF Window Grant	-	18,750	37,500	37,500	37,500	18,750	18,750	168,750
CBFI Window Grant	-	9,750	19,500	19,500	19,500	9,750	9,750	87,750
Lines of Credit	-	125,000	125,000	125,000	125,000	75,000	-	575,000
<b>Total Investment Costs</b>	<b>8,771</b>	<b>198,438</b>	<b>229,676</b>	<b>221,118</b>	<b>217,815</b>	<b>138,010</b>	<b>51,797</b>	<b>1,065,624</b>
<b>II. Recurrent Costs</b>								
Salaries and Allowances	5,824	16,561	16,561	16,561	16,561	16,561	16,561	105,191
Operating Costs	1,023	3,623	3,623	3,623	3,623	3,623	3,623	22,764
<b>Total Recurrent Costs</b>	<b>6,847</b>	<b>20,185</b>	<b>20,185</b>	<b>20,185</b>	<b>20,185</b>	<b>20,185</b>	<b>20,185</b>	<b>127,955</b>
<b>Total PROJECT COSTS</b>	<b>15,618</b>	<b>218,623</b>	<b>249,860</b>	<b>241,302</b>	<b>237,999</b>	<b>158,194</b>	<b>71,982</b>	<b>1,193,578</b>

59. **Aggregation of benefits and phasing:** The phasing of benefits is consistently aligned to the annual project budget allocation in the Costabs. The aggregation of benefits has taken into account the number of beneficiaries, phased by year and the incremental net benefits generated from the value chain models which represent the project investment. The detailed aggregation table for the above benefits stream-flows is attached to this annex and the detailed analysis is available in the EFA excel worksheet. The aggregation of beneficiaries has been done in line with the following log-frame indicators and related targets: 296,088 Persons Reporting Improved Income from Economic Activities (PDO Indicator) equivalent to 80% of the total number of Persons Receiving Services Promoted or Supported by the Project (370,110). This number is aligned with target of CI. 1.2.5 Households reporting using financial services (296,088) which refers to the use of such services for a productive or income generating activity<sup>4</sup>. In addition, 54,599 beneficiaries accessing wage employment are also included contributing to the logframe PDO indicator CI2.2.1). The remaining 90,831 persons benefiting from jobs in the form of full-time self-employment are excluded, as these are already captured under the 296,000 beneficiaries using financial services, to avoid double-counting.

60. Hence, the total number of beneficiaries used for the aggregation of project benefits include 296,088 beneficiaries increasing their income through access to financial services (through the various enterprise models and reduction of transaction costs) plus 54,599 beneficiaries accessing wage employment (totalling to 350,687 beneficiaries).

**Table 12: Aggregation of beneficiaries for the Economic Analysis**

Benefits stream element	Beneficiaries used for aggregation
Innovation and Outreach Facility (IOF Window 1):	81,926
Innovation and Outreach Facility (IOF Window 2,3 & CBFIs):	168,719
Lending by banks and MFIs under the BFF.	45,443
	296,088
Wage employment	54,599
Total	350,687

<sup>4</sup>The remaining 19,425 recipients of financial services (315,511 minus 296,088) are expected to use these for non-productive purposes.

**Table 13: Explanation of how wage benefits were computed:**

Wage employment Benefits		Explanatory Notes	Y1	Y2	Y3	Y4	Y5	Y6	Y7+
Gardener Monthly Wage Rate (source: salary explorer <sup>5</sup> )	A	1,780							
Number of beneficiaries with new jobs	B	54,599							
Spread of No. of jobs by year	C	-	6,067	12,133	12,133	12,133	6,067	6,067	
Incremental Benefits from self-employment (Assuming 6 mo	D=C*A	-	64,790,834	129,581,669	129,581,669	129,581,669	64,790,834	64,790,834	
Cumulative Incr. Benefits from self-employment	Cumulates	-	64,790,834	194,372,503	323,954,172	453,535,840	518,326,675	583,117,509	

<https://www.salaryexplorer.com/average-salary-wage-comparison-zambia-gardening-farming-fishing-c242f29>

61. The following explanatory notes support the above table:

- The gardener monthly wage rate of ZMW 1,780 was used. This was sourced from "salary explorer.com"<sup>5</sup>.
- The aggregation has taken into account the 54,599 beneficiaries accessing wage employment which excludes self employment of financial service beneficiaries.

Categories	IOF	Blending Facility	Net beneficiaries access to finance	Employment multiplier <sup>6</sup>	Employment generated	Comments
Total Cat. 1	212,475	29,205	227,077	0.4	90,831	Using the assumption of 40% creating a new business and the rest expanding existing business. Overall, this could be 40% full time job equivalent. Issue: This is mainly self-employment. Hence, there would be double-counting (same person receiving a financial service and becoming fully self-employed.)
Total Cat. 2	76,602	19,048	86,126	0.5	43,063	Using 50% of the multiplier proposed (50% of clients would create one additional job - considering at least 50% being repeat clients)
Total Cat. 3	2,223	168	2,307	7	16,158	Using multiplier proposed (considering 50% repeat clients)
Total financial services			315,511		149,438	Total jobs created
					54,599	Excluding self employment of financial service beneficiaries

- The 54,599 beneficiaries cannot be achieved in one year, and therefore, have been spread over the project implementation period as shown in table 13 above.
- The incremental benefits have then been derived by multiplying the beneficiaries reached each year with the monthly wage rate, then cumulated.

62. **Economic results:** FIRIP is projected to yield a baseline Economic Rate of return of 34 percent with a positive Net Present Value of US\$38.7million, equivalent to ZMW 969.2million (1 US\$ <> 25ZMW). Quantifiable benefits have been discounted over a period of 20 years including 7 years of project implementation period using a rate of 25.5<sup>6</sup>. The discount rate used for economic analysis is a 10-year Government bond yield in Zambia. The purpose of discounting the incremental economic cash-flow is to calculate the present value of the future flows. The overall benefits cost ratio is computed at 4.1. The overall project economic cash-flow is provided in the summary table below:

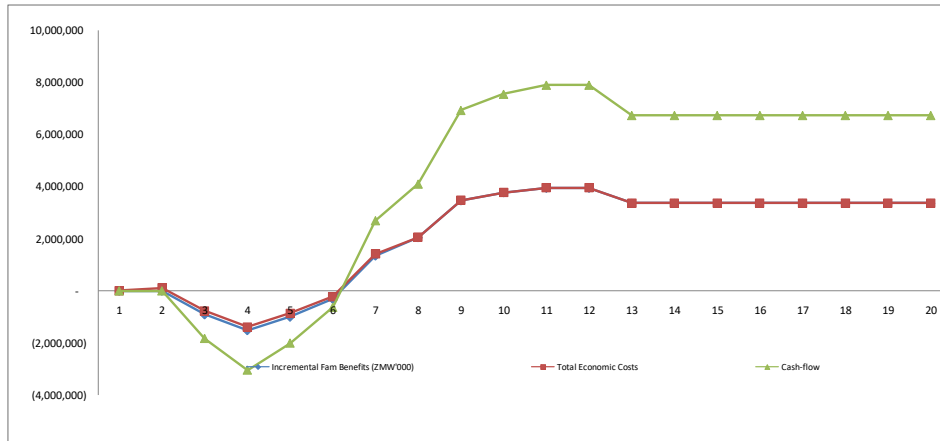
<sup>5</sup> <https://www.salaryexplorer.com/average-salary-wage-comparison-zambia-gardening-farming-fishing-c242f29>

<sup>6</sup> [Zambia 10-Year Government Bond Yield - Quote - Chart - Historical Data - News \(tradingeconomics.com\)](https://tradingeconomics.com/zambia/10-year-government-bond-yield)

**Table 12: Overall Economic cash-flow**

Project year	Incr. IOF Econ Benefits			Incr. Blending Facility			Self Employment	Incremental Fam Benefits (ZMW'000)	Economic Project Costs (ZMW'000)				Cash-flow
	IOF Window 1	IOF Window 2	IOF Window 3	CBFIs	MFiS/ SACCOS	Banks			Investment Costs	Recurrent Costs	Addback costs - Line of credit/Transaction costs	Total Economic Costs	
PY1	-	-	-	-	-	-	-	-	8,771	6,847	-	15,618	(15,618)
PY2	-	-	-	-	-	-	-	-	198,438	20,185	100,000	118,623	(118,623)
PY3	4,129	(180,399)	(180,399)	(469,115)	(30,760)	(56,883)	-	(913,427)	229,676	20,185	100,000	149,860	(1,063,287)
PY4	8,257	(325,083)	(325,083)	(871,734)	(25,621)	(46,998)	64,791	(1,521,469)	221,118	20,185	100,000	141,302	(1,662,772)
PY5	8,257	(221,432)	(221,432)	(700,906)	(21,699)	(39,539)	194,373	(1,002,377)	217,815	20,185	100,000	137,999	(1,140,376)
PY6	8,257	(62,807)	(62,807)	(468,910)	(18,704)	(33,909)	323,954	(314,926)	138,010	20,185	50,000	108,194	(423,120)
PY7	4,129	310,208	310,208	266,652	2,336	1,593	453,536	1,348,660	51,797	20,185	-	71,962	1,276,679
PY8	4,129	485,165	485,165	901,058	22,838	36,054	518,327	2,052,735	-	3,028	-	3,028	2,049,708
PY9	4,129	814,584	814,584	1,189,113	24,179	38,481	583,118	3,468,188	-	3,028	-	3,028	3,465,161
PY10	4,129	904,605	904,605	1,317,262	25,207	40,316	583,118	3,779,242	-	3,028	-	3,028	3,776,214
PY11	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,953,731	-	3,028	-	3,028	3,950,703
PY12	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,953,731	-	3,028	-	3,028	3,950,703
PY13	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,370,613	-	3,028	-	3,028	3,367,586
PY14	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,370,613	-	3,028	-	3,028	3,367,586
PY15	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,370,613	-	3,028	-	3,028	3,367,586
PY16	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,370,613	-	3,028	-	3,028	3,367,586
PY17	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,370,613	-	3,028	-	3,028	3,367,586
PY18	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,370,613	-	3,028	-	3,028	3,367,586
PY19	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,370,613	-	3,028	-	3,028	3,367,586
PY20	4,129	951,165	951,165	1,396,454	25,996	41,704	583,118	3,370,613	-	3,028	-	3,028	3,367,586
NPV@ 12% (ZMW'000)													969,234
NPV@ 12% (USD'000)								1,278,761				309,527	38,769
EIRR													34%
BCR													4.13

**Graph 1: Illustration of overall economic cash-flow**



63. **Sensitivity analysis, Risks and Assumptions:** The sensitivity analysis has been undertaken to test the robustness of the overall project analysis and measure different variations due to unforeseen factors and relevant risks presented in the project risk matrix. The analysis has considered the following variations: a) increase in costs; b) increase in Project benefits; c) reduction in Project benefits; and d) delay in Project benefits.

64. The results of the sensitivity analysis indicate that a change in benefits by 20% increase in costs and decrease in benefits using the same proportion, the project yields an ERR of 33.0% and 32.9% with positive NPVs of US\$36.2 million and US\$28.5 million, respectively. An increase in project benefits by either 10% & 20%, the project yields a higher IRR of 34.1% and 34.4% with positive NPVs of US\$43.8 million and US\$48.9 million, respectively. A delay

in project benefits by 1 & 2 years still yields positive results as the two scenarios yield an IRR of 32.5% and 31.0% with positive NPVs. Results of the analysis indicate that the Project is only vulnerable to a 4 years delay in implementation as it yields very low ERR of 27.5% compared to the discount rate of 25.5% used for economic analysis. The summary and detailed sensitivity analysis is presented in the tables below.

**Table 13: Sensitivity analysis matrix**

Sensitivity analysis matrix				Link between EFA and IPRM
	%	IRR	NPV (US\$'000)	
Base Scenario		33.8%	38,769	The risk involving the non-repayment of loans provided to the target groups. Zambia is also currently grappling with considerable fragility and security concerns, precipitated by a severe drought that has been officially recognized as a national disaster and emergency which resulted in the loss of 1 million hectares from a total of 2.2 million hectares of cultivated crops.
Decrease of Project benefits	-10%	33.4%	33,654	
	-20%	32.9%	28,539	
	-30%	32.3%	23,424	
Cost Increase	10%	33.4%	37,531	Vulnerability to potential increases in fuel prices and electricity tariffs, along with fluctuations in global fertilizer prices. Economic instability may arise from the debt crisis and delayed resolutions. External factors such as perennial droughts, volatile copper prices, and global geopolitical events could also present challenges
	20%	33.0%	36,293	
	50%	32.1%	32,936	
Delay of benefits	1 Year	32.5%	27,233	A risk associated with potential inability to effectively coordinate & enhance implementation arrangements that involve various government entities. Political tensions that may surface around election periods, potentially leading to instability and change of political commitment shifts. Significant policy gaps arising from fragmented initiatives like the NFIS II outside of the RFU, a risk undermining the project's implementation and its objectives
	2 Years	31.0%	18,040	
	3 Years	29.3%	10,715	
	4 Years	27.5%	4,879	
Increase of benefits	10%	34.1%	43,884	Promotion of climate-smart and sustainable agricultural practices, as well as green and climate-smart technologies. This will be achieved by leveraging CBFI savings and establishing linkages to banking systems to facilitate the higher adoption of these practices.
	20%	34.4%	48,999	

**Table 14: Detailed Sensitivity analysis**

Year	1	2	3	4	5	6	7	8	9	10	11	12	13-20
<b>Incremental Benefits</b>	-	-	913,427	1,521,469	1,002,377	314,926	1,348,660	2,052,735	3,468,188	3,779,242	3,953,731	3,953,731	3,370,613
benefits +10%	-	-	1,004,770	1,673,616	1,102,615	346,418	1,483,526	2,258,009	3,815,007	4,157,166	4,349,104	4,349,104	3,707,675
benefits +20%	-	-	1,096,112	1,825,763	1,202,852	377,911	1,618,392	2,463,282	4,161,826	4,535,090	4,744,477	4,744,477	4,044,736
Mild scenario	-	-	822,084	1,369,322	902,139	283,433	1,213,794	1,847,462	3,121,369	3,401,317	3,558,358	3,558,358	3,033,552
Medium scenario	-	-	730,742	1,217,175	801,902	251,941	1,078,928	1,642,188	2,774,551	3,023,393	3,162,985	3,162,985	2,696,491
High scenario	-	-	639,399	1,065,028	701,664	220,448	944,062	1,436,915	2,427,732	2,645,469	2,767,612	2,767,612	2,359,429
<b>Project Costs</b>	15,618	118,623	149,860	141,302	137,999	108,194	71,982	3,028	3,028	3,028	3,028	3,028	3,028
costs +10%	17,180	130,485	164,846	155,433	151,799	119,014	79,180	3,330	3,330	3,330	3,330	3,330	3,330
costs +20%	18,741	142,347	179,832	169,563	165,599	129,833	86,378	3,633	3,633	3,633	3,633	3,633	3,633
costs +30%	23,427	177,934	224,790	211,954	206,999	140,652	93,576	3,936	3,936	3,936	3,936	3,936	3,936
<b>Net cash flow</b>													
base scenario	(15,618)	(118,623)	(1,063,287)	(1,662,772)	(1,140,376)	(423,120)	1,276,679	2,049,708	3,465,161	3,776,214	3,950,703	3,950,703	3,367,586
costs +10%	(17,180)	(130,485)	(1,078,273)	(1,676,902)	(1,154,176)	(433,939)	1,269,480	2,049,405	3,464,858	3,775,911	3,950,400	3,950,400	3,367,283
costs +20%	(18,741)	(142,347)	(1,093,259)	(1,691,032)	(1,167,976)	(444,759)	1,262,282	2,049,102	3,464,555	3,775,608	3,950,098	3,950,098	3,366,980
costs +30%	(23,427)	(177,934)	(1,138,217)	(1,733,423)	(1,209,376)	(455,578)	1,255,084	2,048,799	3,464,252	3,775,306	3,949,795	3,949,795	3,366,677
benefits +10%	(15,618)	(118,623)	(1,154,630)	(1,814,919)	(1,240,614)	(454,613)	1,411,545	2,254,981	3,811,979	4,154,138	4,346,076	4,346,076	3,704,647
benefits +20%	(15,618)	(118,623)	(1,245,973)	(1,967,065)	(1,340,852)	(486,105)	1,546,411	2,460,255	4,158,798	4,532,062	4,741,449	4,741,449	4,041,708
benefits +10%	(15,618)	(118,623)	(971,944)	(1,510,625)	(1,040,139)	(391,627)	1,141,812	1,844,434	3,118,342	3,398,290	3,555,330	3,555,330	3,030,524
benefits -20%	(15,618)	(118,623)	(880,620)	(1,358,478)	(939,901)	(360,135)	1,006,946	1,639,161	2,771,523	3,020,366	3,159,957	3,159,957	2,693,463
benefits -30%	(15,618)	(118,623)	(789,259)	(1,206,331)	(839,663)	(328,642)	872,080	1,433,887	2,424,704	2,642,441	2,764,584	2,764,584	2,356,402
benefits delayed 1 year	(15,618)	(118,623)	(149,860)	(1,054,729)	(1,659,469)	(1,110,571)	1,345,632	2,049,708	3,465,161	3,776,214	3,950,703	3,950,703	3,367,586
benefits delayed 2 years	(15,618)	(118,623)	(149,860)	(1,413,302)	(1,051,426)	(1,629,663)	(1,074,359)	(317,954)	1,345,632	2,049,708	3,465,161	3,776,214	3,950,703
benefits delayed 3 years	(15,618)	(118,623)	(149,860)	(1,413,302)	(1,377,999)	(1,021,621)	(1,593,451)	(1,005,405)	(317,954)	1,345,632	2,049,708	3,465,161	3,776,214
benefits delayed 4 years	(15,618)	(118,623)	(149,860)	(1,413,302)	(1,377,999)	(1,081,194)	(985,409)	(1,524,497)	(1,005,405)	(317,954)	1,345,632	2,049,708	3,465,161
Adoption rate 90%	(15,618)	(118,623)	(643,111)	(962,896)	(679,283)	(278,254)	656,295	1,105,449	1,869,794	2,037,763	2,131,987	2,131,987	1,817,103
Adoption rate 80%	(15,618)	(118,623)	(588,305)	(871,608)	(619,140)	(259,359)	575,375	982,285	1,661,703	1,811,008	1,894,763	1,894,763	1,614,867
Adoption rate 70%	(15,618)	(118,623)	(533,500)	(780,319)	(558,998)	(240,463)	494,456	859,121	1,453,611	1,584,254	1,657,539	1,657,539	1,412,630
<b>Discount rate</b>	<b>26%</b>												
<b>Sensitivity Analysis</b>	<b>Base case</b>	<b>Costs Increase</b>			<b>Benefits Increase</b>		<b>Decrease of Benefits</b>			<b>Delay of Benefits</b>			
IRR (%)	34%	+10%	+20%	+50%	+10%	+20%	-10%	-20%	-30%	1 year	2 years	3 years	4 years
NPV (MZW '000)	969,234	938,281	907,329	823,404	1,097,110	1,224,986	841,358	713,482	585,606	680,818	451,004	267,885	121,974
NPV (USD '000)	38,769	37,531	36,293	32,936	43,884	48,999	33,654	28,539	23,424	27,233	18,040	10,715	4,879

25.00



## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 5: SECAP Review Note**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department



The SECAP Review note should build on the preliminary note mentioned above, draw on the results of the screening exercise and be informed by the issues raised during the design mission, the stakeholders interviews, publicly available tools and dataset, and environmental, social or climate-related studies that inform on the characteristics of the project location. The SECAP review note includes the revised ESMP and should be attached to the Project Design Report, integrated in Draft Project Implementation Manual (PIM) and COSTAB and shall be submitted to Design Review Meeting (DRM) or IRC (for NSOs).

## **1. Introduction**

1. 1. The Social, Environment, and Climate Assessment Procedure (SECAP) review note outlines the strategic orientation on social, environmental and climate change issues in Zambia for the Financial Inclusion for Resilience and Innovation Project (FIRIP) in the context of the project design.
2. 2. FIRIP is well-aligned with several key Government of Republic of Zambia (GRZ) strategies and plans, including the National Policy on Environment (2007), the Second National Biodiversity Strategy and Action Plan (NBSAP2) (2015-2025), Nationally Appropriate Mitigation Actions (NAMAs, 2014), Gender Policy (2023), The Children's Code Act, 2022, National Financial Inclusion Strategy II 2024-2028, Ministry of Agriculture Strategic Plan 2022-2026, Revised National Micro Small and Medium Enterprise Development Policy, Zambia's Lands Act (1995), the Second National Communication to UNFCCC (SNC, 2015), National Policy on Climate Change (2016), Zambia's Employment Act (2019), the National Adaptation Plan for Zambia (2023), and the Eighth National Development Plan (8NDP) (2022-2026), National Green Growth Strategy 2024-2030, Updated National Determined Contributions (2021), and National Youth Policy (2024). FIRIP complies with IFAD's 2016-2025 Strategic Framework, IFAD's Strategy and Action Plan on Environment and Climate Change (2019-2025), updated SECAP guidelines, and the Sustainable Development Goals (SDGs). Furthermore, it aligns with IFAD12 Replenishment commitments on climate adaptation and environment, gender, youth, nutrition, social inclusion, SECAP, and digital technologies.
3. 3. This SECAP Review Note is informed by extensive consultations held with various stakeholders during the concept note and design missions. These included government, private sector, development partners and civil society organisations engaged in providing financial services in rural areas by in-country consultations. This report is also informed by extensive review of literature drawn from various sources including: IFAD's Zambia Country Strategic Opportunities Programme (COSOP) (2019-2024); RUFEP project design, supervision, mid-term review mission reports and impact assessments and project completion report; Independent Office of Evaluation (IoE) Reports; Government and Development Partners' reports.

## **2. Potential Social, Environmental and Climate risks and impacts of the project**

4. 4. Zambia is a landlocked country covering a land area of 752,618 km<sup>2</sup>. As per the 2022 Census, the country's population was recorded as 19,610,769, resulting in a population density of roughly 26 people per km<sup>2</sup>. With a vast arable land resource base of 42 million hectares, only 1.5 million hectares are cultivated annually. Moreover, Zambia holds approximately 35 percent of the SADC region's freshwater resources.
5. 5. Zambia's HDI was 0.559 in 2023 ranking 153rd out of 193 countries. The country struggles with high levels of poverty and inequality, with 60% of the population below the poverty line and a Gini index 51.2 in 2022. Rural poverty has slightly increased, from 76.6% in 2015 to 78.8% in 2022, 2.5 times higher than urban poverty (31.9%)<sup>6</sup>. Food insecurity and malnutrition remain high: 31% of the population is undernourished and a similar percentage of children under five suffers from stunting. Despite the country's success in controlling the HIV/AIDS pandemic, it faces significant gender inequality and gender-based violence. Women make up only 20% of the workforce in traditionally male-dominated industries and are underrepresented in decision-making at all levels. Gender-based violence remains a significant issue, with one in five women experiencing sexual violence and 52% experiencing physical violence.
6. 6. Zambia's youth, comprising 26% of the population, have the potential to transform the country's future. However, they face challenges in accessing financial services, labour markets, and access to capital. The government has implemented legal, institutional, and policy frameworks to empower the youth, but more action is needed to ensure their full potential.
7. 7. The primary crops grown in Zambia include maize, sorghum, millet and cassava for domestic consumption and sugar, soybeans, coffee, groundnuts, rice, and cotton for exports. The agriculture sector faces significant challenges, including climate change, inadequate electricity supply, high production cost, substantial pre- and post-harvest losses, low adoption of modern technology, restricted land rights, lack of crop diversification, dependence on rainfed farming, high prevalence of pests and diseases, limited extension services, and other structural obstacles. The agriculture sector is particularly vulnerable to drought, as more than 90 percent of smallholder production is rainfed. For example, the agricultural growth rate dropped from +9.8 percent in the 2017/18 season to -21.2 percent in 2018/19 due to crop failure from prolonged dry spells (Kabisa, Chapoto, and Mulenga 2019). Zambia's CSA Investment Plan (CSAIP) (2019) estimates that climate change could lead to a decline in key crops' yields of 25 percent by 2050, depending on the AEZ. According to Verhage et al. (2018), parts of southern Zambia are projected to have a failed season one in every two or three years by 2050. Poor rural infrastructure is another key constraint to agricultural development in Zambia (Stanbic Bank 2023). Such challenges, particularly for smallholder farmers, include limited access to inputs, finance markets, and postharvest storage and management technologies (WFP 2020).
8. 8. Zambia has been experiencing adverse impacts of climate change - including an increase in frequency and severity of seasonal droughts, insect outbreaks, occasional dry spells, intense precipitation, increased temperatures in valleys and wildfires, flash floods and changes in the growing season. Declining water supplies reduced agricultural yields, health impacts in cities due to heat, and flooding and erosion in coastal areas are additional concerns. Climate changes will have key impacts on agriculture, water resources, human health, ecosystems, and energy and infrastructure.
9. 9. Access to financial services in rural areas remains limited, and significant parts of the country continue to lack basic financial infrastructure. Smallholder farmers, particularly women and youth, lack access to financial services that meet their specific needs for economic growth and coping with adverse events.

## 2.1 Biodiversity conservation

10. 10. Zambia possesses a rich diversity of biological resources, encompassing networks of wetlands, abundant wildlife, aquatic life, forestry, and a wide range of national heritage resources (GRZ, 2015). Biodiversity, however, is continuously under threat, primarily due to human activities such as population growth, agricultural expansion, deforestation, industrialization, and urbanization. The sectors most affected by biodiversity loss are forestry, fisheries, wildlife, and water. Population growth has led to an increased demand for food and other agricultural products, resulting in the conversion of forest land and other protected areas into agricultural land (MNERT, 2005). Annually, Zambia's deforestation rate is estimated at 276,021 hectares, which accounts for 6% of the country's total forest cover (GRZ et al., 2017).
11. 11. FIRIP aims to introduce innovative financial services for agriculture, rural MSMEs, and promote green and climate-smart practices and technologies in rural areas. FIRIP, a demand-driven project, will likely allocate substantial funds to horticulture, small livestock, and legume production due to their potential for community resilience and complementary with government initiatives. A thorough assessment of the potential impacts of project interventions on biological resources should be conducted at early implementation stages when specific interventions will be initiated.

## 2.2 Resource efficiency and pollution prevention

12. 12. Zambia's rapid population growth significantly contributes to environmental degradation, as it increases pressure on natural resources and exacerbates pollution. Traditional agricultural practices, including mono-cropping, bush burning for land preparation, and the extensive use of synthetic fertilizers, herbicides, and insecticides, further contribute to land degradation and pollution of food sources for aquatic animals, birds, and other wildlife (Mwitwa & al. 2018).
13. 13. Moreover, unsustainable utilization of forest and fish resources has emerged as an essential environmental concern in the region, necessitating immediate attention and intervention (ZEMA, 2017). Potential impact of project's interventions on resource efficiency and pollution prevention will be further assessed during project design. Unsustainable production systems such as chitemene system (slash and burn); fuelwood including charcoal production and expansion of agricultural farms which have all increased due to population growth but also limited access to electricity continues to contribute to deforestation in the provinces. It should be noted that charcoal production is demand-driven, particularly in urban centres. The electricity access rate for urban and rural areas is approximately 67% and 4.4%, respectively. During drought years, the country experiences power-outages, increasing charcoal demand, particularly in urban centres. Therefore, limited access to electricity, lack of accessible alternative energy sources and power outages are important contributing factors to the country's deforestation rate.
14. 14. The Fourth Zambia Environment Outlook Report highlights that the demand for importing and manufacturing agricultural chemicals in the country has seen a gradual rise. Zambia imports around US\$200 million worth of fertilizers annually to subsidize small-scale farmers in rural areas (ZDA, 2011). Agro-chemicals are utilized to manage various pests, such as insects, weeds, and plant diseases, which can negatively impact crop or animal production. Furthermore, fertilizers play a vital role in enhancing soil conditions for optimal crop production. However, the use of agro-chemicals can lead to several environmental issues, such as the destruction of beneficial species, air pollution, land contamination, and chemical residues in surface and groundwater. Consequently, the regulation of agro-chemicals is necessary to mitigate these negative effects .

### 2.3 Cultural heritage

15. 15. Zambia is home to one UNESCO World Heritage Site (Mosi-oa-Tunya / Victoria Falls) and five UNESCO cultural practices and expressions of intangible heritage (Kalela dance, Budima dance, Mooba dance of the Lenje ethnic group of Central Province of Zambia, Makishi masquerade, Gule Wamkulu). There are also several sites that are classified by the National Heritage Conservation Commission (NHCC) as national monuments, cultural sites and historic sites. In addition, each of the over 70 ethnic groups has unique traditions, practices and beliefs, including music, dance, and storytelling, which are important expressions of cultural identity.
16. 16. Given FIRIP's focus on financial services, agricultural, climate and green innovative solutions, the project interventions are not expected to alter, damage, or remove any tangible or intangible cultural heritage.

### 2.4 Indigenous peoples

17. 17. Zambia comprises at least 72 ethnic groups, most of which are Bantu-speaking. About 90% of the population falls into nine major ethnolinguistic groups: the Nyanja-Chewa, Bemba, Tonga, Tumbuka, Lunda, Luvale, Kaonde, Nkoya and Lozi. Although in Zambia there are peoples who identify themselves as indigenous, such as the San people, the Khoe people and the Batwa people, their exact number is not known, and the Government of Zambia does not recognize any specific group as indigenous.
18. 18. Zambia voted in favour of adopting the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), but it does not have ratified the ILO Indigenous and Tribal Peoples Convention 169. In recent years, Zambia also participated in the Universal Periodic Review (UPR) process of the UN Human Rights Council .
19. 19. In the Concluding observations on the combined seventeenth to nineteenth periodic reports of Zambia , the Committee on the Elimination of Racial Discrimination noted that the fact that the State party does not recognize the existence of indigenous peoples in the country, negates the rights of the San and Khoe peoples, who suffer from high rates of poverty in a challenging economic and social environment and recommended that the State party recognize the full right of the San and Khoe peoples to access and use their ancestral lands.
20. 20. Considering Zambia's diverse population, FIRIP will not be implemented in areas where indigenous peoples are present. The project will ensure that its activities have no adverse impacts on the rights of indigenous peoples or the lands, territories, and resources they claim.

### 2.5 Labour and working conditions

21. 21. Most of the workforce, young and old, works in the informal sector. Rural youth are found predominantly in marginal and vulnerable activities, such as unpaid household work, and own-account self-employment in agricultural activities. Their urban counterparts, meanwhile, find themselves largely in non-agricultural activities such as informal wage employment and own-account self-employment. It is to these segments of the labour market that youth-orientated policies must be directed. Agriculture, forestry, and fishing employ only 9.8 percent in the formal economy and 90.2 percent in the informal sector. Informality means that most workers are unprotected against employment, health, and old-age risks—leaving them highly vulnerable to health and employment shocks. Youth and women are more engaged in the informal sectors which exclude them from social security and health benefits. Only 18.8 per cent of Youth were beneficiaries of national health medical coverage. This is a result of wage or self-employment in the informal economy which is a key challenge to accessing medical coverage and social security benefits.
22. 22. It is likely there might be weaknesses in employment and labour related legislation and the system of labour administration affecting youth. For example, project financing could end up in value chains that are characterized by working conditions that do not meet national labour laws or international commitments. This may include discriminatory practices, high gender inequality and the lack of equal opportunities, denial of freedom of association and collective bargaining. Furthermore, the project financing may be directed to value chains where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers, or rural populations in general. However, the PMU will ensure safety considerations will be implemented to mitigate these risks.
23. 23. Child labour incidence rate for the working children aged 5 – 17 years was estimated at 38.5 percent. The female incidence rate was 39.5 percent and the males at 37.3 percent. The rural areas accounted for 73.3 percent and urban areas at 26.3 percent with regional disparities. The agriculture industry accounted for the highest percentage at 58.2 percent. Majority of the children engaged in hazardous work were working as elementary workers accounting for 76.7 percent. According to the International Labour Organisation (ILO), child labour refers to work that deprives children of their fundamental rights and compromises their potential and dignity. This also involves work which is considered harmful to the physical and mental development of a child. This work deprives the children of the opportunity to attend school and/or made to leave school prematurely. Child labour can also manifest itself in most extreme forms and this involves children being enslaved, separated from their families, and exposed to serious hazards and illnesses. Zambia has adopted several legal and policy frameworks aimed at protecting children from all forms of child labour such as The Children’s Code Act 2022 and Act No. 3 of 2019. Part V of the Employment Code has measures on hazardous working conditions and prohibited the employment of young persons in undertakings associated with child labour. Government has adopted a multi-sectoral approach on addressing challenges facing the country. The Ministry of Labour and Social Security has continued to monitor, manage, and control the incidences of child labour in the country. The District Child Labour Committees play an important oversight role on child labour issues in Zambia. The elimination of child labour in all its forms is one of the areas receiving attention from the policy makers, Non-Governmental Organisations (NGOs) and Civil Society Organisations (CSOs).

## 2.6 Community health and safety

24. 24. In Zambia, specific sectors are more susceptible to the impacts of climate change, with the water sector being particularly vulnerable. Irregular rainfall patterns caused by climate change result in severe floods and droughts, limiting access to clean and safe drinking water. Consequently, the occurrence of waterborne diseases intensifies, which, in turn, imposes a considerable burden on the health sector to address and treat these ailments (Mulenga, 2023).
25. 25. Furthermore, gender inequality and patriarchal tendencies have a long-term impact on Zambian human and socioeconomic development. Power disparities between men and women have resulted in fewer opportunities for women to hold key decision-making positions and less access to productive resources. This has led to high rates of teen pregnancy, child marriage, and intimate partner violence (IPV), as well as low representation of women in formal employment and limited access to social services.
26. 26. Since January 2023, World Health Organisation (WHO) reported a total of 23,414 cholera cases and 738 deaths, resulting in an overall case fatality rate (CFR) of 3.2%. In March 2024, Zambia recorded 1,638 new cholera cases and 21 associated deaths (CFR: 1.3%), marking a 53% decrease in cases and a 73% decrease in deaths compared to the previous month. While the situation in Lusaka has significantly improved, the Copperbelt province still reports over 100 weekly cases, suggesting ongoing high transmission.
27. 27. A recent World Bank's assessment of Gender based violence in Zambia indicates that power imbalances between women and men lead to fewer opportunities for women in decision-making roles and limited access to resources.
27. 28. FIRIP gender transformative approach and interventions address GBV through raising awareness and addressing root causes, through a) women economic empowerment, trainings and financial services which helps their take control over their income and finances b) household methodologies target both men and women, so men participation in the trainings, awareness raising and activities would facilitate sharing decision making around the future of their families and finances, c) women leadership and voice at the community level would also help creating community awareness and challenge the negative social norms around women roles and GBV d) sensitization about gender and GBV at all levels of the project and among implementing partners.
28. 29. Addressing and preventing Gender-based violence (GBV): FIRIP will apply the following measures to address and mitigate the risk of GBV, raise awareness and create safe spaces for women and girls:
- (i) With support from IFAD's Ethics Office, PMU and implementing partners will be sensitized on IFAD's policies, ensuring strict adherence to the code of conduct.
  - (ii) Inclusion of GBV prevention messaging in training modules offered to FSPs, CBFIs, households, and all engaged entities
  - (iii) Early engagement of local authorities, elders, and male household members to sensitize on GBV prevention.
  - (iv) Create female only spaces for women when needed to share and receive training and services.
  - (v) Sensitization of project beneficiaries on reporting procedures in the Grievances Redress Mechanism.
30. 30. This results in low female representation in formal employment, inadequate access to social services, and high rates of teen pregnancy, child marriage, and intimate partner violence (IPV). In rural areas, over 90% of women work in informal agriculture, and 45% of employed women are unpaid family workers, compared to 16.1% of men .

## 2.7 Physical and economic resettlement

29. 31. The Lands Act of 1995 divides land into two categories: customary land and state land. Customary land is estimated to be 94% of the country's total land area of 743 390 square kilometres, with state land accounting for 6%. Smallholders predominantly cultivate customary land, where the absence of titling poses challenges for securing collateral for agricultural credit. Banks do not accept proof of land occupation as collateral. Small holders face significant barriers to obtaining credit for productive activities that will increase their income levels. In some settlement areas, a lack of clear ownership titles leads to disputes. The State land is administered and controlled on behalf of the President.
30. 32. Only the President has the authority to make changes to the land use category or grant ownership title to any land parcel based on recommendations from institutions tasked with managing natural resources. Professional bodies oversee land management issues at various hierarchical levels, including the Zambia Environmental Management Agency (ZEMA), the Ministry of Lands, Environment, and Natural Resources (MLENR), and locally placed District/Municipal councils.
31. 33. There is an increase in demand for conversion from customary to leasehold tenure. The two major factors influencing this increase are enhanced security of tenure and the greater security offered to lenders through the mortgaging of the land title (Adams, 2003). The security of land tenure is a crucial factor in promoting economic empowerment. It enables landowners to leverage their land rights as collateral, granting them access to credit and fostering economic growth (ZEMA, 2017).
32. 34. According to the RUFEP's impact assessment (2023), rural populations, farmers, and small enterprises in Zambia encounter specific financial obstacles. A key challenge involves limited access to financial services due to the lack of acceptable collateral. Most financial service providers are hesitant to lend to individuals or businesses without traditional land-based collateral. In response to this issue, a movable collateral registry has been implemented. This registry serves to safeguard the interests of financial service providers while simultaneously providing an opportunity for clients without acceptable land collateral to obtain loans and other financial services.

## 2.8 Financial intermediaries and direct investments

33. 35. Financial Institutions in Zambia present diverse capacities in managing environmental, social and climate risks within their respective portfolios. In May 2023, the World Bank, in collaboration with the Bankers' Association of Zambia, conducted a rapid assessment of financial institutions in Zambia. This joint effort aimed to evaluate the current capabilities of banks in the country to accurately assess and quantify climate risks, as well as identify potential opportunities for green finance expansion. The assessment revealed inconsistencies in reporting data and a lack of standardization across sectors, which have contributed to challenges in obtaining and utilizing reliable, high-quality data on climate risks. Additionally, the limited availability of specialized personnel with the necessary knowledge and skills for climate-related risk identification and assessment has further compounded these issues. To address these challenges, it is essential to establish an enabling legal and regulatory environment, which includes implementing formal policy guidance and documentation, enforcing supply chain disclosures, and providing internal guidance on ESG compliance. Furthermore, understanding the interconnectedness of systems and sectors is crucial in effectively gauging the impact of climate change and identifying operational, financial, legal, and reputational risks that financial institutions need to consider (World Bank, 2024).
34. 36. Although commercial banks have established environmental, social and governance policies, as well as grievance redress mechanisms, concerns persist regarding the substantial costs and risks of rural financial services (both for providers and clients), alongside challenges pertaining to quality, client-responsiveness, and consumer protection, especially regarding digital financial services. In response to these concerns, the Bank of Zambia (BoZ) in collaboration with ZICTA aim to fortify consumer protection nationwide by launching a digitalized complaint tracking mechanism. The data collected through this initiative will empower the BoZ and ZICTA to respond much faster to complaints and take remedial action, as well as to improve the regulatory environment as needed.
35. 37. Given the focus on inclusive financial services, the project will collaborate with local implementing partners (MFIs, MNOs, MSMEs) at both national and local levels. During the design phase, in line with the Social and Environmental Compliance Assessment Procedures (SECAP), the PDT assessed their Environment, Social and Governance (ESG) policies, along with associated management systems, including grievance redress mechanisms and stakeholder engagement plans (see Appendix 1). FIRIP will also strengthen national initiatives to develop and mainstream ESG policies within partnering FIs, including awareness creation and training.

## 2.9 Climate change

36. 38. Climate profile. Zambia has a humid sub-tropical climate, largely due to its elevated plateau. It is characterized by alternating wet (rainy) and dry seasons. Rainfall occurs primarily during the austral summer (November to March) and there is a clear dry season from May to September. Annual rainfall averages 1010 mm (range 750–1400 mm) and increases progressively from south to north. Rainfall is generally higher over the northern parts and decreases towards the south. The rainfall regions or river catchments extend beyond the county's borders primarily into Angola to the west and Zimbabwe to the south. Rainfall in Zambia is influenced by the southward movement of the equatorial low-pressure belt in the summer months that is linked to the migration of the overhead sun and the Inter-Tropical Convergence Zone (ITCZ) which is a zone in which the Congo air and southeast and northeast trade winds converge (Davies, 1971). The mean annual rainfall distribution in Zambia is characterized by a decrease from north to south that may be attributed to the shorter time the south is influenced by the ITCZ. The coefficient of variation (CV) of annual precipitation currently ranges from 10 – 20% in Copperbelt and Northern Provinces raising to 30% as one moves south. Variations in rainfall amounts within the full region are relatively large, therefore four sub-regions are distinguished in Table 1 below.

37. Table 1: The four rainfall regimes of Zambia

REGION	CHARACTERISTICS
<b>NORTHERN HIGHLANDS</b>	A relatively small high rainfall region with a mean annual total rainfall of 1190 mm/year. Low variability from year to year is found in this region. Rainfall occurs in a single rainy season during austral summer peaking over 200 mm/month in December-January and again in March. A clearly defined dry season occurs from May to September. Daily mean temperature averages 23° C with a seasonal cycle of just 4° C. Slightly cooler temperatures occur in June and July and the warmest temperatures occur in September-October (just before the rainy season starts).
<b>NORTHERN SUBTROPICAL SAVANNA</b>	A large high rainfall region with a mean annual total rainfall of 1130 mm/year. Clear spatial variation in rainfall is evident, with rainfall decreasing from north to south over the region. Low levels of year-to-year variability occur in this region. Rainfall occurs in a single rainy season during austral summer peaking at over 200 mm/month from December to March. A clearly defined dry season occurs from May to September. Daily mean temperature averages 22° C with a seasonal cycle of ~5° C. Coolest temperatures occur in June and July and the warmest temperatures occur in September-October (just before the rainy season starts).



<b>SOUTHERN SUBTROPICAL SAVANNA</b>	<p>A moderate rainfall region with a mean annual total rainfall of around 800 mm/year. Spatial variability of rainfall is evident with values decreasing from north to south over the region and interannual variability is moderate. Rainfall occurs in a single rainy season during austral summer peaking at over 200 mm/month in January. A clearly defined dry season occurs from May to September. Daily mean temperature averages 22° C with a seasonal cycle of ~7° C. Coolest temperatures occur in June and July and the warmest temperatures occur from September – March, peaking in September – November (just before the rainy season starts).</p>
<b>SOUTHERN SEMI-ARID</b>	<p>A semi-arid region with a mean annual total rainfall of 610 mm/year. Spatial variability of rainfall is evident with values decreasing from north-east to south-west over the region and interannual variability is moderate to high. Rainfall occurs in a single rainy season during austral summer peaking at around 180 mm/month in January. A clearly defined dry season occurs from May to September. Daily mean temperature averages 22° C with a seasonal cycle of ~8° C. Coolest temperatures occur in June and July and the warmest temperatures occur from September – March, peaking in October-November (just before the rainy season starts).</p>

**38. Projected (future) climate change trends**

39.

39. Projected changes in precipitation from present to 2100. Rainfall projections across the Zambia regions, except for the Northern Highlands, show a pattern of potential decreasing rainfall emerging in the second half of the century. The pattern appears to be consistent for the majority of CMIP5 models within the ensemble. Relative magnitudes of potential decreasing rainfall equate to between 20% and 35% of the baseline normal. The decrease in rainfall seems to be strongly associated with decreases in rainfall events rather than extreme events. The Northern Highlands region shows a potential increase in rainfall and extreme rainfall frequency, but a decrease in general rainfall frequency.

40. 40. Expected climate vulnerabilities and potential impacts on Agriculture: Increasing trends in temperature and variability in rainfall of about 0.34 °C per decade and 1.9 mm per month, respectively, threaten livelihoods of 60% of the population that depend on agriculture (Mubanga et al. 2020). In landlocked, largely humid-subtropical Zambia these projected temperature increases and indications of normal to decreasing annual rainfall trends for large parts of the country will increase pressure on water resources, with implications for households, industry, and agriculture. While Zambia’s modernised commercial agriculture sector is likely to be impacted, rain-fed subsistence agriculture, practiced by 90% of the rural population, is particularly vulnerable to the increased pressure on water resources, as well. The climate change impacts will occur through different channels and will affect each of the four dimensions of food security: access, availability, utilisation, and stability , as outlined in Table 5.

Impact of climate change on the agricultural production

41. 41. Within the agricultural sector, the effects of climate change have manifested in waterlogged fields, water scarcity, damaged crops, and a significant rise in crop and livestock diseases. Crop simulation indicates an increase in maize yield by more than 25% in parts of Agro-Ecological Region (AER) III but likely to decrease by the same magnitude in parts of AER IIa (World Bank Group, 2019). Further, the simulation studies suggested that while overall production may increase, net exports of most of the agricultural commodities are declining including net trade (World Bank Group, 2019).

42. 42. Changes in temperature, precipitation, water availability, extreme climate events, and atmospheric composition will have direct effects on agricultural production ( see table 2 below), which may then translate into impacts on agricultural prices, incomes, and livelihoods.

**43. Table 2: Climate-change impacts on different aspects of food security**

<b>FOOD SECURITY DIMENSION</b>	<b>POTENTIAL IMPACTS</b>
Availability	<ul style="list-style-type: none"> <li>• Reduced rainfall and increased evapotranspiration reducing yields from rain-fed agriculture and livestock production,</li> <li>• Reduced soil fertility and increased land degradation from increased temperatures, evaporation, and drought,</li> <li>• Climate change induced crop and livestock pests and diseases,</li> <li>• Higher post-harvest losses as a result of climate change.</li> </ul>

Access	<ul style="list-style-type: none"> <li>• Loss of agricultural income due to reduced yields and higher costs of production input such as water,</li> <li>• Climate-change impacts on food production could lead to higher global and local food prices,</li> <li>• Difficulties in accessing food due to displacement driven by climate extremes and disasters.</li> </ul>
Stability	<ul style="list-style-type: none"> <li>• Greater instability of supply due to increased frequency and severity of extreme events, including droughts,</li> <li>• Instability of incomes from agriculture.</li> </ul>
Utilisation	<ul style="list-style-type: none"> <li>• Impact on food safety due to increased temperatures,</li> <li>• Impacts on nutrition resulting from reduced water quality and quantity,</li> <li>• Climate induced morbidity</li> </ul>

44. 43. Zambia has been experiencing adverse impacts of climate change - including an increase in frequency and severity of seasonal droughts, insect outbreaks, occasional dry spells, intense precipitation, increased temperatures in valleys and wildfires, flash floods and changes in the growing season. Declining water supplies reduced agricultural yields, health impacts in cities due to heat, and flooding are additional concerns. Climate changes will have key impacts on agriculture, water resources, human health, ecosystems, and energy and infrastructure. As the primary food producers in the country, smallholders contribute to approximately 80% of Zambia's food production, playing a vital role in the nation's food security . As such, they are highly vulnerable to climate-related shocks due to the country's reliance on rain-fed agricultural production systems. With the current climatic challenges, farmers need other sources of water to continue growing crops and stop depending on rain. To cope with challenges of climate change, the agriculture sector will need to develop climate resilient cultivation system, and greater access to finance and investment in irrigation services.

45. 44. Zambia's livestock sector is at risk due to rising temperatures and increased climate-related hazards, particularly in areas prone to drought and flooding. Southern Province, where one-third of livestock farmers are located, will face worsened conditions as climate change exacerbates existing drought and flood risks . Drought is expected to increase livestock exposure to pests, diseases, and reduced feed . Under a high emissions scenario, drought-affected livestock could rise from 21% to 34% . Higher temperatures will also negatively impact livestock productivity by reducing feed intake . These challenges could hinder the goals of Zambia's Eighth National Development Plan (8NDP) to develop and expand the livestock sector. Adaptation strategies will be essential for maintaining food security, given the reliance of many subsistence farmers on livestock farming.

46. 45. The effects of climate change on agricultural production are expected to translate into negative impacts on agricultural incomes and prices, with repercussions on food security. However, smallholder farmers in Zambia now have access to weather index insurance thanks to programmes like the World Food Programme and Oxfam's Rural Resilience Initiative. During droughts or other weather-related losses, farmers can receive financial support thanks to this innovative insurance concept that uses meteorological data to trigger payouts. By integrating insurance with financial services, farmers have greater ability to adapt to climate shocks and continue their farming operations.

47. 46. The potential consequences of climate change risks on agriculture in Zambia are summarised in table 4 below . These effects may then translate into increased agricultural production costs, higher food prices, decreased incomes, and profitability for farmers, and deteriorating rural livelihoods and food security. Consequently, this will result in food insecurity in Zambia.

48. **Table 3: Potential climate-change impacts on agriculture in Zambia**

No.	MAIN CLIMATIC CAUSES OF RISK	CONSEQUENCES ON THE AGRICULTURAL SECTOR
1.0	Changes in monthly precipitation distribution	Crop area changes due to decrease in optimal farming conditions.
	Increased temperatures in critical periods	
	Increased erosion	
	Loss of soil water-retention capacity	

	Increased soil salinity	
2.0	Changes in monthly precipitation distribution	Decreased crop productivity
	Increases in seasonal temperature variability	
	Increased temperatures in critical periods (heat stress)	
	Increased evapotranspiration (leading to water stress)	
	Loss of soil water-retention capacity	
	Increased incidence of agricultural pests and pathogens	
3.0	Decreasing livestock carrying capacity of grazing areas (due to changes in temperature and water availability)	Decreased livestock productivity
	Increased temperatures (heat stress)	
	Decreased water availability	
4.0	Increase of extreme events frequency/intensity	Increased risk of floods (affecting crops, livestock, and agricultural infrastructure)
	Loss of soil water-retention capacity	
5.0	Decreased annual and/or seasonal precipitation	Increased risk of drought and water scarcity.
	Increase in the frequency of extreme conditions (droughts and heat waves)	
	Decreased groundwater availability/quality	
	Increased demand on aquifers leading to further depletion	
	Conflicts amongst water users due to drought and water scarcity	
6.0	Increased average and extreme temperature	Increased irrigation requirements
	Increased evapotranspiration in plants	
	Increased frequency of drought and heat stress conditions	
	Decreased precipitation	
	Decreased water availability	

49. Impact of climate change on potential agricultural value chains

50. 47. While FIRIP is a demand-driven project and the crops and value chains will be identified by the implementing partners, a significant portion of funding is likely to be allocated to horticulture, small livestock, and legume production, as well as related value chains. This is due to their substantial potential for bolstering local communities' resilience, which is further supported by complementary assistance from the GRZ. Horticulture, with its reliance on short cycle value chains and smaller plots, is particularly appealing to youth and women, who are actively engaged in cultivating a range of vegetables (e.g., carrots, onions, tomatoes, green peppers, eggplants, and butternut) and fruits (e.g., mangoes). Small livestock, such as broilers, also offer a viable economic entry point, as demonstrated by successful models like the Farm Depot in Copperbelt Province and discussions with savings groups.
51. 48. Given the adverse impacts of climate change on agriculture in Zambia—such as drought, erratic rainfall, and flooding—there is a pressing need to adapt agricultural practices. These climatic changes negatively affect crop yields and productivity, with challenges including water scarcity, increased pest and disease prevalence, and soil waterlogging. Adjustments in planting, sowing, and harvesting schedules are essential as staple crop growing periods may decrease by up to 20% by the end of the century. The heavy reliance on rainfall makes Zambia's crop production particularly vulnerable, especially for staple crops like maize. Water shortages and heat stress also threaten livestock productivity.
52. 49. To address these challenges, integrating climate-resilient crops and practices is crucial. Legumes, which are well-adapted to droughts, and small livestock like goats and sheep, which are more resilient to drought than beef, are valuable options.

### 3. Regulatory framework and institutional capacities

53. 50. Climate change is expected to result in significant reductions in annual bean yields, with a potential loss of 14,000 tons valued at US\$17.3 million. Regions such as North-western, Lusaka, Muchinga, Western, and Eastern provinces may become less suitable for production. Government's level of framework, including relevant laws, regulations, and institutional arrangements in Southern, Eastern, Western and Central provinces may face lower resiliency to climate change. Beans are usually grown in regions with high rainfall and no other regions. Short maturing maize varieties are likely to experience reduced yields across the country, with losses estimated at US\$58 million per year, while long-maturing varieties may face even greater reductions. Millet and sorghum are expected to be less affected by climate change and serve as suitable, climate-resilient alternatives to maize. The heavy reliance on maize and its vulnerability to climate change underscore the need for strategic adaptation to ensure food security in Zambia.

#### 3.1 National policies and regulatory framework relevant to SECAP

NO.	POLICIES AND PLANS	BRIEF DESCRIPTION	RELEVANCE TO THE PROJECT
<b>Environment and Climate policies and strategies</b>			
1.	<b>Comprehensive Agriculture Transformation Support Program</b>	The Comprehensive Agricultural Transformation Support Programme (CATSP) is a countrywide sectoral initiative designed to tackle the obstacles impacting agriculture in Zambia. Its primary goal is to transform the sector swiftly and comprehensively, ensuring improved performance and resilience in both the agricultural sector and agri-food systems. The CATSP is fully in harmony with the Eighth National Development Plan and the Republic of Zambia Vision 2030. In alignment with these overarching frameworks, the Program aims to achieve the following objectives through heightened production and productivity (i) enhanced food security; (ii) improved nutrition; (iii) increased job opportunities; (iv) growth in agricultural exports; (v) decreased reliance on food imports; (vi) expanded opportunities for income generation and wealth creation. The scope of the document encompasses the crop, livestock, and fisheries sub-sectors, the trading and commerce of agriculture commodities, but also the emergency preparedness and response system, the environmental and social safeguards, the management of lands and renewable natural resources, and the security of land tenure.	The agricultural sector is very vulnerable to climate change. At the same time, agriculture is the sector that contributes the most to greenhouse gas emission in Zambia after the energy sector. Zambia will use the CATSP to ensure that the agricultural sector contributes to a reduction in GHG emissions.  Within the sub-programme 4, which pertains to agriculture research and production support, CATSP gives priority to promoting adaptation, developing and disseminating Climate-Smart Agriculture technologies (Investment Area 4.1), and adapting, developing, and disseminating other technologies and practices (Investment Area 4.2). The FIRIP will contribute to these efforts by offering tailored financing instruments and collaborating with other relevant initiatives to enhance adaptive capacities through extension services and capacity development partnerships.

2	<b>National Green Growth Strategy 2024-2030</b>	<p>The National Green Growth Strategy is a roadmap designed to guide Zambia's transition into a resilient, low-carbon, and socially inclusive economy. This ambitious blueprint aims to meet economic development targets while minimizing negative environmental impacts.</p> <p>The green growth strategy focuses on fostering sustainable economic growth and development, ensuring that natural assets continue to provide the necessary resources and environmental services essential for the nation's well-being.</p>	<p>FIRIP directly aligns with the National Green Growth Strategy, which serves as Zambia's blueprint for transitioning to a resilient, low-carbon, and socially inclusive economy. The strategy emphasizes sustainable economic growth and the preservation of natural assets, while also prioritizing climate adaptation, mitigation measures, and disaster risk reduction. As a key contributor to these shared objectives, FIRIP plays a vital role in achieving the nation's ambitious economic development targets and fostering a more sustainable and prosperous future.</p>
3.	<b>Zambia Climate-Smart Agriculture Investment Plan (CSAIP)</b>	<p>Zambia Climate-Smart Agriculture Investment Plan (CSAIP) is an instrument with a multi-sectoral approach which aims to address climate change challenges and therefore support sustainable agriculture. The overarching goals of the CSAIP are to identify and prioritize key policy actions, investments and knowledge gaps and build on existing policies, strategies, and lessons learned through engagement with the agriculture sector to assess how CSA investment can strengthen climate change adaptation and mitigation initiatives and prioritize investments that promise cost-effective CSA approaches to achieving overall sector goals. The document seeks to make agriculture more productive and sustainable. In addition, the instrument seeks to enable more inclusive and efficient agricultural systems. Special attention is given to security of land tenure, which is a key driver of on-farm investment. Capacity building and agricultural extension services are considered key for agricultural development as well. Delivery mechanisms and their potential to address enabling environment constraints include, among others: business partnerships with rural communities; participatory integrated landscape management approach; farmer field school, community-based learning, and technology adoption; gender sensitive supply chains (reducing barriers for women to access finance, to receive adequate training and to enter markets).</p>	<p>FIRIP is strategically aligned with the Zambia Climate-Smart Agriculture Investment Plan (CSAIP), as both initiatives emphasize sustainable agriculture and climate change adaptation. They share a common focus on addressing policy actions, investments, and knowledge gaps to strengthen climate resilience in the agricultural sector.</p> <p>In line with CSAIP, FIRIP recognizes agricultural extension services as key drivers of on-farm investment and development. Both initiatives support mechanisms that promote community partnerships, integrated landscape management, farmer field schools, and gender-sensitive supply chains.</p> <p>Through this alignment, FIRIP contributes to the overall objective of enhancing climate-smart agriculture practices and ensuring sustainable development in Zambia.</p>
4.	<b>National Adaptation Plan (2023)</b>	<p>The NAP identifies opportunities for integrating prioritised adaptation actions into national, sectoral, and sub-national planning budgeting processes. The NAP also clearly outlines indicators and responsible institutions that will enable, track and report progress in the implementation of proposed adaptation actions. It is expected that the NAP will also enable Zambia to systematically advance the implementation of the aspirations of the 8th National Development Plan and Zambia's Nationally Determined Contributions. The NAP covers nine key sectors highly impacted by climate change include agriculture, fisheries and livestock, water, energy, tourism, wildlife, health infrastructure, mining.</p>	<p>The 2023 NAP of Zambia recommends several actions for agricultural and rural areas to enhance climate resilience. These include promoting climate-resilient agricultural practices, improving access to climate information, strengthening rural infrastructure, implementing soil and water conservation measures, supporting climate-resilient value chains, enhancing climate-smart livestock management, adopting renewable energy technologies, and empowering women, youth, and marginalized groups. By implementing these actions, Zambia aims to ensure sustainable development, food security, and improved well-being for rural communities while effectively adapting to the impacts of climate change. These efforts will reduce the risks of providing financial services (especially loans and insurance). Likewise, new financial services supported by FIRIP will support the aforementioned adaptation measures.</p>

5.	<b>Zambia National Policy on Climate Change 2016</b>	<p>The Zambia National Policy on Climate Change is a cross-sectoral policy enacted in 2016, whose overall objective is to provide a framework for coordinating climate change programmes to ensure climate resilient and low carbon development pathways for sustainable development towards the attainment of Zambia's Vision 2030. The policy is guided by the principle of 'sustainable climate change response' according to which all climate change actions shall be environmentally sustainable and positively contribute to national economic growth and social development objectives, including poverty alleviation, access to natural resources and basic amenities, gender equality and equity and infrastructure development.</p>	<p>FIRIP aims to support adaptation and disaster risk reduction efforts through various measures:</p> <ul style="list-style-type: none"> <li>- Encouraging innovation, knowledge, and education</li> <li>- Utilizing financial tools like weather-indexed insurance,</li> <li>- Promoting Climate Smart Agricultural technologies through adapted financial services</li> <li>- Support the strengthening of community resilience to climate change through adapted financial services to invest in green and climate smart innovations.</li> <li>- Improved access to formal financial services will also enhance the capacity of smallholders and MSMEs to cope with climate-induced extreme weather event without recurring to distress sales of productive assets or other detrimental coping strategies.</li> </ul>
6.	<b>Zambia's Second National Biodiversity Strategy and Action Plan (NBSAP - 2). 2015</b>	<p>An Act to continue the existence of the Environmental Council and re-name it as the Zambia Environmental Management Agency  provide for integrated environmental management and the protection and conservation of the environment and the sustainable management and use of natural resources  provide for the preparation of the State of the Environment Report, environmental management strategies and other plans for environmental management and sustainable development  provide for the conduct of strategic environmental assessments of proposed policies, plans and programmes likely to have an impact on environmental management  provide for the prevention and control of pollution and environmental degradation  provide for public participation in environmental decision making and access to environmental information  establish the Environment Fund  provide for environmental audit and monitoring  facilitate the implementation of international environmental agreements and conventions to which Zambia is a party  repeal and replace the Environmental Protection and Pollution Control Act, 1990  and provide for matters connected with, or incidental to, the foregoing.</p>	<p>Protection of biodiversity is a critical goal to achieve sustainable development it is important that the project implementation will appraise actions which enhance:</p> <ul style="list-style-type: none"> <li>o protection of biodiversity and rehabilitation of degraded lands,</li> <li>o mitigating the impacts of climate change, safeguarding against Persistent Organic Polluting Substances</li> </ul>

7.	<p><b>Zambia's Nationally Determined Contributions (2015)</b></p>	<p>Zambia's Nationally Determined Contributions (NDC) therefore includes both mitigation and adaptation components aimed at reducing the GHG emissions and build resilience based on national circumstances and is in line with decisions 1/CP.19 and 1/CP.20. The successful implementation of Zambia's NDC will result in an estimated total emission reduction of 38,000GgCO<sub>2</sub>eq which translates to 47% (internationally supported efforts) against 2010 as a base year. Since LUCF is contributing most of the GHGs emissions, mitigation measures targeting the forestry, land use and agricultural sectors can significantly reduce the GHG emissions in Zambia (Figure 6). Sustainable land management practices can lead to annual mitigation levels of between 0.2 and 1.1 t CO<sub>2</sub>-eq per hectare, agro forestry systems can annual sequesterate between 5 and 15 t CO<sub>2</sub>-eq per hectare while feasible improvements in forage digestibility, animal health and reproduction management, carbon sequestration and manure management, emissions from livestock in Zambia can potentially be reduced by 32 to 38 % of total annual baseline emissions, or 1.4 to 1.7 million t CO<sub>2</sub>-eq. Figure 7 summarises the mitigation potential of various agricultural practises.</p> <p>53.</p>	<p>This emission reduction is conditional and subject to the availability of international support in form of finance, technology, and capacity building. The total budget for implementing both components is estimated at over US\$ 50 billion (USD 35 billion for mitigation programs and USD 20 billion for adaptation actions) by the year 2030, out of this USD 35 billion is expected to come from external sources while \$15 billion will be mobilized from domestic sources.</p>
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8.	<b>Zambia's Environmental Management Act - 2011</b>	<p>An Act to continue the existence of the Environmental Council and re-name it as the Zambia Environmental Management Agency:</p> <ul style="list-style-type: none"> <li>· Provide for integrated environmental management and the protection and conservation of the environment and the sustainable management and use of natural resources.</li> <li>· provide for the preparation of the State of the Environment Report, environmental management strategies and other plans for environmental management and sustainable development.</li> <li>· provide for the conduct of strategic environmental assessments of proposed policies, plans and programmes likely to have an impact on environmental management</li> <li>· provide for the prevention and control of pollution and environmental degradation.</li> <li>· provide for public participation in environmental decision making and access to environmental information.</li> <li>· establish the Environment Fund.</li> <li>· provide for environmental audit and monitoring.</li> <li>· facilitate the implementation of international environmental agreements and conventions to which Zambia is a party.</li> <li>· repeal and replace the Environmental Protection and Pollution Control Act, 1990</li> </ul> <p>provide for matters connected with, or incidental to, the foregoing</p>	<p>While carrying out project activities it will be important to note the provisions of the law which guarantees:</p> <ul style="list-style-type: none"> <li>· The right to every individual to live in a sound and clean environment and enjoy the best possible of health care and welfare.</li> <li>· -Protection of the country's natural fortunes and economic resources,</li> <li>-The preservation of its historical and cultural heritage without any harms or side effects that are likely to occur sooner or later as a result of the various industrial, agricultural, or constructional activities, with an impact on the quality of life and basic ecosystems such as air, water, soil; marine resources, animals and plants.</li> </ul>
9.	<b>National Solid Waste Management for Zambia (2004)</b>	<p>This National Solid Waste Management Strategy (NSWMS) is a vital document that proposes integrated approaches to addressing the problem of poor solid waste management, which has had over the years far reaching effects on both human health and the environment. It is important to note that this strategy will focus on solid waste management but it will however include such wastes as used oils and sewer sludge which may not necessarily be solid.</p>	<p>Proper management of waste material is critical because waste matter has high potential to harm the entirety of the environmental resources including land, water, air etc. threatening human, animal, and plant life. It is therefore important to collaborate with relevant authorities in managing waste material as provided by this strategy along with related laws and regulations</p>
<b>Social policies and strategies</b>			



10.	<b>Zambia's Employment Act,2019</b>	An Act to regulate the employment of persons; prohibit discrimination at an undertaking; constitute the Skills and Labour Advisory Committees and provide for their functions; provide for the engagement of persons on contracts of employment and provide for the form and enforcement of the contracts of employment; provide for employment entitlements and other benefits; provide for the protection of wages of employees; provide for the registration of employment agencies; regulate the employment of children and young persons; provide for the welfare of employees at an undertaking; provide for employment policies, procedures and codes in an undertaking; repeal and replace the Employment Act, 1965, the Employment (Special Provisions) Act,1966, the Employment of Young Persons and Children Act, 1933 and the Minimum Wages and Conditions of Employment Act, 1982; and provide for matters connected with, or incidental to, the foregoing.	The project alignment to the labour law will ensure that the rights of employees are well respected including workplace safety by ensuring proper management of all affluence sources for safety of human life and the environment. Lastly to refrain from employment of children.
11.	<b>Zambia's Act of Gender equality and equality (Act No.22 of 2015)</b>	An Act to establish the Gender Equity and Equality Commission and provide for its functions and powers; provide for the taking of measures and making of strategic decisions in all spheres of life in order to ensure gender equity, equality and integration of both sexes in society; promote gender equity and equality as a cross cutting issue in all spheres of life and stimulate productive resources and development opportunities for both sexes; prohibit harassment, victimization and harmful social, cultural and religious practices; provide for public awareness and training on issues of gender equity and equality; provide for the elimination of all forms of discrimination against women, empower women and achieve gender equity and equality by giving effect to the Convention on the Elimination of all Forms of Discrimination against Women, the Protocol to the African Charter on Human and People's Rights on the Rights of Women in Africa and the SADC Protocol on Gender and Development; and provide for matters connected with, or incidental to, the foregoing.	In the implementation of the FIRIP project, the provisions of this act have to be adhered to in order to ensure equity, equality, and integration of both sexes in society

### 3.2 National capacities, challenges and lessons with respect to SECAP implementation and compliance

55. 52. Building upon the experiences and knowledge gained from the Rural Finance Expansion Programme (RUFEP) during implementation from 2014 to 2024, recent supervision missions have emphasized the significance of targeted beneficiary surveys. These surveys play a vital role in accurately evaluating any potential impacts and safeguarding the welfare of the primary target group, which encompasses economically active small and micro-entrepreneurs, smallholder farmers, women, and youth in rural areas.
56. 53. Considering the recommendations from the Independent Office of Evaluation's (IOE) report on the Cluster Project evaluation concerning rural finance in the East and Southern Africa Region, it is crucial to recognize that financing for climate adaptation necessitates a comprehensive approach. The report emphasizes the importance of awareness and capacity building, as well as thoughtfully designed incentives and risk-sharing strategies, to ensure success in this domain. Given the significance of the rural finance sector in the region, stakeholders must work collaboratively to address these critical aspects, fostering resilience and sustainable growth in the face of climate-related challenges.
57. 54. During the design mission, the team will conduct a more comprehensive evaluation of the national capabilities and potential obstacles pertaining to the management of environmental, social, and climate-related risks, as well as the implementation of relevant safeguards measures. This assessment will enable the team to develop a robust framework that effectively addresses these challenges and ensures the long-term sustainability of the project.
58. 55. FIRIP will mainly collaborate with Zambia's Ministry of Green Economy and Environment, which formulates policies on green economy, climate change, and environmental management. The ministry's Department of Green Economy and Climate Change is crucial in policy development and project oversight, with two key units: the Green Economy Unit and the Climate Change Unit. These units promote investments in low-carbon, resource-efficient, and socially inclusive economic activities through policy formulation, facilitating green investments, research, education, and international cooperation.
59. 56. Zambia Environmental Management Agency (ZEMA) supports the ministry by ensuring sustainable management of natural resources, protecting the environment, and preventing pollution. ZEMA's role is vital in creating an enabling environment for green and climate-smart investments by setting and enforcing environmental standards, guidelines, and regulations. ZEMA also facilitates environmental impact assessments for development projects, ensuring adherence to environmental safeguards and contributing to climate change mitigation and adaptation efforts.

#### **4. Environmental and social category**

60. 57. The Environment and Social risk category for FIRIP is Moderate. The design phase identified several moderate risks related to SECAP 2021 standards, including: resource use efficiency and pollution; labour and working conditions; community health and safety; physical and economic displacement; financial intermediaries and direct investments; and climate change.
61. 58. Key environmental and social risks include unsustainable natural resource use and pollution from livestock rearing (Standard 2), informal wage employment, high gender inequality, and lack of equal opportunities (Standard 5), risks related to gender-based violence (Standard 6), limited land ownership affecting credit access (Standard 7), and the need to enhance Environment Social Management Systems (ESMS) and complaint mechanisms for partnering financial institutions and service providers (Standard 8).
62. 59. The Project will support market research and feasibility studies to develop targeted financial products for investments in green, climate-resilient, and labour-saving technologies across agricultural and non-agricultural value chains. These investments may encompass climate-smart agricultural technologies and practices, renewable energy, agroforestry, precision agriculture, labour-saving and climate-smart technologies, waste management and recycling, climate-resilient rural infrastructure, energy-efficient technologies for processing and value addition, and environmentally friendly packaging. By collaborating closely with financial institutions, the project will facilitate the development and reinforcement of robust Environmental and Social Management Systems (ESMS) and Environment and Social Action Plans (ESAP), as well as training in climate risk management for financial institutions.

#### **5. Climate risk category**

63. 60. FIRIP's climate risk classification is Substantial. Zambia faces significant challenges due to its high vulnerability score and low readiness score, ranking 56th in vulnerability and 141st in readiness according to the Notre Dame (ND) Gain score. In early March 2024, the President of Zambia declared the drought a national disaster and emergency in response to the devastating consequences of prolonged dry spells affecting more than 1 million farming households across 84 of the nation's 116 districts. The drought has impacted food production, water availability, and energy supply, posing risks to national food security and the livelihoods of millions of people.
64. 61. Since 1960, Zambia has experienced an increase in the intensity and frequency of extreme weather events, including droughts and floods. These events have led to substantial economic losses, negatively impacting the agricultural and manufacturing sectors, as well as causing significant damage to infrastructure. Climate variability and extreme events continue to pose a major threat to sustainable agricultural development, resulting in challenges such as food insecurity, disrupted livelihoods, destruction of natural and agricultural resources, low adaptive capacity among farmers, reduced productivity, and difficulties in measuring and reporting greenhouse gas emissions from Agriculture, Forestry, and Other Land Use (AFOLU), as well as increased livestock and crop disease outbreaks.
65. 62. During design, a targeted adaptation assessment was conducted to identify and evaluate specific adaptation measures to address climate risks and seize potential opportunities (see Targeted Adaptation Assessment). This report examined the prevalent climate hazards and factors that exacerbate communities' vulnerability to climate change, such as exposure, sensitivity, and adaptive capacity. It offers recommendations for adaptation strategies to climate-proof targeted beneficiaries and ensure the sustainability of project achievements. Key adaptation options include:
66. a) Diversifying available crops and introducing more resilient varieties.  
 b) Adjusting planting and harvesting schedules.  
 c) Diversifying income sources beyond agriculture.  
 d) Enhancing crop storage structures and post-harvest management skills.  
 e) Implementing integrated systems involving livestock and aquaculture.  
 f) Promote community and small-scale irrigation structures and better water management practices
67. 63. To effectively mainstream these recommendations, an Environment and Climate Adaptation Specialist (Terms of Reference are included in the ESCMP) will be appointed to guide the implementation of climate adaptation interventions at the PMU level. The specialist will provide technical support to the district council and beneficiary groups, ensuring climate adaptation is integrated into work plans and NRM plans. The Project Technical Committee will review annual work plans to confirm the effective mainstreaming of climate change adaptation before seeking approval from the Project Steering Committee. Finally, an Environment, Social, and Climate Plan will be developed and monitored, with progress reported in annual reports.
68. 64. Client-centric product design supported under the IOF may include various climate-smart and sustainable practices such as agro-forestry, precision agriculture, labor-saving agricultural technologies, renewable energy access, waste management, and recycling. Additional adaptations may involve climate-resilient rural infrastructures, energy-efficient processing equipment and technologies, value-addition technologies, environmentally friendly packaging, and conservation agriculture techniques.
69. 65. Additionally, other innovations may include smartphone applications and digital platforms, which provide farmers with access to climate information and advisory services, enabling them to make informed decisions for sustainably managing their farms.

## 6. Recommendations for project design and implementation

70. 66. **Component 1: Enhanced access to client-centric financial services and delivery mechanisms:** The Innovations will support innovations for women, youth and vulnerable groups and will have three windows namely, Window 1: Financial Inclusion of Unserved Areas and Population Segments will focus on financing basic financial infrastructure and access points in unserved rural areas. Window 2: Financial Innovations for Smallholder Agriculture will support market research, prototyping, piloting and rollout of innovative financial products and delivery mechanisms to reach smallholder farmers and associated MSMEs in agricultural value chains at lower costs and risks. Innovations include agricultural credit scoring; use of alternative collateral and securitization, including warehouse receipt financing; digitalization of value chain transactions; invoice discounting; value chain finance arrangements and other types of partnerships between PFSP and other actors harnessing social capital and Window 3: Financial Innovations for Green Investments and Climate Resilience will support market research, market development and feasibility studies to develop specific financial products for investments in green and climate<sup>[1]</sup>resilient and labour saving technologies in agricultural and non-agricultural value chains. While the specific technologies will be identified by the IP, specific emphasis will be placed on technologies and interventions that mitigate drought related risks (e.g., irrigation technologies, water harvesting equipment, drought-tolerant seed varieties, shade nets, green houses etc.), along with renewable energy along the value chain (e.g., solar-powered irrigation, biogas/biogas, energy saving cook stoves), cold storage, processing, climate proofing productive infrastructures and circular economy related technologies. Innovative weather insurance models will also be eligible for support. (see detailed climate and green solutions presented in table 4 below).
71. 67. CBFIs such as Village Savings and Loan Associations and other savings groups will be supported under all three windows targeting the lowest rural income strata. The project will support linkages of CBFIs with formal FSPs through digitalization of internal transactions enabling them to keep member savings safe, establish a track record with PFSP, and access loans and other financial services. Target groups for the blending facility are smallholder farmers and rural MSMEs in agricultural value chains as well as other low-income households and rural MSME in case of green investments. The Facility will be managed by a fund manager which may be a financial institution or another specialized service provider, for example, the EU-supported MSME

Innovation Fund Manager. The fund manager would accredit eligible FSPs, evaluate co-financing proposals based on technical and financial feasibility, outreach and impact and monitor implementation, including through select random-based field visits. Participating FSP would have to be willing to match the amount to resources requested by an equivalent amount of own funding. Interest rates to end-borrowers will be determined based on a credible costing and pricing formula considering costs of funds, operating expenses, loss provisioning and profit margins. Interest rates should be as low as possible while allowing continuity in providing the loan products and sustainability of the PFSP.

72. **Table 4: Example of climate-resilient solutions tailored for diverse beneficiary groups**

Beneficiary	Livelihood's needs	Economic activities	Needs and potential FIRIP support
Semi- subsistence and micro enterprises	<p>Improved cook stoves</p> <p>Biogas digester for cooking (SNV)/ Bio-slurry use as fertilizers</p> <p>Home solar systems</p> <p>Water harvesting facilities (rainwater harvesting)</p> <p>Climate resilient housing</p>	<p>Maize</p> <p>Horticulture</p> <p>Small trade (small livestock, baking, buying and selling agriculture products local and border markets)</p>	<ul style="list-style-type: none"> <li>• Agro-tech promoting solar powered drip irrigation, solar dryers, solar powered technologies for processing agricultural value chains, solar powered hatcheries, etc...)</li> <li>• Drought tolerant seeds varieties</li> <li>• Improved and organic fertilizers</li> <li>• Digital extension services/ climate information services</li> <li>• Agricultural/ index and climate insurance (WFP)</li> <li>• Post-harvest storage equipment (silos, cooling systems, hermetic bags, etc.)</li> <li>• Small farm/ cooperatives level equipment (pelleting and mixing equipment for fodder mix, etc.)</li> </ul>
Market-oriented farmers and micro enterprises	<p>Access to energy for home and business needs (home solar systems, solar systems, renewable energy, etc.)</p> <p>Access to water</p>	<p>Maize</p> <p>Horticulture( green peppers, eggplants, cabbage, onions, tomatoes)</p> <p>Livestock ( cattle, poultry, pork, etc.)</p> <p>Multiple source of incomes (diversification)</p>	<ul style="list-style-type: none"> <li>• Poultry: Solar energy for rearing chicken, solar powered hatcheries, biogas digester, etc.</li> <li>• Drought tolerant seeds varieties</li> <li>• Improved and organic fertilizers</li> <li>• Digital value chains services (precision agriculture, market linkages, etc.)</li> <li>• On-farm processing and storage of livestock products (e.g. solar powered fridge, solar energy for rearing poultry, etc.)</li> <li>• Transport and cooling systems for aggregators</li> <li>• Sustainable mechanization (low energy technologies)</li> <li>• Biogas and bio-digesters</li> <li>• Climate resilient infrastructures (farm-based post-harvest infrastructures, etc.)</li> <li>• shade nets, green houses</li> <li>• waste and water treatment and reuse</li> </ul>

Commercial farmers/ SMEs	/	Access to Market  Small scale processing / transport	<ul style="list-style-type: none"> <li>• Access to renewable energy, mechanisation, processing and transport</li> <li>• Energy efficient / solar powered farm-based processing equipment/ technologies</li> <li>• shade nets, green houses</li> <li>• waste and water treatment and reuse</li> </ul>
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73.

74. **68. Component 2: Enhanced enabling environment for inclusive rural financial services.** This Component will support the development/implementation of new/existing policies aimed at increasing access for rural households, women, and youth, laws, and regulations, along with policy coordination and institutional capacity development. This will be achieved through strategic partnerships with key actors at macro and meso level such as the Bank of Zambia (BOZ), the Zambia Information and Communication Technology Agency (ZICA), the RFU, the Patents and Companies Registration Agency, the Business Regulatory Authority (PACRA); SaveNet, the Ministry of Agriculture and the Ministry of Fisheries and Livestock. These partnerships are expected to drive transformational changes at the institutional level, positively influencing policy, infrastructure, and financial access. FIRIP will support the implementation of the National Green Finance Framework in Zambia and potentially contribute to the development of a green taxonomy aligned with national priorities, international, and regional best practices. This includes the ARCAFIM Climate Change Adaptation Finance Taxonomy for Sub-Saharan Africa Food Systems when the project becomes operational in Zambia.

**75. Integration of mainstreaming themes and SECAP requirements**

76. **69. Youth and women empowerment.** When developing the financial products and services, special attention must be given to developing financial products that cater to the unique needs of women and young people, addressing their constraints (e.g., absence of land titles or assets for collateral) and targeting agricultural business ventures which provide them with employment opportunities.

77. **70. Financial intermediaries and direct investments.** The project will strengthen the enabling environment to facilitate the provision of rural financial services at scale, reduce the costs of service delivery and improve consumer protection and service quality. During design, the PDT will review the private sector ESMS and assessing its capacity to manage any environmental and social impacts that could be generated by the project. Under component 1, the project will support the mainstreaming of ESG frameworks across the financial sector including related training and capacity development.

78. **71. Access to land tenure.** Drawing upon lessons learned from RUFEP, FIRIP aims to explore the utilization of movable assets as collateral. This approach may contribute to bridging the access gap and enable a more diverse range of clients to secure the financial support they need. Through client-centric product design supported under the IOF, FIRIP intends to scale up warehouse receipts and collateral substitutes, such as joint liability groups (e.g., within VSLAs), personal guarantors, reputational capital (borrowers aiming to maintain creditworthiness with lenders), and track records with lenders (including past loans taken and repaid), as well as contracts and past product delivery with off-takers.

79. **72. Synergies with ongoing initiatives tackling climate change.** The project will leverage two new climate initiatives to create synergies: 1) the regional Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM), funded by the Green Climate Fund (GCF), which will provide lower-cost climate finance through private banks; and 2) the Climate Adaptation of Livelihoods through Rural Finance project (CARLF), funded by the Adaptation Fund (AF), which aims to build and enhance resilience and adaptive capacities of rural communities to cope with extreme weather events by strengthening institutions and promoting diversified, sustainable, and resilient livelihood options. These collaborations will result in increased financial support, enhanced climate resilience, and sustainable community livelihood options. Based on lessons learned from ARCAFIM East Africa, at early implementation stage, a taxonomy of eligible climate smart and green investments will be elaborated in collaboration with PFSPs. Given the project focus on financial services and limited budget, during the design, the project will further explore the concrete linkages with other donor initiatives are that promoting climate smart technologies along agricultural value chains, such as the ENTERPRISE CHALLENGE FUND II (EU) and the GIZ Climate Resilient Agri-food systems (CREATE). CREATE aims' objective is to empower government institutions within the agri-food sector institutions to implement holistic comprehensive, cross-sectoral, evidence-based policies that. These policies aim to foster climate-resilient, nutrition-sensitive, income-generating, and gender-sensitive smallholder agriculture, while agriculture, aligning with sustainable development goals. CREATE will provide training on Climate-Smart Agriculture, Farmer financial literacy, and business management through the Ministry of Agriculture's local branches.

80. **[1] • Green finance** is a subset of sustainable finance and refers to financing initiatives that have environmental advantages in the broader context of environmentally sustainable development (UNEP, 2016). Direct green finance may include financing for key green technologies including renewable energy and biogas, water supply, wastewater treatment, solid and hazardous waste disposal, green buildings, green products and materials, clean transportation, land rehabilitation, and sustainable land management.

- **Climate finance** is one component of green finance, the latter being broader and including other environmental objectives. Climate finance refers to all financial flows addressing the cause and consequences of climate change (UNEP, 2016).

## 7. Further studies needed

81. 73. In compliance with IFAD's SECAP 2021 procedures and the outcomes of the ORMS SECAP online screening tool, the team developed the following safeguards instruments as part of the design process:
82. • Final SECAP Review Note
- Environment, Social, and Climate Management Plan (ESCMP) (see appendix 1), including templates for audit and monitoring of ESC risks, outlines of an ESDD, ESMS, and ESAP, and IFAD's exclusion list and TORs for the Environment and Climate Adaptation Specialist
  - Targeted Adaptation Assessment (Appendix 2)
  - Stakeholder Engagement Plan (SEP) (Appendix 3)
  - Grievance Redress Mechanism (GRM) (Appendix 4)
83. 74. **Solid and liquid waste management plan.** The SECAP screening of the project interventions identified a moderate risk related to livestock rearing and animal product (Question 2.8), which prompted a recommendation for a solid and liquid waste management plan. However, since FIRIP's primary objective is to improve access to a diverse range of financial services for rural smallholders and MSMEs—helping them manage risks, increase productivity, and invest in green and climate-resilient technologies—this specific SECAP recommendation is not directly applicable to FIRIP's activities. The ESCMP includes measures to address waste management within the broader framework of FIRIP's interventions.

## 8. Monitoring and evaluation

84. 75. **Integrating Environment, Climate, and Social Safeguards:** During the design phase, crucial environment, climate, and safeguards-related indicators were identified and seamlessly incorporated into the project's monitoring and evaluation framework and log-frame. Furthermore, an Environment, Climate, and Social Monitoring Plan was elaborated and included in the comprehensive Environment, Social, and Climate Management Plan (ESCMP).
85. 76. The following indicators are included in the Logical Framework:

<i>Indicator</i>	<i>Unit</i>	<i>What it measures</i>	<i>Baseline</i>	<i>End target</i>
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<p>CI 3.2.2. Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices <sup>LF</sup></p>	<p>Households (Number, Percentage)  Household members (Number of people)</p>	<p>Households where one or more members have been provided with environmentally sustainable practices and/or green technologies, and who claim that they are now routinely using these technologies and practices.</p>	<p><b>0</b>  At project start-up, no households have been reached.</p>	<p><b>83,604</b>  Based on 80% of households accessing green technologies (see output 2.1) that would respond positively (translates into 23% of all households receiving project services).</p>
<p>Households accessing green technologies <sup>LF</sup></p>	<p>Households (Number)</p>	<p>This measures how many households have received climate-smart and green technologies, through Window 3 of the IOF which focuses on this, as well as through other channels. This can include inputs for climate-smart agriculture (e.g., drought-tolerant seed), solar powered equipment (e.g., drip irrigation, dryers, fridge, hatcheries), post-harvest storage equipment (e.g., silos, cooling systems), biogas digesters, climate-resilient on-farm infrastructure (e.g., water harvesting), energy-efficient transport and processing equipment.</p>	<p><b>0</b>  At project startup, no households have received equipment or technologies.</p>	<p><b>104,505</b>  This includes all IOF Window 3 beneficiaries and one-third of IOF CBFi beneficiaries, 20% of IOF Window 2 beneficiaries, plus 25% of BFF beneficiaries.</p>

86. **77. Capacity Building:** Enhancing the capacity of the PMU, government agencies, financial partners, CBFi promoters, and project stakeholders is pivotal in promoting gender equality, youth-sensitive programming, and addressing the needs of marginalized and vulnerable groups. This approach will also ensure effective climate risk management along agricultural value chains and rural livelihoods, ultimately fostering a more inclusive and resilient environment.
87. **78. SECAP and procurement.** During design, the Procurement Specialist and Environment identified SECAP risks to be integrated in the Procurement Plan and Procedures. The most relevant SECAP risks include potential use of fertilisers, adverse impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources and the capacity of financial intermediaries to manage climate risks and promote environmentally friendly practices and technologies. In case, the use of harmful types of pesticide is an issue in the project area, Suppliers of fertilisers will be required to operate in an inline with SECAP safeguard standards. In compliance with the ESCMP, the partner financial intermediaries are required to prepare an Environmental and Social Management System (ESMS) consistent with SECAP requirements, including developing an environmental and social policy, procedures, and capacities for assessing, managing, and monitoring risks, organizational capacity and competency, and Grievance Redress Mechanisms.
88. **79. Grievance Redress mechanisms.** The implementation of FIRIP activities may generate challenges and complaints. To address these issues, a three-tiered Grievance Redress Mechanism (GRM) has been developed, consisting of: i) a community-based system, ii) a formal system, and iii) the IFAD Complaints procedure. Aggrieved individuals can choose between the community-based or formal routes. The community based GRM utilizes existing traditional structures and aims to resolve grievances at the community level, while ensuring accessibility through culturally appropriate communication. Community institutions may include Village Headman Level, Area Chief Level, Principal Chief Level, Ward Council Level, and District Council Level. The process involves negotiation, consensus building, and can escalate to higher levels, including traditional leaders and courts if necessary. Communities tend to rely substantially on their own internal social regulatory systems including mechanisms to deal with grievances that work in parallel with the formal systems. These internal social regulatory systems will be used to the extent possible at community level. Recourse where necessary will be facilitated by the Project, but in general FIRIP will ensure easy access to information through culturally appropriate means and language of communication. If satisfaction is not reached, the formal route can be pursued. This GRM ensures that grievances are addressed effectively, fostering collaboration and harmony within the community (see further details in the annex related to GRM).
89. **80.** Targeted beneficiaries will be made aware of the existence of these mechanisms through the scoping and mobilization exercise and be reminded as part of the regular client feedback provision. The Grievance Redress Mechanism (GRM) will record and address any complaints that may arise during the implementation phase of the project promptly and transparently with no impacts (cost, discrimination) for any reports made by project affected people. Complaints at the project level will be recorded on the Grievances Register that will be maintained by the project. The PMU will maintain a register of grievances received, actions identified and status, which will be monitored by IFAD and the project steering committee. A Grievance Redress Committee, comprised by the Gender and Social Inclusion Specialist in the PMU, a district/province level representative and a representative from the community will investigate to check the validity and severity of the grievance and resolve it. Besides the proposed GRM approaches, aggrieved individuals can also use additional channels to communicate their complaints, such as

the IFAD Complaints procedure. The objective of the IFAD Complaints Procedure is to ensure that appropriate mechanisms are in place, allowing individuals and communities to contact IFAD directly and file a complaint if they believe they are or might be adversely affected by an IFAD-funded project/programme not complying with IFAD's Social and Environmental Policies and mandatory aspects of SECAP. Affected parties can bring issues to IFAD's attention via [SECAPcomplaints@ifad.org](mailto:SECAPcomplaints@ifad.org) . IFAD has zero tolerance for Sexual Exploitation and Abuse, with related complaints directed to IFAD's Ethics Office.

90. 81. Complaints should only concern environmental, social, and climate issues and must not involve accusations of fraudulent or corrupt activities related to project implementation, as these are handled by IFAD's Office of Audit and Oversight.
91. 82. **Stakeholder Engagement Plan (SEP):** Key stakeholders have been identified in Table 2: Organisational capabilities matrix (key file table 2) and Table 4: Target group typology, priority needs, and potential response. During the design mission, a tailored Stakeholder Engagement Plan (SEP) was developed to match the project's unique nature, scale, and potential risks and impacts. The SEP's primary objective is to enhance decision-making processes and cultivate an inclusive environment that actively involves project-affected individuals and stakeholders. This will be achieved by providing ample opportunities for stakeholders to express their views and concerns, ultimately impacting project decisions and ensuring a collaborative approach to project implementation.

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## 10. SECAP Matrix

92. During the design, the PDT elaborated an Environment, Social and Climate Management Plan (ESCMP) ( Appendix 1).

## Environmental and Social Safeguards Classification: Moderate

Environmental and Social Safeguards				
Biodiversity conservation	Yes/No	Likelihood	Consequence	Risk Rating
1.1 Could the project involve or lead to conversion or degradation of biodiversity, habitats (including modified habitat, natural habitat and critical natural habitat) and/or ecosystems and ecosystem services?	Yes	Possible	Moderate Project will significantly affect modified habitat , but will not impinge on natural habitat or critical natural habitat.	Moderate
1.2 Could the project involve or lead to activities negatively impacting habitats that are legally protected, officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources (e.g. National Park, Nature Conservancy, Indigenous Community Conserved Area, (ICCA), etc.)?	No			Low
1.3 Could the project involve or lead to an increase in the chance of human-wildlife encounters/conflict?	No			Low
1.4 Could the project involve or lead to risks to endangered species (e.g. reduction, encroachment on habitat)?	Yes	Possible	Moderate Net loss in biodiversity with a status of Near Threatened or Vulnerable, or status change to Near Threatened due to project impacts.	Moderate
1.5 Could the project involve or lead to negative impacts/risks to migratory wildlife?	No			Low
1.6 Could the project involve or lead to introduction or utilization of any invasive alien species of flora and fauna, whether accidental or intentional?	No			Low
1.7 Could the project involve or lead to the handling or utilization of genetically modified organisms?	No			Low
1.8 Will the project involve or lead to procurement through primary suppliers of natural resource materials (wood, gravel, sand, etc.)?	No			Low
Resource Efficiency and Pollution Prevention	Yes/No	Likelihood	Consequence	Risk Rating
2.1 Could the project involve or lead to the release of pollutants to the environment (on and off farm) due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No			Low
2.2 Could the project be located in an area which is being, or has been, polluted by an external source (e.g. a mine, smelter, industry)?	No			Low
2.3 Will the project involve or lead to significant consumption of raw materials and energy?	No			Low
2.4 Will the project develop or rehabilitate irrigation schemes and/or involve or lead to significant extraction, diversion or containment of surface or ground water? (For example, construction of dams, reservoirs, river basin developments, groundwater extraction)	No			Low
2.5 Will the project involve the use of agrochemicals (pesticides, fertilizers, and other modifying agents) which have potential to pollute soils and water bodies or cause other negative impacts?	Yes		Minor The project will only require minimal amounts of fertilizer and/or pesticides.	Low

Environmental and Social Safeguards				
2.6 Will the project involve or lead to primary production of living natural resources through cultivation or rearing of plants, annual and perennial crop farming, etc.?	Yes		Minor Project will only be partly dependent on production of living natural resources, it does not require serious environmental or social controls.	Low
2.7 Will the project involve or lead to engagement in areas of forestry, including the harvesting of natural forests, plantation development, and/or reforestation?	No			Low
2.8 Will the project involve livestock and production of animal products (dairy, skins, meat, etc.)?	Yes		Moderate The project will involve extensive and/or intensive livestock systems. Pollution control, waste management and/or regenerative grazing management systems are in place.	Moderate
2.9 Will the project involve marine or freshwater fisheries, at industrial or artisanal scale?	No			Low
2.10 Will the project involve inland or marine aquaculture?	No			Low
<b>Cultural Heritage</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
3.1 Could the project involve or lead to adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No			Low
3.2 Could the project involve or lead to excavations, demolitions, movement of earth, flooding or other environmental changes in an area that is considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or intangible forms of culture (e.g. knowledge, innovations, practices) or contains features considered as critical cultural heritage? (See Annex 1 of the Cultural Heritage Guidance Note for further information)	No			Low
3.3 Could the project involve or lead to alterations to landscapes and natural features with cultural significance?	No			Low
3.4 Could the project involve or lead to utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	No			Low
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<b>Indigenous peoples</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
4.1. Is the project sited in areas where indigenous Peoples are present? (Indigenous peoples' traditionally owned or otherwise occupied and used lands, territories, waters and coastal seas and other resources).	No			Low

Environmental and Social Safeguards				
4.2 Could the project adversely affect indigenous people's rights to traditionally owned or otherwise occupied and used lands, territories, waters, coastal seas and other resources and/or livelihood systems?	No			Low
4.3 Could the project result in the utilization and/or commercial development of natural resources on lands and territories inhabited by indigenous peoples?	No			Low
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Labour and Working Conditions	Yes/No	Likelihood	Consequence	Risk Rating
5.1 Could the project operate in sectors or value chains where there have been reports of discriminatory practices and the lack of equal opportunity (for disadvantaged and vulnerable workers, including women, children of working age, migrants and persons with disabilities), denial of freedom of association and collective bargaining, labour migrants?	Yes	Possible	Minor  The project will operate in sectors or value chains that have, in the past, not met national labour laws, or international commitments, but is now adequately nationally regulated, and is part of international value chains that are subject to regular environmental and social auditing.	Low
5.2 Could the project operate in a value chain where there have been reports of forced labour? Note: Risks of forced labour may be increased for projects located in remote places or where the status of migrant workers is uncertain.	No			Low
5.3 Could the project involve children (a) below the nationally-defined minimum employment age (usually 15 years old) or (b) above the nationally-defined minimum employment age but below the age of 18 in supported activities or in value chains?	No			Low
5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: "OSH risks in agriculture might include: dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence and harassment.")	No			Low
Community Health, Safety and Security	Yes/No	Likelihood	Consequence	Risk Rating
6.1 Could the project lead to and or be at risk from water-borne, zoonotic or vector-borne diseases (e.g. temporary breeding habitats), and/or communicable and non-communicable diseases?	No			Low
6.2 Could the project have unintended negative impacts on nutrition?	No			Low
6.3 Will the project involve the construction or rehabilitation of dams?	No			Low
6.4 Could the project involve or lead to transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	No			Low

Environmental and Social Safeguards				
6.5 Could the project lead to the potential for gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?	Yes	Possible	Moderate  The project may lead to moderate changes to community dynamics may result in increased potential for gender-based violence or sexual exploitation. Gender-based violence protocols in place.	Moderate
6.6 Will the project construct, rehabilitate or upgrade rural roads and/or lead to increases in traffic or alteration in traffic flow?	No			Low
6.7 Could the project lead to an influx of project workers?	No			Low
6.8 Could the project involve or lead to the engagement of security personnel to protect facilities and property or to support project activities?	No			Low
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Physical and economic resettlement	Yes/No	Likelihood	Consequence	Risk Rating
7.1 Will the project result in temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	No			Low
7.2 Will the project result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	No			Low
7.3 Could the project increase the risk of forced evictions? (The project cannot proceed unless forced evictions are avoided)	No			Low
7.4 Could the project result in adverse impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?	Yes	Possible	Minor  The project will result in minor impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights. Legal recourse and other forms of arbitration/conflict resolution are available.	Low
Financial intermediaries and direct investments	Yes/No	Likelihood	Consequence	Risk Rating

Environmental and Social Safeguards				
8.1 Could the investment be granted to an institution that does not have an environmental and social policy and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?	Yes	Possible	Moderate  The institution does not have an ESMS in place, but several individual E&S policies. The policies are therefore not considered as transparent. The reporting on E&S is available upon request.	Moderate
8.2 Could the investment be granted to an institution with insufficient capacities (i.e. unqualified personnel e.g. ES Officer) to implement the ESMS?	Yes	Possible	Major  The institution does not employ an ES Officer and field staff is somewhat capable to monitor the environmental impact of the institution, but needs support to fully perform the duties.	Moderate
8.3 Could the investment be granted to an institution that does not have an Exclusion List?	No			Low
8.4 According to the institution's portfolio classification: Could the institution have potential high-risk projects in their portfolio?	No			Low
8.5 Could the institution not be providing a stable communication channel with stakeholders and local communities (e.g. a Grievance Redress Mechanism)?	Yes	Possible	Moderate  Stakeholders and local communities can contact the institution, and a communication process is in place, but staff is not qualified/trained to deal with grievances and bring claims to the attention of management.	Moderate
8.6 Could the institution not be providing auxiliary or capacity building support services?	No			Low
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## Climate Risk Classification: Substantial

<b>Step 1: Hazard identification</b>	
<b>What are the expected hazards in the project intervention area?</b>	<b>No, Yes, TBD</b>
1.1 River flood	Yes
1.2 Coastal Flood	No
1.3 Urban Flood	Yes
1.4 Landslide	No
1.5 Cyclone	No
1.6 Water Scarcity (agricultural droughts and/or dry spells)	Yes
1.7 Extreme Heat	Yes
1.8 Wildfires	Yes
<b>Future climate scenarios foreseen (period 2040-2059) - Change in frequency and intensity</b>	<b>No, Yes, TBD</b>
1.9 Change in temperature (increase or decrease)	Yes
1.10 Change in rainfall (increase or decrease)	Yes
1.11 Climate variability	Yes
1.12 Intensity and frequency of extreme events	Yes
<b>Is the project expected to have an impact on climate change (i.e. contribute to greenhouse gas emissions)?</b>	<b>No, Yes, TBD</b>
1.13 Is the project expected to be a significant emitter of greenhouse gas emissions?	No
<b>Step 2: Exposure Assessment</b>	
<b>Is the project located in exposed areas to weather-related natural hazards?</b>	<b>No, Yes, TBD</b>
2.1 Low-lying areas (valleys, coastal zones, and small islands)	No
2.2 Very warm areas (subtropical)	Yes
2.3 Tropical areas (rainforests)	No
2.4 Arid and semi-arid areas (deserts)	No
2.5 Mountains zones and permafrost areas (tundra)	No
2.6 River banks	Yes
<b>Does the project target agricultural systems, ecosystems or livelihoods exposed to weather-related hazards?</b>	<b>No, Yes, TBD</b>
2.7 Is crop production frequently affected by rainfall variability, prolonged droughts, changes in temperature or pests and diseases?	Yes
2.8 Is livestock productivity frequently affected by rainfall variability, prolonged droughts, changes in temperature or diseases?	Yes
2.9 Are fisheries frequently affected by ocean acidification, water salinity and changes in sea surface temperature due to ocean-atmospheric oscillations or climate change?	No
2.10 Is forest productivity frequently affected by wildfires, diseases, rainfall variability, prolonged droughts, or changes in temperature?	N/A
2.11 Is the biodiversity in the project area likely to be affected by changes in climate variables?	Yes
2.12 Is any stage of the agricultural value chain (production, storage, processing and marketing) exposed to climate related hazards?	Yes
2.13 Is any rural infrastructure likely to be affected by flooding, landslides, changes in temperatures, and extreme winds.	Yes
<b>Step 3: Sensitivity Assessment</b>	
<b>What are key sensitivities for the populations in the project's areas of intervention?</b>	<b>No, Yes, TBD</b>
3.1 Is conflict exacerbating the population's sensitivity to weather related hazards?	No

3.2 Is population displacement being exacerbated by climate change impacts?	No
3.3 Are diseases (e.g. COVID-19, malaria, cholera) increasing the population's vulnerability and affecting their capacity to address potential weather-related hazards?	Yes
3.4 Are social inequalities (e.g. based on gender, youth, indigenous persons and other marginalized groups) being exacerbated by climate change?	Yes
3.5 Human Development Index (HDI)	Yes
3.6 Multidimensional Poverty Index (MPI)	Yes
3.7 Is the Multidimensional Poverty Index (MPI) equal to or above 0.1?	
<b>Step 4: Adaptive capacity</b>	
<b>What are key adaptive capacities in the areas of project intervention?</b>	<b>No, Yes, TBD</b>
4.1 Is the country well ranked in the Disaster risk reduction progress score?	Yes
4.2 Are climate and weather information services (real-time weather data, seasonal forecasts etc.) effectively being delivered (through radio, TV, SMS, extension services etc.) to farmers, rural dwellers, and end users?	No
4.3 Does the project country have an early action plan (preparedness and emergency response) to mitigate the impacts of weather-related hazards once the shock occurs?	Yes
4.4 Does the government or other institutions support the target population/communities with the necessary social and economic resources to prepare for or respond to climate-related events?	Yes
4.5 Is the target community carrying out (using their own means) agricultural adaptation?	No
4.6 Does the target population have the economic means or support to adjust or adapt their activities in response to weather related shocks?	No
4.7 Do policies/mechanisms exist that make financial credit, loans, and agricultural insurance available?	Yes
4.8 Are rural infrastructures effectively delivering services to farmers and rural dwellers?	No



## **Zambia**

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

### **Environmental, Social and Climate Management Plan (ESCMP)**

Mission Dates: 03 – 21 June 2024

Document Date: 28/10/2024

Project No. 2000004924

Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department





**REPUBLIC OF ZAMBIA**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT FOR  
RURAL ZAMBIA (FIRIP).**



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**ENVIRONMENTAL, SOCIAL and CLIMATE MANAGEMENT PLAN  
(ESCMP)**

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## **ENVIRONMENTAL, SOCIAL AND CLIMATE MANAGEMENT PLAN**

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This Environment, Social, and Climate Management Plan (ESCMP) has been developed for the Financial Inclusion for Resilience and Innovation Project (FIRIP) and serves as a part of the environmental and social risk management system for the programme. The ESCMP contains the findings of a study conducted for the Rural Finance Sector of the Government of the Republic of Zambia, and its development is based on local conditions and findings. As an iterative document, the ESCMP should be updated during the early implementation phase by the Project Implementation Unit to ensure that the proposed recommendations align with the country's policies and strategies.

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## LIST OF ABBREVIATIONS

<b>IE</b>	Implementing Entity.
<b>ESP</b>	Environmental and Social Policy.

## **1.0 INTRODUCTION**

### **1.0 BACKGROUND INFORMATION**

1. Zambia is a landlocked Sub-Saharan African country sharing boundaries with Angola, Botswana, the Democratic Republic of Congo, Malawi, Mozambique, Namibia, Tanzania and Zimbabwe (MTENR, 2002). Zambia has been experiencing adverse impacts of climate change including an increase in frequency and severity of seasonal droughts, occasional dry spells, increased temperatures in valleys, flash floods and changes in the growing season. In response to these impacts, the country has been working hard to develop sustainable and appropriate programmes to enhance agricultural productivity in the face of climate change. Some of adaptation measures include promotion of irrigation and efficient use of water resources, strengthening early warning systems and preparedness, including ease of access to finance and financial services.

2. The Environmental, Social and Climate Management Plan (ESCMP) outlines the social, environmental and climate change issues in Zambia in relation to the Financial Inclusion for Resilience and Innovation Project (FIRIP). It is informed by extensive consultations held with various stakeholders during the project design mission. These included government, private sector, development partners and civil society organisations engaged in providing financial services in rural areas by in-country consultations. This report is also informed by extensive review of literature drawn from various sources including IFAD's Zambia Country Strategic Opportunities Programme (COSOP) (2019-2024); RUFEP project design, supervision, mid-term review mission reports and impact assessments; Independent Office of Evaluation (IoE) Reports; Government and Development Partners' reports.

#### **1.1 OBJECTIVES OF THE ESCMP.**

3. This Environmental and Social Management Plan (ESCMP) is developed and provided for as a guiding tool in order to manage the environmental and social impacts during and after Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP) project implementation. It will guide the project implementation to mitigate environmental, social and climate change impacts.

4. The preparation of ESCMP fulfils IFAD environmental and social safeguards policy on borrower requirements to prepare and set out the mitigation and monitoring measures and institutional arrangements to address adverse environmental and social impacts while carrying out the project activities. The environmental and social assessments are carried out during the identification, preparation and or appraisal stages of the project development. Mitigation measures are then formulated to respond to the identified possible impacts. ESCMP provides the project implementers with an environmental and social management plan that enables them to mitigate potential environmental and social impacts, including preparation of a site-specific Environmental Impact Assessments (EIA) where applicable.

5. The main objective of the ESCMP is, therefore, to ensure that environmental and social impacts assessments precede the implementation of the FIRIP Project to ensure the environmental and social sustainability.

#### **1.2 THE PROGRAMME DEVELOPMENT OBJECTIVE**

6. The overall FIRIP project objective is to provide improved access to a diverse range of financial services that enable rural smallholders and MSMEs to better manage risks, increase productivity, and invest in green and climate-resilient technologies. The PDO is divided into three main outcomes it will first Improve availability of client-centric rural financial services, secondly,



increase uptake of client-centric rural financial services by IFAD target groups and lastly enhance enabling environment for provision of inclusive rural financial services. FIRIP will focus on underserved rural areas nationwide, that will be identified through a demand-driven process guided by clear selection criteria and cost-sharing arrangements. The project targets three main beneficiary groups:

7. **293,721 Semi-subsistence, Low-Income Smallholders:** This group includes vulnerable, low-income farmers, often women-headed households and youth, who typically farm 0.09 to 4.99 hectares. They face challenges like limited access to financial services and agricultural markets, relying on informal networks and traditional safety nets. This group constitutes a significant portion of Zambia's micro-enterprises, characterized by small annual turnovers and investments.

8. **105,082 Commercialising Smallholders and Microenterprises:** These individuals have access to 2-19.99 hectares of land and include traders, processors, transporters, and other actors. Despite better market integration, they still face gaps in financial services and are vulnerable to climate shocks. Overlap with the first group is expected, with measures to prevent duplication in monitoring.

9. **3,054 Emerging and Commercial Farmers:** Managing 5-100 hectares of land, this group includes SMEs in agricultural value chains, playing a key role in market integration by providing inputs, support services, and job opportunities for youth and other vulnerable groups.

10. The project will ensure that 40% of beneficiaries are women and 30% are youth, including individuals with disabilities and those living with HIV/AIDS.

### 1.3 PROJECT COMPONENTS

#### 11. Component 1: Enhanced access to client-centric financial services and delivery mechanisms

**1.1 Innovative products and delivery mechanisms for inclusive rural outreach** will be promoted through an Innovation and Outreach Facility (IOF) to cofinance demand-driven technical assistance services and other eligible expenditures through matching grants based on viable business propositions prepared by Financial Service Providers (FSPs), Mobile Network Operators (MNOs) and other service providers (NGOs, VC developers, agribusiness companies etc)

12. The IOF will have three financing windows:

- **Financial Inclusion of Unserved Areas and Population Segments window** for basic financial infrastructure and access points that will help to expand Digital Financial Service and form linkages with Community Based Financial Institutions (CBFIs) to enhance women and youth participation.
- **Financial Innovations for Smallholder Agriculture window** for market research, product piloting and rollout of innovative and client-centric financial products. Innovations may include agricultural credit scoring, use of alternative collateral, digitalization of VC transactions, VC finance arrangements, insurance, etc.
- **Financial Innovations for Green Investments and Climate Resilience window** for market research and feasibility studies to develop specific financial products for investments in green, climate resilient, energy and labour-saving technologies in agricultural and VCs.

13. **1.2 Affordable finance for agriculture and green investment:** A blending facility will be established to crowd private capital into agriculture and green investments while reducing the average costs of funds of FSPs and the costs to final borrowers. The facility will co-finance a pipeline of eligible loans issued by PFSPs blending PFSP's own resources with concessionary funds

to incentivize agricultural and green finance at more affordable costs targeting smallholder farmers and rural MSMEs in agricultural VCs

#### **14. Component 2: Enhanced enabling environment for inclusive rural financial services**

will support the development/implementation of new/existing policies – including those aimed at increasing access for rural households, women and youth, laws and regulations, along with policy coordination and institutional capacity development. This will be achieved through strategic partnerships with key actors at macro and meso level such as Banks, Government Agencies and Ministries. The specific partnerships and areas of support and targets will be defined during design.

#### **15. Component 3 deals with Project coordination, Monitoring and Evaluation, and Knowledge Management.**

### **1.4 PROGRAMME AREA**

16. FIRIP will focus on those rural areas which lack access to suitable financial services across the county. These areas will be identified through a demand-driven process guided by clear selection criteria and cost-sharing arrangements. FIRIP will address these constraints by enhancing FSPs' capacity to expand rural outreach and offer client-centric services and delivery mechanisms to increase accessibility, value proposition and sustained use. This will be achieved by

- Expanding some of basic financial infrastructure in those rural districts with no formal access points.
- Providing Client-centric financial services for agriculture, rural MSMEs, and for greening and climate resilience in rural areas with basic financial infrastructure and sufficient demand and absorption capacity.
- Prioritizing those areas where other donor-funded initiatives are supporting the resilience and inclusiveness of small farmers and agricultural VCs. Such initiatives include the EU Enterprise Challenge Fund and the GIZ CREATE program.

### **1.5 PROJECT IMPLEMENTATION ARRANGEMENTS.**

17. The MoFNP will be the lead implementing agency, with the RFU providing technical oversight under the Economic Management Division (EMD). A Program Coordination Unit (PCU) will manage the day-to-day operations, including signing MoUs and coordinating implementing agencies for specific activities. A Program Steering Committee (PSC), chaired by the Permanent Secretary Budget and Economic Affairs in the MoFNP, will oversee and guide implementation. A Technical Advisory Committee will be established, co-chaired by the Director Investment and Debt Management and Director Economic Management. It will include Directors from other relevant departments within the MoFNP, Ministry of Agriculture and the Ministry of Green Economy and Environment. The PCU will manage the IOF under a specific governance structure ensuring a transparent and fair process. FSP and other IPs will be engaged competitively through calls for proposals under the IOF. For the Blending Facility, an independent Fund Manager will be recruited. The specific governance structure for the IOF and the blending facility will be determined during design.

### **1.6 TARGET GROUP.**

18. FIRIP will target 40 per cent women, 30 per cent youth and 5 per cent vulnerable groups. Indirect beneficiaries include commercial banks, Microfinance Institutions (MFIs), CBMFIs, smallholders and others economically linked to supported agribusinesses.

19. **Semi-subsistence smallholder farmers and rural micro-enterprises:** these groups are constrained to access formal financial services due to lack of adequate business skills, tangible collateral, and market access. They are typically engaged in Community Based Financial Institutions (CBFIs), rely on traditional safety nets such as borrowing from family and friends,

and are highly vulnerable to climate and other shocks. They include female-headed households and individuals most vulnerable to climate change, malnutrition (women of reproductive age and children under five years of age), youth groups such as those out of school, unemployed and females, the elderly, persons with disabilities (PWDs), Persons Living with HIV/AIDS (PLWHAs) and other vulnerable groups.

20. **Market-oriented smallholder farmers and MSMEs:** They are engaged in commercial agricultural production, aggregation, collection, and marketing. Despite better market and VC integration, they still lack access to suitable financial services to increase productivity and remain vulnerable to climate shocks.

21. **Commercial farmers and SMEs in agricultural VCs:** those that have demonstrated forward and backward Linkages with the first two beneficiary categories. These enterprises play important roles as conduits for market and VC integration by providing inputs, support services and market outlets to smallholder farmers, e.g., throughout grower arrangements. They are also a source of decent jobs for youth, women, and other vulnerable groups.

22. The project will strengthen the enabling environment for the sustained provision and expansion of inclusive rural financial services to IFAD target groups. It will strengthen the capacity at all levels including macro-and meso-level institutions; Participating Financial Service Providers (PFSPs); agricultural VC actors; farmers and rural MSMEs. It will engage in market creating interventions by crowding-in commercial finance into underserved rural spaces, demonstrating the scalability and continuation of innovative approaches. These market building interventions are expected to lead to sustainable rural financial market expansions beyond project duration

## **1.7 CONTEXT FOR THE INCLUSION OF CLIMATE AND ENVIRONMENT CONSIDERATIONS.**

23. FIRIP proposes to avail financial services to the rural population of Zambia. The stakeholders will utilise these financial resources for various livelihoods activities which include farming, cross border trading, small business, etc. All these livelihood activities have some social, environmental and climate impacts they will cause. These include solid waste generation, discharge of effluents, pollution from agrochemicals like fertiliser and pesticides, gender-based violence, increases in GHG emissions, generation of electronic waste, etc.

24. The majority of the stakeholders are engaged in farming. Besides the activities impacting on the environment, the agriculture sector faces significant challenges, including climate change, inadequate electricity supply, high production cost, substantial pre- and post-harvest losses, low adoption of modern technology, restricted land rights, lack of crop diversification, dependence on rainfed farming, high prevalence of pests and diseases, limited extension services, and other structural obstacles.

25. The potential FIRIP project areas have been experiencing adverse impacts of climate change - including an increase in frequency and severity of seasonal droughts, insect outbreaks, occasional dry spells, intense precipitation, increased temperatures in valleys and wildfires, flash floods and changes in the growing season. Declining water supplies reduced agricultural yields, health impacts in cities due to heat, and flooding and erosion in coastal areas are additional concerns. Climate changes will have key impacts on agriculture, water resources, human health, ecosystems, and energy and infrastructure.

26. Access to financial services in rural areas remains limited, and significant parts of the country continue to lack basic financial infrastructure. As FIRIP will be improving on this side, the Smallholder farmers need to be fully cognisant of the potential environmental and social impacts that this access to financial services will bring.

## 2.0 APPLICABLE POLICIES AND LEGAL INSTRUMENTS

### 2.0 INTRODUCTION

27. This chapter covers a review of the Legal Framework of Zambia and IFAD which the project has to honour during its implementation. It includes a summary of the reviewed laws, regulations and institutional setup relevant to environmental and social management in Zambia. Recognising these laws will ensure that the project enhances the achievement of the environmental assessment policy goals which include:

- Ensuring an adequate standard of life in all its aspects, and not negatively affecting the basic needs, the social, cultural and historical values of people as a result of development activities.
- Preserving the capacity of the natural environment to self-clean and sustain.
- Conserving biodiversity, landscapes and the sustainable use of natural resources.
- Avoiding irreversible environmental damage, and minimizing reversible environmental damage, from development activities.

### 2.1 THE CONSTITUTION OF ZAMBIA

28. The Constitution of Zambia does not explicitly mention climate change. It however has strong provisions on environment and sustainable development and calls for the establishment of policies, legislation and institutions which have a direct and indirect bearing on the environment and climate change. The rural finance and agriculture sectors should draw their interventions from these provisions to come up with ways to mitigate against climate change and increase resilience of these sectors. The constitution has laid the foundations for mitigating, adaptation and creating resilience against the implications of climate change.

### 2.2 OVERVIEW OF RELEVANT ZAMBIA'S STRATEGIES, POLICES AND PLANS

29. The following policy documents are relevant to the implementation of the FIRIP programme in Zambia.

**Table 2-1** Relevant Zambian Strategies, Policies and Plans.

No.	POLICIES AND PLANS	INTERPRATATION OS THE POLICIY	REALEVENCE TO THE PROJECT
1.	Comprehensive Agriculture Transformation Support Program	The Comprehensive Agricultural Transformation Support Programme (CATSP) is a countrywide sectoral initiative designed to tackle the obstacles impacting agriculture in Zambia. Its primary goal is to transform the sector swiftly and comprehensively, ensuring improved performance and resilience in both the agricultural sector and agri-food systems. The CATSP is fully in harmony with the Eighth National Development Plan and the Republic of Zambia Vision 2030. In alignment with these overarching frameworks, the Program aims to achieve the following objectives through	The agricultural sector is very vulnerable to climate change. At the same time, agriculture is the sector that contributes the most to greenhouse gas emission in Zambia after the energy sector. Zambia will use the CATSP to ensure that the agricultural sector contributes to a reduction in GHG emissions.  Within the sub-programme 4, which pertains to agriculture research and production support, CATSP gives priority to promoting adaptation, developing and disseminating Climate-Smart Agriculture

		<p>heightened production and productivity (i) enhanced food security; (ii) improved nutrition; (iii) increased job opportunities; (iv) growth in agricultural exports; (v) decreased reliance on food imports; (vi) expanded opportunities for income generation and wealth creation. The scope of the document encompasses the crop, livestock, and fisheries sub-sectors, the trading and commerce of agriculture commodities, but also the emergency preparedness and response system, the environmental and social safeguards, the management of lands and renewable natural resources, and the security of land tenure.</p>	<p>technologies (Investment Area 4.1), and adapting, developing, and disseminating other technologies and practices (Investment Area 4.2). The FIRIP will contribute to these efforts by offering tailored financing instruments and collaborating with other relevant initiatives to enhance adaptive capacities through extension services and capacity development partnerships.</p>
2	<b>National Green Growth Strategy 2024-2030</b>	<p>The national green growth strategy, aims to facilitating the country transition into a resilient, low carbon and socially inclusive economy and serves as the country's blueprint for meeting its ambitious economic development targets while minimizing the negative environmental impacts.</p> <p>The green growth strategy fosters sustainable economic growth and development that ensures that natural assets continue to provide the resource and environmental services on which the well-being of the nation depends on.</p>	<p>The strategy seeks to strengthen the climate adaptation, mitigation measures and disaster risk reduction which are being pursued by FIRIP too.</p> <p>FIRIP directly aligns with the National Green Growth Strategy, which serves as Zambia's blueprint for transitioning to a resilient, low-carbon, and socially inclusive economy. The strategy emphasizes sustainable economic growth and the preservation of natural assets, while also prioritizing climate adaptation, mitigation measures, and disaster risk reduction. As a key contributor to these shared objectives, FIRIP plays a vital role in achieving the nation's ambitious economic development targets and fostering a more sustainable and prosperous future.</p>
3.	Zambia National Agricultural Policy 2012-2030	<p>The Zambia National Agricultural Policy 2012-2030 is a cross cutting policy whose vision is to develop a competitive and diversified agricultural sector driven by equitable and sustainable agricultural development through: (i) Promoting sustainable increase in agricultural productivity of major crops with comparative advantage; (ii) Continuously improving agricultural input and</p>	<p>The provisions of the Zambia National Agricultural Policy are very relevant for the FIRIP projects because most of the activities that will be undertaken by the rural smallholder farmers will be agricultural or development of some agricultural value chains. Thus the promotion of sustainability and increasing productivity will be central to FIRIP</p>

		<p>product markets so as to reduce marketing costs and increase profitability and competitiveness of agribusiness; (iii) Increasing agricultural exports as a way of fully utilizing the preferential markets (regional and international) and increase contribution to foreign exchange earnings; (iv) Improving access to productive resources and services for small scale farmers, especially women and young farmers; (v) Continuously strengthening public and private sector institutional capabilities to improve agricultural policy implementation, resource mobilization, agriculture research, technology dissemination, and implementation of regulatory services.</p>	
4.	Zambia Climate-Smart Agriculture Investment Plan (CSAIP)	<p>Zambia Climate-Smart Agriculture Investment Plan (CSAIP) is an instrument with a multi-sectoral approach which aims to address climate change challenges and therefore support sustainable agriculture. The overarching goals of the CSAIP are to identify and prioritize key policy actions, investments and knowledge gaps and build on existing policies, strategies, and lessons learned through engagement with the agriculture sector to assess how CSA investment can strengthen climate change adaptation and mitigation initiatives and prioritize investments that promise cost-effective CSA approaches to achieving overall sector goals. The document seeks to make agriculture more productive and sustainable. In addition, the instrument seeks to enable more inclusive and efficient agricultural systems. Special attention is given to security of land tenure, which is a key driver of on-farm investment. Capacity building and agricultural extension services are considered key for agricultural development as well. Delivery mechanisms and their potential to address enabling environment constraints include, among others: business partnerships with rural communities; participatory</p>	<p>FIRIP is strategically aligned with the Zambia Climate-Smart Agriculture Investment Plan (CSAIP), as both initiatives emphasize sustainable agriculture and climate change adaptation. They share a common focus on addressing policy actions, investments, and knowledge gaps to strengthen climate resilience in the agricultural sector. In line with CSAIP, FIRIP recognizes agricultural extension services as key drivers of on-farm investment and development. Both initiatives support mechanisms that promote community partnerships, integrated landscape management, farmer field schools, and gender-sensitive supply chains. Through this alignment, FIRIP contributes to the overall objective of enhancing climate-smart agriculture practices and ensuring sustainable development in Zambia.</p>

		integrated landscape management approach; farmer field school, community-based learning and technology adoption; gender sensitive supply chains (reducing barriers for women to access finance, to receive adequate training and to enter markets).	
5.	Zambia's Second National Biodiversity Strategy and Action Plan (NBSAP - 2). 2015	<p>Zambia's Second National Biodiversity Strategy and Action Plan (NBSAP -2) is a national cross-sectoral strategic document of Zambia for the period 2015-2025. Its main goal is to achieve that, by 2025, biodiversity is valued, conserved, restored and wisely used, as well as maintaining ecosystem services, sustaining a healthy environment and delivering benefits essential for all Zambians and the Zambian economy.</p> <p>Specifically, more specific objectives of the document is to address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society; to reduce the direct pressures on biodiversity and promote sustainable use improving the status of biodiversity by safeguarding ecosystems, species and genetic diversity; and to enhance the benefits to all from biodiversity and ecosystem services.</p> <p>In the area of climate change, the NBSAP-2 provides for mainstreaming climate change adaptation measures that will enhance resilience of priority ecosystems, as well as to regularize forest management plans to ensure connectivity, habitat resilience and ultimate refuges for wildlife in face of climate change.</p>	<p>Protection of biodiversity is a critical goal to achieve sustainable development, FIRIP will appraise actions which enhance:</p> <ul style="list-style-type: none"> <li>o protection of biodiversity and rehabilitation of degraded lands,</li> <li>o mitigating the impacts of climate change,</li> <li>o safeguarding against Persistent Organic Polluting Substances</li> </ul>
6.	National Solid Waste Management for Zambia (September 2004)	This National Solid Waste Management Strategy (NSWMS) is a vital document that proposes integrated approaches to addressing the problem of poor solid waste management, which has had over the years far	Proper management of waste material is critical because waste matter has high potential to harm the entirety of the environmental resources including land, water, air etc. threatening human, animal and

		reaching effects on both human health and also the environment. It is important to note that this strategy will focus on solid waste management, but it will however include such wastes as used oils and sewer sludge which may not necessarily be solid.	plant life. FIRIP activities have potential to generate waste and therefore FIRIP will collaborate with relevant authorities in managing waste material as provided for by the project's Solid Waste Management strategy along with related laws and regulations.
7.	National Adaptation Plan (2023)	The NAP identifies opportunities for integrating prioritised adaptation actions into national, sectoral and sub-national planning budgeting processes. The NAP also clearly outlines indicators and responsible institutions that will enable, track and report progress in the implementation of proposed adaptation actions. It is expected that the NAP will also enable Zambia to systematically advance the implementation of the aspirations of the 8th National Development Plan and Zambia's Nationally Determined Contributions. The NAP covers nine key sectors highly impacted by climate change include agriculture, fisheries and livestock, water, energy, tourism, wildlife, health infrastructure, mining.	The 2023 NAP of Zambia recommends several actions for agricultural and rural areas to enhance climate resilience. These include promoting climate-resilient agricultural practices, improving access to climate information, strengthening rural infrastructure, implementing soil and water conservation measures, supporting climate-resilient value chains, enhancing climate-smart livestock management, adopting renewable energy technologies, and empowering women, youth, and marginalized groups. By implementing these actions, Zambia aims to ensure sustainable development, food security, and improved well-being for rural communities while effectively adapting to the impacts of climate change. These efforts will reduce the risks of providing financial services (especially loans and insurance). Likewise, new financial services supported by FIRIP will support the aforementioned adaptation measures.
8.	Zambia National Policy on Climate Change 2016.	The Zambia National Policy on Climate Change is a cross-sectoral policy enacted in 2016, whose overall objective is to provide a framework for coordinating climate change programmes in order to ensure climate resilient and low carbon development pathways for sustainable development towards the attainment of Zambia's Vision 2030. The policy is guided by the principle of 'sustainable climate change response' according to which all climate change actions shall be environmentally sustainable and positively contribute to national economic	FIRIP aims to support adaptation and disaster risk reduction efforts through various measures: <ul style="list-style-type: none"> <li>• Encouraging innovation, knowledge, and education</li> <li>• Utilizing financial tools like weather-indexed insurance,</li> <li>• Promoting Climate Smart Agricultural technologies through adapted financial services</li> <li>• Support the strengthening of community resilience to climate change through adapted financial services to</li> </ul>



		<p>growth and social development objectives, including poverty alleviation, access to natural resources and basic amenities, gender equality and equity and infrastructure development.</p>	<p>invest in green and climate smart innovations.</p> <ul style="list-style-type: none"> <li>Improved access to formal financial services will also enhance the capacity of smallholders and MSMEs to cope with climate-induced extreme weather event without recurring to distress sales of productive assets or other detrimental coping strategies.</li> </ul>
9.	Zambia's Nationally Determined Contributions (2015)	<p>Zambia's Nationally Determined Contributions (NDC) therefore includes both mitigation and adaptation components aimed at reducing the GHG emissions and build resilience based on national circumstances and is in line with decisions 1/CP.19 and 1/CP.20. The successful implementation of Zambia's NDC will result in an estimated total emission reduction of 38,000GgCO<sub>2</sub>eq which translates to 47% (internationally supported efforts) against 2010 as a base year. Since LUCF is contributing most of the GHGs emissions, mitigation measures targeting the forestry, land use and agricultural sectors can significantly reduce the GHG emissions in Zambia (Figure 6). Sustainable land management practices can lead to annual mitigation levels of between 0.2 and 1.1 t CO<sub>2</sub>-eq per hectare, agro forestry systems can annual sequesterate between 5 and 15 t CO<sub>2</sub>-eq per hectare while feasible improvements in forage digestibility, animal health and reproduction management, carbon sequestration and manure management, emissions from livestock in Zambia can potentially be reduced by 32 to 38 % of total annual baseline emissions, or 1.4 to 1.7 million t CO<sub>2</sub>-eq. Figure 7 summarises the mitigation potential of various agricultural practises.</p>	<p>This emission reduction is conditional and subject to the availability of international support in form of finance, technology and capacity building. The total budget for implementing both components is estimated at over US\$ 50 billion (USD 35 billion for mitigation programs and USD 20 billion for adaptation actions) by the year 2030, out of this USD 35 billion is expected to come from external sources while \$15 billion will be mobilized from domestic sources.</p>

## 2.3 RELEVANT ZAMBIAN LEGISLATION

Table 2-2 outlines the overview of the relevant Zambian Legislation:

**Table 2-2** Relevant Zambian Legislation.

NO.	LEGISLATION	INTERPRETATION OF THE LEGISLATION	RELEVANCE TO THE PROJECT
1	<b>Zambia's Environmental Management Act - 2011</b>	<p>An Act to continue the existence of the Environmental Council and re-name it as the Zambia Environmental Management Agency:</p> <ul style="list-style-type: none"> <li>• Provide for integrated environmental management and the protection and conservation of the environment and the sustainable management and use of natural resources.</li> <li>• provide for the preparation of the State of the Environment Report, environmental management strategies and other plans for environmental management and sustainable development.</li> <li>• provide for the conduct of strategic environmental assessments of proposed policies, plans and programmes likely to have an impact on environmental management</li> <li>• provide for the prevention and control of pollution and environmental degradation.</li> <li>• provide for public participation in environmental decision making and access to environmental information.</li> <li>• establish the Environment Fund.</li> <li>• provide for environmental audit and monitoring.</li> <li>• facilitate the implementation of international environmental agreements and conventions to which Zambia is a party.</li> <li>• repeal and replace the Environmental Protection and Pollution Control Act, 1990</li> <li>• provide for matters connected with, or incidental to, the foregoing</li> </ul>	<p>While carrying out project activities it will be important to note the provisions of the law which guarantees:</p> <ul style="list-style-type: none"> <li>• The right to every individual to live in a sound and clean environment and enjoy the best possible of health care and welfare.</li> <li>• -Protection of the country's natural fortunes and economic resources,</li> <li>• -The preservation of its historical and cultural heritage without any harms or side effects that are likely to occur sooner or later as a result of the various industrial, agricultural or constructional activities, with an impact on the quality of life and basic ecosystems such as air, water, soil; marine resources, animals and plants.</li> </ul>
2.	<b>The Solid Waste Regulation and Management Act, 2018.</b>	<p>An Act to provide for the sustainable regulation and management of solid waste; general and self-service solid waste services; the incorporation of solid waste management companies and define their statutory functions; the licensing and functions of solid waste service providers, operators and self-service solid waste providers and provide for their functions; the regulation, operation,</p>	<p>FIRIP will be involved in various Rural livelihood activities including agricultural value chains which may generate different kinds of solid waste. The project and all its sub-projects must comply to the requirements of this Act</p>

NO.	LEGISLATION	INTERPRETATION OF THE LEGISLATION	RELEVANCE TO THE PROJECT
		maintenance and construction of landfills and other disposal facilities; the setting and approval of tariffs for management of solid waste and provision of solid waste services; and matters connected with, or incidental to, the foregoing.	
3.	<b>Zambia's National Public Health Act No.19 of 2020</b>	An Act to provide for the coordination of public health security; continue the existence of the Zambia National Public Health Institute and provide for its functions; establish the Public Health Emergency Operations Centre; establish the National Public Health Laboratory; establish the National Public Health Emergency Fund; and provide for matters connected with, or incidental to, the foregoing.	The project activities which include building construction agriculture and livestock rearing should not cause harm or material damage to health and environment as results of the generation of noise, vibration, radiation, irritations or the release of smells which result from any activity of Humans, any other agent in a manner that affects life.
4.	<b>Zambia's Employment Act,2019</b>	An Act to regulate the employment of persons; prohibit discrimination at an undertaking; constitute the Skills and Labour Advisory Committees and provide for their functions; provide for the engagement of persons on contracts of employment and provide for the form and enforcement of the contracts of employment; provide for employment entitlements and other benefits; provide for the protection of wages of employees; provide for the registration of employment agencies; regulate the employment of children and young persons; provide for the welfare of employees at an undertaking; provide for employment policies, procedures and codes in an undertaking; repeal and replace the Employment Act,1965, the Employment (Special Provisions) Act,1966, the Employment of Young Persons and Children Act, 1933 and the Minimum Wages and Conditions of Employment Act, 1982; and provide for matters connected with, or incidental to, the foregoing.	The project alignment to the labour law will ensure that the rights of employees are well respected including workplace safety by ensuring proper management of all affluence sources for safety of human life and the environment. Lastly to refrain from employment of children.
5.	<b>Zambia's Water act</b>	The Water Act is the <b>main legislation that deals with water allocation in Zambia</b> . Water rights are obtained through the Water Development Board under the Ministry of Energy and Water Development (MEWD). The water rights are issued for volumes above 500 cubic metres. Lower volumes	These objectives of the water law are to be considered in the sub-project implementation, so that any utilization of the water resources will be done sustainably and efficiently in pursuit of personal and public interest under the guidance of

NO.	LEGISLATION	INTERPRETATION OF THE LEGISLATION	RELEVANCE TO THE PROJECT
		<p>are considered domestic and not applicable for water right application. The Water Board co-ordinates the water rights at the national level especially for large-scale water users like water suppliers, industrial users and commercial farmers. For the large-scale users, property rights and common law are prominent. Zambia however has a dual law system. Customary law is more prominent at the local level. The next section looks at the role customary law plays in water management especially when related to land tenure.</p>	<p>the law, regulations and policies thereof.</p>
6.	<p><b>Zambia's Lands Act, 1995</b></p>	<p>An Act to provide for the continuation of Leaseholds and leasehold tenure; to provide for the continued vesting of land in the President and alienation of land by the President; to provide for the statutory recognition and continuation of customary tenure; to provide for the conversion of customary tenure into leasehold tenure; to establish a Land Development Fund and a Lands Tribunal; to repeal the Land (Conversion of Titles) Act; to repeal the Zambia (State Lands and Reserves) Orders, 1928 to 1964, the Zambia (Trust Land) Orders, 1947 to 1964, the Zambia (Gwembe District) Orders, 1959 to 1964, and the Western Province (Land and Miscellaneous Provisions) Act, 1970; and to provide for matters connected with or incidental to the foregoing.</p>	<p>The project implementation activities where some sub components may require acquisitions of land for construction of facilities including farmer's training centres and storage structures. Thus, the project implementation Unit will need to adhere to the provisions of this law</p> <p>It is important for the project implementation to consider the provisions of this law and other related legal provisions in an event where there is a need to expropriate land for public benefit</p>
7.	<p><b>Zambia's Local Government Acts, 2019</b></p>	<p>An Act to provide for an integrated local government system; give effect to the decentralisation of functions, responsibilities and services at all levels of local government; ensure democratic participation in, and control of, decision making by the people at the local level; revise the functions of local authorities; provide for the review of tariffs, charges and fees within the area of a local authority; provide for the proceedings of the council and committees; provide for the role of traditional leadership in democratic governance; repeal and replace the Local Government Act, 1991; and provide for matters connected with, or incidental to, the foregoing.</p>	<p>Collaboration with local authorities during the project implementation is critical as project activities involves members of communities as main participants and beneficiaries therefore local governance is eminent.</p>

NO.	LEGISLATION	INTERPRETATION OF THE LEGISLATION	RELEVANCE TO THE PROJECT
8.	<b>Zambia's Act of Gender equality and equality (Act No.22 of 2015)</b>	An Act to establish the Gender Equity and Equality Commission and provide for its functions and powers; provide for the taking of measures and making of strategic decisions in all spheres of life in order to ensure gender equity, equality and integration of both sexes in society; promote gender equity and equality as a cross cutting issue in all spheres of life and stimulate productive resources and development opportunities for both sexes; prohibit harassment, victimisation and harmful social, cultural and religious practices; provide for public awareness and training on issues of gender equity and equality; provide for the elimination of all forms of discrimination against women, empower women and achieve gender equity and equality by giving effect to the Convention on the Elimination of all Forms of Discrimination against Women, the Protocol to the African Charter on Human and People's Rights on the Rights of Women in Africa and the SADC Protocol on Gender and Development; and provide for matters connected with, or incidental to, the foregoing.	In the implementation of the FIRIP project, the provisions of this act have to be adhered to in order to ensure equity, equality and integration of both sexes in society
9.	<b>Environmental Protection and Pollution Control 1990</b>	An Act to provide for the protection of the environment and the control of pollution; to establish the Environmental Council and to prescribe the functions and powers of the Council; and to provide for matters connected with or incidental to the foregoing	The provisions of this act will assist the programme to avoid polluting the natural resources which include the land, air and water.
10.	<b>Forest Act No. of 1973</b>	Provides for the control, management, conservation and administration of national and local forests, participation of local communities, traditional institutions and NGOs, conservation and sustainable use of forests and trees, and implementation of international instruments.	Applicable to subprojects that will involve use of forests and forest products and forest reserves
11.	<b>Zambia Wildlife Act No. 12 of 1998</b>	Provides for the control and management of wildlife parks, game management areas and bird sanctuaries for the purpose of conserving and enhancing wildlife ecosystems.	Applicable to subprojects that will affect biodiversity and wildlife protection
12.	<b>Fisheries Act of 2011</b>	Provides for the development of commercial fishing and the registration of fishermen and their	Applicable to subprojects that might negatively affect fish

NO.	LEGISLATION	INTERPRETATION OF THE LEGISLATION	RELEVANCE TO THE PROJECT
		boats and the protection of endangered species.	
13.	<b>National Heritage and Conservation Act of 1989</b>	Provides for the conservation of ancient, cultural and natural heritage, relics and other objects of aesthetic, historical, pre-historical, archaeological or scientific interest.	Applicable to subprojects that will affect heritage sites and objects

#### 2.4 RELEVANT ZAMBIAN SUBSIDIARY LEGISLATION (REGULATIONS)

Table 2-3 outlines the overview of the relevant Zambian Subsidiary Legislation (Regulations):

**Table 2-3** Relevant Zambian Subsidiary Legislation (Regulations)

NO.	LEGISLATION	INTERPRETATION OF THE LEGISLATION	RELEVANCE TO THE PROJECT
1.	<b>The Environmental Management (E-Waste Management) Regulations, 2024.</b>  <b>Draft</b>	The regulations provide for the generation, and general management of electronic waste in Zambia. A person who intends to generate, collect, export, store, transport, refurbish, recycle, dismantle, import or dispose of e-waste must seek authority to do so from the Zambia Environmental Management Agency by applying for an e-waste management license.	FIRIP will be promoting digitization and digitalization of the financial systems that the stakeholders will be using down to electronic banking by the farmers. This will entail the purchase and utilization of computers, smart phones, solar energy equipment etc. Thus, the project and all its subprojects must comply to the requirements of this regulation.
2.	The Environmental Protection and Pollution Control (Environmental Impact Assessment) Regulations, 1997	The Environmental Protection and Pollution Control regulates the EIA review process (Environmental Impact Assessment) Regulations, S.I No 28 of 1997 (EIA Regulations).	

#### 2.5 RURAL FINANCE POLICY LANDSCAPE OF ZAMBIA

30. The Rural Finance Policy of Zambia aims to promote access to financial services in rural areas and thereby reducing vulnerability and promoting prosperity of the rural population. The current status is that most rural stakeholders have limited access to financial services due to the prohibitively high costs of offering conventional, branch-based services in remote rural areas. Farmers who demand financial services in rural areas have indicated that the provision of such services is absent.

31. The emphasis should be given to provision of support through subsidies/ incentives to financial providers offering services in rural areas where it may be difficult to operate and make profit. The financial landscape in Zambia has not been reviewed to develop a functional incentive system for existing financial players. Neither is there the provision of supply and demand side market information about rural financial services, which is key in decision making for financial players.

The Rural Finance Unit at the Ministry of Finance has not been so effective in leading the role of financial inclusion. Particularly due to constraints ranging from fiscal to staffing.

32. Notable successes have been registered in the overall financial inclusion status for the country. However, the Government needs to upscale efforts to provide rural financial services by focusing on support towards good product design, development and delivery that meet the needs of the large rural market segment. It needs to promote creative thinking and innovation in both financial products and delivery of those products. Capacity building also needs to be done among banks and other financial service providers on how to use nontraditional forms of security/collateral and to develop a functional agricultural insurance scheme.

## 2.6 RELEVANT INTERNATIONAL CONVENTIONS AND TREATIES

33. Zambia is party to a number of international environmental treaties (with accession) including Basel Convention; Cartagena Protocol; the Convention on Biological Diversity; The United Nations Convention to Combat Desertification; United Nations Convention on the Law of the Sea; Minamata Convention on Mercury; Stockholm Convention; Rotterdam Convention; United Nations Watercourses Convention; Vienna Convention; and Montreal Protocol to protect the Ozone Layer. Programs and sub-projects of the RUFIPP are expected to observe these conventions and treaties, it is expected that the implementation of project activities will be in full compliance with these international conventions. Table 2-4 below is a summary of the relevant treaties to which Zambia is party to.

**Table 2-4** Summary of the relevant treaties to which Zambia is party to

No.	INTERNATIONAL CONVENTIONS	INTERPRETATION OF LEGISLATION	RELEVANCE TO THE PROJECT
1	<b>United Nations Convention to combat Desertification in those countries experiencing serious Drought and/or Desertification, particularly in Africa, 1994</b>	The convention emphasizes the prevention of land degradation that may among other initiatives include the rehabilitation of degraded lands that are caused by human actions such as construction activities in development projects. Clearing and grubbing which may cause land degradation.	Provision of infrastructure in some subcomponents of the project may have potential to degrade the environment by removing the soil cover, exposing the bare soil and poor disposal of rubbles. The Convention encourages implementation of measures to combat land degradation these measures need to be taken and implemented at all costs.
2	<b>Convention on Biological Diversity (1992)</b>	The Convention on Biological Diversity, requires members to adopt national strategies, plans and programs for the conservation of various biological diversity, and to integrate the conservation and sustainable use of biological diversity into relevant sectoral and cross-sectoral plans, programs and policies.	The project activities are expected to conserve biodiversity, especially the rare and endangered species in the project areas and its environs.
3	<b>United Nations Framework convention on Climate Change (UNFCC) (1992)</b>	The (UNFCC) seeks to regulate levels of greenhouse gases (GHGs) concentration in the atmosphere, so as to avoid the occurrence of climate change at levels that would harm economic development, or that would impede food production activities. The Convention is founded on	In line with the objectives of the UNFCC the project should endeavour assisting the implementation of the requirements of this Convention in an effort to minimize emissions of

No.	INTERNATIONAL CONVENTIONS	INTERPRETATION OF LEGISLATION	RELEVANCE TO THE PROJECT
		the principle that contracting parties should take courses of action, in respect of their economic and social activities, and with regard to the Convention's specific requirements, that will protect the climate system for present and future generations.	greenhouse gases which detrimental to the atmosphere.
4	<b>Stockholm Convention on Persistent Organic Pollutants</b>	This is an important convention for the proper management of Health Care Waste (HCW) as it recognizes that persistent organic pollutants possess toxic properties that are transported through air, water and migratory species across international boundaries and are deposited far from their place of release, where they accumulate into the ecosystems. The dioxins and Furans from the thermal treatment process of incineration is an important contributor.	Thus, the provisions of this convention have to be adhered to in handling all health care issues including waste during the project.
5	<b>UN Watercourses Convention 1997</b>	<p>This convention obligates member states to consider the impact of their actions on other states with the shared water resource and equitable share of this resource,</p> <ul style="list-style-type: none"> <li>• Each member state is required to provide information to other sharing states about the condition of the watercourse and about their planned uses for it,</li> <li>• Other states should be allowed sufficient time to study the use and object if the use is perceived to be harmful.</li> <li>• The convention permits a state with urgent need to immediately utilize a watercourse to do so, provided that it notifies sharing states both the use and the urgency.</li> <li>• In the event that a use is perceived to be harmful, it requires member states to negotiate a mutually acceptable solution.</li> <li>• The treaty also requires states to take reasonable steps to control damage, such as caused by pollution or the introduction of species not native to the watercourse,</li> <li>• It further imposes an obligation on states that damage a shared water resource to take steps to remedy the damage or to compensate sharing states for the loss.</li> </ul>	Project implementation should take serious note of the requirement of this convention as it requires states to take reasonable steps to control damage to shared water resources, which could include pollution or the introduction of species not native to the watercourse
6	<b>The convention on wetlands of significant importance.</b>	<b>The Convention on Wetlands of International Importance</b> , called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action and	The project area has a number of wetlands and these may be encroached on by the agricultural activities due to the



No.	INTERNATIONAL CONVENTIONS	INTERPRETATION OF LEGISLATION	RELEVANCE TO THE PROJECT
		international cooperation for the conservation and wise use of wetlands and their resources.	constraints of land availability. The requirements of the Ramsar Convention will need to be applied in order to protect the wetlands from degradation.
7	<b>The convention on conservation of migratory species of wild animals.</b>	The Convention on the Conservation of Migratory Species of Wild Animals (also known as CMS or Bonn Convention) aims to conserve terrestrial, marine and avian migratory species throughout their range.	The project may interfere with migratory routes of wildlife as the requisite structures for the Livestock activities are established. The usual nesting grounds for avian migratory species may be affected as lands, vleis and wetlands will be acquired for agricultural purposes.
8	<b>The convention concerning the protection of world and natural heritage.</b>	The World Heritage Convention aims for the preservation of the cultural and natural heritage sites of outstanding universal value. Each State, party to this Convention recognizes that the duty of ensuring the identification, protection, conservation, presentation and transmission to future generations of the cultural and natural heritage and situated on its territory, belongs primarily to that State.	The project area is endowed with a number of natural and cultural heritage sites. Any excavations may encounter artefacts, fossils and other items of cultural importance. Thus the project triggers this convention.
9	<b>The convention on desertification and drought.</b>	<p>The aim of the Convention, which was signed in 1994, is to combat desertification and mitigate the effects of drought in those countries experiencing serious drought, particularly in Africa, through international cooperation and effective action at all levels.</p> <p>Desertification is due primarily to human activity and climatic variations. It does not mean the advance of current areas of desert. It is the result of the extreme vulnerability of the ecosystems in arid areas to over-exploitation and inappropriate use of land. Poverty, political instability, deforestation, overgrazing and bad irrigation practices are all factors which have a deleterious impact on the productivity of the land.</p>	Under FIRIP the agricultural activities have a potential to degrade the environment and the Convention encourages implementation of measures to combat desertification.
10	<b>African convention on conservation of nature and</b>	This Convention focuses on living resources, calling for the creation of protected areas and for the specific conservation measures for listed species. It also provides the grounds for the	The Livestock activities will have a direct impact on the natural resources by clearing of vegetation, loosening soils, possible

No.	INTERNATIONAL CONVENTIONS	INTERPRETATION OF LEGISLATION	RELEVANCE TO THE PROJECT
	<b>natural resources</b>	conservation of other natural resources such as soil and water, for the consideration of environmental concerns in development plans, and for research and education.	degrading marginal lands. Thus, the requirements of this convention have to be considered in the implementation of FIRIP.
11	<b>Stockholm Convention on Persistent Organic Pollutants</b>	The <b>Stockholm Convention on Persistent Organic Pollutants</b> is a global treaty to protect human health and the environment from chemicals that remain intact in the environment for long periods, become widely distributed geographically, accumulate in the fatty tissue of humans and wildlife, and have adverse effects to human health or to the environment. Exposure to <u>Persistent Organic Pollutants (POPs)</u> can lead to serious health effects including certain cancers, birth defects, dysfunctional immune and reproductive systems, greater susceptibility to disease and even diminished intelligence.	FIRIP activities will promote increased use of biocides, some of which are listed as POPs. Some illegal trade in these will also be fueled by the increased activities, thus this convention has to be effected in the implementation of FIRIP.

## 2.7 IFAD SECAP AND POLICIES

34. FIRIP has been designed and informed by IFAD’s Climate Change Strategy, Environment and Natural Resources Management (ENRM) Policy, Indigenous Peoples Policy, Gender and Targeting Policy and Land Policy. The Programme has also been designed in compliance with IFAD’s guidelines on Social, Environmental and Climate Assessment Procedures (SECAP 21). The following is a summary of the relevant pieces of policies.

### 2.7.1 IFAD Environment and Natural Resources Management (ENRM) Policy

35. The goal of the ENRM policy is: “To enable poor rural people to escape from and remain out of poverty through more productive and resilient livelihoods and ecosystems” and its purpose is: “To integrate the sustainable management of natural assets across the activities of IFAD and its partners”. The policy sets out 10 core principles to guide IFAD’s support for clients in ENRM.

### 2.7.2 IFAD’s Strategy and Action Plan on Environment and Climate Change (2019-2025)

36. This strategy addresses environment and climate change issues across all IFAD policies, strategies and operations. The main objective of the strategy is to enhance the resilience of smallholder farmers and rural communities to environmental degradation and climate change impacts.

### 2.7.3 IFAD Indigenous Peoples’ Policy

37. This Policy on Engagement with Indigenous Peoples aims to enhance IFAD’s development effectiveness in its engagement with indigenous peoples’ communities in rural areas. It sets out the principles of engagement IFAD will adhere to this policy in its work with indigenous peoples, and the instruments, procedures and resources IFAD will deploy to implement them.

#### 2.7.4 IFAD Gender and Targeting Policy

38. This policy targets the poor, gender equality and empowerment. It puts people – rural women, men, youth, and indigenous peoples – at the centre of IFAD’s development projects and policy engagement. It also aims to support the development of inclusive, equitable, sustainable and resilient rural societies and agriculture sectors that are food secure and able to take advantage of the opportunities provided by growing markets, thus providing a springboard to rural transformation.

#### 2.7.5 IFAD Land Policy

39. The IFAD Policy on Improving Access to Land and Tenure Security has been formulated to: (a) provide a conceptual framework for the relationship between land issues and rural poverty, acknowledging the complexity and dynamics of evolving rural realities; (b) identify the major implications of that relationship for IFAD’s strategy and programme development and implementation; (c) articulate guiding principles for mainstreaming land issues in the Fund’s main operational instruments and processes; and (d) provide the framework for the subsequent development of operational guidelines and decision tools.

### 2.8 THE SOCIAL, ENVIRONMENTAL AND CLIMATE ASSESSMENT PROCEDURES (SECAP 2021)

40. Social, environmental and climate sustainability is critical for achieving IFAD’s mandate. Projects and Programs that foster social, environmental and climate sustainability rank among the Fund’s highest operational priorities. To meet these objectives, in 2021 IFAD updated its 2017 Social, Environmental and Climate Assessment Procedures (SECAP). This updated edition of SECAP lays out an improved framework and process for managing risks and impacts and integrating mainstreaming priorities into new IFAD-supported investments.

#### 2.8.1 IFAD’s Environmental and Social Standards

41. IFAD’s Environmental and Social Standards comprise key requirements for the environmental and social sustainability of projects (Table 2-5). They focus on nine environmental, social and climate issues that should be met through the project life cycle. These standards are aimed predominantly at borrowing governments and private sector partners, which are responsible for undertaking environmental, social and climate risk assessments, and for implementing projects.

42. FIRIP is anticipated to trigger six of the of IFAD SECAP standards as outlined in section 1.7. These standards require adhering to appropriate environmental assessment procedures and steps to address all possible negative impacts. The table 2-5, below indicates which ones are most relevant to FIRIP:

**Table 2-5** Standards most relevant to FIRIP

STANDARDS	RELEVANCE TO FIRIP	
	Less Relevant	More Relevant
Standard 1: Biodiversity conservation		X
Standard 2: Resource efficiency and pollution prevention		X
Standard 3: Cultural heritage	X	
Standard 4: Indigenous peoples	X	
Standard 5: Labour and working conditions		X
Standard 6: Community health and safety		X
Standard 7: Physical and economic resettlement	X	
Standard 8: Financial intermediaries and direct investments		X
Standard 9: Climate change		X

43. The IFAD's Environmental and Social Standards are detailed in Appendix 5. In general, the requirements of all SECAP Standards apply to all activities. However, FIs. are further required to prepare an Environmental and Social Management System (ESMS). This is dealt with in the chapter 3.

### **2.8.2 IFAD's environmental and social categorization**

44. IFAD's environmental and social categorization of projects/programmes comprises the following categories: (See SECAP 2021 version for Details) High Risk, Substantial Risk, Moderate Risk and Low risk. The current project was categorised as Moderate. The categorisation is elaborated in Appendix 4.

## **2.9 ENVIRONMENTAL AND SOCIAL CATEGORY**

45. FIRIP's Environmental and Social risk category is rated as Moderate, largely due to potential livelihood activities such as agriculture, trading, small businesses, value addition, and small-scale processing. Key environmental and social risks include increased demand for food and agricultural products driven by population growth, which might lead to the conversion of forests and protected areas into agricultural land, threatening ecosystems and causing habitat destruction (Standard 1); unsustainable natural resource use and pollution (Standard 2); informal wage employment with potential gender inequality and unequal opportunities (Standard 5); limited access to clean and safe drinking water (Standard 6); restricted land rights and limited land ownership, which impede access to credit (Standard 7); and the need to enhance the Environmental and Social Management System (ESMS) and complaints mechanisms for partnering financial institutions and service providers (Standard 8).

46. During design, it was confirmed that FIRIP triggered moderate risks regarding the following SECAP 2021 standards: a) biodiversity conservation; b) resource use efficiency and pollution; c) labour and working conditions; d) community health and safety; (e) financial intermediaries and direct investments; and (f) climate change.

## **2.10 CLIMATE RISK CATEGORY**

47. FIRIP's climate risk classification is **Substantial**. Since 1960 the potential FIRIP project areas have experienced an increase in the intensity and frequency of extreme weather events, including droughts and floods. These events have led to substantial economic losses, negatively impacting the agricultural and manufacturing sectors, as well as causing significant damage to infrastructure. Climate variability and extreme events continue to pose a major threat to sustainable agricultural development, resulting in challenges such as food insecurity, disrupted livelihoods, destruction of natural and agricultural resources, low adaptive capacity among farmers, reduced productivity, and difficulties in measuring and reporting greenhouse gas emissions from Agriculture, Forestry, and Other Land Use (AFOLU), as well as increased livestock and crop disease outbreaks.

48. This trend is continuing un-abated: In early March 2024, the President of Zambia had to declare the current drought a national disaster and emergency in response to the devastating consequences of prolonged dry spells affecting more than 1 million farming households across 84 of the nation's 116 districts. The drought has impacted food production, water availability, and energy supply, posing risks to national food security and the livelihoods of millions of people.

## **2.11 TARGETED ADAPTATION ASSESSMENT**

49. During design, a **targeted adaptation assessment** was conducted to identify and evaluate specific adaptation measures to address climate risks and seize potential opportunities (*see Targeted Adaptation Assessment*). This report examined the prevalent climate hazards and factors that exacerbate communities' vulnerability to climate change, such as exposure, sensitivity, and adaptive capacity. It offers recommendations for adaptation strategies to climate-proof targeted beneficiaries and ensure the sustainability of project achievements. Key adaptation options include:

- a) Diversifying available crops and introducing more resilient varieties.
- b) Adjusting planting and harvesting schedules.
- c) Diversifying income sources beyond agriculture.
- d) Enhancing crop storage structures and post-harvest management skills.
- e) Implementing integrated systems involving livestock and aquaculture.

## **3.0 ENVIRONMENTAL, CLIMATE AND SOCIAL IMPACTS ANALYSIS**

### **3.1 INTRODUCTION**

50. The following chapter outlines the description of the potential Environmental, Climate and Social impacts that will be caused by the implementation of the project, including their significance. The requisite mitigation measures for the identified impacts are then outlined in Chapter 6.

51. The FIRIP is envisaged to result in more positive than negative environmental and social impacts. With appropriate design, adequate management and monitoring, negative impacts can be kept to a minimum.

### **3.2 ACTIVITIES AND SOURCES OF ENVIRONMENTAL AND SOCIAL IMPACTS.**

52. The critical components for environmental, Climate and Social related negative impacts as a result of FIRIP activities carried out will include such activities as:

- a) rehabilitation and or construction of small rainwater harvesting systems.
- b) small-scale solar powered irrigation, water supply,
- c) construction of agro-processing and storage facilities.
- d) veterinary services (such as vaccinations, artificial insemination, and animal husbandry services in general.
- e) Storage facilities for management of post-harvest losses; crop disease outbreaks (crop husbandry services in general and aquaculture.
- f) Horticulture value chains.
- g) use of agrochemicals; fertilisers, herbicides, pesticides, etc
- h) preparation of land for crop farming.
- i) E-waste from digitising and computerising the financial systems and services.

53. The potential environmental, social and climatic risks emanating from these activities will include deforestation; land degradation; inappropriate use of agrochemicals leading to pollution; conflicts; gender-based violence; child labour and social unrests.

54. These activities may contaminate some of the environmental media such as water and soil, and pose occupational health hazard, water use conflicts, conversion and/or loss of physical cultural resources. Most of the impacts will be localized to the project site, short

term, some can be avoided/reduced or mitigated. The following is an analysis of the possible beneficial and adverse impacts of the project.

### **3.3 SUMMARY OF IMPACTS**

#### **3.3.1 Biodiversity**

55. Zambia's rich bio-diversity is continuously under threat, primarily due to human activities such as population growth, agricultural expansion, deforestation, industrialization, and urbanization. The most affected sectors include forestry, wildlife and water. The rural communities are heavily involved in deforestation for charcoal production and opening up lands for agricultural purposes.

56. The project activities may involve horticulture, animal husbandry, agro-processing and farmer field demonstration plots for climate smart agriculture, small and large infrastructure works such as warehouses, bulking centres, mechanized animal feed production etc. Noise and vibrations from the development activities may also disturb the normal roaming patterns of the small game in the area, especially birds as most of them forage during the day and cause them to migrate away from the area and/or be in conflict with human beings.

57. FIRIP aims to introduce innovative financial services for agriculture, rural MSMEs, and promote green and climate-smart practices and technologies in rural areas. During the design stage, specific value chains have not yet been determined. A thorough assessment of the potential impacts of project interventions on biological resources should be conducted at early implementation stages when targeted value chains will be determined. FIRIP will not support any interventions that will impact negatively on biodiversity. Thus, it will avoid any operations that will be carried out in protected or conservation areas and forest lands. All project work will be confined to privately owned, communal or government land.

58. The project will further avoid any deforestation or forest degradation, but will promote intercropping, agroforestry, multi and mixed cropping, in a bid to maintain or enhance biodiversity. In addition, the communal farmers will be capacitated in climate smart and best agricultural practices including the use of local and indigenous seed varieties and organic inputs.

59. The Bio-diversity disturbances will be **short to medium term** in nature and may occur for the duration of construction. These impacts have a **regional** effect as they will not only be a problem to the footprint area but will cause the migration of small game to neighbouring areas. The project activities may impact on biodiversity or living natural resources (i) through land conversion to agriculture (ii) pollution discharge to water, land and air from construction, animal husbandry, agricultural activities.

#### **3.3.2 Resource efficiency and pollution prevention**

60. **Natural Resources:** The FIRIP project activities will not result in any significant consumption of natural resources; raw materials, energy or water. As the project will be committed to sustainable practices it will emphasize on optimising the existing resources by implementing efficient methodologies.

61. **Resource Efficiency:** The FIRIP project activities are not expected to release any pollutants into the environment and where such may occur waste handling systems will be promoted. The project will not directly purchase fertilisers and other agrochemicals but will encourage the use of organic and other bio inputs and integrated pest management

approaches. In all instances the project will promote and support the use of eco-friendly alternatives. The project will also not endorse the use of antibiotics and hormonal products for livestock production.

62. Substantial quantities of solid wastes are normally generated from construction farming and agro-processing activities. Such wastes may include stones, wood, broken glasses, containers, rods of metal, pieces of iron sheets packaging of agrochemicals and pesticides, fuel containers etc. The sub-project proponents will be expected to design and institute appropriate measures for the collection and disposal of the various wastes produced by their operations. Solid waste can litter the surroundings, contaminate water bodies and pose danger to aquatic life. Incidents of animal suffocated from consuming the solid waste materials should be avoided.

### **3.3.3 Cultural heritage**

63. The FIRIP project does not envisage opening new areas or establishing new infrastructure that may impact on cultural heritage sites. The project will confine itself in existing cultivated lands and fallow lands that were previously under cultivation.

64. Any construction works at the project sites may affect some natural features, antics, and relics in the project area. The excavations for the works will potentially cause destruction of the natural features, antics, and relics if they are available. This is anticipated during trenching and digging of foundations for buildings.

65. However, if any cultural heritage sites are encountered, the project will adhere to the national chance finds procedure.

### **3.3.4 Indigenous peoples**

66. No indigenous peoples have been identified in the project area. However, if in the course of project implementation, indigenous groups are identified, ethical engagement and respect for the rights of these communities will be exercised, including seeking free, prior and informed consent (FPIC).

### **3.3.5 Labour and working conditions**

67. The FIRIP project will endeavour to uphold the national labour laws and the country's international commitments regarding labour rights. Thus, the project will not support any value chains or activities where there are instances of forced or child labour. Children below the nationally defined minimum employment age of 18 years should not be engaged in any activities supported by the project.

68. Agricultural practices, processing and construction activities have a risk of occupational health and safety issues. Workers are at risk of death, accidents and injuries, near misses, unsafe acts if OHS control measures are not in place.

69. In the FIRIP project areas, most of the workforce, young and old, works in the informal sector. Rural youth are found predominantly in marginal and vulnerable activities, such as unpaid household work, and own-account self-employment in agricultural activities. Inadequate technical capacity and/or negligence on operation of vehicles and machinery. poor handling of agrochemicals and non-adherence to preventive and risk management measures in place may result in temporary to permanent physical injuries, illness, disabilities or loss of life. The operation of various equipment and machinery and the actual construction activities will expose workers to work-related accidents and

injuries. Pollutants such as dust and noise could also have negative implications for the health of workers and near-by communities such as bronchial diseases from dust and hearing impairments due to prolonged working under noisy conditions.

70. Thus, the FIRIP project will not operate in sectors, areas, or value chains where the workers face significant occupational and safety risks, including technologies or practices that pose occupational safety and health (OSH) risks. These include dangerous machines and tools, hazardous chemicals, toxic substances, parasitic or transmissible diseases, extreme temperatures, etc.

71. In the Project areas, child labour<sup>1</sup> incidence rate for the working children aged 5 – 17 years was estimated at 38.5 percent. The female incidence rate was 39.5 percent and the males at 37.3 percent. The rural areas accounted for 73.3 percent and urban areas at 26.3 percent with regional disparities. The agriculture industry accounted for the highest percentage at 58.2 percent. Majority of the children engaged in hazardous work were working as elementary workers accounting for 76.7 percent. Thus, contractors should provide preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances informed by the assessment and plan. Whenever PPEs are required for the work, it must be provided at no cost for the workers. Personal Protective Clothing should be always compulsory during construction and operation of machinery, handling of pesticides and other agrochemicals in accordance with relevant national guidelines.

### **3.3.6 Community health and safety**

72. It is not envisaged that the FIRIP project activities will result in any negative impacts on community health and safety, especially after implementing the recommended mitigation measures from the current ESCMP.

73. Although the project is not expected to cause major labour influxes, if there is any construction it is likely going to bring outside workers to stay for considerable lengths of time. Communicable diseases such as HIV/AIDS infection rate is likely to increase as the workers, drivers interact with the local population. Poverty is likely going to be the main driver as young women from poor households try to exploit the situation to earn a living. Negotiation power for safe sex may be limited. Contractors might be idolised as being wealthy by local people which gives them an upper hand in negotiating for sex and participation in illicit affairs. Awareness raising within local communities and workers through Information, Education and Communication (IEC) and distribution of free condoms and counselling and treatment will help alleviate the impacts.

74. The project will also deliberately seek to prevent gender-based violence (GBV) and Sexual exploitation and abuse (SEA), stemming from labour influx to project sites. Any actions that may disrupt community dynamics will be avoided. FIRIP gender transformative approach and interventions address GBV through raising awareness and addressing root causes, through a) women economic empowerment, trainings and financial services which helps their take control over their income and finances b) household methodologies target both men and women, so men participation in the trainings, awareness raising and activities would facilitate sharing decision making around the future of their families and finances, c) women leadership and voice at the community level would also help creating community awareness and challenge the negative social

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<sup>1</sup> Official definition of a child in Zambia is under the age of 18, The National Gender Policy defines 'child marriage' as marriage of children younger than 18 years



norms around women roles and GBV d) sensitization about gender and GBV at all levels of the project and among implementing partners.

### 3.3.7 Physical and economic resettlement

75. There will be no temporary or permanent displacement of any households due to the project’s activities as these will be limited to cultivated lands and Government designated communal lands. The project will also not cause any economic displacement such as loss of assets or access to resources caused by land acquisition or access restrictions. The project will operate within the allocated lands while ensuring the preservation of established land rights and community-based property rights.

### 3.3.8 Financial intermediaries and direct investments

76. SECAP 8 requires that Financial Intermediaries develop and maintain Environmental and Social Management Systems (ESMS), which comprise “environmental and social systems, procedures and capacities for assessing, managing and monitoring risks and impacts of direct investments and activities and FI sub-projects, as well as for managing overall portfolio risk in a responsible manner, while also ensuring the return on investment and sustainability objectives” (SECAP Standard 8).

77. The three key requirements set out in SECAP Standard 8 for Financial Intermediaries are:

- i. develop and maintain an ESMS for assessing, managing and monitoring risks and impacts of direct investment activities and the FI’s sub-projects,
- ii. develop stakeholder engagement procedures, and
- iii. develop monitoring and reporting procedures.

78. FIRIP will collaborate with financial intermediaries (FIs) including commercial banks, micro-finance institutions and community-based savings groups. These institutions have a varied range of organisational structure and capacity to manage environmental and social risks. At early implementation, the PMU with technical support from IFAD will conduct an Environmental and Social Due Diligence (ESDD) (see appendix 3) for every Financial and beneficiary Institution to ascertain their environmental and social compliancy levels. The minimum requirements for the various financial institutions will be as follows:

**Table 3-1** Minimum ESMS Requirements.

<b>INDIRECT BENEFICIARIES</b>	<b>MINIMUM REQUIREMENTS</b>
Commercial Banks	ESMS commensurate to the magnitude of their portfolio Environment, Social and Climate Checklist.
Microfinance Institutions (MFIs)	ESMS commensurate to the magnitude of their portfolio Environment, Social and Climate Checklist.
Non- Bank Financial Institutions	ESMS commensurate to the magnitude of their portfolio Environment, Social and Climate Checklist.
CBFI Promoters	Environment, Social and Climate Checklist.
Community Based Microfinance Institutions (CBMFIs)	Environment, Social and Climate Checklist.
End Beneficiaries.	Smallholder farmers should adopt good agricultural practices.

79. In Zambia, climate change continues to have adverse effects on the agriculture sector due to its heavy dependence on rainfall, leading to significant food security implications such as crop failure, livestock morbidity, and mortality. These impacts are further exacerbated by reduced forage availability, increased disease occurrences, and a breakdown of livestock infrastructure. Moreover, climate change and environmental degradation pose a threat to financial inclusion, as the poor and marginalized are most vulnerable to their effects, including increased food prices, health risks, and limited opportunities for farmers to create and maintain sustainable livelihoods.

80. Financial services play a crucial role in helping rural households better prepare for and mitigate risks through the adoption of suitable practices and investments. These services enable households to cope with and recover from various shocks, including climate-related events, thus enhancing resilience in the face of climate, macroeconomic, health-related, or other challenges. During our field visits, we found that rural inhabitants in the Eastern Province relied on their savings to manage drought and climate-related challenges, while savings groups in the Central and Copperbelt provinces facilitated livelihood diversification and income-generating activities. Financial services, such as weather-based and area-index agricultural insurance, savings, and loans, can provide support to vulnerable populations during unexpected events. Moreover, these services can promote accessibility, affordability, and adoption of green and climate-smart technologies, ultimately contributing to climate change adaptation and mitigation efforts.

### **Assessment of the financial intermediaries in Zambia.**

81. This section presents an overview of the challenges faced in rural Zambia by FIs for managing and monitoring environmental, climate and social risks and further assesses the capacity of the institutions visited during the design mission to effectively manage environmental, social, and climate risks associated with their investment portfolios.

### **Overview of challenges faced by financial institutions in Zambia for managing and monitoring environmental, climate and social risks.**

- In most Sub-Saharan African countries, the scarcity of climate data poses a challenge in accurately pricing climate-related products, particularly insurance. This is because nowadays historical data is unreliable, and the cost of providing adequate coverage for poor individuals may exceed their financial capacity. Likewise, the increased incidence of climate risks makes insurance more expensive and increase default risks of rural loans.
- Financial institutions may have difficulty accessing reliable data on climate and other environmental risks and identify opportunities in developing sustainable products.
- Many financial institutions may not be familiar with green finance products. This lack of awareness can hinder the development of such products and limit their availability to potential investors.
- Many financial institutions, particularly smaller ones, may lack the skills or resources to develop these products and effectively market them to potential investors.

### **Evaluation of the potential partnering financial intermediaries and their Environment and Social Management System (ESMS)**

82. According to IFAD’s Social, Environment, Climate Assessment Procedures (SECAP), Financial Intermediaries<sup>2</sup> and direct investees are required to develop and maintain an effective Environmental and Social Management System (ESMS), including procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects<sup>3</sup>, as well as for managing overall portfolio risk in a responsible manner. This shall be proportionate to the risks and impacts of the given projects, and the risk profile of the FI’s portfolio or the risks and impacts of the sub-project<sup>4</sup>.

83. During the FIRIP design mission, the team collaborated with various financial institutions, such as commercial banks, microfinance institutions, and community-based savings groups. These financial intermediaries have been classified in the following table based on the size and magnitude of their investment portfolios. Tier 1 consists of commercial banks, while Tier 2 includes Non-Bank Financial Institutions (NBFIs) like Microfinance Institutions, finance companies, and others. Tier 3 comprises community-based financial institutions (CBFIs), such as savings groups, Village Savings and Loan associations, and savings and credit cooperatives (SACCOS), along with their Promoters (primarily specialized national and international NGOs). The table offers an initial evaluation of the implementation or integration of environmental and social management systems within the institutions encountered during the field visits. Variations among institutions within the same tier may exist, and the level of ESMS implementation will be confirmed during the early implementation stage.

<b>Typology of the bank</b>	<b>Institutions met during field visits</b>	<b>Existing elements of ESMS</b>	<b>Preliminary gaps identified during field visits</b>
<b>Tier 1:</b> Commercial banks and larger Micro Finance Institutions (MFIs)	<ul style="list-style-type: none"> <li>Zambia Industrial Commercial Bank (ZICB)</li> <li>ZANACO</li> <li>AB Bank</li> </ul>	<ul style="list-style-type: none"> <li>Environment and social Governance policy</li> <li>Exclusion list</li> <li>Occupation, Health and Safety (OHS) Policy</li> <li>Governance Policy (including business integrity, anti-bribery, labour and working conditions,</li> <li>Compliance with national regulations and laws related to Environmental, Social, Health and Safety (ESHS)</li> </ul>	<ul style="list-style-type: none"> <li>Screening checklist to identify E&amp;S and climate related risks and impacts of specific investments.</li> <li>Climate risks considerations community health and safety, zero tolerance for Gender Based Violence (GBV) and Sexual Harassment</li> </ul>
<b>Tier 2:</b> NBFIs including Micro Finance	<ul style="list-style-type: none"> <li>Agora Microfinance Zambia</li> </ul>	<ul style="list-style-type: none"> <li>Limited exclusion lists, climate risks consideration</li> </ul>	<ul style="list-style-type: none"> <li>E&amp;S policy</li> <li>Ensure that the Exclusion list is</li> </ul>

<sup>2</sup> As per SECAP guidelines, the Financial Intermediaries (Fis) encompass private equity funds, commercial banks and microfinance institutions, acting as financial service providers to finance subprojects. If IFAD funds are used to finance only a specific asset class (e.g. credit line to a specific sector), the requirements cover only the specific class, but if funds are used for general purposes without a specific end use, IFAD requirements will apply to the entire portfolio. In the case of FIRIP, the ESMS will concern the sub-projects which will be financed through the innovation windows (Window 2 Financial innovation and Outreach for Agriculture and Window 3 Financial innovations for Climate Change Adaptation and Greening) as well as the Blended facility.

<sup>3</sup> As per SECAP guidelines, an “FI subproject” is the ultimate project or activity supported by the FI. If an FI provides financial support to another FI (for example, through a loan or guarantee) the FI subproject is the project or activities supported by the participating FI. For example, where the FI provides a loan to a rural-finance institution that then lends (via a sub-loan) to a farmer (sub-borrower) who uses the loan to expand farming operations, the FI subproject is the expanded farming operation.

<sup>4</sup> IFAD, 2021, Social, Environmental and Climate Assessment Procedures Volume 2, Guidance Note 8: Financial intermediaries and direct investments.

<p>Institutions (MFIs) and large Savings and Credit Cooperative Societies (SACCOs), as well as National Savings and Credit Bank (NatSave) and Zambia National Building Society</p>	<ul style="list-style-type: none"> <li>• FINCA Zambia</li> <li>• Madison Finance Company Limited</li> <li>• VisionFund Zambia</li> <li>• Inde Credit</li> <li>• MicroLoan Foundation Zambia</li> <li>• Savings-Led Microfinance network of Zambia (Savenet)</li> <li>• </li> </ul>	<ul style="list-style-type: none"> <li>• Complaints procedures and mechanisms in place</li> </ul>	<p>aligned to IFAD's exclusion list</p> <ul style="list-style-type: none"> <li>• Screening checklist to identify E&amp;S and climate related risks and impacts of specific investments.</li> <li>• Climate risks considerations, community health and safety, zero tolerance for Gender Based Violence (GBV) and Sexual Harassment</li> <li>• Governance Policy (including business integrity, anti-bribery, labour and working conditions,</li> <li>• Personnel in charge of E&amp;S governance</li> <li>• Elaboration and implementation of an Environment and Social Action Plan at the level of their operations</li> </ul>
<p><b>Tier 3</b> Community based financial institutions (CBFIs) / savings groups and their Promoters</p>	<p><b>Community Based Financial Promoters</b></p> <ul style="list-style-type: none"> <li>• World Vision</li> <li>• Financial Sector Deepening Zambia</li> <li>• World Food Program (WFP)</li> <li>• SaveNet (apex)</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints procedures and mechanisms in place</li> <li>• Compliance with national regulations and laws related to Environmental, Social, Health and Safety (ESHS)</li> </ul>	<ul style="list-style-type: none"> <li>• E&amp;S policy</li> <li>• Screening checklist to identify E&amp;S and climate related risks and impacts of specific investments.</li> <li>• Climate risks considerations community health and safety, zero tolerance for Gender Based Violence (GBV) and Sexual Harassment</li> <li>• Elaboration and implementation of an Environment and social Action Plan at the level of their operations</li> </ul>
		<ul style="list-style-type: none"> <li>• Focused list of investments</li> <li>• Complaints procedures and mechanisms in place</li> <li>• Compliance with national regulations</li> </ul>	<ul style="list-style-type: none"> <li>• E&amp;S policy</li> <li>• Exclusion list</li> <li>• Screening checklist to identify E&amp;S and climate related risks and impacts of specific investments.</li> </ul>

		and laws related to Environmental, Social, Health and Safety (ESHS)	<ul style="list-style-type: none"> <li>• Climate risks considerations community health and safety, zero tolerance for Gender Based Violence (GBV) and Sexual Harassment</li> <li>• Elaboration and implementation of an Environment and social Action Plan at the level of their operations</li> </ul>
	<p><b>Community Based Microfinance Institutions (CBMFIs)</b></p> <ul style="list-style-type: none"> <li>• Sidoti Multi-purpose Cooperatives (Chipata district)</li> <li>• Masumba Center (Mambwe district)</li> <li>• Chikondi Savings Group (SG) (Chipata district)</li> <li>• Muuyu COMACO SG (Nyimba district)</li> <li>• Ebenezar SG (Nyimba district)</li> <li>• Zambwela Kanyoto SG (Petauke district)</li> <li>• Kazimbili SG (Petauke district)</li> <li>• Tilimbike "B"SG (Petauke district)</li> <li>• Chayambi Tilimbike SG (Nyimba district)</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance to local social norms</li> <li>• Chart of code of conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Exclusion List</li> <li>• Complaints procedures and mechanisms including traditional and local authorities.</li> <li>• Screening checklist to identify E&amp;S and climate related risks and impacts of specific investments.</li> <li>• Climate risks considerations community health and safety, zero tolerance for Gender Based Violence (GBV) and Sexual Harassment</li> <li>• Elaboration and implementation of an Environment and social Governance Action Plan at the level of their operations</li> </ul>

### Implementation modalities

84. At early implementation phase, the PMU will assess the capacity of partnering financial intermediaries to manage environment, social and climate risks which might be associated with their investment portfolio. The PMU will assess the integration of the following elements of the ESMS (see Appendix 4) (i) an E&S policy; (ii) identification of risks (environmental, social and climate due diligence); (iii) Management plans; (iv) internal organizational capacity and competency; and (v) monitoring and review systems.

85. Based on this initial assessment, the FIs that are serving FIRIP target groups will be assisted to develop an environmental and social action plans (ESAPs) to specify how identified risks will be mitigated and/or managed (see Appendix 5). Moreover, to ensure a robust implementation process, Participating Financial Institutions (PFIs) will need to ensure availability of adequate technical expertise (either in-house training or through

external expert support – consultants), to carry out due diligence and manage the E&S risks of the given subprojects. The expertise should have defined roles, responsibilities, and authority to implement the ESMS and ESAPs.

86. Through the Strategic partnership with the Bank of Zambia's, FIRIP will support the implementation of Green Finance Framework and conduct awareness training sessions on environmental and climate-related risks and opportunities. These sessions will also support the roll-out of the template for reporting on green finance lending, product offerings, and ESG policy implementation. The training program aims to enhance the understanding of green finance products among financial institutions and industry stakeholders, offering insights into the benefits, risks, and potential environmental impacts associated with such products.

87. Currently, manual recording of complaint mechanisms pertaining to mobile network providers and non-bank financial institutions can lead to several challenges, including delayed response times and inconsistent record-keeping. These issues may result in a less effective complaint resolution process and hinder the overall consumer experience. Under their respective mandates, complaints should be communicated to the Bank of Zambia (BOZ) and the Zambia Information and Communications Technology Authority (ZICTA). In close collaboration with these entities, FIRIP will play a vital role in launching a digital complaint tracking system to strengthen consumer protection across the country. This digital system will streamline the reporting process and ensure efficient handling of complaints involving mobile network providers and non-bank financial institutions. The collected data will empower BOZ and ZICTA to monitor issues between financial and non-financial institutions, including mobile network providers, and their consumers. This will enable swift remedial action and facilitate the continuous improvement of the regulatory environment, ensuring fair practices and promoting a better consumer experience.

88. In addition, FIRIP will deliver climate risk management training to partnering financial institutions. This training module will emphasize the integration of climate risk management within investment portfolios, aligning with the Africa Rural Climate Adaptation Financing Mechanism (ARCAFIM)'s Climate Change Adaptation Finance Taxonomy. The training content will incorporate regional experiences and lessons learned from the South African Green Finance Taxonomy (2022), Kenya Green Finance Taxonomy (2024), and the Principles of the Responsible Banking Academy (PRB Academy), ensuring a well-informed and contextually relevant approach to climate risk management.

### **3.3.9 Climate change**

89. The FIRIP target project areas are prone to extreme climatic conditions such as floods and droughts resulting in significant losses in crops, livestock and infrastructure including routes connecting the farmers to markets. Frequent droughts have impacted heavily on the communities resulting in recurring scarcity of water for domestic use, crops and livestock.

90. The ever-escalating temperatures in the project areas has also resulted in more frequent pest and diseases outbreaks, posing significant challenges to crop health and ultimately to agricultural productivity.

91. A targeted adaptation assessment (TAA) of the project was carried out and the main climate hazards found include extremes temperatures, droughts, tropical storms and floods. Future climate trends indicate increase in temperature and extreme temperatures; increased rainfall variability; and slight reduction in precipitation. Most of the selected value chains without adaptive measures would result into reduced crop yields.

92. Based on the climate risks and projected impacts, the adaptation options recommended include a) Diversify agricultural crops available to farmers/ introduce new crops e.g. with greater drought or flood resistance, b) Re-schedule planting and harvesting dates, c) Diversify livelihoods / create income sources from activities other than agriculture

d) Promote better crop storage structures and capacity building in post-harvest handling and management e) Make use of integrated systems involving livestock and/or aquaculture to improve resilience. Further climate details are contained in the targeted adaptation assessment (TAA)

**A) Projected (future) climate change trends,**

93. **Projected changes in precipitation from present to 2100.** Rainfall projections across the Zambia regions, except for the Northern Highlands, show a pattern of potential decreasing rainfall emerging in the second half of the century. The pattern appears to be consistent for the majority of CMIP5 models within the ensemble. Relative magnitudes of potential decreasing rainfall equates to between 20% and 35% of the baseline normal. The decrease in rainfall seems to be strongly associated with decreases in rainfall events rather than extreme events. The Northern Highlands region shows a potential increase in rainfall and extreme rainfall frequency, but a decrease in general rainfall frequency.

94. **Expected climate vulnerabilities and potential impacts on Agriculture:** Increasing trends in temperature and variability in rainfall of about 0.34°C per decade and 1.9 mm per month, respectively, threaten livelihoods of 60% of the population that depend on agriculture (Mubanga et al. 2020). In landlocked, largely humid-subtropical Zambia these projected temperature increases and indications of normal to decreasing annual rainfall trends for large parts of the country will increase pressure on water resources, with implications for households, industry and agriculture. While Zambia’s modernised commercial agriculture sector is likely to be impacted, rain-fed subsistence agriculture, practiced by 90% of the rural population, is particularly vulnerable to the increased pressure on water resources, as well. The climate change impacts will occur through different channels and will affect each of the four dimensions of food security: access, availability, utilisation and stability<sup>5</sup>, as outlined in Table 3-4.

95. Changes in temperature, precipitation, water availability, extreme climate events, and atmospheric composition will have direct effects on agricultural production, which may then translate into impacts on agricultural prices, incomes, and livelihoods.

**Table 3-2** Climate-change impacts on different aspects of food security<sup>6</sup>

<b>FOOD SECURITY DIMENSION</b>	<b>POTENTIAL IMPACTS</b>
Availability	<ul style="list-style-type: none"> <li>• Reduced rainfall and increased evapotranspiration reducing yields from rain-fed agriculture and livestock production,</li> <li>• Reduced soil fertility and increased land degradation from increased temperatures, evaporation, and drought,</li> <li>• Climate change induced crop and livestock pests and diseases,</li> <li>• Higher post-harvest losses as a result of climate change.</li> </ul>
Access	<ul style="list-style-type: none"> <li>• Loss of agricultural income due to reduced yields and higher costs of production input such as water,</li> <li>• Climate-change impacts on food production could lead to higher global and local food prices,</li> <li>• Difficulties in accessing food due to displacement driven by climate extremes and disasters.</li> </ul>
Stability	<ul style="list-style-type: none"> <li>• Greater instability of supply due to increased frequency and severity of extreme events, including droughts,</li> <li>• Instability of incomes from agriculture.</li> </ul>
Utilisation	<ul style="list-style-type: none"> <li>• Impact on food safety due to increased temperatures,</li> <li>• Impacts on nutrition resulting from reduced water quality and quantity,</li> </ul>

<sup>5</sup> Food and Agriculture Organisation (FAO) (2016) The state of food and agriculture. Climate change, agriculture and food security. FAO, Rome, Italy.

<sup>6</sup> Adapted from **Jobbins, G., and Henley, G., 2015**; Food in an uncertain future: the impacts of climate change on food security and nutrition in the Middle East and North Africa. Overseas Development Institute, London / World Food Programme, Rome.

- Climate induced morbidity

96. In the agricultural sector, these evolving circumstances have resulted in waterlogged fields, water shortages, ravaged crops, and a notable increase in both crop and livestock diseases. Crop simulation indicates an increase in maize yield by more than 25% in parts of Agro-Ecological Region (AER) III but likely to decrease by the same magnitude in parts of AER IIa (World Bank Group, 2019). Further, the simulation studies suggested that while overall production may increase, net exports of most of the agricultural commodities are declining including net trade (World Bank Group, 2019).

97. The effects of climate change on agricultural production are expected to translate into negative impacts on agricultural incomes and prices, with repercussions on food security. However, smallholder farmers in Zambia now have access to weather index insurance thanks to programmes like the World Food Programme and Oxfam's R4 Rural Resilience Initiative. During droughts or other weather-related losses, farmers can receive financial support thanks to this innovative insurance concept that uses meteorological data to trigger payouts. By integrating insurance with financial services, farmers have greater ability to adapt to climate shocks and continue their farming operations.

98. The potential consequences of climate change risks on agriculture in Zambia are summarised in table 3-5 below<sup>7</sup>. These effects may then translate into increased agricultural production costs, higher food prices, decreased incomes, and profitability for farmers, and deteriorating rural livelihoods and food security. Consequently, this will result in food insecurity in Zambia.

Food insecurity is already a cause for concern in Zambia, and in the absence of adaptation, climate change may exacerbate these trends (Table 3-5).

**Table 3-3** Potential climate-change impacts on agriculture in Zambia<sup>8</sup>

No.	MAIN CLIMATIC CAUSES OF RISK	CONSEQUENCES ON THE AGRICULTURAL SECTOR
1.0	Changes in monthly precipitation distribution	Crop area changes due to decrease in optimal farming conditions.
	Increased temperatures in critical periods	
	Increased erosion	
	Loss of soil water-retention capacity	
	Increased soil salinity	
2.0	Changes in monthly precipitation distribution	Decreased crop productivity
	Increases in seasonal temperature variability	
	Increased temperatures in critical periods (heat stress)	
	Increased evapotranspiration (leading to water stress)	
	Loss of soil water-retention capacity	
	Increased incidence of agricultural pests and pathogens	
3.0	Decreasing livestock carrying capacity of grazing areas (due to changes in temperature and water availability)	Decreased livestock productivity
	Increased temperatures (heat stress)	
	Decreased water availability	
4.0	Increase of extreme events frequency/intensity	Increased risk of floods (affecting crops, livestock and agricultural infrastructure)
	Loss of soil water-retention capacity	
5.0	Decreased annual and/or seasonal precipitation	Increased risk of drought and water scarcity.
	Increase in the frequency of extreme conditions (droughts and heat waves)	

<sup>7</sup> Mimi, Z. A. and Jamous, S. A., 2010; Climate change and agricultural water demand: Impacts and adaptations. African Journal of Environmental Science and Technology, 4(4), pp. 183-191.

<sup>8</sup> Adapted from Tippmann, R. and Baroni, 2017; L.ClimaSouth Technical Paper N.2, 2016; The Economics of Climate Change in Palestine, February 2017.



	Decreased groundwater availability/quality	
	Increased demand on aquifers leading to further depletion	
	Conflicts amongst water users due to drought and water scarcity	
6.0	Increased average and extreme temperature	Increased irrigation requirements
	Increased evapotranspiration in plants	
	Increased frequency of drought and heat stress conditions	
	Decreased precipitation	
	Decreased water availability	

#### 4.0 THE ENVIRONMENTAL, SOCIAL AND CLIMATE MANAGEMENT PLAN (ESCMP).

This chapter outlines the Environmental, Social and Climate Management Plan (ESCMP) for the FIRIP.

##### 4.1 THE ESCMP

99. The ESCMP plan will guide the proposed FIRIP project, provides guidelines for the management of potential environmental and social aspects at the project sites. It outlines necessary environmental and social mitigation measures for the project and its proposed components during the development and operational phases of the project. The ESCMP further identifies parties responsible for monitoring actions, and any training or capacity building needs.

100. Mitigation measures have been identified to reduce present and potential impacts associated with the proposed project aimed to enable smallholder farmers and MSMEs access a diverse range of financial services that will enable them to invest in green and climate-resilient technologies, better manage the risks, and increase productivity. Moreover, mitigation measures are identified categorized as either social or physical. Social mitigation includes the measures used to mitigate effects of noise, land use, and other effects to the human environment. Physical mitigation includes measures that address impacts to the physical environment, such as biological communities, vegetation, air quality, and others.

**Table 4-1** Environmental and Social Management Plan (ESCMP).

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
<b>ENVIRONMENTAL IMPACTS</b>				
<b>1.0</b>	<b>CONSTRUCTION PHASE</b>			
<b>1.1</b>	<b><i>Potential Negative Impacts During Construction Phase.</i></b>			
<b>(a)</b>	<b>Soil Erosion</b>			
	<ul style="list-style-type: none"> <li>Exposure of land during preparation of land for crop and pasture farming.</li> <li>Point source contamination from diesel, lubricants etc around working areas.</li> <li>Increased soil erosion due to vegetation clearing, soil trampling and compaction.</li> <li>Increased rapid runoff due to vegetation clearing and soil compaction diminishing infiltration capacity during construction phase.</li> <li>Deterioration of soil characteristics due to increased erosion.</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate containment measures for all operational areas and proper disposal of used lubricants.</li> <li>Soil erosion control measures (e.g., re-vegetation, reseeding of grasses, land preparation, terracing, use of gabions, stabilization of banks etc)</li> <li>Restoration of borrow pits, sand and quarry stone abstraction sites and brick moulding sites.</li> <li>Revegetation, re-grassing of all bare surfaces</li> <li>Minimisation of vegetation clearing to working areas only</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Contractors. District Agriculture Office.	Environmental awareness training

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
		<ul style="list-style-type: none"> <li>Installing soil erosion control structures like, gabions, contour ridges, swells and catch dams.</li> <li>Use existing roads to access the fields and farm sites and employ drainage control measures and culverts to control natural runoff and overland flow.</li> </ul>		
<b>(b)</b>	<b>Ambient air pollution</b>			
	<ul style="list-style-type: none"> <li>Pollution of air</li> <li>Increases in bronchial disorders.</li> <li>Impaired Visibility on the roads</li> <li>Disturbs normal developments of vegetation.</li> <li>Causes acid rain</li> </ul>	<ul style="list-style-type: none"> <li>Animal waste must be handled properly to avoid smell.</li> <li>Contractors should use dust screens or nets in windows, doorways, and ventilators of rooms where demolition or other dusty construction activities are occurring.</li> <li>Dust suppression measures must be instituted at all sites which shall include covering soil mounds and spraying bare areas with water.</li> <li>Site clearance is to be minimized as far as possible to reduce the potential for dust and other impacts.</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers District Agriculture Office.	None
<b>(c)</b>	<b>Ambient Water pollution</b>			
	<ul style="list-style-type: none"> <li>discharges of debris from civil works, oil spills, and other pollutants generated from construction works including onsite sewage and rainwater run-off.</li> <li>Discharge of effluent from agricultural processing plants.</li> <li>Soil and water pollution resulting from the accumulation of solid and liquid waste.</li> <li>Soil and water pollution from chemicals &amp; fertilizers meant for production.</li> <li>Littering and indiscriminate dumping of solid waste pollutes land and water resources.</li> <li>Poisoning of aquatic and inland ecosystems.</li> </ul>	<ul style="list-style-type: none"> <li>Contractors to erect proper sanitary facilities. - Toilets at convenient locations throughout the project area.</li> <li>Pollution from lubricants and other wastes to be avoided. Contain all oil leaks at workshops and surfaces by collecting in oil separators.</li> <li>Controlled disposal of wastes and effluent by use of appropriate disposal facilities, use of appropriate drainage structures, use of cleaner technologies, proper storage of materials, awareness campaigns.</li> <li>Waste must be recycled and reused to avoid dumping in waterways.</li> <li>Polluted water shall be treated prior disposal to watercourse.</li> <li>activities related to slaughtering of cattle should be carefully conducted.</li> <li>Maintain all vehicles and equipment to avoid oil and grease leaks.</li> <li>Install oil and grease separators to collect rain runoff around workshops and parking areas.</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers District Agriculture Office.	None

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
1.2	<b>OPERATION PHASE</b>	•		
1.2.1	<b>Potential Negative Impacts During Operation Phase.</b>	•		
(a)	<b>Solid waste</b>			
	<ul style="list-style-type: none"> <li>Less quantities of solid wastes generated include domestic wastes, plastics, and animal dung.</li> </ul>	<ul style="list-style-type: none"> <li>Collection of all solid waste in a systematic manner for disposal at designated landfills.</li> <li>Placing of waste collection bins at strategic positions throughout the project area.</li> <li>Solid waste should never be burnt on site. Develop a solid waste management plan and implement it.</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers District Agriculture Office. Contractors.	
(b)	<b>Effluent Discharges</b>			
	<ul style="list-style-type: none"> <li>Most agricultural, livestock, agro-processing, packaging, and marketing operations produce liquid effluent</li> </ul>	<ul style="list-style-type: none"> <li>Installation of appropriate effluent treatment facilities next to any processes that generate effluent. i.e., Septic tanks, oxidation ponds, etc</li> <li>Collecting and channelling all effluent to a properly constructed effluent treatment plant, which could be oxidation ponds, septic tanks or bio-gas digesters</li> <li>Monitoring the quality of the effluent that is ultimately discharged to the environment so that it meets the national effluent discharge standards.</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers District Agriculture Office.	
(c)	<b>Agro chemicals</b>			
	<ul style="list-style-type: none"> <li>Poisoning of farmers by chemicals.</li> <li>Poisoning of aquatic and inland ecosystems by the chemicals.</li> <li>Poisoning of the soil by the chemicals.</li> <li>Poisoning of farm products consumers by chemicals.</li> </ul>	<ul style="list-style-type: none"> <li>Encourage organic farming and limit the use of Agro chemicals like inorganic fertilizers.</li> <li>Use integrated Pest Management approaches to minimize pesticide use.</li> <li>Conduct awareness training &amp; workshops on safe handling of chemicals.</li> <li>Erect separate storerooms for all agro chemicals so that they are always under lock and key away from food staffs.</li> <li>Use split application of fertiliser to avoid excess being washed away.</li> <li>No application before major storms</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers District Agriculture Office.	

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
		<ul style="list-style-type: none"> <li>Don't store fertilisers and agrochemicals and food in the same store room.</li> <li>All workers to use appropriate PPE every time.</li> <li>Use the least potent variants of pesticides to minimise poisoning.</li> </ul>		
<b>(d)</b>	E-waste generation			
	<ul style="list-style-type: none"> <li>Potential of E-waste generation from the laptops, computers and solar panels supplied for e-learning.</li> <li>Potential for Hazardous waste pollution.</li> <li>Littering and indiscriminate dumping of solid waste</li> <li>E-waste pollution</li> </ul>	<ul style="list-style-type: none"> <li>Seek guidance of local environmental officers to identify acceptable disposal sites for the e-waste.</li> <li>All e-waste must be securely stored on site prior to collection by competent personnel for proper disposal at designated landfills.</li> <li>Collect and store in a lockable area, all potentially hazardous waste (end of life laptops and computer components, batteries, solar panels, etc.), for onward transportation back to supplier, recycling facility or proper disposal site.</li> </ul>	FIRIP PCU. Local Environment Officers District Agriculture Office.	
<b>1.3</b>	<b>Potential Positive Impacts During Operation Phase.</b>			
<b>(a)</b>	<b>Revegetation</b>			
	<ul style="list-style-type: none"> <li>planting of grass and continuous rehabilitation of the pastures.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>identify the correct indigenous plants that can thrive in the area.</li> <li>Conduct deliberate exercise to revegetate the project area using fodder and other grasses.</li> </ul>	FIRIP PCU. Local Environment Officers District Agriculture Office.	
<b>SOCIAL AND HEALTH IMPACTS</b>				
<b>(a)</b>	<b>Poor project Inception/Introduction</b>			
	<ul style="list-style-type: none"> <li>Anxiety and anticipation Limited cooperation</li> <li>Suspicion and hence concealing important of information.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Efforts must be made to stick to agreed timelines.</li> <li>Transparency and full disclosure of key elements of the project</li> <li>Production of proper plan of action with timelines</li> <li>Presenting full disclosure of project decisions and actions to all concerned stakeholders</li> <li>The planning phase should not drag for far too long as people tend to lose despair.</li> <li></li> </ul>	FIRIP PCU. Local Leadership. Local Environment Officers	None

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
<b>2</b>	<b>CONSTRUCTION/OPERATIONS PHASE</b>			
<b>2.1</b>	<b>Potential Negative Impacts During Constructions/Operations Phase</b>			
<b>(a)</b>	<b>Occupational Health and Safety Issues</b>			
	<ul style="list-style-type: none"> <li>• Temporary and permanent physical injuries.</li> <li>• Bronchial diseases from dust.</li> <li>• Diseases and illness from agricultural activities such as pesticide handling.</li> <li>• Loss of life.</li> <li>• Accidental Injuries of local people accessing construction sites.</li> <li>• Accidents from operation of various equipment,</li> </ul>	<ul style="list-style-type: none"> <li>• A Health/Safety/Environment officer should be present during construction.</li> <li>• All safety precautions must be enforced.</li> <li>• Provide PPE to all workers.</li> <li>• Institute dust and noise suppression measures.</li> </ul>	Health Dept, FIRIP PCU. Local Leadership. Local Environment Officers	Application of various types of PPE and their proper use.
<b>(b)</b>	<b>Gender Based Violence</b>			
	<ul style="list-style-type: none"> <li>• Physical body harm</li> <li>• Lack of productivity</li> <li>• Communicable disease incidences</li> </ul>	<ul style="list-style-type: none"> <li>• Zero tolerance to gender-based violence</li> <li>• Ensure sexual harassment Policy at all levels involved in the project.</li> </ul>	FIRIP PCU. Local Leadership. Local Environment Officers	Gender Based Violence and Sexual Harassment
<b>2.2</b>	<b>Potential Positive Impacts During Constructions/Operations Phase.</b>			
<b>(a)</b>	<b>Economic Opportunities Employment (job creation)</b>			
	<ul style="list-style-type: none"> <li>• improvement on their income generation.</li> <li>• Improvement of livelihoods</li> <li>• maintained land output gain.</li> <li>• capacitation on entrepreneurial skills</li> </ul>	<ul style="list-style-type: none"> <li>• Set up favourable partnership agreements.</li> <li>• Meet all promises.</li> <li>• Endeavour for a win-win situation</li> </ul>	FIRIP PCU. Local Leadership. Local Environment Officers	<ul style="list-style-type: none"> <li>• Entrepreneurial approaches.</li> <li>• Good animal Husbandry</li> <li>• Commercial farming approaches.</li> </ul>
<b>Environment, Social and Governance principles and Environment and Social Management Systems (ESMS)</b>				
	<ul style="list-style-type: none"> <li>• Varied range of organisational structure and capacity to manage environmental and social risks.</li> </ul>	<ul style="list-style-type: none"> <li>• PFIs to elaborate or update Environment and Social Management System (ESMS)</li> </ul>	PFIs and FIRIP PCU	<ul style="list-style-type: none"> <li>• ESG implementation capacity</li> </ul>
		<ul style="list-style-type: none"> <li>• PFIs should develop Environment and Social Action Plans commensurate with the operational risks faced by financial organizations. Subproject screening should ensure that biodiversity risk levels remain</li> </ul>	PFIs and FIRIP PCU	<ul style="list-style-type: none"> <li>• Subproject screening/ monitoring of environment, social and</li> </ul>

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
		<p>moderate. Furthermore, PFIs must establish appropriate mitigation measures for all investments utilizing natural resources and implement measures to prevent pollution.</p> <ul style="list-style-type: none"> <li>Conduct an Environmental and Social Due Diligence (ESDD) (see appendix 3) for every Financial and beneficiary Institution to ascertain their environmental and social compliancy levels.</li> </ul>	PFIs and FIRIP PCU	<p>climate mitigations measures</p> <ul style="list-style-type: none"> <li>ESG implementation capacity</li> </ul>
	<ul style="list-style-type: none"> <li>Lack of ESG capacity among the participating financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>TA Consultancy fees to carry out a needs assessment, capacity building in ESC awareness targeted at the PMU, PFIs, MFBs, Agri MSMEs,</li> </ul>	PFIs and FIRIP PCU	
	<ul style="list-style-type: none"> <li>Risks related to potential investments</li> </ul>	<ul style="list-style-type: none"> <li>Site-specific E&amp;S workplans and ESCMPs (Develop and train beneficiaries to implement)</li> </ul>	PFIs and FIRIP PCU	<ul style="list-style-type: none"> <li>E&amp;S risk management at local level</li> </ul>
	<ul style="list-style-type: none"> <li>Lack of capacity to evaluate and manage environment and social risks related to financial investments</li> </ul>	<ul style="list-style-type: none"> <li>TA consultancy fees to support ESMS development (initial training)</li> <li>TA consultancy fees to support ESG and ESMS development (refresher training)</li> <li>Training materials for ESG and ESMS for first and refresher courses,</li> <li>High level training in Environmental and Social Risks of FIRIP,</li> <li>Annual review workshops where lessons learned across the project are incorporated to improve ESG and ESMSs and overall ESC management,</li> </ul>	PFIs and FIRIP PCU	<ul style="list-style-type: none"> <li>E&amp;S risk management</li> <li>E&amp;S risk management</li> <li>E&amp;S risk management</li> </ul>

## **5.0 ENVIRONMENTAL AND SOCIAL MONITORING PLAN**

### **5.1 INTRODUCTION**

101. The environmental and social monitoring will be the responsibility of the PMU Environmental Officers who will be coordinating all safeguards issues. The objective for monitoring is twofold:

- To provide timely information about the effectiveness of the environmental and social management screening process as outlined in the ESCMP. Information generated will inform continuous improvement to the process,
- To establish the progress in implementation of the mitigation measures, the extent to which they are effective in maintaining environmental and social integrity and if any changes are required to improve the ESCMP implementation.

### **5.2 AREAS TO BE MONITORED**

#### **5.2.1 Environmental issues**

##### **a) Soils**

102. Soil degradation may occur as the soils are exposed and or compacted during the construction of agriculture infrastructure and agricultural activities, potentially affecting the drainage of the areas. Other soil pollutants may include the use of agrochemicals (pesticides, fertilizers, and other modifying agents) which have potential to pollute soils and water bodies or cause other negative impacts.

103. The beneficiary communities must ensure that no gullies or rills develop in the programme areas. This can be avoided by taking such soil erosion control measures as construction of embankments and designing drainage along work areas. The absence of gullies and rills will be used as a measure of the success of the control measures and Replacing polluting fertilizers and/or pesticides with other alternatives. The soil can also be scotched by chemical spillages. This will render the soil poisonous, and it must be discouraged at all costs.

##### **b) Vegetation**

104. Unnecessary vegetation clearing and grass fires must be prevented at all costs. The trees should not be gathered for firewood or cut for other purposes. The local residents must be monitored to ensure that firewood is not excessively collected. Cover with topsoil and re-vegetate (plant grass, fast-growing plants/bushes/trees) construction areas quickly once work is completed

##### **c) Wildlife**

105. No unauthorised hunting, fishing, capture of wildlife or collection of plants. All wildlife should be treated in accordance with the Wildlife Act. Marginal lands and fragile ecosystems must be protected against abuse.

##### **e) Chemical pollution**

106. A great likelihood of chemical pollution of the water and the soil exists and in order to monitor this in the soil or water, samples must be taken regularly from them for pollution testing.

##### **f) Water resources**

107. Both quality and quantity of water resources in the rivers must be properly managed for sustainable irrigation activities to persist. Project Activities should not affect the availability of water for drinking and hygienic purposes. No soiled materials, solid wastes, toxic or hazardous materials should be stored in, poured into or thrown into water bodies for dilution or disposal.

##### **g) Ambient air quality**



108. All air polluting activities need to be checked regularly to minimise their effect on air quality. Minimize dust from exposed work sites by applying water on the ground regularly during dry season. Control vehicle speed when driving through community areas so that dust dispersion from vehicle transport is minimized.

#### **h) Climate Resilience**

109. Adopt various sustainable and climate-smart practices which may include agro-forestry, precision agriculture, labour-saving agricultural technologies, renewable energy, waste management, and recycling. value-addition technologies, eco-friendly packaging, and conservation agriculture techniques. It will be important to regularly inspect agricultural infrastructure for its resilience to climate change and variability and also any agricultural practices, if they are still relevant in the given climatic conditions.

### **5.2.2 Social Issues**

#### **a) Loss of natural and cultural heritage**

110. The rehabilitation/construction of roads, dams, warehouses and other agricultural infrastructure and fields may affect some natural features, antics and relics in the programme area. Measures must be put in place for chance finds and any such incidences must be treated as required by the relevant Act.

#### **B) Community Health and Safety**

111. Regular health checks of the workforce/farmers are a way to monitor disease patterns of the members of the community to ensure that no new strains of diseases are being introduced. Keep corrosive fluids and other toxic materials in properly sealed containers for collection and disposal in properly secured areas. Ensure adequate toilet facilities for workers from outside of the community

#### **c) Noise and Vibrations**

112. Plan activities in consultation with communities so that noisiest activities are undertaken during periods that will result in least disturbance. It will be important to routinely monitor noise levels from the machinery to ensure that it conforms to the limits recommended for noise levels. Use when needed and feasible noise-control methods such as fences, barriers or deflectors (such as muffling devices for combustion engines or planting of fast-growing trees).

113. It is recommended that all environmental parameters mentioned above be monitored during the implementation and operation stages and any impacts should be mitigated as soon as possible. While monitoring, if and when any significant impacts are detected, the monitoring team should meet and address the issue. All team members should keep records of such meetings.

### **5.3 ENVIRONMENTAL AND SOCIAL MONITORING PLAN**

114. Sub-project screening will ensure that no activities in the project exclusion list will be done under FIRIP. Thus, the first action by the Environmental Officers will be to monitor whether any subprojects:

- i) Require acquisition of land and displacement of people,
- ii) Block the access to or use of land, water points and other livelihood resources used by others,
- iii) Encroach onto fragile ecosystems, marginal lands or important natural habitats,
- iv) Impact on physical cultural resources of national or international importance and conservation value.

115. The following is an outline of the proposed environmental and social monitoring plan for the FIRIP:

The Monitoring Plan is summarized in Table 5-1 below.

**Table 5-1** Monitoring Activities and Indicators

<b>ISSUE</b>	<b>METHOD OF MONITORING</b>	<b>AREAS OF CONCERN</b>	<b>POSITIVE INDICATOR</b>	<b>FREQUENCY</b>	<b>RESPONSIBLE AUTHORITIES</b>
Soils	In the eventuality of construction of agriculture infrastructure, the contractors should make a daily inspection of earth works and ensure that slopes are suitably graded. Once earthworks are complete the Implementing Agent should monitor the restoration measures implemented by the Contractor, such as re-vegetation	<ul style="list-style-type: none"> <li>• Soil erosion</li> <li>• Conservation activities</li> <li>• Rangelands management</li> </ul>	An absence of rills, gullies or other erosion features occurs	Daily and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Ministry Of Green Economy and Environment.</li> <li>• Ministry of Agriculture (MoA)</li> <li>• FIRIP-PMU</li> <li>• Zambia Environmental Management Agency (ZEMA).</li> </ul>
Vegetation	Vegetation clearance must be limited to areas to be used and site works only.	<ul style="list-style-type: none"> <li>• Clearing of the project sites and disturbance of animals.</li> <li>• flora and fauna</li> </ul>	No unnecessary vegetation cleared	Weekly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Ministry Of Green Economy and Environment.</li> <li>• Ministry of Agriculture (MoA)</li> <li>• FIRIP-PMU</li> <li>• Zambia Environmental Management Agency (ZEMA).</li> </ul>
Birds Habitats	Interference with nesting sites	<ul style="list-style-type: none"> <li>• Nesting sites</li> <li>• Migratory routes</li> </ul>	Reproductive patterns of birds undisturbed	Weekly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Zambia Environmental Management Agency (ZEMA).</li> <li>• Department of National Parks and Wildlife</li> </ul>
Small mammals habitat loss	Ensure that no unnecessary habitat loss occurs, and that poaching is curtailed.	<ul style="list-style-type: none"> <li>• Animal habitats</li> <li>• Poaching</li> </ul>	No Mammals are displaced from their habitats. Number of poaching incidences reduced or eliminated.	Weekly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Zambia Environmental Management Agency (ZEMA).</li> <li>• Department of National Parks and Wildlife</li> <li>• Police department</li> </ul>

<b>ISSUE</b>	<b>METHOD OF MONITORING</b>	<b>AREAS OF CONCERN</b>	<b>POSITIVE INDICATOR</b>	<b>FREQUENCY</b>	<b>RESPONSIBLE AUTHORITIES</b>
Crime	The FIRIP-PMU Secretariat should Liaise with police department if crime/theft becomes a problem.	<ul style="list-style-type: none"> <li>• Criminal activities in the area</li> </ul>	Crime theft kept to a minimum. Incidences of stock theft and house breaking minimized.	Weekly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Department of National Parks and Wildlife</li> <li>• Police department</li> <li>• District Administrators</li> </ul>
Noise	Noise monitoring should be carried out on an ad-hoc basis by the Environmental Monitor or the FIRIP-PMU to establish noise levels in the work areas.	<ul style="list-style-type: none"> <li>• Noise Levels</li> </ul>	Noise levels at the nearest sensitive receiver would be kept to a minimum.	Weekly and ongoing as project is implemented.	<ul style="list-style-type: none"> <li>• Ministry of Health</li> <li>• Zambia Environmental Management Agency (ZEMA).</li> <li>• FIRIP-PMU.</li> </ul>
Health	FIRIP-PMU must ensure that education and awareness campaigns are implemented and must mainstream HIV/AIDS issues into the project implementation programme.	<ul style="list-style-type: none"> <li>• Public health</li> <li>• Waste management at Sub-project sites.</li> <li>• Disease outbreak due to concentration of people at the Sub-project sites.</li> <li>• Disease outbreak due to dust and water pollution.</li> </ul>	Reduction in number of cases of such diseases as Avian flu, AIDS/STD related diseases recorded at hospital and medical clinic	Monthly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Health ministry</li> <li>• FIRIP-PMU</li> <li>• Ministry of Agriculture (MoA)</li> </ul>
Archaeology	This should concentrate on chance finds. Provision should be made to allow archaeologists to be present on site during the excavation periods if they so wish. The FIRIP-PMU should inspect all excavations, and where archaeological remains are found work must stop until the FIRIP-PMU has been given the all clear to proceed. The FIRIP-PMU should contact the National Museums Board of Zambia in the event of a significant archaeological find.	<ul style="list-style-type: none"> <li>• Archaeological Findings</li> </ul>	Archaeological remains not excavated, disturbed or destroyed.	<ul style="list-style-type: none"> <li>• Daily and ongoing as project is implemented</li> <li>• Room for chance finds</li> </ul>	<ul style="list-style-type: none"> <li>• National Museums Board of Zambia.</li> <li>• Zambia Environmental Management Agency (ZEMA).</li> </ul>
Energy	The Developers must inspect the provisions made by the Contractor to supply energy to the workforce and ensure that fuel wood is not being collected. The Zambia Environmental Management Agency (ZEMA). should enforce legislation which prohibits cutting down of trees. The Zambia Environmental Management Agency	<ul style="list-style-type: none"> <li>• Types of energy sources used in the project</li> </ul>	Energy supplied by electric generator or other suitable source. Deforestation and resultant erosion	Regularly	<ul style="list-style-type: none"> <li>• Department of Forestry.</li> <li>• Zambia Environmental Management Agency (ZEMA).</li> </ul>

<b>ISSUE</b>	<b>METHOD OF MONITORING</b>	<b>AREAS OF CONCERN</b>	<b>POSITIVE INDICATOR</b>	<b>FREQUENCY</b>	<b>RESPONSIBLE AUTHORITIES</b>
	(ZEMA), FIRIP and local leadership (cultural and political) should sensitize the workers against cutting down of trees.		controlled and reduced		<ul style="list-style-type: none"> <li>Local Leadership</li> </ul>
Air Pollution	Observations should be made on the level of dust generated during the construction and Agricultural activities by the Environmental Monitor or FIRIP PMU. Dampening should be carried out if levels are unacceptable.	<ul style="list-style-type: none"> <li>Levels of dust emissions</li> </ul>	Deposition of dust on surfaces should decrease with increased dampening	Daily	<ul style="list-style-type: none"> <li>Health ministry</li> <li>Project FIRIP-PMU</li> <li>Ministry of Agriculture (MoA)</li> </ul>
Water resources	<ul style="list-style-type: none"> <li>Water resources should be managed well.</li> <li>The Ministry of Health should test borehole water quality in the area to ascertain the suitability for human consumption.</li> </ul>	<ul style="list-style-type: none"> <li>Watercourses and impoundments.</li> <li>Surface water quality</li> <li>Ground Water Quality</li> <li>Recommended distances from watercourses.</li> <li>Possible dam construction sites.</li> </ul>	<ul style="list-style-type: none"> <li>Water made available for environmental concerns.</li> <li>Pollution of water resources monitored/detected early and remedial measures taken on time</li> </ul>	Tests for water pollution to be done Monthly.	<ul style="list-style-type: none"> <li>Health ministry</li> <li>Project FIRIP-PMU</li> <li>Ministry of Agriculture (MoA)</li> <li>Department of Water Development, (DWD)</li> <li>Zambia Environmental Management Agency (ZEMA).</li> </ul>
Landscape	The FIRIP-PMU should make visual inspection of earth works to ensure that excessive excavation is not being carried out. Temporary screening may be appropriate in some cases.	<ul style="list-style-type: none"> <li>Visual intrusions.</li> <li>Aesthetics.</li> </ul>	Landscape alteration reduced to a minimum	Monthly	<ul style="list-style-type: none"> <li>National Museums Board of Zambia.</li> <li>Zambia Environmental Management Agency (ZEMA).</li> </ul>
Complaints	The FIRIP-PMU should inspect the record of complaints made by local residents, to be kept by the sub-project proponents, and should check that action is taken quickly and that the number of complaints do not rise significantly.	<ul style="list-style-type: none"> <li>Complaints.</li> </ul>	Number of complaints decreases.	Monthly	<ul style="list-style-type: none"> <li>FIRIP PMU</li> <li>Ministry of Agriculture (MoA)</li> <li>Zambia Environmental Management Agency (ZEMA).</li> </ul>

## 6.0 BUDGETARY ALLOCATIONS

### 6.1 INTRODUCTION

116. The following is a breakdown of the cost estimates for the various activities in the environmental and social management plan. The PDR provides details of costs for some activities that can be considered to be environmental, social and climate related activities. This detailed budget is meant for implementing and monitoring the recommended mitigation measures throughout the project life. **The budget must be integrated into the overall programme costs to ensure that the proposed mitigation measures are implemented.**

117. Also, since project activities are yet to be finalized, provisions for E&S related studies and other capacity-building initiatives will be accounted for in the planning stages.

118. The cost of implementing this ESCMP includes the following:

- i. Salary for the Environment, Social and Climate Specialist,
- ii. TA Consultancy fees to carry out a needs assessment, capacity building in ESC awareness targeted at the PMU, PFIs, MFBs, Agri MSMEs,
- iii. Site-specific E&S workplans and ESCMPs (Develop and train beneficiaries to implement),
- iv. TA consultancy fees to support ESG and ESMS development (initial training),
- v. TA consultancy fees to support ESG and ESMS development (refresher training),
- vi. Training materials for ESG and ESMS for first and refresher courses,
- vii. High level training in Environmental and Social Risks of FIRIP,
- viii. Annual review workshops where lessons learned across the project are incorporated to improve ESG and ESMSs and overall ESC management,
- ix. Monitoring and evaluation exercises for training both the FIRIP staff and the beneficiaries in participatory environmental monitoring,
- x. Project ESC management to cover logistics, communications, per diems, stationery, etc (estimate),

This is summarised Table 6-1, Estimated ESCMP Implementation Budget:

**Table 6-1** Estimated Budget for ESCMP Implementation (US\$)

No .	YEAR ACTIVITY	REFERE NCE TABLE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL (USD)
	Salary for ESC Specialist		36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00
	Capacity building and awareness training		30,000.00	30,000.00		30,000.00		90,000.00
	Support to developing ESG and ESMSs		45,000.00			25,000.00		70,000.00
	Training on ESG, ESMS and Risks of FIRIP		----- ---	10,000.00	8,000.00	6,000.00	6,000.00	30,000.00
4	Monitoring and evaluation purposes (M&E, Field Visits)		----- ---	20,000.00	30,000.00	20,000.00	20,000.00	60,000.00
6	Annual Reviews		10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	50,000.00
7	Bi-Annual Audit		----- --		15,000.00		----- ---	15,000.00

8	End of Project Audit					30,000.00	30,000.00
	<b>Sub - Total</b>						<b>526,000.00</b>
	<b>10% Contingency</b>						<b>52,600.00</b>
	<b>Grand Total</b>						<b>578,600.00</b>

119. The costs for environmental, climate and social mitigation, management and monitoring, including capacity building and training and support to the development and implementation of the PFI ESMSs is estimated to be USD **578,600.00**. The above budget lines will be refined further as the design progresses.

## 7.0 INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

### 7.1 INSTITUTIONAL FRAMEWORK

120. In Zambia, environmental affairs are managed and regulated by the Ministry of Green Economy and Environment. The ministry formulates & implements policies & laws on green economy, climate change, environment management, meteorology, forestry, biosafety, sustainable dev. Etc. It is supported by the Zambia Environmental Management Authority (ZEMA) which provides administrative framework for environmental impacts assessments for prescribed projects. The ZEMA is headquartered in Lusaka and is led by a Director General. The directorate coordinates and supervises all environmental affairs including enforcement and compliance with Environmental Assessments. Thus, they undertake daily operations and management of environmental affairs.

121. The FIRIP PCU will work with the Ministry of Green Economy and Environment to ensure effective implementation of the ESCMP and to address environmental challenges that may arise. This will be realized with the technical input from relevant Subject Matter Specialist at the levels of the PCU. While the PCU, will constitute national-level structures of the implementation arrangement, the district-level technical support staff, the district and community-level organizations, will constitute subnational level structures to ensure quality delivery of services and project support to community members.

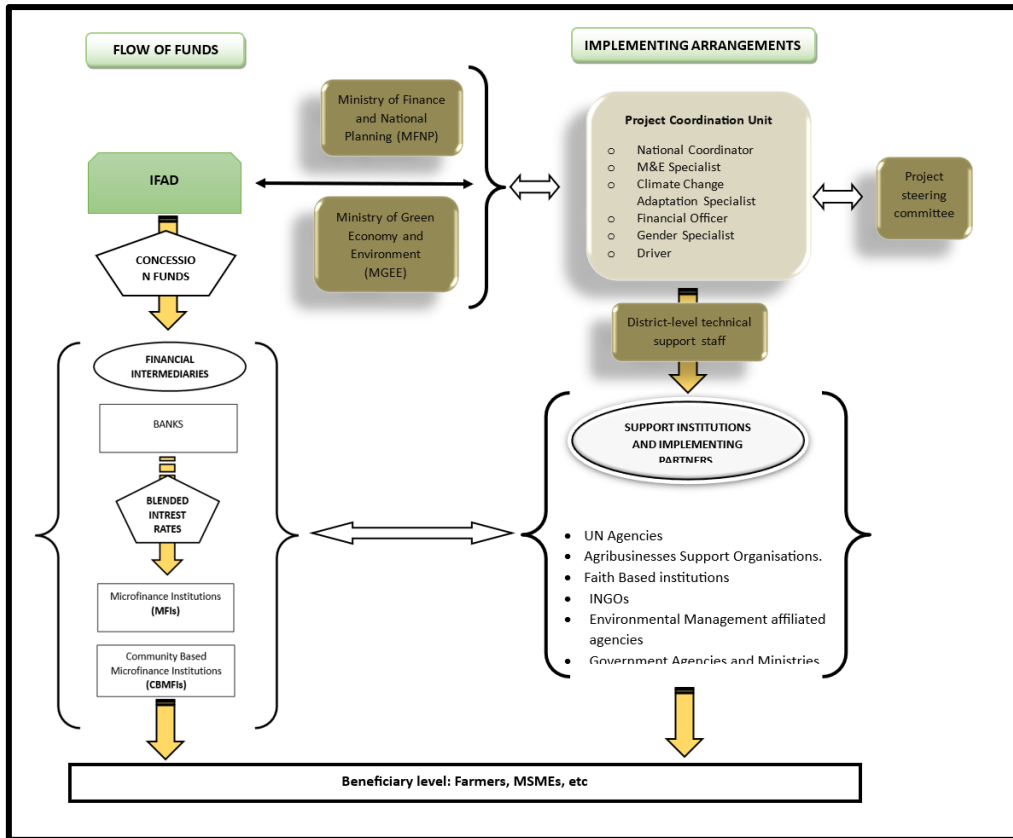
122. The Environmental Management Act of 2011 is currently the overall law for the management of the environment in Zambia. The Act provides for the environmental management structure in the country, and also provides for integrated environmental management and the protection and conservation of the environment and the sustainable management and use of natural resources. The act is implemented with reference to the Environmental Impact Assessment Regulations, **S.I No 28 of 1997** (herein referred to as the EIA Regulations).

### 7.2 REPORTING

123. To monitor the progress of the implementation of the measures that have been identified in this ESCMP, annual reviews will be carried. The principal output of the annual reviews is an **annual review report** that documents the review methodology, summarizes the results, and provides practical recommendations. Distinct sections should address:

- a. ESCMP performance and,
- b. cumulative impacts.

124. Annexes should provide the detailed results of the field work and summarize the number of approved sub-projects by district and their characteristics according to the annual report format. Copies of the annual review report (Appendix 2) should be delivered to the FIRIP Technical Committee (FTC), to each District office responsible for appraisal, approval, and implementation of sub-projects, and to IFAD.



**Figure 7-1** Implementation Arrangements for the ESCMP



## 8.0 CONCLUSIONS AND RECOMMENDATIONS

125. The FIRIP programme has great potential to significantly improve the livelihoods of the rural people of Zambia. The proposed FIRIP programme has potential to significantly improve the rural farmers production, productivity, and income in the target project areas. An improvement in the income of the households will translate to improved food security as they now will have cash to secure other needs. The implementation of FIRIP will provide considerable economic opportunity for material/equipment suppliers, construction contractors and agricultural professionals.

126. The envisaged environmental and social impacts include disturbance of soil from digging of pits and foundations, and value addition infrastructures construction activities, Solid and liquid waste generation, tree cutting and general vegetation clearing, emission of dust and generation of noise. These envisaged environmental impacts will generally be localized, minimal, short term and can be mitigated. However, this will entail incorporating all the requisite mitigation measures and adhering to the requirements of the current ESCMP. The Final *benefits of this programme to the nation will, by far outweigh potential negative effects.*

127. It is therefore recommended that:

- The land around any sub-project works should be left intact and pollution free.
- Bush clearance should be confined to the necessary part, buffer strips be maintained, and revegetation effected to affected areas.
- Sensitive environments like wetlands and hillsides should be preserved and managed well to avoid their rapid deterioration.
- Labour intensive methods should be encouraged as they benefit the local community in terms of job creation. For this the project should employ locals as much as possible to ensure that benefits remain in the area where development is taking place.
- The use of destructive machinery should be avoided as much as possible. Machinery will adversely affect soils and undergrowth.
- The recommended mitigation measures should be implemented to reduce significant environmental impacts.
- Environment, social and climate risk management should be mainstreamed in all sub-projects.
- Project partners and stakeholders must adhere to SECAP guidelines, and IFAD's exclusion list ( see Appendix 6)

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## 10.0 APPENDICES

### APPENDIX 1 IMPACTS SIGNIFICANCE RATING TABLES.

The significance of adverse impacts from project activities will be rated based on their magnitude, duration and probability as shown below in Table **APP 1-1**. The scales of rating are 1 to 5 with 1 being low and 5 being high. Where an aspect is affected by more than one impact, the highest rating is taken as the applicable significance of the impact. The ESCMP in Chapter 7 only considers the impacts that have been rated moderate and high significance as these present impacts that need attention.

**Table APP 1-1** Impact Magnitude Scoring Table. (Adapted from Ryan Edwards, 2011)

<b>Criteria</b>	<b>Scoring</b>	<b>Description</b>
<b>Quality</b>		<b>Nature of Environmental Change</b>
<b>Positive</b>	N/A	Beneficial impacts
<b>Negative</b>	N/A	Adverse Impacts
<b>Probability</b>		<b>the likelihood of the impact occurring</b>
Unlikely	1	The chance of the impact occurring is extremely low (Less than a 20% chance of occurrence).
Fairly Unlikely	2	The chance of the impact occurring is moderately low (Between a 20% to 40% chance of occurrence).
Possible	3	The impact may occur (Between a 40% to 60% chance of occurrence).
Probable	4	The impact will likely occur (Between a 60% to 80% chance of occurrence).
Definite	5	Impact will certainly occur (Greater than an 80% chance of occurrence).
<b>Severity</b>		<b>The degree of disturbance</b>
Very Low	1	Impact affects the quality, use and integrity of the system/component in a way that is barely perceptible.
Low	2	Impact alters the quality, use and integrity of the system/component but system/ component continues to function in a slightly modified way and maintains original integrity (no/limited impact on integrity).
Moderate	3	Impact alters the quality, use and integrity of the system/component but system/component continues to function in a moderately modified way and maintains general integrity.
High	4	Impact affects the continued viability of the system/component and the quality, use, integrity and functionality of the system or component is severely impaired and may temporarily cease. High costs of rehabilitation and remediation.
Very High	5	Impact affects the continued viability of the system/component and the quality, use, integrity and functionality of the system or component permanently ceases and is irreversibly impaired (system collapse). Rehabilitation and remediation often impossible. If possible, rehabilitation and remediation often unfeasible due to extremely high costs of rehabilitation and remediation.
<b>Extent</b>		<b>the spatial influence of the effects produced by the impact.</b>

<b>Criteria</b>	<b>Scoring</b>	<b>Description</b>
Project Area (Site)	1	Effects of an impact experienced within or in proximity (100m) to the project site. However, the size of the site needs to be considered. A large site may have to be scored according to category 2 below.
Surrounding Area	2	Effects of an impact experienced beyond the project site but within a 2km radius of the site.
Local	3	Effects of an impact experienced within the local area (e.g. between a 2km to 50km radius of the site).
Regional	4	Effects of an impact experienced within the local region (e.g. between a 50km to 200km radius of the site).
National (larger area)	5	Effects of an impact experienced within a large geographic area beyond a 200km radius of the site.
<b>Duration</b>		<b>Period when the Impact is Expected to Occur</b>
Short-term	1	The impact and its effects will either disappear with mitigation or will be mitigated through natural process in a span shorter than the construction phase (0 – 1 years), or the impact and its effects will last for the period of a relatively short construction period and a limited recovery time after construction, thereafter it will be entirely negated (0 – 2 years).
Medium-Short-term	2	The impact and its effects will continue or last for the period of a relatively long construction period and/or a limited recovery time after this construction period, thereafter it will be entirely negated (2 – 5 years).
Medium-Long-term	3	The impact and its effects will continue or last for some time after the construction phase but will be mitigated by direct human action or by natural processes thereafter (5 – 15 years)
Long-term	4	The impact and its effects will continue or last for the entire operational life of the development but will be mitigated by direct human action or by natural processes thereafter (15 – 50 years).
Permanent	5	The only class of impact that will be non-transitory. Mitigation either by man or natural process will not occur in such a way or such a time span that the impact can be considered transient (Indefinite).
<b>Magnitude</b>		<b>Effect on Environmental and Social Processes</b>
negligible	< 6	not serious: Changes are barely perceptible.
low	6-9	acceptable, mitigable
moderate	10-13	undesirable but mitigable
high	14-17	very serious
very high	>17	totally unacceptable

**Note:** Probability + Severity + Extent + Duration = Magnitude

## APPENDIX 2 GUIDELINES FOR ANNUAL REVIEWS AND ANNUAL AUDITS

**Objectives:** The objectives of annual reviews and annual audits of the ESCMP implementation are two-fold:

- a) *To assess Project performance in complying with ESCMP procedures, learn lessons, and improve future performance; and*
- b) *To assess the occurrence of, and potential for, cumulative impacts due to FIRIP-funded and other development activities.*

The annual reviews and annual audits are intended to be used by FIRIP management to improve procedures and capacity for integrating natural resources and environmental/social management into project operations. They will also be a principal source of information to IFAD supervision missions.

Audits will be done bi-annually whilst reviews will be done annually after every annual report is produced.

An audit is different from a review. In a review, the auditor conducts analytical procedures and makes inquiries to ascertain whether the information contained within the annual report is correct. The result is a limited level of assurance that the annual report being presented does not require any material modifications. In an audit, the auditor must corroborate the information in the annual report. This calls for a thorough examination of all the documentation leading to the annual report, Confirmations from beneficiaries, physical inspections of sub-projects and other procedures as needed.

Thus, the audit gives a higher level of assurance that the annual report is fairly presented. An audit also requires a significant amount of time and effort to complete and thus audits are much more expensive than reviews.

**The following is an outline of the scope of work and impacts of these audits. Note that if it is an audit, more detailed work will be needed but if it is a review, information provided in the annual reports will be sufficient:**

### **Scope of Work:** *ESCMP Performance Assessment*

The overall scope of the performance assessment work is to:

- a) Assess the adequacy of the sub-project approval process and procedures based on interviews with project participants, project records, and the environmental and social performance of a sample of approved sub-projects.
- b) Assess the adequacy of ESCMP roles and responsibilities, procedures, forms, information resource materials, etc.
- c) Assess the needs for further training and capacity building.
- d) Identify key risks to the environmental and social sustainability of sub-projects; and
- e) Recommend appropriate measures for improving ESCMP performance.

The following tasks will be typical:

- a) Review district records of sub-projects preparation and approval (e.g., applications; screening checklists; site specific ESCMPs, appraisal forms; approval documents), monitoring reports as well as related studies or reports on wider issues of natural resources and environmental management in the country.
- b) On the basis of this review, conduct field visits of a sample of approved sub-projects to assess the completeness of planning and implementation work, the adequacy of environmental/social design, and compliance with proposed mitigation measures. The sample should be large enough to be representative and include a substantial proportion of sub-projects that had (or should have had) a field appraisal according to established ESCMP criteria (see Section 7.2 The Screening Process). Sub-projects in sensitive natural or social environments should especially be included.

- c) Interview project and district officials responsible for sub-projects appraisal and approval to determine their experience with ESCMP implementation, their views on the strengths and weaknesses of the ESCMP process, and what should be done to improve performance. Improvements may concern, for example, the process itself, the available tools (e.g., guidelines, forms, and information sheets), the extent and kind of training available, and the number of financial resources available.
- d) Develop recommendations for improving ESCMP performance.

### **Cumulative Impacts Assessment**

This part of the annual review or annual audit assesses the actual or potential cumulative impacts of sub-projects with other sub-projects or development initiatives on the environment, natural resources, and community groups. Cumulative impacts result from several individual small-scale activities that, on their own, have minimal impacts, but over time and in combination generate a significant impact. For example:

- \* Decline in groundwater levels or quality due to the construction of numerous wells and the introduction of numerous small-scale irrigations works.
- \* Overwhelmed or illegal waste and dumping sites due to the inappropriate disposal of increasing amounts of waste materials.

The function of this assessment is primarily as an "early warning" system for potential cumulative impacts that might otherwise go undetected and unattended to. It will be largely based on the observations of people interviewed during the field work, and trends that may be noticed by district or regional officials. Where cumulative impacts are detected or suspected, recommendations will be made to address the issue, perhaps through more detailed study to clarify matters and what should or can be done about them.

### **Qualifications for Undertaking Annual Reviews:**

The reviews and annual audits should be undertaken by an individual or small team with training and experience relevant to the likely issues to be encountered (e.g., environmental, and natural resources management and land acquisition and resettlement). They should also be familiar with the methods and practices of effective community consultation, and with typical methods and processes for preparing, appraising, approving, and implementing small-scale community development projects.

### **Timing:**

Annual reviews and annual audits should be undertaken after the annual monitoring report has been prepared and before IFAD supervision of the project, at the closing of each year of the project. It is expected that each review would require 3-4 weeks of field work (interviews, examination of sub-projects), and that the review report would be completed within 2 weeks of completing the field work.

### **Outputs:**

The principal output is an **annual review or audit report** that documents the review methodology, summarizes the results, and provides practical recommendations. Distinct sections should address a) ESCMP performance and b) cumulative impacts. Annexes should provide the detailed results of the field work and summarize the number of approved sub-projects by district and their characteristics according to the annual report format (see Appendix 2). Copies of the annual review report should be delivered to FIRIP Technical Committee, to each District Administration office responsible for appraisal, approval, and implementation of sub-projects, and to IFAD. The District Review Panel may also want to host national or Sub-District workshops to review and discuss the review findings and recommendations.

## APPENDIX 3 ENVIRONMENTAL AND SOCIAL DUE DILIGENCE (ESDD)

### Bank ESDD

No	REQUIREMENT	EXPECTED DOCUMENTATION, POLICIES AND PROCEDURES	RECOMMENDED ACTION POINTS
1.	Environmental and social policy with social and environmental requirements encompassing direct and indirect sub-projects. The policy should also include a commitment that all non-retail transactions comply.	<p>Financial Institution (Bank) should have a clearly documented and top management approved environmental and social management policy indicating the date approved.</p> <p>The Bank policy should include:</p> <ul style="list-style-type: none"> <li>• Environmental and social risk management.</li> <li>• Exclusion list.</li> <li>• Legislative framework.</li> <li>• E&amp;S risks and opportunities management.</li> <li>• E&amp;S governance structure.</li> <li>• E&amp;S training.</li> <li>• E&amp;S social performance communication.</li> <li>• Grievance redress mechanism.</li> </ul>	As part of the annual policy review, include the requirement for indirect investments and sub-projects to comply with the Bank’s Environmental and Social policy. For instance, ensure that the sub-projects do not support activities on the IFAD exclusion list; comply with host-country environmental, health and safety laws and regulations; that grievance mechanisms are in place for sub-projects.
2.	A process to identify environmental, social and climate risks and impacts and categorise investments including sub-projects.	<p>Financial Institution must have an Environmental and Social Risk Management (ESRM) procedures</p> <ul style="list-style-type: none"> <li>• The ESRM procedures provide an E&amp;S Risk Categorisation guide which categories transactions.</li> <li>• An E&amp;S Risk Rating (ESRR) guide can also be developed. A transaction can either be Very High Risk, High Risk, Medium or Low Risk.</li> </ul> <p>The ESRM procedures also provide guidance on how to conduct Environmental and Social Due Diligence (ESDD) for each of the categories identified. An executive summary of the ESDD is included into the credit application.</p> <p>An ESDD register is provided for to be maintained by each respective Bank’s head of ESG.</p> <p>As per the ESRM procedures transaction screening process, only agricultural facilities of K 5million and above undergo a detailed E&amp;S due diligence process (Micro-loans rapid E&amp;S assessment checklist-K 5M-19.99M; SME E&amp;S assessment checklist-K 20M-99.99M; Corporate E&amp;S assessment checklist-above K 100M) Anything below</p>	<p>Develop a process for environmental, social and climate screening of transactions (by small-scale producers) below K 5M. Expand the credit application tool to include climate change adaptation screening for facilities below K 5M (small-scale producers).</p> <ul style="list-style-type: none"> <li>• Identified climate risk i.e., physical, transition or liability)</li> <li>• Climate adaptation type</li> </ul> <p>Consider expanding the ESDD tools to include additional CCA categories i.e., Value chain services and value creating solutions.</p>



No .	REQUIREMENT	EXPECTED DOCUMENTATION, POLICIES AND PROCEDURES	RECOMMENDED ACTION POINTS
		<p>K 5million undergoes a check against respective Bank procedures and the Bank exclusion list.</p> <p>For the FIRIP’s program, environmental and social risk classification is moderate based on SECAP’s environmental and social risk categorization for financial institutions including anticipated sub-projects. For this reason, Banks should exclude all sub-projects categorised as high risk.</p> <p>If the risk-profile of a sub-project increases significantly, Banks should notify IFAD.</p> <p>Banks Credit Risk policy details an exclusion list. However, this does not align to the IFAD policy exclusion.</p>	<p>All sub-projects categorised as high risk are not eligible for the FIRIP program.</p> <p>Notify IFAD if there is a significant increase in risk-profile for approved sub-projects.</p> <p>Ensure that the E&amp;S policy Exclusion List has covered all items in IFAD Exclusion List.</p>
3.	Internal organizational capacity and competency	Banks should have teams to manage the E&S risks. Each Financial Institution must have an ESG head reporting to the Bank’s Sustainability Director.	Banks should set up sustainability teams.
4.	Monitoring and reporting systems	<p>The Banks should define a monitoring process within the ESG procedures for all sub-projects undergoing ESDD assessment. Monitoring of E&amp; S covenants agreed upon with clients is dependent on risk categorisation.</p> <p>A summary of all monitoring reports is presented to the Director of Sustainability.</p>	Establish a monitoring process to monitor E&S performance of sub-projects and investments below K 5M within the FIRIP program.

No.	REQUIREMENT	EXPECTED DOCUMENTATION, POLICIES AND PROCEDURES	RECOMMENDED ACTION POINTS
		<p>The Banks are required to submit to IFAD annual ESMS monitoring reports as well as notify IFAD of any significant accidents or incidents within sub-projects or if the risk profile of an FI or a direct investee increases significantly.</p> <p>The annual reports should include:</p> <ul style="list-style-type: none"> <li>• Portfolio breakdown by sub-borrower category, and sample ESDD reports.</li> <li>• Update on progress achieved in E&amp;S covenants.</li> <li>• Cases of non-compliance and significant E&amp;S accidents or incidents related to a transaction.</li> </ul> <p>Information on the implementation of any changes to the FI's ESMS; and where relevant, the FI sub-projects' exposure to high-risk activities.</p>	<p>The Banks are to provide annual monitoring reports. The contents of the report should include:</p> <ul style="list-style-type: none"> <li>• Portfolio breakdown by sub-borrower category/lending channel (small-scale producers; micro enterprise; SME Agribusiness; either direct or indirect).</li> <li>• CCA adaptation type and sub-sector.</li> <li>• Sample ESDD reports.</li> <li>• Update on progress achieved in E&amp;S covenants.</li> <li>• Cases of non-compliance and significant E&amp;S accidents or incidents related to a transaction.</li> </ul> <p>Information on the implementation of any changes to the FI's ESMS; and where relevant, the FI sub-projects' exposure to high-risk activities.</p>
1.	Disclosure	<p>The Bank must develop an environmental and social risk management disclosure and reporting procedure as part of the Bank's ESRM procedures. This should cover internal reporting to the board and management and external reporting either for regulatory purposes, Bank sustainability reporting, reporting to investors or DFIs.</p>	<p>Good practise: the Banks are to communicate the E&amp;S policy externally through public disclosure, e.g., presenting it in corporate statements and reports and publishing it on their website.</p>

## **Appendix 4: OUTLINE OF THE ELEMENTS OF ENVIRONMENT AND SOCIAL GOVERNANCE MANAGEMENT SYSTEMS (ESMS)**

As indicated in the SECAP Standard 8 on financial intermediaries and direct investee, an ESMS commensurate to the risk profile of the FI or direct investee should typically consist of the following elements:

### **1. An Environment & Social Policy**

In its Environmental and Social (ES) policy, the Financial Intermediary (FI) should outline the organization's environmental and social (E&S) requirements. These requirements should encompass compliance with the national environmental, social, health, and safety (ESHS) laws and regulations, as well as adherence to IFAD's Environment, Social, and Climate standards and IFAD's Exclusion List (see Attachment 3). The policy aims to manage E&S risks and establish the objectives and principles guiding the project toward achieving strong E&S performance. To help the FI develop or review its ESG policy, consider the following guiding questions:

- Does the policy address key environmental and social risks and opportunities comprehensively?
- Does it cover the entire range of issues (including labour and employment practices, supply chains, and other third parties), clearly stating the principles the company strives to achieve?
- Does the policy integrate the exclusion list, national ESHS laws and regulations, and necessary internal organizational capacity and competency requirements for managing and monitoring environmental, social, and climate risks?
- Has the policy been effectively communicated to employees and other relevant stakeholders (including investors)?
- Is the policy publicly accessible, and are there commitments to report on progress?
- What evidence indicates that the policy evolves and adapts over time?

### **2. Screening of environmental, social and climate (ESC) risks**

The FI will establish and maintain a process for identifying the ESC risks and impacts of the project. The screening is aimed at identifying the major social, environmental and climate impacts and risks associated with a sub-project, defining the necessary steps for further analysis, and identifying measures to enhance financial opportunities and minimize risks and negative impacts. E&S risks and impacts will be identified in the context of the project's targeted areas.

### **3. Management plans**

Based on the screening and assessment of potential environment, social and climate risks, the FI will develop an environmental and social action plan (ESAP) (see Appendix 5) to specify how identified risks will be mitigated and/or managed. In case of CBFIs, their Promoters will be examined as to whether their current capacity (staffing), training content and methodologies meet the required standards. Training and coaching will be provided as needed to ensure that CBFIs and their members are adequately sensitized, trained and monitored. At the level of CBFIs, relevant provisions regarding ESG in line with the realities of their members will be included in the groups' constitutions.

#### **4. Internal organizational capacity and competency**

The FI will establish and maintain organizational structure that defines roles, responsibilities, and authority to implement the environmental and social management system (ESMS). Specific personnel, including management representative(s), with clear lines of responsibility and authority should be designated.

#### **5. Monitoring and review**

The FI will establish procedures to monitor and measure the effectiveness of the ESMS and ESAP, as well as compliance with any related legal and/or contractual obligations and regulatory requirements. Senior management in the organization will receive periodic performance reviews of the effectiveness of the ESMS, based on systematic data collection and analysis.

#### **6. Compliance with the national Environment, Social Health Safety laws and regulations**

The FI will adhere to national Environment, Social Health, and Safety (ESHS) laws and regulations, and will require a compliance statement in its investment agreements with clients. An Annual Environmental Performance Report (AEPR) will be shared with the PCU.

#### **7. Compliance with national Labour and working conditions**

FI and its subprojects must manage working conditions according to national labour and working conditions and SECAP standard 5 related to Labour and Working conditions.

#### **8. Stakeholder engagement, complaints procedures and mechanisms**

The FI will elaborate a stakeholder analysis and engagement plan, public disclosure and dissemination of information, consultation and participation, complaints procedures and resolution mechanisms at central and local levels.

**APPENDIX 5: TEMPLATE FOR THE ENVIRONMENT AND SOCIAL ACTION PLAN**

**ENVIRONMENTAL AND SOCIAL MANAGEMENT OF RISKS AND IMPACTS**

	<b>Due Diligence Criteria</b>	<b>Status (guiding questions)</b>	<b>Actions Required</b>	<b>Responsibility</b>	<b>Timeframe</b>
<b>1.</b>	<b>ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM</b>				
1.0	Establish and maintain environmental and social management system	Is ESMS in place, under development or non-existent?			
1.1	E&S policy	<p>Has an E&amp;S risk policy been prepared and approved ? Under review?</p> <p>Generally, an E&amp;S Policy is one page long, in rare cases 2-5 pages.</p> <p>Is the policy available to the public or only an internal document?</p> <p>Are key criteria for E&amp;S policy are mentioned in the policy: for example, Labour and working conditions, resource efficiency and pollution prevention, community health safety and security, land acquisition, biodiversity, indigenous people, cultural heritage, climate change, water), complying with national laws and international best practice, commitment to continual improvement.</p>			

	<b>Due Diligence Criteria</b>	<b>Status (guiding questions)</b>	<b>Actions Required</b>	<b>Responsibility</b>	<b>Timeframe</b>
1.2	Governance policies	Have these been developed or are being developed? What do they cover?			
1.3	Internal organizational capacity and competency	Who is responsible for all E&S issues? Are they appropriately trained/qualified? What are the linkages between different departments responsible for risks?			
1.4	E&S due diligence processes	Has an E&S screening procedure been prepared? Is it used? How is it aligned with IFAD's SECAP standards? Are these taken into consideration in the screening tool.			
1.5	Categorization of risk for portfolio projects	How is this done? What are the risk categories?			
1.6	Compliance with the national ESHS laws and regulations, IFAD's SECAP as well as with international conventions and treaties.	Have these been documented? Is a legal register in place? Is there a log of licencing and permitting requirements, indicating types of permits, when they need to be obtained and/or renewed?			
1.7	Compliance with the Exclusion list	Do all activities comply with the Exclusion list?			
1.8	High and substantial risk projects	Describe all high and substantial risk activities			

	<b>Due Diligence Criteria</b>	<b>Status (guiding questions)</b>	<b>Actions Required</b>	<b>Responsibility</b>	<b>Timeframe</b>
1.9	Safeguards documentation: ESIA, ESMP, RAP, FPIC	Are specific safeguards documents required? If so, have they been prepared?			
1.10	Carbon balance analysis	Has a carbon balance been undertaken to establish carbon footprint ?			
1.11	Monitoring and review of performance of portfolio investments	Who is responsible for monitoring and reviewing investments? How is this done, how frequently and how is follow up done?			
1.12	Disclosure				
1.13	Review of ESMS	Is the ESMS reviewed by top management ? How often?			
1.14	Emergency preparedness and response system	Has an EPR system been set up? Is it tested?			
1.15	Management of working conditions	What are the labour requirements and conditions? (Fair pay, non discrimination, working conditions, etc)			
1.16	Record keeping/ maintenance of documentation	Who keeps records of ESMS progress, improvements, challenges, complaints?			
1.17	Stakeholder Engagement	Has a stakeholder engagement plan (SEP) and communication plan been prepared? Is it implemented? Who is responsible for this?			
1.18	Grievance Redress Mechanisms	Is a GRM in place? Is it functional? How is it implemented?			
1.19	Security	What are the key security concerns (cyber, personnel, etc). How are			

	<b>Due Diligence Criteria</b>	<b>Status (guiding questions)</b>	<b>Actions Required</b>	<b>Responsibility</b>	<b>Timeframe</b>
		these risks managed, by who?			
1.20	Pandemic/Disease Response	Is a plan in place to respond to pandemics or disease outbreaks? Has it been tested? Is it effective?			
1.21	Reporting	How often is progress on the ESMS reported and to who?			
<b>2</b>	<b>CAPACITY TO MANAGE ENVIRONMENTAL SOCIAL AND CLIMATE RISKS AND IMPACTS</b>				
2.1	Recruitment of i) environmental, ii) social and iii) climate risk specialists	Is staffing adequate in terms of qualifications and experience in key environmental, social and climate criteria?			
2.2	Training of on lendees	What is the capacity of on lendees to manage ESC risks? How can they be capacitated and specifically to manage potential risks that may result from activities that they are involved in that are supported through IFAD.			



## APPENDIX 6: IFAD ENVIRONMENTAL AND SOCIAL EXCLUSION LIST

The FIs will ensure that the subprojects do not support activities included in IFAD's exclusion list, which might involve, directly or indirectly, any of the following:

- (i) Production or activities involving harmful or exploitative forms of forced labour,<sup>9</sup> or practices which prevent employees from lawfully exercising their rights of association and collective bargaining.
- (ii) Production or activities involving harmful or exploitative forms of child labour;<sup>10</sup>
- (iii) Production or trade in weapons and munitions;<sup>11</sup>
- (iv) Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.
- (v) Activities prohibited by host-country legislation or international conventions relating to the protection of biodiversity resources, cultural heritage, or other legally protected areas;<sup>12</sup>
- (vi) The production, trade in or use of any product or activity deemed illegal under host country (i.e. national) laws or regulations, international conventions and agreements, or subject to international phase-out or bans, such as:
  - (a) Products containing polychlorinated biphenyls (PCBs);
  - (b) Pharmaceuticals, pesticides, herbicides, and other hazardous substances subject to international phase-outs or bans;<sup>13</sup>
  - (c) Ozone-depleting substances subject to international phase-outs regulated by the Montreal Protocol;<sup>14</sup>
  - (d) Wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);<sup>15</sup> and
  - (e) Transboundary trade in waste or waste products as defined by the Basel Convention;<sup>16</sup>
- (vii) Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
- (viii) Production or trade in wood or other forestry products other than from sustainably managed forests;

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<sup>9</sup> Forced labour is work exacted under the threat of penalty and for which the worker has not offered himself or herself voluntarily. It can involve threats of dismissal or physical violence, the withholding of identity documents or wages, threats to denounce workers to immigration authorities and entangling workers in fraudulent debt.

<sup>10</sup> Child labour includes: (i) labour below the host country's minimum age of employment; and (ii) any other work that may be hazardous, may interfere with a child's education, or may be harmful to a child's health or physical, mental, spiritual, moral or social development. If national laws or regulations provide for employment of children at least 16 years (in line with ILO's 1973 Minimum Age Convention), on the condition that their health, safety and morals are fully protected, and they have received adequate instruction or vocational training in the relevant branch of activity, then child labour means employing children for work that does not comply with these laws and regulations.

<sup>11</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>12</sup> Relevant international conventions include the: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; and Convention on Biological Diversity.

<sup>13</sup> Relevant international conventions include the: United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; and WHO Classification of Pesticides by Hazard. A list of pesticides, herbicides and other hazardous substances subject to phase outs or bans is available at <http://www.pic.int>.

<sup>14</sup> A list of the chemical compounds regulated by the Montreal Protocol, together with details of signatory countries and phase-out target dates, is available from [UNEP](http://www.unep.org).

<sup>15</sup> A list of CITES species is available from the [CITES secretariat](http://www.cites.org).

<sup>16</sup> See <http://www.basel.int>.

- (ix) Production or trade in alcoholic beverages (excluding beer and wine), tobacco or drugs;
- (x) Marine and coastal fishing practices such as blast fishing, large-scale pelagic drift net fishing using nets in excess of 2.5 km in length or fine mesh net fishing harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats;
- (xi) Trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit;
- (xii) Production of, trade in or use of unbounded asbestos fibres;
- (xiii) All mining, mineral processing and extraction activities;
- (xiv) Production or trade in radioactive materials;<sup>17</sup>
- (xv) Gambling, casinos and equivalent enterprises, trade related to pornography or prostitution;
- (xvi) Contribute to money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion;
- (xvii) Production and distribution, or investment in media that are racist, antidemocratic or that advocate discrimination against an individual, group or part of the population;
- (xviii) Activities prohibited by host country legislation or other legally binding agreements regarding genetically modified organisms (GMOs);
- (xix) Production of or trade in palm oil unless from growers and companies with internationally recognised certification<sup>18</sup>, or undergoing certification<sup>19</sup>
- (xx) Production of soy in the Amazon region or trade in soy produced in the Amazon region, unless from growers with internationally recognised certification<sup>20</sup>

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<sup>17</sup> This does not apply to the purchase of medical or veterinary equipment, quality control (measurement) equipment and any similar equipment where the radioactive source is trivial and/or adequately shielded.

<sup>18</sup> For example Round Table on Sustainable Palm Oil (RSPO)

<sup>19</sup> This includes growers and companies that have initiated such certification process

<sup>20</sup> For example Round Table on Responsible Soy Association (RTRS)

## APPENDIX 7 IFAD'S ENVIRONMENTAL AND SOCIAL CATEGORIZATION

IFAD's environmental and social categorization of projects/programmes comprises the following categories: (See SECAP 2021 version for Details) High Risk, Substantial Risk, Moderate Risk and Low risk. The current project was categorised as Substantial.

- **High Risk:**

The programme/project may have most or all of the following significant adverse environmental and/or social characteristics:

- i. Result in sensitive, irreversible or unprecedented significant risks and impacts (for example, resulting in loss of major natural habitat or conversion of wetlands),
- ii. Result in risks and impacts that are significant in magnitude and/or spatial extent (large geographical area or size of the population likely to be affected),
- iii. Have significant risks and impacts that affect an area much broader than the sites or facilities subject to physical interventions,
- iv. Result in significant adverse cumulative or transboundary impacts,
- v. High probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal),
- vi. Risks and potential impacts are not readily remedied by preventive actions or mitigation measures.

- **Substantial Risk:**

A project should be classified as Substantial Risk when it is not as complex as a High-Risk project and its environmental and social scale is not in such a sensitive area but may pose significant risks and impacts if not adequately managed. These potential risks and impacts have most or all of the following characteristics:

- i. They are mostly temporary, predictable or reversible, and the nature of the project makes it possible to entirely avoid or reverse them,
- ii. There are concerns that the project's adverse social impacts and associated mitigation measures may give rise to a limited degree of social conflict, harm or impacts on human security,
- iii. The geographical area and size of the population likely to be affected are medium to large,
- iv. There is some potential for cumulative or transboundary impacts, but they would be less severe and more readily avoided or mitigated than in a High-Risk project,
- v. There is medium to low probability of serious adverse effects to human health or the environment (e.g., due to accidents, toxic waste disposal), and there are known and reliable mechanisms to prevent or minimize such incidents,
- vi. The project's effects on areas of high value or sensitivity are expected to be lower than for High-Risk projects,
- vii. Mitigation or compensation measures may be designed more easily and be more reliable than those of High-Risk projects.

While no formal ESIA is required for Substantial Risk programmes/projects, in many cases further environmental analysis could be undertaken during project preparation or implementation.

- **Moderate Risk:**

A project should be classified as Moderate Risk when potential adverse risks and impacts on human populations or the environment are not likely to be significant. This may be because the project is not complex or large, does not involve activities with

high potential for harming people or the environment, and is located away from environmentally or socially sensitive areas. The potential risks and impacts are:

- i. Predictable and expected to be temporary or reversible,
- ii. Low in magnitude,
- iii. Site-specific, without the likelihood of impacts beyond the project life cycle,
- iv. Low probability of serious adverse effects to human health or the environment (e.g., they do not involve the use or disposal of toxic materials, or routine safety precautions are expected to be sufficient to prevent accidents),
- v. The project's risks and impacts can be easily mitigated in a predictable manner.

- **Low Risk:**

A project should be classified as Low Risk if it will have negligible or no environmental or social implications. Examples include:

- i. Technical assistance grants for agricultural research and training,
- ii. Research,
- iii. Extensions,
- iv. Health,
- v. Nutrition,
- vi. Education and
- vii. Capacity- and institution building.

In addition, the environmental and social screening exercise of sub-projects is used to determine the exposure of the programme objectives to climate-related risks (High, Substantial, Moderate or Low). SECAP provides guidance statements on biodiversity and protected area management; agrochemicals; energy; fisheries and aquaculture; forest resources; water; small dams; physical cultural resources; rural roads; development of value chain, microenterprises and small enterprises; and physical and economic resettlement – most of which are applicable in the context of the FIRIP programme. Where resettlement or economic displacement is envisaged, SECAP requires that the principles of “do no harm” and “free, prior and informed consent” are adhered to at all times and for all beneficiaries for any intervention that might affect the land access and user rights of communities.

## **APPENDIX 8: TERMS OF REFERENCE FOR THE ENVIRONMENT AND CLIMATE ADAPTATION SPECIALIST**

### ***Roles and responsibilities***

Under the general supervision of the project director, the project gender, youth and social inclusion targeting specialist will perform activities in five main areas to mainstream social inclusion:

### **Scope of Work**

The Environment and Climate Adaptation Specialist will work closely with all PMU staff, in particular the Social Inclusion Officer and the Rural finance Specialist, and implementing partners (host institutions, PFSPs, and technical service providers) to cover the entire project's environmental and climate change oversight. The position will provide support to the project to comply with environmental and climate requirements through: (i) technical backstopping and advising the PMU and implementing partners in addressing a variety of environmental and climate issues, (ii) providing/coordinating environment and climate related training/awareness raising particularly in regard to setting up environmental and social management systems (ESMS); (iii) supporting the Participating Financial services providers (PFSPs) to develop and implement ESMSs; (iv) providing support to MFBs, CBFIs and MSMEs to develop ESMSs appropriate to the nature and scale of their activities, and (v) ensuring that environment and climate issues are mainstreamed into project interventions and in the application of project documents. The ECCO will report to the Project Coordinator.

### **Specific Roles and Responsibilities**

Under the direct supervision of FIRIP Project Coordinator, the Environment and Climate Change Adaptation will be responsible for, but not limited to, the following duties:

- Guide the project in mainstreaming environment, climate and NRM considerations in all interventions and implementation processes.
- Prepare guidelines, tools and notes for use in the project based on relevant environmental policies, acts and regulations/directives of the Government of Zambia and relevant safeguard policies of IFAD.
- Strictly adhere to both national and IFAD's Social, Environmental, and Climate Assessment Procedures (SECAP) guidelines and procedures throughout the entire project implementation process to ensure compliance and promote responsible, sustainable development.
- Lead for the roll-out of Window 3 Financial Innovations for Green Investments and Climate Resilience and the participating institutions including CBFIs promoters.
- Support the CBFIs promoters and PFSPs in the development and application of Green Investments and Climate Resilience proposal.
- Establish synergistic partnerships with similar initiatives, such as GIZ-CREATE and World Bank ZAMGROW, and integrate lessons learned from existing programs that promote climate-smart agriculture practices to maximize impact and ensure efficient resource utilization.
- Organise training events/modules for both the Fis and CBFIs on mainstreaming climate risk management within financial operations and business plans
- Oversee and provide technical support towards the development of the ESMS, indicators, tools, guidelines on environment and climate aspects of the project's baselines, and ensure that the progress is also systematically monitored, including the mid-term and end line. •
- Develop relevant training and capacity building materials for environment and climate awareness, and for setting up ESMSs,

- Ensure that PFSPs develop ESMSs appropriate to the activities they fund, and that they implement to the necessary environmental, climate and social processes and procedures as required by their ESMSs.
- Develop implementation strategies of AWPB activities related to environment, climate and Natural Resource Management activities and ensure AWPB targets are met in a timely manner.
- Review activity plans, ESMSs and other safeguard requirements for PFSPs, and implementing partners, to ensure environmental, climate issues are mainstreamed and mitigation measures are incorporated, and ensure all project documents and environmental documents are in harmony.
- Liaise with relevant officers at the all levels to monitor E&S performance of FIRIP in terms of innovation window but also the blending facility
- Support Programme M&E through data collection and writing of required reports.
- Represent the PMU in relevant meetings and workshops, as well as in the preparation of any documents required to mobilise climate finance.
- Any other environment-related duty as assigned by the Project Coordinator.

### **Qualification and Experience**

- Master's Degree or equivalent in Environmental Sciences; Natural Resource management and NRM or any related field.
- At least 8 years of relevant and progressive experience at community, national or international level in providing environmental management advisory services, hands-on experience in design, monitoring and evaluation of development projects and establishing interrelationships among international organizations and national governments.
- Sound knowledge of policy and regulatory frameworks for environmental, climate assessments and natural resource management in the agricultural/livestock context of Zambia.
- Demonstrated capacity to develop environmental and social management systems, execute safeguards, prescribe solutions to environment and natural resource management problems, manage budgets and programs, as well as prepare reports.
- Excellent skills in written and spoken English and national language, and good computer skills; knowledge of other local languages will be an added advantage.
- Creative, innovative system thinker, with ability to catalyse change.
- Affiliation to a local environmental regulatory body (e.g. ZEMA)
- Previous experience in development and implementation of green finance operations would be a major advantage for the candidate.

### **Duration**

Two years contract with possibility of extension based on performance.

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

### **Targeted Adaptation Assessment**

Mission Dates: 03 – 21 June 2024

Document Date: 28/10/2024

Project No. 2000004924

Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department







**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT FOR RURAL  
ZAMBIA (FIRIP)**

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**TARGETED ADAPTATION ASSESSMENT.**

**(TAA)**

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**Prepared  
for:**

**Financial Inclusion for Resilience and Innovation Project for Rural  
Zambia (FIRIP)  
Ministry of Green Economy and Environment.  
Lusaka,  
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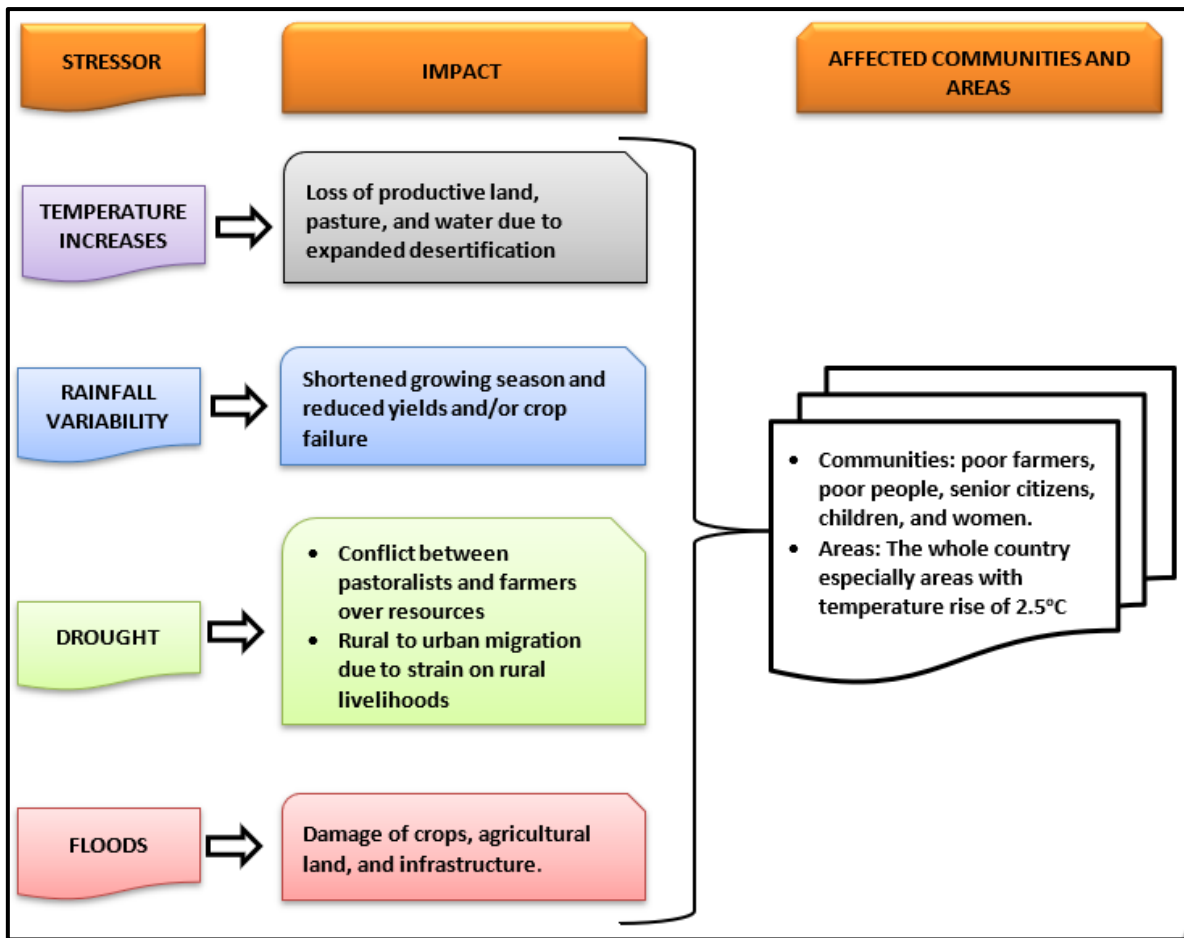
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## 1.0 INTRODUCTION

### 1.1 Expected climate vulnerabilities.

1. **Impacts on Agriculture:** Increasing trends in temperature and variability in rainfall of about 0.34°C per decade and 1.9 mm per month, respectively, threaten livelihoods of 60% of the population that depend on agriculture (Mubanga et al. 2020). In landlocked, largely humid-subtropical Zambia these projected temperature increases and indications of normal to decreasing annual rainfall trends for large parts of the country will increase pressure on water resources, with implications for households, industry and agriculture. While Zambia's modernised commercial agriculture sector is likely to be impacted, rain-fed subsistence agriculture, practiced by 90% of the rural population, is particularly vulnerable to the increased pressure on water resources, as well as to the direct impacts of increasing temperatures and the projected increase in extreme rainfall.
2. Figure 1-1 summarizes the potential effects of climate stressors, including drought, rainfall variability, floods, temperature increases, on agriculture. The climate impacts point to the connection between climate change in Zambia and agricultural productivity. It shows that four climate stressors – temperature increase, rainfall variability, droughts, and floods – affect the agricultural sector and ultimately reduce its productivity.
3. The Mean temperature in Zambia is projected to increase by up to 0.34°C by 2050, (Mubanga et al. 2020) under an RCP8.5 scenario. The vulnerable sectors to rises in temperature are particularly rainfed agriculture, aquaculture, natural ecology systems and biodiversity, water resources, and energy (production and consumption). This ultimately increases the vulnerability of certain communities, such as poor farmers, pastoralists and generally communities that rely on rainfed agriculture (Figure 3-1).
4. Precipitation is projected to decrease by 1.9 mm per month through the 2030s, with increasingly significant decrease expected throughout the rest of the century, under the high emissions scenario, RCP8.5 (Mubanga et al. 2020). There will be increased aridity and a higher occurrence in the number and frequency of dry spells over the summer season, October to February. Rainfall variability will also increase together with increased frequencies of both droughts and floods. Communities that are most vulnerable to droughts and floods are poor farmers, and generally poor families with senior members, children, and women.



**Figure 1-1** Climate stressors and their potential impacts on agriculture.<sup>1</sup>

5. Table 1 below depicts the broad scale sectoral vulnerabilities and potential climate change impacts in Zambia.

**Table 1** Broad scale sectoral vulnerabilities and potential climate change impacts in Zambia

SECTOR	POTENTIAL CLIMATE CHANGE IMPACTS
Agriculture	<ul style="list-style-type: none"> <li>Crop loss and reduced yields owing to increased temperatures and changing rainfall patterns.</li> <li>Increased incidence of pests and diseases.</li> <li>Reduced crop yields owing to waterlogging, especially in the north.</li> <li>Reduced crop yields owing to increasing frequency of drought, especially in the south.</li> <li>Increased death and heatstroke in livestock owing to increased temperatures.</li> <li>Decreased fodder availability for livestock.</li> </ul>
Fisheries	<ul style="list-style-type: none"> <li>Decreased fish populations owing to increased sedimentation of rivers.</li> <li>Reduced aquatic biodiversity owing to increased water temperatures and decreased river flows.</li> </ul>

<sup>1</sup> Adapted from Siddig K, Stepanyan D, Wiebelt M, Zhu T, and Grethe H, 2018; Climate change and agriculture in the Sudan: Impact pathways beyond changes in mean rainfall and temperature, Regional Program, Working Paper 13, September 2018.

Water resources	<ul style="list-style-type: none"> <li>• Increased flooding and siltation in rivers, especially in the north.</li> <li>• Reduced availability of water resources during drought, especially in the south.</li> <li>• Decreased water quality owing to contamination of water resources during flooding, especially in the north.</li> <li>• Reduced water storage negatively affecting hydropower production, especially during the summer months.</li> </ul>
human settlements	<ul style="list-style-type: none"> <li>• Increased potential for migration from rural to urban areas.</li> <li>• Damage to or destruction of infrastructure owing to extreme events, especially flooding.</li> </ul>
Human health	<ul style="list-style-type: none"> <li>• Changes in the prevalence of vector-borne diseases, such as malaria.</li> <li>• Increased incidence of water-borne diseases, especially cholera and diarrhoea.</li> <li>• Increased potential for malnutrition and stunting, especially during drought.</li> </ul>

6. The climate change impacts will occur through different channels and will affect each of the four dimensions of food security: access, availability, utilisation and stability<sup>2</sup>, as outlined in Table 2.

7. Changes in temperature, precipitation, water availability, extreme climate events, and atmospheric composition will have direct effects on agricultural production, which may then translate into impacts on agricultural prices, incomes and livelihoods.

**Table 2** Climate-change impacts on different aspects of food security<sup>3</sup>

<b>FOOD SECURITY DIMENSION</b>	<b>POTENTIAL IMPACTS</b>
Availability	<ul style="list-style-type: none"> <li>• Reduced rainfall and increased evapotranspiration reducing yields from rain-fed agriculture and livestock production,</li> <li>• Reduced soil fertility and increased land degradation from increased temperatures, evaporation, and drought,</li> <li>• Climate change induced crop and livestock pests and diseases,</li> <li>• Higher post-harvest losses as a result of climate change.</li> </ul>
Access	<ul style="list-style-type: none"> <li>• Loss of agricultural income due to reduced yields and higher costs of production input such as water,</li> <li>• Climate-change impacts on food production could lead to higher global and local food prices,</li> <li>• Difficulties in accessing food due to displacement driven by climate extremes and disasters.</li> </ul>
Stability	<ul style="list-style-type: none"> <li>• Greater instability of supply due to increased frequency and severity of extreme events, including droughts,</li> <li>• Instability of incomes from agriculture.</li> </ul>
Utilisation	<ul style="list-style-type: none"> <li>• Impact on food safety due to increased temperatures,</li> <li>• Impacts on nutrition resulting from reduced water quality and quantity,</li> <li>• Climate induced morbidity</li> </ul>

<sup>2</sup> Food and Agriculture Organisation (FAO) (2016) The state of food and agriculture. Climate change, agriculture and food security. FAO, Rome, Italy.

<sup>3</sup> adapted from **Jobbins, G., and Henley, G., 2015**; Food in an uncertain future: the impacts of climate change on food security and nutrition in the Middle East and North Africa. Overseas Development Institute, London / World Food Programme, Rome.

8. In the agricultural sector, these evolving circumstances have resulted in waterlogged fields, water shortages, ravaged crops, and a notable increase in both crop and livestock diseases. Crop simulation indicates an increase in maize yield by more than 25% in parts of Agro-Ecological Region (AER) III but likely to decrease by the same magnitude in parts of AER IIa (World Bank Group, 2019). Further, the simulation studies suggested that while overall production may increase, net exports of most of the agricultural commodities are declining including net trade (World Bank Group, 2019).
9. Zambia has been experiencing adverse impacts of climate change - including an increase in frequency and severity of seasonal droughts, insect outbreaks, occasional dry spells, intense precipitation, increased temperatures in valleys and wildfires, flash floods and changes in the growing season. Declining water supplies reduced agricultural yields, health impacts in cities due to heat, and flooding are additional concerns. Climate changes will have key impacts on agriculture, water resources, human health, ecosystems, and energy and infrastructure. Smallholders are the major food producers in the country, they still remain vulnerable to climate-related shocks due to the country's reliance on rain-fed agricultural production systems. With the current climatic challenges, farmers need other sources of water to continue growing crops and stop depending on rain. To cope with challenges of climate change, the agriculture sector will need to develop climate resilient cultivation system, and greater access to finance and investment in irrigation services.
10. The effects of climate change on agricultural production are expected to translate into negative impacts on agricultural incomes and prices, with repercussions on food security.
11. The potential consequences of climate change risks on agriculture in Zambia are summarised in table 3 below<sup>4</sup>. These effects may then translate into increased agricultural production costs, higher food prices, decreased incomes and profitability for farmers, and deteriorating rural livelihoods and food security. As a consequence, this will result in food insecurity in Zambia.
12. Food insecurity is already a cause for concern in Zambia, and in the absence of adaptation, climate change may exacerbate these trends (Table 3).

**Table 3** Potential climate-change impacts on agriculture in Zambia<sup>5</sup>

No.	MAIN CLIMATIC CAUSES OF RISK	CONSEQUENCES ON THE AGRICULTURAL SECTOR
1.0	Changes in monthly precipitation distribution	Crop area changes due to decrease in optimal farming conditions.
	Increased temperatures in critical periods	
	Increased erosion	
	Loss of soil water-retention capacity	
	Increased soil salinity	

<sup>4</sup> Mimi, Z. A. and Jamous, S. A., 2010; Climate change and agricultural water demand: Impacts and adaptations. African Journal of Environmental Science and Technology, 4(4), pp. 183-191.

<sup>5</sup> Adapted from Tippmann, R. and Baroni, 2017; L.ClimaSouth Technical Paper N.2, 2016; The Economics of Climate Change in Palestine, February 2017.

2.0	Changes in monthly precipitation distribution	Decreased crop productivity
	Increases in seasonal temperature variability	
	Increased temperatures in critical periods (heat stress)	
	Increased evapotranspiration (leading to water stress)	
	Loss of soil water-retention capacity	
	Increased incidence of agricultural pests and pathogens	
3.0	Decreasing livestock carrying capacity of grazing areas (due to changes in temperature and water availability)	Decreased livestock productivity
	Increased temperatures (heat stress)	
	Decreased water availability	
4.0	Increase of extreme events frequency/intensity	Increased risk of floods (affecting crops, livestock and agricultural infrastructure)
	Loss of soil water-retention capacity	
5.0	Decreased annual and/or seasonal precipitation	Increased risk of drought and water scarcity.
	Increase in the frequency of extreme conditions (droughts and heat waves)	
	Decreased groundwater availability/quality	
	Increased demand on aquifers leading to further depletion	
	Conflicts amongst water users due to drought and water scarcity	
6.0	Increased average and extreme temperature	Increased irrigation requirements
	Increased evapotranspiration in plants	
	Increased frequency of drought and heat stress conditions	
	Decreased precipitation	
	Decreased water availability	

## 2.0 ADAPTATION ASSESSMENTS PROCESS

13. The type of observed and potential climatic hazards were considered in the SECAP review Note, including the analysis of the vulnerability factors and climate impacts on crop value chains in the regions. This section proposes feasible adaptation options that the project may promote.

### 2.1 LONGLIST OF ADAPTATION OPTIONS

14. A longlist of adaptation options based on climatic hazards, sensitivity, exposure, adaptive capacity and agroecological zone are presented in Table 4 below. The longlist is developed from adaptation options that were promoted under SAPP and CALRF; Options recommended in the updated NDC, options highlighted in the National Agriculture Policy and the National Agriculture Investment Plan, the National Climate Smart Agriculture Training, the IFAD Database for Climate Adaptation Options and discussions with technical officers and the local stakeholders.

**Table 4** Climate change adaptation options.

ID	CLIMATE RISKS	POTENTIAL IMPACTS ON VALUE CHAINS	SUGGESTED ADAPTATION OPTIONS
1.0	Increased temperatures and droughts	Low water availability reduces crop yields and feed availability for livestock	<ul style="list-style-type: none"> <li>• Introduce new varieties of existing crops, e.g. with greater drought or flood resistance.</li> <li>• Promote integrated <i>insitu</i> soil and water management and conservation (including conservation agriculture, box ridges, compost manure application, mulching, agroforestry).</li> <li>• Promote community and small-scale irrigation structures and better water management practices.</li> </ul>
		High temperatures reduce products shelf life and increase post-harvest losses	<ul style="list-style-type: none"> <li>• Promote better crop storage structures and capacity building in post-harvest handling and management.</li> </ul>
		Droughts may lead to total crop failure and loss of substantial investment for farmers	<ul style="list-style-type: none"> <li>• Introduce new varieties of existing crops, e.g. with greater drought or flood resistance.</li> <li>• Promote design of attractive and affordable crop and livestock insurance products for farmers.</li> </ul>
		Reduced precipitation may lead to reduced and scarcity of water.	<ul style="list-style-type: none"> <li>• Construct new water harvesting infrastructure.</li> </ul>
			<ul style="list-style-type: none"> <li>• Build new storage facilities / dams to cope with drought.</li> </ul>
			<ul style="list-style-type: none"> <li>• Increase range of water sources (and collection/storage facilities).</li> </ul>
			<ul style="list-style-type: none"> <li>• Identify alternative sources of water supply during drought.</li> </ul>
		Increased warm temperature lead to pest and disease outbreaks	<ul style="list-style-type: none"> <li>• Work more closely with other users of water in the relevant catchments to ensure sustainable water supplies.</li> <li>• Improve pest and disease control practices.</li> <li>• Enhance capacity in pest and disease surveillance.</li> </ul>
2.0	Increased precipitation intensities and flood occurrence	Increased precipitation lead to landslide, occurrence of floods, loss of crops, livestock and damage investment infrastructures	<ul style="list-style-type: none"> <li>• Build river flood defences near vulnerable farming areas.</li> <li>• Promote micro catchment conservation (afforestation, check dams, contour bunds and vetiver).</li> <li>• Promote zoning and proper land use planning to avoid investment in flood and landslide prone areas.</li> <li>• Promote climate resilient infrastructure development (animal structures, storage structures) etc.</li> </ul>
		High erosion from floods on bare lands and increased sedimentation in water bodies	<ul style="list-style-type: none"> <li>• Introduce new tillage and drainage methods to reduce soil erosion.</li> <li>• Change approach to farmland management to work with flooding, rather than fighting against it (particularly in flood plains where flood sediments increase productivity of pastures).</li> </ul>
		3.0	Climate variability
<ul style="list-style-type: none"> <li>• Devise appropriate social protection strategies.</li> </ul>			
<ul style="list-style-type: none"> <li>• Consider the effect of new weather patterns on the health and well-being of agricultural workers.</li> </ul>			



		Impact on Agriculture.	<ul style="list-style-type: none"> <li>• Diversify agricultural activities within single farm units, e.g. introduction of agro-forestry systems.</li> <li>• Diversify agricultural crops available to farmers/ introduce new crops.</li> <li>• Build expertise in the use of climate forecast information for improvement of cropping strategies and yield forecasting.</li> <li>• Re-schedule planting and harvesting dates.</li> <li>• Research traditional farming practices to identify approaches that may be suited to a different climate.</li> <li>• Early sowing enabled by improvements in sowing machinery or dry sowing techniques.</li> <li>• Use intercropping where appropriate.</li> <li>• Make use of integrated systems involving livestock and/or aquaculture to improve resilience.</li> <li>• Develop early warning systems to improve response to climate disasters.</li> <li>• Implement Agroforestry techniques.</li> <li>• Change post-harvest practices, for example the extent to which grain may require drying and how products are stored after harvest.</li> <li>• Make contingency plans to deal with loss of crops due to drought or flood.</li> <li>• Collect climate and flood data for the project area and identify areas that are vulnerable to climate related damage (drought, flooding, soil erosion).</li> <li>• Assume a lower life expectancy and plan for more frequent infrastructure replacement activities.</li> </ul>
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## 2.2 PRIORITIZATION OF ADAPTATION OPTIONS

15. Having developed a long list of adaptation options, a criteria for prioritisation is presented as in Table 5 below. The Multi-Criteria Analysis (MCA) was used to decide which "most feasible options" should be implemented. The approach takes into consideration a number of criteria including technical feasibility costs, benefits, potential to address climate risks, accessibility of option to small scale farmers, flexibility (i.e. avoids lock-in), mitigation co-benefits, transformative potential. The approach is adapted from IFAD (Thematic Brief Irrigated Crops (ifad.org)). It is an expert-driven process using information gathered from a wide stakeholder engagement.

16. The assessment uses a simple scoring system based on the eight criteria outlined in table 5. The first four criteria require a minimum score of 2; options which score lower than 2 on any of these criteria do not meet the minimum requirements and are not deemed to be suitable. Adaptation options which are scored the highest are most suitable for a project.

**Table 5** Criteria and scoring for prioritisation of adaptation options

No.	Theme	Scoring Criteria		
		1	2	3
1	Technical Feasibility	No experience in implementing solution	Consultants available with suitable skills	Previous IFAD experience with solution
2	Cost Benefit Analysis	Benefits are less than the costs	Benefits are higher than the estimated costs	Benefits are significantly higher than the estimated costs
3	Potential to address Climate Risk	Adaptation option is not relevant or may not be effective for the risks identified	Adaptation option effectively addresses at least one of the identified risks	Adaptation option is relevant for all of the major climate risks identified
4	Accessibility for SHF	Adaptation option is inaccessible for the main project beneficiaries (e.g. unaffordable, requiring regular complex maintenance), or exacerbates existing inequalities.	Adaptation option is accessible for the majority of the project's target beneficiaries.	Adaptation option is accessible to project beneficiaries and specifically benefits women or other marginalised groups.
5	Flexibility (avoids lock-in)	The adaptation option has a long lifetime (>10 years) and its design does not allow for any adjustment.	The adaptation option being considered has a short lifetime (less than 10 years)	The adaptation option is low or no regrets or is part of an adaptive management approach.
6	Mitigation Co-benefits	No mitigation co-benefits or adaptation significantly increases greenhouse gas emissions.	Adaptation option leads to emissions reductions, either at present or in the future.	Adaptation option involves reforestation, restoration of carbon sinks, or the substitution of fossil fuels for renewable energy sources.
7	Transformative potential	Adaptation option is limited to small increases in the resilience of target group but does not involve changes in wider systems.	Adaptation option operates at scale or enables wider implementation of the option, for instance with a declining marginal cost	Adaptation option enables change in the system in question which significantly increases opportunities for target beneficiaries to adapt to climate change.
8	Complementarity to IFAD themes	No complementarity	Complements at least one other cross-cutting theme that is directly relevant to adaptation outcomes	Complements more than one other cross-cutting theme to support systemic resilience.

## 2.3 ADAPTATION DECISION MATRIX TABLE

**Table 6** Adaptation decision matrix table

PRIORITY ADAPTATION OPTIONS	NAME	RATIONALE									
1	Diversify agricultural crops available to farmers/ introduce new crops e.g. with greater drought or flood resistance	New varieties of existing crops will be adopted much easier since the farmers are already familiar with them. Further if they have greater drought or flood resistance, they will address the climate risks and enhance food security.									
2	Re-schedule planting and harvesting dates.	One of the major climate change effects is the shifting of seasons and the farmers have to adapt and re-schedule their planting and harvesting dates to fit into the new seasonal cycles.									
3	Diversify livelihoods / create income sources from activities other than agriculture.	The farmers have to diversify their livelihoods so that if the incomes from agriculture fail, the other income source will come in handy.									
4	Promote better crop storage structures and capacity building in post-harvest handling and management.	The modification of farming techniques to reduce impacts on forests and wetlands will directly address the climate risks issues and protect the natural resources.									
5	Make use of integrated systems involving livestock and/or aquaculture to improve resilience.	Diversification of agricultural activities within a single farm unit will hedge against the failure of a single crop since they will not all be affected to the same degree. Further the diversification will address the issue of monocropping, thus aiding biodiversity									
Select Sector	Adaptation options	Technical feasibility	Cost-benefit ratio	Addresses climate risks	Accessibility for small holders	Flexibility (i.e avoid lock-in)	Mitigation co-benefits	Transformative potential	Completeness to IFAD themes	Suitability	Total Score
Rainfed Crops	Diversify agricultural crops available to farmers/ introduce <b>new crops</b> e.g. with greater drought or flood resistance	3	2	3	3	3	3	3	3	Suitable	23
	Promote integrated <i>insitu</i> soil and water management and conservation (including conservation agriculture, box ridges, compost manure application, mulching, agroforestry).	2	2	2	2	3	1	2	2	Suitable	16
	Promote community and small-scale irrigation structures and better water management practices.	2	2	3	2	2	2	2	2	Suitable	17

Promote better crop storage structures and capacity building in post-harvest handling and management.	2	3	3	2	2	2	3	3	Suitable	20
Promote design of attractive and affordable crop and livestock insurance products for farmers.	2	2	2	2	3	1	2	2	Suitable	16
Construct new water harvesting infrastructure.	2	2	2	2	1	2	3	2	Suitable	16
Build new storage facilities / dams to cope with drought.	1	2	2	2	2	2	2	1	Not Suitable	0
Increase range of water sources (and collection/storage facilities).	2	2	2	2	2	2	1	1	Suitable	14
Identify alternative sources of water supply during drought.	1	2	2	3	2	2	2	3	Not Suitable	0
Work more closely with other users of water in the relevant catchments to ensure sustainable water supplies.	2	2	2	2	2	1	2	1	Suitable	14
Improve pest and disease control practices.	2	2	2	3	3	2	1	2	Suitable	17
Enhance capacity in pest and disease surveillance.	2	2	2	2	2	2	2	1	Suitable	15
Build river flood defences near vulnerable farming areas.	2	2	2	2	1	2	1	1	Suitable	13
Promote micro catchment conservation (afforestation, check dams, contour bunds and vetiver).	2	2	2	2	1	2	2	1	Suitable	14
Promote zoning and proper land use planning to avoid investment in flood and landslide prone areas.	2	2	2	2	1	2	1	1	Suitable	13
Promote climate resilient infrastructure development (animal structures, storage structures) etc.	2	2	2	2	1	2	1	1	Suitable	13
Introduce new tillage and drainage methods to reduce soil erosion.	2	2	2	2	3	2	2	2	Not Suitable	17
Change approach to farmland management to work with flooding, rather than fighting against it (particularly in flood plains where flood sediments increase productivity of pastures).	1	2	2	2	1	2	2	2	Not Suitable	0
Diversify livelihoods / create income sources from activities other than agriculture.	3	2	2	2	3	3	3	3	Suitable	21
Devise appropriate social protection strategies.	2	2	2	2	1	2	1	1	Suitable	13
Consider the effect of new weather patterns on the health and well-being of agricultural workers.	2	2	2	2	2	2	1	2	Suitable	15
Diversify agricultural activities within single farm units, e.g. introduction of agro-forestry systems.	2	2	2	2	3	2	2	2	Suitable	17

	Build expertise in the use of climate forecast information for improvement of cropping strategies and yield forecasting.	1	1	2	1	2	2	2	2	Not Suitable	0
	Re-schedule planting and harvesting <b>dates.</b>	2	2	3	3	3	3	3	3	Suitable	22
	Research traditional farming practices to identify approaches that may be suited to a different climate.	2	2	2	2	2	1	1	2	Suitable	14
	Early sowing enabled by improvements in sowing machinery or dry sowing techniques.	3	2	2	3	2	1	1	2	Suitable	16
	Use intercropping where appropriate.	3	2	2	2	2	1	1	2	Suitable	15
	Make use of integrated systems involving livestock and/or <b>aquaculture to improve resilience.</b>	2	3	2	2	2	2	3	3	Suitable	19
	Develop early warning systems to improve response to climate disasters.	1	2	1	1	1	1	1	1	Not Suitable	0
	Implement Agroforestry techniques.	2	2	2	2	1	1	2	1	Suitable	13
	Change post-harvest practices, for example the extent to which grain may require drying and how products are stored after harvest.	2	2	2	2	1	1	2	2	Suitable	14
	Make contingency plans to deal with loss of crops due to drought or flood.	2	2	2	2	3	3	2	1	Suitable	17
	Collect climate and flood data for the project area and identify areas that are vulnerable to climate related damage (drought, flooding, soil erosion).	2	2	2	2	2	1	3	1	Suitable	15
	Assume a lower life expectancy and plan for more frequent infrastructure replacement activities.	2	2	2	2	3	2	2	1	Suitable	16

### **3.0 IMPLEMENTATION AND MONITORING**

17. The TAA and recommendations will be implemented by the Ministry of Agriculture including the Land Resources Conservation Department and Department of Agricultural Research Services and active involvement of the Department of Climate Change Research Services, through the national PMU and district councils. Oversight for TAA implementation will be undertaken by the Environment and Climate Adaptation Specialist, recruited under PMU. The PMU will customise, update and include TAA as part of project annual workplan for review by the Project Technical Committee and approval of the Project Steering Committee.
18. Monitoring will ensure the long-term success of climate adaptation initiatives, plans and actions. The TAA will play an important role in planning of and mainstreaming of adaptation activities to be undertaken; track progress of planned outputs and outcomes from adaptation actions; monitor if project interventions are leading to any unanticipated side effects.

### **4.0 CONCLUSIONS AND KEY RECOMMENDATIONS.**

19. This report analysed the most common observed hazards, factors that compound communities' vulnerability to climate change, including exposure, sensitivity and adaptive capacity. The report has made recommendations on adaptation options that may be promoted to climate proof and improve resilience of target beneficiaries and sustainability of the projects achievements.
20. The main climate hazards found include extremes temperatures, droughts, tropical storms and floods. Future climate trends indicate increase in temperature and extreme temperatures; increased rainfall variability; and slight reduction in precipitation. Most of the selected value chains without adaptative measures would result into reduced crop yields.
21. Based on the climate risks and projected impacts, the adaptation options recommended include a) Diversify agricultural crops available to farmers/ introduce new crops e.g. with greater drought or flood resistance, b) Re-schedule planting and harvesting dates, c) Diversify livelihoods / create income sources from activities other than agriculture d) Promote better crop storage structures and capacity building in post-harvest handling and management e) Make use of integrated systems involving livestock and/or aquaculture to improve resilience.
22. The TAA recommendations will need to be mainstreamed by the project implementation team, including the PMU and the service providers. At PMU level it is recommended that a Environment and Climate Adaptation Specialist be recruited to spearhead and technically guide implementation of the climate adaptation interventions. The Environment and Climate Adaptation Specialist will provide technical support and assist the various project stakeholders and service providers to mainstream climate adaptation in the workplans and the selected beneficiary group in implementing adaptation options and NRM plans. The Project Technical Committee will review the annual works plans to ensure that climate change adaptation is well mainstreamed before seeking approval from the Project Steering Committee. The Environment, Social and Climate Plan (ESCMP) will be updated at

early implementation phase and continuously monitored, adjusted and reported in the annual progress reports.

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

### **Stakeholder Engagement Plan**

Mission Dates: 03 – 21 June 2024

Document Date: 28/10/2024

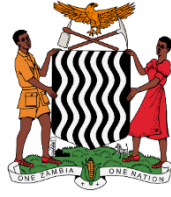
Project No. 2000004924

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East and Southern Africa Division  
Programme Management Department







**REPUBLIC OF ZAMBIA**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT FOR  
RURAL ZAMBIA (FIRIP)**

**SECAP Appendix 3  
Draft Stakeholder Engagement Plan (SEP)**

## 1. Introduction

1. The design of the FIRIP project was informed by extensive consultations during concept note and design field missions, discussions, and participation from a diverse range of stakeholders. Throughout the process, input was sought from various groups, including representatives from relevant government ministries, parastatals, NGOs, and other key stakeholders. This engagement ensured feedback and endorsement on project targets, the theory of change, and prioritized interventions. Additionally, stakeholders involved in project implementation, monitoring, and evaluation (M&E), and post-project operations and maintenance were consulted. Potential impacts affecting the project were identified and integrated into the design process.
2. This Stakeholder Engagement Plan (SEP) is a component of the Environmental, Social, and Climate Management Plan (ESCMP) for FIRIP. The Ministry of Finance and National Planning will oversee the Project through the FIRIP Programme Coordination Unit(PCU), which will be responsible for effectively engaging stakeholders to achieve the project's objectives.
3. The SEP's scope is tailored to the nature and scale of the project and its potential risks and impacts. This draft SEP should be revised and adjusted at early implementation phase through the start -up workshop and public consultation processes. Its purpose is to facilitate informed decision-making and foster understanding by actively involving project-affected individuals and other stakeholders in a timely manner. It also aims to provide stakeholders with ample opportunities to voice their opinions and concerns, which may influence project decisions.

## 2. Project Description

### FIRIP Project Overview

4. The overall objective of FIRIP is to enhance access to a diverse range of financial services for rural smallholders and MSMEs, enabling them to better manage risks, boost productivity, and invest in green and climate-resilient technologies. The Project Development Objective (PDO) is structured around three main outcomes: improving the availability of client-centric rural financial services; increasing the uptake of these services by IFAD target groups; and enhancing the enabling environment for inclusive rural financial services.
5. FIRIP will focus on underserved rural areas nationwide, identified through a demand-driven process guided by clear selection criteria and cost-sharing arrangements. The estimated beneficiaries include 102,000 smallholder farmers and rural MSMEs linked to agricultural value chains (VCs). This figure comprises 76,000 semi-subsistence smallholder farmers and rural micro-enterprises with limited access to formal financial services; 24,000 market-oriented smallholder farmers and MSMEs engaged in commercial agriculture; and 2,000 emerging and commercial farmers and SMEs with demonstrated linkages to the first two categories.
6. **Component 1: Enhanced Access to Client-Centric Financial Services and Delivery Mechanisms**

**1.1 Innovation and Outreach Facility (IOF):** This component will promote innovative **products** and delivery mechanisms for inclusive rural outreach. The

IOF will co-finance demand-driven technical assistance services and other eligible expenditures through matching grants based on viable business propositions from Financial Service Providers (FSPs), Mobile Network Operators (MNOs), NGOs, VC developers, and agribusiness companies. The IOF will feature three financing windows:

- **Financial Inclusion of Unserved Areas and Population Segments:** Focused on basic financial infrastructure and access points to expand Digital Financial Services and strengthen linkages with Community-Based Financial Institutions (CBFIs), enhancing participation by women and youth.
- **Financial Innovations for Smallholder Agriculture:** Dedicated to market research, product piloting, and the rollout of innovative financial products, such as agricultural credit scoring, alternative collateral, and digitalization of VC transactions.
- **Financial Innovations for Green Investments and Climate Resilience:** Aimed at developing financial products for investments in green, climate-resilient, energy, and labor-saving technologies in agriculture and VCs.

**1.2 Affordable Finance for Agriculture and Green Investment:** A blending facility will be established to attract private capital into agriculture and green investments, reducing the average costs of funds for FSPs and borrowers. This facility will co-finance eligible loans issued by Participating Financial Service Providers (PFSPs), combining PFSP's own resources with concessionary funds to make agricultural and green finance more affordable for smallholder farmers and rural MSMEs.

## **7. Component 2: Enhanced Enabling Environment for Inclusive Rural Financial Services**

This component will support the development and implementation of new or existing policies aimed at improving access for rural households, women, and youth. It will focus on policy coordination, institutional capacity development, and strategic partnerships with key actors such as banks, government agencies, and ministries. Specific partnerships, areas of support, and targets will be defined during the design phase.

## **8. Component 3: Project Coordination, Monitoring and Evaluation, and Knowledge Management**

This component will ensure effective project coordination, monitoring and evaluation, and knowledge management.

### **3. Stakeholder identification and analysis**

9. FIRIP is a demand-driven project, with sub-projects to be financed through the Innovation Windows and Blended Facility, which will be identified early in the implementation phase. This SEP outlines the steps the PCU will take to build strong relationships between the Project Implementation team and its stakeholders, including CBFi promoters, financial intermediaries, and communities. By fostering an atmosphere of mutual understanding, respect, trust, and collaboration, the SEP will facilitate active engagement and provide beneficiaries—both direct and indirect—with a sense of ownership in the decision-making process. Early, sustained, and regular engagement will also help manage the expectations of Project Affected People and other stakeholders from the outset and throughout the project, ensuring their expectations remain realistic and well-informed.

10. The project will be managed under the Ministry of Finance and National Planning

(MFNP), with oversight provided by the Rural Finance Unit within the Economic Management Division (EMD). The Project Steering Committee (PSC), chaired by the Permanent Secretary for Budget and Economic Affairs, will include representatives from other relevant ministries, such as the Permanent Secretaries from the Ministry of Green Economy and Environment (MGE) and the Ministry of Small and Medium Enterprises (MSME). Additionally, the Technical Advisory Committee, chaired by the Director of the Economic Management Division, will also include directors from supporting ministries.

### **Stakeholder engagement plan and strategies for the Financial Intermediaries (Fis).**

11. In compliance with SECAP 2021 Standards, Financial Intermediaries (Fis) are required to establish procedures for external communications on environmental and social matters proportionate to the risks and impacts of the projects or subprojects, and their overall risk profile in line with their public disclosure policies and proprietary rights. They must also establish a grievance redress mechanism in a timely manner for project-affected parties related to environmental and social performance of the investment.
12. The draft list of key stakeholders in project implementation are presented in table below:

**Table 1: Initial Assessment of Stakeholders: Characteristics, Interest, Influence, Needs, and Potential Contributions**

<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium/High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
<b>Government institutions</b>					
Ministry of Finance and National Planning	<ul style="list-style-type: none"> <li>Overseeing financial inclusion, including agricultural financing.</li> <li>Limited presence in other provinces, insufficient financial and staff resources, and lack of policy coordination.</li> </ul>	High	High	Enhancing financial inclusion in underserved areas	<p>Oversight of the project implementation</p> <p>Policy coordination</p>
Rural Finance Unit	<ul style="list-style-type: none"> <li>Responsible for the coordination and oversight of Rural Finance Policies and Programmes</li> <li>Responsible for implementation of the Rural Finance Policy and Strategy (RFSP)</li> <li>Prior engagement with IFAD and was set up with the support of the RUFEP.</li> <li>Knowledge of rural finance and microfinance</li> <li>Weak coordination with the unit in charge of broader financial sector</li> </ul>	High	High	Coordination with the broader financial sector development	<p>Capitalizing on lessons learned while implementing RUFEP</p> <p>Synergies with similar ongoing project</p>

<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium/High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
	development including financial inclusion				
Bank of Zambia	<ul style="list-style-type: none"> <li>• Policy enabling environment for financial services.</li> <li>• Regulation of agency and mobile banking operations</li> <li>• Issued the Banking and Financial Services Green Loans Guidelines</li> <li>• Launch of the Green Finance Framework and capacity building of financial institutions Mainly operational in Lusaka, with limited capacity to supervise small rural financial institutions such as SACCOS.</li> </ul>	Medium	Medium	Accessibility of quality financial services in rural areas	Cooperation with ZICTA and MoFNP to expand DFS to other underserved areas, to strengthen consumer protection and to mainstream ESG policies and management, monitoring systems throughout the financial and non-bank financial institutions sector.
Ministry of Agriculture	<ul style="list-style-type: none"> <li>• Overall mandate to support agriculture and rural development</li> <li>• Presence in most underserved areas</li> <li>• Limited financial and human resources</li> <li>• Limited capacity on</li> </ul>	Medium	Medium	Channelling agricultural financing, especially increasing access to agricultural technologies and infrastructure (irrigation,	Improved policy coordination with MoFNP related to agricultural finance

<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium/High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
	agriculture financing and private sector engagement			renewable energy, etc.)	
Ministry of Green Economy and Environment	<ul style="list-style-type: none"> <li>Responsible for climate and resilience actions</li> <li>Capitalizing on piloted and tested climate and environmental practices and technologies suitable for the local context.</li> </ul>	Medium	Medium	Mobilisation of co-financing including climate funds	Integrating environmental and climate risk management into agricultural interventions to enhance the resilience of rural livelihoods.
ZICTA	<ul style="list-style-type: none"> <li>Responsible for consumer awareness on use of Digital Financial Service</li> <li>Leads on the provision of rural digital infrastructure in collaboration with Mobile Network Operators</li> <li>Prior engagement with IFAD under RUFEP</li> <li>Limited outreach capacity</li> <li>Inadequate financial and staff resources</li> <li>Absence of a unified platform for documenting grievances from consumers of</li> </ul>	High	High	Consumer awareness and protection	Partnership with the BoZ to strengthen consumer awareness on the use of DFS including complaints and redress mechanisms



<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium /High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
	Mobile Network Operators (MNOs).				
Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA)	<ul style="list-style-type: none"> <li>• Vision</li> <li>• Expertise</li> <li>• Flexible duration of programmes (short-medium)</li> <li>• Theoretical capacity building</li> <li>• Implementation and on-job programmes are strongly needed so the youth are equipped with both theoretical and practical experience</li> <li>• Vocational programmes are not free which limited the poor youth from joining</li> </ul>	Medium	Medium	Youth training	Cooperation in youth capacity building curricula and quality control
Ministry of Youth, Sport, and Art	<ul style="list-style-type: none"> <li>• Implementation of different youth empowerment programmes</li> <li>• An umbrella to a number of Youth Resource Centres that provides capacity building for youth (including agriculture and youth skills development)</li> </ul>	Medium	Medium	Youth inclusion in income generating activities  Youth employment	Integration youth sensitive approach in FIRIP interventions

<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium/High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
Ministry of Community Development and Social Services	<ul style="list-style-type: none"> <li>• Implementation of a nationwide integrated social protection and women economic empowerment programme</li> <li>• Strong mission and pillars of priorities</li> <li>• Existence at different levels (national, province, and district levels)</li> <li>• Community implementers and volunteers</li> <li>• Conducting nationwide vulnerability assessment</li> <li>• Responsible for Persons with Disabilities</li> <li>• Focus is mainly on women only</li> <li>• Limited interactions with youth</li> <li>• Sustainability and resilience to shocks for female beneficiaries as community mentoring is limited to six months</li> </ul>	Medium	Medium	integrated social protection and women economic empowerment programme	Collaboration in women economic empowerment interventions
Gender Division	<ul style="list-style-type: none"> <li>• Mission and priorities for Gender empowerment</li> </ul>	Medium	Medium	Integration of efforts with other	Supporting

<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium/High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
	<ul style="list-style-type: none"> <li>Working at national level and limited access to rural areas</li> <li>Gender programmes are implemented by other ministries</li> <li>Limited capacity on knowledge management and monitoring of programmes' impact</li> </ul>			gender implementing national entities  Integrating empowerment at community, province and national levels	mainstreaming gender equality in project interventions
<b>Private sector</b>					
Semi-subsistence smallholder farmers and rural micro-enterprises associated with agricultural value chains. This population segment is typically engaged in Community Based Financial Institutions (CBFIs) such as savings and loan groups,	<ul style="list-style-type: none"> <li>Poor and vulnerable to climate and other shocks</li> <li>Limited access to formal financial services and products</li> <li>Lack of adequate business skills, limited access to markets,</li> <li>Lack of collateral assets</li> <li>Vulnerable to climate shocks</li> <li>Low level of productive assets and (net) income</li> <li>They rely on traditional safety nets such as borrowing from family, friends and savings groups and often are vulnerable to climate</li> </ul>	13. High	High	Improved access to savings, loan and insurance products to enhance resilience, diversified livelihoods and build assets Improved access to reliable and low-cost payment services Improved financial and digital literacy Enhanced livelihood and business development skills	Engagement by CBFIs promoters including financial literacy training; Basic livelihoods, entrepreneurship and digital literacy training.  Training on climate-smart agricultural practices

<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium/High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
	shocks. <ul style="list-style-type: none"> <li>• Highly-diversified livelihoods (farm and non-farm)</li> <li>• Distress sales of assets in case of shocks</li> </ul>				
Market-oriented smallholder farmers and micro and small rural enterprises associated with agricultural value chains. This beneficiary category has the skills to practice commercial agricultural production and engage in aggregation, collection, and marketing activities.	<ul style="list-style-type: none"> <li>• Moderately poor and food insecure</li> <li>• Limited access to financial services</li> <li>• Lack of alternative collateral</li> <li>• Limited financial and business skills</li> <li>• Limited scale of operation and productive assets</li> <li>• Low productivity and income</li> <li>• Often are vulnerable to climate shocks</li> <li>• Rely on own sources of funds, informal savings and loans, buyer and supplier credit and, in rare cases, borrowing from MFIs and banks</li> <li>• Integration into markets and value chains</li> <li>• Remain vulnerable to climate shocks</li> </ul>	High	High	Improved access to diverse financial services and lower costs including digital payments, deposits and insurance; Access to affordable credit structured in line with seasonal farm household cash flows Better integration in structured value chains including support services and finance	Interest in accessing financial services to invest in green and climate resilient technologies Training in climate smart agriculture, marketing and business development integration in outcry arrangements Access to mobile money and, in some cases, outgrower schemes and access to loans from MFIs Financial literacy training,

<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium /High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
<p>Commercial farmers, as well as SMEs associated with agricultural value chains that have demonstrated forward and backward linkages o smallholders. These farmers and SMEs provide market outlets or inputs for smallholder farmers, often linked to buyer and supplier credit, and strengthen smallholders' capacities and knowledge. They are also an important source of decent jobs, especially women and youth and other vulnerable groups.</p>	<ul style="list-style-type: none"> <li>• Food secure with market potential and enterprise development</li> <li>• Highly credit constrained due to risk profile and lack of tangible collateral limiting the expansion of their operations.</li> <li>• May also lack other financial services (insurance, payments)</li> <li>• Limited business and financial skills</li> <li>• Limited green and climate resilient products</li> <li>• largely on own sources of fund and informal finance</li> <li>• Minority is borrowing from MFIs and banks at high costs.</li> <li>• remain vulnerable to climate and other shocks and may revert to asset sales as coping strategies</li> </ul>	<p>High</p>	<p>High</p>	<p>SME and emerging farmer development programmes (training in agronomic and business skills, climate smart practices, etc) Microfinance Institutions</p> <p>In some case, linkages to lead firms in structured value chains, as well as to small farmers as buyers and suppliers.</p> <p>Digitalization of transactions to reduce costs and create track record facilitating access to formal financial services. Tailored credit products for working capital and investment purposes (including</p>	<p>Financial services to invest in green and climate resilient technologies</p> <p>Access to well-structured and affordable credit products for investment and working capital purposes</p> <p>Access to a reliable digital payment ecosystem for various transactions and financial services</p>

<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium/High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
				leasing, warehouse receipt finance, etc). Alternative collateral and de-risking  Financial services to invest in green and climate resilient technologies	
SaveNet	<ul style="list-style-type: none"> <li>• Apex organisation for all savings groups in Zambia</li> <li>• Inadequate staff and financial resources</li> </ul>	Medium	Medium	Strengthened regulations for community based savings groups	Collaboration on the graduation of savings groups to financial cooperatives
Commercial banks	<ul style="list-style-type: none"> <li>• Financial strength and liquidity</li> <li>• Lower costs of funds Limited rural outreach capacity</li> <li>• Lack of Suitable products and delivery mechanisms for smallholders</li> </ul>	High	High	Increased financial inclusion / elaboration of green/ climate resilient products	Leveraging capacities of some progressive banks (branch network, promising pilots)
Micro Finance Institutions	<ul style="list-style-type: none"> <li>• High presence in rural areas</li> <li>• Limited number of development-oriented MFIs;</li> <li>• Limited capacity to reach rural areas and finance</li> </ul>	High	High	ability to reach lower income groups	Some promising examples of MFIs developing innovative financial products and delivery mechanisms in rural areas.

<b>Stakeholder Group or organization</b>	<b>Characteristic (social situation, location, size, organizational capacity and vulnerability or social inclusion)</b>	<b>Interest (Low/Medium/High)</b>	<b>Influence on the Project (Low/Medium/High)</b>	<b>What is important for the stakeholders</b>	<b>How the Stakeholder could contribute to the Project?</b>
	agriculture <ul style="list-style-type: none"> <li>• High interest rate</li> <li>• Limited number of development-oriented MFIs;</li> <li>• Limited capacity to reach rural areas and finance agriculture</li> </ul>				

#### 4. Stakeholder Engagement Modalities

14. This section presents a preliminary method for engaging FIRIP's stakeholders. This section should be finalized early in the implementation phase and updated regularly as the project evolves. The PCU should ensure that stakeholders receive clear, timely, and consistent information about the project, including its impacts, opportunities, proposed solutions, and how they can participate. It is crucial to provide ample opportunities for stakeholders to raise issues, make suggestions, and express their concerns. Additionally, the PCU should build stakeholders' capacity to understand project details and effectively voice their input. Engaging directly with stakeholders, especially Project Affected People, throughout the project will help ensure their concerns and aspirations are consistently addressed. Finally, the PCU should provide timely feedback on how stakeholder input has influenced project decisions, including management measures and grievance resolution.

**Table 2: Preliminary stakeholder engagement modalities**

Example of engagement technique	Appropriate application of the techniques
FIRIP PCU - Internal	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Progress Meetings</li> <li>• Grievance procedure</li> <li>• Code of conduct</li> </ul>
Official correspondences (Phone, Emails)	<ul style="list-style-type: none"> <li>• Distribute information to Co-Implementing partners), other Government departments, PFSPs, CBFIs promoters, private sector, and any other organisations/agencies</li> <li>• Invite stakeholders to meetings and follow-up</li> </ul>
Multi-stakeholder meetings and/or Workshops	<ul style="list-style-type: none"> <li>• Present project information to a group of stakeholders</li> <li>• Allow a group of stakeholders to provide their views and opinions</li> <li>• Use participatory exercises to facilitate group discussions, brainstorm issues, analyse information, and develop recommendations and strategies</li> <li>• Record responses</li> </ul>
Social Media (WhatsApp, SMS, Face book, Twitter, Zoom, Microsoft Meetings Google classes etc	<ul style="list-style-type: none"> <li>• Share information with beneficiaries</li> <li>• Distribute information to Co-Implementing partners</li> <li>• Invite stakeholders to meetings and follow-up</li> <li>• Online Meetings with stakeholders</li> <li>• Online Workshops with stakeholders</li> </ul>
Project website	<ul style="list-style-type: none"> <li>• Present project information and progress updates</li> <li>• Disclose SEP, GRM and other relevant project documentation</li> </ul>
One-on-one physical meetings	<ul style="list-style-type: none"> <li>• Seeking views and opinions</li> <li>• Enable stakeholder to speak freely about sensitive issues</li> <li>• Build personal relationships</li> <li>• Record meetings</li> </ul>
Formal physical meetings	<ul style="list-style-type: none"> <li>• Present the Project information to a group of stakeholders</li> <li>• Allow group to comment – opinions and views</li> <li>• Build impersonal relation with high level stakeholders</li> </ul>



	<ul style="list-style-type: none"> <li>• Disseminate technical information</li> <li>• Record discussions</li> </ul>
Public consultation meetings	<ul style="list-style-type: none"> <li>• Present Project information to a large group of stakeholders, especially communities</li> <li>• Allow the group to provide their views and opinions</li> <li>• Build relationship with the communities, especially those impacted</li> <li>• Distribute non-technical information</li> <li>• Facilitate meetings with presentations, PowerPoint, posters etc.</li> <li>• Record discussions, comments, questions.</li> </ul>
Focus group meetings	<ul style="list-style-type: none"> <li>• Present Project information to a group of stakeholders (8-15 people groups)</li> <li>• Allow stakeholders to provide their views on targeted baseline information</li> <li>• Build relationships with communities</li> <li>• Record responses</li> </ul>
Project leaflets	<ul style="list-style-type: none"> <li>• Brief project information to provide regular update</li> <li>• Site specific project information.</li> </ul>
Surveys	<ul style="list-style-type: none"> <li>• Gathering opinions and views from individual stakeholders</li> <li>• Gather baseline data</li> <li>• Record data</li> <li>• Develop a baseline database for monitoring impacts</li> </ul>

## 5. Proposed strategy for information disclosure

15. The type of information to be disclosed to the various stakeholders depends on their interests and how they will be affected by the Programme – or how FIRIP activities may be affected by them. Thereafter various communication tools can be utilized for the engagement process, such as:

- Project notices published in local newspapers,
- Radio advertisements,
- Direct mailings to communities,
- Presentations with or without focus group sessions),
- Targeted e-mails,
- One-on-one meetings, presentations, seminars, workshops, e-mails, and phone conversations with stakeholders,
- Site tours, and
- The use of social media

## 6. SEP Resources and Responsibilities

### 6.1 Responsibilities

16. The management, coordination and implementation of the SEP and its integral tasks will be the responsibility of dedicated team members within the PCU through Environment and Climate Change Adaptation Specialist whose. The roles and responsibilities of the organizations are presented below.

### Programme Coordination Unit(PCU)

17. The PCU will be accountable for ensuring FIRIP achieves its development objectives

and for oversight of all day-to-day operations of the project. The PCU will also be responsible for all reporting requirement of GoZ and IFAD related to the project. The PCU under the oversight of the Permanent Secretary will work closely with relevant stakeholders to ensure that the SEP is implemented in a successful manner.

### **Environmental and Climate Safeguards Specialist**

18. The person will be responsible for the management of project related environmental safeguards issues and will oversee all stakeholder engagement activities as well as other project specific documents. Responsibilities will include the following:

- Continuous Development, implementation and monitoring of the stakeholder's engagement plan and other project specific documents
- To bring together the different stakeholders engaged in financing innovation and providing financial services to beneficiaries and develop joint strategies and plans, ensuring that key stakeholders are engaged while creating and maintaining momentum. Liaise with the Project Director to ensure that stakeholders engagement requirements are understood
- To develop and maintain the stakeholder database/map and
- Proactively identify stakeholders, project risks and opportunities and inform Project Director to ensure that the necessary planning can be done to either mitigate risk or exploit opportunities.
- To initiate the Technical Working group on Climate Change, identifying participants, organizing several initial meetings, and ensuring the TWG is a useful and efficient instrument for technical collaboration.
- To organize regular meetings and/or prepare regular communications, in close collaboration with the PCU

### **Gender and Social Inclusion Specialist**

19. The Social Inclusion Specialist will be responsible for the management of project related social safeguards issues. He/she will oversee all stakeholder engagement activities regarding the implementation of the GRM as well as other project specific documents. Responsibilities will include the following:

- Continuous Development, implementation and monitoring of the stakeholder's engagement plan, GRM and other project specific documents
- Guiding and overseeing community sensitization processes, ensuring that key information reaches all intended target groups, that beneficiary selection is transparent and in line with pre-defined criteria and that all target groups participate in relevant programme decision-making processes.
- Liaising with local stakeholders regularly to disseminate information about social risk mitigation activities considered by FIRIP.
- Liaise with the Project Director to ensure that stakeholder engagement requirements are understood.
- Maintain the stakeholder database and
- Proactively identify stakeholders, project risks and opportunities and inform Project Director to ensure that the necessary planning can be done to either mitigate risk or exploit opportunities.

### **Resources**

20. The design and implementation of a detailed and accurate SEP will be the overall responsibility of the PCU. The Project Director will oversee the SEP implementation to ensure the success of the FIRIP project.

## Budget

21. At early implementation phase, the Project Director will ensure that the PCU has an adequate budget allocated towards the Stakeholder Management Programme.

## Training

22. All the FIRIP partners and PCU team members will attend a workshop that will bring awareness on the project, SEP, GRM as well as other project specific documents.

## 7. Monitoring and Reporting

23. Monitoring and evaluation of the SEP process is vital as it ensures that the PCU can respond to identified issues and alter the schedule and nature of engagement activities to make them more effective. As part of the SEP, a mechanism for providing feedback to the stakeholders on their information needs will be set up. In addition, the SEP will include means for monitoring the effectiveness of the public consultation processes and outcomes from consultations, and for determining where further action may be necessary regarding engagement.

24. The Environment and Climate Change Adaptation Specialist in the PCU will be responsible to ensure that the SEP is implemented throughout the life of the project. They will also be responsible for communicating and reporting on all stakeholder matters to the Project Director.

25. Monitoring of the stakeholder engagement process allows the efficacy of the process to be evaluated. Amongst others the following monitoring activities will be implemented:

- During the engagement activities: short-term monitoring to allow for adjustments/improvements to be made during engagement; and
- Following completion of all engagement activities: review of outputs at the end of engagement to evaluate the effectiveness of the SEP as implemented.

26. To help in the monitoring system, a series of key performance indicators for each stakeholder engagement stage will be developed. Table below shows an example of the indicators and performance against the indicators to show successful completion of engagement tasks.

**Table 3: Key Performance Indicators**

PHASE	ACTIVITIES	INDICATORS
Planning for Project	Share updates on Project activities	Posters displayed in allocated service centres by time specified
GRM, SEP and other project specific documents Implementation	Share updates on SEP, GRM and other project specific documents activities	Posters displayed in allocated service centres by time specified, Affected community stakeholders will have received and understand the information disclosed and attended the public meetings, Communities provided feedback, No complaints about non-receipt of project specific documents received.


27. The identification of FIRIP related impacts and concerns is a key element of stakeholder engagement that will occur over the complete Project life cycle. As such, the identification of new concerns, impacts and grievances as the GRM and project progress will serve as an overall indicator for the implementation of the stakeholder engagement process. There are two keyways in which the stakeholder engagement process, as will be provided for in the M&E action plan, will be monitored:

**7.1 Review of Engagement Activities in the Field**

28. During the engagements with stakeholders the engagement team will assess meetings using the following engagement tools:

- Stakeholders database,
- Issue and Response table, and
- Meeting records of all consultations held.

**7.2 Reporting Stakeholders Engagement Activities**

29. Performance will be reviewed following the stakeholder’s engagement sessions conducted in the field. In assessing performance, the following will be considered:

- Materials disseminated: Types, frequency, and location,
- Place and time of formal engagement events and level of participation including specific stakeholders’ groups e.g., Chiefs,
- Number of people attending public or formal meetings,
- Number of comments received type of stakeholder and detail of feedback provided,
- Meeting minutes, attendance register and photographic evidence,
- Numbers and type of stakeholders who contact the FIRIP project team by mail, telephone, and any other means of communication,
- Comments received by government authorities, community leaders and other project partners and passed to the FIRIP project, and
- Number and types of feedback and/or grievances and the nature and timing of their resolution; and the extent to which feedback and comments have been addressed and have led to corrective actions being implemented

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

### **Solid/Liquid Waste Management Plan**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department



### **Justification for excluding a Solid and Liquid Waste Management Plan**

The justification for not including a solid and liquid waste management plan in this context is based on the understanding that FIRIP's primary focus lies in improving access to financial services for rural smallholders and MSMEs. While the SECAP screening did identify a moderate risk related to livestock rearing and animal products, the core activities of FIRIP revolve around risk management, increasing productivity, and promoting investments in green and climate-resilient technologies. Consequently, the specific solid and liquid waste management plan arising from the SECAP screening is not directly relevant to the main objectives and interventions of FIRIP.

However, it is important to note that environmental concerns have not been overlooked, as waste management measures have been incorporated into the broader framework of the project's interventions through the ESCMP. This approach ensures that environmental considerations are addressed without deviating from FIRIP's primary focus on financial services and support for rural smallholders and MSMEs.

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 6: First (Annual) Work Plan and Budgets**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department





## First 18 Month Annual Work Plan and Budget (AWPB) Summary and Detailed Cost Tables

### Summary Tables:

#### Project costs by component/sub-component and financier (\$'000)

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) - 18 Months AWPB Components by Financiers (US\$ '000)												
	GRZ		IFAD Loan		Strategic Partners		Private Sector		Ben Contribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>												
1.1. Innovative Products and Delivery Mechanisms for Inclusive Rural Outreach	4	0.3	889	65	-	-	479	35	-	-	1,373	15
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment	139	3	2,493	46	-	-	1,850	34	1,000	18	5,483	59
<b>Subtotal</b>	144	2	3,383	49	-	-	2,329	34	1,000	15	6,855	73
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>	63	7	757	87	50	6	-	-	-	-	870	9
<b>3. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowledge Management</b>	266	16	1,384	84	-	-	-	-	-	-	1,650	18
<b>Total PROJECT COSTS</b>	473	5	5,524	59	50	1	2,329	25	1,000	11	9,376	100

#### Project costs by expenditure category and financier (\$'000)

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) - 18 Months AWPB Expenditure Accounts by Financiers (US\$ '000)												
	GRZ		IFAD Loan		Strategic Partners		Private Sector		Ben Contribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment Costs</b>												
Technical Assistance	117	11	825	80	-	-	90	9	-	-	1,032	11
Training	0	-	260	100	-	-	-	-	-	-	260	3
Goods, Services and Inputs	21	4	530	88	50	8	-	-	-	-	602	6
Equipment and Vehicles	67	13	439	87	-	-	-	-	-	-	506	5
IOF Window Grant	-	-	391	57	-	-	299	43	-	-	690	7
CBFI Window Grant	-	-	360	80	-	-	90	20	-	-	450	5
Lines of Credit	111	2	2,039	41	-	-	1,850	37	1,000	20	5,000	53
<b>Total Investment Costs</b>	317	4	4,844	57	50	1	2,329	27	1,000	12	8,539	91
<b>II. Recurrent Costs</b>												
Salaries and Allowances	92	15	521	85	-	-	-	-	-	-	613	7
Operating Costs	64	29	159	71	-	-	-	-	-	-	223	2
<b>Total Recurrent Costs</b>	156	19	680	81	-	-	-	-	-	-	836	9
<b>Total PROJECT COSTS</b>	473	5	5,524	59	50	1	2,329	25	1,000	11	9,376	100

#### Project costs by component/sub-component and quarter (\$'000)

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) - 18 Months AWPB Project Components by Qtr -- Totals Including Contingencies (US\$ '000)							
	Totals Including Contingencies						
	Q1	Q2	Q3	Q4	Q5	Q6	Total
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>							
1.1. Innovative Products and Delivery Mechanisms for Inclusive Rural Outreach	-	-	-	-	706	666	1,373
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment	-	-	-	-	2,811	2,672	5,483
<b>Subtotal</b>	-	-	-	-	3,517	3,338	6,855
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>	-	-	-	-	745	125	870
<b>3. Project Coordination and Implementation, Monitoring &amp; Evaluation, and Knowledge Management</b>	-	255	231	217	660	287	1,650
<b>Total PROJECT COSTS</b>	-	255	231	217	4,923	3,751	9,376

#### Project costs by expenditure category and quarter (\$'000)

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) - 18 Months AWPB Expenditure Accounts by Qtr -- Totals Including Contingencies (US\$ '000)							
	Totals Including Contingencies						
	Q1	Q2	Q3	Q4	Q5	Q6	Total
<b>I. Investment Costs</b>							
Technical Assistance	-	52	74	15	796	96	1,032
Training	-	36	63	-	145	16	260
Goods, Services and Inputs	-	-	-	-	305	297	602
Equipment and Vehicles	-	167	-	-	339	-	506
IOF Window Grant	-	-	-	-	345	345	690
CBFI Window Grant	-	-	-	-	225	225	450
Lines of Credit	-	-	-	-	2,500	2,500	5,000
<b>Total Investment Costs</b>	-	255	136	15	4,655	3,479	8,539
<b>II. Recurrent Costs</b>							
Salaries and Allowances	-	-	71	177	181	184	613
Operating Costs	-	-	24	24	87	88	223
<b>Total PROJECT COSTS</b>	-	255	231	217	4,923	3,751	9,376

## Detailed Tables

Republic of Zambia

### Financial Inclusion for Resilience and Innovation Project (FIRIP) - 18 Months AWPB

Table 1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach

#### Detailed Costs

(US\$)

#### I. Investment Costs

##### A. Innovative Products and Delivery Mechanisms for Inclusive Rural Outreach

Unit	Quantities							Unit Cost	Totals Including Contingencies ('000)						
	Q1	Q2	Q3	Q4	Q5	Q6	Total		Q1	Q2	Q3	Q4	Q5	Q6	Total
Sub-project	-	-	-	-	0.5	0.5	1	230,000	-	-	-	-	115	115	230
Number of Sub-project	-	-	-	-	0.5	0.5	1	150,000	-	-	-	-	75	75	150
Sub-project	-	-	-	-	0.5	0.5	1	230,000	-	-	-	-	115	115	230
Number of Sub-project	-	-	-	-	0.5	0.5	1	150,000	-	-	-	-	75	75	150
Sub-project	-	-	-	-	0.5	0.5	1	230,000	-	-	-	-	115	115	230
Number of Sub-project	-	-	-	-	0.5	0.5	1	150,000	-	-	-	-	75	75	150
Study	-	-	-	-	3	3	6	30,000	-	-	-	-	90	90	180
Launch	-	-	-	-	1	-	1	25,000	-	-	-	-	25	-	25
Proposal	-	-	-	-	25	25	50	250	-	-	-	-	6	6	13
Meeting	-	-	-	-	1	-	1	15,000	-	-	-	-	15	-	15
<b>Total</b>									-	-	-	-	706	666	1,373

\a Under the IOF, the target is to reach at least 40% Women and 30% youth overall. This may vary by Window and Sub-project. Window 1 (digital financial services) is likely to have a higher uptake by women and youth (based on RUFEP experiences) than can be expected under Windows 2 and 3

In line with their expected share in total beneficiaries, approximately 40% and 30% of the resources would be directed towards them.

This does include employment generated through loans and other financial services by beneficiary categories 2 and 3.

\b\c\c CBFi subprojects include cost for training, social mobilization, monitoring of CBFi groups and members. A substantial part of the resources will be devoted to youth empowerment, household methodologies and other gender transformative approaches. Given the demand-driven nature and the differences among CBFi Promoters, the share of such expenditures cannot be determined ex ante.

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP) - 18 Months AWPB

Table 1.2. Increased Access to Affordable Finance for Agriculture and Green Investment

**Detailed Costs**

(US\$)

Unit	Quantities							Unit Cost	Totals Including Contingencies ('000)							
	Q1	Q2	Q3	Q4	Q5	Q6	Total		Q1	Q2	Q3	Q4	Q5	Q6	Total	
<b>I. Investment Costs</b>																
<b>A. Lines of Credit /a</b>																
Disbursements Banks	Per Year	-	-	-	-	0.5	0.5	1	2,500,000	-	-	-	-	1,250	1,250	2,500
Co-financing end-beneficiaries (25% on top of unit costs)	Per Year	-	-	-	-	0.5	0.5	1	625,000	-	-	-	-	313	313	625
Disbursements MFIs	Per Year	-	-	-	-	0.5	0.5	1	1,500,000	-	-	-	-	750	750	1,500
Co-financing end-beneficiaries (25% on top of unit costs)	Per Year	-	-	-	-	0.5	0.5	1	375,000	-	-	-	-	188	188	375
<b>Subtotal</b>										-	-	-	-	2,500	2,500	5,000
<b>B. Fund Management Fee</b>																
<b>1. Capex and Monitoring &amp; Reporting Expenses</b>																
Fund Management Software	Units	-	-	-	-	1	-	1	50,000	-	-	-	-	55	-	55
Motor Vehicles	Units	-	-	-	-	2	-	2	40,000	-	-	-	-	87	-	87
Motor Vehicle Maintenance and Running Costs	Per/Annum	-	-	-	-	0.25	0.25	0.5	120,000	-	-	-	-	33	33	66
Field Trips and Related Operating Costs	Per/Annum	-	-	-	-	0.25	0.25	0.5	100,000	-	-	-	-	27	28	55
<b>Subtotal</b>										-	-	-	-	202	61	264
<b>2. Staff Costs</b>																
Fund Manager	Per/Annum	-	-	-	-	0.25	0.25	0.5	90,000	-	-	-	-	25	25	50
Field Officer (2 Officer as follows: Southern/Lusaka, Eastern/Chipata, Western/Ndola)	Per/Annum	-	-	-	-	0.5	0.5	1	36,000	-	-	-	-	20	20	40
Accounts/Treasurer Officer	Per/Annum	-	-	-	-	0.25	0.25	0.5	60,000	-	-	-	-	16	17	33
Support Staff (drivers, assistants, etc)	Per/Annum	-	-	-	-	0.25	0.25	0.5	80,000	-	-	-	-	22	22	44
<b>Subtotal</b>										-	-	-	-	83	84	167
<b>3. Other Operating Costs+Institutional Overheads</b>																
Other Admin Costs (office rental, utility bills, equipment maintenance, etc)	Per/Annum	-	-	-	-	0.25	0.25	0.5	45,000	-	-	-	-	12	13	25
Institutional Margin	Per/Annum	-	-	-	-	0.25	0.25	0.5	50,000	-	-	-	-	14	14	28
<b>Subtotal</b>										-	-	-	-	26	26	52
<b>Total</b>										-	-	-	-	2,811	2,672	5,483

<sup>a</sup> An exact allocation of the loans provided under the BFF to women and youth is difficult to estimate ex ante. However, it can be assumed that on average, at least 30% of the loans would go to women and 25% to youth. In addition, youth and women will benefit from the employment generated by loans to categories 2 and 3

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP) - 18 Months AWPB

Table 2.1. Enhanced Enabling Environment For Inclusive Rural Financial Services

**Detailed Costs**

(US\$)

**I. Investment Costs**

A. Strategic partnerships

**B. Technical Assistance and Training /a**

Activity 2.1: Technical workshops on emerging topics and innovations in rural and agricultural finance

Activity 2.2: Training of FSP on climate risk management

Activity 2.3: Specific TA for FSPs participating in FIRIP (under BFF and / or IOF) for developing / improving ESG frameworks and ESAPs

Activity 2.4: Gender and youth audit of CBFi Promoters and MFIs (fully funded by FIRIP) (different years)

Activity 2.5: Development of training content for gender and youth sensitive approaches for CBFi Promoters and FSPs

Activity 2.6: General training on gender and youth sensitive approaches for financial service development and delivery for CBFi Promoters and

Activity 2.8: TA to strengthen SAFF based on its implementation results and proposal improved its efficiency, scalability, and sustainability.

Activity 2.9: TA for the detailed design of the Blending Facility and recruitment of Fund Manager

**Total**

Unit	Quantities							Totals Including Contingencies ('000)							
	Q1	Q2	Q3	Q4	Q5	Q6	Total	Unit Cost	Q1	Q2	Q3	Q4	Q5	Q6	Total
Partnerships	-	-	-	-	0.5	0.5	1	250,000	-	-	-	-	125	125	250
Workshop	-	-	-	-	1	-	1	100,000	-	-	-	-	109	-	109
Training	-	-	-	-	1	-	1	20,000	-	-	-	-	22	-	22
TA	-	-	-	-	3	-	3	50,000	-	-	-	-	164	-	164
Audit	-	-	-	-	1	-	1	25,000	-	-	-	-	27	-	27
TA	-	-	-	-	1	-	1	25,000	-	-	-	-	27	-	27
Training	-	-	-	-	3	-	3	20,000	-	-	-	-	66	-	66
TA	-	-	-	-	0.5	-	0.5	300,000	-	-	-	-	150	-	150
TA	-	-	-	-	1	-	1	50,000	-	-	-	-	55	-	55
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-	745	125	870

<sup>a</sup> In addition to activities 2.4, 2.5, and 2.6 which are directly related to women and youth, there will be at least one related workshop under activity 2.1 related to innovations in women and youth sensitive financial services.

In addition, the SP with SaveNet as a strong focus on gender transformative and youth sensitive approaches through CBFi promotion.

<sup>b</sup> and – possibly – other instruments (IOF, Guarantee) as part of the exist strategy of FIRIP.

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP) - 18 Months AWPB

Table 3.1. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

**Detailed Costs**

(US\$)

	Unit	Quantities						Unit Cost	Totals Including Contingencies ('000)							
		Q1	Q2	Q3	Q4	Q5	Q6		Total	Q1	Q2	Q3	Q4	Q5	Q6	Total
<b>I. Investment Costs</b>																
<b>A. PMC Vehicles</b>																
Double Cabin Vehicles (4X4)	Units	-	-	-	-	3	-	3	60,000	-	-	-	-	197	-	197
<b>B. Office Equipment</b>																
Laptop	Units	-	5	-	-	-	-	5	1,500	-	8	-	-	-	-	8
Desktop	Units	-	8	-	-	-	-	8	1,200	-	10	-	-	-	-	10
Printer/Photocopier	Units	-	1	-	-	-	-	1	9,000	-	9	-	-	-	-	9
Accounting software	Units	-	1	-	-	-	-	1	60,000	-	62	-	-	-	-	62
Safe box	Units	-	1	-	-	-	-	1	1,200	-	1	-	-	-	-	1
Projector	Units	-	1	-	-	-	-	1	1,800	-	2	-	-	-	-	2
Video Conference Equipments	Units	-	1	-	-	-	-	1	10,000	-	10	-	-	-	-	10
Server	Units	-	1	-	-	-	-	1	10,000	-	10	-	-	-	-	10
Internet Network Equipment	Units	-	1	-	-	-	-	1	3,000	-	3	-	-	-	-	3
Office Furniture	Lumpsum	-	1	-	-	-	-	1	50,000	-	52	-	-	-	-	52
<b>Subtotal</b>										-	167	-	-	-	-	167
<b>C. Audit</b>																
External Audit	Per Year	-	-	-	1	-	-	1	10,000	-	-	-	11	-	-	11
Internal Audit	Semi-annual	-	-	-	1	-	-	1	4,000	-	-	-	4	-	-	4
<b>Subtotal</b>										-	-	-	15	-	-	15
<b>D. Monitoring and Evaluation (M&amp;E)</b>																
Baseline survey	Survey	-	1	-	-	-	-	1	50,000	-	52	-	-	-	-	52
TA for M&E during implementation	TA Per/Year	-	-	0.5	-	1	-	1.5	10,000	-	-	5	-	11	-	16
Development of M&E plan and data collection and reporting tools	Lumpsum	-	-	1	-	-	-	1	40,000	-	-	42	-	-	-	42
Development of project MIS including related infrastructure, accessories and training of staff	Units	-	-	-	-	1	-	1	50,000	-	-	-	-	55	-	55
Maintenance of the MIS and servers	Per Year	-	-	-	-	1	-	1	10,000	-	-	-	-	11	-	11
Periodic Monitoring and Supervision and field data collection	Survey	-	-	-	-	1	-	1	10,000	-	-	-	-	11	-	11
<b>Subtotal</b>										-	52	47	-	87	-	186
<b>E. Knowledge Management (KM)</b>																
Development of a Knowledge Management and Communication Strategy	Lumpsum	-	-	1	-	-	-	1	20,000	-	-	21	-	-	-	21
Development of a Programme Knowledge Management Portal	Lumpsum	-	-	-	-	1	-	1	25,000	-	-	-	-	27	-	27
Maintenance of the Knowledge Management Portal	Per Year	-	-	-	-	1	-	1	10,000	-	-	-	-	11	-	11
Sensitisation and awareness campaigns	Workshop	-	-	0.5	-	1	-	1.5	10,000	-	-	5	-	11	-	16
Production and Printing of Knowledge Products and Communications materials	Lumpsum	-	-	-	-	1	-	1	10,000	-	-	-	-	11	-	11
Organise Exchange and learning visits	Per Year	-	-	-	-	1	-	1	5,000	-	-	-	-	5	-	5
Participation in programme Quarterly implementation Review workshops	Per Year	-	-	-	-	1	-	1	10,000	-	-	-	-	10	-	10
<b>Subtotal</b>										-	-	26	-	76	-	102
<b>F. Workshops</b>																
Launch and Startup workshop	Workshop	-	1	-	-	-	-	1	35,000	-	36	-	-	-	-	36
Sensitization Workshops	Workshop	-	-	3	-	2	-	5	15,000	-	-	47	-	33	-	80
Annual planning & review workshop	Workshop	-	-	1	-	-	1	2	10,000	-	-	10	-	-	10	20
Hold Steering Committee Meetings	Workshop	-	-	1	-	-	1	2	5,063	-	-	5	-	-	6	11
<b>Total Investment Costs</b>										-	255	136	15	393	16	814

Republic of Zambia

Financial Inclusion for Resilience and Innovation Project (FIRIP) - 18 Months AWPB

Table 3.1. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management

**Detailed Costs**

(US\$)

	Unit	Quantities						Unit Cost	Totals Including Contingencies ('000)							
		Q1	Q2	Q3	Q4	Q5	Q6		Total	Q1	Q2	Q3	Q4	Q5	Q6	Total
<b>II. Recurrent Costs</b>																
<b>A. Staff Salaries</b>																
Project Coordinator	Per Month	-	-	3	3	3	3	12	7,500	-	-	24	24	25	25	97
Financial Controller	Per Month	-	-	3	3	3	3	12	6,300	-	-	20	20	21	21	82
Procurement Specialist	Per Month	-	-	3	3	3	3	12	5,645	-	-	18	18	19	19	73
Technical Specialist - Rural Finance	Per Month	-	-	-	3	3	3	9	6,500	-	-	-	21	21	22	64
Gender and Social Inclusion Officer	Per Month	-	-	-	3	3	3	9	3,000	-	-	-	10	10	10	30
Monitoring and Evaluation Officer	Per Month	-	-	3	3	3	3	12	3,000	-	-	9	10	10	10	39
Second Technical Specialist - Rural Finance	Per Month	-	-	-	3	3	3	9	6,500	-	-	-	21	21	22	64
Climate Adaptation Specialist	Per Month	-	-	-	3	3	3	9	4,500	-	-	-	14	15	15	44
M&E & KM Assistant	Per Month	-	-	-	3	3	3	9	3,000	-	-	-	10	10	10	30
Programme/Administrative Assistant	Per Month	-	-	-	3	3	3	9	2,667	-	-	-	9	9	9	26
Assistant Accountant	Per Month	-	-	-	3	3	3	9	2,667	-	-	-	9	9	9	26
Driver/Mechanic	Per Month	-	-	-	3	3	3	9	1,260	-	-	-	4	4	4	12
Driver	Per Month	-	-	-	3	3	3	9	1,260	-	-	-	4	4	4	12
Office Assistant	Per Month	-	-	-	3	3	3	9	1,300	-	-	-	4	4	4	13
<b>Subtotal</b>										-	-	71	177	181	184	613
<b>B. Operation and Maintenance</b>																
Field DSA	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	13,781	-	-	2	2	7	7	18
Vehicle Operating and Maintenance	Per Year	-	-	-	-	0.5	0.5	1	4,375	-	-	-	-	2	2	5
Stationery & printing costs	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	7,305	-	-	1	1	4	4	10
Office Rent	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	40,125	-	-	6	6	20	20	52
Office Recurrent & Operating Costs	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	2,023	-	-	0	0	1	1	3
IT Support & Accessories	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	3,780	-	-	1	1	2	2	5
Vehicle Fuel & Oils	Per Year	-	-	-	-	0.5	0.5	1	5,589	-	-	-	-	3	3	6
Communication Costs	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	2,850	-	-	0	0	2	2	4
Postage & Courier	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	856	-	-	0	0	0	0	1
Cleaning	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	2,565	-	-	0	0	1	1	4
Office Insurance and GPA	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	6,063	-	-	1	1	3	3	9
Advertising Costs	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	1,250	-	-	0	0	1	1	2
Bank Charges	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	4,500	-	-	1	1	2	2	6
Medical Insurance	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	10,000	-	-	2	2	5	5	13
Gratuity/Leave	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	20,000	-	-	3	3	10	10	26
Medical Insurance NTA/PSO	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	2,000	-	-	0	0	1	1	3
Gratuity & Leave NTA/PSO	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	20,000	-	-	3	3	10	10	26
NAPSA / NHIS	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	19,513	-	-	3	3	10	10	25
NAPSA / NHIS NTA PSO	Per Year	-	-	0.15	0.15	0.5	0.5	1.3	3,938	-	-	1	1	2	2	6
<b>Total</b>										-	255	231	217	660	287	1,650

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 7: Financial Management Assessment**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department







Investing in rural people

Detailed FM arrangements in the Project Design Report (PDR) (Annex 7)

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## **I. Summary of Financial Management arrangements<sup>1</sup>**

Financial management capacity and risk assessment was undertaken during the design mission and involved meetings with different departments within the Ministry of Finance and National Planning (MoFNP). Additional meetings were held with the Project Coordinator and Finance Controller of the predecessor project – Rural Finance Expansion Programme (RUFEP). The assessment also involved review of documents such as the Public Expenditure and Financial Accountability (PEFA) report (2017) and project audit reports by the Office of the Auditor General.

MoFNP has experience managing donor funded programs, including financing provided by IFAD. The most recent project was RUFEP which was successfully closed in March 2024. The country was ranked 98<sup>th</sup> out of 180 countries by Transparency International on corruption perception index, with a score of 37 out of 100, indicating relatively high corruption perception in the country. Performance against the 2017 PEFA assessment identified low scores related to fiscal risk reporting, in-year monitoring of budget execution, and public investment management. Implementation will be cascaded to various IPs such as banks and microfinance institutions who will have primary responsibility of implementing the line of credit, with a PCO being responsible for the financial management of the project. The number of financing instruments and multiple implementers increases the project complexity, and hence the inherent risk.

FIRIP will follow the model of the previous project (RUFEP) by having a dedicated project coordination unit carry out the day-to-day financial management of the project. The main fiduciary risks identified at design include: (a) delays in recruitment of accounting staff; (b) insufficient skills of the accounting staff in relation to IFAD financial management procedures; (c) delays in engaging IPs due to lengthy risk assessment procedures; (d) unmet co-financing commitments due to the country's debt distress; and (e) ineffective financial management due to lack of proper accounting information system. Some of the mitigation measures that are proposed include conditions precedent to disbursement, among them: early signing of MoUs with key implementing partners, installation of an off-the-shelf accounting software tailored to the needs of the project and IFAD financial reporting requirements, and competitive recruitment and training/orientation of key staff.

## **II. Project financial profile**

The total cost of FIRIP is estimated at US\$ 49.8 million over a 7-year period. The financing breakdown is: IFAD: US\$ 30 million (60%); Government: US\$ 2.2 million (4 %); Partner Financial Institutions: US\$ 0.3 million (1%); Private Sector: US\$ 12.3 million (25%); Beneficiary Contribution: 5 million (10%). The main categories of expenditure for the project are grouped under (i) Technical Assistance, (ii) Training, (iii) Goods, Services, and Inputs, (v) Line of Credit and (vi) Recurrent costs. Detailed costing for each project cost category and component are included in the costabs. Government counterpart financing will apply to

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<sup>1</sup> Normally this summary will be included only in the main design report under Financial / Fiduciary section, Annex 7.

Technical Assistance, Goods, Services and Inputs, Lines of Credit, Equipment and Vehicles, and Operating Costs categories.

### **III. Implementation Arrangements**

The Lead Agency (LA) of the project will be MoFNP, which is the government ministry charged with all affairs of finance and national planning in the country, and accountable to Parliament. The project will be under the technical oversight of the Rural Finance Unit (RFU) of MoFNP. Financial management arrangements will be similar to those of the predecessor project (RUFEP) which had a separate project coordination unit responsible for the day-to-day operations of the project. Review and approval of project transactions will be done by a panel of approvers from MoFNP and the PCO.

A designated account (DA) will be opened at Bank of Zambia to receive IFAD funds. DAs will also be opened for other co-financiers' financing as required to ensure full traceability of financial transactions in line with government and donors' requirements. Payments and financial reporting for the project will be made through an off-the-shelf accounting software which will be procured and customised to fit the IFAD financial reporting requirements.

Financial management will be the responsibility of a dedicated finance team within the PCO. The PCO finance team will include a finance manager and at least one accountant and an administrative assistant to ensure segregation of roles and efficient coverage of the financial management function. Staff will be required to have appropriate accounting qualifications and experience in implementing donor-funded projects. Finance staff that will be recruited will be trained on IFAD financial management requirements to ensure that financial reporting is appropriately done.

**IV. Financial Management Risk Assessment**

Table 1 provides the summary inherent risks of the project based on the assessment conducted through the FMAQ at design template.

*Table 1: Summary of FM Risks and mitigating actions*

Summary	Brief description of issues	Inherent Risk at design H/S/M/L	Covenants precedent to disbursement	Residual Risk H/S/M/L	Agreed Mitigation Measures
<b>A. Inherent risk assessment pillars</b>					
i. Country level	The country was ranked 98 <sup>th</sup> out of 180 countries by Transparency International on corruption perception index, with a score of 37 out of 100, indicating relatively high corruption perception in the country. Performance against the 2017 PEFA assessment identified low scores related to fiscal risk reporting, in-year monitoring of budget execution, and public investment management.	High		N/A	
ii. Entity level	The Lead Agency(LA) of the project will be MoFNP and will be under the direct	Substantial		N/A	

<sup>2</sup> The residual risk may take into consideration the effects of mitigating actions included in the FA covenants precedent to disbursement. Therefore, the residual risk may be slightly different from the inherent risk in case we have evidence that the actions included in the FA covenants have shown to be effective in that specific context.

<b>Summary</b>	<b>Brief description of issues</b>	<b>Inherent Risk at design H/S/M/L</b>	<b>Covenants precedent to disbursement</b>	<b>Residual Risk H/S/M/L</b>	<b>Agreed Mitigation Measures</b>
	monitoring of Rural Finance Unit. Implementation will be cascaded to various implementing partners such as banks and microfinance institutions who will have primary responsibility of implementing the line of credit. MoFNP has a history of managing IFAD projects in the country including the most recent project – RUFEP.				
iii. Project level	The PCO will be responsible for the financial management of the project. The detailed financial management arrangements, including the funding flow is documented in the PIM. The amount of anticipated funding (USD91.8), number of financing instruments and multiple implementers increases the project complexity, and hence risk.	Substantial		N/A	
<b>B. Control risk assessment pillars</b>					
1. Organization and Staffing	The LA has demonstrated sufficient FM organisation and staffing capacity as evidenced by the recently closed project (RUFEP). The country has a sufficient pool of accounting professionals from which project FM staff can be recruited. However, serious	Substantial	Competitive recruitment of key staff will be included in the FA as a condition	Substantial	Using the terms of reference established in the PDR, the LA will commence the recruitment

<b>Summary</b>	<b>Brief description of issues</b>	<b>Inherent Risk at design H/S/M/L</b>	<b>Covenants precedent to disbursement</b>	<b>Residual Risk H/S/M/L</b>	<b>Agreed Mitigation Measures</b>
	<p>capacity issues were noted among the Finance Team of the current project E-SLIP who have been seconded from the government.</p> <p>There is a risk that staff recruitment will be delayed which may affect project implementation. Additionally, recruited staff are unlikely to have solid understanding of IFAD financial management procedures, including the new report-based disbursement model.</p>		precedent to withdrawal of the first disbursement.		<p>process as soon as it is notified of the project design approval.</p> <p>Provide training to FM staff to be recruited for the project on IFAD financial management procedures, including the new report-based disbursement model.</p> <p>Where possible, attract well performing FM staff from RUFEP in the recruitment process.</p>
2. Budgeting	Budgets for the current IFAD supported project are reasonable. The process of	Substantial	Include signing of MoUs with	Substantial	The LA will ensure that PSC is set up

<b>Summary</b>	<b>Brief description of issues</b>	<b>Inherent Risk at design H/S/M/L</b>	<b>Covenants precedent to disbursement</b>	<b>Residual Risk H/S/M/L</b>	<b>Agreed Mitigation Measures</b>
	<p>developing the AWPBs is participatory. But historically, there have been delays in the approval of AWPBs by the Project Steering Committee (PSC). The PSC should be constituted early to ensure sufficient oversight of the budget preparation process.</p> <p>There is a risk of implementation delays due to late engagement of implementing partners.</p>		<p>key implementing partners as a condition precedent to withdrawal of the first disbursement.</p>		<p>within the first six months of project start-up.</p> <p>Preparation of AWPBs should strictly follow the IFAD guidelines, including submission for review and No Objection 60 days before the start of the fiscal year.</p>
<p>3. Funds flow and Disbursement Arrangements</p>	<p>The project is likely to have multiple financing facilities (IFAD, FSP, Private Sector, GRZ, and beneficiaries). This could complicate the treasury arrangements leading to delays in accessing funding, thus adversely affecting implementation of project activities.</p> <p>Regardless of the outcome of the debt restructuring process, there is a risk that</p>	<p>Substantial</p>	<p>Signing of MoU for the credit guarantee scheme with the relevant partner within the first six months of entry into force.</p>	<p>Substantial</p>	<p>Inclusion of co-financing in the annual work plans and budgets, clearly mapped to specific activities to enhance accountability.</p> <p>With the support of FMD, develop tools</p>



<b>Summary</b>	<b>Brief description of issues</b>	<b>Inherent Risk at design H/S/M/L</b>	<b>Covenants precedent to disbursement</b>	<b>Residual Risk H/S/M/L</b>	<b>Agreed Mitigation Measures</b>
	meeting the projected co-financing targets may be problematic.				<p>during the start-up phase to capture and account for all counterpart contributions.</p> <p>Submit quarterly financial progress report on counterpart funds to FMD</p>
4. Internal Controls	<p>There are sufficient controls within the government financial systems to effectively manage external funding. According to most recent PEFA assessment, conducted in 2016 and released in 2017, Internal Audit activities meet professional standards but the coverage is less than desirable because of available resources.</p> <p>There is a risk that with limited monitoring, the controls in place may not work optimally which could lead to inefficient and inappropriate use of project resources.</p>	Substantial	n/a	Substantial	<p>FIRIP should be included in MoFNP’s internal audit department’s planning cycle, and adequate staff time and resources must be allocated accordingly.</p> <p>Scope of internal audit reviews should include entities</p>

<b>Summary</b>	<b>Brief description of issues</b>	<b>Inherent Risk at design H/S/M/L</b>	<b>Covenants precedent to disbursement</b>	<b>Residual Risk H/S/M/L</b>	<b>Agreed Mitigation Measures</b>
					implementing the project.
5. Accounting and Financial Reporting	Efforts to have the previous project (RUFEP) serve as a pilot for the government accounting system (IFMIS) did not materialise. The system is not tailored for IFAD financial reporting requirements and therefore could impede effective financial accounting of the project, especially due to the complex nature of the project structure. Hence previous projects acquired SAGE accounting software but continued to prepare reports in Excel because the tool was not customized to IFAD reporting requirements. Our review of the 2023 latest audited financial statements (E-SLIP project) identified significant discrepancies between the financial statements and the accounting software records.	Substantial	Early acquisition and customization of an off-the-shelf accounting software within the first six months of project entry into force. The system should be tailored to generate financial reports, including interim financial reports in the required format (by category and	Moderate	n/a

<b>Summary</b>	<b>Brief description of issues</b>	<b>Inherent Risk at design H/S/M/L</b>	<b>Covenants precedent to disbursement</b>	<b>Residual Risk H/S/M/L</b>	<b>Agreed Mitigation Measures</b>
			components of expenditure, and by source of funds).		
6. External Audit	The country's SAI is an independent body reporting to the Zambia parliament and has the relevant structures and capacity to undertake the project external audit. The SAI has experience conducting external audits of the previous IFAD financed projects in the country. These audits are conducted in accordance with ISSAIs, globally accepted standards. However, the most recent PEFA assessment questioned the independence of the Supreme Audit Institution because its appointment process (appointed by President) and financial autonomy (SAI's budget is approved by Parliament within the ceiling given by the MoF). Further the quality of the latest audit conducted by SAI (E-SLIP project) was rated 3-moderately unsatisfactory because not all audit TORs were complied with and a number of errors and incoherences were noted in audited financial statements. We recommend Engagement with internal and external auditors to ensure understanding	Moderate	n/a	Moderate	FMD to provide capacity building to SAI around IFAD audit requirements.  Annual audits of the project, covering the PFSPs (insofar as the project financing is concerned).

<b>Summary</b>	<b>Brief description of issues</b>	<b>Inherent Risk at design H/S/M/L</b>	<b>Covenants precedent to disbursement</b>	<b>Residual Risk H/S/M/L</b>	<b>Agreed Mitigation Measures</b>
	<p>of IFAD FM audit requirements and obtain sufficient assurance.</p> <p>FMD shall provide adequate capacity building to SAI around IFAD audit requirements.</p> <p>There is a risk that financial and partners institutions (PFSPs) are not equipped with adequate financial controls and lack proper understanding of IFAD finance procedures.</p>				
<b>Overall FM Risk @ design<sup>3</sup></b>		Substantial		Substantial	

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<sup>3</sup> The Final Risk at design should reflect a combined consideration of inherent and control risks for the project.

## **V. Financial Management and Disbursement Arrangements**

### **1) Financial management organization and staffing**

The project will be implemented by MoFNP using arrangements similar to those of the recently closed project (RUFEP). The staffing complement of the project coordination unit will comprise a finance controller, two accountants and an administrative assistant. PCO staff will be recruited externally, therefore FIRIP may have the possibility to attract well performing finance staff of the previous project's (RUFEP) to benefit from their knowledge and experience with IFAD FM requirements. This includes the team's experience with PFIs and other implementing entities of rural financing. To ensure effective implementation of project activities from the start of the project, the finance controller should be recruited prior to the start-up workshop. Other finance staff should be recruited within six months of project entry into force. All the finance staff will be recruited on a contractual basis, renewable upon satisfactory performance. Job descriptions for the financial controller and accountant positions are included in the PIM. Use of country systems in respect of financial management organisation and staffing will be limited to MoFNP approvers of financial transactions, including approval of withdrawal applications and transfer of funds from the designated account to the operational account(s). Additionally, there will be involvement of MoFNP team in relation to review of transactions within IFMIS and transfer of counterpart contributions to the project.

### **2) Budgeting**

The AWPB will be prepared in a participatory manner and submitted to IFAD within the established deadline (60 days before year's start). For prior projects, the project annual budget was not included in the national budget estimates for each financial year<sup>4</sup>. However, the project counterpart financing from GRZ was included as a single line in the budget and not broken down into the various components/categories. The AWPBs will also be subject to clearance by IFAD prior to implementation. In the past, the process of developing the AWPBs has been participatory and led by the project M&E officer, and included other stakeholders such as the technical specialists, procurement officer, and finance staff. The stakeholders will also include the implementing partners, who will be recruited prior to disbursement of funds. AWPB priorities are also based on the PDR and linked to specific geographical areas for each component. AWPBs are reviewed and approved by the PSC prior to submission to IFAD for no-objection. Upon approval, the AWPB will be uploaded in the accounting system for ease of monitoring and reporting.

### **3) Disbursement Arrangements and Flow of Funds**

A designated account (DA) will be opened at Bank of Zambia (the country's central bank) to receive IFAD funds. DAs will also be opened for other co-financiers' financing as required to ensure full traceability of financial transactions in line with government and donors' requirements. Funds will then be transferred to the operational accounts to be opened with

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<sup>4</sup> Financial year in Zambia follows the calendar year.

commercial banks. However, should the government mandate the use of Treasury Single Account (TSA) system, funds will be routed through the TSA and payments and financial reporting for the project will be made through the Integrated Financial Management Information System (IFMIS). As of the design stage, this was not the case and no mandatory use of TSA or IFMIS was foreseen. Counterpart funding will be channelled through IFMIS and transferred to the project's operational account. The funds flow is graphically represented in [Appendix 1](#). Withdrawal of funds from IFAD will be based on quarterly cash forecasts submitted to IFAD as part of the Interim Financial Reports (IFRs) due for submission 30 days after the end of each quarter. The initial disbursement will be based on the first AWPB.

#### **4) Internal Controls and Internal audit arrangements**

There are sufficient controls within the government financial systems in Zambia to effectively manage external funding. Specific to project financing, there have not been incidences of government interference with project funds that would cast doubt on the ability to successfully implement the project. There is sufficient segregation of duties between the initiating department, ordering process, and receiving procedures. There are clear finance policies at the LA. Additionally, project-specific guidelines are outlined in the PIM.

Transfer of funds from the designated account to the operational account will be based on monthly projections. Additionally, all project related financial transactions will be authorised by approvers drawn from MoFNP and the PCO. Internal audit of the project will be conducted by the internal audit department of MoFNP. The internal audit staff of the LA possess requisite skills and experience (mainly CAs). However, there have been persistent resource constraints in terms of number of staff in the department which has hindered performance of internal audit reviews of the IFAD project.

#### **5) Accounting Systems and Financial Reporting mechanisms**

The government accounting system (IFMIS) is used for processing government related transactions. Government budget is mapped in the system and payments are made against the specific budget lines. There are sufficient controls within IFMIS to facilitate segregation of duties between the initiators, reviewers, and approvers of financial transactions. However, the system is not tailored for IFAD financial reporting requirements. Whereas the customisation process was meant to be piloted with the predecessor project (RUFEP), the process was not undertaken. The project will therefore use an off-the-shelf accounting system, preferably one that will be customised with the IFAD financial reporting requirements.

Fixed assets will be recorded in an asset register whenever new ones are procured. Annual verifications will also be conducted as part of the annual audits to ascertain the physical existence and condition of the assets. Counterpart contributions (in cash) will be recognised in the accounting software. However, contributions in kind, such as office space, labour by beneficiaries, will be separately recorded as provided for in the project PIM. In-kind contributions will be reported separately as notes to the financial statements.

Interim financial reports will be prepared on a quarterly basis using data derived from the accounting system. The information will then be reported to IFAD using the most recent IFR

template. Training in interim financial reporting will be provided to the project finance team. Project financial statements will be prepared annually based on IPSAS cash basis reporting standards. Guidance will be provided on requirements of the IPSAS cash basis reporting standards during project start-up phase.

## 6) External Audit

The country's SAI (Office of the Auditor General) is an independent body reporting to the Zambia parliament and has the relevant structures and capacity to undertake the project financial audits. The SAI has experience conducting external audits of the previous IFAD financed projects in the country. These audits are conducted in accordance with ISSAIs, globally accepted standards, with quality ranging between moderately satisfactory to satisfactory. Financial Management Division (FMD) shall provide adequate capacity building around IFAD audit requirements. The audit terms of reference are based on the standard template contained in the *IFAD Handbook for Financial reporting and Auditing 2023*. Further tailoring of the terms of reference may be necessary depending on the circumstances that require audit attention for the particular year. The SAI uses International Standards of Supreme Audit Institutions (ISSAIs) in undertaking the financial audit of projects.

## VI. Implementation Readiness

**Table 3: FM Actions Summary: The actions needed to mitigate FM risks are summarised below:**

	<b>Action</b>	<b>Responsible Party / Person</b>	<b>Target Date / Covenants<sup>5</sup></b>
<b>1</b>	<p><b>Externally recruit key finance staff (namely the finance controller) prior to requesting the first withdrawal.</b></p> <p>Key Finance staff should be recruited prior to first withdrawal. Training of all finance staff to be conducted within the start-up phase of the project. Where possible, attract well performing FM staff from RUFEP in the recruitment process.</p>	MoFNP	Precedent to withdrawal of the first disbursement
<b>2</b>	<p><b>Establish the PSC prior to commencement of the project, or during the start-up phase.</b></p> <p>Set-up of the PSC should be completed (including selection of PSC members and</p>	MoFNP	Within six months of entry into force (dated covenant)

<sup>5</sup> Indicate if covenants are required in Financing Agreement for each of these: effectiveness condition or disbursement condition or dated covenant.

	<b>Action</b>	<b>Responsible Party / Person</b>	<b>Target Date / Covenants<sup>5</sup></b>
	drafting the relevant TORs) before commencement of the project.		
<b>3</b>	<b>Signing of MoUs with key implementing partners</b>	MoFNP	Precedent to withdrawal of the first disbursement
<b>4</b>	<b>Signing of MoU for the credit guarantee scheme with the relevant partner</b>	MoFNP	Within the first six months of entry into force.
<b>5</b>	<b>Open designated and operational bank accounts for each project financier to facilitate traceability of funds.</b>  DA for each financier to the project and corresponding operational accounts will be opened prior to the first withdrawal.	MoFNP	By entry into force date (disbursement condition)
<b>6</b>	<b>Develop tools for capturing counterpart contributions.</b>  Develop tools during the start-up phase to capture all counterpart contributions, including taxes, duties, salaries for counterpart staff at national and sub-national levels, in-kind contributions by government and beneficiaries.	M&E Manager, FIRIP	Within six months of entry into force
<b>7</b>	<b>AWPB - Budgeting of counterpart contribution</b>  Inclusion of co-financing in the annual work plans and budgets, clearly mapped to specific activities to enhance accountability (in-kind and cash)	MoFNP	By entry into force date
<b>8</b>	<b>Install an off-the-shelf accounting software customised with IFAD financial reporting requirements.</b>  The system should be tailored to generate financial reports, including interim financial reports in the required format (by category and components of expenditure, and by source of funds.	MoFNP	Within the first six months of project entry into force



	<b>Action</b>	<b>Responsible Party / Person</b>	<b>Target Date / Covenants<sup>5</sup></b>
<b>9</b>	<p><b>Include the new project in the annual plan of the internal audit department.</b></p> <p>FIRIP should be included in MoFNP's internal audit department's planning cycle, and adequate staff time and resources must be allocated accordingly.</p> <p>Scope of internal audit reviews should include entities implementing the project.</p>	Finance Controller	Within the first year of entry into force
<b>10</b>	<p><b>Annual audits of financial and partners institutions</b></p> <p>Annual audits of the project must cover financial and partner institutions co-financing FIRIP (e.g. PFSPs) to ensure credibility as well as compliance with IFAD reporting and disbursement requirements is evaluated</p>	Financial Controller	Within the first year of entry into force
<b>11</b>	<p><b>Capacity building of SAI on IFAD audit requirements</b></p> <p>Financial Management Division (FMD) must provide capacity building of SAI around IFAD audit requirements</p>	IFAD/FMD	Within the first year of entry into force

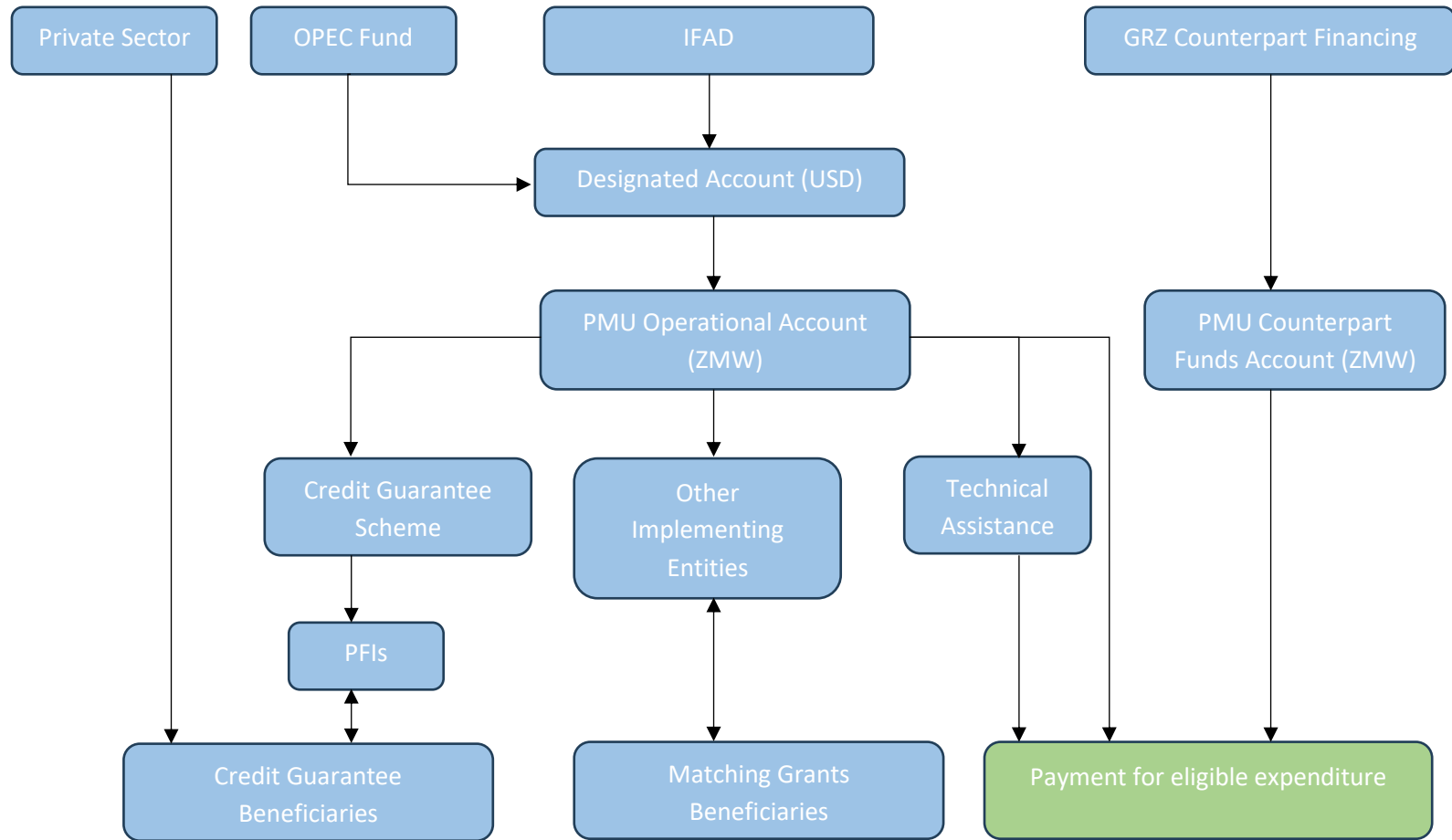
### **FM Supervision plan**

Based on the assessment during the project design, FM supervision during implementation of the project should focus on the following:

1. *Capacity building of project finance staff.* FMD staff/consultants should provide training to project FM staff remotely and during supervision missions covering major components of IFAD financial reporting. These should include interim financial reporting, compliance with IPSAS cash basis reporting standards, preparation, and submission of withdrawal applications.
2. *Review of financial performance at the implementing entity levels.* Such reviews will include visits to districts to identify bottlenecks to implementation from financial management perspective and compliance with IFAD financial management requirements. Emphasis should be made on recognition of counterpart contributions from project inception.

3. *Engagement with internal and external auditors.* Engage internal and external auditors to obtain additional assurance, especially in areas not covered during supervision missions.

**Appendix 1: Flow of Funds Chart**



**Appendix 2: FMAQ**

FMAQ document is not to be attached but retained on x-desk cluster corner.

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 8: 18-month Procurement Plan**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department



## Guidance Note

### Overview of the template

The template provides excel worksheets for (i) Guidance, timelines and (ii) the actual Procurement Plan

#### Worksheets for the Procurement Plan

**SUMMARY** **GOODS** **WORKS** **CONSULTING**

- **Goods, Works, Consulting:** used to enter procurement plan data.  
**Note:** Non-consulting services should be inserted in any of the categories for Goods, Works and Consulting depending on the nature of the services.
- **Summary:** displays a summary of amounts by category, and procurement thresholds.

#### Worksheets for Guidance and timelines

- **Guidance:** quick reference guidance on how to use the template.
- **Time Estimation:** estimated timelines by procurement methods, based on experience and guidance in the Procurement Handbook where specified.

### Procurement Summary

The Summary worksheet displays basic information, total amounts and procurement thresholds for the project.

#### Populating the Procurement Plan Summary

Procurement Plan SUMMARY					
Country:	Wakaranda				
Project Name:	Community Livestock and Agriculture Project (CLAP)				
Project ID:	2000001234				
Version	1.0				
Version Date	01-Jan-20				
Prepared by:					
Approved by:					
Procurement Category	Plan		Actual		
	Currency	USD	LCU	USD	LCU
Goods		-	-	-	-
Works		-	-	-	-
Consulting Services		-	-	-	-
Non-Consulting Services		-	-	-	-
Grants		-	-	-	-
<b>TOTAL</b>		-	-	-	-

**STEP 1:** Enter the **Country**, **Project Name**, Project ID, **Version**, **Version Date** and Name(s) of the person(s) preparing and/or approving the Plan.

#### Managing versions, updates and upgrades

The Version of the Procurement Plan (and the version date) must be updated for every **Update** and **Upgrade** to the Plan. This version update shall be made to the summary sheet only. It will be automatically populated to the other sheets. The first digit (**1.0**) should be kept for the entire 18 or 12 months period that represents the Plan's duration and changed in the next period/year (for example, Year/Period 1: 1.0. Year/Period 2: 2.0). The second digit represents updates and upgrades.



An **Update** is the filling in the contents of the **Actual** rows in the Procurement Plan



All other changes are **Upgrades**. For Prior Review, upgrades require an IFAD NC

**Do not populate this section.** Total amounts are automatically calculated from the Procurement Plan Sheets for each category.

Prior Review Thresholds

Category	Goods and goods-related Non-Consulting Services	Works and works-related Non-Consulting Services	Consulting Services and related Non-Consulting Services and/or MoU/Agreements	Individual Consultants	Decisions concerning Abnormally Low Bids shall be subject to the No Objection of IFAD.
Threshold	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00	Only for procurement activities subject to prior review <b>OR</b> For all procurement activities

All Direct Contracting and Single-Source Procurements are **Prior Review** (in alignment with IFAD Procurement Handbook), or based on the thresholds stipulated in the LTB. The exchange rate at time of submission will be used for reviews.

Procurement Method Thresholds						
	CQS	QBS/LC/FBS	QCBS	Shortlisting	SSS - Firms	SSS - Individuals
Consulting Services and related Non-Consulting Services	<= US\$ 0.00	< US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00 (subject to prior review. Justification required if above threshold)	>= US\$ 0.00 (or with a contract duration of 3 months or less, subject to prior review)
	<b>Direct Contracting</b>	<b>Shopping</b>	<b>NCB</b>	<b>ICB</b>	<b>Other Procurement Methods or Arrangements</b>	
Goods and goods-related Non-Consulting Services	>= US\$ 0.00 (subject to prior review. Justification required if above threshold)	<= US\$ 0.00	< US\$ 0.00	>= US\$ 0.00	<b>Force Account</b>	Up to a maximum aggregate amount of US\$ 0.00 (subject to prior review)
Works and works-related Non-Consulting Services	>= US\$ 0.00 (subject to prior review. Justification required if above threshold)	<= US\$ 0.00	< US\$ 0.00	>= US\$ 0.00	<b>Community Participation</b>	Allowed OR Not Allowed

ncy	USD	ypes	Amount (USD)
	USD SDR EUR		Amount (USD) Amount (SDR) Amount (EUR)

**Note: If currency is neither USD nor LOCAL CURRENCY, modify the USD labels in the template using the dropdowns where provided or typing directly if required option is not available.**

**STEP 2: Enter the Prior Review Thresholds and Procurement Method Thresholds for the project. These are defined in the Letter to the Borrower.**



## Goods, Works and Consulting Worksheets

Planning and Actual data on each procurement item is entered in these worksheets, by category. All worksheets are generally structured the same way.

### Overall Structure of the Worksheets

Plan		Actual	

The 3 rows above are not part of the Plan and must not be deleted. Copy these rows to create new procurement items or retrieve Plan Dates formulas if needed.

**Procurement Plan - Goods**  
Wakanda  
Community Livestock and Agriculture Project (CLAP)  
Project ID: 200000134  
Prepared by:  
Approved by:  
Version: 1.3 | 1-Jan-20

Basic Data		Amount		Plan vs. Actual		Milestones						
Item	No.	Description	Funding	Lot/NoDescription	Project Area	Plan vs. Actual	Procurement Method	Amount (USD)	Amount (LCU)	Plan vs. Actual	Start (EOI)	No objection date
RRB.CS.1	1	Climate Vulnerability Assessment	IFAD		All targeted districts	Plan	QCBS	64,000.00		Plan	1-Feb-20	8-Feb-20
						Actual				Actual		

For each worksheet, 3 rows (Plan, Actual and a blank row) are provided at the top to facilitate copying/pasting of new items, or retrieval of plan date formulas. **Do not edit/delete these rows.**

The basic information is automatically populated from the Summary table.

Total Amount	
USD	LCU
15 000.00	0.00
0.00	0.00

Plan and Actual total amounts are calculated automatically.

A Procurement item should be expressed in a **Planned Row** and an **Actual Row**, with a blank row at the bottom.

### Adding a New Procurement Item

**STEP 1:** To add a new procurement where rows are still available, fill out all the items in the Plan until you get to the date. This is the "Basic Data" section, and reference to the corresponding AWPB, Procurement No., Description, Funding, Number of Lots, Project Area (where applicable), Procurement/selection methods and the Planned Amount in USD or Local Currency. *The date cells for Goods and Works start with the cell directly under Submission of PreQual docs, and for the Consulting Services worksheet, the cell directly under Submission of REOI.*

AWPB/Component Ref.	No.	Description*	Funding	Project Area	Plan vs. Actual	Shortlist (Yes/No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)
RRB.CS.01	1	Climate Vulnerability Assessment	IFAD	All targeted districts	Plan	Yes	Prior Review	QCBS	64 000.00	
					Actual					

**NEW! Select "Yes" for Grants and Non-consulting activities if applicable.**

Grant	Non Consulting
Yes	

**You can only enter amounts in one currency for each**

Submission of REOI	No Objection Date	REOI Launch Date
Enter Date		

**STEP 2:** Based on the selected criteria, you will be prompted to **Enter the first date** of the process in the relevant field.

		EOI Shortlist Procedure						
Plan vs. Actual		Submission of REOI	No Objection Date	REOI Launch Date	EOI Submission Deadline	Submission of Shortlist Report	No Objection Date	Submission of RFP/RCQ
Plan		1-Feb-20	8-Feb-20	10-Feb-20	2-Mar-20	16-Mar-20	23-Mar-20	27-Mar-20
Actual								

Planned dates are calculated using formulas, from **start to finish**. **Note:** If you enter a Procurement Method that is not listed in the dropdown, the formulas will not work, however you may proceed with manual entry.

### Modifying Planned Dates



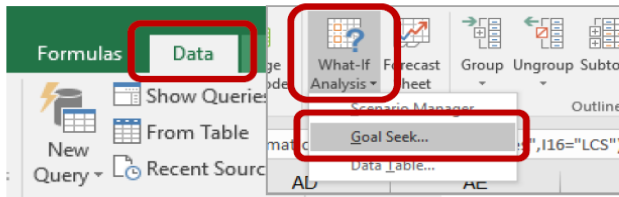
Planned dates provided by the formulas are not prescriptive and may be modified as needed.

➤ **Planning from Finish to Start:** As long as no manual entries have been made to the planned dates and the

- **Planning from Finish to Start.** As long as no manual entries have been made to the planned dates and the formulas are still in place, you can **adjust the timeline based on an END DATE** as follows:

No-objection Date	Date Contract Award	Date Contract Signature
22-Aug-20	24-Aug-20	31-Aug-20

**STEP 1:** Follow steps 1 and 2 in the previous section, entering a start date. Once you have planned dates in the cells based on the formulas, select the cell that contains the last/finish date.



**STEP 2:** Click **Data** and select the dropdown menu on the button called **What-If Analysis**. Select the **Goal Seek** feature from the dropdown.

**STEP 3: Fill in the popup box as indicated below:**

- **Set cell:** this is already selected from step 1. If not, click the field and select the cell containing the last/finish date.
- **To value:** enter the target finish date for the procurement.
- **By changing cell:** click the field and select the cell containing the first/start date.
- Click **OK**, and then click **OK** again on the following popup.

The timeline will be adjusted, with a new calculated start date.

- **Modifying the number of days in the timeline:** This can be done in two ways:
  - **Using the Time Estimation worksheet:** Modifying the approximate (Approx) number of days for specific processes (by procurement methods) within the Time Estimation worksheet. **Note:** this timeline applies to all items in the procurement worksheet using that method.
  - **Directly modifying planned dates** for a procurement item within the procurement plan worksheet. **Note:** modifying dates in the worksheets should be done from earliest to latest date, to ensure remaining dates are adjusted accordingly by the formulas.

**Using the Time Estimation Sheet to modify timelines by procurement method**

This spreadsheet provides estimated timelines by procurement methods, for each step of the procurement process based on experience and guidance in the Procurement Handbook where specified.

Goods & Works	Bid Invitation Date			Bid Closing-Opening			Su Ter
	Min	Max	Approx	Min	Max	Approx	
<b>Single Envelope</b>							
RFQ/Shopping (NS/IS)	1	3	1	5	21	14	0
NCB (no PreQual)	1	3	2	30	45	45	0
ICB (no PreQual)	1	3	2	45	70	45	0
LIB (no PreQual)	1	3	2	45	70	45	0
NCB (with PreQual)	1	3	2	30	45	45	0
ICB (with PreQual)	1	3	2	45	70	30	0
LIB (with PreQual)	1	3	2	45	70	45	0
Direct Contracting	1	3	1	7	30	14	0
<b>Two Envelope</b>							
NCB (no PreQual)	1	3	2	30	45	45	3
ICB (no PreQual)	1	3	2	45	70	45	3

**ACTION:** Identify the **Approx** cell value for the step in the process, and procurement method for which you wish to modify the timeline, and change the number of days.

**Note:** Cells will be highlighted for your attention if the value entered is below the Minimum number of days (as shown in this example).

Zero indicates steps that are not applicable to the method, and are indicated as N/A in the Formulas.

**Directly modifying planned dates**

**ACTION:** Simply enter new dates manually.

**Note:** Start editing from earliest to latest to ensure that the following dates are adjusted by the formulas.

**Note:** If you need to restore one or more planned date formulas, you can do so by copying and pasting the corresponding cell (in the same column) from the upper most row in the worksheet.

Plan vs. Actual	Submission of REOI	No Objection Date	REOI Launch Date	EOI Submission Deadline
Plan	1-Feb-20	8-Feb-20	10-Feb-20	2-Mar-20

## Entering Actual Dates and Information

AWPB/Component Ref	No	Description*	Funding	Project Area	Plan vs. Actual	Shortlist (Yes/No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)	Plan vs. Actual
RRB-CS.01	1	Climate Vulnerability Assessment	IFAD	All targeted districts	Plan	Yes	Prior Review	QCBS	64 000.00		Plan
				All targeted districts	Actual	Yes	Prior Review	QCBS	-	-	Actual

Submission of REOI	No Objection Date	REOI Launch Date	EOI Submission Deadline	Submission of Shortlist Report	No Objection Date
1-Feb-20	8-Feb-20	10-Feb-20	2-Mar-20	16-Mar-20	23-Mar-20
3-Feb-20	9-Feb-20	11-Feb-20	3-Mar-20	16-Mar-20	23-Mar-20

**Note:** Enter the Actual Amount at the end of the worksheet.

Date Contract Award	Date Contract Signature	Amount (USD)
24-Aug-20	31-Aug-20	64 000.00
30-Aug-20	10-Sep-20	60 000.00

**ACTION:** As the procurement processes are implemented, update the Actual Rows for the Basic Data, Actual Dates and finally, the Actual Amount at the end of the worksheet. **NEW!** Columns have been added for Contract No., Vendor Name/ID, Contract Completion and Remarks

	USD	LCU	
<b>Total Amount</b>	<b>80 000.00</b>	<b>0.00</b>	Plan
	<b>65 000.00</b>	<b>0.00</b>	Actual
<b>Non-Consulting:</b>	<b>30 000.00</b>	<b>0.00</b>	Plan
	<b>20 000.00</b>	<b>0.00</b>	Actual

**NEW!** Total values are included for Non-Consulting activities on each worksheet and in the summary worksheet.

Procurement Category	Plan		Actual	
	USD	LCU	USD	LCU
Goods	50 000.00	-	45 000.00	-
Works	-	80 000.00	-	75 000.00
Consulting Services	15 000.00	-	10 000.00	-
Non-Consulting Services	30 000.00	-	20 000.00	-
<b>TOTAL</b>	<b>95 000.00</b>	<b>80 000.00</b>	<b>75 000.00</b>	<b>75 000.00</b>

## Entering Actual Data and Information for Multiple LOTS

In cases of multiple LOTS, insert a new Actual Row for each LOT. The Actual Dates will likely be the same until the Submission of Technical Evaluation Report.

1										Plan
2										Actual
3										
4										

The 3 rows above are not part of the Plan and **must not be modified**. Copy these rows to create new procureme

**STEP 1:** Select and Copy the Actual Row (Row 2) from the

**STEP 2:** In the Lot No./Description section of the

**STEP 1:** Select and Copy the Actual row (row 2) from the top section of the worksheet, and insert the copied row in your worksheet to create another Actual row as shown in the screenshot below.

**STEP 2:** In the Lot No./Description section of the Planned Row, indicate the number of LOTS in the Plan row, and individual lots in each Actual row. Fill in the information as shown in the example below.

Lot No./Description	Project Area	Plan vs. Actual	Pre-or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)
2 Lots	N/A	Plan	Post-Qual	Post Review	NS	1	25 000.00
1. Desktops	N/A	Actual	Post-Qual	Post Review	NS	1	15 000.00
2. Monitors	N/A	Actual	Post-Qual	Post Review	NS	1	10 000.00

**NOTE:** The Amount entered on the Plan row is the total amount for all the lots, while the amount entered in the Actual row reflects the amount for each lot.

## Adding Rows for New Procurement Items

The 3 rows above are not part of the Plan and must not be modified. Copy these rows to create new procurement items or retrieve Plan Dates Formulae if needed.

### Procurement Plan - WORKS

Version	1.0	Country:	
Date	1-Jan-20	Project/Programme:	
AWPB/Component Ref		No	Fund
Description*			

For all worksheets (Goods, Works, Consulting), 3 rows (Planned row, Actual row, and the blank row) are provided at the top of the worksheet, before the start of the Procurement Plan.

**Do not modify or delete these rows. They are not part of the Plan and serve only to create new procurement items or retrieve formulas if needed.**

## To add rows for a new procurement item

1 Scroll to the top of the worksheet and select the first 3 rows.

**Quick tip:**  
Hover the mouse over the first row number until you see a small black arrow, then click and drag down to the 3<sup>rd</sup> row.

2 Copy the selected rows

Right click anywhere within the selected area and select **Copy** on the dropdown menu.  
OR press **CTRL + C** on the keyboard.

3 Paste the rows at the end of the Plan


Select the first cell right underneath the last row in the worksheet, and press **CTRL + V**

4 Click OK on the following popup.

Microsoft Excel

The data you copied has merged cells that will be pasted into the table in their unmerged form. The source cells will stay merged.

OK



## Things to Note

- ⚠ Do not insert or delete a column in the **Time Estimation** worksheet;
- ⚠ Users are advised against inserting or deleting columns in the worksheets for Goods, Works, Consulting. If this is necessary, please note that the automation will be lost and manual entry will be required;
- ⚠ Do not copy rows and columns from other Plan worksheets to paste in a worksheet;
- ⚠ Users of the Plan are advised not to change any of the formulas in the document, with the exception of changing dates (a copy of the formulas are provided at the top of every worksheet for new rows or inadvertent deletions).



## Procurement Plan SUMMARY

Country:	Zambia			
Project Name:	Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP)			
Project ID:	2000004924			
Version	1.0			
Version Date	05-Aug-24			
Prepared by:	G. Loganathan			
Approved by:				
Procurement Category	Plan		Actual	
	USD	LCU	USD	LCU
Goods	501 511.00	-	-	-
Works	-	-	-	-
Consulting Services	2 486 000.00	-	-	-
Non-Consulting Services	15 582.00	-	-	-
Grants	-	-	-	-
<b>TOTAL</b>	<b>3 003 093.00</b>	<b>-</b>	<b>-</b>	<b>-</b>



Procurement Plan - Goods

Zambia  
Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP)

Project ID: Z000049124

Prepared by: C. Lippman

Approved by:

	USD	LCU	
Total Amount	517,000.00	0.00	Plan
	0.00	0.00	Actual
Non-Committed	517,000.00	0.00	Plan
	0.00	0.00	Actual

Procurement Methods  
 NS: National Shopping  
 IS: International Shopping  
 NCB: National Competitive Bidding  
 ISB: International Competitive Bidding  
 L1: Lowest International Bidder

Item/Component ID	No.	Description	Procurement Method	Funding	M/R Description	Project Area or Procuring Entity	Risk Date		Procurement Method	Envelope	Amount (USD)	Amount (LCU)	Plan vs. Actual	Pre-qualification					Bidding Process				Bid Evaluation				Contract Award & Sign								
							Plan vs. Actual	Prior or Post Qualification						Prior or Post Review	Submission of PreQual Docs	No Objection Date	PreQual Inclusion Date	PreQual Closing Date	Submission of PreQual Report	No Objection Date	Submission of Bids	No Objection Date	Bid Inclusion Date	Bid Closing/Opening	Submission Task Eval Rpt	No Objection Date	Submission Combined Eval Rpt	No Objection Date	Plan vs. Actual	Issue of NOTA/Standstill	Date Contract Award	Submission of Draft Contract	No Objection Date	Date Contract Signature	
1.2	1	Motor Vehicles for Field Officers	IFAD	1	NS	Plan	Plan	Plan	NS	1	80 000.00	-	Plan	N/A	N/A	N/A	N/A	N/A	N/A	1-May-26	8-May-26	10-May-26	9-Jun-26	N/A	N/A	23-Jun-26	30-Jun-26	Plan	N/A	3-Jul-26	18-Jul-26	23-Jul-26	30-Jul-26	3-Aug-26	
						Actual	Actual	Actual			-	-	Actual																						
1.2	2	Fleet Management Software	IFAD	1	NS	Plan	Plan	Plan	NS	1	50 000.00	-	Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15-May-26	22-May-26	21-May-26	6-Jun-26	N/A	N/A	19-Jun-26	20-Jun-26	Plan	N/A	26-Jun-26	1-Jul-26	8-Jul-26	12-Jul-26	
						Actual	Actual	Actual			-	-	Actual																						
3.0	3	Double Cabin Vehicles (4x4) (up/PA)	IFAD	1	NS	Plan	Plan	Plan	NS	1	180 000.00	-	Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1-May-26	8-May-26	10-May-26	24-Apr-26	N/A	N/A	15-May-26	20-May-26	Plan	25-May-26	9-Jun-26	16-Jun-26	21-Jun-26	25-Jun-26	
						Actual	Actual	Actual			-	-	Actual																						
3.0	4	1 Equipment (CPU+ Cooling of Host), 1 No. 2 Controller @ Host, 1 Log-S Server, 1 No. 1 Log-S, 1 Router/Modem @ Host, 1 No. 1 Log-S, 1 Server Network Switch @ Host	IFAD	1	NS	Plan	Plan	Plan	NS	1	30 000.00	-	Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1-Jul-25	N/A	2-Jul-25	16-Jul-25	N/A	N/A	23-Jul-25	N/A	Plan	N/A	29-Jul-25	3-Aug-25	N/A	7-Aug-25
						Actual	Actual	Actual			-	-	Actual																						
3.0	5	Office Equipment (Projector & Video Conference Equipment)	IFAD	1	NS	Plan	Plan	Plan	NS	1	11 000.00	-	Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15-Jul-25	N/A	16-Jul-25	30-Jul-25	N/A	N/A	6-Aug-25	N/A	Plan	N/A	13-Aug-25	17-Aug-25	N/A	23-Aug-25	
						Actual	Actual	Actual			-	-	Actual																						
3.0	6	Accounting Software	IFAD	1	NS	Plan	Plan	Plan	NS	1	60 000.00	-	Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9-Jul-25	8-Jul-25	9-Jul-25	23-Jul-25	N/A	N/A	30-Jul-25	6-Aug-25	Plan	N/A	13-Aug-25	17-Aug-25	24-Aug-25	28-Aug-25	
						Actual	Actual	Actual			-	-	Actual																						
3.0	7	Office Furniture	IFAD	1	NS	Plan	Plan	Plan	NS	1	50 000.00	-	Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20-Jul-25	22-Jul-25	23-Jul-25	6-Aug-25	N/A	N/A	19-Aug-25	20-Aug-25	Plan	N/A	26-Aug-25	31-Aug-25	7-Sep-25	10-Sep-25	
						Actual	Actual	Actual			-	-	Actual																						
3.0	8	Safe Box	IFAD	1	NS	Plan	Plan	Plan	NS	1	1 200.00	-	Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1-Aug-25	N/A	3-Aug-25	16-Aug-25	N/A	N/A	23-Aug-25	N/A	Plan	N/A	29-Aug-25	3-Sep-25	N/A	7-Sep-25	
						Actual	Actual	Actual			-	-	Actual																						

Procurement Plan - WORKS - NIL

Zambia

Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP)

Project ID: 200004924

Prepared by: G. Loganathan

Approved by:

	USD	LCU	
Total Amount	0.00	0.00	Plan
	0.00	0.00	Actual
Non-Consulting:	0.00	0.00	Plan
	0.00	0.00	Actual

Version			Basic Data											Pre-Qualification					Bidding Process							
AWPB/Component Ref	No	Description	Non Consulting	Funding	Lot No/Description	Project Area or Procuring Entity	Plan vs. Actual	Pre- or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)	Amount (LCU)	Plan vs. Actual	Submission of PreQual Docs	No Objection Date	PreQual Invitation Date	PreQual Closing Date	Submission of PreQual Report	No Objection Date	Submission of BD	No-objection Date	Bid Invitation Date	Bid Closing-Opening		
							Plan							Plan												
							Actual					-	-	Actual												
							Plan							Plan												
							Actual					-	-	Actual												
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							Actual					-	-	Actual												



Procurement Plan - Consulting

Zambia

Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP)

Project ID: 2000004924

Prepared by: G. Loganathan

Approved by:

	USD	LCU	
Total Amount	2 486 000.00	0.00	Plan
	0.00	0.00	Actual
Non-Consulting:	0.00	0.00	Plan
	0.00	0.00	Actual
Grants:	0.00	0.00	Plan
	0.00	0.00	Actual

Version	1.0	5-Aug-24	Basic Data										EOI Shortlist Procedure						Proposal Process				Evaluation				Plan vs. Actual	Issue of NOIT&Standstill		
AWP/Component Ref	No	Description*	Grant	Non Consulting	Funding	Project Area or Procuring Entity	Plan vs. Actual	Shortlist (Yes/No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)	Plan vs. Actual	Submission of REOI	No Objection Date	REOI Launch Date	EOI Submission Deadline	Submission of Shortlist Report	No Objection Date	Submission of RFP/RCQ	No objection Date	RFP/RCQ Launch Date	Proposal submission deadline	Submission of TER	No objection Date	Submission of CER	No objection Date	Plan vs. Actual	Issue of NOIT&Standstill	
1.1	1	Consultancy for Market Research and Feasibility Study			IFAD	PMU	Plan	Yes	Prior Review	QCBS	180 000.00		Plan	1-Jan-26	8-Jan-26	10-Jan-26	24-Jan-26	7-Feb-26	14-Feb-26	18-Feb-26	25-Feb-26	27-Feb-26	13-Apr-26	27-Apr-26	4-May-26	18-May-26	25-May-26	Plan	28-May-26	
							Actual				-	-	Actual																Actual	
2.1	2	Training of FSP on climate risk management			IFAD	PMU	Plan	Yes	Prior Review	ICS	20 000.00		Plan	1-Jun-26	8-Jun-26	10-Jun-26	1-Jul-26	15-Jul-26	22-Jul-26	26-Jul-26	2-Aug-26	4-Aug-26	25-Aug-26	N/A	N/A	8-Sep-26	15-Sep-26	Plan	N/A	
							Actual				-	-	Actual																Actual	
2.1	3	Specific TAs for FSPs participating in FIRIP (under blending and / or IDI) For developing / improving ESG frameworks and ESAPs			IFAD	PMU	Plan	Yes	Prior Review	ICS	150 000.00		Plan	1-Apr-26	8-Apr-26	10-Apr-26	1-May-26	15-May-26	22-May-26	26-May-26	2-Jun-26	4-Jun-26	25-Jun-26	N/A	N/A	9-Jul-26	16-Jul-26	Plan	N/A	
							Actual				-	-	Actual																Actual	
2.1	4	Gender audit of CBFI Promoters and MFIs (fully funded by FIRIP) (different years)			IFAD	PMU	Plan	No	Post Review	LCS	25 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	1-Jun-26	N/A	3-Jun-26	28-Jun-26	12-Jul-26	N/A	N/A	26-Jul-26	N/A	Plan	29-Jul-26
							Actual				-	-	Actual																Actual	
2.1	5	Development of training content for gender and youth sensitive approaches for CBFI Promoters and FSPs			IFAD	PMU	Plan	Yes	Prior Review	ICS	25 000.00		Plan	15-Feb-26	22-Feb-26	24-Feb-26	17-Mar-26	31-Mar-26	7-Apr-26	11-Apr-26	18-Apr-26	20-Apr-26	11-May-26	N/A	N/A	25-May-26	1-Jun-26	Plan	N/A	
							Actual				-	-	Actual																Actual	
2.1	6	General training on gender and youth sensitive approaches for financial service development and delivery for CBFI Promoters and FSPs			IFAD	PMU	Plan	Yes	Prior Review	ICS	60 000.00		Plan	1-May-26	8-May-26	10-May-26	31-May-26	14-Jun-26	21-Jun-26	25-Jun-26	2-Jul-26	4-Jul-26	25-Jul-26	N/A	N/A	8-Aug-26	15-Aug-26	Plan	N/A	
							Actual				-	-	Actual																Actual	
2.1	7	TA to strengthen SMFF based on its implementation results and proposal improved its efficiency, scalability, and sustainability.			IFAD	PMU	Plan	Yes	Prior Review	QCBS	300 000.00		Plan	15-Jan-26	22-Jan-26	24-Jan-26	7-Feb-26	21-Feb-26	28-Feb-26	4-Mar-26	11-Mar-26	13-Mar-26	27-Apr-26	11-May-26	18-May-26	1-Jun-26	8-Jun-26	Plan	13-Jun-26	
							Actual				-	-	Actual																Actual	
2.1	8	TA for the detailed design of the Blending Facility and recruitment of Fund Manager			IFAD	PMU	Plan	Yes	Prior Review	QCBS	50 000.00		Plan	1-Jan-26	8-Jan-26	10-Jan-26	24-Jan-26	7-Feb-26	14-Feb-26	18-Feb-26	25-Feb-26	27-Feb-26	13-Apr-26	27-Apr-26	4-May-26	18-May-26	25-May-26	Plan	28-May-26	
							Actual				-	-	Actual																Actual	
3.0	9	Baseline Survey			IFAD	PMU	Plan	Yes	Prior Review	LCS	50 000.00		Plan	1-Jul-25	8-Jul-25	10-Jul-25	31-Jul-25	14-Aug-25	21-Aug-25	25-Aug-25	1-Sep-25	3-Sep-25	18-Oct-25	1-Nov-25	8-Nov-25	22-Nov-25	29-Nov-25	Plan	2-Dec-25	
							Actual				-	-	Actual																Actual	
3.0	10	TA for M&E during implementation			IFAD	PMU	Plan	Yes	Prior Review	ICS	15 000.00		Plan	1-Aug-25	8-Aug-25	10-Aug-25	31-Aug-25	14-Sep-25	21-Sep-25	25-Sep-25	2-Oct-25	4-Oct-25	25-Oct-25	N/A	N/A	8-Nov-25	15-Nov-25	Plan	N/A	
							Actual				-	-	Actual																Actual	
3.0	11	Development of project MIS including related infrastructure, accessories and training of staff, including maintenance			IFAD	PMU	Plan	Yes	Prior Review	CQS	65 000.00		Plan	1-Feb-26	8-Feb-26	10-Feb-26	3-Mar-26	17-Mar-26	24-Mar-26	28-Mar-26	4-Apr-26	6-Apr-26	27-Apr-26	N/A	N/A	11-May-26	18-May-26	Plan	N/A	
							Actual				-	-	Actual																Actual	
3.0	12	Development of a Knowledge Management and Communication Strategy			IFAD	PMU	Plan	Yes	Prior Review	ICS	20 000.00		Plan	1-Sep-25	8-Sep-25	10-Sep-25	1-Oct-25	15-Oct-25	22-Oct-25	26-Oct-25	2-Nov-25	4-Nov-25	25-Nov-25	N/A	N/A	9-Dec-25	16-Dec-25	Plan	N/A	
							Actual				-	-	Actual																Actual	
3.0	13	Development and Maintenance of Programme Knowledge Management Portal			IFAD	PMU	Plan	Yes	Post Review	CQS	35 000.00		Plan	1-Mar-26	N/A	3-Mar-26	24-Mar-26	7-Apr-26	N/A	11-Apr-26	N/A	13-Apr-26	4-May-26	N/A	N/A	18-May-26	N/A	Plan	N/A	
							Actual				-	-	Actual																Actual	
2.1	14	Consulting Firm for Fund Management (3 year initial contract duration)			IFAD	PMU	Plan	Yes	Prior Review	QCBS	1 491 000.00		Plan	1-Nov-25	8-Nov-25	10-Nov-25	24-Nov-25	8-Dec-25	15-Dec-25	19-Dec-25	26-Dec-25	28-Dec-25	11-Feb-26	25-Feb-26	4-Mar-26	18-Mar-26	25-Mar-26	Plan	28-Mar-26	
							Actual				-	-	Actual																Actual	

**Procurement Plan - Consulting**

**Zambia**

**Financial Inclusion for Resilience and Innovativ**

**Project ID: 200004924**

Prepared by: G. Loganathan

Approved by:

**Selection Methods**

OCBS: Quality and Cost-Based Selection  
 CBS: Quality-Based Selection  
 CQS: Selection by Consultants' Qualifications (shortlist is required for  
 LCS: Least-Cost Selection  
 FBS: Fixed Budget Selection  
 ICS: Individual Consultants Selection (shortlist is required for this meth  
 SSS: Sole Source Selection  
 Selection (Design/PM): Single Sourcing established in the project des  
 implementation manual

Version		Contract Award & Si					
1.0	5-Aug-24						
Award/Comp	No	Description*	Date Contract Award	Negotiations completed	Submission of Draft Contract	No-objection Date	Date Contract Signature
1.1	1	Consultancy for Market Research and Feasibility Study	12-Jun-26	27-Jun-26	2-Jul-26	9-Jul-26	13-Jul-26
2.1	2	Training of FSP on climate risk management	21-Sep-26	5-Oct-26	10-Oct-26	17-Oct-26	21-Oct-26
2.1	3	Specific TAs for FSPs participating in FIRIP (under blending and / or GDF) for developing / improving ESG frameworks and ESAPs	22-Jul-26	5-Aug-26	10-Aug-26	17-Aug-26	21-Aug-26
2.1	4	Gender audit of CBF Promoters and MFIs (fully funded by FIRIP) (different years)	13-Aug-26	28-Aug-26	2-Sep-26	N/A	6-Sep-26
2.1	5	Development of training content for gender and youth sensitive approaches for CBF Promoters and FSPs	7-Jun-26	21-Jun-26	26-Jun-26	3-Jul-26	7-Jul-26
2.1	6	General training on gender and youth sensitive approaches for financial service development and delivery for CBF Promoters and FSPs	21-Aug-26	4-Sep-26	9-Sep-26	16-Sep-26	20-Sep-26
2.1	7	TA to strengthen SAPP based on its implementation results and proposal improved its efficiency, scalability, and sustainability.	26-Jun-26	11-Jul-26	16-Jul-26	23-Jul-26	27-Jul-26
2.1	8	TA for the detailed design of the Blending Facility and recruitment of Fund Manager	12-Jun-26	27-Jun-26	2-Jul-26	9-Jul-26	13-Jul-26
3.0	9	Baseline Survey	17-Dec-25	1-Jan-26	6-Jan-26	13-Jan-26	17-Jan-26
3.0	10	TA for M&E during implementation	21-Nov-25	5-Dec-25	10-Dec-25	17-Dec-25	21-Dec-25
3.0	11	Development of project MIS including related infrastructure, accessories and training of staff, including maintenance	24-May-26	7-Jun-26	12-Jun-26	19-Jun-26	23-Jun-26
3.0	12	Development of a Knowledge Management and Communication Strategy	22-Dec-25	5-Jan-26	10-Jan-26	17-Jan-26	21-Jan-26
3.0	13	Development and Maintenance of Programme Knowledge Management Portal	24-May-26	7-Jun-26	12-Jun-26	N/A	16-Jun-26
2.1	14	Consulting Firm for Fund Management (3 year initial contract duration)	12-Apr-26	27-Apr-26	2-May-26	9-May-26	13-May-26

**Day Ranges** *These tables provide estimated timelines by procurement methods, based on experience and guidance in the Procurement Handbook where specified.*

*The approximate number of days are used in the default Procurement Plan Formulas. Timelines in the Approx fields/Formulas are not prescriptive, and may be modified by the project.*

*Approx figures entered will be highlighted/flagged, if below the Minimum number of days. Zero indicates steps that are not applicable to the method, and are indicated as N/A in the Formulas.*

**Goods & Works**

Procurement Method	Submission of PreQual docs			No Objection Date			PreQual Invitation Date			PreQual Closing Date			Submission of PreQual Report			No Objection Date			Submission of BD			No-objection Date		
	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx
<b>Single Envelope</b>																								
RFQ/Shopping (NS/IS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	3	N/A-Start Date	7	10	7
NCB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7
ICB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7
LIB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7
NCB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7
ICB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7
LIB (with PreQual)	1	4	N/A-Start Date	5	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7
Direct Contracting/ Force Account	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	3	N/A-Start Date	7	10	7
<b>Two Envelope</b>																								
NCB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7
ICB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7
LIB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7
NCB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7
ICB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7
LIB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7

**Services**

Selection Method	Submission of REOI			No Objection Date			REOI Launch Date			EOI Submission Deadline			Submission of Shortlist Report			No Objection Date			Submission of RFP/RCQ			No-objection Date		
	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx
QCBS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	14	14	21	14	7	10	7	1	7	4	7	10	7
FBS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	7	4	7	10	7
LCS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	7	4	7	10	7
QBS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	7	4	7	10	7
CQS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	5	4	7	10	7
ICS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	5	4	7	10	7
QCBS (noShortlist)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A- Start Date	7	10	7
FBS (noShortlist)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	5	N/A- Start Date	7	10	7
LCS (noShortlist)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A- Start Date	7	10	7
QBS (noShortlist)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A- Start Date	7	10	7
SSS/ Selection (Design/PIM)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A- Start Date	7	10	7

**NOTE**

1. Some procurement methods for low-value processes might require No Objections based on the Prior Review Thresholds. Where they do not require, No Objection number of days should be zero.
2. **RFP**: Request for Proposals: standard procurement document used for Services.
3. **RCQ**: Requests for Consultants Qualifications: Procurement document used for CQS and LCS. The RFP is used for all other procurement methods
4. Consulting services and Good/Works methods could either be used for Non-Consulting Services
5. All days are calendar days



## Day Ranges

### Goods & Works

Procurement Method	Bid Invitation Date			Bid Closing-Opening			Submission Tech Eval Rpt			No-objection Date			Submission Combined Eval Rpt/Bid Evaluation Report			No-objection Date			Issue of NOITA & Standstill			Date Contract Award		
	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx
<b>Single Envelope</b>																								
RFQ/Shopping (NS/IS)	1	3	1	5	21	14	0	0	0	0	0	0	1	7	7	7	10	7	0	0	0	4	-	6
NCB (no PreQual)	1	3	2	30	45	30	0	0	0	0	0	0	3	21	14	7	10	7	1	3	3	14	-	15
ICB (no PreQual)	1	3	2	45	70	45	0	0	0	0	0	0	3	21	21	7	10	7	1	3	3	14	-	15
LIB (no PreQual)	1	3	2	45	70	45	0	0	0	0	0	0	3	21	21	7	10	7	1	3	3	14	-	15
NCB (with PreQual)	1	3	2	30	45	30	0	0	0	0	0	0	7	21	14	7	10	7	1	3	3	14	-	15
ICB (with PreQual)	1	3	2	45	70	45	0	0	0	0	0	0	7	21	21	7	10	7	1	3	3	14	-	15
LIB (with PreQual)	1	3	2	45	70	45	0	0	0	0	0	0	7	21	21	7	10	7	1	3	3	14	-	15
Direct Contracting/ Force Account	1	3	1	7	30	14	0	0	0	0	0	0	3	21	7	7	10	7	0	0	0	4	-	6
<b>Two Envelope</b>																								
NCB (no PreQual)	1	3	2	30	45	30	3	21	3	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15
ICB (no PreQual)	1	3	2	45	70	45	3	21	21	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15
LIB (no PreQual)	1	3	2	45	70	45	3	21	21	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15
NCB (with PreQual)	1	3	2	30	45	30	7	21	14	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15
ICB (with PreQual)	1	2	2	45	70	45	7	21	21	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15
LIB (with PreQual)	1	2	2	45	70	45	7	21	21	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15

### Services

Selection Method	RFP/RCQ Launch Date			Proposal submission deadline			Submission of TER			No-objection Date			Submission of CER			No-objection Date			Issue of NOITA & Standstill			Date Contract Award		
	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx
QCBS (w/Shortlist)	1	3	2	45	60	45	14	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15
FBS (w/Shortlist)	1	3	2	45	60	45	14	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15
LCS (w/Shortlist)	1	3	2	45	60	45	14	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15
QBS (w/Shortlist)	1	3	2	21	60	45	14	21	14	7	10	7	0	0	0	0	0	0	1	3	3	14	-	15
CQS (w/Shortlist)	1	3	2	14	30	21	0	0	0	0	0	0	14	21	14	7	10	7	0	0	0	4	-	6
ICS (w/Shortlist)	1	3	2	14	30	21	0	0	0	0	0	0	14	21	14	7	10	7	0	0	0	4	-	6
QCBS (noShortlist)	1	3	2	45	60	45	14	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15
FBS (noShortlist)	1	3	2	14	30	21	7	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15
LCS (noShortlist)	1	3	2	21	30	25	7	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15
QBS (noShortlist)	1	3	2	21	60	45	14	21	14	7	10	7	0	0	0	0	0	0	1	3	3	14	-	15
SSS/ Selection (Design/PIM)	1	3	2	7	30	30	0	0	0	0	0	0	7	21	14	7	10	7	0	0	0	4	-	6

## Day Ranges

### Goods & Works

Procurement Method	Submission of Draft Contract			No-objection Date			Date Contract Signature			Totals			
	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Approx Months/Days
<b>Single Envelope</b>													
RFQ/Shopping (NS/IS)	3	7	5	7	10	7	4	7	4	40	78	58	1m 27d
NCB (no PreQual)	3	7	5	7	10	7	4	7	4	78	123	94	3m 3d
ICB (no PreQual)	3	7	5	7	10	7	4	7	4	93	148	116	3m 25d
LIB (no PreQual)	3	7	5	7	10	7	4	7	4	93	148	116	3m 25d
NCB (with PreQual)	3	7	5	7	10	7	4	7	4	126	208	164	5m 12d
ICB (with PreQual)	3	7	5	7	10	7	4	7	4	141	233	186	6m 4d
LIB (with PreQual)	3	7	5	7	10	7	4	7	4	139	233	186	6m 4d
Direct Contracting/ Force Account	3	7	5	7	10	7	4	7	4	44	101	58	1m 27d
<b>Two Envelope</b>													
NCB (no PreQual)	3	7	5	7	10	7	4	7	4	88	147	104	3m 13d
ICB (no PreQual)	3	7	5	7	10	7	4	7	4	103	172	137	4m 16d
LIB (no PreQual)	3	7	5	7	10	7	4	7	4	103	172	137	4m 16d
NCB (with PreQual)	3	7	5	7	10	7	4	7	4	136	232	185	6m 3d
ICB (with PreQual)	3	7	5	7	10	7	4	7	4	151	256	207	6m 25d
LIB (with PreQual)	3	7	5	7	10	7	4	7	4	151	256	207	6m 25d

### Services

Selection Method	Negotiations completed			Submission of Draft Contract and MoN Date			No-objection Date			Date Contract Signature			Totals			
	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Approx Months/Days
QCBS (w/Shortlist)	10	28	15	3	7	5	7	10	7	4	7	4	172	268	193	6m 11d
FBS (w/Shortlist)	10	28	15	3	7	5	7	10	7	4	7	4	172	268	200	6m 18d
LCS (w/Shortlist)	10	28	15	3	7	5	7	10	7	4	7	4	172	268	200	6m 18d
QBS (w/Shortlist)	10	28	15	3	7	5	7	10	7	4	7	4	134	244	179	5m 27d
CQS (w/Shortlist)	7	14	14	3	7	5	7	10	7	4	7	4	113	195	142	4m 21d
ICS (w/Shortlist)	7	14	14	3	7	5	7	10	7	4	7	4	113	195	142	4m 21d
QCBS (noShortlist)	10	28	15	3	7	5	7	10	7	4	7	4	128	190	145	4m 24d
FBS (noShortlist)	10	28	15	3	7	5	7	10	7	4	7	4	90	158	121	3m 30d
LCS (noShortlist)	10	28	15	3	7	5	7	10	7	4	7	4	97	160	125	4m 4d
QBS (noShortlist)	10	28	15	3	7	5	7	10	7	4	7	4	90	166	124	4m 3d
SSS/ Selection (Design/PIM)	7	21	21	3	7	5	7	10	7	4	7	4	55	126	103	3m 12d

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 9: Project Implementation Manuals**

Mission Dates: 03 – 21 June 2024

Document Date: 28/10/2024

Project No. 2000004924

Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department





Investing in rural people **Financing of SSTC Activities**

As outlined above, the SSTC activities under FIRIP will be financed through a combination of project budget allocations and external funding sources. A total budget of approximately USD 1 million (over seven years) has been earmarked for technical assistance, capacity building, and cross-learning initiatives, with a specific focus on agricultural and climate finance innovations. The financing will cover the costs of international consultants, workshops, exchange visits, and the implementation of best practices in Zambia. Additionally, the US\$ 400,00 smallholder mechanization project with funding from the China SSTC window, will be leveraged to enable farmer access to technology demonstrations and climate-smart practices.

<b>Activity</b>	<b>Budget (USD)</b>	<b>Description</b>	<b>Expected Outcome</b>
<b>Technical Workshops on Emerging Topics (Activity 2.1)</b>	536,000	Workshops featuring international experts sharing innovations in agricultural, rural, and climate finance.	Enhanced institutional capacity to deliver innovative financial products for smallholder farmers.
<b>TA to Review ZCGS Operating Model (Activity 2.7)</b>	325,000	International TA to review and enhance ZCGS's efficiency, outreach, and sustainability using lessons from other countries.	Improved operational sustainability and scalability of ZCGS.
<b>TA for Blended Finance Facility Design (Activity 2.9)</b>	52,000	International consultants (from Africa) will support the design of the BFF.	A well-structured Blended Finance Facility that promotes sustainable agricultural investments.
<b>TA for Institutional Structure Design (Activity 2.10)</b>	11,000	International consultants will provide options for a permanent BFF structure.	Sustainable institutional framework for BFF operations.
<b>Sub-Regional Cross-Learning and Exchange Visits</b>	105,000	Learning exchanges within the sub-region on agricultural finance best practices.	Enhanced regional collaboration and knowledge exchange, improving the design of agricultural financing programs in Zambia.

**Republic of Zambia**

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**Financial Inclusion for Resilience and Innovation Project for Rural  
Zambia (FIRIP)**

**Draft Project Implementation Manual (PIM)**

October 2024

## **Abbreviations and Acronyms**

AF	Adaptation Fund
ARCAFIM	Africa Rural Climate Adaptation Finance Mechanism
BEA	Budget and Economic Affairs
BFF	Blending Finance Facility
CALRF	Climate Adaptation of Livelihoods through Rural Finance project
CATSP	Comprehensive Agriculture Transformation Support Program
CBFIs	Community Based Financial Institutions
CI	Core Indicator
DFS	Digital Financial Services
DP	Development Partners
E-SLIP	Enhanced Smallholder Livestock Investment Programme
EMD	Economic Management Division
ESG	Environment, Social and Governance
FI	Financial Inclusion
FIRIP	Financial Inclusion for Resilience and Innovation Project
FM	Fund Manager
FS	Financial Services
FSP	Financial Service Providers
GBV	Gender Based Violence
GRZ	Government of the Republic of Zambia
GTA	Gender Transformative Approach
IFAD	International Fund for Agricultural Development
IGA	Income Generating Activity
IOF	Innovation and Outreach Facility
IP	Implementing Partner
KM	Knowledge Management
M&E	Monitoring & Evaluation
MFI	Microfinance Institutions
MG	Matching Grants
MoFNP	Ministry of Finance and National Planning
MSME	Ministry of Small and Medium Enterprise Development
NBFIs	Non-Bank Financial Institutions
NGO	Non-Governmental Organization
PCU	Project Coordination Unit
PDO	Project Development Objective
PFSP	Participating Financial Service Providers
PIM	Project Implementation Manual
PS	Permanent Secretary

PSC	Programme Steering Committee
PVC	Project Vetting Committee
RFS	Rural Finance Specialist
RFU	Rural Finance Unit
RUFEP	Rural Finance Extension Programme
S3P	Smallholder Production Productivity Programme
SACCO	Savings and Credit Cooperative Society
SAFF	Sustainable Agricultural Finance Facility
SDGs	Sustainable Development Goals
SECAP	Social, Environment, Climate Assessment Procedures
SHFs	Smallholder Farmers
SME	Small and Medium Enterprise
SPs	Strategic Partnerships
TA	Technical Assistance
TAS	Technical Assistance Services
UNCT	United Nations Country Team
UNSCDF	United Nations Sustainable Development Cooperation Framework
VC	Value Chain
ZCGS	Zambia Credit Guarantee Scheme



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## GLOSSARY

Access point	Includes branches of commercial banks, microfinance institutions, building societies, savings and credit institutions, development finance institutions, active agents of commercial banks and mobile money providers (NFIS II)
Affordable	<p>Affordability refers to the ability of borrowers to use and repay loans (or other financial services) while still deriving commensurate financial and other benefits. Affordability is highly context-specific in terms of client characteristics including income, cash flow, types of economic activities, skills, and location.</p> <p>Under the premise of Responsible Lending, pricing, terms and conditions are set in a way that is affordable to clients while allowing for financial institutions to be sustainable (view SMART Campaign: Client Protection Principles)</p>
Alternative collateral; (also collateral substitutes)	Alternatives to conventional loan collateral such as land, gold and cash. Examples include movable assets (e.g., vehicles, equipment, household goods), livestock, joint liability mechanisms, personal guarantees; crops stored (e.g., warehouse receipts), off-taker contracts, accounts receivables, etc.
Blended Finance	Strategic use of development finance to mobilize additional financing for sustainable development <a href="https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/">https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/</a> .
Client-centric financial services	Also termed customer-centric. Client/customer-centricity is about providing solutions based on a deep understanding of customer needs, preferences, and behaviours. To effectively put the needs and aspirations of customers (e.g., rural women, youth, smallholders) at the centre of business strategies and decision-making, financial service providers may have to rethink their operations and invest significant effort and resources to change not only business operations but also organizational mindsets. (view <a href="#">Home page   CGAP</a> )
Commitment savings products	Digitally-enabled commitment savings products allow farmers to periodically save small amounts in order to purchase inputs or equipment. These products normally include interest rates on savings, some restrictions to withdraw money (with exceptions in case of health or other emergencies), periodic digital nudges, and reminders, etc. Through Digital platforms, savers can build a track record and may eventually access loans.
First-generation DFS	Mobile money: send money, make payments, top up airtime, via bank and non-bank channels, deposit and withdraw cash via mobile and banking agents.
Second-generation financial services	Broader range of credit, savings and insurance products delivered through digital or other channels targeting specific customer segments and purposes
Financial Consumer Protection	Laws, regulations and other measures designed to ensure fair and responsible treatment of financial consumers in their purchase and use of financial products and services and their dealings with financial service providers
Financial Education	Providing people with knowledge, understanding, skills, and confidence to enable them to make financial decisions and take actions that are appropriate to their personal circumstances
Financial Inclusion	<p>“Access to and informed usage of a broad range of quality and affordable financial products and services that meet the needs of all individuals and businesses in a fair, simple, dignified and sustainable manner” (Zambia National Financial Inclusion Strategy II)</p> <p>“financial inclusion” means that all individuals and enterprises have access to, and are empowered to use, affordable, responsible financial services—such as payments, savings, credit, and insurance—that meet their needs (CGAP, 2023)</p>

Financial Literacy	Understanding of various financial concepts and products that enable individuals to manage personal finance matters in an efficient manner
Inclusive Rural Finance	Subset of inclusive finance that targets rural populations, organizations and businesses involved in agriculture (including farming, fishing and pastoralism), and non-agricultural activities (view IFAD Inclusive Rural Finance Policy).

## OVERVIEW AND STRUCTURE OF THE MANUAL

### OVERVIEW AND OBJECTIVES OF THE MANUAL

The objective of the Project Implementation Manual (PIM) is to guide management and implementation of the Financial Inclusion for Resilience and Innovation Project (FIRIP) by defining its activities and instruments and related processes, procedures, and responsibilities as well as the various administrative and financial management systems that will support these activities. The PIM is a living document that may be reviewed and up-dated regularly to take advantage of the experiences and insights gained during Project implementation. The PIM will be made available to key implementing agencies to promote consistency of procedures and operational standards in Project implementation.

### STRUCTURE OF THE MANUAL

The PIM is systematically organized into six key sections, each designed to provide clear guidance on specific aspects of the Financial Inclusion for Resilience and Innovation Project. These sections are structured to ensure coherence, ease of use, and comprehensive coverage of all critical elements necessary for effective project management and implementation.

1. Project Description
2. Project Area, Target Group, and Targeting Strategy
3. Detailed Component Description
4. Project Implementation Arrangements
5. Financial Management
6. Procurement

For better readability and reference, each section of the PIM is accompanied by relevant annexes. Chapter 2 has several annexes providing critical country background including socio-economic data, agriculture, farmer segmentation, poverty, MSME, Youth, Gender, and Policy Frameworks. Chapter 3.3 has an annex providing an overview on the rural finance landscape including key institutions, potential participating financial institutions and related government initiatives such as the Sustainable Agricultural Finance Facility (SAFF). Other annexes include additional details such as templates, Terms of Reference (ToRs), and supplementary instructions, which are aligned with IFAD's general terms of agricultural financing.

## 1.0 PROJECT DESCRIPTION

### 1.1 BACKGROUND AND CONTEXT

1. Zambia has been recovering from a period of slow economic growth, triggered by a weakened fiscal situation due to high inflation, a rapid increase in public debt, low copper prices, El Niño-related poor harvests, and declining maize prices. According to IMF's Debt Sustainability Analysis, the debt situation remains critical and may curtail public investment, adversely affecting the country's poverty reduction goals.

2. Rural poverty has slightly increased, from 76.6% in 2015 to 78.8% in 2022. Zambia also faces recurrent and severe climate shocks such as seasonal flash floods, droughts, extreme temperatures, and wet and dry spells, which pose a serious threat to its economy, increase power cuts, and above all, threaten the food security and livelihoods of its population.

3. While accounting for only 2.8% of GDP in 2022, agriculture remains the primary source of livelihood for 2.3 million rural households<sup>1</sup>, including 1.65 million rural smallholders. Most smallholder farmers have diversified livelihoods, with non-farm income contributing 40% to total household on average. About two thirds of all farmers cultivate less than 2 hectares and 61% sell less than a quarter of their farm output. Women and youth provide a disproportionate share of the farm labour but are disadvantaged in terms of access to land and other productive resources, as well as at household-level decision making.

4. Macroeconomic instability has also impacted the financial sector, including the availability and costs of funding to the private sector, including agriculture. Driven by fiscal deficits, government borrowing has crowded out lending to the productive sector. The share of private sector credit to GDP was only 10% in 2022, against a sub-Saharan average of 34.5%. Despite notable progress in financial inclusion, mainly driven by the rapid expansion of mobile money, rural areas continue lagging, with a widening rural to urban gap. The dearth of client-centric financial services responding to the various specific needs of smallholders, women, youth, and rural MSMEs curtail their ability to manage risks, cope with shocks and invest. Farmers' financial exclusion levels remain at 40% and only less than 0.5% of all farmers have access to agricultural credit from formal sources. The situation is similarly dire for MSMEs, with only 6.5% of them having bank accounts and 7.9% having applied for loans during 2017-2022.

5. Improved access to a broader range of client-centric financial services can promote social inclusion, strengthen livelihoods, enhance resilience and facilitate productive investments in agriculture and related value chains (VCs) and for climate change adaptation, supporting relevant GRZ policies. Building on IFAD's long-standing experiences in inclusive rural finance and RUFEP's achievements, FIRIP will continue advancing the rural financial inclusion agenda, with a stronger focus on supporting second-generation, client-centric financial services that will help smallholder farmers and associated MSMEs to better manage risks, adapt to climate change and enhance productivity and income.

#### ***Lessons learned.***

6. IFAD's current portfolio currently consists of the Enhanced Smallholder Livestock Investment Programme (E-SLIP; 2014- 24), which received additional financing of \$US 7.9M (repurposed from E-SAPP) and has requested for a two-year extension. Recently

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<sup>1</sup> [1] Census of Population and Housing 2022, Zambia Statistics Agency, ZAMSTAT



closed projects included the Rural Finance Expansion Programme (RUFEP), (2013-24), the Smallholder Production Productivity Programme (S3P, 2020) and the Enhanced Smallholder Agribusiness Promotion Programme (E-SAPP, 2022).

7. The portfolio is set to expand in 2025, following recent progress towards debt restructuring and IFAD's recognition by the GRZ as a creditor of choice, following approval by the IMF. The GRZ's proposed pipeline projects for IFAD13 are the Operationalisation of the Village Industries Services Commission Project, and the Zambia Emergency Irrigation Support Project.

8. FIRIP builds on lessons from RUFEP, other rural finance (RF) projects, other projects in Zambia, and the recently concluded project cluster evaluation on RF in the East and Southern Africa (ESA) region. These include:

- Building access points for first-generation Digital Financial Services (DFS) through agent networks and mobile money can foster rapid progress of financial inclusion (FI), especially in rural areas with no or limited presence of formal FSPs. It also prepares the ground for more client-centric, second-generation financial services responding to specific needs of target groups. FIRIP will thus continue supporting basic financial access points in financially excluded rural areas.
- Generic DFS based on mobile banking do not respond well to many of the specific needs of different rural target groups often leading to low account usage. Client-centric financial services and delivery mechanisms responding to the needs of smallholders, women, rural youth, and of specific sectors and purposes such as agriculture, climate smart and green technologies, can address this gap. Developing and rolling out such services is expensive and risky for private FSPs. FIRIP will therefore co-finance related costs, along with training and capacity building needs.
- IOFs are comparatively low-cost, demand-driven instruments that encourage private sector buy in, leverage local knowledge and foster innovations. FIRIP will build on RUFEP's IOF, with some adjustments to reflect new priorities.
- A conducive enabling policy and institutional environment is critical for the roll out of inclusive and client-centric rural financial services at scale. While Zambia has several specific enabling policies, regulations and instruments in place, implementation and institutional capacity gaps remain. FIRIP will help address these, along with needs for new policies, regulatory instruments and institutional capacities.
- In high interest-rate environments linked to macro-policy issues and small financial sectors, low supply of credit at high interest rates can pose a major challenge for farmers and rural MSMEs to expand viable economic activities. FIRIP will address this issue through a BFF providing lower priced loanable funds to viable borrowers.
- In line with international best practices, blending facilities should be managed in accordance with highest professional standards and without political interference in operational decisions. FIRIP's BFF will therefore be managed by an independent FM operating under a strong governance structure.
- Evaluations of IFAD RF projects often revealed weaknesses in properly monitoring numbers and types of beneficiaries, use of financial services by target groups and their impacts on beneficiary livelihoods. FIRIP will have a strong ME&KM system with clear data requirements for all IPs, ongoing guidance and capacity building, and a focus on analysis of how using financial services translates into economic growth, increased resilience and improved livelihoods.
- A lean Project Coordination Unit (PCU), with only one RF specialist as was the case in RUFEP, is inadequate to provide appropriate implementation support. FIRIP PCU will be staffed with a range of skills sets, including two RF Specialists, an

Environment and Climate Adaptation Specialist, and a Gender, Targeting and Social Inclusion Specialist, among others.

- Startup delays have negatively impacted overall project performance, primarily due to delayed recruitment of PCU staff. On average, the Zambia portfolio experiences a delay of approximately 11 months between approval and the first disbursement. To mitigate these startup delays, the FIRIP design has incorporated a startup plan to be managed by the RFU to expedite the recruitment of key PCU staff within the first six months. RFU's experience with RUFEP will provide support helping the PCO to become fully operational quickly.

9. FIRIP will also complement two additional pipeline projects currently under development: (i) the second phase of the Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM) which is in the concept note stage; and (ii) the Climate Adaptation of Livelihoods through Rural Finance project (CALRF), a US\$10m Adaptation Fund (AF) grant currently in the proposal review stage. ARCAFIM will provide climate finance through private banks complementing FIRIPs financial and technical support to FSPs. CALRF will enhance climate resilience and adaptive capacities of rural people in select districts, enhancing their ability to access and use the financial products introduced by FIRIP.

10. **Alignment.** FIRIP will contribute to SDGs 1 (End Poverty), 2 (End Hunger), 5 (Gender Equality), 8 (Decent Work and Economic Growth), and 13 (Climate Action). It fully aligns with Zambia's 8th National Development Plan (8NDP) and Zambia's 'Vision 2030' agenda, supporting programs in agriculture and productivity enhancement, value addition and manufacturing, financial inclusion, digital capacities, MSME development, green growth, and climate resilience. FIRIP also aligns with IFAD's 2016-2025 Strategic Framework and mainstreaming priorities and the 2019-2024 COSOP, emphasizing rural development, financial inclusion, climate adaptation, and sustainable livelihoods. Two of the project's Core Indicators directly contribute to the COSOP results management framework: CI 1.2.5 (Outcome 2) and CI 3.2.2 (PDO). It complies with IFAD's policies and strategies on Inclusive Rural Finance (2021), Poverty Targeting (2023), Gender Equality and Women Empowerment (2021), Private Sector (2011), Environment and Climate Change (2019-2025), and its Social, Environmental, and Climate Assessment Procedures (SECAP, 2021). Additionally, it aligns with the United Nations Sustainable Development Cooperation Framework (UNSCDF) 2023-2027, which outlines the United Nations Country Team's (UNCT's) collective efforts to support the Government's national priorities - in particular with Strategic Priority 1 (Prosperity).

11. The project aligns with key national strategies, such as i) the NFIS II, 2024-28 focusing on rural financial inclusion, support for agriculture and small businesses, reaching underserved groups, and promoting green financing; ii) the National Agriculture Policy (2012-30) and related investment plan CATSP (2022-26) and recently launched financing facility (SAFF, 2023).); iii) the Revised National MSME Development Policy (2023); iv) the National Gender Policy (2023); v) Zambia's Employment Act (2019), vi) the National Youth Policy (2024); vii) the National Adaptation Plan for Zambia (2023); viii) National Green Growth Strategy 2024-2030; ix) Updated National Determined Contributions (2021); and x) National Policy on Climate Change (2016).

12. FIRIP will complement and build synergies with current and planned initiatives by key Development Partners (DP), such as the EU-funded Enterprise Challenge Fund II and GIZ's CREATE II, particularly in the areas of climate resilience and smallholder-inclusive value chains, and the Government's SAFF initiative.

## 1.2 PROJECT GOALS AND OBJECTIVES

13. **FIRIP's goal** is to improve rural livelihoods through increased resilience and inclusive sustainable growth. The **Project Development Objective (PDO)** is to support

improved access to and use of financial services to strengthen resilience and green growth of rural production systems, VCs and livelihoods of poor rural men, women, and youth.

14. This will be achieved through 3 main outcomes:

**Outcome 1:** Improved availability of sustainable client-centric rural financial services for specific sectors and groups;

**Outcome 2:** Increased uptake and use of more suitable and affordable financial services by the target group;

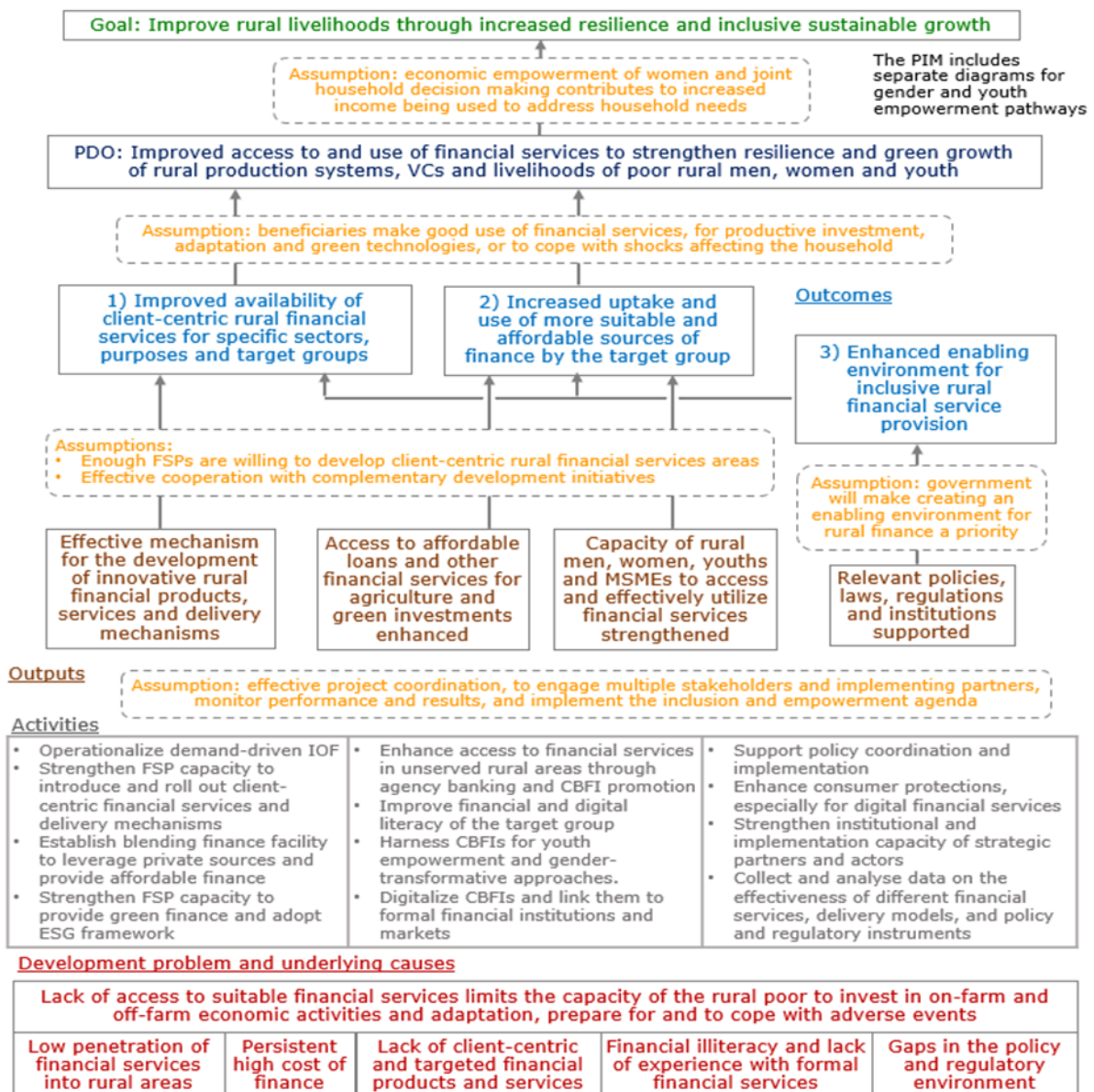
**Outcome 3:** Enhanced enabling environment for inclusive rural financial service provision.

### 1.3 THEORY OF CHANGE

15. FIRIP's target group includes poor rural men, women and youths facing high levels of vulnerability to climate change, health and other shocks, and with weak integration in well-functioning markets and VCs. Agriculture is an important source of income and livelihoods, often supplemented by off-farm Income Generating Activities (IGAs). Rural FI remains low and some rural areas lack any formal financial access points. Moreover, there is a dearth of client-centric financial services responding to the needs of specific sectors (agriculture), purposes (climate adaptation), and target groups (smallholders, women, youth). Such FI gaps limit the capacity of FIRIP's target groups to manage risks, prepare for and cope with shocks, and invest in on-farm and off-farm economic activities, as well as in climate smart and green technologies. Underlying causes for this development problem include: low penetration of FSPs into rural areas; high interest rates and costs of finance; low FSP capacity to offer client-centric financial products; financial illiteracy; and gaps in the policy environment for inclusive RF.

16. FIRIP will address these challenges by enhancing FSPs' capacity to expand their rural outreach and offer a range of client-centric financial services catering for the needs of different target groups. This support will be delivered through an IOF that will cost-share the development, piloting and rollout of innovative products, services and delivery mechanisms; strengthen FSPs' capacity to provide finance for agriculture, climate smart and green investments; and support further rollout of existing services to underserved rural areas. An assumption is that enough FSPs are willing and able to develop and roll out such services. The improved delivery capacity of FSPs including through the use of digital innovations and delivery channels is expected to lead to a decline in costs to end-users. In addition, a BFF will be established that leverages additional private funds from banks and MFIs through concessionary funds from IFAD and GRZ. The lower average costs of funds for FSPs are expected to result in an equivalent interest rate reduction - through negotiations with FSPs during their accreditation - leading to increased access to affordable loans by FIRIP target groups.

17. These interventions will lead to improved availability, uptake and use of client-centric financial services for agriculture, climate smart and green investments catering for the specific needs of FIRIP target groups. The above also requires these target groups to have the skills to properly manage their finances at household, farm and enterprise level and make adequate investment decisions. The project will strengthen financial and digital literacy of poor smallholders, youth and women; and enhance their business skills and knowledge about green and climate smart technologies. In addition, FIRIP will collaborate with other complementary development initiatives that focus on non-financial services and capacity development in these areas. An assumption building on consultations during design is that effective cooperation with several complementary development initiatives would be feasible



18. The improved availability and use of financial services by the target group will foster growth and diversification of rural production systems and VCs and strengthen resilience and safety nets. Increased use of savings and insurance products along with investment in climate-smart agriculture, will strengthen resilience and reduce the need for distress sales of assets in adverse events. More resilient households are more willing to invest in productivity-enhancing and green technologies facilitated through a broader range of loan product available to FIRIP target groups. Jointly, these results will contribute to improved livelihoods and increased resilience of poor rural households and to inclusive and sustainable growth.

19. The above must take place within an enabling policy and regulatory framework for inclusive RF, which requires support for GRZ's efforts to provide such environment. This would include the development or strengthening of policies, laws, and regulations and their implementation. It would further include enhanced policy coordination and coherence and strengthening institutional capacities of key macro and meso-level actors. An assumption is that GRZ would sufficiently prioritize the enabling environment for RF.

20. RUFEP has shown the impact of RF services on women economic empowerment, enabling them to gain control over their income and play a stronger role in household decisions. FIRIP would build on and scale-up this experience and integrate

household approaches in CBFi development. Household approaches and empowerment of female clients will lead to more joint decision making among spouses and youth resulting in better use of finance for different household needs. In this context, improved access to financial services would contribute to empowerment, agency, relational and structural change, and policy change. Contributing factors would include capacity building for CBFIs, which predominantly consist of women; increase in women controlling their own finances as group members and through mobile wallets, and improved household-level decision making.

21. FIRIP will also be youth-sensitive: young people would benefit from financial services as group members, capacity building, and employment creation by SMEs that access financial services. Providing training on gender and youth sensitive approaches for FSPs would improve their ability to design and deliver demand-driven financial services to women and youth.

22. **Project Area.** FIRIP will be focus on underserved rural areas nationwide, to be identified through a demand-driven process guided by clear selection criteria and cost-sharing arrangements. Expansion of basic financial infrastructure will be limited to rural districts with no formal access points. Client-centric financial services for agriculture, rural MSMEs, greening and climate resilience will be rolled out in rural areas with basic financial infrastructure and sufficient demand and absorption capacity.

23. **Target groups.** FIRIP's outreach includes 370,110 unique beneficiaries through improved access to financial and employment generated, including 315,511 through access to financial services, and 54,599 through jobs creation (excluding beneficiaries benefitting from both). With an average household size of 5, the total number of beneficiary household members is 1,850,550 (16% of all rural households).

24. Target beneficiaries benefitting from financial services are divided into three categories:

- **Category 1: 227,078 semi-subsistence smallholder farmers and rural micro-enterprises** (about 72% of all beneficiaries) selling less than 25% of their farm production. Most are land-constrained, farming on less than 2 ha even though some farm up to 5ha. This category includes many poor women and youth and the lower echelon of micro-enterprises engaged in small-scale IGAs providing part-time employment. People in this category are highly vulnerable to climatic, health-related and other shocks therefore relying on a diversified portfolio of livelihoods activities, on and off-farm including wage employment. They have limited access to formal financial services and mainly rely on informal finance and safety nets, such as saving in kind and borrowing from family and friends, with some being engaged in CBFIs. The main intervention strategy will be savings-based, linked to CBFi promotion and include financial literacy and business development training combined with household approaches, youth specific interventions, and linkages to formal financial institutions and markets. Some beneficiaries will be reached through innovative microfinance products (including micro insurance and client-centric savings and loan products), DFS, and linkages to MSMEs through inclusive business models.
- **Category 2: 86,126 market-oriented smallholder farmers and micro-enterprises** (27.3%) includes smallholder farmers with better farming skills who are selling more than 25% of their farm output. Most have a higher land endowment - between 1-5ha - along with better access to markets and other support services. Still, they lack access to suitable financial services to increase productivity and better manage climate and other risks. Micro-enterprises are owner-operated with few employees, mainly engaged in aggregation, collection, and marketing of agricultural products, as well as other rural businesses. Category 2 beneficiaries are better positioned to access client-centric financial services from formal FSPs such as different types of agricultural loans, innovative

savings and insurance products, or VC finance innovations such as warehouse receipts. They will also receive a substantial share of the loans extended under the BFF.

- **Category 3: 2,307 emergent farmers and rural SMEs** (0.7%) play important roles as conduits for market and VC integration by providing inputs (often through buyer or supplier credit), support services and market outlets to smallholder farmers, e.g., through outgrower schemes. Emergent farmers (20-100 ha) and rural SMEs are important sources of decent jobs for youth, women, and other vulnerable groups. Still, only very few of them have access to formal financial services and access to credit frequently comes out as number 1 constraint in SME surveys. They will benefit from BFF loans for working and investment purposes including in green and climate resilient technologies, along with VC finance and DFS innovations. In order to benefit from FIRIP support, they must have demonstrated forward and backward linkages with beneficiaries from the first two categories. A substantial part of the funding received by these enterprises will be channelled to Category 1 and 2 beneficiaries through VC finance arrangements and/or result in decent jobs.

25. Overall, at least 40 % of the project beneficiaries will be women and 30% will be youth aged 19-34 years (accounting for 52% and 26% of the total target population, respectively).

26. Indirect beneficiaries include commercial banks, Microfinance Institutions (MFIs), CBFIs, smallholders and others economically linked to supported agribusinesses.

## 1.4 PROJECT COMPONENTS

27. The project will be delivered through three components:

**Component 1: Improved availability and uptake of sustainable client-centric rural financial services** will contribute to Outcome 1: Improved availability of sustainable client-centric rural financial services for specific sectors and groups; and Outcome 2: Increased uptake and use of more suitable and affordable sources of finance by the target groups. This component will strengthen the capacity of FSPs to expand their service offerings into underserved rural areas and provide client-centric financial services to smallholder farmers, women, youth and rural MSMEs, for increased resilience and investments in agriculture, green and climate smart technologies. It will also strengthen the capacity of the target groups, especially smallholder farmers, women and youth, to access and use these financial services properly.

This will be achieved by two mutually-re-enforcing subcomponents:

**Subcomponent 1.1: Innovative products and delivery mechanisms for inclusive rural outreach** will be implemented through an IOF, building on RUFEP's model but with some modifications such as a stronger focus on: i) agriculture and climate smart technologies; ii) youth and women financial inclusion and empowerment; and iii) higher cost sharing by IPs.

**Sub-component 1.2: Increased access to affordable finance for agriculture and green investment** will establish a BFF to crowd private capital into agriculture and green investments, while reducing the cost of funds for FSPs and the resulting interest rates for end borrowers.

28. The IOF will co-finance demand-driven Technical Assistance Services (TAS) and other eligible expenditures through MGs based on viable business propositions prepared by FSPs (Banks, MFIs, SACCOs) and other service providers (NGOs, VC developers,

agribusiness companies, FinTechs, AgTechs). Applicants are encouraged to form partnerships and consortia and align with other initiatives strengthening FIRIP target groups' capacity to access and use the financial services, with special emphasis on SHFs, women and youth.

29. The IOF will have 3 windows:

**Window 1: Financial Inclusion of Unserved Areas and Population Segments**

will target rural areas with little or no financial infrastructure. It will co-finance access points through banking agents and expansion of basic payment, money transfer and savings products. It will also develop and strengthen CBFIs<sup>20</sup> to increase women and youth uptake through financial and digital literacy etc, and where feasible, digitalize and link these to formal FSPs to enhance members' access to a larger range of FS.

**Window 2: Financial Innovations for Smallholder Agriculture** will support the development of innovative and client-centric financial products and delivery mechanisms to reach SHF and MSMEs in agricultural VCs at lower costs and risks. This may include: i) specific agricultural loan products for working and investment capital needs; ii) commitment savings products; iii) crop and livestock insurance; iv) innovative value chain finance arrangements (e.g., warehouse receipt financing, invoice discounting, digitalization of payments, buyer and supplier credit); v) innovations in risk management (e.g., agricultural credit scoring, alternative collateral, geodata); and vi) digital delivery and payment mechanisms, especially targeting SHFs, youth and women.

**Window 3: Financial Innovations for Green Investments and Climate Resilience** will support the development of specific financial products for investments in green and climate resilient technologies in agricultural and non-agricultural VCs considering those to reduce workloads for women. While the specific technologies will be identified by the IP, specific emphasis will be placed on technologies that mitigate drought related risks e.g., small-scale irrigation equipment and technologies, water harvesting facilities, drought-tolerant seed varieties, improved and organic fertilizers, shade nets, green houses, etc.), along with renewable energy along the value chain (e.g., solar powered irrigation, biogas/biodigesters, energy saving cook stoves), cold storage, processing, waste and water treatment and reuse, and climate proofing and circular economy related technologies.

30. CBFi promoters can apply under all three windows, depending on the specific interests and profiles of their associated CBFIs. Sub-projects under Window 1 will support CBFIs with diversified livelihoods whereas Window 2 will target groups interested in further developing agricultural activities, either individually or as a group. Window 3 will strengthen knowledge about green and climate smart technologies and assist CBFi members in their adoption. Cross-cutting support will include financial and digital literacy training, strengthening of business skills and market linkages, and linkages to FSPs. Another cross-cutting priority is a stronger focus on youth empowerment and gender transformative approaches, including using household methodologies.

31. Depending on the sub-project, the IOF will co-finance participatory and client-centric market research; feasibility studies; product testing, piloting and roll-out, training of FSP staff and clients with tailored focus on women and youth; and TAS and other costs related to piloting and roll-out. Co-financing requirements have been increased, based on RUFEP experiences and to ensure strong buy in from IPs and ensure sustainability of the innovative products and services introduced. IPs are required to co-finance 50% of subprojects costs under Window 1, and 40% under Windows 2 and 3, respectively, given their higher levels of risks and need for innovation. FIRIP will co-finance 80% of the costs of CBFi sub-projects and 50% of the cost of market research and feasibility studies.

32. **The BFF** will crowd private capital into agriculture and green investments, while reducing the cost of funds for FSPs and the resulting interest rates for end borrowers. The BFF responds to the problem of very high interest rates in Zambia resulting from macroeconomic instability, high-risk primes for international funding, along with high distribution costs and risk in rural areas. It also provides longer-term funds to enable banks and MFIs to provide more investment loans at lower costs.

33. The BFF will be initially capitalised with concessionary funds from IFAD and GRZ by way of pricing, tenor and repayments for on-lending through participating FSPs (PFSP). During implementation, other sources of concessionary funding may contribute to the pool. A mechanism for a second-level blending of concessionary funds with matching contributions by each PFSP will be established. The blended cost of funds would differ for each PFSP, depending on its average costs of funds (bank or MFI) and BFF's lending rate. Interest rates chargeable to sub-borrowers shall be based on a negotiated process balancing the needs of the provider and the borrower following the principles of responsible lending.

34. The BFF will operate through two windows: for banks and non-bank financial institutions (NBFIs), respectively. Co-financing would be 50:50 for banks and 60:40 for MFIs, in view of their limited resource pool, higher costs of funds, and lower income of their target market. The BFF will co-finance a pipeline of eligible sub-loans issued to incentivise agricultural and green finance at more affordable costs. Specific emphasis would be on climate smart technologies and equipment such as pressurized irrigation, renewable energy, sustainable mechanization across the value chain, as well as loans to youth, women and smallholders. While most direct lending would flow to farmers and SMEs in categories 2 and 3, important spillover effects are expected from Category 3 loans through outgrower schemes and supplier credit arrangements benefitting SHFs. FSP may be supported under the BFF and IOF simultaneously.

35. The BFF will be operated by an independent, competent professional fund management team/firm which will also set up the fund and finalize its operational structure.

36. **Component 2: Enhanced enabling environment for inclusive rural financial services** will address critical bottlenecks for providing client-centric and affordable financial services in rural areas at scale. This will include Strategic Partnerships (SPs) with actors at the macro and meso level that have a catalytic role in facilitating the expansion of inclusive rural financial services at scale. SPs are demand-driven and will be identified and formalized during implementation based on certain principles outlined in the Project Implementation Manual (PIM). All activities under the partnership framework are owned and initiated by the SP.

37. The component will also support a number of trainings, capacity development, and studies for various actors and key stakeholders. These include: i) a series of workshops on emerging topics and innovations in inclusive rural, agricultural and climate finance for FSPs; ii) FSP trainings on climate risk management; iii) TA for PFSPs on developing or improving internal ESG policies, along with Environmental and Social Action Plans (view SECAP appendix 1); iv) gender audits assessing the methodologies of CBF Promoters for gender and youth empowerment, including household approaches and other GTAs. Based on the findings, training material will be developed, and specific trainings conducted for CBF Promoters and FSPs. More tailored training will be supported under the IOF.

38. Other TA and studies will strengthen the capacity of key meso-level institutions and government initiatives supporting agricultural and rural MSME finance. This will include: i) strengthening the Sustainable Agricultural Finance Facility (SAFF) and the Zambia Credit Guarantee Scheme (ZCGS) and; iii) assessing options for a permanent institutional structure for the BFF as part of FIRIPs exit strategy.



39. **Component 3: Institutional support and project coordination** - will deal with project coordination and management, monitoring and evaluation, and knowledge management.

40. **Mainstreaming themes:** FIRIP's development objectives include the following mainstreaming themes:

41. **Gender-transformative** as reflected in the Empowerment indicator Individuals Demonstrating an Improvement in Empowerments (IE.2.1) which a targeted empowerment score of 40% (50% among women and 30% among men). Moreover, 10% of all households are expected to report that they can influence decision-making of local authorities and project-supported service provider (SF 2.2).

42. **Youth sensitive** measured through the Core Indicator 2.2.1. *Beneficiaries with New jobs/employment Opportunities*, with a target of 145,430 new jobs created.

43. **Building adaptive capacities**, with a target of 83,604 households reporting adoption of environmentally sustainable and climate-resilient technologies and practices (CI 3.2.2). The project will also allocate 40% of its IFAD project costs with climate finance as per the IFAD 12 targets.

## 1.5 COST AND FINANCING

44. The project duration is set for seven years: total project costs are US\$ 49.8 million with a total IFAD financing of USD 30 million (US\$ 8.9 from IFAD12 and financing gap of US\$21.1 million may be sourced through subsequent performance-based allocation system (PBAS) cycles and/or through the Borrowed Resource Access Mechanism (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or by cofinancing identified during implementation). The overall investment costs have been estimated at US\$43.7 million (89%), and recurrent costs at US\$5.2 million (11%). Price contingencies have been estimated at US\$0.883 million.

**Table 1: Project Costs by Component/ sub-component**

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) Components Project Cost Summary		(Kwacha '000)			(US\$ '000)			% Foreign Exchange	% Total Base Costs
		Local	Foreign	Total	Local	Foreign	Total		
<b>A. Improved Availability and Use of Client-Centric Financial Services</b>									
Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach		266 288	29 588	295 875	10 652	1 184	11 835	10	24
Increased Access to Affordable Finance for Agriculture and Green Investment		596 779	66 309	663 088	23 871	2 652	26 524	10	54
<b>Subtotal</b>		863 066	95 896	958 963	34 523	3 836	38 359	10	78
<b>B. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>									
C. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge Management		86 288	9 588	95 875	3 452	384	3 835	10	8
<b>Total BASELINE COSTS</b>		1 115 307	109 281	1 224 588	44 612	4 371	48 984	9	100
Price Contingencies		20 740	1 327	22 067	830	53	883	6	2
<b>Total PROJECT COSTS</b>		1 136 047	110 609	1 246 655	45 442	4 424	49 866	9	102

45. **Component/Subcomponent Allocation:** Component 1: Improved Availability and Use of Client-Centric Financial Services has been allocated US\$ 38.6 million (77%). Component 2: Enhanced Enabling Environment for Inclusive Rural Financial Services has been allocated US\$3.9 million (8%). The project management component 3 accounts for US\$ 7.5 million (15%). The summary of project costs by components and expenditure categories is presented in the table below.

**Table 2: Project Costs by Component / sub-component and Financier**

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) Components by Financiers (US\$ '000)		GRZ		IFAD Loan 12		IFAD_13		Strategic Partners		Private Sector		Ben Contribution		Total	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1. Improved Availability and Use of Client-Centric Financial Services</b>															
1.1. Innovative Financial Products and Delivery Mechanisms for Inclusive Rural Outreach		22	0.2	1,027	9	6,745	57	-	-	4,041	34	-	-	11,835	24
1.2. Increased Access to Affordable Finance for Agriculture and Green Investment		719	3	3,462	13	9,320	35	-	-	8,325	31	5,000	19	26,826	54
<b>Subtotal</b>		741	2	4,490	12	16,064	42	-	-	12,366	32	5,000	13	38,661	78
<b>2. Enhanced Enabling Environment For Inclusive Rural Financial Services</b>															
3. Project Coordination and Implementation, Monitoring & Evaluation, and Knowledge		235	6	1,941	49	1,511	38	300	8	-	-	-	-	3,987	8
<b>Total PROJECT COSTS</b>		1,224	17	2,470	34	3,524	49	-	-	-	-	-	-	7,218	15
<b>Total PROJECT COSTS</b>		2,200	4	8,900	18	21,100	42	300	1	12,366	25	5,000	10	49,866	100

46. **IFAD Financing:** The IFAD financing of US\$ 30 million (60% of total project costs) will be spread among the three components and their various activities. Component 1 will account for US\$ 21.03 million (70%); component 2 US\$2.3 million (8%) and component 3 US\$6.5 million (22% percent).

**Table 3: Financing Plan**

Republic of Zambia Financial Inclusion for Resilience and Innovation Project (FIRIP) Financing Plan (US\$ '000)				
	Foreign	Local	Total	Percent
GRZ	-	2,200	2,200	4
IFAD Loan 12	820	8,080	8,900	18
IFAD_13	1,836	19,264	21,100	42
Strategic Partners	30	270	300	1
Private Sector	1,263	11,103	12,366	25
Ben Contribution	500	4,500	5,000	10
<b>Total</b>	<b>4,449</b>	<b>45,418</b>	<b>49,866</b>	<b>100</b>

## 1.6 Implementation Arrangements

47. The **Lead Programme Implementing Agency** will be the MoFNP, which has mandated the Rural Finance Unit (RFU) created and supported under RUFEP and housed by its Economic Management Division (EMD) to be directly responsible for FIRIP implementation.

48. **Programme oversight.** The **Programme Steering Committee (PSC)**, chaired by the Permanent Secretary (PS), Budget and Economic Affairs (BEA) in the MoFNP will oversee and guide program implementation. The PSC will have relevant representation at national level and provides oversight, policy direction and coordination between key government institutions.

49. It is recommended that all or part of the members of the PSC who have actively participated in the FIRIP design process be transformed into a **Technical Advisory Group (TAG)** for Programme implementation. The group could also bring in other stakeholders from the rural finance/banking sector and should have at least half of its members coming from the private sector. The TAG will be co-chaired by the Director IDM and Director EMD. It will include directors from other relevant departments within the MoFNP, MoA and the MGEE in addition to other private sector players.

50. A **PCU**, composed of competitively selected or seconded staff, will manage the day-to-day operations of the programme. The PCU will have the following key technical staff to manage its implementation: i) Project Coordinator; ii) Technical Specialist – Rural Finance (focus on Agriculture and Climate Finance); iii) Technical Specialist – Rural Finance (focus on CBFIs, linkage banking and DFS); iv) Gender and Social Inclusion Officer; v) Environment and Climate Adaptation Specialist; vi) ME&KM Officer; vii) ME&KM Assistant; viii) Financial Controller; and ix) Procurement Specialist.

51. Most of the implementation of component 1 and 2 will be through IPs. In case of the IOF, this will include FSPs, promoters of CBFIs, and value chain integrators. In case of subcomponent 1.2, a professional Fund Manager will be professionally recruited to manage the BFF. Both will be overseen by a **Project Vetting Committee (PVC)** composed of technical experts from key Ministries and private sector.

52. The PCU will manage the IOF under a specific governance structure ensuring a transparent and fair process. FSP and other IPs will be engaged competitively through calls for proposals under the IOF. For the Blending Facility, an independent Fund Manager will be recruited. The specific governance structure for the IOF and the blending facility will be determined during implementation. **An independent PVC** oversees the approval of IOF grants. The PVC has authority to approve, defer approval and reject proposals.

53. **Linkages with other actors.** Coordination, linkages with various actors and partnerships will be actively pursued. Maintaining dialogue with various partners and proactively exploring opportunities for linkages will be one of the important tasks for the

PCU, which will also contribute to coordinating the support for the sector under the RFU. The PCU will hold periodic meetings with key partners at the technical and operational level to identify concrete areas for collaboration, especially regarding the IOF. This may include joint or aligned planning or activities, joint sensitization and outreach events to inform potential IPs about opportunities for alignment around specific locations, VCs and technical areas. Such collaboration would include government institutions as well as DP funded initiatives.

## 2.0 PROJECT AREA, TARGET GROUPS AND TARGETING STRATEGY

### 2.1 TARGET GROUPS

54. FIRIP's direct beneficiaries are estimated at a total of 315,511 smallholder farmers and rural MSMEs linked to agricultural VCs, across three main categories:

55. **227,078 subsistence and semi-subsistence smallholder farmers and rural micro-enterprises.** Farmers that fall into this category sell less than 25% of their crop and livestock production<sup>2</sup>. The majority of these farmers are land-constrained, with less than 2 ha of land, but there are also some that farm up to five hectares and more. They largely depend on off-farm income through casual work, wage employment and other IGAs. They are also highly vulnerable to climatic, health-related and other shocks and therefore rely on a diversified portfolio of livelihoods activities. This category also includes the lower echelon of micro-enterprises, in the form of small-scale IGAs providing part-time employment and supplementary income. Rural people in this category are often engaged in CBFIs, rely on traditional safety nets such as borrowing from family and friends, and are highly vulnerable to climate and other shocks. Their access to formal financial services is limited due to lack of adequate business skills, tangible collateral, and market access. This category includes a significant proportion of female-headed households and individuals most vulnerable to climate change, malnutrition (women of reproductive age and children under five years of age), different youth groups such as those out of school, unemployed and females, the elderly, PWDs, Persons Living with HIV/AIDS (PLWHAs) and other vulnerable groups.

56. The main intervention strategy will be linked to CBFIs and include financial literacy and business development training, group dynamics and leadership skills, household approaches, youth specific interventions, and linkages to formal financial institutions and markets. In addition, some beneficiaries in this segment will be reached through innovative microfinance products (including micro insurance and client-centric savings and loan products), digital financial services, and linkages to MSMEs through inclusive business models.

57. **86,126 market-oriented smallholder farmers and micro-enterprises.** This segment includes more market-oriented smallholder farmers with a higher degree of commercialization of their crop and livestock production (above 25%), better farming skills, and better access to markets and other support services. The majority of these farmers tend to have a higher land endowment and farm between 1-5ha<sup>3</sup>. However, some smaller and larger farmers may also fall into this group, depending on crop type, access to water, land quality, and market access<sup>4</sup>. This segment also includes the upper echelon of micro-enterprises engaged in aggregation, collection, and marketing of agricultural products, as well as other rural businesses. Most of these micro-enterprises are owner-operated and form the main source of livelihoods of their owners. Some employ one or a few employees.

58. Despite better market and VC integration, these farmers and micro-enterprises still lack access to suitable financial services to increase productivity and better manage climate and other risks. They are in a better position to access and use client-centric financial services such as different types of agricultural loans, innovative

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<sup>2</sup> The commercialization index is below 25% for about 843,000 farm households or just over 50% of all farm households, while about 657,000 farm households or 40% of all farm households are subsistence or semi-subsistence farmers who are also land constrained, cultivating less than 2 ha (RALS 2019).

<sup>3</sup> About 34% of farm households with a commercialization index of 25% or higher cultivate 1-2 ha and about 38% cultivate between 2 – 5 ha.

<sup>4</sup> For example, 1.5 ha of irrigated vegetable production sold to an off-taker can generate higher income than 7.5 ha of rainfed maize in a remote location.

savings and insurance products, or value chain finance innovations. They will benefit to a larger extent from the product innovations by FSPs supported under the IOF, and from loans from funded by the BFF.

59. **2,307 emergent farmers and rural SMEs** with demonstrated forward and backward linkages with the first two beneficiary categories. These enterprises play important roles as conduits for market and VC integration by providing inputs, support services and market outlets to smallholder farmers, e.g., through outgrower arrangements. Emergent farmers (20-100 ha) and rural SMEs are an important source of decent jobs for youth, women, and other vulnerable groups. Still, only very few of them have access to formal financial services and access to credit frequently comes out as number 1 constraint in SME surveys. Hence, increased access to loans and other formal financial services can help addressing working and investment capital constraints of SMEs and emergent farmers, thereby enhancing their roles as pull factors for smallholders and micro enterprises. To benefit from FIRIP support, they must have demonstrated forward and backward linkages with beneficiaries from the first two categories as described above. Most of the funding received by these enterprises will be channelled to Category 1 and 2 beneficiaries through VC finance arrangements, extension support and/or through creation of decent jobs, especially for women and youth.

60. These categories are fluid and FIRIP will support the upward transition of beneficiaries from category 1 into category 2. Likewise, through improved resilience, households and individuals are less likely to fall back due to climate and other shocks.

61. ***In addition, FIRIP will generate approximately 144,430 new jobs***<sup>5</sup>. In category 1, approximately 40% of the persons benefiting from improved access to financial services and related training are expected to build or expand their farming and other IGAs to the equivalent of one full-time self-employment. 50% of farmers and micro enterprises in category 2 are expected to employ one full-time employment (either a family member or hired employee). SMEs and emerging farmers in category 3 are estimated to generate five new jobs on average<sup>6</sup>. In order to avoid double-counting of beneficiaries, only persons incrementally employed by beneficiaries of categories 2 and 3 are considered as additional beneficiaries towards the logframe target (totalling 54,599). The 90,840 persons achieving full-time self-employment are already counted as beneficiaries under recipients of financial services

62. At least 40% of direct beneficiaries across all segments will be women and at least 30% will be youth (19-34 years).

63. Indirect beneficiaries include commercial banks, MFIs, CBFIs, smallholders and others economically linked to supported agribusinesses. Engagement with these groups will directly benefit the first two categories of target beneficiaries. CBFIs will play an important role in building capacity of target groups and community mobilisation. MFIs will provide financial services suitable for the needs of these target beneficiaries (*explained in detail in later sections of this document*).

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<sup>5</sup> IFAD definition of new jobs: full-time or recurrent seasonal on-farm and off-farm jobs created thanks to project activities since project start-up, either as independent individuals (self-employed) or as employees of micro, small and medium-sized enterprises. Jobs created within farmers' organizations that received project support are also included, but temporary jobs created for a limited period (e.g. for road construction) shall be excluded.

<sup>6</sup> Micro enterprise employs up to 10 workers, small enterprise 11-50, medium 50-100 and medium-sized commercial farms generate in average 4 and 7, Jayne et al. Distribution Patterns: the rise of medium-scale farms. Agricultural Economics, November 2016

## 2.2 TARGETING STRATEGY

64. **Geographic Targeting.** FIRIP will be focussed on financially underserved rural areas nationwide, to be identified through a demand-driven process guided by clear selection criteria and cost-sharing arrangements. Two different geographic targeting strategies will be used:

65. The expansion of basic financial infrastructure and access points to first-generation financial services<sup>7</sup> supported under IOF Window 1 will focus on rural districts with no or very limited formal financial access points. An inventory of such provinces and districts will be established in collaboration with BoZ and ZICTA at project start. Many financially excluded rural areas also suffer from high levels of poverty and economic exclusion. The inventory will also consider ZICTA's plans to expand rural network infrastructure in collaboration with private Mobile Network Operators (MNOs), as well as other basic economic and social infrastructure, identify minimum technical and economic viability for establishing and maintaining formal financial access points.

66. Client-centric financial services for agriculture, rural MSMEs, and for greening and climate resilience (IOF Windows 2 and 3 and BFF) will be rolled out in rural areas with basic financial infrastructure and first-generation financial services, and proven demand and absorption capacity for client-centric financial services. The focus will be on districts/areas with potential for agricultural development where VCs can serve as a pull factors. In relation to selection of VCs, the project will work closely with the MoA to complement ongoing efforts in financing value chain related activities.

67. The identification of specific areas, client groups, value chain(s) or livelihoods activities and respective financial service response will be left to applicants who have a better knowledge on specific local conditions, constraints and opportunities, and are bearing a substantial part of the costs and risks of financial service provision. If needed, FSPs and other applicants may receive support for conducting client-centric market and value chain assessments in specific locations to gain deeper insights into the needs of the target groups and the key features of the financial service and delivery mechanism to be developed. This market research can help preparing more detailed proposals under the IOF and/or developing an eligible loan pipeline for the BFF.

68. Under its CBFI support, FIRIP provides a broader set of interventions to target groups (mainly 1 and 2) including financial and digital literacy training, business development and entrepreneurship support, marketing skills and linkages, group strengthening, as well as youth-centric approaches and household methodologies. In case of banks and MFIs, such broader activities to strengthen the capacities of potential or actual clients will be more limited. Hence, FIRIP will partner with actors promoting inclusive business models along agribusiness VCs and complement these with client-centric and VC specific financial services. These will be provided directly to project beneficiaries where feasible. There will also be spillovers in terms of i) employment generation by MSMEs, and ii) on-lending by agribusiness companies (including medium-sized farms) receiving credit from the BFF to smallholders in various ways including supplier credit (inputs, equipment) and buyer credit (e.g., outgrower schemes). These types of credit can be in-kind and may be bundled with insurance. Invoice discounting, factoring or warehouse receipt financing are other ways to enable fast payment of producers and allowing them to store their produce and receive higher prices while receiving liquidity after harvest. Innovative savings products will also be introduced.

69. To operationalize the above, applicants under the IOF and BFF will identify areas, target clients and value chains that have sufficient capacity to use the financial service effectively. They may include areas where certain financial services have already

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<sup>7</sup> Basic digitized payment services and generic savings and insurance products and promotion/strengthening of CBFI as initial layer of basic financial access.

successfully been piloted and will now be expanded and scaled up with FIRIP support, building on experiences and lessons learned. It could also be achieved by building on other training and capacity development interventions that have been conducted by other specialized actors in specific locations and/or value chains (including government programs, development partners, and private sector<sup>8</sup>). Alternatively, FSPs can form alliances with ongoing programs that provide other relevant training and capacity development but lack access to financial support. Examples for such collaboration include: i) training on climate smart agricultural practices and inclusive value chain development by the EU/GIZ funded and implemented CREATE Program and Enterprise Challenge Fund II; ii) Farmer Financial Cycle Training<sup>9</sup> developed by GIZ and currently being rolled out by the MoA and FAO; climate smart agricultural training rolled out by MoA to 500,000 Farmers under the Zambia Growth Opportunities Programme for Results (ZAMGRO). Similar coordination could be established working on vocational training for rural youth or gender empowerment, as mentioned in the previous section.

70. Applicants will be encouraged to build partnerships, either formally (by joint application) or informally (by operational coordination during implementation of proposed subprojects). Such partnerships include specialized entities, for examples in the areas of commercial skills training of farmers and their organizations, including as part of sub-projects funded by the IOF. This process will be facilitated by FIRIP's PCUU through informal coordination mechanisms at the operational level, joint sensitization and outreach events preceding the launch of calls for proposal, and other mechanisms to be identified during implementation.

71. FIRIP will encourage sub-projects in priority value chains of the GRZ such as horticulture (various vegetables such as carrots, onions, tomatoes, eggplants, and butternut); Livestock (broilers, goats, and sheep); soybeans; legumes (cowpeas, groundnuts, etc.); and maize. However, FIRIP support is not limited to these sub-sectors. The identification of value chains (or diverse livelihoods activities) to be supported rests with the applicants (FSPs, VSLA Promoters, etc) through a demand-driven process under the IOF and BFF. It builds on the premise that FSPs and other local actors which carry substantial shares of the costs and risks are in a better position to identify suitable opportunities which are often location specific. Proposals need to clearly spell out how they will include and benefit FIRIP target groups (including women and youth), and how climate risks will be addressed. The assessment and selection of proposals to be funded by FIRIP will ensure that the above is adequately addressed and articulated in the subproject proposals. In addition to detailed targets on the types and number of FIRIP target groups that will receive new client-centric financial services, the proposals should spell out the following:

- Employment opportunities, disaggregated by gender and related skills development training provided.
- Responsible use of natural resources and production of minimal wastage and avoiding pollution,
- Adoption of climate-smart approaches and access to renewable energy sources. Together, these measures can boost farm productivity, make the rural economy more resilient and, generate new jobs for youth over time.

72. For accessing FIRIP services VC actors (MSMEs) need to ensure:

- Commitment to pay minimum wages as established by national law and reducing the gender pay gap;

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<sup>8</sup> For example, in the form of inclusive business models or value chain development which may include training, extension or capacity development, social mobilization, market linkages, contracting, as well as in-kind lending.

<sup>9</sup> Training includes various modules separating household, farm, and enterprise financial management, business planning and well the use of household methodology involving various adult household members.



- Adherence to working conditions, including health and safety standards for workers and suppliers in line with legal provisions and IFAD safeguard requirements;
- Commitment to provide facilities that accommodate women and PwD needs from their village to and from work, prioritising their safety. (e.g. transport, toilets, etc.)
- Commitment to hire both young women and men, in technical positions and supervisory roles;
- Adoption of water savings and clear and energy-efficient measures as well as waste and residues recycling;
- Monitoring and reporting on the implementation of the above-mentioned measures.

73. **Self-targeting:** Self-targeting measures play an important role in FIRIP's targeting strategy. The main self-targeting measures are: i) working with FSPs and other IPs that are already serving FIRIP target groups and are aligned with FIRIP's objectives; ii) supporting client-centric financial services and delivery mechanisms responsive to the needs of FIRIP target groups". The following self-targeting measures will be used:

- **Working with CBFIs:** Approximately 40% of all project beneficiaries will be reached and supported through CBFIs which mainly consist of poor rural women. FIRIP will work with CBFIs Promoters that have long-standing experiences with FIRIP target groups in areas such as financial literacy and business training, youth and women empowerment including through household approaches.
- **Working with poverty-focused MFIs:** In addition, FIRIP will support MFIs many of which are already targeting poor rural people (beneficiary segments 1 and 2), and some of which mainly target women. Several of these development-oriented MFIs provide so-called "Microfinance plus" services which include training of borrowers, group promotion, etc. The MFIs will be supported to expand their financial and non-financial service offerings by introducing new products and services tailored towards specific target groups and helping them to graduate from existing generic services. Banks are encouraged to partner with NGOs or SMEs that are already targeting FIRIP target groups to help them to downscale their product offerings to these segments.
- **Support to client-centric financial services and delivery mechanisms.** FIRIP will support the development of client-centric financial services meeting the specific needs of FIRIP target groups (especially smallholders, poor rural households and micro-enterprises in target segments 1 and 2), as well as women and youth (self-targeting). This will be done through the IOF and may be beefed up under the BFF to reach scale.

74. **Empowering and Capacity building.** Beyond basic financial and digital literacy training and strengthening group financial management skills, FIRIP will support CBFIs members' capacity to invest in climate smart agriculture technologies, renewable energy, adopt improved agricultural practices, and better integrate into markets and value chains. This will include:

- Using household methodologies targeting women and their husbands for specific trainings and social mobilization to change social norms and power relations taking household financial management as an entry point;
- Enhancing resilience through livelihoods diversification and access to markets and value chains.
- Strengthening entrepreneurship, business development and marketing skills of smallholder farmers and their organizations, with special focus on women and youth;

- Digitalization of VSLAs and linking them (or their members) to formal FSPs or helping them to graduate into SACCOs.
- Encouraging greater participation of underrepresented groups such as young males and PWDs and mitigating risks of “elite capture”;
- Leveraging informal youth networks to raise awareness and encourage disengaged youth to engage.
- Using participatory processes to engage young male and female beneficiaries in community planning, mobilisation, and consultations
- Promoting time and labour-saving technologies
- Mobilising women and youth to participate through informal channels (key opinion leaders)
- Awareness-raising and consultation with community members

75. **Direct Targeting.** Direct Targeting measures under FIRIP are mainly used to ensure that project benefits extended to SMEs and emergent farmers (under the IOF and BFF) are passed on to FIRIP target groups 1 and 2, generating tangible benefits in terms of access to finance and new employment. Hence, FIRIP support will focus on SMEs that already have inclusive business models.

- Support to SMEs with inclusive business models: Support to SMEs and emerging farmers is needed as a pull factor to develop agricultural value chains, generate decent employment, and provide backward and forward linkages to target segments 1 and 2. ***Support to SMEs under the IOF is provided on the condition that benefits are passed on in the form of value chain finance, supplier credit, as well as training and extension services to smallholders and microenterprises.***
- Likewise, the BFF will finance SMEs that provide finance (in cash or kind) to contracted farmers and/or provide decent employment to rural people, especially youth and women.
- Accreditation process. These targeting measures will be implemented through specifications in the calls for proposal and through related eligibility and selection criteria for subprojects co-funded under the IOF. In case of the BFF, the capacity and interest of FSPs to service FIRIP target groups will be assessed during the accreditation process and through the pipeline of subsidiary loans. Effectiveness of targeting and impact on beneficiaries will be monitored throughout implementation.
- The above measures will help to avoid elite capture. In addition, within CBFIs support direct targeting measures are used to ensure that specific members and groups benefit from project activities. Examples include the creation of youth CBFIs, promotion of (male) youth membership in existing CBFIs, as well as promotion inclusion of PWDs in CBFIs (combined with sensitization and empowerment measures).
- Specifications in the calls of proposals and selection criteria will incentivise proposals / sub-projects with strong focus on youth and women empowerment.

76. **Enabling measures.** Through component 2: Enhanced Enabling Environment for Inclusive Rural Financial Services, FIRIP will promote a conducive policy and institutional environment that enables the empowerment of target groups and achievement to the gender transformative approach, so the project activities expand beyond women and community empowerment to the institutional level. These include:

- Policy strengthening through working with different policy makers to address legal and regulatory constraints which constrain the provision of inclusive rural financial

services (supply side) and undermine access and use of such services by FIRIP target groups.

- Strengthening the implementation of existing policy and regulatory frameworks, such as the NFIS II (with strong emphasis on rural areas, agriculture, women and youth); consumer protection in digital finance and improvement of the complaint mechanism; capacity development of FSP in innovative approaches in risk-management to reduce the reliance on tangible loan collateral, etc.
- Sensitization and capacity building of PCU and relevant official staff on gender empowerment, policy recommendation, and policy dialogues
- Contextualisation of training content and interventions to meet the cultural and institutional landscape of Zambia
- Capacity building of project staff and implementing partners on inclusion gender equality, and youth empowerment
- Social Inclusion staffing at PCU-level and implementing partners
- Allocated budget for social inclusion interventions and staffing

### 2.3 FIRIP SOCIAL INCLUSION STRATEGY

77. The project will apply a combination of geographic targeting, self-targeting, empowering and capacity building measures and direct targeting to ensure inclusion of category 1 target groups, women and youth. Dedicated Social Inclusion (SI) staff will be part of the PCU to ensure proper implementation of the targeting approach

#### **Youth Empowerment Strategy.**

78. The objectives are to enhance economic empowerment and resilient livelihoods of young people in rural areas. The development pathway focuses on employment opportunities and IGAs that are appropriate for young men and women; improved access to a broader range of youth-centric financial services; and digital and financial literacy training that would enable the youth to take advantage of these opportunities. The above will go in tandem with improving youth participation decision-making and representation<sup>10</sup>.

79. Offering appropriate financial products to young people in rural areas helps them meet their growing needs and improves the availability of productive options to stay in rural areas, which in turn is crucial for development and economic growth in rural communities. Especially, savings products and schemes are a suitable entry point to formal financial services for the lower age brackets enabling them to build financial management skills and savings behaviour. The latter helps them building a track record in terms of managing their finances which can eventually help them access loans. The latter is particularly important for youth that are graduating from vocational or other training programs and want to start or expand their businesses. Flexible collateral requirements and repayment schedules as well as accessible interest rates are important design features.

80. Under the IOF, FIRIP will promote greater participation of youth (including young males) in savings groups and VSLAs and strengthen the role of youth within such groups. In addition, specific youth savings groups will be established and promoted. CBF Promoters will provide specific training content and mentoring on entrepreneurship opportunities of interest to rural youth and strengthen their digital and financial management skills. CBF membership helps youth to develop and strengthen their financial management, business, entrepreneurship and leadership skills and can support them to develop or expand their own business activities. CBFs can also help young

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<sup>10</sup> View also Youth Empowerment TOC diagram in Chapter 4.2, paragraph 454

entrepreneurs to build a track record and access loans and other financial services from formal FSPs. This can be achieved by linking CBFIs to MFIs or banks via digitized platforms, or by entrepreneurial youth graduating out of their VSLAs to access loans or other services from formal providers.

81. Youth will also be empowered to take on key roles as facilitators, trainers, leaders and drivers of change in CBFIs and in their communities. For example, young people can play a crucial role in the digitization of VSLAs and in establishing linkages with formal financial institutions. Likewise, they can be instrumental in linking groups to markets and value chains, and in training group members in the adoption of new agricultural and climate smart technologies. Youth can become facilitators of various groups and earn income through training and business linkages.

82. **FSPs** will be supported to develop youth-centric financial services and delivery mechanisms. This includes conducting market research using focus group discussions and other client-centred design techniques to understand the specific demand and opportunities for savings and loan products targeting rural youth in specific locations and value chains and develop specific product features (e.g., use of collateral substitutes, adequate repayment terms and interest rates). The BFF allows FSPs to provide more affordable loans to young farmers and entrepreneurs.

83. FIRIP will also link its partner FSPs offering youth-oriented services with other government and donor programs that are providing technical, vocational and business training to rural youth. One example is **SNV Zambia's Youth Employment Programme** which trained youth on life and technical skills, introduced them to access to finance, market linkages, ecosystem management in agri-food, energy, emerging sectors etc. Young graduates have successfully managed to establish 1000 youth-led enterprises and got support to start to be bankable. Also, **Ministry of Community Development and Social Services (MCDSS's) programme Supporting Women's Livelihood (SWL)** focuses on economic empowerment for women and provided them with training, mentoring, peer support, productivity grants, and savings clubs to foster self-reliance and sustainable development. Graduates were mentored for six months after graduation until their business started to stabilize.

84. Increased wage employment opportunities will be created through improved access to finance by rural MSMEs (target group segments 2 and 3) and through support to inclusive business models, both under the IOF and BFF. Specific emphasis will be placed on training and employment of female and male youth by MSMEs benefitting from FIRIP support, and on inclusion of young farmers and youth-led micro-enterprise in contract farming and supplier credit arrangements.

85. FIRIP will provide a bridge between government and donor programs engaged in vocational, technical and other training of rural youth (including integrating youth into agricultural value chains) and FSPs willing to develop and roll out youth-centric financial services. These linkages will be facilitated during the sensitization campaigns and outreach activities for the IOF and BFF, as well as through the call for proposal process. This will maximise synergies between FIRIP's support for youth-centric financial service delivery and other initiatives to strengthen youth economic empowerment and entrepreneurship development.

86. Under component 2, specific policy, legal and regulatory barriers for youth access to financial services will be reviewed in collaboration with regulatory bodies, related ministries, FSPs and youth organizations. Based on these consultations, remedial actions will be taken by the RFU and other stakeholders. Youth participation in this process through voicing their needs and challenges, taking part in consultations, representing other youth enterprises in their communities and to policy makers will be planned so FIRIP can contribute to achieving the youth objective on youth participation in decision making and representation.

87. Supported youth will be encouraged to upscale the level of economic empowerment they have achieved and take leadership roles in their saving groups and youth-led enterprises, at community levels.

**Figure 1: Pathways to Youth Empowerment and Employment**

Aim	Increased youth empowerment and employment opportunities	
Outreach	At least 30 percent of the beneficiaries will be youth (19-34 years)	
Pathways	<ul style="list-style-type: none"> <li>- Enhancing access to youth-centric financial services</li> <li>- Strengthening youth integration &amp; participation in CBFs for economic empowerment and voice.</li> <li>- Supporting youth integration into climate-resilient VCs through entrepreneurship and decent employment creation.</li> <li>- Linking FSPs offering youth-centric products with youth graduating from training and entrepreneurship development programs.</li> </ul>	
Objectives	Economic empowerment & job creation	Decision-making and representation
Activities	<ul style="list-style-type: none"> <li>- Promoting youth-led savings and loan groups</li> <li>- Supporting FSPs to develop and roll out youth-centric financial services and delivery mechanisms</li> <li>- Youth-centred financial and digital literacy trainings to support job creation and youth starting and expanding their micro-businesses</li> <li>- Capacity-building and mentoring for youth-led groups and microenterprises helping them to graduate, scale-up businesses, and employ youth</li> <li>- Supporting youth-groups and youth-led groups to access formal FSP and market and to formalize (e.g., by conversion into cooperatives);</li> <li>- Supporting youth access to financial services and markets leading to new job opportunities</li> <li>- Involving youth as trainers for TOTs, community facilitation and market linkages.</li> <li>- Supporting partnerships between government and donor programmes engaged in development activities for rural youth (and FSPs willing to develop and roll out youth centric financial services</li> <li>- Supporting SMEs (category 3) for business formalisation and expansion leading to an average of 5 new jobs per enterprise</li> </ul>	<ul style="list-style-type: none"> <li>- Strengthen youth leadership in saving groups and establishment of youth specific CBFs</li> <li>- Encourage youth leadership and representation at community and policy level consultations, situation analysis, and policy recommendations</li> <li>- Representation of youth in VSLAs and community decision-making bodies</li> </ul>
Targeting	<ul style="list-style-type: none"> <li>- Self-targeting through youth-centric financial services reflecting their needs, capacities, and priorities</li> <li>- Enabling measures through youth capacity building, leadership and participation, digitization, green technologies</li> <li>- Self-targeting through Selecting experienced CBF Promoters and MFIs willing to introduce youth-centric financial services.</li> </ul>	
M&E	C.I2.2.1	

## **Gender and women empowerment.**

88. FIRIP's main entry points to support rural women is through CBFIs which are largely composed of poor rural women, and through MFIs which are targeting rural women. Emphasis will be on: i) linking more mature CBFIs with formal financial institutions; ii) enhancing the training content of CBFI Promoters to include the adoption of climate smart technologies, improved agricultural practices, and linkages to value chains; and iii) strengthening household methodologies and other elements of Gender Transformative Approaches (GTAs) as part of CBFI promotion and mentoring. In addition, banks and MFIs will be supported in making their product offerings and delivery mechanisms more gender sensitive and responsive to the specific needs of rural women<sup>11</sup>.

89. The Gender strategy aims specifically at promoting gender equality and women's resilience by:

- Advancing women's economic empowerment. This will be done by enhancing the availability of and access to credit and other financial services tailored to the specific needs of rural women, as well as their ability to use such services in a way that maximizes their economic empowerment. This will include women-centred training, business development and employment opportunities.
- Fostering women's role in decision-making at the household and community levels. This will be done by promoting women's membership and leadership in VSLAs, and community organisations and groups, and the integration of household approaches in CBFI promotion and mentoring, as well as in training programmes for FSPs and other IPs. Awareness creation and prevention of GBV will be addressed through household approaches as part of CBFI support and included in the gender trainings.. The project Grievance Redress Mechanism will include mapping of local government actors and partners including GRZ to support survivors at local level.
- Easing women's workload and promoting a more equitable workloads in households. This will be achieved by sensitizing women and men on issues of workload distribution, using adequate and innovative gender tools, participation household trainings targeting both men and women, and introduction and promotion of green and time saving technologies.

90. The strategy will be operationalized through a set of interconnected activities to:

- Provide direct-targeted interventions (i.e. trainings, financing instruments viable for all target groups with focus on more vulnerable and financially excluded, facilitation of investments by women and youth) to boost their economic development status and social capital; support the development of women-friendly and women-centred financial products and delivery mechanisms. The latter may include for example assisting FSPs to recruit and train female loan officers to service female clients, as well as conducting a gender assessment as part of the market research and product design process, to understand barriers to women's access to financial services and recommend solutions through the gender strategy.
- Enhance representation of men, women, youth and all social groups in community-level institutions and decision-making processes
- Having a Gender, Youth and Social Inclusion Officer who can provide targeted information and capacity building to all stakeholders regarding gender awareness as well as on HIV, nutrition and related social aspect. All components will benefit men, women and youth and financing instruments as well as dedicated activities will be tailored to the different groups and vulnerability level.

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<sup>11</sup> View also Gender Empowerment TOC diagram in Chapter 4.2, paragraph 454

91. Empowering measures and use of household methodologies will build on and scale-up existing women economic empowerment activities by partners, including CBFIs promoters and FSPs. The preliminary assessment during the design mission has revealed that CBFIs Promoters are already using household methodologies which are integrating different household members in their approaches to develop and mentor CBFIs. Promoters of CBFIs as well as some MFIs (e.g., Vision Fund) are also already working in this context on addressing Gender-Based Violence (GBV). FIRIP will start with a comprehensive assessment of the existing methodologies, capacities, and curricula of CBFIs Promoters to identify strengths, experiences and lessons learned, as well as gaps, challenges and areas for improvement. It will also assess current financial products and methodologies of MFIs and their complementary trainings and mentoring approaches, as well as basic financial literacy and education modules, such as the Farmer Financial Cycle Training developed by GIZ and currently rolled out through the Ministry of Agriculture (MoA).

92. Based on this assessment, a series of training sessions will be developed for CBFIs Promoters, MFIs and Banks. These will cover different themes starting from gender-centric market assessment and product development including the analysis of social norms and local power structures that undermine women's access to and use of financial services and related decision-making. It will further cover best practices and lessons learned in designing and delivering financial services in a way that maximizes their usefulness and impact for women economic empowerment. Further modules will cover best practices in household methodologies for improved intra-household decision making based on practical experiences in Zambia and elsewhere. GBV awareness and prevention will also be integrated in the trainings. The Strategic Partnership with SaveNet (the apex organization of CBFIs Promoters) will support ongoing sharing of experiences, lessons learned and best practices in gender and youth centred financial service provisions and associated training and capacity development to foster lasting economic empowerment and social change.

**Figure 2: Gender Empowerment Pathway**

Aim	Economically empowered women become able to influence community level decision making and advance positive social norms			
Outreach	At least 40 percent of the beneficiaries will be women			
Empowerment objectives	Economic empowerment	Institutional change & enabling environment.	Decision-making & representation & influencing gender positive norms	Equitable workload balance and well-being
Activities	<ul style="list-style-type: none"> <li>Supporting FSP to develop and roll out women-centric financial services and delivery mechanisms</li> <li>Leverage on women networks for awareness creation and behaviour change on gender norms, male engagement, and healthy household dynamics</li> <li>Establishing new CBFIs and strengthening existing ones</li> <li>Financial and digital literacy trainings</li> <li>Supporting and linking women saving groups to access formal FSP and markets</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships with development actors and complementarity activities for FIRIP gender empowerment objectives</li> <li>Gender audit to assess household methodologies and capacities of IPs</li> <li>Capacity building of CBFIs Promoters, MFIs and FSPs including gender-centric market assessment.</li> <li>Specific TA to develop gender-responsive financial services and delivery mechanisms (IOF)</li> <li>Gender sensitization integrated in training packages</li> <li>Policy engagement and dialogues</li> <li>Policy coordination and</li> </ul>	<ul style="list-style-type: none"> <li>Women leadership in savings groups</li> <li>Household methodologies integrated involving women and men in financial management and related decision making (family, farm and enterprise planning, expenses, sharing of labor, etc)</li> <li>Direct targeting to men in household methodologies and VSLAs membership to achieve joint decision making</li> <li>Validation and support Gender trainers and female community leaders</li> <li>Addressing GBV as part of trainings and CBFIs support</li> </ul>	<ul style="list-style-type: none"> <li>Trainings to household members (including husbands)</li> <li>Linkages with markets</li> <li>Training modules will include sessions on gender equality and promote equitable division of labour in the household and in the community.</li> <li>Using the household/community mentoring approaches to address current social norms and influence positive gender dynamics that include balanced workloads</li> <li>Promotion of labor-saving and green technologies (training and finance)</li> </ul>
Targeting Mechanism	Self-targeting through HH methodologies, women-specific training content and social mobilization, and client centric services offered respond to their needs and priorities and selection of experienced and mission-aligned IPs and FSPs. Empowerment measures through capacity building, leadership skills development improved access to and use of financial services, and introducing labour-saving and green technologies			
M&E	CI Evaluation will include analysis of changes in the ability of beneficiaries, women and men, to make strategic choices; their autonomy in income; attitudes about partner violence; decision making about financial services, means of production and use of income; and group membership and influence in groups. Simplified approach to assessing improved resilience as a result of using financial services			

93. Under the IOF, CBFIs Promoters, MFIs, as well as NGOs partnering with banks will be supported in gender (and youth) centric market research, products design, piloting and roll-out. FIRIP’s KM activities will periodically capture experiences, innovations and lessons learned that can be replicated, as well as any legal, regulatory and policy related constraints.

94. FIRIP will actively seek linkages with other programs (government and donor funded) which are providing economic empowerment training as well as training on climate smart agricultural practices (e.g., CREATE) to link the women supported under these programs with financial service providers supported by FIRIP under the IOF and BFF. It will further collaborate with local actors specialized in addressing GBV, especially for cases detected as part of CBFIs support.



95. On the policy and institutional coordination levels, FIRIP's Gender strategy aligns with the GRZ's Gender Policy and will be working in policy coordination. Therefore, findings, lessons learned, and policy recommendations will be presented to GRZ for future Gender Empowerment in Zambia. Additionally, decision-making & representation, and institutional change & enabling environment are key pillars for FIRIP gender strategy. Through household methodologies and men engagement, women will be able to participate in decision making on finances, nutrition and future of their families. Furthermore, FIRIP will encourage women taking leadership positions in their VSLAs, communities, taking part in participatory planning, and representing their communities in policy consultations.

96. Geographic targeting and enabling environment measures are cross-cutting targeting measures including for youth and gender empowerment. Based on the baseline study that will provide more information on the number of PwDs in the target population, FIRIP will collaborate directly target PwDs with training and equipment to engage in saving groups and capacity building activities. The project will also collaborate closely with CBFi promoters on creating awareness and reducing the stigma affecting PwDs.

## 2.4 BUDGET, FINANCIAL AND HUMAN RESOURCE NEEDS

97. Adequate financial and human resources will be allocated to deliver targeting, gender and social inclusion activities across project's sub-components. To this end, a Gender and Social Inclusion Officer will be recruited at the PCU level. If feasible, IPs are requested to appoint a Gender and Social Inclusion Expert, who will be responsible to ensure social inclusion dimensions are considered and addressed. Staff Terms of Reference (ToR) will be annexed to the PIM.

98. Adequate financial allocation shall be duly integrated in the Annual Work Plan and Budget (AWPB). This includes activities under different components and gender related expenses such as gender audit at FSPs and CBFi promoters, assessment of existing gender curricula and integration of GTA interventions, sensitizing workshops and trainings, Trainer Of Trainers (TOTs) and validation, and piloting gender trainings to ensure localization and contextualization. This will be through engaging relevant departments, IPs and target beneficiaries for a transparent and participatory approach.

99. Most expenses related to gender and youth empowerment are embedded in the lump-sum cost estimates for CBFi sub-projects and, to a lesser extent, in other sub-projects under the 3 IOF Windows. Given the demand-driven approach, the level and share of such expenditures will vary by subproject and depend on the specific context. Through stipulations in the calls for proposal process and ranking of different selection criteria, the PCU will ensure that gender and youth targets are adequately met. Adjustments can be made flexibly during implementation, based on initial results. The budget allocation per CBFi subproject has been substantially increased compared to RUFEP, to allow the greater emphasis on youth and gender empowerment and the use of household methodologies. Development of youth, gender and smallholder centric financial services and delivery mechanisms will be facilitated under the IOF and provision of such services enhanced through the BFF.

100. The project encourages the recruitment of a gender-balanced PCU and will provide capacity building on cross-cutting themes and gender-responsive budgeting and monitoring and evaluation. With enhanced awareness and capacities, PCU will drive social inclusion in project management, oversight, monitoring and evaluation and knowledge management.

### **Budget considerations on social inclusion and women and youth groups share of FIRIP's outreach benefits:**

101. Regarding CBFi promotion:

- 75% or more of CBFi members are women, therefore, an equivalent share of the budget can be accounted for gender-transformative activities (which may cover also the remaining male CBFi members).
- Youth empowerment is another important area under CBFi promotion, and 40% youth are expected to benefit from support (including female and male youth).

102. IOF Windows:

- For other subprojects except CBFis, an overall target of 30% youth beneficiaries and 40% women beneficiaries (as recipients of financial services and/or decent jobs) is recommended. However, subprojects will be quite diverse depending on the implementer and specific focus. For Window 1, based on RUFEP experience, more than 50% of beneficiaries/users were women. Youth are also important users of Digital Financial Services (DFS). For Windows 2 and 3, the extent of specific youth and women targeting is more difficult to estimate. If the share in beneficiaries is taken as an indication for the share in the budget, then approximately 30% of the IOF budget would support youth (including through jobs creation) and 40% would support women.
- At least 25% of the beneficiaries of the FS developed and rolled out under the IOF will benefit youth and 40% Women. This does not yet include employment benefits.
- 100% of beneficiaries for the designed youth and women friendly financial products are expected to women and youth.

103. Blending facility:

- Here again, exact allocation is difficult. But it can be assumed that at least 30% of the resources would finance loans for women and 25% would finance loans for youth. In addition, women and youth would benefit from the employment generated by category 2 loan recipient and by emerging farmers and SMEs.

104. Component 2:

- There are several women and youth specific activities such as the gender and youth audit; development of specific training materials for youth empowerment and women sensitive financial services; and related trainings to FSPs and CBFis.
- The envisaged Strategic Partnership with SaveNet will also focus on experience sharing and knowledge management on youth empowerment and gender transformative approaches in the context of CBFi promotion and related training activities.

## 2.5 MONITORING AND EVALUATION

105. **Complementary** to the M&E system and reporting, and data provided using GTA and household methodologies, FIRIP will undertake poverty and gender studies at baseline/ for the start-up phase to inform the project interventions and refine activities to reflect the findings, combining qualitative and quantitative tools. The Gender Empowerment Indicator will be used as the main measurement tool to indicate women's control over critical parts of their lives in the household, community, and economy. It will assess how women can be disempowered (especially women headed households and young women) and understand how to increase autonomy and decision-making to benefit from entrepreneurship and value chain development.

106. Each study will measure the roles and extent of women's engagement in: (1) decisions about saving and expenditure; (2) access to and decision-making power over productive resources; (3) control over use of income; (4) leadership in the community; and (5) time use. It will also measure women's empowerment relative to men within their

households and include case studies from Gender Action Learning System (GALS) implementation.

107. **Log frame monitoring** – At baseline, mid-line and endline, the project will conduct large surveys to measure key indicators of the impact and effectiveness of the programmes. Complementary qualitative information will be collected through focus group discussions, including groups of women and groups of youths. Additionally, a monitoring system will be in place to assess the implementation of activities. Within this framework, two aspects will be considered:

- All data should be disaggregated by gender, age;
- Key indicators are included in the logframe to measure target groups' empowerment, in particular CI 2.2.1 which measures employment creation (including for women and youths) and IE 2.1, IFAD's empowerment indicator built on the Women's Empowerment in Agriculture Index (pro-WEAI) which will be measured at baseline, midline and endline.

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## ANNEX 1: DEMOGRAPHICS AND RURAL EMPLOYMENT

**Demographics.** Zambia is one of the world’s youngest countries by median age. In 2022, Zambia’s population has reached 19,6 million including 9.6 million males and 10 million females. Around 60% of the population resided in rural areas (11.7 million). The total number of households in 2022 was 4 million, including 2.3 million in rural areas.<sup>12</sup>

**Rural employment.** The 2022 Labour Force Survey categorized the status of employment of rural people as:

- 25.4% working for someone else to pay
  - 23.7% employers (employing one or more employees)
  - 40.5% own-account workers (not employing any employee)
  - 74.8 % helping without pay in a household business
  - 33.9% paid apprentice, 35.9 percent worked as a paid intern.
  - In rural MSMEs 17.1 percent are employed, 2.9 employers, and 80.1% are own-account workers.<sup>13</sup>
- 22% of employed persons in Zambia work in agriculture forestry and fishing. This sector employs only 9.8% in the formal economy and 90.2% in the informal. Central Province had the highest percentage share of employed persons at 25.5 % while North-Western Province had the lowest share at 2.7 %.<sup>14</sup>
  - Rural people also work in other sectors, yet related to agriculture such as trading food products, transport, and food-processing. Women in saving groups tend to sell food product such as maize, cooking oil, and beverages to ensure income generation in low-risk and short-term cycles. While men work in trade, electronics, grocery shops, etc.
  - Women account for almost 55% of labour in agriculture. However, most of them participate as family workers or are engaged in informal and seasonal activities which challenges economic and financial stability.<sup>15</sup>
  - 31.0% of the total unemployed population in 2022 were in rural areas comparing to 69.0 % in urban areas. (66.3% males and 33.7% females).<sup>16</sup>
  - 84.7% of rural employed people are in the informal sector. Informality means that most workers are unprotected against employment, health, and old-age risks—leaving them highly vulnerable to health and employment shocks.<sup>17</sup>
  - In all occupations the number of employed men was higher than women except in the service and sales. Women have lower participation in both formal and informal employment in rural areas. In the formal sector female participation was 23.7% and 76.3% males and in the informal it was 40.3%, comparing to 59.7%.

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<sup>12</sup> Census of Population and Housing 2022, Zambia Statistics Agency, ZAMSTAT

<sup>13</sup> 2022 Micro Small and Medium Enterprise Finance Survey Report Bank of Zambia

<sup>14</sup> 2022 Annual Labour Force Survey Report. ZAMSTAT

<sup>15</sup> Republic of Zambia, Gender National Policy 2023, available at GD-NGP-23.11.23.pdf (gender.gov.zm), last accessed 28 July, 2024

<sup>16</sup> Discrepancies between the LFS and other statistics may be due to the different definition/ measurement used in the survey to identify employed and unemployed persons. The 2022 labour force survey defines unemployment as a labour market situation in which individuals who are not in employment during a specified short reference period (last 7 days) are actively seeking work/business opportunities and make themselves available for work. Actively seeking work implies taking steps to look for work (including consulting friends/ relatives, advertising one’s skills,

<sup>17</sup> “World Bank. 2024. Promoting Skills Development for Youth in Zambia: A Review of the Landscape of TEVET and Skills Development. © Washington, DC: World Bank. <http://hdl.handle.net/10986/41072> License: CC BY-NC 3.0 IGO.” Open Knowledge Repository (worldbank.org), last accessed 8 July 2024

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## ANNEX 2: AGRICULTURE

**Sector background.** Agriculture is a key sector of the Zambian economy. While contributing only 2,8% to national GDP in 2023 - a major reduction from the 9.3% contribution in 2012, the sector is a mainstay of the rural economy in many parts of the country and an important source of livelihoods, employment and exports. It also employs a large part (57%<sup>18</sup>) of the country's labour force, with women accounting for 41.5% of this total.

After many years of downward trends in agricultural exports, Zambia's agricultural trade balance improved, with the import to export ratio dropping from 1.69 (2022) to 1.38 down<sup>19</sup> - for the agriculture sector mostly linked to the above average output in 2021 for crops like maize and soyabean in 2021. Overall, the sector's performance has remained volatile. After positive production trends for several crops in 2021/22, amongst others: soyabeans (15.5%), groundnuts (+8.5%), mixed beans (+10%), wheat (+14%), sector growth was negative in 2023<sup>20</sup>. The main crops in the country achieved a positive average ratio regarding the agriculture sector's trade balance (1.23), with USD 371,768,225 in exports, and USD 301,823,869 of imports<sup>21</sup>. An example of this is maize, accounting for 1.09% of total exports in 2022, soybean was 0.9% of total exports for a value of USD 133 Mil., whilst raw tobacco and raw sugar accounted respectively for 1.4% (USD 169 Mil.) and 0.6% (USD 89.9 Mil.) of total exports<sup>22</sup>.

Zambia is vast in natural endowments, with a total of 3.8 million hectares of arable land<sup>23</sup> (238,390 km<sup>2</sup>), making for up circa 32.1%<sup>24</sup> of the total land of the country. The country is divided into three agro-ecological zones: (i) Zone I, in the western and southern part of the country, with circa 15% of the land area, that receives less than 800mm of rain annually; (ii) Zone II, the most fertile and with the highest in agricultural potential, that covers the central part of the country and has 800-1000mm of rainfall annually; and (iii) Zone III, that receives more than 1000mm of rainfall and spans across the northern part of the country (65% of the area yet to be exploited)<sup>25</sup>. Of the 42 million arable hectares (ha) only 10-15% are under cultivation, hence with ample untapped potential. Yet, only 200,000 ha of the 2.75 million ha potential for irrigation is being utilized (less than 10%).

**Policies.** The GRZ, through the MoA, has put in place a Strategic Plan for the period 2022-2026 that is aligned with Zambia Vision 2030 and the 8NDP that is rooted around four Strategic Development Areas: (i) Economic Transformation and Job Creation; (ii) Human and Social Development; (iii) Environmental Sustainability; and (iv) Good Governance Environment.

Of these areas, the MoA contributes significantly and specifically to the 1<sup>st</sup> and 3<sup>rd</sup>, with the CATSP being the designated document that 'translates into action the will and commitment of GRZ to implement an agriculture transformation policy'<sup>26</sup>. This program seeks to prioritize a set of priority commodities that include:

- (i) for field crops: maize, soybean, and wheat;
- (ii) for tree crops: avocado and macadamia;

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<sup>18</sup> <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=ZM>

<sup>19</sup> IAPRI 2021

<sup>20</sup> BOZ (2024) – Annual Report 2023.

<sup>21</sup> CATSP 2023

<sup>22</sup> <https://oec.world/en/profile/country/zmb>

<sup>23</sup> <https://data.worldbank.org/indicator/AG.LND.ARBL.HA?locations=ZM>

<sup>24</sup> <https://data.worldbank.org/indicator/AG.LND.AGRI.ZS?locations=ZM>

<sup>25</sup> <http://data.sasscal.org/metadata/view.php?view=geodata&id=5722#:~:text=The%20three%20ecological%20zones%20extend,Muchinga%20Provinces%20with%20the%20highest;https://documents1.worldbank.org/curated/en/768021468336547326/pdf/wps4291.pdf>

<sup>26</sup> CATSP 2023

- (iii) for vegetables: Irish potatoes and onions;
- (iv) for livestock: beef, dairy and poultry; and
- (v) for aquaculture: tilapia and catfish.

GRZ has underlined in the CATSP that according to the National Food Balance Sheet, the country continues to experience food insecurity at national level for rice and wheat (with strong import dependence), but has been food secure on maize, Irish and sweet potatoes and (apart from 2013-2015), also on sorghum and millet. For these reasons food security continues to be a top priority for the country, together with an attention regarding improving efforts on nutrition where 21% of under 5 children are still stunting (down from the 40.1% of 2018).

With this and other potentials and opportunities available, GRZ has focused its strategy and objectives around a "Value Chain Focus and Development", with the ambition of promoting a structure industry growth of key value chains for both smallholders and MSMEs in a set of key priority commodities<sup>27</sup>.

**Main sub-sectors.** Regarding total crop production, maize still dominates the table followed by cassava, soya beans, groundnuts, millet and sorghum.

**Maize**, with 1.5 million hectares planted and 1,115,489 Ha harvested (down 200,000 Ha from 2020/21), has a total 1,5 million farming households growing the crop<sup>28</sup>. GRZ's ambition is to increase production to 4 Mil. MT by 2024 – also seeking to shift the productivity from 2.14 MT/ha to 3 MT/ha by 2026 and doubling the maize seed production to 300,000 MT by 2026.

**Wheat.** Apart from maize, the Government is also looking to expand the wheat production, having already reached 33,568 ha in 2022, (26,494ha more than the previous year<sup>29</sup>), all whilst the total yields of other grains in the same year reduced in the same year, especially millet (-33.58%) and sorghum (-31.34%).

**In the legumes sub-sector**, Zambia is now the **second largest soyabean producers** in SADC<sup>30</sup>, with an estimated production of 411,115 MT produced in 2020/2021. Soyabean is a top priority of crop CATS (total of 389,239 farming households engaged, over 424,440ha planted) and small-scale farmers and MSMEs are interested in increasing their production, but require an increase in working capital to access quality inputs such as certified or improved seeds, inoculants, fertilizers, irrigation or mechanization<sup>31</sup>. Value addition through crushing capacity is growing (now at 850,000 MT), coupled with a refinery capacity of 250,000 MT. There is ample space for value addition options also at smaller scale too, working closely with local producers strengthening their linkages across the value and supply chain, pushing them further into adding value into a variety of products (e.g. soya flour, milk, soya bean oil, soya cake, etc.).

**Mixed beans and ground nuts** have also performed well, with 104,822ha planted for the first (213k farming HH) and 295,203ha for the second (698k farming HH) Whilst the first projected an increase of 54,679 MT 2021 (10% up from 2020), groundnuts represent the second most grown crop by number of farmers in Zambia, with 55.6% of the farming households (circa 800,000) engaged in this value chain. Beyond production and sales, GRZ has also put a focus on these crops in relation to the promotion of nutrition sensitive agri-

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<sup>27</sup> CATSP, 2023

<sup>28</sup> CFS 2022

<sup>29</sup> CFS 2022

<sup>30</sup> [Enhancing household Soybean Processing and Utilization in the Eastern Province of Zambia, a concurrent triangulation study design \(medrxiv.org\)](https://medrxiv.org)

<sup>31</sup> Soybean strategy 2023, FAO

food systems<sup>32</sup>, with the latter crops listed as some of the main crops for CSA promotion (also in rotation with maize).

**Livestock production** is still a prominent asset of farming households, with 80% of farming households owning at least one chicken, 41% engaged in goats, 32.7% in cattle and 15.5% in pigs. The fisheries sector has also shown general growth, with Zambia now being registered as the 6<sup>th</sup> largest producer of farmed fish in Africa and one of the leading producers of tilapia in the SADC region. The fishing industry has had a 10,000% increase since 1986, but despite the remarkable increase the country is still a net importer of fish<sup>33</sup>. This increase in demand is directly linked to a growing request for feed (e.g. soya, etc.), all of which is driving up the demand for crops that can respond to increased attention in both the livestock (e.g. poultry) and fisheries (e.g. aquaculture/tilapia) sub-sectors.

### **Socio-economic issues**

**Gender.** The agriculture sector also has an important gender dimension in Zambia, with women concentrating their efforts in particular crops and livestock. An example of this is the groundnut value chain, in which 58.35% of all women in agriculture are engaged, whilst men have a 54.6% participation. This occurs also for small stock related to the broader VC: village chickens, but also guinea fowls, ducks and geese, the latter 3 being VCs in which women are more engaged than men.

**Youth** continue to struggle to enter the sector, both due to structural challenges (e.g. land access, finance), but also due to the lack of investment in off-farm business opportunities that are specifically tailored to youth, and the need for a more strategic delivery of business training to youth.

In general, Zambia continues to be a very fertile setting for agricultural investments. The Government has made efforts to attract further investment to the sector, and the number of larger farms present is a testament to this. On the other hand, there is a need to better engage farming households and MSMEs into key value and supply chains. There are many missed opportunities for further internal markets (e.g. horticulture, wheat, etc.) and to further develop the export market (e.g. fruits, livestock, aquaculture, etc.). To achieve its growth objective, it will be critical to invest in upgrading the necessary infrastructure that will further uplift small-scale farmers and MSMEs (e.g. roads, irrigation, storage, etc.). Access to finance remains the biggest hurdle to this development, together with issues of land access, increasing the services market (especially in consideration of the low ratio per farmer of Government extension services), infrastructure, access to quality inputs (that are resilient and responsive to the everchanging climate) and policies that speak to the needs of the most rural and vulnerable farmers in the country – those that currently also represent its largest missed potential.

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<sup>32</sup> CATSP 2023

<sup>33</sup> <https://www.mdpi.com/2410-3888/9/1/14#:~:text=Aquaculture%20in%20Zambia%20is%20still,reached%20168%2C480%20tons%20%5B3%5D>

### ANNEX 3: FARMER SEGMENTATION

According to the latest Rural Agricultural Livelihood Survey (RALS) 2019, there are approximately 1.65 million farming households in Zambia<sup>34</sup>. On average, farm households have 6.3 members resulting in a total farm household population of approximately 9.8 million persons<sup>35</sup>. In addition, according to the 2022 Crop Forecasting survey, there are 1,395 commercial farmers with more than 20ha. BOZ divides the latter into several categories in its credit market statistics, including Small Emergent Farmers (5- 20 ha), large emergent farmers (20-50ha) and commercial farmers (above 50ha), which in turn are sub-divided into medium, large, and extra-large. However, no breakdown of the total number of farms above 20ha by these categories is available.

Table 1 depicts some key information on the small farming segment, in terms of size distribution (by area cultivated) and commercialization levels. The largest category are farms cultivating 1-2 ha (565,939 farms), accounting for over one third of all farms. Taken together, approximately two thirds of all farms (1.06 million farm households) cultivate between zero and 2 ha, and 464,768 farm households (approx. 30%) cultivate between 2 and 5 ha. Only 7.2% of all farms cultivate more than 5 ha. Furthermore, 62.2% of farmers reported that there is little-to-no access to additional plots in which to expand their production within their village or community. Hence, many farmers are land constrained.

Table 1: Distribution of small farms by area cultivated and commercialization level.

Area cultivated	Number of households	Average HCI	Household Crop Commercialisation Index (%)						
			Subsistence	0-10	10-25	25-50	50-75	75-90	90-100
0-0.5 ha	195,809	12.2	61.0	11.8	8.9	8.5	6.2	2.6	1.0
0.5-1.0 ha	303,743	19.2	34.4	14.9	17.1	20.7	10.7	2.1	0.2
1.0-2.0 ha	565,939	28.2	17.2	15.7	19.3	24.8	19.1	3.4	0.4
2.0 - 5.0 ha	464,786	38.8	9.9	10.4	14.0	29.0	27.2	8.3	1.1
5.0 - 10 ha	94,946	51.6	4.2	7.1	12.2	17.7	34.9	19.4	4.5
>10ha	18,091	58.5	3.3	4.5	12.9	21.6	15.3	25.8	16.7

Source: RALS 2019

**The level of commercialization of agricultural output is largely linked to farm size**, as shown in table 1. The Household Commercialization Index (HCI) measures the ratio of total value of crop output sold to the total value of all crops produced including fruits and vegetables<sup>36</sup>. Farms below 2 ha have a lower degree of commercialization, with on average less than 30% of the crop value being sold. Farms between 2 and 5 ha sell on average 38.8% of their crops, and this share exceeds 50% for farms with more than 5 ha.

<sup>34</sup> The 2022 Crop Forecasting Survey of the Ministry of Agriculture and ZAMSTAT provides a similar number of small and medium sized farmers. Information received from the Ministry of Agriculture, suggest that there are currently 4 million farmers registered at the Ministry. Compared with only 2.3 million rural households, this statistic suggests a high number of urban based persons registered as farmers. No data on size distribution of these registered farmers is available. Therefore, the latest available numbers from the RALS are used and the total number of farmers is confirmed by the 2022 Crop Forecasting Survey.

<sup>35</sup> The household size in rural Zambia is 5.0 persons according to the 2022 Census of Population and Housing, which would mean that farm households are bigger than rural households that are not classified as farmers.

<sup>36</sup> A value of zero would signify a totally subsistence-oriented household and the closer the index is to 100, the higher the degree of commercialization.



**However, these average values mask important differences within the same farm size categories.** For example, 22.9% of the farms between 1-2 ha sell more than 50% of their crops. Likewise, 3.3% of farms cultivating more than 10ha consume their entire production and are considered subsistence farmers. These differences may be due to variations in the type of crops grown, soil fertility, access to water, access to markets and other factors. Likewise, crop value per hectare differs substantially between high-value crops such as irrigated vegetable production or dryland maize production. For these reasons, land size is only a rough proxy of farm income and commercial orientation of farmers. Nevertheless, in combination with the land access constraint, small farmers tend to depend to a higher degree on other income sources to sustain their livelihoods.

**Gender differences.** Female-headed households account for 27.7% of all farm household. These households have smaller land endowments on average: 78.6% of female-headed households are cultivating less than 2Ha, almost 15% more than one male-headed farms (62.8%). Likewise, the share of male-headed households with 2-5ha (34.2%) and above 5ha (8.9%) is substantially higher compared to female-headed households (18.9% and 2.6%, respectively). Yields are similar in male and female-headed farm households for most crops. In 67.6% of all surveyed farm households, the decision makers with regards to management of fields are male.

There are also differences in the commercialization level between male and female-headed households. The HCI of male-headed households is on average 10% higher than the equivalent of female-headed households, reflecting the lower average land endowment of the latter. The proportion of females making decisions on how to use income from the crop sales in male-headed households ranges from below 10% in case of seed cotton and maize (5.7% and 8.6%, respectively) to between 30 – 36% in case of groundnuts, sweet potatoes, millet, and fruits and vegetables.

**Most farmland (90%) is under customary tenure, with no title.** Land ownership with title is very limited among the smallholder farmers in Zambia. The results show that on average only 2.2% of the field nationally are owned with title.

Livestock also is very common in farm households, with 32.7% of farming households rearing cattle, 41% goats and to a lesser extent pigs (15.5%), whereas 88% own village chickens (average of 12 birds per household). Only 1.2% of farming households are engaged in aquaculture. Commercialization of livestock is generally quite low, with smaller livestock having larger market shares than large livestock.

**Off-farm income plays an important role among farm households.** Overall, approximately 60% of average farm household income among smallholders is earned from farm activities and the remainder from off-farm activities. Farm income is dominated by field crops (74.6%), followed by fruits and vegetables (13.9%) and livestock (11.4%). Off-farm income is dominated by income from other business activities (56.7%), with the remainder being wage income (43.3%).

Almost 60% of all farm households have at least one member receiving income from a business activity, and 30% have at least one member receiving income from employment. Of the many businesses in which members of the farming are engaged, the main ones are retail trade (16.1%), charcoal production and/or trading (12.8%), local beer production (10.6%); fishing (5.7%), crop input or output/crop trading (6.3%); fish buying/selling (5.7%); and collection and selling of forest products (5.6%).

In terms of wage employment, the dominant source is work on other small and medium sized farms below 20 ha (38.2%); followed by the work on large farms above 20 ha (7.9%); other casual work (21.9%); and other private companies (12.2%). Remittances also play a role in farming household income, with 28.3% deriving from "cash or commodities from non/household members", 14.1% from social cash transfer programs and 5.5% from dowry (*lobola*) payments.

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## ANNEX 4: MSMES IN ZAMBIA

Micro, Small and Medium Enterprises (MSMEs) contribute to approximately 70% of the country's GDP and 88% of its total employment, whilst accounting for 97% of all the enterprise<sup>37</sup>.

According to the 2022 MSME survey conducted by the BOZ, there are 1,553,892 MSMEs in Zambia, of which 98.8% were categorized as Micro-, 1% as Small-, and 0.2% as Medium enterprises. In absolute numbers, this translates into 1,535,245 micro enterprises, 15,539 small enterprises, and 3,108 medium enterprises. The respective definitions are as follows:

- Micro enterprises generate an annual turnover up to K 800,000 and have up to 10 employees;
- Small Enterprises generate an annual turnover between K800,000 and K5,000,000 or have between 10 and 50 employees.
- Medium Enterprises generate an annual turnover between K5,000,000 and K10,000,000 or employ between 50 and 100 persons.

The highest percentage of MSMEs are engaged in agriculture, forestry and fishing (62.7%, including 68.2% of all urban and 53.5% of all rural MSMEs). This is followed by other service activities (19.2%), and manufacturing (9.1%).

Business ownership by demographic characteristics showed that 61.9% of MSME owners resided in urban areas compared to 38.1% in rural areas. Further, the percentage of female-owned MSMEs (60.9%) was higher than male owned MSMEs (39.1%). In terms of age of business owners, the dominant age group is 30-34 (16.9%), followed by 40-44 (13.7%); 25-29 (12.8%); and 45-49 (12.1%).

Over 90% of MSMEs are not registered and thus operating in the informal sector. According to the Zambia Revenue Authority (ZRA) only 4% of the registered MSMEs operate in the agricultural sector. More than half of MSMEs (53.3% have been operating since less than 5 years, while 19.3% have been operating between 5 – 9 years.

The MSME sector employs 1,925,601 persons, even though majority of these were own account workers (80.1% in urban areas, 73.8% in rural areas). The majority of the employed people work in the informal sector (96.3% in rural areas, 84.7% in urban areas), with the wholesale and retail trade industry being able to absorb more than half (56.5%) of the total labour force on its own, followed by the agriculture, forestry and fishing (22.2%) and manufacturing (8.1%) sectors.

The MSME survey revealed that 7.3% of MSMEs applied for a loan from formal and informal FSPs at least once during the period 2017 to 2022 (8.6% in urban areas and 5% in rural areas). However, 92.7% of MSMEs did not apply for loans. The average success rate for loan applications was 79.9%. This success rate was highest amongst urban based MSMEs and those operating in the formal sector. The main source of MSMEs loans were microfinance institutions (36 percent) followed by commercial banks (17.8%). Less than one percent of MSMEs accessed loans from Government schemes.

The main barriers to accessing credit cited by respondents were high interest rates, lack of collateral, low-income levels, high levels of informality and inadequate tailor-made credit products. Other barriers include low levels of financial literacy, inadequate management and record keeping skills, as well as lack of information on where to source finance.

The Survey showed that 6.5% of MSMEs had either personal or business bank accounts while 93.5% had no bank account. Out of those who had bank accounts, 71.5% were business accounts while 28.5% were personal accounts. Only 34.5% of MSMEs had a mobile money account. A higher percentage of females had mobile money, savings, and

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<sup>37</sup> Revised National Micro Small and Medium Enterprise Development Policy, 2023

investment accounts compared to males. In contrast, more males than females had insurance and commercial bank accounts.

Regardless of the vast outreach, the MSME sector still faces quite a number of challenges, mainly related to:

- limited access to affordable finance
- limited access to local and foreign markets
- poor uptake of technology, lack of innovation
- weak entrepreneurial culture
- inadequate decentralization of services that support MSMEs
- poor collaboration among businesses
- fragmented MSME development interventions
- inadequate business infrastructure
- unfavourable business environment
- large informal sector

## ANNEX 5: POVERTY

Zambia ranks among the countries with the highest levels of poverty and inequality globally. The 2022 poverty assessment shows that poverty recorded 60% of the population, up from 54.4% in 2015.

**Rural poverty** remained high and stagnant (78.8% rural compared to 31.9% urban)<sup>38</sup>. Disparity and inequality between rural/urban areas access to essential services remain high and not improving which largely challenge the development of the human capital development, access to services and jobs, and labour productivity.<sup>39</sup> 77 out of every 100 male headed households in rural areas are poor and 83 out of every 100 female-headed households are poor.

**Extreme poverty** is much higher in rural compared to urban areas (65.1 % against 22.4 %, respectively in urban areas. According to the definition of extreme poverty, 65.1 of the rural population in 2022 were not able to meet the cost of the basic food basket. Extreme poverty rates above 60% were recorded among households headed by persons involved in farming/fishing/ forestry activities. 76.3 percent of rural female heads of household are extremely poor comparing to 64.4 per cent men. Moderate poverty in rural areas has recorded 13.7 percent, 16.1 percent of female heads of households comparing to 12.9 per cent men.

**Poverty among youth, women, and children:** At least 70 percent of the children in Zambia were multi-dimensionally poor in 2022. Multi-dimensional child poverty is more pronounced in rural than in urban areas. Households headed by persons in the age-group 25-34 years tended to have the lowest poverty incidence at 55.8 percent<sup>40</sup>. Women and adolescent girls are particularly vulnerable due to lower human capital accumulation.<sup>41</sup>

### Poverty, unemployment, population, and financial inclusion by province in 2022

Province	Poverty	Moderate poverty	Extreme poverty	Financial inclusion	Unemployment <sup>42</sup>		Population size	Population % to total population
					Male	Female		
Muchinga	82.6%	14.9%	73.1%	62.9%	3.8	1.4	918,296	4.7%
Luapula	77.3%	13.4%	69.8%	58.5%	3.3	4.4	1.5 million	7.7%
Northern	78%	12.1%	65.3%	59.4%	5	2.7	1.6 million	8.1%
Eastern	76.4%	14%	62.7%	63.2%	2.5	0.6	2.4 million	13.6%
Western	78.6%	8.2%	61.1%	40.7%	5.6	5.2	1.3 million	6.7%
Central	67.5%	16.4%	55.4%	65.4%	7.9	3.8	2.2 million	11%
Southern	63.5%	19.5%	50.9%	65.3%	11.2	10.1	2.3 million	12%
Northern Western	61.6%	18%	50.6%	63.7%	10.7	8.9	1.2 million	5.9%

<sup>38</sup> ZamStat adopts the material well-being approach of poverty measurement in which the poor are defined as those members of society who are unable to afford minimum basic human needs, comprising food and essential non-food items, given all their total income. Efforts to determine people's well-being in Zambia have, concentrated on estimating the aggregate value of all consumption goods and services identified to be critical to the satisfaction of an individual's basic needs. The poor identified by comparing their measure of income (i.e., consumption expenditure) to some Absolute Poverty Line. The household consumption expenditure data from the Living Conditions and Monitoring Survey (LCMS) has been used when measuring the welfare of the population in Zambia.

<sup>39</sup> Zambia Overview: Development news, research, data | World Bank

<sup>40</sup> 2022 Highlights of Poverty Assessment in Zambia, available [Highlights Of The 2022 Poverty Assessment In Zambia | United Nations Development Programme \(undp.org\)](#) last accessed 28 July 2024

<sup>41</sup> The World Bank, Empowering Rural Women in Zambia to Move out of Poverty, available at [Empowering Rural Women in Zambia to Move out of Poverty \(worldbank.org\)](#), last accessed 7 July 2024

<sup>42</sup> Annual Labour Force Survey Report, ZAMSTAT, available at [ZM\\_2022-Labour-Force-Survey-Report\\_01.09.2023.pdf \(zamstats.gov.zm\)](#), last accessed 28 July 2024

Copperbelt	35.9%	12.6%	23.4%	79.9%	26.6	29.8	2.7 million	13.8%
Lusaka	27%	9.3%	16.5%	87.4%	23.3	33	3 million	16.3%

Muchinga, Western, Northern, Luapula and Eastern provinces experience higher levels of poverty comparing to others. Although. Despite of low unemployment rate and relatively high financial inclusion in Muchinga, it recorded the highest levels of poverty, comparing to Lusaka that recorded the lowest poverty rate and highest unemployment rate. This indicates low levels of income among workers, and inequality between the rural and urban population as poverty continues to be a rural phenomenon. The lowest populated provinces such as Muchinga, Luapula, Northern recorded highest poverty rates comparing to Copperbelt and Lusaka which recorded highest population rates and lowest poverty rates. This also indicates low-income generation opportunities and access to livelihoods enhancement pathways.

### Poverty by age group in rural and urban in 2022

Age	Rural	Urban
15-25	70	24.6
25-34	75	25.9
45-54	79.5	28.1
55-64	81.5	37.2
65+	79.8	45.6

Climate change shocks directly contribute to increased poverty levels, vulnerability, food insecurity and malnutrition. Large numbers of smallholder farmers largely depend on rainfed agriculture. The 2023/24 rainy season's drought (some regions received less than 50% of usual annual rainfall), has led to massive crop failure and damage, affecting food security and livelihoods of 6.6 million people in 84 out of 116 districts.<sup>43</sup> (See *Annex 5, SECAP Review note*)

<sup>43</sup> Macro Poverty Outlook Country-by-country Analysis and Projections for the Developing, © 2024 International Bank for Reconstruction and Development / The World Bank 1818 H Street NW, Washington DC 20433, available at: [ipo-ssa.pdf \(worldbank.org\)](https://www.worldbank.org/ipo-ssa)

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## ANNEX 6: FINANCIAL INCLUSION

At National level, financial inclusion reached 69.4% in 2022 (71.2 % males comparing to 76.9% females). A major discrepancy between inclusion in rural and urban areas 56,9% and 83.8%, respectively. The improvement of financial inclusion is mainly due to the rapid expansion of mobile money accounts used by 67.39% of rural population in 2022 comparing to 3.55% bank accounts and 0.77% electronic wallets.<sup>44</sup> The use of informal savings services recorded to 21.0 % in 2020 due to the use of village banks and other savings mechanisms such as keeping money with employers, other community groups and churches. The uptake of informal saving services (24% females, 17.7% males) was mostly by female adults in urban areas; traders, salaried workers and business owners; from low to high income households. Uptake of informal credit services by farmers recorded 20%.<sup>45</sup> Limited outreach of FSPs in rural areas as most of the country's financial access points are highly concentrated in predominantly urban areas. Financial services are limited in rural areas comparing to urban due to inadequate infrastructure, float/ cash for cash-in and cash-out transactions, limited availability of merchant network and other digital platforms, and low consumer confidence in financial services.<sup>46</sup>

**Financial inclusion among women and youth:** there has been an improvement in financial inclusion for women. The gap in access to formal financial inclusion has significantly narrowed between males and females, largely due to an increase in the availability of DFS and links between mobile money and with saving groups which are predominantly used by women in rural areas. Financial exclusion is higher among the younger youth than other populations. In 2020, it reached 38% among those between 16-25 years, and 23.3% between 28-25 years. However, it is lowest in the age bracket 30-34 years.

Young youth (aged 16-28) accounted for 28.1% of adults belonging to a savings group in 2020, while older youth (aged 26-35 years) recorded 25.5%, women recorded 64.5% and men 35.4%. 2 percent of adults belonged to a village bank in 2020, and they are largely characterized as rural-based, females, in the age range 26 to 45 years, salaried workers and farmers, attained Grades 5 to 7 and Howe8 to 9 level of education, and households in the lower income quintile<sup>47</sup>

**MSMEs financial inclusion.** In 2022, 7.3% only of MSMEs applied for a loan from formal and informal FSPs, 36% of the loans to MSMEs were from MFIs compared to 17.8% from commercial banks. Only 6.5% of MSMEs had either a personal or business bank account, 34.5% have a mobile money account and 1.9% had a savings account. Finally, less than 1.0% had an investment or securities account.<sup>48</sup> Although male owned businesses had a higher annual average gross income (K111,000 approximately 6500 USD) than female owned businesses (K97,000 approximately 5700 USD), the latter (K67,000 approximately 3940) had a higher annual average net income than that of males (K60,000 approximately 3920 USD) <sup>49</sup>.

MSMEs face challenges related to financial inclusion such as: limited financing options and high cost of borrowing for MSMEs, high fees for both traditional and digital transactions, they are perceived high risk due to unstable cash flows, collateral and weak governance

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<sup>44</sup> Republic of Zambia, Ministry of Finance and Financial Planning, National Financial Inclusion II, available at [NATIONAL FINANCIAL INCLUSION II 2024-2028 - Ministry of Finance and National Planning \(mofnp.gov.zm\)](#), last accessed 11 July 2024

<sup>45</sup> FinScope Zambia Cooperating Partners: 2020 Survey Report, available at [FinScope-2020-Survey-Report.pdf \(boz.zm\)](#), last accessed 1 August 2024

<sup>46</sup> Ibid

<sup>47</sup> 2020 Survey Report, FinScope Zambia, available at [FinScope-2020-Survey-Report.pdf \(boz.zm\)](#), last accessed 5 August 2024

<sup>48</sup> [2022 MSMEs survey, Bank of Zambia](#)

<sup>49</sup> Average USD to KW exchange rate in 2022 was 17.9, source [USD to ZMW Exchange Rate History for 2022 \(exchange-rates.org\)](#), last accessed 31 July 2024

(fragmented information), low financial literacy including basic understanding of financial products and service, financial management and record keeping, unfavourable tax regime for MSMEs, low levels of formalization amongst MSME due to barriers to entry and operational requirements imposed supervisory/licensing institutions, inadequate incentives to formalize MSMEs such as tax relief, insufficient awareness on financing options and availability of capacity building and business support programs, lack of centralized information source on financing options and trainings, lack or limited access to markets, energy deficits, inadequate financial products and services for women-led MSMEs, and adverse impact of climate change.



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## Annex 7: Youth<sup>50</sup>

Youth from 19-34 years account for 26.7% of the total population (2.67 million males and 2.69 million females)<sup>51</sup>. Although they account for 56.2 percent of the total labour force, and a key part of Zambia's society, they face remarkable socioeconomic challenges, such as: i) limited access to education; ii) insufficient skills to access decent job opportunities; and iii) high levels of unemployment. In addition, there is a negative socio-cultural perception of youth (especially in rural settings) who are often regarded as mobile/unreliable, lazy, irresponsible, and not creditworthy. The low and fluctuating income levels of many youths constrain their participation in CBFIs in accessing formal financial services. Especially, young male youth face challenges in participating in saving groups and other community activities that culturally tend to give more trust and leadership responsibility to other relatively older members on the community. Most of the younger youth (below 25) tend to depend on their families to start their own business, apply for loans through a family-owned collateral or assets, or apply to get allocated land plot.

Despite an overall improvement in access to education, disparities between rural and urban youth particularly remain high. Youth in rural areas still face challenges in accessing education such as long distances to nearest schools, poverty, unplanned pregnancies, forced marriages, gender discrimination and a lack of and inappropriate school infrastructure. Upon graduation, there is a gap of knowledge and skills between the market needs and existing skills. Transitioning from primary to lower secondary (grades 8 to 9), and to upper secondary (grades 10 to 12), and tertiary (college or university) is low. Transition rates from lower secondary to upper secondary school consistently remained below 50%, from 2009 to 2016, which means that less than half of those who completed lower secondary school transitioned to upper secondary education—most (more than half) dropped out. Most youth finish school with only primary or lower secondary education, which is insufficient for real job market competitiveness. Among those who complete secondary education, only 28% go on to acquire a university degree (UNESCO: 2016).

**Employment:** youth face challenges in accessing wage employment due to the limited supply of new jobs in relation to demand. 12.8% of own-business owners in 2022, were youth from 15-29 years, and 16.9% are youth from 30-34 years which is the highest share among all age brackets.<sup>52</sup> . Highest rates of participation in labour force are among those who have basic level of education (52.9% males and 47% females). Advanced education 7.3% (62% males, and 37% females) is almost similar to 'less than basic' at 7.2% respectively (35.4% males, and 64.5% females).<sup>53</sup> According to the 2022 Labour Force Survey, **Farming was reported as the highest economic activity among the youth 48.5%, followed by trading 36.8%, then mining 1.8%.** <sup>54</sup> The age group 30-35 years had the highest percentage share of the youth labour force at 35.5% while age group 15-19 years had the lowest at 7.1%. The national unemployment rate was 12.6%. Youth from 19-35 recorded the highest rates of unemployment (19-24 years 29.8%, 25-29 years 16.1%, 30-34 years 12.2%). Unemployment among female youth is higher than male youth. However, it is similar or lower to male unemployment from the age of 35 years and above. <sup>55</sup>

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<sup>50</sup> The constitution of Zambia defines youth as "a person who has attained the age of nineteen years but below the age of thirty-five years"

<sup>51</sup> Republic of Zambia, 2024 National Youth Policy

<sup>52</sup> 2022 Micro Small and Medium Enterprise Finance Survey Report Bank of Zambia

<sup>53</sup> ILOSTAT Explorer, available at [ILOSTAT Data Explorer, last accessed 28 July 2024](#)

<sup>54</sup> 2024 National Youth Policy

<sup>55</sup> Unemployment is a labour market situation in which individuals who are not in employment during a specified short

**NEETs** (not in Education, Employment, or Training) are a heterogeneous population around 30% of all NEETs being semi-skilled individuals. Many of these individuals are unable to find appropriate employment opportunities that meet their expectations and level of education. Individuals become NEETs when education and employment opportunities are not worth the time investment of studying or working. When the available employment opportunities are below reservation wages, higher-skilled youth, often have higher reservation wages and can be selective about their employment aspirations, therefore, they tend to face longer periods of unemployment and looking for suitable jobs.<sup>56</sup>

The phenomenon of youth economic disengagement (estimated 3 million by the World Bank)<sup>57</sup> is far reaching, with most youths lacking the minimum foundational skills to engage in productive employment or education, resulting in a huge number of NEETs and discouraged workers. Disengaged workers comprise both NEETs and discouraged workers. The partly engaged youth (estimated 1.5 million individuals) are mainly low-skilled youth, engaged in low productivity, low-pay employment activities. 75 per cent of them are in agriculture-related activities. Furthermore, large numbers of youth are engaged in seasonal work, low-pay, low-productivity activities that do not deliver decent work and are not conducive to human capital development. Engaged youth (15-35 years) are estimated to be approximately 700,000 individuals, have access to well-paid formal employment, internships, and apprenticeships, although they account for a small portion of the youth in the country.<sup>58</sup> Discussions with RUFEP older youth (30+ years) showed that due to this demotivation, youth tend to work in short-cycle and low risk investments such as trade, grocery shops, electronics, and online trade (i.e. selling products on Facebook, etc.). Youth are also interested in technology and digitalisation, they are eager to learn more about it, use marketing tools, participate in digital marketing platforms, and use mobile money. This provides a convenient entry point to different youth engagement and outreach interventions in FIRIP that will be explained in the details of the targeting mechanism.

Informal business is also a key challenge. 90.6% of youth from 15-24 years' work in this informal setting which means lack of access to medical and social security coverage, benefits, paid leaves, etc. Only 18.8 per cent of Youth were beneficiaries of national health medical coverage. This is a result of wage or self-employment in the informal economy which is a key challenge to accessing medical coverage and social security benefits. For example, the 2021 Labor Force Survey (LFS) stated highlighted that only 11% of the youth were employed in government, parastatals, NGOs and Embassies and International organisations. These are the organisations that one is assured of that they contribute to the national health insurance scheme.

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reference period (last 7 days) are actively seeking work/business opportunities and make themselves available for work. Actively seeking work implies taking steps to look for work (including consulting friends/ relatives, advertising one's skills, visiting factories, applying for financial assistance with the view to starting a business, etc.)

<sup>56</sup> "World Bank. 2024. Promoting Skills Development for Youth in Zambia: A Review of the Landscape of TVET and Skills Development. © Washington, DC: World Bank. <http://hdl.handle.net/10986/41072> License: CC BY-NC 3.0 IGO." Open Knowledge Repository (worldbank.org), last accessed 8 July 2024

<sup>57</sup>Ibid

<sup>58</sup>Ibid

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## Annex 8: Gender

Zambia ranked 85 out of 146 Gender Gap Index in 2023 (101<sup>st</sup> in education attainment, 119<sup>th</sup> in Political empowerment, 40<sup>th</sup> in Economic participation and opportunities, 1<sup>st</sup> on Health and survival).<sup>59</sup> Women make up over 50% of the population in Zambia and 27% of all households are headed by women, the highest is in Western province at 35.3% followed by Southern province at 31.0%.<sup>60</sup> Women face challenges such as inequality in accessing formal and informal services, job opportunities, unbalances workload, early pregnancies and child marriage, and negative social norms that hinder them from reaching their potentials, taking control of their assets and incomes, and participate in taking decisions around their families and children. A key challenge of patriarchal beliefs, norms and practices that hamper the participation of the youth, especially females, in all domains of life and sharing of opportunities.<sup>61</sup>

Although women account for about half of the workers in agriculture, most of them participate as family workers or are engaged in informal and seasonal activities which challenge economic and financial stability.<sup>62</sup> Furthermore, benefits from economic activities in agriculture are often controlled by men despite the active participation of women and youths in providing most of the labour for smallholder agriculture production. Women carry the responsibility for the household economy, which is why they end up with a 12-13-hour labour-day compared to the men's seven. Women and youths also provide up to 70% of agriculture's labour, yet most do not own or control the productive resources<sup>63</sup>. Women in male-headed households have a low-decision making power: decisions on management of fields by men are at 87.9% comparing to 95% by women in female headed households. Decision making over selling crops varies between provinces and crops. 33.2% of females who grow "female's crops" such as groundnuts made the decision on how to use the income from selling them and only 8.6 % of women decide how to use the income from the sale of maize<sup>64</sup>

Women can benefit substantially from investments in the sector by closing gender gaps in agricultural productivity and access to finance and land, technology, and markets. Women farmers face significant challenges as they are less likely to receive training and tend to make less use of extension services than men, they prefer to invest in less risky and short cycle crops, in addition to trade, moreover, they have limited access to a cultivation instrument like a seeder or weeder, and credit for smallholder farmers. Women are less likely than men to be paid for their labour, a factor underscored by social norms that hinder economic empowerment.

RALS survey 2019 showed that about 18% of households have at least one member belonging to a women's group and 12% of belonged local savings and loan society, and 45.0% of households (men and women) belonged to a farmer association/cooperative.

Despite Zambia high rank the Gender Gap Index in 2023 on health and survival, the prevalence of gender-based violence is high, as 42% of women has experienced violence in their lifetime<sup>65</sup>. Increasing cases of GBV may be attributed to inadequate punishment for perpetrators, focus on response as opposed to prevention, cultural acceptance of GBV,

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<sup>59</sup>Global Gender Gap Report 2023, World Economic Forum, available at [WEF\\_GGGR\\_2023.pdf \(weforum.org\)](#), last accessed 28 July 2024

<sup>60</sup> 2018 Demographic and Health Survey, [Zambia 2018 Demographic and Health Survey - Summary Report \[SR265\] \(dhsprogram.com\)](#)

<sup>61</sup> Republic of Zambia, Youth National Policy 2024

<sup>62</sup> [National Gender Policy GD-NGP-23.11.23.pdf \(gender.gov.zm\)](#)

<sup>63</sup> [Zambia National Agribusiness Development Strategy, ZNADS](#)

<sup>64</sup> RURAL Agriculture Livelihood Survey RALS 2019, IAPRI

<sup>65</sup>Global Gender Gap Report 2023, World Economic Forum, available at [WEF\\_GGGR\\_2023.pdf \(weforum.org\)](#), last accessed 28 July 2024

none reporting of cases, inadequate service provision, and delayed disposal of GBV cases. Other challenges include a weak and uncoordinated GBV referral system, inadequate skills and staffing levels in facilities that provide GBV services, inadequate and inappropriate GBV facilities and a lack of a well-coordinated and centralised GBV Management Information System for decision making<sup>66</sup>. The GTA integrated in FIRIP ensures women economic empowerment and male engagement which contributes to reduce domestic violence.

Access to education for female youth especially at the secondary level, helps delaying early marriage and first pregnancy, and gives them the opportunity to participate in decision making and economic activities. Despite of the significant progress in promoting the rights of girls and women, more efforts are needed to promote gender equality. Drop out from schools and early pregnancies are still high despite of the serious efforts to address these challenges. For example, 117 of every 1,000 girls aged 15-19 gave birth in Zambia in 2021. Vulnerable employment in 2022 among women was 80.1%, while it is 60.6% among men<sup>67</sup>.

Significant attention has been given to gender mainstreaming and programming from the government and development partners. Zambia has made progress towards addressing gender equality. The 2016 National Constitution is gender sensitive as it has progressive articles such as article 259 which provide for men and women including youth to have equal rights.

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66 National Gender Strategy 2023

67 Zambia | World Bank Gender Data Portal

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## Annex 9: Health, nutrition, and Persons with Disabilities

Zambia has one of the highest malnutrition rates in all of Africa, with 31 per cent of the people being undernourished. Almost one-third (31.4 per cent) of children under five suffer from stunting, six per cent of children die before they reach the age of five. The 2023 Global Hunger Index ranks Zambia 110th out of 128 countries.<sup>68</sup> 48% of the population unable to meet their minimum-calorie requirements and more than one-third of children aged under 5 stunted due to different reasons such as: limited knowledge of nutrition, lack of access to diverse nutritious food, poor feeding practices and poor-quality diets. The number of early pregnancies is increasing and creating negative impact on social and economic impact on girls such as schooling.<sup>69</sup> The number of early pregnancies is increasing and creating negative impact on social and economic impact on girls such as schooling and pursuing career.

The 2015 Disability survey estimates the prevalence of disability among persons aged 18 over in Zambia at 10.9%. Disease is reportedly the most common cause of disability, followed by falls/accidents and congenital disability. Disease and congenital disability indicate that preventable measures could be taken to eliminate future impact which would be achievable through improvements in the health services for mothers, children and new-borns.

Key health challenges that rural people face are: large distance to access health facilities, limited skills of labour to support them, weak referral services, and WASH. Malaria is on top of the major challenging epidemics. The annual HIV incidence among those aged 15+ years in Zambia in 2021 was 0.3%, which corresponds to approximately 28,000 new cases of HIV annually (0.6% among women and 0.1% among men)<sup>70</sup> Number of people living with HIV who know their HIV status IN 2019 was 1.1 million.<sup>71</sup> **Currently it is estimated that 1.2 million are living with HIV, 600 new TB cases annually.**<sup>72</sup> The Zambia Population-Based HIV Impact Assessment (ZAMPHIA) 2021 report showed important declines in annual HIV incidence from 0.61% in 2016 to 0.31 in 2021 corresponding to approximately 28,000 new HIV infections in 2021 compared to 43,000 in 2016.<sup>73</sup> Among adults (15 years and older) living with HIV, 88.7% were aware of their status, 98.0 percent of those who knew their status were on treatment, and 96.3% of those on Anti-Retroviral Treatment (ART) achieved viral load suppression. ZAMPHIA 2021 also showed that HIV prevalence among adults (15 years and older) is 11 percent, eight percent among men, and 14 percent among women. This shows significant progress when compared with the 2016 ZAMPHIA. Although TB is curable, it has impacted large number of patients with permanent disabilities. They are referred to MCDSS as it is the official entity to accommodate the needs and assistance to people living with <sup>74</sup>disabilities. Climate change has an impact on the health situation of rural people, for example weather changes contributed to the increase of malaria.

Through the household methodology, FIRIP will ensure raising awareness on nutrition, healthy lifestyle, and decision making around children's health. Furthermore, activities will ensure inclusion of PwD, and those living with different health conditions.

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<sup>68</sup> BMZ, Severe Rural Poverty, available at: [Severe rural poverty | BMZ](#), last accessed 8 July 2024

<sup>69</sup> World Food Programme, available at [Zambia | World Food Programme \(wfp.org\)](#), last accessed 8 July 2024

<sup>70</sup> Zambia Population-based HIV Impact Assessment (ZAMPHIA) 2021

<sup>71</sup> Country progress report - Zambia Global AIDS Monitoring 2020, UNAIDS, available at [Microsoft Word - ZMB\\_2020\\_countryreport.docx \(unaids.org\)](#), last accessed 1 August, 2024

<sup>72</sup> **Source: Ministry of Health, during the design mission**

<sup>73</sup> [ZAMPHIA 2021 Report confirms Zambia has surpassed UNAIDS HIV Treatment and Viral Suppression Goals and is on track to surpass HIV Status Awareness Goals. - Ministry of Health \(moh.gov.zm\)](#)

<sup>74</sup> **Source: Consultation with the Ministry of Health during the design mission**

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## Annex 10: Policy framework and FIRIP Alignment

FIRIP aligns with policy framework, and national laws (see *SECAP section*).

**Financial inclusion:** The NFIS (2024-2028) intends to ensure that women, youths, and senior citizens, persons with disabilities, and refugees are financially included. FIRIP aligns with the NFIS objectives by working on sustaining the progress in closing the gender gap through improving the access to financial services, usage and quality of financial products and services tailored to fit the needs and capacities of women and youth. The project activities will address the NFIS-identified challenges and gaps to financial inclusion among the underserved population namely: access to mobile-based digital financial services, insufficient existing policies and strategies that prioritize underserved populations to improve their social and financial inclusion, limited customer-centric financial products and services for this population, limited financial literacy and access to financial information, lack or limited access to capacity building programs, lack of disaggregated data by FSPs, limited access to credit due to high credit risk profile, and limited information on access points for financial products and services.

The Government of Zambia supports women economic participation in agriculture through food Security Pack (FSP), Farmers Input Support Programme (FISP), Furthermore, promoting gender equality in rural households accessing FSP, and FISP is done through extension officers. FISP implemented two modalities in 2023/2024 for the agricultural season: a) Electronic vouchers (e-Voucher) with private sector participation where gender was one of the selection criteria and b) direct Input Supply (DIS). More female headed households accessed FISP through e-voucher compared to men (less than 5 ha, 0.5-2 ha, 2-5ha). This is also similar in female headed households that accessed FISP through DIS (0-0.5-2.0-5.0 ha)<sup>75</sup>

To address GBV, the government has put in place pieces of legislation such as the amended act in 2016 Constitution, the Anti-Gender Based Violence Act, the Gender Equity and Equality Act, and the Children's Code Act, No.12 of 2022. FIRIP GTA supports the government strategy through building women entrepreneurial and digital literacy skills, engage men and community members in addressing unbalanced household relations and challenging harmful norms that hinder women economic empowerment and gender equality. Moreover, improving access to women friendly financial services would enable them to improve their livelihoods and take control over their income, assets, and participate in the decision making.

RUFEP project activities have empirically proved economic empowerment to women which leads to steady steps toward the gender transformative programming that FIRIP aims at achieving. After self-selecting saving groups and receiving financial and digital literacy, female beneficiaries were able start their business, take leading roles in their groups, get access, and control over their income, and participate in decision making around spending and investing the income in favour of their families' future. Self-selection on groups helped them guarantee each other and contribute to social funds for further community development. Contribution to social funds is mandatory in the group. FIRIP will build on RUFEP experience to achieve a full gender transformation through engagement with male participants for more balanced household dynamics, livelihood and value chain development for increasing income, production and access to markets, and challenging negative social norms around gender at community and institutional levels. FIRIP will support client-centered financial services which will help women and men expand and strengthen their business activities. Furthermore, providing them with links to markets and strengthen the role and capacity of aggregators, they get better access to markets

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75 RALS Survey 2019

and insurance which is crucially needed in light of the climate change shocks. Further details on gender interventions are explained in a later section in the document.

Integration of cash transfers beneficiaries (women) in capacity building provides sustainable livelihoods for households headed by women. The MCDSS is implementing a national capacity building programme to equip women with the entrepreneurial skills and financial knowledge, so they are able to start their own business and sustain it. The experience was successful, and phase two is in the pipeline to be rolled-out in new areas. FIRIP's intervention to develop client-centric financial services would help these women to establish and strengthen their business activities. A number of skills gaps has been identified by MCDSS as follows: changing mindsets (through life skills), GBV, business and marketing, creating linkages for beneficiaries on their behalf, encourage women to work as a group, bring their products together and create a better competitive portfolio, and lack of skills on machinery in some value chains such as soya beans.

**The 2024 National Youth Policy** aims at overcoming the challenges that youth face. The multi-sectoral approach focuses on; entrepreneurship, empowerment and job creation, policy and legal environment, health, mental health, drug, alcohol and substance abuse, education and skills development, Information and Communication Technology, social protection, civic engagement and leadership, arts sports and recreation, environmental protection, youth led research and knowledge production, youth for transformative economy and leadership, and gender and disability. A key focus of the policy is on job creation in sectors such as agriculture, mining, tourism, construction health, education, arts and sports. Partnership is a key tool identified by the government to achieve the policy objectives and the youth action plan, based on a multi-sectoral approach that includes: the youth and youth networks, ministries, private sector, cooperating Partners, civil Society organisations, and other stakeholders. The Government introduced the TEVET scheme to encourage and increase the number of youths taking up skills training, especially females and PWDs for whom 30% and 10 percent<sup>76</sup>. FIRIP aligns with and contributes to the objectives of the policy through a structured youth empowerment plan (see *the youth targeting strategy and empowerment pathways*).

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<sup>76</sup>Republic of Zambia, Eight National Development Plan, (8NDP) 2022-2026

## 3.0 DETAILED COMPONENT DESCRIPTION

### 3.1 COMPONENT 1: IMPROVED AVAILABILITY AND UPTAKE OF SUSTAINABLE CLIENT-CENTRIC RURAL FINANCIAL SERVICES

108. Component 1 will contribute to Outcome 1: Improved availability of sustainable client-centric rural financial services for specific sectors and groups; and Outcome 2: Increased uptake and use of more suitable and affordable sources of finance by the target groups. This component will strengthen the capacity of FSPs to expand their service offerings into underserved rural areas and provide client-centric financial services to smallholder farmers, women, youth and rural MSMEs, for increased resilience and investments in agriculture, green and climate smart technologies. It will also strengthen the capacity of the target groups, especially smallholder farmers, women and youth, to access and use these financial services properly.

109. This will be achieved by two mutually-re-enforcing subcomponents:

- **Subcomponent 1.1: Innovative products and delivery mechanisms for inclusive rural outreach** will be implemented through an IOF, building on RUFEP's model but with some modifications such as a stronger focus on: i) agriculture and climate smart technologies; ii) youth and women financial inclusion and empowerment; and iii) higher cost sharing by IPs.
- **Sub-component 1.2: Increased access to affordable finance for agriculture and green investment** will establish a BFF to crowd private capital into agriculture and green investments, while reducing the cost of funds for FSPs and the resulting interest rates for end borrowers.

### 3.2 SUB-COMPONENT 1.1: INNOVATIVE PRODUCTS AND DELIVERY MECHANISMS FOR INCLUSIVE RURAL OUTREACH

110. This sub-component will implement an Innovation and Outreach Facility (IOF) with some modifications in strategic priorities and implementation modalities. The IOF will co-finance demand-driven sub-projects that expand the availability and quality of client centric financial services through three main Windows:

- **Window 1: Financial Inclusion of Unserved Areas and Population Segments** will co-finance the expansion of basic financial infrastructure and access points in unserved rural areas.
- **Window 2: Financial Innovations for Smallholder Agriculture** will support the development and rollout of innovative and client-centric financial products and delivery mechanisms to reach smallholder farmers and associated MSMEs in agricultural VCs at lower costs and risks.
- **Window 3: Financial Innovations for Green Investments and Climate Resilience** will support the development and rollout of innovative and client centric financial services to finance investments in green and climate smart technologies in agricultural and non-agricultural value chains.

111. The sub-component will co-finance viable propositions (subprojects) supporting FIRIP's development objectives and reaching its targets groups in an impactful and sustainable way. Potential applicants include a wide range of actors such as banks, MFIs, NBFIs, insurance companies, Fintechs, Agritechs, value chain developers, agribusiness companies, suppliers of green and climate smart technologies, and Promoters of CBFIs. Eligible items include technical assistance, training, IT and equipment costs and other cost items necessary to implement subprojects.



112. CBFI Promoters can apply under all three windows, depending on the specific interest and profiles of their associated CBFIs and their members. The main difference will be in the specific training content: Under Window 1, CBFI will be used to strengthen diversified livelihoods and resilience of their members. Window 2 will support groups with specific interests to develop agricultural activities, either individually or as a group. Window 3 will strengthen knowledge about green and climate smart technologies and assist CBFI members in their adoption. Cross-cutting support will include financial and digital literacy training, strengthening of business, commercial and negotiation skills and linkages with market, VC actors and formal FSPs. A cross-cutting priority will be a focus on youth empowerment and gender transformative approaches, including using household methodologies (*view PIM section 2.3 for more details*). Overall, CBFIs promotion is a key strategy to reach FIRIP's social inclusion objectives and financially excluded population segments, especially in beneficiary category 1.

113. The purpose, rationale and scope of each window is explained below:

#### 114. **Window 1 Financial Inclusion of Unserved Areas and Population Segments**

**a) Mobile and Agency Banking:** roll out banking services in underserved areas making use of numerous potential agents in rural Zambia to deliver financial services.

115. The purpose of this window is to expand access to financial services in rural areas with no or very limited formal financial infrastructure and access points. Despite important overall progress in financial inclusion including through RUFEP's supports, there is still a widening gap in financial inclusion between rural and urban areas, as evidenced by the latest FINSOPE surveys 2015 and 2020. Under this Window, FIRIP will continue RUFEP's support to expand agent networks and DFS into underserved areas. Window 1 will target rural areas with the lowest levels of formal financial inclusion which also tend to have high levels of poverty. In order to identify these areas, the PCU will collaborate with BOZ and ZICTA to generate a map that: i) shows rural provinces and districts which are either completely financially excluded or have very limited formal access points; and ii) reflects the level of mobile network coverage, along with ZICTA's expansion plans for mobile network coverage in partnership with Mobile Network Operators (MNOs<sup>77</sup>).

116. Under the proposed Strategic Partnership with BOZ, an assessment of the potential to establish access points in rural schools and public hospitals will be conducted which will provide further useful information to interested FSPs. This map will help direct FIRIP investments into those areas where the largest additionality in terms of expanding formal financial access points can be achieved while ensuring that critical preconditions for expanding DFS through rural agent networks exist<sup>78</sup>. Calls for proposal under this Window will specify eligible areas which will be updated periodically.

117. Challenges facing FSPs in expansion of rural agent networks are linked to their ability to mobilize, incentivize, train, and manage an adequate network of rural agents; along with the funds to acquire relevant technologies and conduct IT integration. This is particularly true for the small FSPs. In addition, some of the larger FSPs can be supported in tailoring the features of their existing basic DFS – mainly cash-in cash out, bill payment and money transfer services - better to the needs of specific rural population segments. Mobile money can also be harnessed to introduce additional financial services such as digital savings and loan product, or micro-insurance. FIRIP will encourage FSPs to go beyond basic payment and money transfer services and introduce other product features. These should be based on a feasibility study and client-centric market research to

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<sup>77</sup> ZICTA uses a public-private partnership approach for investing in new masts and antennas cost-sharing the substantial investment costs with private MNOs.

<sup>78</sup> Experiences under RUFEP have shown that careful due diligence about network coverage is critical for sub-projects that focus on digital financial services including digitalization of CBFIs and their linkages with banking agents.

understand the specific needs of various population groups (Smallholders, Women, and Youth) and design product features and delivery mechanisms accordingly.

118. Core activities financed under this window include: i) client-centric market research and product design; ii) recruitment and training of agents in rural areas; iii) backstopping and supporting agents until minimum viable business volumes are reached; iv) phones and POS devices; v) integration between MNO platforms and e-wallets with FI platforms and systems; vi) training FSP staff to properly using manage the new services; and vii) training of users in remote rural areas (FIRIP target groups) on the use of the new digital financial services. The latter will particularly focus on rural youth as entry points for “digitizing” their communities, as well as on rural women engaged in CBFIs, and community leaders.

119. The window targets innovative proposals from licensed FSPs; electronic payment and transfer operators (working in collaboration with a licensed FSP); networks and apex bodies of rural financial institutions, including CBFIs, wanting to be linked with or serve as agents. Such linkages can enable CBFIs and their members to access a broader range of financial services from formal FSPs, increase the flexibility and safety of their internal transaction, and generate a track record. Likewise, CBFIs can serve as entry points for FSPs to expand outreach and provide loans to persons without tangible collateral but with a proven history of savings, basic financial literacy and discipline. CBFIs Promoters or other rural NGOs are encouraged to form partnerships with a formal FSP or Fintech providing the required technical solutions. The Promoter’s role would be to conduct financial and digital literacy training as well as mentoring and monitoring of CBFIs.

#### ***b) CBFIs Promotion under Window 1: Mainstreaming youth empowerment and gender transformation***

120. This Window will also support generic financial inclusion through CBFIs, even where digitalization and linkages to formal FSPs are not (yet) an option<sup>79</sup>. Under this Window, the focus would be on CBFIs engaged in diversified livelihoods<sup>80</sup>. Activities would have a strong focus on i) targeting rural youth, including male youth; and ii) using gender-transformative approaches to foster joint decision making at household level. As mentioned in chapter 2.3 on Social Inclusion, the approach to support youth would include: i) strengthening the participation and voice of youth in existing CBFIs; ii) creation of youth CBFIs (including for male youth); iii) youth-specific entrepreneurship and technical training in areas of their interest (which may include acting as group facilitators and agents linking other groups with markets, VC actors and FSPs; providing digital skills training, etc.). This is expected to generate self- as well as wage employment opportunities for rural youth in areas where they have comparative advantages and interests (beyond low-skilled farm labor). The CBFIs promoter will also encourage the participation of PWD through group sensitization and targeted training and empowerment measures.

121. In terms of GTA, CBFIs promoters would move beyond core training and mentoring of group members (mostly women) to include partners and other household members (including youth) as well. Household members will be jointly trained and coached in managing their finances at household, farm and enterprise-level (which are interlinked) through joint decision making. Financial management will be used as an entry point to discuss other related areas such as division of labor (household, farm and enterprise levels), use of productive assets, purchasing of food (and nutrition); selling of farm and nonfarm products, etc. CBFIs Promoters will also apply methodologies to address GBV in the context of household methodologies. These trainings and mentoring would target existing groups that have already received the basic groups formation and financial

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<sup>79</sup> Such linkage requires a certain maturity level of the CBFIs and sufficient rural network coverage which is still not available in many remoter rural areas.

<sup>80</sup> CBFIs with interest in agriculture and climate smart technologies will be supported under the respective Windows.

management training to allow the Promoter to move beyond basics and focus on youth empowerment and household approaches.

122. Applicants under Window 1 would include FSPs (banks, MFIs and other NBFIs) MNOs, Fintechs, and CBFIs Promoters with proven methodologies and track record in implementing youth empowerment and GTAs in the context of CBFIs promotion and mentoring.

**123. Window 2: Financial Innovations for Smallholder Agriculture.** The purpose of this Window is to support the development of innovative and client-centric financial products and delivery mechanisms financing to reach smallholder farmers and associated MSMEs in agricultural VCs at lower costs and risks.

124. The availability of financial services for smaller farmers is extremely limited in terms of volumes, numbers and quality of services. The bulk of agricultural loans goes to a limited number of commercial farms and small farmers only receive less than 1% of all loans. Hence, smallholders mainly rely on self-finance, informal sources of finance or generic loan products with short maturities and frequent repayment installments which are ill aligned to the cash flow of seasonal agricultural activities. Likewise, there's a dearth of medium and long-term finance options including leasing that enable farmers to invest in machinery, buildings, tree planting and other investments. While there has been a substantial expansion of agricultural insurance in recent years, this has been mainly linked to the FISP and fought by challenges in product design, delayed payments and questions about long-term viability. Hence, innovative approaches are needed here as well. There is also potential to design specific savings products that help farmers save up money to purchase inputs or equipment (e.g., commitment savings products<sup>81</sup>). For poor smallholders in the vulnerable conditions, savings are often a safer approach and can gradually help building assets and accessing loans, if properly supported. Consequently, agriculture is in adequately financed.

125. Rural MSMEs face similar challenges in accessing finance due to various challenges including informality, lack of collateral, poor record-keeping, etc. Specific products and delivery mechanisms and risk management strategies need to be developed to serve these segments better.

126. At the same time, Zambia presents several elements of an enabling environment to expand agricultural finance and address key demand and supply-side challenges. Examples include an enabling legal and regulatory framework for warehouse receipt finance, the use of movable assets as collateral, and electronic collateral registry system at PACRA, and several guarantee mechanisms<sup>82</sup>. The rapid expansion of DFS and rural agent networks sets the basis for digitizing payments, including of loan disbursement and repayment. However, uptake and use of these instruments have remained very limited, especially in the small farming and rural MSME segment. In addition, rapid advances in digital technologies including use of geo-data, big data analysis, agricultural credit scoring, etc., can be harnessed to strengthen loan evaluation, better manage risks and reduce costs.

127. All these innovations require initial investments in client-centric market research, feasibility studies, developing and testing product prototypes, integrating digital technologies, and training of key FSP staff (from loan officers to branch managers, Credit and Risk Departments, up to Senior Management and Board Members). Given their innovative nature and limited examples of proven concepts, many FSPs (especially banks) remain reluctant to make such investments. This reluctance is exacerbated by limited understanding of the sector and its risks, as well as the opportunities to properly manage

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<sup>81</sup> Digitally-enabled commitment savings products allow farmers to save periodically small amounts in order to purchase inputs or equipment. These products normally include interest rates on savings, some restrictions to withdraw money (with exceptions in case of health or other emergencies), periodic digital nudges, and reminders, etc. Through Digital platform, savers can build a track record and may eventually access loans.

<sup>82</sup> Apart from the Zambia Credit Guarantee Company, UNCDF has introduced a credit guarantee scheme for SMEs.

them through adequate product design and implementation mechanisms. Some development-oriented MFIs have started introducing specific agricultural finance products, albeit on a small scale.

128. This Window shares the costs of developing new and innovative solutions to finance smallholder agriculture and related value chain actors (especially MSMEs), as well as the roll out and scaling up of successfully piloted products. Particular emphasis is placed on the financing needs of rural women and youth. Co-financing covers *market research, product piloting and rollout*. Products and services supported under this Window may include: i) specific agricultural loan products for working and investment capital needs tailored to specific farm/enterprise household cash flows taking into account seasonalities and gestation periods; ii) tailored savings products for agricultural inputs and investments (potentially linked with loans); iii) innovative crop and livestock insurance and delivery mechanisms; iv) innovative value chain finance arrangements (e.g., warehouse receipt financing, invoice discounting, digitalization of payments, buyer and supplier credit, multipartite arrangements); v) innovations in risk management (e.g., agricultural credit scoring, use of alternative collateral, geodata); and vi) digitization of payments related to various financial products.

129. Subprojects may also include sensitization and training of clients to help them fully understand the products and services rolled out and make full use of them. In addition, commercial, marketing, negotiation, business and financial management skills of smallholder farmers and their organizations will be strengthened to enhance market and value chain integration and their ability to use financial services properly. Where feasible, this will be done in collaboration with specialised entities / service providers and/or with other value chain actors such as inputs providers or off-takers, in the context of inclusive business models and VC integration. Given the limited size of the sub-projects funded under the IOF and their focus on enhancing the supply of client-centric financial services, broader training of farmers and other clients will be carried out through partnerships with other initiatives by government entities or development partners, that are specialized in providing technical assistance, training and business development to potential clients on relevant aspects. FIRIP's PCU will facilitate such linkages and partnerships through joint sensitization and outreach events with potential partners, working on related areas in specific regions.

130. ***CBFI Promotion under Window 2:*** Most CBFI members are engaged in multiple businesses and IGAs to manage their livelihoods and diversify risks. However, an important subset of CBFIs is interested in expanding agricultural activities, either collectively or as individual members. CBFI Promoters will work with these CBFIs and provide specific training on agricultural technologies and how to link with markets and off-takers. Likewise, the savings process will be directed towards acquiring productive assets (either inputs or equipment) at the end of the cycle. The training and mentoring will help CBFI members to invest their saved funds properly.

131. In addition, mature groups might be assisted to digitalize and access formal financial services to expand their agricultural activities and investments. Likewise, digitalization will help them to link with VC actors such as off-takers.

132. Here, specific emphasis will be made on identifying agricultural products in value chains that are particularly suitable for women and youth. In addition, CBFI promoters will be encouraged to include specific youth empowerment measures and use of household methodologies in their subproject proposals.

133. Applicants under this Window include banks, NBFIs (including development-oriented MFIs, as well as leasing companies), AgriTech and Fintech companies, CBFI promoters, and agribusiness companies wanting to develop smallholder inclusive business models that involve financial services benefitting FIRIP target groups. In case of agribusiness companies such as off-takers or equipment suppliers, the proposal should focus on how the company provides financial and non-financial services to FIRIP target groups, especially categories 1 and 2. This needs to be spelled out in a detailed and

convincing manner, with milestones and targets. These should also include targets for female and young farmers to be reached as share of total outreach targets.

134. Subprojects developing products that are specifically targeting women and youth or include women and youth friendly design features and will be particularly encouraged.

135. Partnerships and consortia among these actors will be encouraged. This may also include VC developers of NGOs engaged in agricultural extension, business development and VC integration that would partners with FSPs.

136. **Window 3: Financial Innovations for Green Investments and Climate Resilience.** Zambia’s agricultural sector and rural economy are severely affected by climate change, which leads to crop failures, increased livestock deaths, food insecurity, rising food prices, along with health and other issues. Due to Zambia's high reliance on hydro-energy, electricity supply is also severely affected by drought, leading to power cuts which severely undermine the livelihoods of rural households as well as the operations along agricultural value chains.

137. Financial services are vital for helping rural households prepare for and mitigate risks associated with climate change and other shocks. They enable households to cope with and recover from various challenges, enhancing their resilience to climate, as well as other risks related to agricultural production, markets, prices, macroeconomic and health-related issues.

138. This window will respond to the increasing challenges posed by climate change such as the increased frequency and impact of droughts and other extreme weather events. It will also address challenges related to unreliable energy supply and promote the use of solar powered and other renewable energy sources. Likewise, the widespread use of charcoal leads to deforestation. Examples for renewable energies and climate smart technologies are given below, showing their relevance for different target groups in table 4 below.

**Table 4: Examples of Climate Smart and Green Investments for Different target groups**

Beneficiary segment	Livelihood’s needs (examples)	Economic activities (examples)	Needs and potential FIRIP support
<b>Economically Active Semi-Subsistence and Low-Income Smallholders</b>	<ul style="list-style-type: none"> <li>- Improved cook stoves</li> <li>- Biogas digester for cooking / Bio-slurry use as fertilizers</li> <li>- Home solar systems</li> <li>- Water harvesting facilities (rainwater harvesting)</li> <li>- Climate resilient housing</li> </ul>	<ul style="list-style-type: none"> <li>- Maize</li> <li>- Horticulture</li> <li>- Small trade (small livestock, baking, buying and selling agriculture products local and border markets)</li> </ul>	<ul style="list-style-type: none"> <li>- Agri-Tech promoting solar powered irrigation equipment, solar dryers, solar powered technologies for processing agricultural value chains, solar powered hatcheries, etc.)</li> <li>- Drought tolerant seeds varieties</li> <li>- Improved and organic fertilizers</li> <li>- Digital extension services/ climate information services</li> <li>- Agricultural/ index and climate insurance (WFP)</li> <li>- Post-harvest storage equipment (silos, cooling systems, hermetic bags, etc.)</li> <li>- Small farm/ cooperatives level equipment (pelleting and mixing equipment for fodder mix, etc.)</li> <li>-</li> </ul>
<b>Commercializing Smallholders and Microenterprises</b>	<ul style="list-style-type: none"> <li>- Access to energy for home and business needs (home solar systems, solar systems, renewable energy, etc.)</li> <li>- Access to water</li> </ul>	<ul style="list-style-type: none"> <li>- Maize</li> <li>- Horticulture (green peppers, eggplants, cabbage, onions, tomatoes)</li> <li>- Livestock (cattle, poultry, pork, etc.)</li> <li>- Multiple sources of income (diversification)</li> </ul>	<ul style="list-style-type: none"> <li>- Poultry: Solar energy for rearing chicken, solar powered hatcheries, biogas digester, etc.</li> <li>- Drought tolerant seeds varieties</li> <li>- Improved and organic fertilizers</li> <li>- Digital value chain services (precision agriculture, market linkages, etc.)</li> <li>- On-farm processing and storage of livestock products (e.g. solar powered fridge, solar energy for rearing poultry, etc.)</li> <li>- Transport and cooling systems for aggregators</li> </ul>

<b>Beneficiary segment</b>	<b>Livelihood's needs (examples)</b>	<b>Economic activities (examples)</b>	<b>Needs and potential FIRIP support</b>
			<ul style="list-style-type: none"> <li>- Sustainable mechanization (low energy technologies, biogas bio-digesters)</li> <li>- Climate resilient infrastructures (farm-based post-harvest infrastructures, irrigation equipment etc.)</li> <li>- shade nets, green houses</li> <li>- waste and water treatment and reuse</li> </ul>
<b>Emerging and Commercial Farmers, SMEs</b>		<ul style="list-style-type: none"> <li>- Aggregation,</li> <li>- Processing</li> <li>- Cold Storage</li> <li>- Transport</li> </ul>	<ul style="list-style-type: none"> <li>- Access to renewable energy, mechanisation, irrigation equipment, processing and transport</li> <li>- Energy efficient / solar powered Farm-based processing equipment/ technologies</li> <li>- shade nets, green houses</li> <li>- waste and water treatment and reuse</li> </ul>

139. The window will help FSPs to develop products and services for FIRIP target groups that help them better prepare for, cope with, and recover from climate related risks and shocks. It also focuses on investments supporting the adoption of renewable energy. This is becoming more imperative in view of the pervasive power cuts exacerbated by increased frequency and impacts of droughts.

140. In many cases, these products are assets/physical investments which require medium term finance at affordable costs and repayment schedules should be in line with enterprises' and households' cash flows. Applicants will be supported to design adequate financing mechanisms based on an in-depth, client-centric market assessment focusing on remote rural areas. The solutions can include Pay-As-You Go models, micro-leasing (which do not require additional collateral but may require alternative de-risking measures based on social capital and other collateral substitutes).

141. Innovations in weather-based index insurance will also be supported. This includes: actuarial modelling billing and climate projections for specific crops and regions in Zambia; development of suitable delivery mechanisms (including through bundling with other services), and sensitization and training of farmers on index insurance. This training will target local leaders (including of local farmer organizations, CBFIs, youth groups, cooperatives, as well as Lead Farmers) who can then pass this knowledge on to their peers.

142. This Window will also support market research and feasibility studies to develop specific financial products for investments in green and climate resilient technologies in agricultural and non-agricultural VCs. It will further co-finance TA, study tours; training of FSP staff of PFSPs in climate finance; and other costs related to piloting and roll-out. As in case of Window 2, subprojects may also include sensitization and training of clients to help them fully understand the products and services rolled out and make full use of them. Given the limited size of the sub-projects, preferably, this will be done in partnership with other initiatives by government entities or development partners, that are specialized in providing technical assistance, training and business development to potential clients on relevant aspects. FIRIP's PCU will facilitate such linkages and partnerships through joint sensitization and outreach events with potential partners, working on related areas in specific regions.

143. While the specific technologies will be identified by the IP based on market research, specific emphasis will be placed on technologies that mitigate drought related risks (e.g., drip irrigation, water harvesting, drought-tolerant seed varieties), along with renewable energy along the value chain (e.g., solar-powered irrigation, cold storage, processing, and livestock production).

144. Applicants under this window include FSPs, suppliers/distributors of green and climate smart technologies, value chain developers, as well agribusiness companies intending to develop financial solutions to support their contracted farmers to adopt these technologies.

145. **CBFI Promotion under Window 3:** CBFI's can also be supported under this Window if they have expressed a particular interest to adopt climate smart technologies and renewable energies, either at individual household level or as groups. These would normally be existing groups that have run several cycles to meet their basic livelihoods and household needs and now want to invest in and green technologies. Some groups have already been sensitized about such technologies but did not yet have structured support to use their CBFI mechanisms to adopt them.

146. CBFI Promoters would have to conduct a thorough market assessment to provide convincing evidence that a substantial number of CBFIs have expressed interest in adopting certain technologies by using the share-out from their group savings and loans for such purposes. A separate participatory market assessment may need to be conducted prior to preparing a full proposal. The sub-projects would provide basic sensitization and training on several technology options and practices CBFIs members could choose from in response to their most burning energy or climate related livelihoods problems. Once groups have decided on a technology, the savings cycle (including amounts and frequency of contributions and lengths of the cycle) will be structured accordingly. Based on CBFI performance and track record, the promoter may also link CBFIs to formal providers of suitable financial solutions, to match group savings.

147. The specific focus on adopting Green and CS technologies will be embedded in a household approach that will involve husbands and other family members in decision-making and mobilization of finance using the methodologies described before. The specific interest and role of youth in these investments (and potentially, their management and maintenance) will be another cross-cutting element of the training and sensitization activities.

**Table 5: Examples of financial products, process and delivery innovations that could be supported under the IOF**

<b>Type of Financial Service</b>	<b>Examples/Key Features</b>
Expanding financial access points in underserved rural areas	<ul style="list-style-type: none"> <li>Recruitment and training of rural agents</li> <li>Cash-in cash-out services, money transfer, payment services</li> </ul>
Expanding digital financial services in rural areas	<ul style="list-style-type: none"> <li>Integration of MNO platforms and e-wallets with FSP platforms and systems</li> <li>Digital savings and loan products</li> </ul>
Digitization of CBFIs	<ul style="list-style-type: none"> <li>Migrating CBFI savings and loan processes to a digital platform</li> <li>Enabling transactions via mobile phones and agents</li> </ul>
Linkage banking	<ul style="list-style-type: none"> <li>Linking CBFIs with formal financial institutions through specific, digitally-enabled savings and loan products</li> </ul>
Seasonal loan products for smallholders for various crops	<ul style="list-style-type: none"> <li>Repayment schedules aligned with seasonal cash flows of crops and farm households</li> </ul>
Postharvest loans	<ul style="list-style-type: none"> <li>Allowing farmers to store and sell their products later when prices have increased.</li> </ul>
Warehouse receipt finance	<ul style="list-style-type: none"> <li>Modality of postharvest finance whereby loans are extended against the collateral value of crops stored in bonded third-party warehouses</li> </ul>
Invoice discounting and receivables financing	<ul style="list-style-type: none"> <li>Providing loans to farmers and other VC actors against receivables/invoices from their buyers to bridge delays in payment</li> </ul>
Investment loans for farm equipment and buildings	<ul style="list-style-type: none"> <li>Irrigation, storage facilities, farm mechanization, livestock (animals, barns), boreholes, processing equipment, and transport</li> </ul>

Targeted loan products for women entrepreneurs	<ul style="list-style-type: none"> <li>Helping women to graduate from CBFIs and Solidarity group lending.</li> </ul>
Medium-term loans for adopting sustainable/climate smart farming practices	<ul style="list-style-type: none"> <li>Adoption of conservation agriculture; renewable energy (solar, biogas), etc, with lower interest rates and grace periods</li> </ul>
Leasing	<ul style="list-style-type: none"> <li>Farm equipment, transport, post-harvest, storage.</li> </ul>
Pay-as-you-go	<ul style="list-style-type: none"> <li>Solar power systems</li> </ul>
Startup loans for youth	<ul style="list-style-type: none"> <li>Loan products targeting youth that graduate from CBFI, specific youth savings products, and/or vocational training programs</li> </ul>
Youth savings products	<ul style="list-style-type: none"> <li>Digitally-enabled savings products with low fees and low minimum balance requirements helping youth to save up for investments</li> </ul>
Commitments savings products	<ul style="list-style-type: none"> <li>Helping smallholders, women and youth to save towards a goal, e.g, farm inputs, equipment, etc. Term savings product with higher interest rates, possibility for early withdrawal in case of specified emergency situations</li> </ul>
Crop and livestock insurance	<ul style="list-style-type: none"> <li>Multiple and single-peril insurance</li> <li>Area yield index insurance</li> <li>Weather index insurance</li> </ul>
Supplier credit	<ul style="list-style-type: none"> <li>Offering inputs and equipment on deferred payment terms,</li> <li>May also include leasing and pay-as-you-go</li> <li>Consignment sales by wholesalers/ importers/ manufacturers to input and equipment retailers,</li> <li>FSPs offering credit to suppliers to enhance their capacity to offer supplier credit</li> </ul>
Buyer credit	<ul style="list-style-type: none"> <li>Credit provided by and off-taker – often in the form of inputs – to farmers to be repaid at harvest through deduction from purchase price. Often provided in the context of contract farming and out grower schemes.</li> </ul>
Value chain finance arrangements	<ul style="list-style-type: none"> <li>Includes buyer and supplier credit as well as more complex multi-partite arrangements involving financial institutions.</li> <li>For example, a bank might provide loans to farmers (e.g., via input dealers) who sell to a processor who deducts the loan repayment from the sales proceeds of the bank to repay the loans. The arrangements are costly to set up but save transaction costs and reduce risks.</li> </ul>
<b>Other innovations of products, processes and delivery methods</b>	
Digitization of transactions and payments along the value chain.	<ul style="list-style-type: none"> <li>Reduces the need for cash payments</li> <li>Helps to establish a track record for farmers</li> <li>Provides the basis for introducing savings and loan products based on track record and linked to payment streams</li> </ul>
Digitalization of lending process	<ul style="list-style-type: none"> <li>Digitizing loan application (online forms);</li> <li>Digitalizing loan appraisal (e.g. by data entry of loan officers through hand-held devices);</li> <li>Loan disbursements and repayments via digital payments, also via input suppliers and offtakers</li> </ul>
Automated loan evaluation systems for agricultural loans	<ul style="list-style-type: none"> <li>Introducing automated systems to calculate lending limits and risk profiles of loan applicants based on credit scoring</li> <li>Serves as a decision support tool for and credit committees reducing transaction costs and speeding up processes.</li> </ul>
Use of collateral substitutes	<ul style="list-style-type: none"> <li>Use of livestock, farm equipment and other movable assets, crops, warehouse receipts, delivery track records,</li> </ul>



	buyer contracts, receivables as well as various forms of social collateral in lieu of conventional loan collateral such as real estate, cash deposits, or gold.
Use of Geodata for agricultural lending	<ul style="list-style-type: none"> <li>• Built climate risk scores specific to locations and crops better risk management and pricing</li> <li>• Monitoring of farmer borrowers for early detection of yield risks, estimating crop yields, etc.</li> <li>• Supporting the development and implementation of crop, pasture and livestock insurance.</li> </ul>

148. **Selection of areas and VCs.** As a general principle, applicants are free to identify rural areas and VCs where they want to introduce or roll out the proposed products and services<sup>83</sup>. This demand-driven approach follows the basic premise that private actors that invest substantial amounts of time and resources in developing new products or service are best positioned to identify the best entry points to for sustainable outreach and impact. Moreover, chances for sustainability of the service (and related benefits and impact on the target groups) beyond the sub-project implementation are highest if the service provider is in the driver seat.

149. From FIRIP's perspective, it is critical that proposals align with the project's Development Objective, targets and mainstreaming themes and present a strong investment case to reach large numbers of target beneficiaries and have a lasting impact on these. In addition, continuation of the service beyond the FIRIP supported sub-project is critical. Irrespective of this general premise, it is likely that many if not most proposals will be in the VCs which show high potential for inclusive business models, women and youth empowerment, and climate change adaptation, and are also prioritized by GRZ.

150. During implementation, based on emerging opportunities and needs, and the type of applications being received, some additional criteria regarding geographic priorities or value chains may be introduced. These decisions will be taken by the PSC.

151. **Feasibility studies and market research.** In addition to the 3 Windows, the IOF also offers a small facility to co-finance market research and feasibility studies that can help applicants to prepare: i) detailed and evidence-based proposals to be supported under the IOF; ii) a pipeline of eligible borrowers to be funded by the BFF; or iii) partner identification that supports FIRIP target groups' capacity to access and use the financial services properly (e.g., agricultural extension, marketing value chain linkages, youth and women entrepreneurship, climate smart agriculture and green technologies). Hence, applicants may follow a staged approach whereby they first conduct thorough, client-centric, area and/or VC specific market research (using participatory approaches) before preparing a full proposal. Lessons from other countries including neighbouring Zimbabwe have shown that the quality of the subproject proposals can be considerably increased through such a staged approach especially in terms of realism in targets, implementation timelines, and other operational aspects. Nevertheless, this is not mandatory.

152. The main selection criteria for proposals are mentioned below:

- Depth and quality of the client-centric market research and product design envisaged;
- Technical quality and financial viability of the proposed financial services including their responsiveness to the needs for the intended target groups;
- Feasibility of the proposed implementing arrangements, timeline, HR, and budget;

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<sup>83</sup> In case of Window 1, this will be within the scope of financially un(der)served rural areas that will be determined during project inception, as mentioned before.

- Institutional strengths, qualifications and track record of the applicant to implement the proposed sub-projects;
- Types and number of beneficiaries (especially, different segments of smallholder farmers, micro-enterprises, women and youth);
- Convincing description of pathways on how the different beneficiaries will be reached and the type of benefits associated with the services provided;
- Innovativeness of the proposal and potential for scaling up and sustainability;
- Potential for continuation after FIRIP support (sustainable impact);
- Impact on climate change adaptation and greening of the rural economy;
- Youth empowerment content (expected number of youth reached and magnitude of impact);
- Women empowerment and gender transformative impact;
- Commitment of the applicant to serving FIRIP target groups and to the proposed sub-projects (mission alignment, track record, type and amount of co-financing).

153. These criteria will be refined for each window during project start-up and specific weights will be assigned for each criterion for the screening and selection.

154. Below table summarizes the key financing parameters and estimated targets of the IOF by window.

**Table 6: Key Financing and Outreach Parameters**

	<b>Window 1</b>	<b>Window 2</b>	<b>Window 3</b>	<b>CBFIs</b>
	<b>Rural Outreach</b>	<b>Agriculture</b>	Climate and Green	All Windows
<b>Av subproject size (USD)</b>	230,000	230,000	230,000	150,000
<b>Av IP contribution (USD)</b>	115,000	92,000	92,000	30,000
<b>IP contribution (%)</b>	50%	40%	40%	20%
<b>Av FIRIP contribution (USD)</b>	115,000	138,000	138,000	120,000
<b>Max FIRIP contribution (USD)</b>	130,000	150,000	150,000	130,000
<b>Estimated No of sub-projects</b>	9	9	9	30
<b>Estimated No of beneficiaries</b>	87,300	27,000	27,000	150,000

155. Co-financing requirements have been increased, based on RUFEP experiences and to ensure strong buy in from IPs, and ensure sustainability of the innovative products and services introduced. IPs are required to co-finance 50% of subprojects costs under Window 1, and 40% under Windows 2 and 3, respectively, given their higher levels of risks and need for innovation. CBFi Promoter are only required to co-finance 20% of the costs. A substantial share of co-financing is expected to be in cash. However, FSPs and other IPs will use their existing institutional capacities (HR), assets, and systems to implement the sub-projects and these can be reflected in the proposed budgets adequately and will be monitored. This should be determined on a case-by-case basis. Overall, a higher cash contribution will be regarded favourably in the review and selection process.

156. The table also establishes the estimated average sub-project size, and related IP and FIRIP contribution, and the expected number of sub-projects, and of end beneficiaries. These numbers have been established based on RUFEP experiences and discussions with various stakeholders during the Design mission. The ceiling of FIRIP grants is also presented, whereby projects requesting the maximum co-financing will undergo more rigorous due diligence and scrutiny during appraisal and approval process. Applicants are free to present larger sub-projects by increasing their own contributions which will also be regarded favourably during the appraisal and selection process.

## Implementation Approach

157. **General Provisions.** The following conditions apply to all applications for grant support under the IOF:

158. **Duration of sub-projects.** The duration of sub-projects should be determined in accordance with the implementation capacity of the applicant, the absorption capacity of the market, the availability of human, financial and other resources needed, and other important parameters. In addition, the duration should be fixed by acknowledging a probability for delays. In general, sub-project duration is limited to 2 years. In case of longer sub-projects, these may be presented in phases. The approval of the first phase would then be done with the explicit approval of the entire project, subject to satisfactory implementation of the first phase by the applicant and compliance with all obligations. In such cases, the applicant would have to submit a budget for the entire project period<sup>84</sup>.

159. **Ceilings.** The amount specified as "Maximum grant amount" for each window shall constitute the upper ceiling for support under the respective window, irrespective of the total costs of a project and percentage level of the matching contribution. Where the costs of a project submitted for support exceed this maximum eligible amount, it may be considered for funding, however by applying the given ceiling of support per project. For all ceilings, the respective amount in USD is decisive, not the ZMW equivalent.

160. **Multiple applications.** An applicant eligible to participate under more than one window may submit: (i) one proposal at a time under any given window; (ii) not more than two parallel proposals under different windows at any point in time. Applicants may also combine applications for support under component one with an application for support under one of the innovation windows. In such a case, careful review of the combined application should be made to ensure that the pilot period of the innovation is respected and that activities and RUFEP support are logically sequenced. In cases of overlap in content of proposals – where institutional strengthening comprises a large part of the innovation proposal, the applicant will be advised to apply under the two components.

161. **Co-financing with other partners.** Projects that are currently or have previously been financed by another donor agency or government body can in principle also be supported under the IOF, provided that the activities that have been financed by a third party are in good standing or have been completed successfully and that progress reports for this project have been submitted to the financier/donor; this also applies to projects that are undertaken in phases, where one phase has previously been supported by a third party. Co-financing by a third party does not substitute the co-financing requirements of the applicants.

162. **Treatment of overlaps and concurrence.** It cannot be principally excluded ex-ante that activities might eventually fall under different windows, where a proposal complies with the eligibility criteria of different windows at the same time. The main dividing line shall therefore be where the main emphasis, focus, objective or predominant use of funds of the proposed activity will be located.

163. **Deadlines for applications.** A first call of proposal will be launched at the beginning of FIRIP implementation to raise the awareness of stakeholders and solicit a wide pool of applicants. There might be sub-sequent specific calls for proposals only if the scope or focus of the Windows has been modified. Otherwise, applicants may submit their written proposal to the PCU at any given point of time. Still, the PCU will publish periodic circulars stimulate demand for the IOF.

164. **Format for applications.** Applicants are requested to use specific templates for their applications to ensure comparability and compliance of applications with terms

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<sup>84</sup> This may be needed in case of subprojects that require longer period of capacity development and mentoring of beneficiaries (e.g., in case of gender-transformative CBF sub-projects) or in case of the introduction of agricultural finance operations that would be introduced and rolled out in phases.

and conditions. The PCU will make these templates accessible to the general public on its website, by email upon request and through other appropriate means.

165. **Obligation of the PCU vis-à-vis the applicant.** The staff of the PCU and Technical Advisors shall be in charge of providing guidance on the understanding of potential applicants of the FIRIP. In addition, the PCU provides information requested by any potential applicant on the IOF and the interpretation of terms and conditions, explain the processes of grant appraisal and assist in the understanding of the selection criteria. Where needed, they shall also provide guidance on M&E issues, reporting, financial management, procurement, etc. In doing so, the PCU staff shall maintain a position of strict independence and neutrality and shall not assist an applicant in preparing or writing a proposal. In addition, they shall not modify a proposal submitted by an applicant.

166. **Acknowledgements.** The PCU shall acknowledge receipt of all proposals and correspondence received, preferably by email. Applicants shall be informed that all correspondence, including the submission of proposals, shall be done via email, except for the GA and other legal documents requiring physical signatures.

167. To the extent possible, the PCU shall respect the autonomy and expertise of the applicant and handle all cases in a manner to ensure that ownership fully remains with the applicant.

168. **Sub-project Development.** FIRIP goes through four key steps for Sub-project Development, they are described in detail in this section. The key steps are:

1. Stakeholder Engagement
2. Concept Note
3. Proposal
4. Pre-disbursement

These steps grab in more detail below:

### **Stakeholder Engagement**

169. **Identification and sensitisation of applicants.** Upon the launch of the IOF, a call for proposal will be launched in combination with sensitization and outreach events to ensure widespread visibility. Following the initial Call, the applicants awarded will be publicly announced in a ceremony. Subsequently, applications will be on a rolling basis. Still, to keep visibility and incentivize applications, the PCU will periodically publish A Call for Concept Notes (CN) in the local press and on a dedicated FIRIP website. The PCU produces and periodically updates promotional materials in electronic form and as hardcopy, which provide detailed information about the IOF grant windows and the application process. The PCU may use other media as and when appropriate.

170. The Knowledge Management and Communications Specialist is responsible for stakeholder engagement, but it is the responsibility of all PCU staff to identify and to promote the IOF to potential applicants during their day-to-day work and engagement with stakeholders.

171. The following are general provisions must be fulfilled by all institutions intending to access the IOF:

- (i) Legal registration;
- (ii) Have at least two years audited accounts, however there will be leniency for high potential start-ups, especially those in the technology or mobile sectors; and

(iii) Be engaged in rural finance activities or have approved intention to do so<sup>85</sup>.

172. For FSPs, they should:

- (iv) Be regulated entities or should have, by the time of application, submitted an application to BoZ;
- (v) Demonstrate that they are viable or able to become viable during the period of support<sup>86</sup>; and
- (vi) Adequately capitalised<sup>87</sup>.

173. Eligible potential IPs may apply at any time for grant funding, the Internal Review Committee (IRC) within the PCU will review CNs once a month, following the process outlined in the next section.

174. **Subproject Review and Approval Process.** There are two main phases for subproject approval: Concept Note and Proposal phase. If a CN successfully passes the internal review, the applicant is invited to prepare a full proposal which is then subject to internal and external technical review, and an independent approval body, the PVC.

175. **Timelines for processing of applications.** The processing of grant applications, starting from the receipt of the CN to the approval by the PVC, shall be done as rapidly as possible without compromising necessary due diligence. For all project applications received, the duration of processing until disbursement of the first tranche shall be measured and monitored. For this purpose, the PCU create an adequate software to monitor all subprojects through the entire cycle (from CN until closure). The database contains the dates of the main steps of the subproject process, namely, the receipt of the CN and detailed proposals, key decision dates, communication to applicants, etc. The software will also track the following:

- (i) All disbursements;
- (ii) Dates of receipt of periodical implementation reports;
- (iii) Dates of receipt of financial reports; and
- (iv) Project closure.

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<sup>85</sup> Evidence of board approval is needed for those not previously involved in rural finance activities.

<sup>86</sup> To ensure that IOF support is not wasted on non-sustainable innovations or institutions. Sustainability should be demonstrated in terms of size of membership, business levels and capable of covering non-innovation related operational costs.

<sup>87</sup> BoZ can provide comfort on this issue. The purpose is to ensure the institution is able to absorb losses arising out of new activities.

176. The following targets for the maximum duration of processing shall be aspired:

**Table 7: Maximum duration of main appraisal steps for grant processing under the IOF**

<b>Steps</b>	<b>Max wks</b>
<b>CONCEPT NOTE PHASE</b>	
Receipt of Concept Note	0
Acknowledgement of Receipt of Concept Note	0.5
Internal Review	2
Notification to Applicant	0.5
<b>Sub-Total</b>	<b>4</b>
<b>DETAILED PROPOSAL PHASE</b>	
Proposal Workshop (two weeks after Notification to Applicant)	2
Supplementary Questions	1
Proposal Submission	1
Decision on compliance of application with Manual by PCU	0.5
Acknowledgement of receipt	0.5
Selection and Recruitment of External Reviewers, and transmission of applications to reviewers	0.5
Receipt of Technical Reviews by External Reviewers	1.5
RF Specialist Prepares Proposal Summaries for PVC (concurrent with External Reviewers)	1
PC Review Proposal Summaries and Proposals prior to PVC submission	1
PVC Meeting Called and Proposals Submitted	2
PVC Meeting held, proposals reviewed, and decisions made	0
Offer Letter Notification of Applicant on Decision of PVC, sends Detailed Implementation Plans (DIP) and Disbursement Request Form and arranges Pre-implementation Workshop	1
Grant Recipient accepts Offer	1
RF specialist prepares Grant Agreement (GA)	0.5
Pre-Implementation Workshop	0.5
Grant Recipient submits DIP, and Disbursement Request	1
Finance processes Disbursement request	0.5
Disbursement of first tranche to grant recipient	0.5
<b>Sub-Total</b>	<b>16</b>
<b>TOTAL</b>	<b>19</b>

177. **Concept Note Phase.** The concept note phase is designed to filter out any projects and organisations that do not meet FIRIP's general objectives and the provisions under the Windows. Concept notes are received in either hardcopy, at the office, or softcopy, sent to the official email of the PCU. The Procurement Specialist receives the concept notes, inputs the receipt of the document into an MS Excel database, which tracks

the number of days/weeks between actions taken by the PCU on a project, and allocates the project a unique identifier. The role of this database is to track and monitor the time taken between receiving a concept note (or proposal), reviewing the proposal and notifying the applicant. The concept note phase should take no longer than four weeks from receipt of the concept note. The project tracking tool is provided as a separate file.

178. The Procurement Specialist then forwards the documents to the Rural Finance Specialist (RFS) who records the project in the MS Excel pipeline management tool. The role of the pipeline management tool is for the RFS, and PC to closely manage the project pipeline.

179. The CN template is designed to gather basic information about the applicant organization and its intended sub-project and enable the IRC to make a quick decision as to whether the sub-project should be allowed to progress to the proposal phase. It includes basic information about the organisation including a brief capacity statement, a brief overview on the sub-project, Window under which the application falls, total subproject size and amount of grant funding requested.

180. The IRC is chaired by a representative from the RFU, with senior staff from the PCU comprising the rest of the committee members. The Procurement Specialist keeps the minutes for the meeting. Each member is expected to have read the CN prior to the meeting and to have completed the concept note review coversheet. The review template is very simple, it uses a "yes/no" format, firstly considering whether the institution submitted the CN properly, whether they are compliant with procurement requirements and whether the application is appropriate for the IOF window applied for. The reviewer provides brief notes on the sub-project, and then gives their recommendation as to whether the concept should proceed to full proposal. The IRC has three options, "approve", "reject" or "defer approval". They can defer approval if they feel the concept has merit but requires clarification on information that is immaterial to the approach. A decision is reached via simple majority vote. The coversheet is signed, and they are collected and filed by the Procurement Specialist. See Annex 2 for the IRC ToRs, the CN coversheet is in Annex 3.

181. Applicants with deferred CN's will be given two (2) weeks to respond to the comments provided by the IRC. CNs that are not received within the prescribed two (2) weeks response time will be rejected, at which point the applicants will be required to submit a new CN and the process restarts, and the new application is registered in the database as a new CN.

182. Active CNs that have been deferred or have outstanding information from the applicant will be automatically cancelled eight (8) weeks after the date of the written request for resubmission or clarification. Applicants whose CN has been automatically cancelled may submit a new CN at any time, at which point the process restarts.

183. **Detailed Proposal Phase.** The Procurement Specialist collates the IRC comments and notifies the applicant as to whether they were successful in moving to the proposal phase, provides the relevant proposal templates, and informs them of the next steps, including a proposal workshop, which is to be held within two weeks of notification. The date of review and notification are recorded in the MS Excel tracking database.

184. The PCU informs the applicant, in the notification letter, that they are provided with four weeks to write the detailed proposal from date of notification. The templates for the proposal require significantly more information, including:

- Compliance: date the organisation was registered, and date of the last board meeting;
- Organisation overview: Mission, vision and values, organisational history, governance structure, management overview, a description of their systems and processes, and their current products/services and their portfolio.
- An overview of the applicant's current projects and any similar projects they may have undertaken.

- A simplified income statement and balance sheet, along with their sources of funding, and portfolio information to show their financial capacity;
- A detailed description of how the applicant intends to implement the project, including a detailed explanation of each activity, task and deliverable/output required to achieve the project objectives. This should include a monitoring table with clear milestones and deliverables to which payments can be linked;
- A detailed description about the target groups to be reached by socioeconomic status, the number of beneficiaries reached, how they will be reached and benefit. The latter especially applies to proposals from agribusiness companies or suppliers of equipment/green technologies. The type (e.g., credit, employment) and size of the benefits to FIRIP target groups need to be clearly described in a credible manner. Moreover, the proposal needs to spell out the number of Youth (19-34 years of age) and women and how these will be reached and empowered;
- The applicant must also complete a logframe, and identify project risk and mitigation strategies; and
- If they are using a technical implementing partner, they must describe the capacity of the technical IP and their role within the project.

185. Detailed proposal forms for each window and related guidance notes will be developed during the project startup phase.

186. Applicants seeking cost-sharing for participatory market research and feasibility studies are provided with a simplified proposal format highlighting the: i) justification and purpose of the study; ii) key content/subject; iii) intended follow-up activities (e.g., preparing for a full proposal under the IOF or under the BFF); iv) location, value chains and target groups; v) implementation modalities (use of in-house experts or consultants); and vi) budget.

187. After reviewing the quality of the initial proposals under the IOF, the PCU may decide that there is a need to assign a mentor who can help to guide the applicant in preparing the proposal in a consistent way taking into account the objectives and target groups of FIRIP and the scope and eligible activities under the respective window. This may especially apply to smaller rural organisations with limited in-house capacity in proposal writing. However, mentoring support is just an option provided by FIRIP and the decision rests with the applicant and not of the PCU. The role of the mentor is not to write the proposal, but instead to help provide constructive criticism to improve the structure and quality of the document, especially related to thinking through the logic of a project.

188. Proposal templates differ based on the window and may also vary by type of applicant organisation applying (e.g., FSP, agribusiness, CBF Promoter). For instance, CBF promoters should have information from the Savix MIS, which is information that the FSPs or MNOs may not have.

189. As mentioned, applicants are invited to a proposal workshop within two weeks of date of notification to submit a full proposal. The purpose of the proposal workshop is to walk the organisation through the proposal template and answer any questions about the proposal process. The proposal workshop is held with multiple applicants where possible with the aim of being as efficient as possible. Following the proposal workshop, the applicant is expected to submit their proposal within two weeks.

190. Because the proposal workshop is held with several organisations, some organisations may not want to share detailed information about their project design. As such, organisations have up to one week after the proposal workshop to submit supplementary questions. The PCU will respond to the supplementary questions within 2 days.

191. Applicants can submit their proposal either as a hardcopy, directly to the FIRIP office, or softcopy, via email. Applicants are expected to submit four weeks after the transmission of the proposal notification letter. The Procurement Specialist receives the



proposals and records the date of receipt in the tracking system. He/she then notifies the applicant of the receipt of the proposal.

192. **Late proposal submissions.** Proposal submissions received after the four (4) weeks deadline may be required to restart the application process and submit a new CN. Proposals received one (1) week after the deadline will be accepted without judgment; proposals received two (2) to four (4) weeks after the deadline will be assessed by the RFS to review for prioritisation; proposals received more than four (4) weeks after the deadline will be rejected and the applicant will be required to restart the application process.

193. Applicants may inform the PCU in writing about the need to submit after the deadline. The applicants must provide a new deadline for their submission. The PCU will respond in writing confirming the new deadline. As this deadline is provided by the applicant themselves, the date must be strictly adhered to, or the applicant must restart the application process.

194. **First level review.** The proposal is passed to the NTA who conducts an initial review of the proposal to ensure all the sections are complete and assess its compliance with all terms and conditions and eligibility criteria. Because of the concept note phase, it is expected that most proposals and organisations will meet the terms and conditions and eligibility criteria. Any proposals that the RFS does not believe meet the terms and conditions or eligibility criteria are sent directly to the PC for a secondary review. If the PC, RFS do require additional clarification, then the PCU will notify the applicant in writing seek clarification. The proposal will then be deferred to the next review cycle. At this stage, the PCU may not reject the proposal outright, unless it is clear that the proposal and organisation do not meet the requisite criteria and will not be able to proceed through the proposal review stage. This decision is unlikely to be made at this stage, due to the concept note phase and the support provided (proposal workshop and proposal mentor). However, if such a decision is made, the PCU, via the Procurement Specialist, will notify the applicant, detailing why the proposal did not meet the criteria and request a meeting to discuss the areas of non-compliance. If the applicant can correct the areas of non-compliance, they are free to resubmit the proposal with the modifications. The PCU must inform PVC, who oversee the approval of proposals, about the decision not to progress the proposal, providing a detailed justification for the decision. The RFS may not make a unilateral decision to reject a proposal.

195. **Final proposal submission.** Following the first level review by the RFS, the PCU may request clarifications from the Applicant in writing. The request for clarification will include a revised deadline for the final submission of the proposal. The deadline will be at least two (2) weeks and no more than four (4), from the date of the letter requesting clarification, depending on the level of information required from the Applicant. The revised deadline will be decided jointly by the PC, RFS and Procurement Specialist.

196. The PC and RFS have fortnightly meetings to discuss the proposal pipeline, in addition to daily communication about day-to-day work. These meetings are an opportunity for the PC to oversee the progress of each proposal and identify any proposals that may not meet the terms and conditions and eligibility criteria, and RFS to provide justification for progressing each proposal. This is a critical management tool for keeping the pipeline moving and to ensure that the Programme is operating efficiently. The RFS uses the pipeline management tool to report to the PC.

197. The RFS manages the proposal pipeline, recording when proposals are received. Proposals where clarification have been requested but final proposals have not been received will be automatically cancelled twelve (12) weeks following the request for information. Proposals over twelve (12) weeks old but where information has not been requested will not be automatically cancelled.

198. **External reviewers.** The initial review by the RFS also enables the PCU to select appropriate External Reviewers who will review the proposal prior to the PVC. The

PCU will establish a roster of highly qualified domestic and international experts in each IOF window. Consultants will be invited through a public invitation to submit their expression of interest to support FIRIP. The invitation will be made through different media, including relevant local print and internet media. In the future, FIRIP will periodically review and update the consultant's database. Clear ToRs will be developed and used to assess the applicants.

199. An external reviewer shall be accredited, or deleted from the list, upon a joint decision made by the IRC. Reviewers will be paid a fixed honorarium per case reviewed at a maximum of USD 250 per case. Any increase over this amount requires the non-objection of IFAD. They are contracted using an Indefinite Delivery, Indefinite Quantity<sup>88</sup> (IDIQ) contract which allows the PCU to quickly mobilise the reviewers rather than having to draw up new contracts for each proposal reviewed.

200. The PCU sends the full proposal (minus any additional supporting documentation, such as printed/bound financial audits etc.) to the External Reviewers, along with an MS Excel based external review score sheet which guides them through the scoring of the proposal. The scoresheet requires the External Reviews to score set criteria on a range of 1-5, with 1 being sub-standard and 5 being excellent. The PCU provides guidance to the External Reviewers on how to complete the scoresheet and is on hand to answer any concerns/questions that may arise. The scoresheet mirrors the sub-project proposal, the external reviewers score questions that cover the following topics:

1. Organisational capacity: governance, systems, current and past performance, and financial capacity
2. Intervention analysis:
  - a. Clarity of problem statement and context analysis,
  - b. Relevance for the respective Window;
  - c. Outreach and scale (types and number of beneficiaries by category, specifying women and youth)
  - d. Soundness and feasibility of the proposed implementation approach;
  - e. Sustainability, social and environmental impact and innovation.
3. Project budget: value for money;
4. Technical implementing partner assessment: IP capacity; project role, and partner arrangements.

201. A detailed scoring sheet and related guidance notes will be prepared during project startup. The scoring sections are weighted, the weighting may be adjusted as the Programme develops and more proposals are reviewed using this template.

202. The scoring sheet will also include a brief narrative section which asks the external review to give the strengths and weaknesses for the technical and financial aspects of the proposal and any recommendations they might have for improving the proposal.

203. The external reviewer can print, sign and scan the file, or add a digital signature and PDF the document. If the external review is local, they can bring a hardcopy to the

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<sup>88</sup> IDIQ contracts are most often used for on-call service contracts. Minimum and maximum quantity limits are specified in the basic contract as either number of units (for supplies) or as dollar values (for services). An IDIQ contract allows for a certain amount of contract process streamlining

office, but it is ideal to send the completed file via email to the PCU. The external reviewer scoresheet template is attached as a separate file.

204. **Summary analysis of proposal.** Immediately after the proposal has been received, the RFS begins to develop a summary analysis of the proposal, which will be submitted to the IRC and PVC along with the full proposal. The summary analysis includes the following information:

- Introductory information about the organisation and project;
- Internal and External Reviewer ratings and recommendations;
- Proposal SWOT analysis (this may be upgraded to a TOWS analysis in the future);
- Analysis of the organisations institutional and financial capacity;
- Analysis of the organisations past and current performance with similar projects;
- An overview of the project implementation goals, objectives and approach;
- Relevance for FIRIP' overall objectives and for the respective window;
- Impact, type and number of beneficiaries (especially, smallholders, women and youth)
- Credibility of the impact pathways;
- Prospects for sustainability of the services introduced and expected impacts;
- Analysis of the budget and financing plan;
- Assessment of the proposed Gantt chart;
- Analysis on the sustainability and scalability of the proposed activities;
- Analysis of the organisations M&E systems and approach;
- Assessment of the potential effect on the key issues of nutrition, environment and social inequalities; and
- An assessment of the technical implementing partner if the grantee intends to use one.

205. The summary analysis is designed to follow the proposal flow and support the PC, PVC in their review of the full proposal.

206. **Proposal analysis review.** As the RFS completes each summary analysis, the document is sent to the PC for review and assessment by email.

207. Following the review of the proposal summary by the PC, the RFS may seek additional information from the applicant. The RFS will submit the revised proposal summary to the PC for a final review prior to the submission to the PVC.

208. If the applicant is not able to satisfactorily respond to the request, then the RFS and PC may recommend the proposal to be rejected. The proposal, with the proposal summary analysis and recommendation for rejection will be submitted to the PVC who will make the final decision to reject the proposal.

209. **Project Vetting Committee.** The final instance of grant appraisal for all windows of the IOF will be the PVC. The PVC is comprised of eight members, as follows:

- (i) A representative from BOZ;
- (ii) A representative from the MoFNP;
- (iii) A representative from the Ministry of Agriculture;
- (iv) A representative of the Board of Directors of Bankers Association of Zambia (BAZ);
- (v) A representative of the board of AMIZ;
- (vi) A representative from a farmer's organization; and

- (vii) Three private sector representatives recruited through a tender process; these shall preferably be persons familiar with banking and finance, but not be actively engaged in the financial sector.

210. A larger pool of private sector representatives should be recruited to broaden the pool of expertise in line with the thematic coverage of the Windows (green and climate finance, agricultural finance, digital finance, community-based finance, etc.). The most relevant members can be invited to each respective session depending on the type of applications received.

211. The PC is not a member of the PVC but serves as convenor of and secretary to the PVC, facilitates presentation of the cases submitted for approval, and responds to queries. Other experts may be co-opted as the need arises upon majority decision. Neither the PC nor co-opted experts shall have voting rights at the PVC.

212. The appointment of the institutional representatives is done by the Steering Committee of the FIRIP upon nomination by the respective Chief Executive Officer, or other authorised representative, of the respective institution and the results of the open recruitment/tender process.

213. All members of the PVC are requested to indicate at the beginning of the first session of the PVC any affiliation and/or economic interests with financial institutions, potential service providers and other relevant institutions. Persons with affiliations and/or economic interests in an institution applying for a grant under FIRIP or seeking to supply goods or services under a contract shall be excluded from the deliberations and decisions as regards this particular case and shall not be replaced by other persons. A member of the PVC who fails to fully declare her or his affiliations and economic interests shall automatically cease to be a member of the PVC. In such cases, the chairperson of the PVC will notify the respective chief executive officer accordingly.

- All nominated PVC members who fail to attend three consecutive meetings will automatically cease to be members of the committee. In such a case, the PC informs the respective chief executive officer of the institution concerned and requests for a new appointment or start a new recruitment process, as the case may be.
- The PVC undertakes a comprehensive assessment of each application, checks compliance of a proposal with all terms and conditions, ensures that all procedures are complied with and appraises the proposal along the selection criteria. The PVC is not permitted to change any part of the proposal they received. The PVC ultimately decides on the rejection or approval of an eligible application. In case a proposal is rejected, the reasons for rejection must be detailed in the minutes of the session.
- The PVC uses the proposal approval guidelines as outlined in Annex 5. The PVC does not score the proposal but uses the weightings as an indication as to the importance they should give to each consideration when they are reviewing the proposal.
- Following a detailed discussion about the merits and shortcomings of a proposal, a committee member proposes a decision, which must be seconded by another committee member before a vote is taken. A decision is reached by simple majority.
- The PVC will be convened about every six to eight weeks by the PC. The quorum at PVC meetings is attained if five out of the eight members are present; decisions are made with the majority of votes, i.e. at least five votes, in favour of a support or three if the quorum is five; if this majority is not attained, the proposal is deemed to be rejected.
- The decisions of the PVC are final.

- All documents to members of the PVC shall be circulated in electronic format at least one full week before the meeting. In addition to a standardized presentation of each single proposal, a summary sheet covering essentials of all projects shall also be circulated to the PVC members. The documents shall include in tabular form the scoring of each proposal along the selection criteria as made by the external reviewers and the IRC.
- All members of the PVC shall receive an allowance compensating them against the time spent and efforts made to render competent and professional advice to the Committee. The allowance shall be fixed in terms of the net time spent at PVC meetings and shall amount to USD 30 per full hour.

214. **PVC sub-committee.** For feasibility studies and market research (below a value of USD 30,000), the PVC will establish a sub-committee authorised to make decisions on its behalf. This committee will be comprised of four members of the PVC. The members will be elected with a simple majority by the PVC from among volunteers. The quorum will require for decisions of the sub-committee is four members, and decisions require a majority (i.e. three out of four). This committee will be operational once at least five regular meetings of the PVC have been held. After one year of functioning, the PVC may increase the approval limit to USD 50,000 per case. The minutes of the meetings of the sub-committee will be submitted to the full PVC through the PC.

215. **Minutes.** The chairpersons of the IRC and of the PVC ensure that minutes of all meetings are properly kept by the Procurement Specialist. The secretaries of the IRC and the PVC will, respectively, submit the minutes of any meeting via email within one week to all members. The final version of the minutes shall be distributed to all members attending the respective session immediately upon finalization, as well as to all members of the IRC.

216. **Exclusions from decision making.** Members of the PVC are not permitted to attend meetings of the IRC or act as external reviewers. Members of the PCU are not entitled to act as external reviewers or as members of the PVC. External reviewers are not entitled to attend the IRC or PVC meetings. An exception of this is the PC, who shall serve as secretary to the PVC without voting rights.

217. As the final decision-making authority for grants, the PVC may make the following decisions:

218. **Approval:** In case the proposal would be deemed to be compliant with all terms and conditions by the PVC and exceeding the minimum selection threshold, the PVC would approve the proposal and instruct the PC accordingly. The PVC may also introduce conditions and/or deadlines for disbursement of tranches.

219. **Deferred Approval:** The PVC may decide that the proposal has merit, and would ordinarily be approved, but that they are seeking clarification to items immaterial to the implementation approach of the proposal. If the applicant is able to provide clarification, then the PVC may approve the proposal at the next PVC meeting, or via email.

220. **Rejection: The PVC may decide to reject a proposal on three grounds:**

- (i) The proposal is deemed to be non-compliant with the conditions as laid down in this manual;
- (ii) The rating of the proposal along the specific selection criteria is lower than those of competitors, and the funds available under the window do not permit funding of this proposal; or
- (iii) The rating of the proposal is below the minimum threshold defined for the specific window. In either of such cases, the PVC would decide to reject the proposal and instruct the PC to inform the applicant accordingly, by detailing

exactly where the proposal would not be compliant or scoring below the requirements/standards set by competitors, and by inviting the applicant to modify the proposal accordingly and re-submit it.

221. **Notification.** All applicants are notified by the PC of the final outcome regarding their application. In the case of approval, the PCU drafts an offer letter, and begins to draft the GA. The notification informs the Applicant that they can commence appointing staff or start tender/procurement processes. In case of rejection by the PVC, the PC notifies the applicant of the decision and the reasons for rejection as stated by the PVC, and informs about the opportunity to re-submit the application, eventually after modification.

222. **Re-submission.** In case an application has been rejected on the grounds of receiving a lower score or non-compliance with terms and conditions, the applicant is permitted to re-submit it a second time after incorporating the appropriate modifications. The modifications should address the comments and suggestions made by the PVC. The PCU shall treat such applications as modified applications and commence the normal appraisal process.

223. **Grant Agreement.** The GA is prepared by the PCU following the PVC approval, it includes the following information:

1. Expected contribution by each party
2. Duration of the project
3. Obligations of the parties, including an overview of the project implementation activities
4. Reporting requirements
5. Disbursements
6. Supervision of the project by FIRIP PCU
7. Non-compliance, conflict resolution and force majeure
8. Termination conditions
9. Confidentiality
10. Severability and renegotiation; and
11. The governing law

224. The GA template is provided as a separate file.

225. The GA can be authorised by the Chairperson of the PVC. This is aimed at improving the speed at which grants can be approved and funds disbursed.

226. **Subproject Implementation.** Detailed Implementation Plan (DIP) templates will be sent along with the GA. The DIP requires the IP to revisit their implementation activities and budget and define their output indicators. The purpose is to receive a detailed monthly and quarterly plan for their activities, with which the PCU can track the project performance, at both a budget and output level. The IP must not alter the approved grant amount but may increase their own contribution. The project goal and objectives should also not be changed. The DIP templates will be provided as a separate file.

227. The DIP (changes to the proposal narrative, monthly budget and output indicator definitions) will be submitted to FIRIP for an initial review prior to the pre-implementation orientation workshop. During the pre-implementation orientation workshop, the IP will present to the PCU any additions or changes that have been made to the proposed activities and budget. The PCU may require amendments to the DIP during the pre-implementation orientation workshop.

228. A signed final DIP, including the amendments from the PCU, will be submitted to the PCU along with the IP's disbursement request.

229. The PCU will file a PDF-signed final DIP in the appropriate folder on the network drive, along with a printed hardcopy in the IP's box file.

230. In addition, the Finance, M&E, and Procurement departments make short surveys to assess the IPs' capacity in those key areas. This is done post approval because it may be overly burdensome to do for all potential applicants. Each department analyses the results of the surveys and assesses whether there is need for additional capacity building, which can be supported under component one of the Programme. The surveys also help the departments know whether they need to provide the basic or detailed MS Excel templates (and/or PM&E system) to the partners for reporting. The basic templates will require the grantee to have appropriate systems that can track finance, M&E, and procurement, and they simply input the data into the relevant report. However, the detailed templates will enable the grantee to input their transaction and performance data, generating reports automatically. These are likely to be used by smaller organisations without formal finance, M&E, or procurement systems in place. The M&E Gender Assessment template will be provided as a separate file, the Procurement Assessment will be included in the Financial Capacity Assessment Tool.

231. **Pre-implementation Orientation.** Prior to the grantee beginning implementation, the PCU will provide a comprehensive orientation on programme goals, objectives and reporting for respective staff counterparts in the grantee organisation, including data generation and indicator tracking requirements, orientation on reporting formats and obligations, as well as potential consequences of non-compliance.

### Funding Arrangements

232. **Disbursements.** All disbursements shall exclusively be made by way of bank transfer in the currency specified in the GA (ZMW or USD) into a specified account of the grant recipient. The respective account shall be specified in the GA. No cash or in-kind releases are permitted. Requests for fund transfers shall be submitted by the NTA to the Financial Controller upon approval by the PC. IPs will be requested to confirm receipt of funds transferred by email within one week after receipt.

233. **Disbursements in tranches.** Disbursements to IPs will be in tranches, as stated in the table below. Payment of grants shall be made within two weeks upon submission of an invoice compliant with the specific requirements.

**Table 8: Disbursement Modalities and Conditions**

Modalities	No. Of Tranches	Conditions for Disbursement
<ul style="list-style-type: none"> <li>Initial advance of 40% of provisional amount</li> <li>Disbursement of second tranche of 30% when the partner reaches 70% of expenditure of the first tranche.</li> <li>Disbursement of the final tranche after successful completion of the sub-project</li> </ul>	3	<ul style="list-style-type: none"> <li>First tranche: DIP, procurement plan, disbursement request form</li> <li>Second tranche: detailed implementation plan, procurement plan, disbursement request form</li> <li>Final tranche: submission of invoice, and implementation and financial progress reports</li> </ul>

234. As a summary, prior to disbursing FIRIP funding, IPs must provide detailed information about their planned activities, and they must specify which bank account they will receive funds into. The disbursement requirements are as follows:

- Monthly and quarterly implementation plans (the DIP Template is provided as a separate file)
- Procurement plan (*see the Procurement Sub-Manual for more details*)

### Financial Management

235. As mentioned previously, the PCU analyses information gathered during the post approval capacity survey process to assess the grantee's financial management capability. Based upon results of that assessment, an action plan must follow to address weaknesses identified as well as a capacity building plan from the PCU. It is expected that larger IPs will use a formal financial management software, either proprietary or off-the-shelf. If the grantee does not use a formal financial management software, FIRIP provides them with a MS Excel based expenditure tracking and reporting tool. Minimum internal financial controls are expected to be in place such as an accounting manual, travel and per diem policy (where applicable), monthly bank reconciliations, petty cash management, adequate payroll management, compliance with tax returns and proper segregation of duties over payment processes. The Financial Capacity Assessment Tool provides detailed insight into minimum standard controls.

236. Record **keeping requirements of expenses by Implementing Partners.** All Implementing Partners are requested to keep records as per the specific monitoring and reporting requirements of their project and as specified in the GA. All GAs contain clear reporting requirements along specific indicators, and contain a clause pursuant to which the grant recipient commits to comply with the set reporting requirements.

## **Procurement**

237. **Ownership of goods, data and information obtained.** All goods acquired by the IP from the proceeds of the grant shall be used for the purposes of the project as submitted in the grant application and as approved in the grant approval letter. All goods remain the exclusive property of the grant recipient, i.e. a corporate body. As owner, the grant recipient is solely responsible for taking care of all property, providing for proper maintenance of goods and insuring property against common losses and risks. All data and information gathered during and after the completion of the project remain for the exclusive use of the grant recipient, with the provision that experiences and information gathered can also be used by the PCU for reporting to the GRZ and IFAD and for dissemination to the general public in generic form. In case of cancellation of a grant, goods remain the property of the grant recipient, irrespective of the right of the Ministry of Finance to request for reimbursement of the full grant or a portion thereof.

238. **Knowledge Management.** During the pre-implementation workshop, the KM and Communications Specialist provides guidance to IPs on how to identify and record interesting human interest and other stories. The PCU and grantee must jointly approve any publications before publication. As each partnership and project is different, the KM and Communications Specialist works with the grantee to establish a tailored plan for publications, based on the KM Strategy.

## **Planning, Monitoring and Evaluation**

239. Annual **Work Plan and Budget (AWPB).** FIRIP's AWPB preparation process is participatory, and as such each grantee institution must provide counterpart staff to participate in FIRIP AWPB events to ensure their respective parts of the budgets have been well captured.

240. The Ips must submit a DIP, which shows monthly and quarterly budget and activity information. This information is compiled by the PCU into the AWPB, and the PM&E database system (see the PM&E plan for more information) and used to track grant performance.

## **Progress reporting**

241. **Reporting.** Implementing Partners under all IOF windows are requested to submit quarterly implementation progress reports starting from the date of disbursement of the first tranche and the spending of and accounting for the last item to be procured under the project. The deadlines of such reporting shall coincide with the end of a quarter



of the calendar year. Upon the signature of the GA, the M&E Specialist shall visit the respective reporting officer of the IP and guide them on data generation and reporting obligation and formats.

242. **Supplementary reports.** Implementing Partners shall furthermore provide data and reports for a period of two years after grant closure on the outcomes of the innovations, products and facilities created by the grant recipient through IOF funding. The GA specifies that representatives of the GRZ and IFAD, including supervision and evaluation missions, shall be permitted access to these facilities and implementing offices and officers.

243. **Impact evaluation.** FIRIP will commission an impact evaluation of the results of the first disbursements. The main focus of the external evaluation is to assess whether, and to what extent, the resources have been well spent by the recipients, what outcomes and impacts can be observed, what level of sustainability could be expected from the supported projects till that date, and to make recommendations on the set-up, conditions and procedures of the IOF. IPs may be expected to participate in the impact evaluation and provide support as required.

### **Close-out or Termination of Project**

244. **Termination.** The duration of the grants will be for up to two years from the signing of the GA. However, GAs may be terminated based on criteria established in the GA.

245. **Cancellation of grants.** The GA contains a clause to the effect that the FIRIP reserves its right to cancel a GA under certain conditions. IPs are to sign a certification that they have understood the conditions and will comply with all clauses. The cancellation of a grant can only be done by the PC. The PC decides whether to stop the disbursement of the next tranches (in case not all tranches have been disbursed) to enforce compliance or to recall the entire grant and ask the recipient to pay back all amounts received. The conditions for cancellation of grants shall comprise:

- Impossibility to reach the stated objectives of the project, whether by force majeure or otherwise;
- Inability of a recipient to fully account for the spending of the entire amount received within four weeks after receiving a notice requiring for compliance and threatening to recall the grant;
- Inability to start the proposed project/activities within a period of three months after the signature of the GA, as explicitly stated in the GA unless the Programme Coordinator has approved an extension period which shall not exceed three more months;
- Use of grant funds for purposes and projects other than those stated in the GA.

246. **No-Cost Extension.** Where projects have experienced delays due to external factors (such as delays in receiving FIRIP funding or finalisation of implementation plans due to third party engagement), resulting in under- implementation in meeting project objectives and under- expenditure, FIRIP may offer a No-Cost Extension (NCE) for a maximum of six months.

247. As a 'No-Cost Extension', the IP will not receive additional grant funding, and is expected to fully achieve all previously planned objectives and targets during the extension period. The IP will continue to utilise FIRIP grant funding and matching funds as per the GA (GA) and DIP.

248. An Implementing Partner may request a NCE no earlier than 6 months and no later than 3 months from the end of the GA.

249. FIRIP may identify the need for a NCE and inform the Implementing Partner in writing about the potential for a NCE no earlier than 6 months and no later than 3 months from the end of the GA.

250. The decision by FIRIP to offer a NCE will be initiated by the Monitoring and Evaluation Specialist and National Technical Advisor, based on evidence from the IP's quarterly reports and monitoring visits. The decision to extend the project timeframe will be taken by the IRC and submitted to the PVC for ratification.

251. FIRIP and the IP must both agree to the NCE. Agreement will be reached at least three months prior (where possible) to the end of the GA. Initial discussions about project underperformance will take place between FIRIP and the IP prior to a decision being made and said decision being taken to the IRC and PVC.

252. Prior to the end of the GA, and following ratification by the PVC, IPs will be informed about the decision to extend the project timeframe by the PCU through a 'notice of no-cost extension,' in lieu of the 'letter of termination'. In addition, a grant amendment will be signed by the PC and the IP.

253. Prior to the end of the NCE period, a 'letter of termination' will be provided, as per the notice period specified in the grant amendment, and the close-out procedures remain the same as outlined in section b. above.

254. **Follow-on Projects.** IPs may apply for follow-on projects to scale-up and roll-out successful innovations. Follow-on projects may be in the same or alternative matching grant windows. Applications will follow the regular FIRIP application and approvals process, starting with the submission of a Concept Note, and if successful submitting a full proposal.

255. Follow-on applications may be submitted at any time prior to the end of an existing GA, subject to the IP demonstrating successful implementation, meeting project output targets and budget expenditure.

256. To apply prior to the end of an existing GA, successful implementation is defined as follows:

- a. Achieved 60% of output targets, with a detailed plan for achieving at least 80% of output targets prior to the end of the current GA; and
- b. Expended more than 75% of expected total budget (FIRIP grant and matching funds), with a detailed plan for achieving at least 90% of expenditure prior to the end of the current GA.

257. IPs may submit a new application following the end of a GA. Previous performance will be considered when accessing the new application.

258. For applications submitted following the end of a GA, successful implementation is defined as follows;

- a. Achieved 80% of output targets, with justifications for underachievement; and
- b. Expended more than 90% of expected budget (FIRIP grant and matching funds), with justifications for under expenditure.

259. Upon receipt of a Concept Note from a current or previous IP, the RFS and M&E Specialist will analyse the performance of the current or previous project. The analysis will be provided to the IRC along with the Concept Note and will be used to guide the decision of the IRC. Applicants will be informed of the IRC decision through existing processes.

260. IPs will be informed about the guidelines for follow-on activities during their initial project orientation, during the AWPB process, and through the RUFEP website.

261. **Close-out Procedure.** No later than 6 months from the end of the GA, the PCU will send a "letter of closure/termination" to the grantee informing them that the partnership is ending/being terminated, stating the notice period as specified in the agreement. The PCU will inform the grantee about any documentation or reports that are outstanding, and whether there is a need for funds to be reimbursed to the Programme. In accordance with IFAD procedures, all project activities must be concluded by the end date of the GA to be considered eligible.

262. FIRIP has the right to claim the reimbursement of any amount of grant funds made available to the grantee that FIRIP determines had not been expended in accordance with the terms and conditions. Funds must be returned within 30 days of the termination date.

263. The grantee must submit a detailed end of project narrative and financial report within two months of the end date of the project. An end of project narrative reporting template will be provided.

264. **Record Keeping.** IFAD, GRZ and FIRIP may seek to access the IPs records after the end of the project. IPs must therefore keep their records for ten years after the end of the project.

265. FIRIP will keep a hardcopy and soft copy of IP's documents. Hard copies will be stored in box files, and the soft copies will be stored on the Programmes' network drives. The documents to be kept will include:

- Concept Note
- IRC Approval
- Proposal, including the budget, gantt chart, and supporting information
- PVC/PSC Approval
- MOU/Partnership Agreement/GA
- Detailed implementation plans
- Quarterly reports
- Expenditure related supporting documents
- Partner audit reports
- Human interest and other stories
- Supplementary reports

## Synopsis of Operational Procedures for IOF

Operational step	Description	Responsibility
Finalization of the PIM	Development of proposal forms (Concept Notes and Detailed Proposal for each Window, plus for market research/ feasibility studies), along with related guidance materials	PCU
Preparing promotion and outreach material	Preparing flyers, brochures, short videos and dedicated website	PCU
Setting up Internal Review Committee (IRC)	Nominate PCU members and Chair from the PRFU	PCU/RFU
Establish Roaster for External Reviewers	Establish roaster of highly qualified domestic and international experts for each IOF Window through an Expression of Interest	PCU
Setting up Project Vetting Committee	Recruit members from BOZ, MoFNP, MoA, BAZ, AMIZ, and private sector representatives	PSC, TAG, PCU
Stakeholder Engagement / sensitization and outreach	Launching events with participation of complementary GRZ and DP-funded initiatives Distributions of brochures, audiovisuals and other outreach material	PCU, TAG
Launch Call for Proposals	During launching, sensitization and outreach events complemented by a dedicated website and use of social media	KM Specialist with other PCU staff
Reception of Concept Notes	CNs uploaded into the database recording instead of receipt	Procurement Specialist, RFSS
Acknowledgment of receipt	Applicants are notified that their CN has been received	Procurement Assistant
Review of Concept Notes	Check compliance with eligibility criteria and suitability for respective IOF window	IRC
Notification of Applicants	Applicants are notified whether their CNs are approved, rejected, or approval has been deferred, subject to further clarifications/ information. <ul style="list-style-type: none"> <li>In the latter case, the CN can be resubmitted within two weeks</li> <li>In case of rejection, the applicant is informed about the reasons</li> </ul>	Procurement Specialist and Assistant
Invitation to submit detailed proposals	Successful applicants receive the template and guidance documentation to prepare a detailed proposal within four weeks and an invitation to a proposal writing workshop.	Procurement Specialist and assistant

Proposal writing workshop	Two weeks after invitation, a proposal workshop is organized to guide applicants in the preparation of detailed proposals	RFs / other PCU members (Social Inclusion, Environment, Procurement)
Supplementary questions	Applicants not willing or able to participate in proposal writing workshops make ask for clarifications in writing to the PCU	PCU – various experts, depending on question
Proposal submission	Either in hardcopy to the FIRIP Office or in soft copy via email	Applicants
First level review	RFS checks proposals for completeness and compliance with terms and conditions and eligibility criteria.	RFSs
Submission of final proposal	The applicant may be requested to add clarifications in the proposal or submit additional information within 2 weeks	RFSs
External review	Depending on the type of proposal, it will be sent to external reviewers with the respective expertise from the roster.	External reviewers
Summary analysis of proposal	Based on the scoring sheet prepared by the external reviewers, the RFSs prepare a summary analysis, to be submitted together with the full proposals to the IRC and PVC	RFSs
Check by Project Coordinator	Summary analysis is forwarded to the Project Coordinator for final compliance check and to facilitate pipeline and portfolio management	Project Coordinator
Submission to PVC	For proposal and summary analysis are submitted to the Project Vetting Committee	PC
Evaluation of proposals	Vetting Committee to decide on approval, the third approval or rejection.	PVC
Notification of applicants	Applicants are notified about the final outcome regarding the application, including about the reasons for rejection and possibility for real submission subject to modifications.	Procurement Officer/Assistant
Preparation of grant agreement	Grant agreements are prepared for approved proposals and signed by applicants	PCU, Applicant
Preparation of Detailed Implementation Plans	Grant recipients will receive templates to prepare Detailed Implementation Plans including monthly and quarterly activity planning to track performance both at budget and output level.	Grant beneficiary
Pre-implementation orientation	Grantees will receive complaints of orientation on program goals, objectives and reporting requirements and other obligations	PCU
Subproject implementation	The grantee will implement the sub-project and receive disbursements in tranches subject to milestones.	Grantee (IP)

Quarterly progress reports	Grantees are required to spread quarterly.	Grantee (IP)
Closure	Subprojects are closed after a maximum of two years and applicants prepare a terminal report.	Grantee (IP)

## PART ONE: BACKGROUND

### Introduction

266. **Purpose.** This chapter provides guidance for operationalization of the FIRIP BFF. As a living document, the BFF implementation manual is expected to be reviewed from time to time to adapt to emerging challenges and opportunities, always with a view to contributing to achieving the development objectives of FIRIP and the economy of Zambia as a whole.

267. **Outline.** The document is presented in four parts: Part 1 provides the background which analyses the situational context of the rural and agricultural environment in a multi-layered approach, including a brief market assessment. Part 2 introduces the concept of the blending of financial sources and how it is intended to be applied in FIRIP. It also highlights the approaches and tools to be deployed to address the gaps and opportunities identified in the market. Part 3 covers the key design features regarding various eligibility standards to be considered about financial service providers (FSPs), clients and sub-borrowers, eligible investments and expenses, among others. Part 4 on policies and procedures has guidance on the day-to-day operations and management of the facility and considers sustainability principles and considerations.

268. **Context.** Overview Rural and Agricultural Credit in Zambia: A brief assessment of the rural and agricultural finance market in Zambia is presented using a multi-level approach to contextualize the BFF in line with the stated objectives of FIRIP. It is inspired by the IFAD Inclusive Rural Finance Policy, 2021 and aided by the framework in its preceding guiding documents<sup>89</sup>. It is recommended that, as a living document, future updates and necessary revisions to this BFF implementation manual should be guided by this framework for consistency and relevance.

269. The multi-level approach begins at the micro level with a focus on the target groups, the clients of the financial services, and the financial service providers (FSPs) who service their needs. This review of the demand and supply of rural financial services is an opportunity to highlight the challenges and opportunities and clarify what needs the BFF would be best served to address.

270. The meso level assesses the second-tier organizational framework such as agricultural insurance, credit guarantee schemes, credit reference bureaus, industry associations and apex institutions that can provide professional and cost-efficient and technical services to retail FSPs. An extensive discussion on the meso level aspects relevant to the project is presented in *Annex 1: A Brief Assessment of Entry Points for a Blended Finance Facility under FIRIP*. The policy and regulatory framework form the macro level which encapsulates the enabling framework conditions for financial service providers (FSPs) to reach their clients at the bottom of the pyramid with appropriate products and services in a responsible manner.

271. **Demand.** FIRIP targets financing for (i) semi-subsistence farmers (ii) commercializing smallholders and rural micro enterprises and (iii) emerging/commercial farmers and small and medium enterprises (SMEs) operating along agricultural value

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<sup>89</sup> The IFAD Inclusive Rural Finance Policy 2021 (which has been updated to provide guidance on the use of blended finance) and the preceding IFAD Rural Finance Policy 2009

chains. Over 1.6 million<sup>90</sup> small-scale farmers are estimated to operate in the agricultural sector, predominantly at the subsistence level, out of which 71% cultivate 2 hectares of land or less and a further 24% cultivating between 2 and 5 hectares and 5% cultivating between 5 and 20 hectares<sup>92</sup>. The farming practices of the typical smallholder farmers are characterized by rudimentary technologies, rain dependent and with an average poverty rate of 80.5% among these farmer households. Indeed, these smallholder farmers comprise about 98% of the working population in the agricultural sector. At least 300,000<sup>93</sup> of these smallholders were linked to agribusinesses through vertically integrated value chains such as cotton, tobacco and sugarcane. Among the small-scale producers are emerging farmers, that is, those who are transitioning from subsistence farming to more commercial and sustainable practices and typically require access to financial and other resources, technology and markets to realize their potential.

272. **Financial Inclusion.** According to the FinScope 2020 survey<sup>94</sup>, 21.2% of Zambia's adult population indicate agriculture as their main income earning activity (2015: 22.8%). However, with 40.1% of farmers financially excluded, they represent the most excluded population except for young children and the elderly who are dependent on family and friends. Although this is an improvement from 2015 data which was at 48.7%, it still indicates more work remains to improve financial access to the FIRIP target group. Overall, financial inclusion increased by 10.1% to 69.4% in 2020 from 59.3% in 2015, although the rate of inclusion in the rural areas still lag the pace in the urban centres.

273. **Supply.** In 2023, the number of licensed commercial banks remained unchanged at 17: Of these, 10 were subsidiaries of foreign banks, 4 were partially owned by the Government of the Republic of Zambia (GRZ), and 3 were local privately owned. The Bank of Zambia (BOZ) approved the acquisition of African Banking Corporation Zambia Limited (trading as Atlas Mara) by Access Bank Zambia Limited and the subsequent merger of the two entities<sup>95</sup>.

274. These commercial banks remained the predominant source of credit accounting for over 67% of the total assets of the financial sector.

275. According to the Bank of Zambia Credit Market Monitoring Programme (CMMP) report during 2023, the total number of loans disbursed were 4.7 million with a total value of K57.45 billion (USD2.78 billion). The loans to the Small and Emergent Agriculture sector accounted for 0.03% in number of applications but only 0.12 % in actual number of disbursements and 0.77% in value of disbursements. Even though almost two thirds of all MSMEs are involved in agriculture<sup>96</sup>, the loans to these enterprises also showed 2.73% in number of applications but only 6.78% in actual number of disbursements and 13.54% in value of disbursements (Table 8).

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<sup>90</sup> Profile of Zambia's Smallholders: Where and Who are the Potential Beneficiaries of Agricultural Commercialization? Africa Region Working Paper Series No. 113 June 2008 <https://documents1.worldbank.org/curated/en/866191468179962814/pdf/517020NWP0WPS110Box342044B01PUBLIC1.pdf>

<sup>91</sup> PMRC (2015): Delivery of Farming Inputs in Agricultural Strongholds. Research Report. Policy Monitoring and Research Centre, Lusaka. <https://www.pmrzambia.com/wp-content/uploads/2016/03/Delivery-of-Farming-inputs-in-Agricultural-strongholds.pdf>

<sup>92</sup> World Bank Group (2019): Agriculture Finance Diagnostic - Zambia

<sup>93</sup> World Bank (2009): Commercial Value Chains in Zambian Agriculture: Do Smallholders Benefit? Report No. 48774-ZM

<sup>94</sup> FinsScope Zambia: 2020 Survey Report

<sup>95</sup> Bank of Zambia (2024): 2023 Annual Report

<sup>96</sup> BOZ MSME Finance survey, 2022



**Table 9: Q1 - Q4 2023 Bank of Zambia Credit Market Monitoring Programme**

Type of Borrower	Demand for Credit – Number of Loan Applications	%	Credit Supply – Number of Loan Disbursements	%	Total Disbursements by End-User (Kwacha)	%	Total Disbursements by End-User (USD*)
Agriculture- Large	591	0.00%	583	0.01%	4,593,470,963	7.99%	222,623,795
Agriculture- Small and Emergent	6,581	0.03%	5,586	0.12%	442,038,839	0.77%	21,423,530
Business- Large	1,736	0.01%	1,563	0.03%	18,044,964,802	31.41%	874,554,029
Business- MSME	576,541	2.73%	318,859	6.78%	7,779,198,606	13.54%	377,020,934
Government	134	0.00%	123	0.00%	3,779,848,627	6.58%	183,191,371
Households and Individuals	20,555,529	97.23%	4,379,085	93.06%	22,716,273,817	39.54%	1,100,950,266
Other end users	22	0.00%	37	0.00%	100,281,509	0.17%	4,860,170
<b>Total</b>	<b>21,141,134</b>	<b>100.00%</b>	<b>4,705,836</b>	<b>100.00%</b>	<b>57,456,077,163</b>	<b>100.00%</b>	<b>2,784,624,095</b>

Source: BoZ Credit Market Monitoring Programme Report

\*Based on Jan, Jun and Dec 2023 mid-rate average from Table 11 of the BOZ 2023 Annual Report

276. Nearly 70% of loans (by volume) are granted by the banks (Table 8) of which a tenth is to agricultural sector (Table 9). While this is well the sector's share in national GDP (2.9%<sup>97</sup>), approximately 90% of the institutional credit is provided to a relatively small number of large-scale commercial farms, including in foreign currency<sup>98</sup>. The remainder mainly goes to emergent farmers and small to medium scale enterprises, with very limited number of small farmers (below 5ha) receiving bank credit. Enterprise lending MFIs tend to focus on the lower end of the credit market, and several of them are targeting mainly the smallholder segment, even though their total number of loans and volumes remains small. Consumer lending is very strong with typically relatively limited resources being invested in productive ventures via enterprise lending, including into agriculture.

**Table 10: Proportion of Loan Disbursements by Institution Type (ZMW)**

<b>Proportion of Loan Disbursements by Institution Type (Kwacha)</b>			
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Banks	79.8%	72.1%	69.3%
Building Societies	1.3%	1.9%	1.6%
Consumer lending MFIs	12.0%	18.0%	20.5%
Enterprise lending MFIs	2.6%	3.4%	3.3%
Other NBFIs	4.2%	4.5%	5.0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Bank of Zambia

277. Financial institutions demonstrate varied levels of competence in the management of their loan book which is discernible from the quality of their risk assets. Overall, the category of loans to the agricultural sector is trending downwards and whilst the NPLs have been high, they have remained stable in recent years with regards to the banks (Table 9).

<sup>97</sup> Down from 9.4% in 2010 (World Bank – World Development Indicators, accessed 06 August 2024)

<sup>98</sup> Agriculture was the sector receiving the highest share of foreign currency loans, amounting to USD 250 million (BOZ, 2013).

**Table 11: Loan Trends: Agriculture, Forestry, Fishing and Hunting**

Loan Trends: Agriculture, forestry, fishing and hunting (%)			
	2021	2022	2023
Commercial Banks (Ag Portfolio % to Total Loans)	11.5	9.5	9.6
Commercial Banks (Ag Portfolio NPLs %)	24.6	15.8	15.2

Source: Bank of Zambia

278. The overall financial performance of banks and the lending NBFIs remains stable with adequate capital base in general (measured by their capital adequacy ratio - CAR), with manageable loan quality. Overall NPL rates slightly declined reaching about 4% in 2023. Even though the agricultural sector accounted for 15.2% of all NPLs (after Manufacturing - 23.6%; and Wholesale and Retail Trade - 19.2%), the intra-sectoral NPLs in agriculture declined from 12.5% (2021) to 6.7% (2023) (Table 10).

Table 4 shows the overall decline in NPLs since 2021 reflecting overall economic recovery post Covid, along with huge differences between sectors.

**Table 12: Non-performing Loans (>90 days) by sector**

	2021	2022	2023
Business- Large	16.3%	6.8%	4.1%
Business- MSME	17.8%	15.1%	12.3%
Agriculture- Large	19.2%	14.0%	7.9%
Agriculture- Small and Emergent	19.6%	11.2%	6.0%
Households and Individuals	10.4%	7.7%	6.2%
Government	2.6%	0.1%	0.2%
Other end users	52.4%	55.7%	19.0%

279. The liquidity conditions for the banks remain favourable with the trends in liquid asset to total deposits and short-term liabilities ratio but funds for medium to long term development oriented as with productive agricultural investments remain inadequate. This is especially so for the NBFIs sector as well.

**Table 13: Selected Financial Performance Indicators (%), 2023)**

Selected Financial Performance Indicators (%), 2023										
Sector	Primary CAR		Total Regulatory CAR		Gross NPL to Total Loans		Liquid Assets to Deposits+ST Liabilities		Loan to Deposit	
	Benchmark	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark	Actual
Commercial Banks	5 or higher	22.8	10 or higher	23.5	10 or lower	4.2	25 or higher	42.9	NA	39.8
NBFIs	5 or higher	34.8	10 or higher	34.3	10 or lower	7.5	15 or higher	42.1	NA	NA

Source: Bank of Zambia

280. Macro-economic stability has been a challenge in recent years, with inflation reaching the mid-teens by June 2024, fuelling instability. In response, monetary policy was progressively tightened by raising the Monetary Policy Rate, which by year end 2023 was at 11.0 percent from 9.0 percent. To address persistent pressures in the foreign

exchange market, BOZ raised the statutory reserve ratio on both Kwacha and foreign currency deposits. This led to an average lending rate of 25.2%<sup>99</sup> per annum in 2023 and a policy rate of 13.5% by June 2024. At end-December 2023, the lending rate for Kwacha loans ranged from 5.5 percent to 35.0 percent while the deposit rate was in the range of 2.5 percent to 19.1 percent. Interest rates on US dollar denominated loans were between 0.1 percent and 15.0 percent. However, in real terms, the average lending rate continued to decline in 2023 as inflation rose further. It fell to 13.5 percent from 15.1 percent in 2022 while the 6-month deposit rate declined to -5.9 percent from -2.8 percent. Similarly, the weighted average Government bond yield rate increased to 23.6 percent from 23.0 percent. In contrast, the weighted average Treasury bill yield rate marginally declined to 13.0 percent from 13.9 percent in part reflecting high money market liquidity referred to earlier.

281. Fiscal deficits have been behind increased government borrowing pushing interest rates higher coupled with high inflation leading to reduced borrowing on account of high cost of funds. At the farm and rural enterprise level, such rising costs have resulted in increased cost of production, reduced yield and revenue as well as reduced cash flows thereby reclassifying agriculture as a high-risk sector under such circumstances. The inflation targeting strategies with high interest rate on government domestic borrowing is crowding out funding available for private sector productive lending. Debt management issues have significantly contributed to economic instability. These challenges have been exacerbated by the government's responses to the COVID-19 pandemic, the fallout from the Ukraine conflict, and a decrease in exports. Consequently, Zambia's debt became increasingly unsustainable, with a total debt stock of US\$23.1 billion in 2022<sup>100</sup>.

282. It will be imperative to improve Zambia's private sector credit to GDP which according to the Bank of Zambia Financial Inclusion Framework was only 10.0% in 2022 (8.9% in 2021) the average for Sub-Saharan Africa is reported to be at 34.5% in 2022<sup>101</sup> (35.5% in 2021). Indeed, the same BOZ data source which indicate private sector credit to total credit at 27.7 % in 2022 (29.6% in 2021) reinforces the crowding out effect of GRZ policies on private sector development. Loan to deposit ratio around 40% shows banks' limited role as financial intermediaries converting customer deposits into loans. This is also reflected on the income side, with the bulk of the operating income coming from Government securities (42.0 percent) followed by loans/ advances (36.4 percent; BOZ 2023).

283. However, the country's debt situation is projected to improve due to reforms supported by multilateral financial institutions and successful debt restructuring negotiations with creditors. This would enhance the business climate, making it more conducive for providing financing to the agricultural sector.

284. Government Interventions to Promote Agricultural Finance. The Government of Zambia has over the years recognized the challenges of agricultural finance in the country and have put in place periodically various development interventions including under the aegis of policies such as 8th National Development Plan 2022 – 2026 and its predecessors. These have typically featured market development strategies using regulatory measures (such as Bank of Zambia's monitoring and reporting credit flows to the agricultural sector with its development oriented Credit Market Monitoring Programme (CMMP) detailed quarterly reports and the efforts of the Pensions and Insurance Authority (PIA) in supporting agricultural insurance schemes) and de-risking policies such as through the Ministry of Finance which established the Zambia Credit Guarantee Scheme (ZCGS) as a government-owned company which provides a platform for financial institutions to offer

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<sup>99</sup> 2023 BOZ Annual Report (Table 9A)

<sup>100</sup> Afreximbank 2023: Zambia Country Brief

<sup>101</sup> <https://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS?locations=ZG> accessed on 28 July 2024

affordable financial products and services (including to agriculture) at reduced risk. There have also been interventions such as the Implementation of the warehouse receipt system under the Zambia Agricultural and Commodities Exchange (ZAMACE) since 2015.

285. But perhaps the most notable interventions to improve agricultural credit in recent times have been the introduction of the Sustainable Agriculture Financing Facility (SAFF) and the more small-holder friendly Farmers Input Support Program (FISP).

286. The Sustainable Agriculture Financing Facility (SAFF) was launched in the 2023/24 farming season as a strategic government programme aimed at expanding financing for the emerging farming sector. This includes support for underserved groups of farmers and SMEs. The SAFF incorporates a Credit Guarantee Scheme, provided through the Zambia Credit Guarantee Scheme (ZCGS), and an insurance scheme, both of which mitigate risks and attract private sector participation<sup>102</sup>. Funding is provided by banks from their own resources. Hence, the BFF would complement SAFF. No data on repayment performance of SAFF is available yet. Performance may be substantially affected by the 2023/24 drought.

287. Prior to the SAFF, the primary government programme to support small-scale farmers has been the Farmers Input Support Program (FISP), which was a key component of the National Agriculture Investment Plan (NAIP) 2014-2018 to improve crop diversification and introduce different varieties adapted to the country's agro-ecological zones and weather patterns to enhance resilience and food security<sup>103</sup>.

288. Both the SAFF and the FISP use the Food Reserve Agency (FRA) as a primary off-taker of farmer produce. Over the years, the significant portion of public spending on agriculture has been spent on the FISP and the FRA. Under its credit agreement with the IMF and the performance-linked agricultural sector loan from the World Bank (ZAMGROW), GRZ is committed to reduce spending for these two flagship programs substantially.

289. It important to mention the role of the weather index insurance (WII) to compensate farmers in case of weather-induced losses such as early or late dry spells, excess rainfall, etc).

290. It is crucial to draw lessons from the experiences of these commendable government initiatives and create synergies with the BFF. This may include allowing Financial Service Providers (FSPs) to contribute to the BFF as part of their participation in eligible transactions, among other strategies.

291. Challenges and Opportunities for Agricultural Credit. From the foregoing, several challenges and indeed opportunities for supporting the financing of the agricultural sector emerge.

292. The market failures confronting agricultural finance in the country and the opportunities it presents include the following:

- **Access to Credit for Smallholders:** Access to formal credit to small-scale agricultural producers remains low and that to microenterprises representing less than 1% of the loan portfolio of the banking sector, according to BOZ data<sup>104</sup>.
- **Liquidity:** According to the BOZ, there is adequate liquidity in the mainstream banking sector. However, NBFIs and MFIs have limited access to the relatively

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<sup>102</sup> SAFF Closure Report: 2023/24 Farming Season issued by ABSA with input from discussions with officials of the Ministry of Agriculture

<sup>103</sup> World Bank Group (2019): Agriculture Finance Diagnostic - Zambia

<sup>104</sup> Bank of Zambia (2023): Credit Market Monitoring Programme (CMMP)

cheaper sources of customer deposit funding and must rely on (i) *short term maturity funds* (a year or less), and (ii) *high-cost funds* (competing with the cost of government domestic borrowing instruments). Even though liquid assets to deposit levels are reasonable (Table 5), typically these have short maturities not conducive to support productive investments with medium to long terms lending terms. The recent increase in mandatory reserve requirements is tightening the liquidity situation. In a tight macro environment in which government domestic borrowing is crowding out lending activities through higher interest rates, the loans tend to be come at high cost thereby making several otherwise promising ventures not financially viable with debt financing.

293. Thus, commercial bank loan interest rates have been high with average lending rate of 25.2%<sup>105</sup> per annum in 2023 and MFI interest rates even higher between 50 and 80% per annum on a declining basis,<sup>106</sup> making debt a non-viable financing option for a significant number of investments in the rural and agricultural sector. And with the limited amount of credit to the small-scale agriculture sector being for short-term working capital purposes of less than 12 months duration, there is limited availability for longer tenor credit to invest in productivity-enhancing capital investments as in small machinery and equipment.

- **Opportunity for Innovation and Market Development through Technical Assistance:** The GRZ interventions to support the financing of agriculture have needed market development strategies to ensure the development, testing and promotion of products and services appropriate to the sector through innovation financing resources. The review of RUFEP provided insights into how innovation could improve access to financial services to the IFAD target group.

A similar approach, this time focusing on direct financing products, augmented with targeted technical assistance to the financing institutions and value chain clients, would provide much needed support to the sector.

An important challenge observed has been a dearth of effective, professional structures to manage funds made available to the agricultural sector. Such assistance would benefit from technical assistance to strengthen the quality of the lender-borrower engagement and improve sustainability.

- **Professionalizing the Management of Agriculture Development Funds:** The Government of Zambia has been proactive in introducing interventions from time to time to overcome liquidity challenges in the financial market. However, the challenge of creating an effective professionally managed funding intervention to enhance sustainability remains relevant to the call for a resolution.

294. A brief market assessment conducted to inform the development and implementation of the BFF is attached as Annex 1.

295. A preliminary assessment was undertaken to identify potential FSPs to collaborate with FIRIP with regards to its BFF and IOF sub-components. The assessment sought data from secondary sources (available literature published online or in print) and through primary sources (direct interviews and use of structured and semi-structured interviews as well as key informant interviews). Some of the outcomes were discussed with industry practitioners who attended a FIRIP design validation workshop held in Lusaka, Zambia on 18 June 2024. Significant challenges were encountered in compiling

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<sup>105</sup> 2023 BOZ Annual Report (Table 9A)

<sup>106</sup> However, some MFI provide very small average loans in remote rural areas resulting in high operating costs which cannot be compared to mainstream bank lending.

data for this preliminary analysis and thus it is highly recommended that a focused engagement of the targeted FSPs should be done at project start up to firm up their interest and to ensure their buy-in of the BFF and IOF modalities at design.

296. The recommendation is for FIRIP to work only through financial institutions licensed by, and are in good standing with, the central bank, the Bank of Zambia. Also, the focus will be on financial institutions with a strategic interest in agricultural lending and generally interested in lending in support of productive activities.

297. **Commercial Banks:** BOZ had updated its list of licensed commercial banks to 15 out of which the assessment team had identified 5 to be on potential interest for FIRIP in the first instance: (a) Zambia National Commercial Bank (ZANACO) (b) Zambia Industrial Commercial Bank (ZICB), (c) ABSA Bank (d) AB Bank Zambia and (e) Indo-Zambia Bank Limited..

298. **Non-Bank Financial Institutions (NBFIs):** BOZ licenses a cluster of financial institutions as NBFIs comprising in our selection of potential FIRIP partners, (a) *leasing and finance companies* (Inde Credit Limited), (b) *savings and credit institutions* (National Saving and Credit Bank (Natsave) (c) *deposit-taking and non-deposit-taking microfinance institutions (MFIs)*, namely, Agora Microfinance, FINCA Zambia, Madison Finance Company Limited, MicroLoan Foundation Zambia and VisionFund Zamba.

299. Further details regarding each identified potential FSP are presented in the relevant sections in Annex 1.

## **PART TWO: THE CONCEPT**

### **Introducing the BFF**

#### **Definition**

300. The BFF will seek to attract capital with concessionary features regarding tenure, interest rates and repayment terms among others to crowd in capital from the private sector and financial institutions for lending to agriculture and green investments at more favorable terms, including at reduced interest rates to the sub-borrowers. Thus, the blended facility will match low-cost resources from GRZ, IFAD and their partners with private lenders to reduce costs to the end-borrowers to retain the integrity of the principle of concessionally. It will address the gaps of each market segment; it will address separately the needs of different FSPs (banks, NBFIs and MFIs) and end-borrowers (commercializing smallholders, emergent farmers and rural enterprises). The facility will be under the day-to-day management of a professional fund management team.

301. Key Market Failures to Address and BFF Rationale

The key market failures identified, and therefore the underlining rationale for the BFF present as:

302. **Supply Side.** The key supply side issues identified are:

- Inadequate liquidity (especially high costs of funds for MFIs and the lack of medium-term liquidity in general)
- Loan quality challenges with agriculture lending
- High interest rates due to macroeconomic factors and FSP-specific cost of funds drivers
- Lack of responsible lending principles and empowerment, undermining FSP level decision making regarding the selection of viable value chains and borrowers.

303. **Demand Side.** The issues identified include:

- Potentially weak effective demand, that is, generating bankable proposals from the different target groups may need strengthening among certain categories
- Output quality due to less-than-ideal production practices
- The risk of adverse selection where in a high-interest rate regime (as current obtains loan are unaffordable for many farmers/rural enterprises and dampens demand for loans), it is likely that only the very high-risk farmers/enterprises apply for loans resulting in poor loan quality of banks.

304. ***Nuances with Banks and MFIs Issues.*** It is important to note that the supply side issues affect the banks and MFIs as FSPs in slightly different ways. For instance, whilst the banks are more liquid than the MFIs, the need for medium term funding for agriculture financing is common to both. The banks may have more rigorous credit management regimes, but they also lend to more credit worthy clients and therefore have better loan quality<sup>107</sup>. The MFIs, some of which are non-deposit taking and have weaker ratings in the market, have higher funds mobilization costs<sup>108</sup> which impacts their interest rates to end-borrowers. On average, 20% of the liability of enterprise lending MFIs are foreign currency loans, with huge variations between deposit and non-deposit mobilising MFIs.

305. ***Cross-cutting.*** The challenges of recent macroeconomic instability triggering inflationary pressures has prompted monetary responses such as higher monetary policy rates and statutory required reserves as tightening measures and resulted in the rising cost of doing business for both the FSPs and the value chain actors.

#### 306. **Key Rationale**

- (a) Reduce the average costs of funds for both banks and MFIs to stimulate lending to FIRIP target groups. Hence, crowding in more private finance into the rural economy and agricultural sector
- (b) Reduce on-lending rates to end borrowers (FIRIP target groups) by passing on the reduced costs of funds. Enhancing the accessibility and affordability of loans. This especially applies to clients of small loans (MFI clients) and for financing of climate smart and other productive assets (medium term finance)
- (c) BFF would complement IOF which enhances the capacity of FSPs to deliver client centric loans to FIRIP target groups.

### **Instruments, Tools and Design Principles**

307. **The Fund:** A core pool of concessionary funds will be set up as a line of credit from which eligible FSPs (banks and MFIs) may borrow up to medium term funds for on-lending to eligible end-borrowers operating along agricultural value chains and/or rural small enterprises.

308. **Interest Rate Mechanism:** A key area of concessionality will be on the pricing of the fund to make it possible to operate a blending mechanism which achieves a below market wholesale interest rate.

309. **Professional Fund Management:** A risk management tool to ensure good asset quality across the credit cycle from the funds flow from the wholesale pot through to the end-borrower and recovery will be the deployment of a professional fund

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<sup>107</sup> NLP rates among the seven Development Oriented MFIS averages 7.8% in 2023, against 4% for banks.

<sup>108</sup> Authors' notes indicate typically MFIs raised external borrowings for on-lending within a range of 18%pa and 28%pa (in Kwacha terms), significantly higher than the interest rate commercial banks paid on their customer deposits.

management team/entity to support rigorous credit cycle management, operations and administration of the fund.

310. **Tailored skills development:** To the extent necessary, the skills of the staff of FSPs and end-borrowers will be supported to improve the delivery of client-centric products and services and quality outputs, respectively. Thus, such capacity building will focus on FSPs and target groups/sub-borrowers, including through the complementary activities under FIRIP. The capacity of meso level institutions may be supported to the extent that they improve the enabling environment for agriculture finance. The capacity building activities will be deployed under the IOF sub-component.

311. **Technical Assistance:** Dedicated technical assistance will be available primarily through the IOF sub-components regarding piloted innovations. This will focus on the development and improvements to client-centric products, systems, processes of FSPs and productivity enhancements to target groups and sub-borrowers.



### **PART THREE: KEY DESIGN FEATURES**

312. **BFF Structure.** The BFF has at its core concessional funds, which are funds contributed from partners with a development finance orientation. The initial source of funds will be from the Government of Zambia (as direct grants with distinct contribution terms) and with funding from IFAD (also secured by the Government of Zambia on specified terms<sup>109</sup>). Additional funds are expected from both international and domestic development-oriented sources (see Fig 1). At the time of the design, engagements by the country team were at various stages of consideration and included bilateral (UK Government) and multilateral (such as GCF via ARCAFIM II, OPEC, EIB, etc.) prospective partners. The concessional nature of the funds contributed will be defined by its tenor, interest rate, repayment terms, and related conditionalities associated with each contributor.

313. The fund, at both the wholesale and retail levels as explained below, will be managed by a competitively selected professional and independent manager which will be a firm with a team and mandate as attached in Annex 2.

314. The blending of the contributions from these concessional sources is expected to yield a wholesale interest rate for the line of credit which will be disbursed to the FSPs (banks and MFIs) through two windows: (i) for banks on one hand, and (ii) the MFIs via another. Each FSP will have to be accredited based on their respective eligibility criteria and be able to draw on the credit line at the wholesale level (where the blending of concessional contributions will take place) to on-lend to its end-borrowers among the FIRIP target group at the retail level. At this retail level, the FSPs are expected to borrow from the concessional funds at the wholesale blended interest rate, and then contribute 50% (reduced to 40% for the less endowed MFIs<sup>110</sup>) of the end-borrower loan from their own resources and blend their interest rate with the concessional interest rate to arrive at the retail interest rate for the client.

315. The FSPs will borrow from the concessional funds on a wholesale term sheet and on-lend to their end-borrower clients on a retail term sheet, with each end-borrower facing term sheet reflecting the interest rate blended at the retail level.

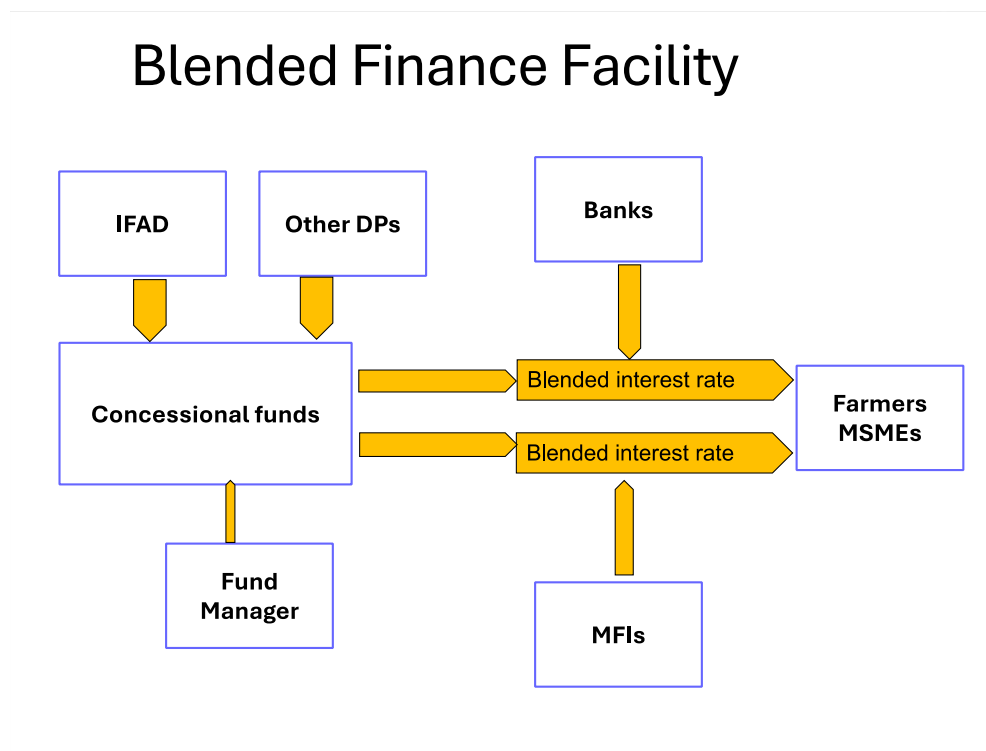
316. The mechanics of the blending process is described in detail in Section 10: Synopsis of Operating Procedures below.

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<sup>109</sup> The cost at which the Ministry of Finance will make the proceeds from the IFAD loan available for the BFF will need to be determined by the Ministry at the beginning of FIRIP implementation. It will likely include some provision to cover foreign exchange risks or some other risk primes. It is nevertheless expected to be well below the current average costs of funds of banks and MFIs.

<sup>110</sup> For the MFIs, this is in recognition of the greater difficulties to access funds and higher costs of funds, and their high retail lending rates - hence blending will have a bigger impact on their average costs of funds and thereby retail rates.

Figure 1: Structure of the BFF



**Eligible FSPs.** Minimum Accreditation Eligibility Criteria. The following shall guide the accreditation of eligible FSPs:

**Table 14: Minimum Accreditation Edibility Criteria**

Tier	Institutions Included	Minimum Accreditation Eligibility Criteria <sup>111</sup>
One	Banks	<ol style="list-style-type: none"> <li>Full compliance with BOZ prudential norms during the last two years, not least: <ul style="list-style-type: none"> <li><u>Capital Adequacy</u>: (a) Primary CAR at 5.0 or higher (b) Total Regulatory CAR at 10.0 or higher</li> <li><u>Asset Quality</u>: (a) Net NPLs to Regulatory Capital at 10.0 or Lower (b) Gross NPLs to Total Loans at 10.0 or Lower (c) Net NPLs to Total Loans at 2.5 or Lower</li> <li><u>Earnings</u>: (a) Return on Assets at 4.0 or higher (b) Return on Equity at 20.0 or Higher</li> <li><u>Liquidity</u>: Liquid Assets to Deposits and Short-term Liabilities 25.0 or higher</li> </ul> </li> <li>Audited financial statements for previous 3 years; and</li> <li>Disclosure of cost of funds calculations and trends</li> </ol>

<sup>111</sup> Largely based on Bank of Zambia standards (Annual Report 2023 in Tables 9.2 and 9.16)

		4. Robust policies and procedures adequate to manage BFF loan clients with a demonstrated record of serving FIRIP target groups
<b>Two</b>	<b>NBFIs</b> ( <b>MFIs</b> , Savings and Credit Institutions or NATSAVE, etc.)	<ol style="list-style-type: none"> <li>1. Full compliance with BOZ prudential norms during the last two years, not least: <ul style="list-style-type: none"> <li>• <u>Capital Adequacy</u>: (a) <i>Primary CAR at 5.0 or higher</i> (b) <i>Total Regulatory CAR at 10.0 or higher</i></li> <li>• <u>Asset Quality</u>: (a) <i>Net NPLs to Regulatory Capital at 10.0 or Lower</i> (b) <i>Gross NPLs to Total Loans at 10 or higher</i>(c) <i>Net NPLs to Total Loans at 2.5 or Lower</i></li> <li>• <u>Earnings</u>: (a) <i>Return on Assets at 4.0 or higher</i> (b) <i>Return on Equity at 20.0 or Higher</i></li> <li>• <u>Liquidity</u>: <i>Liquid Assets to Deposits and Short-term Liabilities at 15.0 or higher</i></li> </ul> </li> <li>2. Operational Self Sufficiency &gt; 100%;</li> <li>3. Audited financial statements for previous 3 years;</li> <li>4. Disclosure of cost of funds calculations and trends</li> <li>5. Robust policies and procedures adequate to manage BFF loan clients with a demonstrated record of serving FIRIP target groups.</li> <li>6. New entrant NBFIs may consider using the IOF windows to pilot their intended interventions with the possibility of accessing the relevant capacity building and technical assistance.</li> </ol>

317. **Eligible Sub-borrowers (or End-borrowers).** The following matrix provides the broad framework for the initial expectation of the lending to sub-borrowers:

**Table 15: Eligibility Framework for Sub-borrowers**

Type of Client	Parameter	Banks*	NBFIs*
<b>Target Group 1</b>	Proportion of Allocation	10%	25%
	No. of Loans*	4200	17,500
	Av Loan Size*	500	150
	Max Loan Size	1000	500
	Total Loan Value*	2,100,000	2,625,000
<b>Target Group 2</b>	Proportion of Allocation	40%	50%
	No. of Loans*	2800	3500
	Av Loan Size*	3,000	1,500
	Max Loan Size	10,000	3,000
	Total Loan Value*	8,400,000	5,250,000
<b>Target Group 3</b>	Proportion of Allocation	50%	25%
	No. of Loans*	210	263
	Av Loan Size*	50,000	10,000
	Max Loan Size	100,000	30,000
	Total Loan Value*	10,500,000	2,625,000
<b>Total Loan Value</b>		<b>21,000,000</b>	<b>10,500,000</b>
<b>*Estimated</b>			

318. The target group categorization translates to the following specific entities:

319. **Target Group 1** will be made up of semi-subsistence farmers. Bank lending to this category may include group lending, such as lending to village savings and loan associations (VSLAs). MFIs already lend extensively to groups already.

320. **Target Group 2** comprises commercializing smallholders and rural micro enterprises who may receive lending products from both banks and MFIs.

321. **Target Group 3** made up of emerging and/or commercial farmers and small and medium enterprises is expected to be targeted mainly by the banks, who will have the deal-making capacity to manage lending to this group, who should have clearly established linkages to partners in Target Groups 1 and 2. These linkages can be in the form of buyer and supplier credit arrangements (e.g., off-takers, aggregators, or input and equipment suppliers providing inputs on a credit basis - in cash or kind). Other types of linkages could be in the form of purchasing produce from smallholders and providing training and extension services. In addition, loans to SMEs and emerging farmers are expected to create jobs for target groups 1 and 2. The expected benefits and spillover effects will be incorporated into this upload agreement between the PFSP and the BFF and monitored by the BFF field officers.

322. **On-lending via Sub-loans.** The BFF recognizes the need that may arise for primary sub-borrowers who might need to provide sub-loans to their network of support partners. These are envisaged in the case of SMEs linked with value chain actors working in inclusive models including integrating training on greening/climate smart agricultural technologies of farmers and other value chain actors, etc.

323. This may also be the case for anchor farmers or value chain drivers who may have contract farmers providing services to their partners in exchange for off-taking quality produce from them.

324. **Lending to Rural Enterprises.** The BFF is to support agricultural value chains and rural enterprises in general. However, care should be taken to ensure that these rural enterprises which may operate outside value chains, do not unduly receive most BFF resources. To the extent possible, the preferred rural enterprises should be involved in farm-based businesses, pre- or post-harvest activities, agricultural trade (input supply, output purchasing, bulking/aggregation, transport, etc., agro-processing, agro-industrial processing, primary fabrication and repair primarily involving support to mechanization, etc. and services related to these activities.

325. These rural enterprises, expected to be Target Group 3 clients i.e. emerging and/or commercial farmers and small and medium enterprises, are expected to have established linkages to partners in Target Groups 1 and 2. These linkages can be in the form of buyer and supplier credit arrangements (e.g., off-takers, aggregators, or input and equipment suppliers providing inputs on a credit basis - in cash or kind). Other types of linkages could be in the form of purchasing produce from smallholders and providing training and extension services.



## Eligible Sub-loan Purposes

326. **Eligibility of Sub-Loans.** BFF sub-loans may be applied to the following purposes:

- *Activities along the entire agricultural value chain:* These may include working capital (e.g. seasonal credit, input purchasing, raw materials for agro-processing and trading, fuel for transportation, etc) and investment capital (e.g. acquisition of productive assets, irrigation equipment and other appropriate technologies, etc).
- *Green and climate smart practices and technologies:* This provision is to intentional support and promote green and climate smart technologies (e. various scale of irrigation equipment and technologies, water harvesting facilities, drought-tolerant seed varieties, improved and organic fertilisers, shade nets, green houses, etc.), along with renewable energy along the value chain (e.g., solar powered irrigation, biogas/biodigesters, energy saving cook stoves), cold storage, processing, waste and water treatment and reuse, and climate proofing and circular economy related technologies).

327. More than 50% of the sub-loans of banks should be for productive assets and/or for value chain finance arrangements. To the extent possible, these sub-loans should also target rural women and the youth.

328. Exclusion List. A tentative list of activities prohibited with BFF financing are attached as Annex 3. The exclusion list includes activities prohibited under national and IFAD environmental and social (E&S) guidance. The list may be expanded, but under no circumstances are the national and IFAD requirements contravened without due process.

329. Co-financing requirements and blending arrangements. Co-financing requirements are triggered with each tranche of financing requested by FSPs. Banks shall make a co-financing of 50% for each loan to a client, and MFIs shall also contribute 40%. The co-financing may be procured by the FSP from its deposits or other liabilities, e.g. SAFF, etc.

330. The blending arrangements would be at two levels.

*(a) Wholesale Level Blending:* At the wholesale level, concessional funds will be blended per the following formula:

$$\text{Blended Rate} = (\text{Sum of } (r*a)) / (\text{Sum of } a)$$

where:

- 'r' represents the interest rate of each concessionary contribution
- 'a' presents the respective concessionary contribution associated with each interest rate
- 'sum of (r\*a)' denotes the sum of the products obtained by multiplying each interest rate with its corresponding amount
- 'sum of a' represents the sum of all concessionary funds contributed

*(b) Retail Level Blending:* The blending between the concessionary pool and an FSP will be negotiated between the FM and the respective FSPs. Each FSP will negotiate based on its disclosed cost of funds build up including margins. It is therefore expected at the retail level, the negotiated interest rate applicable at the retail level for sub-borrowers will vary among the FSPs. It will depend on the type and size of sub-loans, type, location and risk profiles of end borrowers, amongst other factors. PFSPs will disclose their cost structure to the BFF Fund Manager (FM) to justify the requested interest rate. The FM will intermediate the negotiation process based on technical criteria to ensure responsible lending practices balancing the interest of cost recovery and adequate risk protection of the lender with the business needs and repayment capacities of borrowers. The negotiated retail interest rate is in most cases expected to pass on the concessionality element to the

end borrower, unless the PFPS ventures into new products or targets group segments that are more risky and costly

331. **Subsidiary loan agreements.** Based on the request from FSP and due diligence conducted by the FM, a subsidiary loan agreement (SLA) will be developed between the BFF and the FSP. The SLA will stipulate the total amount of the subsidiary loan from the BFF to the FSP (based on an initial pipeline of sub-loans), the number of tranches of disbursements from the BFF to the FSS, the blended costs of funds and the on-lending rates to end-borrowers, and the of the subsidiary loan, and the repayment schedule. The size of the subsidiary loan will depend on the initial pipeline of eligible sub-loans; the overall capacity of the FSP to lend to FIRIP target groups and meet its cofinancing requirements, its portfolio and balance sheet size, and its financial and management performance. In principle, subsidiary loans can be granted up to 3 years, with quarterly interest payments and bullet repayment of principal, and can be renewed subject to good performance.

332. The SLA would also stipulate the primary responsibility of the FSP to monitor the proper use of funds by its borrowers in line with the intended purposes. The fund manager (FM) will have the right to access all sub-loan files and borrower lists and perform random spot check in the field at any time. In case of breach of the SLA or of deterioration of the overall financial performance of the FSP, the FM has the right to recall the subsidiary loan early (or deny disbursement of future tranches).

## **PART FOUR: IMPLEMENTATION, POLICIES AND PROCEDURES**

### **Recruitment and Role of The Fund Manager**

333. Recruitment of Fund Manager (FM). The FM services shall be provided preferably by a firm recruited on a competitive basis and will operate under a consultant services contract with the FIRIP PCU for an initial period of 4 years and may be eligible for renewal for a further 3 years, subject to satisfactory performance and the terms and conditions of the financing agreement between IFAD and the Government of Zambia.

334. The responsibilities of the FM team shall comprise:

- Setting up the BFF;
- Further developing FSP accreditation criteria and implement onboarding of FSPs;
- Firming up criteria and procedures for credit applications, evaluations, approvals and disbursements at the wholesale level;
- Overseeing the day-to-day management of the fund including credit management responsibilities. These shall comprise but not be limited to performing due diligence on FSP applications to evaluate creditworthiness and verify appropriate use of funds;
- Providing monitoring and reporting on fund usage, including repayments schedules and interest accumulation;
- Offering advisory services to FSPs and their clients to enhance the effectiveness of the credit arrangements, where necessary and agreeable between the fund manager and the FSPs;
- Designing and implementing risk management strategies including treasury management to minimize defaults and losses;
- Maintaining transparent records and documentation for auditing and reporting.

335. The fund management team shall have a minimum team comprising a team technical lead, two field officers, a finance/treasury officer and accountant with a support staff to run a national operation.

336. A draft ToR providing additional details on the role of the fund management team is attached as Annex 2.

### **Organizational Structure of the Fund**

337. **Oversight Arrangements.** The oversight structure of the BFF shall consist of the FIRIP Steering Committee (SC) and its Technical Advisory Group (TAG). However, it will be the PVC, reporting to the PCU under the PC which shall have the additional responsibility over the work of the BFF with the technical support by the fund management team.

338. The SC is charged with providing overall direction for the management and orientation of FIRIP. Its functions are described more fully in the relevant sections of the FIRIP project implementation manual. The key reference here is that it shall interface with the management of the BFF through its PCU which will oversee the work of the PVC.

339. The PVC shall have other responsibilities under the FIRIP IOF grants subcomponent and shall be constituted as prescribed thereunder.

340. Regarding the BFF, the PVC will receive from the fund management team for approval and direction:

- (i) requests for accreditation of partnering financial service providers;
- (ii) recommendations for credit lines at the concessionary wholesale level and FSP loans blended at the retail level to sub-borrowers;



- (iii) monitoring and financial reports for guidance and;
- (iv) proposed amendments to the operational guidelines of the blended facility.

341. The PVC shall meet to consider all requests as needed, and pace that is expected to accelerate in the initial months and will have the liberty to scale back as the portfolio settles to a slower routine.

**Table 16: Synopsis of Operational Procedures**

<b>Operational step</b>	<b>Description</b>	<b>Responsibility</b>	<b>Operational tool (with reference to Annex or Note)</b>	<b>Comments</b>
[1] Recruitment of the Fund Management Team (by a private hiring firm)	Transparent and competitive selection of the private hiring firm for proper recruitment of the fund management team	FIRIP PCU/SC	Draft Fund Manager ToR (Annex 2)	
[2] Establishment of the BFF	FM to finalise PIM with the approval of the TCC and set up its systems for technical, banking, financial and operations integrated with the PCU	FM/PCU/TCC/SC	BFF PIM	
[3] Finalise Blending Mechanisms	Describe blending and formulae and determine the wholesale rate offered based on the initial contribution from the MOF	FM/TCC/SC	BFF PIM	
[4] Call for Expression of Interest (EOI) for FSPs, Due Diligence and Accreditations	Public announcements for EOI are done in the national dailies and approved media.  The main tools for promotion and information are the FIRIP web page and brochures, which must specify objectives of the BFF, eligibility criteria for the FSPs, main processes from application to approval, with realistic deadlines for each step.	FM/PCU	FIRIP Web page / site  Project brochures  Call for EOI should include the BFF exclusion list (BFF PIM Annex 3)	

Operational step	Description	Responsibility	Operational tool (with reference to Annex or Note)	Comments
	EOIs received are to be vetted in a due diligence process by the FM and accreditations for compliant applications upon approval. The due diligence process may comprise desk review and onsite inspection.			
[5] Credit Applications to the BFF by FSPs	FSP submits a package of its internally approved loan request(s) including technical assistance (TA) requirements	FM		
	Each sub-borrower/client FSP approved credit package should have the completed version of the relevant E&S checklist for FM verification. For small borrowers, effort should be made to arrange aggregated or wholesale basis putting together the assessment of small borrowers with similar characteristics which present low risks.	FM		
	<p>FM assesses the request and decides on the funding based on compliance with BFF requirements including exclusion list and the retail blended interest rate.</p> <p>Technical assistance may be provided for the designed credit package.</p> <p>- When decision is positive, the FM recommends for approval by PVC ratification.</p>	FM/TCC/SC	Application of BFF PIM wholesale and retail level blended interest rates processes.	

Operational step	Description	Responsibility	Operational tool (with reference to Annex or Note)	Comments
	<p>- When the decision is negative, the FM informs the PVC about the decision and updates the SC. The FSP is advised and reasons for the decline is communicated. Opportunity should be afforded to the FSP to remedy easily rectifiable errors and omissions in their application package.</p> <p>Based on the pipeline of eligible sub-loans, the FM prepares a draft subsidiary loan agreement specifying the amount of funds required from the BFF, the co-funding from the FSPs, the terms and conditions of the subsidiary loan (maturity, etc.).</p>			
	Once it has approved the subsidiary loan agreement, the PVC refers it (including E&S Checklist) back to the FM for disbursements	TCC/FM/PCU	Compliance with BFF PIM	
[6] Disbursement Arrangements and No Objections	Upon PCV approval, disbursement of funds is requested by FM (in line with the approved disbursement plan) with a No Objection Request to IFAD through the PCU to make a disbursement from the Designated Account to the BFF	FM/PCU/IFAD	IFAD No Objection after PVC approval Ensure compliance with the relevant provisions of Project Financial Management Manual	

Operational step	Description	Responsibility	Operational tool (with reference to Annex or Note)	Comments
	Once NO is received, disbursements are made in line with PCU financial administration manual procedures	FM/PCU	Evidence of disbursements is provided to FM and PCU. Compliance with FIRIP financial administration procedures.	
[7] Repayments to the Wholesale Fund	Repayments by FSPs are made in line with agreed repayment schedule into the designated repayment accounts. Reflows may be re-lent in line with PVC/SC priorities.	FM	As per repayment calendar	
	Repayment by FSPs to be made into designated account which may become a revolving loan facility for a new cycle of loans upon relevant SC approvals and IFAD No Objection at MTR	FM		A decision will have to be made regarding at what point reflows from repayments will be eligible for on-lending in line with the original intentions of the financing agreement. The decision point should be on or before the project mid-term review (MTR).

[8] Monitoring and Evaluation	Key areas of M&E shall include: <ul style="list-style-type: none"> <li>• <u>Disbursements</u>: On an on-going basis, monitor release of funds at wholesale and retail levels with quarterly reports on these disbursements. Also verify compliance on disbursements</li> </ul>	FM/PVCTCC	M&E framework.  ToR for baseline studies and guidelines for FM	
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	<ul style="list-style-type: none"> <li>• <u>Repayments</u>: Track repayments at wholesale and retail levels reporting quarterly. Verify compliance.</li> <li>• <u>Use of Funds</u>: Use desk reviews and spot checks/visits to ensure funds are used for intended purposes.</li> <li>• <u>Quality of project Implementation</u>: Desk reviews and field visits to confirm congruence between planned activities and actual implementation to assure quality of project management. Provide quarterly progress reporting and annual assessments and beneficiary surveys. Ensure that at least 5% of the sub-loans disbursed should be monitored on spot or random check basis.</li> <li>• <u>Experience Sharing &amp; Knowledge Management</u>: Create platform to share information, exchange experiences, network and build linkages for learnings among FSPs and clients.</li> <li>• <u>E&amp;S Compliance Specific Monitoring</u>: Monitoring of E&amp;S compliance per loan terms with quarterly reporting</li> <li>• <u>Results Monitoring</u>: The results of the BFF will be tracked at various levels including outputs, the use of outputs, outcome and impact levels.</li> </ul>		<p>monitoring visits (see project M&amp;E guidelines)</p> <p>FM to institute a monitoring plan to be executed by at least two field officers assigned to the BFF portfolio.</p>	
[9] Dealing with Default/Breach of Contract	<p>Dealing with:</p> <ul style="list-style-type: none"> <li>• Slow uptake of funds;</li> <li>• Use of funds for unintended purposes;</li> <li>• Overall FSP financial performance issues;</li> <li>• Poorly performing sub-loans;</li> <li>• Breach of reporting and disclosure requirements</li> </ul>	FM		

342. **Sustainability.** In line with the 2022 IFAD Evaluation Manual, the sustainability strategy of the BFF focuses on the extent to which the net benefits of the blended fund will continue and could be scaled up (or are likely to continue and be scaled up) by the GRZ, partner development organizations, the private sector and other agencies. Thus, the sustainability strategy of BFF is woven around the IFAD recommended dimensions as follows:

343. **Institutional, Technical and Financial Sustainability:** The design of the BFF identified gaps in the management of previous and on-going agricultural sector development funds with manifest deficiencies in independent and professional operations. Thus, the BFF is designed to recruit a transparent and competencies focused procurement process to select an experienced, technically qualified team which should be independent of political influence to select, monitor and guide the integrity of the fund. Beyond that, it is set up to be capable of managing similar and additional funds to grow its pool (even if these are parallel funds) and thereby improve the admin costs to funds under management ratio over time.

344. As part of the institutional strengthening process to prime sustainability, there are complementary strategies to invest resources through technical assistance interventions to support the restructuring of the sister institutions in particular the SAFF and the Zambia Credit Guarantee Scheme (ZCGS) and contribute to a more robust infrastructure to sustain the BFF and allied institutions.

345. Such collaborative partnership building initiatives of FIRIP, and the BFF in particular will be complemented with the deployment of knowledge management tools to improve learnings and enhance the caliber of skills and competencies in the agricultural finance ecosystem to expand impacts. To be effective, such knowledge management products will inform engagement with policy makers in government and development partners to build on FIRIP and BFF results and consolidate the positive learnings (such as from the use of independent and professional fund managers) for sustainable outcomes (in the achievement of better loan quality and better credit management practices by FSPs and their sub-borrowers).

346. The principle of receiving co-financing from the FSPs, 50% from banks and 40% from MFIs at the initial instance, is designed to encourage the financial institutions to be engaged and calibrate their systems to improve their credit processes and support their sub-borrowers to acquire improve their financial decision making, a critical long term business management skill.

347. **Socio-economic and Environmental/Climate Sustainability:** An environment and social exclusion list is promoted at the inception of the BFF to guide the investment activities to ensure environmental and climate sustainability as part of the strategy to enhance long term socio-economic development. These strategies are built upon the environmental and climate change related aspects of the SECAP analysis to ensure they respond to the felt needs of the sector. Such integration of the E&S criteria into the lending process will be an effective risk assessment and management which form a credible basis for mitigation strategies at all the levels of engagement of project implementation.

## References:

- 1 *ABSA 2024: SAFF Closure Report: 2023/24 Farming Season*
- 2 *Afreximbank 2023: Zambia Country Brief*
- 3 *Bank of Zambia (2023): Credit Market Monitoring Programme (CMMP)*
- 4 *Bank of Zambia (2024): 2023 Annual Report*
- 5 *Bank of Zambia: 2022 Micro Small And Medium Enterprise Finance Survey Report*
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- 9 *IFAD (2021): Inclusive Rural Finance Policy 2021*
- 10 *PMRC (2015): Delivery of Farming Inputs in Agricultural Strongholds. Research Report. Policy Monitoring and Research Centre, Lusaka. <https://www.pmrzambia.com/wp-content/uploads/2016/03/Delivery-of-Farming-inputs-in-Agricultural-strongholds.pdf>*
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### **a) Introduction**

This market assessment report is premised on the fact that “while rural finance is not a panacea for poverty reduction, access to financial services plays an important role in empowering poor people to create their own pathways out of poverty”<sup>112</sup>. It is provided as an input to inform the design of the blended finance and innovation and outreach facilities under the proposed FIRIP.

The report is the result of a desk review of existing reports and literature, as well as field reports from the IFAD concept note and full design missions which interacted with potential partners in the country between February through June 2024. These references are duly acknowledged. The inferences and conclusions drawn from them, however, remain the responsibility of the authors.

The report provides an assessment of the financial sector of Zambia with a situational analysis involving the respective roles of the key players on all sides, outlining the challenges opportunities of the financial ecosystem especially with respect to access to rural and agricultural finance by the IFAD target group (smallholder farmers and their network of supporting value chain actors including micro, small and medium scale enterprises) through the prisms of a macro, meso and micro strata. In so doing, an assessment is made with respect to areas which might benefit from development interventions<sup>113</sup>, including increasing liquidity (additionality to starved FSPs at the lower tiers and those with prospects for innovative solutions such as emerging IFAD instruments especially those responding to environmental and climate change crises, and technology driven enablers of cost-effective products, delivery channels and strategic partnerships which meet the felt needs of identified target markets. The report is guided by the provisions of the IFAD Rural Finance Policy (2009), IFAD Decision Tools for Rural Finance (2010) and the IFAD Inclusive Rural Finance Policy (2021) which also identifies and speaks to potential of blended finance facilities.

The IFAD guidance framework available for identifying potential areas of collaboration in respective jurisdictions is predicated on an assessment of the market. It is only upon the identification of preliminary prospects for adding value to target clients that further work is undertaken towards designing a project and undertaking the process of assessing and selecting project implementation partners. Thus, the thrust of the initial scoping exercise during the concept note mission to assess the Zambia inclusive finance market to glean at the (arising from challenges to be overcome or opportunities to be leveraged) for which IFAD possesses or is capable of mobilizing partnerships to address with a view to improving the livelihoods of its traditional target groups in-country.

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<sup>112</sup> Former IFAD President Kanayo F. Nwanze in IFAD (2009): Rural Finance Policy.

<sup>113</sup> These are at two levels: (a) How are available IFAD instruments suited for the country situation and (b) Which mechanisms, products and services can be supported to best address the needs of IFAD target groups wrt to access to finance/inclusive finance objectives. Specifically, the analysis was skewed to identifying opportunities for a blended finance/line of credit facility and an innovation and outreach facility.

The report focuses on an assessment of the rural and agricultural finance market in Zambia conducting a **situational analysis** of both the demand and supply side characteristics, viewed at three levels of potential engagement within the financial sector, that is, at the macro, meso and micro levels. A key output of this situational analysis is a summary of *perceived gaps* (challenges and opportunities) in meeting potential client needs<sup>114</sup>. To the extent possible, relevant **project design considerations** are flagged for further investigation as are **potential implementation partners**, with particular attention to those with the most likely prospects for collaboration and with a view to informing the development of the new IFAD country programme in Zambia named FIRIP.

In the end, recommendations on the next steps are made based on the conclusions drawn from the situational analysis and perceived prospects. A further deep dive into these issues (with a wider range of the key banks and NBFIs/MFIs) may be necessary for any future actions.

## **b) Situational Analysis**

The key findings from Macro, Meso and Micro (both demand and supply side assessment with as much granular detail/data as available) are presented below:

### **1) Key Findings**

**Macro Level:** The macro level considers the country context, the policy environment, regulatory, supervisory and institutional framework for the rural and agricultural finance sector. The findings are summarized as follows:

*The country context:* Zambia is a resource-rich, landlocked country in Southern Africa which shares borders with eight nations. It has a youthful, rapidly growing urban population of approximately 19.6 million (2021) which puts pressure on the need to create more jobs and expand healthcare and social services. Economically, Zambia is rebounding from crises, with an average GDP growth of 5.7% (2021-23) driven by key sectors like transport and finance. However, a dip in copper exports led to a current account deficit and a significant currency depreciation in 2023, causing high inflation. Ongoing debt restructuring efforts, including agreements with creditors and the IMF, aim to stabilize the economy and control inflation. Yet, growth in 2024 faces intermittent but persistent challenges including drought affecting agriculture and power utilities. Prospective investments in green energy minerals could mitigate some economic losses. Poverty and inequality remain critical issues, with 60% of the population in poverty as of 2022, exacerbated by limited job creation and declining earnings, especially in urban areas. The COVID-19 pandemic and debt crisis intensified these challenges. Rural poverty, above 75% since 2010, reflects stark disparities in access to essential services, hindering development and productivity, including agriculture<sup>115</sup>.

#### *The Rural and Agricultural Policy Environment*

The overarching national development policy in Zambia is the 8NDP for the period 2022-2026 which focuses on Economic Transformation and Job Creation, Human and Social Development, Environmental Sustainability, and Good Governance. Additionally, Zambia has a National Green Growth Strategy (GGSS)2024-2030 aimed at integrating

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<sup>114</sup> Based on the IFAD Rural Finance Decision Tools (2010), these groups comprise (i) individuals and families (households), (ii) on-farm production enterprises, (iii) off-farm enterprises, (iv) other beneficiaries of interest such as the youth, women and those with one form of disadvantage or the other (e.g. physically disabled, vulnerable people groups, etc), and (v) rural clients such as small formal businesses, cooperatives and non-profit businesses, large commercial businesses who perform roles conducive to the growth and development of the primary target groups. Data most closely reflective of these target groups are relied upon throughout this report.

<sup>115</sup> The World Bank in Zambia. April 2024. <https://www.worldbank.org/en/country/zambia/overview>

environmental sustainability into its economic planning. These plans align with Zambia's Vision 2030, which aspires for the nation to become a prosperous middle-income country by 2030.

National Agricultural Policy (NAP) 2012-2030 which aims to enhance the agricultural sector's contribution to the national economy by focusing Increasing Agricultural Productivity, Promoting Value Addition, Enhancing Food Security, Reducing Poverty, and Improving Climate Resilience. to support these goals, Zambia implements programs such as the (SAFF, the FISP, which provides subsidized inputs like seeds and fertilizers to small-scale farmers, and the Food Reserve Agency (FRA), which maintains strategic food reserves to stabilize market prices and ensure food security. Whilst these programmes take up a significant portion of the agricultural sector budget, their sustainability prospects remain challenging due to design, structural and implementation challenges. The description and performance of some of these government programmes are attached as Annex A.

Other policies influencing rural and agricultural finance take their inspiration from additional national development policies and financial sector and agricultural sector development as well as rural development. These include the updated Rural Finance Policy and Strategy (2021), National Finance Sector Development Policy (NFSDP, 2017 the National Financial Inclusion Strategy (NFIS, 2017 - 2022) for well-developed competitive and inclusive finance system, Implementation of the warehouse receipt system under the Zambia Agricultural and Commodities Exchange (ZAMACE) since 2015, De-risking tool or risk sharing mechanism under the Zambia Credit Guarantee Scheme (ZCGS), establishment of the Ministry of Green Economy and Environment in 2021 to promote climate change and access to green finance products for MSMEs, the establishment of the Ministry of Small and Medium Enterprise Development in 2021 to promote the growth and development of MSMEs and Cooperatives.

Despite these interventions, financial institutions remain limited to 12.6 percent of total credit according to the 2022 Credit Market Monitoring Report (CMMP) Report.

#### *Regulatory, Supervisory and Institutional Framework for Rural and Agricultural Finance:*

The financial sector architecture in Zambia comprises financial institutions operating under the aegis of three major financial regulators that supervise the banks and the MFI sector (the Bank of Zambia), insurance providers (Pensions and Insurance Authority) and the investment funds (Securities and Exchange Commission). MoFNP directly oversees some related financial institutions which may or may not require Bank of Zambia licensing to operate, such as the Development Bank of Zambia (DBZ) and the ZCGS which is registered as a private company but fully owned by the government as a platform for financial institutions to offer affordable financial products and services at reduced risk.

Among these institutions with regulatory oversight, it is the central bank with its monetary policies that has had one of the most consequential roles in ensuring an enabling environment for agricultural finance, in its partnership with the Ministry of Finance which handles fiscal policies. The high levels of government debt managed by the Ministry of Finance has led to high levels of public sector borrowing leading to crowding out of private sector credit. This has contributed to the monetary policy posture of Bank of Zambia of increasing.

Macro-economic stability has been a challenge in recent years, with inflation reaching the mid-teens by June 2024, fueling instability. This led to an average lending rate of 25.2%<sup>116</sup> per annum in 2023 and a policy rate of 13.5% by June 2024.

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<sup>116</sup> 2023 BOZ Annual Report (Table 9A)

Fiscal deficits have been behind increased government borrowing pushing interest rates higher coupled with high inflation leading to reduced borrowing on account of high cost of funds. At the farm and rural enterprise level, such rising costs have resulted in increased cost of production, reduced yield and revenue as well as reduced cash flows thereby reclassifying agriculture as a high-risk sector under such circumstances. Fiscal deficits have been behind increased government borrowing pushing interest rates higher coupled with high inflation leading to reduced borrowing on account of high cost of funds. At the farm and rural enterprise level, such rising costs have resulted in increased cost of production, reduced yield and revenue as well as reduced cash flows thereby reclassifying agriculture as a high-risk sector under such circumstances.

The inflation targeting strategies with high interest rates on government domestic borrowing are crowding out funding available for private sector productive lending. Debt management issues have significantly contributed to economic instability. These challenges have been exacerbated by the government's responses to the COVID-19 pandemic, the fallout from the Ukraine conflict, and a decrease in exports. Consequently, Zambia's debt became increasingly unsustainable, with a total debt stock of US\$23.1 billion in 2022<sup>117</sup>.

This will be imperative to improve Zambia's private sector credit to GDP which according to the Bank of Zambia Financial Inclusion Framework was only 10.0% in 2022 (8.9% in 2021) the average for Sub-Saharan Africa is reported to be at 34.5% in 2022<sup>118</sup> (35.5% in 2021). Indeed, the same BOZ data source which indicates private sector credit to total credit at 27.7 % in 2022 (29.6% in 2021) reinforces the crowding out effect of GRZ policies on private sector development.

However, the country's debt situation is projected to improve due to reforms supported by multilateral financial institutions and successful debt restructuring negotiations with creditors. This would enhance the business climate, making it more conducive for providing financing to the agricultural sector.

**Meso Level:** This reviewed the financial infrastructure, including second-tier institutions and technical service providers relevant to the rural and agricultural finance ecosystem. Meso level interventions seek to reduce transaction costs, improve sector information and market transparency, increase outreach access to refinancing for institutions and enhance skills across the sector.

To this extent, it was noted that Zambia has a robust legal and institutional credit infrastructure, including a modern secured transactions framework and credit reporting law, as well as a functioning collateral registry and a credit bureau. It was noted that there was limited availability and quality of agricultural and weather data which curbed the potential contribution of insurance products for the market. Also, there are arrangements for a warehouse receipt system and the operation of a commodity exchange.

The areas of challenge at the meso level impacting more directly on FIRIP are elaborated further.

On agricultural insurance, it was noted that outreach has been growing as evidenced by a total of 1,024,434 farmers reached in 2023 compared to 998,791 in 2018<sup>119</sup>. This has been attributed to the nationwide launch in 2017/2018 farming season of an innovative weather index insurance (WII) product and by adding an index insurance cover to the Government's Farmer Input Support Program (FISP). However, the rapid scale-up also led to significant implementation challenges and deficiencies, including the program's failure to make timely claim payouts to the farmers. In addition, the payouts were made as forms of e-vouchers that could only be redeemed for agricultural inputs in the following crop

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<sup>117</sup> Afreximbank 2023: Zambia Country Brief

<sup>118</sup> <https://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS?locations=ZG> accessed on 28 July 2024

<sup>119</sup> National Financial Inclusion Strategy II (2024–2028)

season. Such deficiencies reduced the benefits expected from the agriculture insurance programme.

Critical market development services needed to support the growth of the agricultural sector, that is, technical and business development services for both financial service providers and producer associations along value chains, were mainly driven by donor-funded initiatives such as Financial Sector Deepening Zambia (FSDZ), IFAD through successive projects, German Corporation for International Cooperation (GIZ), the World Bank Group, the World Food Programme (WFP) and NGOs such as Musika, with assistance from the Government of Sweden.

These technical and business development services delivered through random projectized interventions have not at the macro level been structured, systematic and coordinated in their approach and therefore been effective only in narrowly defined contexts or interventions and lacked the ingredients for replication or indeed scaling up.

The warehouse receipt system in Zambia are mechanisms designed to facilitate the storage, trade, and financing of agricultural commodities. They aim to provide smallholder farmers with better access to markets and credit, thereby enhancing their income and overall economic stability. Zambia Agricultural Commodities Exchange (ZAMACE) and the Zambia Warehouse Licensing Agency (ZWLA) anchor the warehouse receipt system in the country under coordination the work of warehouse operators, commodity aggregators, and financial institutions with an initial focus on staple crops like maize, soya beans, wheat, and other grains. They are responsible for ensuring the integrity and legal status of the receipts as legal documents and the status of the storage arrangements. At the time of the design mission<sup>120</sup>, whilst initial steps have been in the right direction, challenges remain regarding the quality of the infrastructure (quality/maintenance and adequacy of storage facilities), awareness and training of actors (farmers and technical operatives), rigour of regulatory oversight (capacity of ZAMACE to manage platforms and facilitate trade) and strength of the market linkages. There is opportunity for FIRIP to provide technical assistance to address some of the bottlenecks particularly to strengthen the warehousing at the level of aggregators who could benefit from better structure and guidance to feed the more widely disbursed warehouses.

The ZCGS since incorporation in 2017 by the MoFNP has sought to enhance access to finance to MSMEs in Zambia but only commenced business in 2022 by helping bank clients to overcome the hurdle of collaterals in acquiring loans. In recent times, ZCGS has been active in supporting GRZ's SAFF programme which leverages government funds to collateralize their guarantees to eligible banks and MFIs<sup>121</sup>. The main sources of income are guarantee fees (between 1% and 5% depending on various factors including bank Non-Performing Loans (NPLs) and other portfolio characteristics such as outreach, etc.), and investment income from GRZ funds to support operations. The current model poses sustainability challenges since under the SAFF model ZCGS provides cash collateral which could be as high as 80%, which presents a critical limitation to scalability, deal-making capacity and indeed sustainability. Among the potential areas of technical assistance to ZCGS are staff capacity building, institutional system for enterprise resource planning (ERP) and risk management with a credit model for underwriting integrated with partner financial institutions embedded with a reporting system.

**Micro Level:** The micro level analysis considered the profile and needs of clients (demand side) and the last mile institutions, distribution channels and the products and services delivered through them for the benefit of the clients (supply side).

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<sup>120</sup> Based on notes from author during meeting with management of ZAMACE in June 2024

<sup>121</sup> Author's notes from meeting with management of ZCGS in June 2024

*Demand side:* FIRIP targets financing for (i) semi-subsistence farmers (ii) commercializing smallholders and rural micro enterprises and (iii) emerging/commercial farmers and small and medium enterprises operating along agricultural value chains.

Over 1.6 million<sup>122123</sup> small-scale farmers are estimated to operate in the agricultural sector, predominantly at the subsistence level, out of which 73% cultivate 2 hectares of land or less and a further 24% cultivating between 2 and 5 hectares and 5% cultivating between 5 and 20 hectares<sup>124</sup>. The farming practices of the typical smallholder farmers are characterized by rudimentary technologies, rain dependent and with an average poverty rate of 80.5% among these farmer households. Indeed, these smallholder farmers comprise about 98% of the working population in the agricultural sector. At least 300,000<sup>125</sup> of these smallholders were linked to agribusinesses through vertically integrated value chains such as cotton, tobacco and sugarcane. Among the small-scale producers are emerging farmers, that is, those who are transitioning from subsistence farming to more commercial and sustainable practices and typically require access to financial and other resources, technology and markets to realize their potential.

According to a World Bank survey<sup>126</sup>, 21.2% of Zambia's adult population indicate agriculture as their main income earning activity (2015: 22.8%). However, with 40.1% of farmers financially excluded, they represent the most excluded population except for young children and the elderly who are dependent on family and friends. Although this is an improvement from 2015 data which was at 48.7%, it still indicates more work remains to improve financial access to the FIRIP target group. Overall, financial inclusion increased by 10.1% to 69.4% in 2020 from 59.3% in 2015, although the rate of inclusion in the rural areas still lags the pace in the urban centres.

Nearly two-fifths<sup>127</sup> of micro, small and medium enterprises are owned by persons domiciled in rural Zambia, and based on a study<sup>128</sup>, 4% of tax-paying MSMEs are actors along agricultural value chains. Among their reported binding constraints to accessing credit are high interest rates, lack of collateral and low-income levels. Only 6% of small and 9% of medium enterprises had a bank loan in a World Bank study, with micro enterprises faring far less<sup>129</sup>.

*Supply side:* In 2023, the number of licensed commercial banks remained unchanged at 17: 10 were subsidiaries of foreign banks, 4 were partially owned by the Government of the Republic of Zambia, and 3 were local privately owned. The Bank of Zambia approved the acquisition of African Banking Corporation Zambia Limited (trading as Atlas Mara) by Access Bank Zambia Limited and the subsequent merger of the two entities<sup>130</sup>.

These commercial banks remained the predominant source of credit accounting for over 67% of the total assets of the financial sector.

According to the Bank of Zambia Credit Market Monitoring Programme (CMMP) report during 2023, the total number of loans disbursed were 4.7 million with a total value of K57.45 billion (USD2.78 billion). The loans to the Small and Emergent Agriculture sector

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<sup>122</sup> Profile of Zambia's Smallholders: Where and Who are the Potential Beneficiaries of Agricultural Commercialization? Africa Region Working Paper Series No. 113 June 2008. <https://documents1.worldbank.org/curated/en/866191468179962814/pdf/517020NWP0WPS110Box342044B01PUBLIC1.pdf>

<sup>123</sup> PMRC (2015): Delivery of Farming Inputs in Agricultural Strongholds. Research Report. Policy Monitoring and Research Centre, Lusaka. <https://www.pmrzambia.com/wp-content/uploads/2016/03/Delivery-of-Farming-inputs-in-Agricultural-strongholds.pdf>

<sup>124</sup> World Bank Group (2019): Agriculture Finance Diagnostic - Zambia

<sup>125</sup> World Bank (2009): Commercial Value Chains in Zambian Agriculture: Do Smallholders Benefit? Report No. 48774-ZM

<sup>126</sup> FinsScope Zambia: 2020 Survey Report

<sup>127</sup> Bank of Zambia: 2022 Micro Small And Medium Enterprise Finance Survey Report

<sup>128</sup> Zambia Revenue Authority Report (2019)

<sup>129</sup> World Bank (2019): Enterprise Survey Report, Zambia

<sup>130</sup> Bank of Zambia (2024): 2023 Annual Report

accounted for 0.03% in number of applications but only 0.12 % in actual number of disbursements and 0.77% in value of disbursements. Even though only a small proportion of MSMEs are perceived to be involved in agriculture, the loans to these enterprises also showed 2.73% in number of applications but only 6.78% in actual number of disbursements and 13.54% in value of disbursements (Table 1).

Table 1: Q1 – Q4 2023 Bank of Zambia Credit Market Monitoring Programme (CMMP)

Type of Borrower	Demand for Credit – Number of Loan Applications	%	Credit Supply – Number of Loan Disbursements	%	Total Disbursements by End-User (Kwacha)	%	Total Disbursements by End-User (USD*)
Agriculture- Large	591	0.00%	583	0.01%	4,593,470,963	7.99%	222,623,795
Agriculture- Small and Emergent	6,581	0.03%	5,586	0.12%	442,038,839	0.77%	21,423,530
Business- Large	1,736	0.01%	1,563	0.03%	18,044,964,802	31.41%	874,554,029
Business- MSME	576,541	2.73%	318,859	6.78%	7,779,198,606	13.54%	377,020,934
Government	134	0.00%	123	0.00%	3,779,848,627	6.58%	183,191,371
Households and Individuals	20,555,529	97.23%	4,379,085	93.06%	22,716,273,817	39.54%	1,100,950,266
Other end users	22	0.00%	37	0.00%	100,281,509	0.17%	4,860,170
<b>Total</b>	<b>21,141,134</b>	<b>100.00%</b>	<b>4,705,836</b>	<b>100.00%</b>	<b>57,456,077,163</b>	<b>100.00%</b>	<b>2,784,624,095</b>

Source: BoZ Credit Market Monitoring Programme Report

\*Based on Jan, Jun and Dec 2023 mid-rate average from Table 11 of the BOZ 2023 Annual Report

Nearly 70% of loans are granted by the banks out of which a tenth is to agricultural sector (Table 2). The banks typically service the emergent farmers and small to medium scale enterprises whilst the enterprise lending MFIs tend to focus on the lower end of the credit market. Consumer lending is very strong with typically relatively limited resources being invested in productive ventures via enterprise lending, including into agriculture.

Table 2: Proportion of Loan Disbursements by Institution Type (in Kwacha)

<b>Proportion of Loan Disbursements by Institution Type (Kwacha)</b>			
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Banks	79.8%	72.1%	69.3%
Building Societies	1.3%	1.9%	1.6%
Consumer lending MFIs	12.0%	18.0%	20.5%
Enterprise lending MFIs	2.6%	3.4%	3.3%
Other NBFIs	4.2%	4.5%	5.0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Bank of Zambia

The financial institutions demonstrate varied levels of competence in the management of their loan book which is discernible from the quality of their risk assets. Overall, the category of loans to the agricultural sector is trending downwards and whilst the NPLs have been high, they have remained stable in recent years with regard to the banks (Table 3).

Table 3: Loan Trends: Agriculture, Forestry, Fishing and Hunting

<b>Loan Trends: Agriculture, forestry, fishing and hunting (%)</b>			
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Commercial Banks (Ag Portfolio % to Total Loans)	11.5	9.5	9.6
Commercial Banks (Ag Portfolio NPLs %)	24.6	15.8	15.2

Source: Bank of Zambia

The banks and the lending NBFIs remain stable with adequate capital base in general (measured by their CAR), with manageable loan quality save for the agricultural sector which shows signs of weakness with higher NPLs (Table 4). The liquidity conditions for the banks remain favourable with the trends in liquid asset to total deposits and short-term

liabilities ratio but funds for medium to long term development oriented as with productive agricultural investments remain inadequate. This is especially so for the NBFIs sector as well.

Table 4: Selected Financial Performance Indicators (%), 2023

Selected Financial Performance Indicators (%), 2023										
Sector	Primary CAR		Total Regulatory CAR		Gross NPL to Total Loans		Liquid Assets to Deposits+ST Liabilities		Loan to Deposit	
	Benchmark	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark	Actual
Commercial Banks	5 or higher	22.8	10 or higher	23.5	10 or lower	4.2	25 or higher	42.9	NA	39.8
NBFIs	5 or higher	34.8	10 or higher	34.3	10 or lower	7.5	15 or higher	42.1	NA	NA

Source: Bank of Zambia

***Preliminary Assessment of Potential Collaborating FSPs:*** This preliminary assessment of potential FSPs to collaborate with FIRIP with regards to its BFF and IOF sub-components sought data from secondary sources (available literature published online or in print) and through primary sources (direct interviews and use of structured and semi-structured interviews as well as key informant interviews). Some of the outcomes was discussed with industry practitioners who attended a FIRIP design validation workshop held in Lusaka, Zambia on 18 June 2024.

It must be stated unequivocally though that primary data collection exercise was largely unsuccessful with a very low response rate: less than a quarter of institutions contacted responded and even that with limited information with no documentary support or requiring Non-Disclosure Agreements (NDAs), which they did not follow through with during the survey period. Online and other publicly available data lacked consistency in indicators covered where any are available or published at all.

Notwithstanding the limited period available for this market assessment and the poor response to primary data collection exercise, available secondary data and author expert observations and notes from meetings with FSPs and some clients (used to triangulate selected information received) were used to put together a potential entry point for a possible engagement of FIRIP with the financial sector. The approach sought to (i) identify the potential partner FSPs (from various license categories), and (ii) profile them and undertake a basic assessment of their financial and, from a distance, their strategic suitability as collaborators.

The recommendation is for FIRIP to work only through financial institutions licensed by, and are in good standing with, the central bank, the Bank of Zambia. Also, the focus will be on financial institutions with a strategic interest in agricultural lending and generally interested in lending in support of productive activities.

**Commercial Banks:** BOZ had updated its list of licensed commercial banks to 15 out of which the assessment team had identified 6 to be on potential interest for FIRIP in the first instance: (a) Zambia National Commercial Bank (ZANACO) (b) Zambia Industrial Commercial Bank (ZICB), (c) ABSA Bank and (d) AB Bank Zambia.

1. ZANACO: ZANACO, established in 1969 as a state-owned bank, now has a consortium led by Rabobank Group and other Dutch development organizations as significant shareholders and is listed on the Lusaka Stock Exchange. With 62 branches, it has the widest banking network in the country and has had a long history of supporting development-oriented sectors of the economy. According to its 2022 performance<sup>131</sup>, ZANACO's held K33.8 billion (deposits), K44.8 billion (total assets), K4.4 billion (equity), profit before tax of 2.7 billion with 48% of its deposits in loans of K16.2 billion of which 4.1% was in agriculture. The bank is one

<sup>131</sup> ZANACO (2023): Annual Report and Financial Statement



of the few with dedicated agriculture finance desk with wide range of products and services for emergent farmers, syndicated agricultural finance, overdraft and terms loans to the sector, seasonal credit and a mechanization finance facility for lead farmers<sup>132</sup>. As of January 2024, ZANACO is reported to have disbursed K13.3 million or 7.8% of SAFF funds in the 2023/24 maiden season.

2. ZICB: Following the restructuring of the erstwhile Intermarket Banking Corporation Zambia Limited, ZICB was launched with strong domestic shareholding from the national pension fund, parastatals and the private sector. ZICB has a comparatively limited branch network of 6 outlets with a deposit base of K2.5 billion (customer deposit), K3.1 billion (total assets), K522 million (equity) and a loan book of K1.1 billion with an NPL of 3.8% and K205 million in profit before tax. It had a 44% of deposits in loans<sup>133</sup>. The bank's record in rural and agricultural finance has not been among the strongest. However, initiatives such as its financial literacy to clients at the lower end of the market with the Financial Literacy Cashbook tailored for the informal sector in partnership with the National Pension Scheme Authority (NAPSA) and the Zambia National Marketeers Credit Association (ZANAMACA), seeks to reach small scale farmers and micro and small enterprises across the country<sup>134</sup>.
3. ABSA Bank: The bank is the local subsidiary of the ABSA global banking group, established under the Barclays Bank brand in Zambia from 1918 and had a record of serving the banking needs of large corporations, small and medium sized enterprises, individuals and government departments. The bank, however, was a major backer of GRZ's SAFF 2023/24 maiden season programme under which it accounted for 26% of number of loans but over 29% of loans disbursed, amounting to K50 million as at January 2024. Hitherto, ABSA's record in the sector has mainly been in large scale commercial agriculture. There has been a strategic shift for the bank to be engaged in the agricultural financing targeting smaller scale operations since 2022<sup>135</sup>. ABSA is a major player in the Zambian financial sector with its nearly 50 branches, reporting its 2022 performance<sup>136</sup> as K19.3 billion (deposits), K25.6 billion (total assets), K3.3 billion (equity), profit before tax of 1.9 billion with 41% of its deposits in loans of K8.0 billion.
4. AB Bank Zambia: Even though it focuses predominantly on non-agricultural low-income earners, AB Bank has an active portfolio with the horticulture sector including peri urban agriculture and micro and small enterprises. AB Bank is a member of the international Access Microfinance Holding Group, an investment company with a global interest in the microfinance sector, with equity interest for FMO, IFC and KfW. The profile of their shareholding underpins their interest in development finance, which to date has included a facility for smallholder farmers. The bank reported its 2022 performance<sup>137</sup> as follows: K409 million (deposits), K655 million (total assets), K124 million (equity), profit before tax of 6.9 million with 86% of its deposits in loans of K350 million.
5. Indo-Zambia Bank Limited: The bank is a business and diplomatic cooperation established in October 1984 between the GRZ and India represented three state owned Indian banks: (a) Bank of Baroda (b) Bank of India and (c) Central Bank of

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<sup>132</sup> <https://www.zanaco.co.zm/agriculture.php>

<sup>133</sup> ZICB (2023): 2022 Annual Report

<sup>134</sup> <https://www.zicb.co.zm/?p=19770>

<sup>135</sup> <https://zm.usembassy.gov/usaaid-dfc-loan-guaranty/>

<sup>136</sup> ABSA Zambia Pls (2023): Annual Report 2022 <https://www.absa.co.zm/content/dam/zambia/absa/pdf/reports/annual-report-2022.pdf>

<sup>137</sup> [https://www.abbank.co.zm/wp-content/uploads/2023/08/Final-AB-Bank-Annual-Financials\\_2022\\_FP.pdf](https://www.abbank.co.zm/wp-content/uploads/2023/08/Final-AB-Bank-Annual-Financials_2022_FP.pdf)

India. IZB has an agricultural finance desk with dedicated products<sup>138</sup> through its 33 branches across the country. Indo-Zambia Bank was the leading bank in the disbursement of the maiden season of the SAFF accounting for a third of the number of loans which accounted for 32% of the total amount disbursed. These were achieved through the bank's strategic posture which includes a specialized agricultural lending unit and a focus on Self Help Groups (SHG) who are predominantly in agriculture through a micro credit product. The bank reported its 2022 performance<sup>139</sup> as follows: K12.7 billion (deposits), K16.9 billion (total assets), K2.2 billion (equity), profit before tax of 842 million with 46% of its deposits in loans of K5.9 billion.

**Non-Bank Financial Institutions (NBFIs):** BOZ licenses a cluster of financial institutions as NBFIs comprising in our selection of potential FIRIP partners, (a) leasing and finance companies (Inde Credit Limited), (b) Savings and Credit Institutions (National Saving and Credit Bank (Natsave) (c) deposit-taking and non-deposit-taking MFIs, namely, Agora Microfinance, FINCA Zambia, Madison Finance Company Limited, MicroLoan Foundation Zambia and VisionFund Zambia.

#### *Leasing and finance companies*

6. Inde Credit Limited): Inde Credit is a non-bank financial institution licensed by BOZ as a leasing and finance company focused on providing finance solutions for small and medium-sized enterprises (SMEs) within various sectors like mining, transportation, construction, manufacturing, and agriculture. It is based in Kitwe, in the mining heartland of Zambia. The product lines of the company are dominated by invoice discounting, order financing, working capital loans, term loans, and agricultural loans, designed to address cash flow gaps and support business growth. The company developed a specific agricultural product with an input dealer partner based in its operating region called Farm Depot<sup>140</sup>. Farm Depot does the core due diligence for onboarding and the initial credit screening with the aid of a technology platform supported under EU Enterprise Challenge Fund. The design mission engaged with the company on its field trips and observed the strategic posture of Inde Credit; (i) the company has impact investors who appreciate the double bottom-line principles and are keen to diversify their risk asset portfolio in the process (ii) the collaboration with Farm Depot has an inherent alignment with the company's principles and values but has led them to be amenable to expanding the lending to agriculture if they find more credible technical partners such as Farm Depot (iii) based on their experiences and requirements of their impact investor shareholders, the company has an awareness, and indeed broad ESG policies which it is open to strengthen to full comply with IFAD and national guidelines. Hard data on the financial details of the relationship with Farm Depot were not forthcoming during the design process. A follow-up at the commencement of project implementation is likely to yield results.

#### *Savings and Credit Institutions*

7. National Savings and Credit Bank of Zambia (Natsave): The National Savings and Credit Bank of Zambia is owned by GRZ as established under the 1972 National Savings and Credit Act, Act 423. The Act empowers Natsave to administer funds on behalf of any person or agency, accept deposits, operate saving schemes, grant loans and to carry on any form of banking business under the direction of the Ministry of Finance. It also has a non-bank financial institution license and therefore

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<sup>138</sup> <https://www.izb.co.zm/AgroFinance>

<sup>139</sup> Indo-Zambia Bank (2024): 2023 Annual Report

<sup>140</sup> <https://indecredit.com/services/finance-solutions/#agri-loans>

regulated, supervised and held to industry standards by BOZ as it delivers its mandate through its 38 branches. Natsave's role in development initiatives in Zambia includes its support to GRZ regarding the FRA and the Fertilizer Support Programme under the Ministry of Agriculture in the maize value chain and other crop off-take/purchasing and fertilizer subsidy programmes.

Indeed, Natsave supported the disbursement of the maiden season of the SAFF accounting for a 32% of the number of loans (the second highest after Indo-Zambia) which represented for 32% of the total amount disbursed (in third place after Indo-Zambia and ABSA). The management of Natsave were unwilling to disclose the bank's financial performance in the absence of an NDA during the mission thus it was not possible to ascertain the extent of their potential reliability as a partner to FIRIP. The market position, mandate, strategic posture and familiarity with the RAF space favourably places Natsave as an important partner to continue engaging to find ways to reach the FIRIP target groups.

#### *Deposit-taking and non-deposit-taking MFIs*

8. **Agora Microfinance Zambia:** Agora Microfinance was licensed in 2011 by BOZ to operate as an NBFi in the microfinance category. Agora targets low-income rural households and rural enterprises fully aligned with the IFAD target groups aiming to contribute to their economic well-being using the village banking model as promoted by its founding shareholders Concern Worldwide and Agora Microfinance N.V (AMNV) which has a majority stake. With its village banking model and its target market, Agora has focused on group lending and allied methodologies to provide a range of products such as agriculture lending, group lending, small business group lending, MSME lending, micro insurance and mobile money in its portfolio of offerings through its 36 branches in 8 provinces in Zambia.

The bank reported its 2022 performance<sup>141</sup> as follows: K189 million (borrowings), K291 million (total assets), K87 million (equity), profit before tax of 15.9 million with 11% of loan portfolio of K224 million (PAR not more than 3%) in the agricultural sector. During the design mission, the team recognized Agora as one of the more transparently run and accountable financial institutions with a mandate and involvement strongly aligned to IFAD objectives. Agora has women accounting for 54% of its portfolio which is 87% rural with 92% of loans under K50,000. Its declared cost of funds in 2023 was 23% pa with lending at 71% pa (interest and fee yield).

9. **FINCA Zambia:** FINCA Zambia started in 2001 as the local branch of FINCA International, the non-profit microfinance organization which pioneered the globally acknowledged village banking methodology in microcredit. FINCA Zambia now operates as a BOZ licensed deposit-taking full-service MFI offering various financial services to over an estimated 20,000 customers. FINCA has loan products for small enterprises and groups and participated in the Innovations and Outreach Facility under RUPEP to pilot technology-driven improvements to its models targeting the bottom of the pyramid. FINCA reported its 2023 performance<sup>142</sup> as follows: K150.1 billion (deposits), K244.7 billion (total assets), K40.1 billion (equity), profit before tax of K9.3 billion with a loan portfolio of K157.2 billion.

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<sup>141</sup> Agora Microfinance Zambia (2023): 2022 Annual Report. Additional information for 2023 in <https://www.amz.co.zm/copy-of-performance-snapshot>

<sup>142</sup> FINCA Zambia (2024): 2023 Annual Report. <https://finca.co.zm/wp-content/uploads/sites/7/2024/04/2023-Report-and-financial-statements.pdf>

10. Madison Finance Company Limited (MFinance): MFinance is a member of the Lusaka Stock Exchange listed Madison Financial Services (MFS) Group of Companies in Zambia licensed by BOZ as a microfinance company under the Banking and Financial Services Act 2017. As at the end of 2022<sup>143</sup>, the assets and liabilities of MFinance stood at K267 million and K243 million, respectively, whilst its capital adequacy ratio was 16.8% (standard for NBFI total CAR is 10% or higher).
11. MicroLoan Foundation Zambia: Microloan Foundation Zambia is the local branch of a UK-based microfinance charity that has been providing small loans and business training to women since 2008. The foundation's vision is to alleviate poverty and empower women by offering financial support and business skills to those living in rural areas. Through these loans and free business and financial literacy training, women are able to start businesses, thereby increasing their household incomes, business profits, and assets. This enables them to save money, support their families during hard times, and contribute to school fees, medical bills, and food security.

The training methods are engaging and participatory, incorporating songs, dance, and role-play, which are effective in areas with low literacy rates. The training covers essential business skills, such as making a business plan and marketing, and encourages group support and cohesion. Recognizing that two-thirds of their clients have little or no schooling, the training sessions are designed to be inclusive and ensure the success of their businesses.

Loan officers travel to rural areas on motorcycles to reach remote communities. Interested rural dwellers are encouraged to form groups of 5 to 20 members. Before the first loan is disbursed, loan officers provide business and financial literacy training. The initial loan amounts are deliberately low and include a subsidized service charge to promote sustainability and acclimate members to paying for services. Repaid loan amounts are recycled to fund further loan cycles. Clients are encouraged to build capital reserves and increase their economic independence, with the amount of savings determining their individual loan sizes. This approach typically results in high repayment levels and low dropout rates.

Microloan Foundation Zambia operates through 23 branches and satellite offices across the country. It serves 54,526 active clients with a loan portfolio of \$4.95 million (with a PAR@30 of 7.1%) and an average loan size of \$130. The foundation maintains an operational self-sufficiency of 104%<sup>144</sup>. Given this performance and Microloan's track record under the RUFEP IOF, it is well-positioned to partner with FIRIP.

12. VisionFund Zambia (VFZ): VisionFund Zambia Limited (VFZ) was licensed by BOZ in 2003 as a deposit taking microfinance institution majority owned by VisionFund International and World Vision Zambia. It targets economically active low income but low-income entrepreneurs operating in rural areas with limited access to financial services. VisionFund Zambia operates in 23 locations<sup>145</sup> at the branch and sub-branch levels in 8 of the 10 provinces in the country with a client base of 17,159 clients and a loan book of K70.3 million through various products such as the Pamodzi Solidarity Group Lending, Chitukuko individual loans, Lima agricultural loans with dedicated products for horticultural loans for irrigated agricultural loans for both groups and individual clients. The Njinga bicycle and Dairy loans all target

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<sup>143</sup> Stockbrokers Zambia Limited Report dated 15 May 2024 accessed at <https://africanfinancials.com/document/zm-mfin-2022-ab-00/>

<sup>144</sup> Data as at 31 December 2023 at <https://www.microloanfoundation.org.uk/wp-content/uploads/2024/04/Zambia-Quarterly-Ops-Update-Q4.pdf>

<sup>145</sup> <https://www.visionfund.org/where-we-work/africa/zambia>

farmers and value chain actors with resources for both working capital and the acquisition of productive assets. VisionFund Zambia has long experience in collaborating with various national and international partners to prosecute its mandate. That experience record is useful especially as it also aligns with FIRIP project development objectives and has similar target groups.

## 2) Summary of Challenges and Opportunities

Parameter	Challenges	Opportunities
<b>MACRO</b>		
<i>Country Context</i>	<ul style="list-style-type: none"> <li>-High rural poverty of above 75% since 2010</li> <li>- Persistent drought affecting agriculture and power utilities</li> <li>-High levels of public debt crowding out private sector</li> </ul>	<ul style="list-style-type: none"> <li>- Economic reset with consensus on debt restructuring with multilateral organizations (IMF, World Bank)</li> </ul>
<i>Policy</i>	<ul style="list-style-type: none"> <li>-High public debt requiring monetary policies crowding out credit to the private sector with formal credit to GDP and agriculture as share of private sector credit remaining low</li> <li>-Widespread reliance on government input subsidy programmes are managed on less than sustainable basis</li> </ul>	<ul style="list-style-type: none"> <li>-Extensive policies for rural and agriculture finance/financial inclusion</li> </ul>
<i>Regulation &amp; Supervision</i>	<ul style="list-style-type: none"> <li>-Tight supervisory posture affecting flow of credit with the difference between the regulatory standards for banks and NBFIs regarding CAR, required reserves etc not sufficiently wide enough to promote pro-poor lending</li> </ul>	<ul style="list-style-type: none"> <li>-Strong licensing, regulatory and supervisory regime</li> <li>-Good cooperation among the three major financial sector regulators</li> </ul>
<b>MESO</b>		
<i>Apex Bodies and infrastructure</i>	<ul style="list-style-type: none"> <li>-Weak complaints system for reporting financial transactions not quite compliant with good client protection practices</li> </ul>	<ul style="list-style-type: none"> <li>-Strong payment infrastructure supporting the rapid growth in mobile money and digital technologies</li> </ul>
<b>MICRO</b>		
<i>Demand Side</i>	<ul style="list-style-type: none"> <li>-Even though over 21% of adult population depend solely on agriculture, over 40% of farmers are reported to be financially excluded</li> </ul>	<ul style="list-style-type: none"> <li>-Financial inclusion continues to grow and there are improvements in the infrastructure albeit at a slower pace. Investments in digital infrastructure has potential to increase access to finance and lower the cost of financial services to the more remote parts of the country</li> </ul>
<i>Supply Side</i>	<ul style="list-style-type: none"> <li>- Financial institutions need technical support from partners such as BDS providers to support the development of value chains to support their bankability as Fis as not well placed to invest in that important condition precedent for successful credit risk management.</li> </ul>	<ul style="list-style-type: none"> <li>- Given the high mobile phone penetration and phone use data, there is opportunity for digital finance solutions to unlock micro-credit, improve the provision of micro and SME credit by banks whilst strengthening the links between banks and BOZ/ZICTA to enhance complementarity and strengthening MFIs to support the target markets of</li> </ul>

	interest with public good motivated resources.
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**c) Emerging Guiding Principles for Consideration in Project Design**

The key findings and the review of challenges and opportunities provide the following ideas to guide the design of a viable project intervention:

- Independent and professional management of the on-lending funds (BFF) which: (a) protect the integrity of the fund and slow down its attrition by achieving reasonable loan quality; (b) mitigate potential elite capture; and (c) could have the credibility to manage similar funds thereby entrenching its credibility whilst also lowering its cost-to-investment funds ratio, a matrix critical to its sustainability.
- To the extent possible, allow FSPs to complement concessionary funding by contributing to the financing of the IFAD target group to build their interest as financiers and focus them on effective selection of bankable propositions.
- Transparent and credible process for selection grant recipients under IOF.
- To the extent possible, encourage TA/capacity building within FSPs to calibrate their products, services, systems for identifying, appraising and managing financing of target group to strengthen bank-borrower engagement sustainably.

**d) Conclusion And Recommendations for Entry Points and Potential Pathways**

As an initial assessment of the rural and agricultural finance market in Zambia, there appears to be the need for:

- (i) Additional liquidity to address the financing needs of IFAD target group rather than large scale value chain actors and enterprises, especially regarding medium duration resources to support the acquisition of cost-effective productivity enhancing assets and technologies (as with a blended finance facility which may have a structure more open to potential concessionary financing partners than the traditional IFAD line of credit which tends to be a more closed instrument) and;
- (ii) Grant support for an innovation and outreach facility focusing of promoting access to finance for geographically excluded IFAD target groups to expand the availability of financial services in the country, more intentionally support innovation and access to new technologies and market development with value chain financing instruments and delivery channels and promote the adoption of climate smart agricultural practices and green financing which could be scaled up with resources from the complementary blended finance facility.

It will however be important to engage more robustly with the leadership of the prospective FSPs to elicit their unambiguous and considered endorsement of the adequacy of the incentives in the project structure. This will ensure a successful uptake of the project offerings (both the blended finance and innovation and outreach facilities) and in a manner which continues to meet the aspirations of the IFAD target groups, in whose name and to whose benefit this entire enterprise rests.

## APPENDIX TO ANNEX 1: GRZ INTERVENTIONS TO PROMOTE AGRICULTURAL FINANCE

The Government of Zambia has over the years recognized the challenges of agricultural finance in the country and have put in place periodically various development interventions including under the aegis of policies such as 8th National Development Plan 2022 – 2026 and its predecessors. These have typically featured market development strategies using regulatory measures (such as Bank of Zambia’s monitoring and reporting credit flows to the agriculture sector with its development oriented CMMP detailed quarterly reports and the efforts of the Pensions and Insurance Authority (PIA) in supporting agricultural insurance schemes) and de-risking policies such as through the Ministry of Finance which established the ZCGS as a private company which provides a platform for financial institutions to offer affordable financial products and services (including to agriculture) at reduced risk. There have also been interventions such as the Implementation of the warehouse receipt system under the ZAMACE since 2015.

But perhaps the most notable interventions to improve agricultural credit in recent times have been the introduction of the SAFF and the more small-holder friendly FISP.

The Government, through the CATSP and the Zambia Agriculture and Food Delivery Compact, set out to produce ten million metric tonnes of maize and one million metric tonnes of soybeans by 2027. This initiative is expected to fulfill both domestic and regional demands, positioning the country as a leading hub for maize and soybean production. Furthermore, the programme is intended to enhance agricultural output, which currently contributes a sub-optimal 3.06% to the gross domestic product.

The SAFF was launched in the 2023/24 farming season as a strategic government programme aimed at securing longer tenor financing for the agriculture sector. This includes support for underserved groups of farmers and SMEs. The SAFF incorporates a Credit Guarantee Scheme, provided through the ZCGS, and an insurance scheme, both of which mitigate risks and attract private sector participation<sup>146</sup>.

As of 31 January 2024, the Ministry of Agriculture reported the disbursement status of the SAFF to be as follows (Table 5):

Table 5: Bank Disbursement of the Agriculture Credit Window (SAFF) Implementation

<b>Performance by the Banks</b>				
#	Bank	# of Loans Disbursed	Total Loan Amount Approved* (ZMW)	Total Amount Disbursed** (ZMW)
1	ABSA	1,888	50,957,820	50,202,620
2	Atlas-Mara	222	5,110,000	5,024,000
3	Indo-Zambia Bank	2,304	56,271,500	55,346,500
4	NatSave	2,276	59,637,250	47,684,772
5	Zanaco	529	13,742,000	13,378,574
<b>Grand Total</b>		<b>7,219</b>	<b>185,718,570</b>	<b>171,636,466</b>

Source: Ministry of Agriculture

\*Loans approved by the banks

\*\*Total amount disbursed less mechanization (K2,209) and bank arrangement fee (K400)

Prior to the SAFF, the primary government programme to support small-scale farmers has been the FISP, which was a key component of the National Agriculture Investment Plan

<sup>146</sup> SAFF Closure Report: 2023/24 Farming Season issued by ABSA with input from discussions with officials of the Ministry of Agriculture

(NAIP) 2014-2018 to improve crop diversification and introduce different varieties adapted to the country's agro-ecological zones and weather patterns to enhance resilience and food security<sup>147</sup>.

Both the SAFF and the FISP use the FRA as a primary off-taker of farmer produce. Over the years, a significant portion of public spending on agriculture has been spent on the FISP and the FRA. It is important to mention the role of the weather index insurance (WII) to compensate farmers in case of weather-induced losses such as early or late dry spells, excess rainfall, etc.).

It is crucial to draw lessons from the experiences of these commendable government initiatives and create synergies with the BFF. This may include allowing FSPs to contribute to the BFF as part of their participation in eligible transactions, among other strategies.

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<sup>147</sup> World Bank Group (2019): Agriculture Finance Diagnostic - Zambia



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## ANNEX 2: DRAFT TERMS OF REFERENCE OF THE BFF FUND MANAGER

Component 2: Enhanced Access to Client-Centric Financial Services and Delivery Mechanisms

*Sub-component 2.2: Affordable Finance for Agriculture and Green Investment*

### DRAFT TERMS OF REFERENCE FOR BLENDED FINANCE FUND MANAGER

**1. Background:** The Government of Zambia, with funding from IFAD, is implementing the Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP) which will provide improved access to a diverse range of financial services enabling rural smallholders and MSMEs to better manage risks, increase productivity, and invest in green and climate-resilient technologies. FIRIP will foster the expansion of client-centred financial services at scale by combining capacity strengthening of Financial Service Providers (FSPs) with improvements in the enabling environment. The project will be implemented by the Ministry of Finance and National Planning (MoFNP).

A key component of FIRIP is a blended finance facility (BFF) which aims to provide a line of credit to farmers and agribusinesses to enhance agricultural productivity, support sustainable farming practices, and improve rural livelihoods. To effectively manage and disburse these funds, a professional fund manager is required.

**2. Objectives:** The primary objective of this assignment is to ensure efficient and transparent management of the BFF to be availed to farmer and rural enterprises in an effective manner and in accordance with the program's goals.

**3. Scope of Work:** The Fund Manager (which shall be a firm with its main core business being provision of financial services) will be responsible for:

- Establishing and administering the fund in accordance with applicable financial regulations and standards.
- Proactively reaching out to potential FPS and funders aligned with objectives of the BFF to enhance and diversify its sources and uses of funds;
- Creating criteria and procedures for credit applications, evaluations, approvals, and disbursements.
- Performing due diligence on applicants (FSPs) to evaluate creditworthiness and verify appropriate use of funds.
- Monitoring and reporting on fund usage by FSPs and end-borrowers, including repayment schedules and interest accumulation.
- Contributing to knowledge management on the use of blended finance mechanisms and the impact on sustainable expansion of lending and impact on FIRIP target groups.
- Implementing risk management strategies to minimize defaults and losses.
- Maintaining transparent records and documentation for auditing and reporting.
- Based on sound performance, portfolio growth and impact, support FIRIP in developing a sustainability strategy for the BFF and an exit strategy for FIRIP.

#### **4. Roles and Responsibilities:**

- **Establishment and Management of BFF:**
  - Establish the fund structure and operational framework.
  - Ensure compliance with all legal and regulatory requirements.
  - Finalize all related documentation, including the reporting requirements from PFSPs in line with FIRIP's results targets and indicators.
  - Supporting sensitization and outreach events organized by FIRIP to mobilize interested FSPs and additional funders;
- **PFI Accreditation and Fund mobilization**
  - Finalization of the eligibility criteria for participating financial institutions (PFIs)
  - Initial accreditation of PFIs (and renewals, subject to performance);
  - Accreditation of additional PFIs during implementation;
  - Sourcing additional contributions from concessionary funders to diversify and expands the pool of funds and enable and increase in the BFF's operation.
- **Credit Administration:**
  - Develop and implement credit evaluation and approval processes.
  - Develop subsidiary loan agreements with accredited PFSPs defining the use of funds in line with FIRIP objectives and target groups;
  - Manage the disbursement of funds to approved PFIs and the repayment of subsidiary loans (including recovery in case of breach of contract or default).
- **Portfolio Monitoring and Reporting (Technical and Financial Operations):**
  - Track the performance of loans and repayment, including at the level of the sub-loan portfolio co-financed by the BFF.
  - Generate regular reports on fund utilization and outcomes of PFSP and beneficiary levels (including type of and borrowers, loan uses, etc).
  - Field monitoring of FPSPs and sub- borrowers on a random basis to ensure proper use of funds and gather key information to support FIRIP's impact monitoring and knowledge management
  - Maintain accurate records and produce detailed reports for stakeholders.
- **Advisory Services and Knowledge Management:**
  - Provide guidance to PFIs and sub-borrowers (farmers and agribusinesses/enterprises) on financial management and credit utilization (but not full-blown TA);
  - Support FIRIPs PCU, especially the M&E and KM Officers and the RF experts in analyzing, documenting and sharing the experiences and lessons learned from the BFF.
  - Contribute to developing a sustainability strategy for the BFF and an exit strategy for FIRIP.
- **Treasury and Risk Management:**
  - Manage the liquid resources of the BFF in an effective and efficient manner
  - Identify, assess, and mitigate financial risks associated with the credit line.

## 5. Deliverables:

- Inception Report: Detailing the approach, methodology, and work plan.
- Monthly/Quarterly/Semi Annual Reports: Summarizing fund status, disbursement details, repayments, and issues encountered.
- Final Report: Comprehensive overview of the fund's performance, impact assessment, lessons learned, and recommendations.

## 6. Qualifications and Experience:

- Applicant shall be a firm capable of providing a team comprising, at the minimum, a team lead (fund manager with a minimum of a bachelors degree and 5 years experience), 2 field officers (minimum of a bachelors with 2 years experience), an

accounts/treasury officer (a chartered accountant with at least 5 years experience) with supporting staff to run a national operation

- Proven experience in fund management, particularly in agricultural or rural finance.
- Strong understanding of credit management, risk assessment, and financial analysis evidenced by banking or experience in credit, treasury, funds management or similar roles.
- Familiarity with the agricultural sector and the financial challenges faced by farmers and agribusinesses/enterprises evidenced by educational certification, management of similar funds or work experience with agribusiness operations.
- Possess the relevant licenses for its operations (e.g. a banking license if it is a bank)
- Ability to work independently and collaboratively with stakeholders.

**7. Reporting Line:** The Fund Manager will report to the Project Coordinator of FIRIP and will work closely with the designate Government of Zambia implementing entities.

**8. Budget and Resources:** The Fund Manager (the firm) will be provided with the necessary resources, including (to be specified) to execute their responsibilities effectively.

**9. Project Duration:** Whilst FIRIP shall be operational for 7 years, the position of the Fund Manager shall be for an initial period of 3 years subject to a further period of up to 4 years.

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### ANNEX 3: IFAD ENVIRONMENTAL AND SOCIAL (E&S) EXCLUSION LIST

IFAD will not knowingly finance, directly or indirectly, projects involving the following:

- Production or activities involving harmful or exploitative forms of forced labour,<sup>148</sup> or practices which prevent employees from lawfully exercising their rights of association and collective bargaining;
- Production or activities involving harmful or exploitative forms of child labour;<sup>149</sup>
- Production or trade in weapons and munitions;<sup>150</sup>
- Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples;
- Activities prohibited by host-country legislation or international conventions relating to the protection of biodiversity resources, cultural heritage or other legally protected areas;<sup>151</sup>
- The production, trade in or use of any product or activity deemed illegal under host country (i.e. national) laws or regulations, international conventions and agreements, or subject to international phase-out or bans, such as:
  - Products containing polychlorinated biphenyls (PCBs);
  - Pharmaceuticals, pesticides, herbicides and other hazardous substances subject to international phase-outs or bans;<sup>152</sup>
  - Ozone-depleting substances subject to international phase-outs regulated by the Montreal Protocol;<sup>153</sup>
  - Wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);<sup>154</sup> and
  - Transboundary trade in waste or waste products as defined by the Basel Convention;<sup>155</sup>
- Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
- Production or trade in wood or other forestry products other than from sustainably managed forests;

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<sup>148</sup> Forced labour is work exacted under the threat of penalty and for which the worker has not offered himself or herself voluntarily. It can involve threats of dismissal or physical violence, the withholding of identity documents or wages, threats to denounce workers to immigration authorities and entangling workers in fraudulent debt.

<sup>149</sup> Child labour includes: (i) labour below the host country's minimum age of employment; and (ii) any other work that may be hazardous, may interfere with a child's education, or may be harmful to a child's health or physical, mental, spiritual, moral or social development. If national laws or regulations provide for employment of children at least 16 years (in line with ILO's 1973 Minimum Age Convention), on the condition that their health, safety and morals are fully protected, and they have received adequate instruction or vocational training in the relevant branch of activity, then child labour means employing children for work that does not comply with these laws and regulations.

<sup>150</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>151</sup> Relevant international conventions include the: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; and Convention on Biological Diversity.

<sup>152</sup> Relevant international conventions include the: United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; and WHO Classification of Pesticides by Hazard. A list of pesticides, herbicides and other hazardous substances subject to phase outs or bans is available at <http://www.pic.int>.

<sup>153</sup> A list of the chemical compounds regulated by the Montreal Protocol, together with details of signatory countries and phase-out target dates, is available from [UNEP](http://www.unep.org).

<sup>154</sup> A list of CITES species is available from the [CITES secretariat](http://www.cites.org).

<sup>155</sup> See <http://www.basel.int>.

- Production or trade in alcoholic beverages (excluding beer and wine), tobacco or drugs;
- Marine and coastal fishing practices such as blast fishing, large-scale pelagic drift net fishing using nets in excess of 2.5 km in length or fine mesh net fishing harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats;
- Trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit;
- Production of, trade in or use of unbounded asbestos fibres;
- All mining, mineral processing and extraction activities;
- Production or trade in radioactive materials;<sup>156</sup>
- Gambling, casinos and equivalent enterprises, trade related to pornography or prostitution;
- Contribute to money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion;
- Production and distribution, or investment in media that are racist, antidemocratic or that advocate discrimination against an individual, group or part of the population;
- Activities prohibited by host country legislation or other legally binding agreements regarding genetically modified organisms (GMOs);
- Production of or trade in palm oil unless from growers and companies with internationally recognised certification<sup>157</sup>, or undergoing certification<sup>158</sup>
- Production of soy in the Amazon region or trade in soy produced in the Amazon region, unless from growers with internationally recognised certification<sup>159</sup>

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<sup>156</sup> This does not apply to the purchase of medical or veterinary equipment, quality control (measurement) equipment and any similar equipment where the radioactive source is trivial and/or adequately shielded.

<sup>157</sup> For example Round Table on Sustainable Palm Oil (RSPO)

<sup>158</sup> This includes growers and companies that have initiated such certification process

<sup>159</sup> For example Round Table on Responsible Soy Association (RTRS)

### 3.4 COMPONENT 2: ENHANCED ENABLING ENVIRONMENT FOR INCLUSIVE RURAL FINANCIAL SERVICES

349. This component will address critical bottlenecks for providing client-centred and affordable financial services in rural areas at scale. It will tackle broader issues at policy, legal and regulatory level; strengthen the implementation capacity of key actors at macro-, meso- and micro levels; contribute to knowledge sharing and management; and help promoting cross cutting new themes such as gender and youth empowerment, ESG, climate change, etc.

350. For longer term support for policy development, development of legal/regulatory instruments, institutional strengthening and capacity development, the SP is used based on the successful experiences under RUFEP. In addition, the component will support a number of specific trainings, capacity development, knowledge management activities, technical assistance and studies for various actors and key stakeholders.

351. In general, Component 2 activities will complement the specific micro-level support provided under Component 1 enhancing its effectiveness by addressing systemic and broader capacity constraints that inhibit sustainable replication at scale. At the same time, component 1 activities will help monitoring the impact of these measures at micro-level, in collaboration with FIRIP's KM activities, IOF sub-projects and BFF will identify new issues that may require attention at policy, regulatory and institutional levels (thereby creating a feedback loop).

#### **Part A) Activities envisaged under Technical Assistance and Training:**

352. **Activity 2.1: Technical workshops on emerging topics and innovations in rural, agricultural and climate finance.** The landscape of rural and agricultural finance is rapidly evolving, with new challenges arising - such as increased risks due to climate change, along with new opportunities and solutions becoming available (e.g., linked to digital technologies, artificial intelligence, use of geo-data, etc). The PCU led by its Rural Finance Specialists in collaboration with the Environment and Climate Adaptation Specialist, the M&E and KM Specialist and the Gender and Social Inclusion Specialist, will organize a series of workshops on emerging topics in rural, agricultural and climate finance. These may include:

- (i) innovations in risk management (including agricultural credit scoring, use of geo-data, alternative collateral such as crop and warehouse receipts);
- (ii) new agricultural finance products and services (e.g., applications of invoice discounting, factoring or securitization along agricultural value chains; new asset finance solutions such as micro-leasing, Pay-As-You-Go, etc); liii) low-cost delivery mechanisms for rural clients and smallholders including through partnerships, bundled services provision, value chain finance arrangements, and linkage banking; iv) innovations in and experiences with youth financial services; and v) approaches and experiences in gender transformative approaches linked to inclusive rural finance. These topics are just examples, further topics may be identified during implementation.

353. A total of five workshops are planned, one each year, starting in year 2. Workshops would include experiences from Zambia as well as experts and practitioners from other African countries.

354. **Activity 2.2 FSP Training on Climate Risk Management.** Climate change and related risks are becoming ever more unpredictable and challenging for rural financial service providers as mirrored in increased loan default risks and claim rates for agricultural insurance. At the same time, climate change increases the demand for various financial services allowing rural people and enterprises prepare for, cope with, and recover from climate-related shocks. Currently, FSPs are not well prepared to understand, predict and manage climate risks and adapt to the specific CC trends in rural Zambia. Often FSPs' response is risk avoidance rather than better risk preparedness and management. The trainings will cover different subjects such as understand helping participants to the various climate projection models and the implications for Zambia including their likely impacts on the rural economy (agriculture, energy, rural transport, etc). Another area will be on the harnessing digital technologies and big data analysis using geo-spatial and locally sourced climate data to create localized climate risk scores that can help improve risk management from loan appraisal to monitoring, as well as actuarial models and pricing for crop insurance. Implications of climate change for the design of agricultural insurance products and programs including pricing and need for public support will be another area. In total, four trainings are planned during project implementation. The trainings will be jointly prepared by the Environment and Climate Adaptation Specialist and the Rural Finance Specialist.

355. **Activity 2.3: Specific technical assistance for FSP's participating in FIRIP to develop or improve ESG Frameworks.** Frameworks for managing Environmental Social and Governance (ESG) are becoming more important in mainstream across the financial industry, including in Zambia. The BOZ has just issued a Green Finance Framework and investors (especially impact investors) are increasingly focusing on satisfactory ESG frameworks, policies and their implementation. While some banks have already introduced ESG frameworks, others are still in the process or haven't started yet (especially smaller FSPs). In addition, FSPs participating in IFAD projects need to develop and maintain an effective Environmental and Social Management System (ESMS), including procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as for managing overall portfolio risk in a responsible manner. This shall be proportionate to the risks and impacts of the given projects, and the risk profile of the FI's portfolio or the risks and impacts of the sub-project.

356. At early implementation phase, the PCU will assess the capacity of partnering financial intermediaries to manage environment, social and climate risks which might be associated with their investment portfolio. It will assess the integration of the following elements of the ESMS: (i) an E&S policy; (ii) identification of risks (environmental, social and climate due diligence); (iii) Management plans; (iv) internal organizational capacity and competency; and (v) monitoring and review systems. Based on this initial assessment, the FIs that are serving FIRIP target groups will be assisted to develop an environmental and social action plans (ESAPs) to specify how identified risks will be mitigated and/or managed. This activity will be led by the Environment and Climate Adaptation Specialist, in collaboration with the Rural Finance Specialist and the Gender and Social Inclusion Specialist. Specific training content may be developed. Local consultants may be hired to support PCU staff if needed. These trainings and TA will also help FSP to improve their overall ESG framework and related instruments and procedures.

357. **Activity 2.4: Gender and Youth Audit of CBF Promoters and MFIs.** Consultations during FIRIP design have revealed that several experienced CBF Promoters such as FSDZ, Catholic Relief Services, World Vision, etc are already using household methodologies and other participatory approaches aimed at transforming gender relationships at household and community levels. These approaches aim a gradual transformation of gendered norms and decision-making processes using management or finances at individual and household level as an entry point. They seek to involve different household members (women, men and youth) in the management of household finances and related decision-making, which is gradually expanded towards division of task at

household and enterprise level, and beyond. Likewise, several development-oriented MFIs are focussing mainly or exclusively on poor rural women (e.g., Microloan Foundation, Agora Micro-finance, Vision Fund) and employ so-called “Microfinance Plus” approaches complementing financial services with group formation, mentoring, training and capacity development.

358. Given FIRIP’s ambition to mainstream youth sensitive and gender transformative approaches among rural FSPs in Zambia, it will start by conducting assessments of the current methodologies and approaches used by different CBF Promoters and MFIs. This assessment (gender and youth audit) will cover the strength and weaknesses of the various approaches used in Zambia and compare these with IFAD requirements and experiences in other IFAD funded projects. Based on the results of these audits and the identified gaps and opportunities, specific training content and materials will be developed. Hence, rather than bringing in new methodologies, FIRIP’s approach is to build in existing practices and enhance them as need (including by incorporating elements from other proven methodologies such as GALS).

359. **Activity 2.5: Development of training material for gender and youth sensitive and gender transformative approaches in inclusive rural finance.** Based on the assessments as well as implementation experiences under FIRIP, specific training material will be developed on gender and youth sensitive approaches for CBF Promoters and FSPs. The work will be led by the Gender and Social Inclusion Officer in collaboration with the Rural Finance Specialist and in close partnership with SaveNet (view related SP).

360. **Activity 2.6: Trainings on gender and youth sensitive and transformative approaches.** FIRIP will conduct trainings on gender and youth sensitive and transformative approaches in financial service provision. These trainings are intended to inspire and help FSPs and other applicants to integrate gender and youth sensitive and transformative approaches in their existing operations or develop new products and procedures (including through support under the IOF).

361. Different training content will be tailored to different FSPs, depending on how much they are willing and able to engage in GTA. Basics and essentials in gender and youth sensitive product development, design and implementation modalities will to all types of FSPs. The use of household methodologies and other participatory approaches to enable better and more equitable decision-making at household level will be tailored towards CBF Promoters and development-oriented MFIs. Trainings will be implemented by the Gender and Social Inclusion Officer in collaboration with the Rural Finance Specialist, and the M&E and KM Officer, and in partnership with SaveNet and Association of Microfinance Institutions in Zambia (AMIZ).

362. Experiences have shown that staff reflection on gender norms is crucial to sustaining programmatic commitment to gender transformation in all programming—including CBFs. The allocation of sufficient staff at the level of CBF Promoters and MFIs with the capacity to support gender integration and the design, implementation and measurement of approaches is essential to maintain the resources and tools needed for gender transformation and to measure impact.

363. **Activity 2.7: Technical Assistance to review ZCGS operating model and enhance its efficiency, outreach and sustainability.** ZCGS since incorporation in 2017 by the MoFNP has sought to enhance access to finance to MSMEs in Zambia but only commenced business in 2022. The scheme has an important role to play in addressing lack of tangible collateral by and SMEs and farmers and enhancing access to loans. Since late 2023, it has become an integral component of SAFF and will complement the BFF developed under FIRIP. ZCGS has limited experience and its current model under SAFF poses challenges in terms of scalability and sustainability. ZCGS management has expressed interest to learn from international experiences and best practices on how to



improve the efficiency, sustainability and scale of its operations. For this purpose, a dedicated international TA will be mobilized to conduct a thorough analysis and develop an institutional strengthening plan, including training and capacity development of its technical and managerial staff. Among the potential areas of technical assistance to ZCGS are staff capacity building, institutional system for enterprise resource planning (ERP) and risk management with a credit model for underwriting integrated with partner financial institutions embedded with a reporting system.

364. The TA will be procured through an international consulting company.

365. **Activity 2.8: Technical Assistance to strengthen the Sustainable Agricultural Finance Facility (SAFF).** The SAFF was launched in the 2023/24 farming season as a strategic government programme aimed at securing longer tenor financing for the agriculture sector. This includes support for underserved groups of farmers and SMEs. During a first cycle, SAFF incorporates a Credit Guarantee Scheme, provided through the ZCGS, an insurance scheme, both of which mitigate risks and attract private sector participation; and a set of operating guidelines to participating FSPs.

366. While instrumental in mobilizing K256 million loans to emerging farmers during its first season, SAFF operations faced several challenges including a delayed start, limited staff capacity, lack of standardized processes, slow emergent farmer onboarding, profiling and verification processes due to limited staffing, which affected banks' ability to conduct thorough due diligence, as well as the absence of a robust monitoring in every way framework. Moreover, its current model allows for limited leverage of public resource given the high cash collateral coverage (80% of loans disbursed) and crop insurance. Revisions of SAFF are underway, and the scheme will be diversified beyond financing inputs for maize and soybean towards various other value chains and loan purpose, along with modifications in the de-risking measures and roles of different actors.

367. The TA will review the various implementation experiences of SAFF by that date, analyze the lessons learnt based on consultations with various stakeholders, and propose options for further improving the programs efficiency, outreach, sustainability and impact. It will also draw on international experiences with similar initiatives. The TA will be procured through an international consulting company.

368. **Activity 2.9: TA for the detailed design of the BFF.** The BFF is an innovative new approach in Zambia. The PCU may require assistance from an international consultant with experience in setting up blended finance instruments to develop robust procedures, prepare the call for proposal for the FM and support the PCU in its selection. A thorough design may also enhance the credibility of the BFF vis-à-vis potential other contributors and help mobilizing additional concessionary funding. The consultancy will be required during the initial phase of FIRIP implementation.

369. **Activity 2.10: TA to develop options for a permanent institutional structure for the BFF.** The management of the BFF by an independent, experienced FM is expected to lead establish its credibility and demand for continuity beyond FIRIP's implementation period. A consultant firm will be hired to explore options to institutionalize the BFF in a manner that guards its independence while ensuring its continuing operations. This might be in the form of a trust or a company that may also integrate other support functions such as technical advisory services, de-risking and insurance. This consultancy will require intense consultations with various stakeholders who might be interested to contribute to the establishment of such institution. It will also share experiences from other African countries with similar structures. The consultancy will commence at the beginning of year 6 of FIRIP implementation.

370. Other technical assistance requirements may be identified during implementation. An amount of USD 200,000 has been allocated for such purpose.

## Part B) Strategic Partnerships.

371. This part specifies strategic partnerships and the main modalities for their identification and implementation. It draws on the procedures and experiences successfully developed under RUFEP.

372. Strategic Partners are key actors, in the financial and support sectors which could potentially have a catalysing effect on the expansion of rural finance in Zambia. FIRIP, with the strategic partner, jointly create a partnership framework that addresses any capacity gaps and co-finances defined projects aimed at expanding rural finance products and services. All activities under the partnership framework are owned and initiated by the strategic partner.

373. Actors in the rural finance space can be classified into three levels:

- Macrolevel actors oversee policy, legal and regulatory frameworks, and mainly include key ministries and the Central Bank;
- Meso Level actors provide financial infrastructure and support Services (e.g., credit reference bureaus, collateral registries, guarantee and refinance facilities) as well as associations (e.g., Bankers Association of Zambia – BAZ; Association of Microfinance Institutions of Zambia – AMIZ, and SaveNet), as well as mobile network operators;
- Microlevel entities include financial service providers.

374. Given their larger potential catalytical impact in sustainable expansion of inclusive rural finance, SPs under FIRIP will mainly be macro- and meso-level actors.

375. The PCU's role is that of a facilitator rather than a direct implementer. All initiatives supported demonstrate clear links with market needs, and defined targets to achieve the Programme's objectives. FIRIP will formalize and provide structured approaches for SPs to strengthen their capacity to address critical policy, legal or regulatory gaps and to ensure adequate implementation capacity at all levels. This may also include training capacity development of meso and micro level actors. The overall objective is to strengthen the enabling environment for FSPs to provide a broader range of client centric and responsible financial services in rural areas for the benefit of FIRIP target groups.

376. Each strategic partnership must adhere to the following principles:

- **Demand-driven:** While the PCU will be responsible for creating awareness among all potential partners, all capacity building interventions supported by FIRIP will be based on expressed demands from potential partners. It will remain the responsibility of partners to identify gaps and formulate support needs, and effectively communicate these to the Project. Technical support and guidance to potential partners will be offered by the PCU to refine proposals, technical support needs, including externally contracted expertise if required, as well as budget requirements and partner contributions, both financial and in-kind;
- **Cost sharing:** Willingness to cost share will be a demonstration of commitment by the potential partners. The ratio of cost sharing will be decided in collaboration with partners and will be dependent on resource capacity;
- **Leveraging resources:** To the extent possible, the PCU should focus on identifying and building synergies with other projects and partners with a similar mission, hence leveraging resources and maximising potential impact of interventions. Where the synergies are established, the PCU should move to seek a formal collaboration with the identified partner through signing of a memorandum of understanding;

- **Accountability for performance:** This will start with competitive bidding, appropriate assessment of the proposals, signing of performance-based agreements with successful partners, monitoring and reporting;
- **Sustainability and Added Value:** Partnerships will be based on competitive advantages of various partners that can demonstrate long term institutionalisation of the interventions supported by the Programme and potential for greater outreach.

377. Subsequent intervention areas and activities with the same partners will be based on past performance of partners and activities in emerging needs. Partners may be brought in at any point as opportunities emerge. This approach allows for flexibility and responsiveness to changing needs.

378. Two potential strategic partnerships have already been identified during design and some initial ideas about their content have been discussed. These will be revisited and finetuned upon project implementation as priorities might have slightly changed. The potential partnerships are briefly described below.

379. **Bank of Zambia (BoZ).** Discussions with BOZ during the project design mission revealed the following areas for collaboration with FIRIP under the strategic partnership framework:

- **Establishment of an automated complaints mechanisms for fraudulent practices.** The rapid expansion of digital financial services in rural areas has led to mounting technical glitches and fraudulent practices. The current complaints handling mechanism of BoZ is manual which often leads to long delays until cases are properly rooted and can be addressed. The issue is complicated by the fact that some issues fall under the regulatory oversight of BoZ whereas other are under the responsibility of the Zambia Information and Communication Technology Agency (ZICTA). BoZ would like to automate the complaints mechanism for fraudulent practices in DFS including the rerouting to BoZ or ZICTA, depending on the nature of the complaint. This mechanism would be an important advance to implement existing consumer protection frameworks, protect poor rural users of DFS, and strengthen the trust of the rural poor in using such services.
- **Implementation of Green Finance Framework** launched by BoZ in 2023. FIRIP would support the implementation of the Framework and conduct awareness training sessions on environmental and climate-related risks and opportunities. These sessions will support the roll-out of a reporting template for green finance lending, product offerings, and ESG policy implementation, enhancing the understanding of green finance products among financial institutions and stakeholders while providing insights into their benefits, risks, and potential environmental impacts. Other areas related to ESG guidelines and regulations may also be supported, together with related sensitization and training activities. FIRIP will potentially contribute to the development of a green taxonomy aligned with national priorities, international, and regional best practices. This includes the ARCAFIM II Climate Change Adaptation Finance Taxonomy for Sub-Saharan Africa Food Systems when the project becomes operational in Zambia.
- **Assessment on financial access points in rural areas** in order to identify un- and underserved rural areas with potential for expanding formal financial access points. This assessment would guide the implementation of the IOF. Window 1 under FIRIP which would support financial service providers setting up formal access points in such areas.
- Other thematic areas including improved monitoring and data collection on rural financial inclusion may be added.

380. **SaveNet.** Initial discussions with SaveNet during the design mission revealed the following potential areas of support under a Strategic Partnership under FIRIP:

- **Development of a geo-referenced database on CBF Promoters and their supported groups** (active and weaned off). This database should include information about group maturity, demographic profile of members (gender, age); specific interests of members (e.g., agriculture, diversified livelihoods, climate change adaptation); experiences with/potential for linkages with FSPs, among others. This database would increase CBFIs to increase their visibility and help FSP and other actors to identify CBFIs and contract them to engage in potential support and linkage activities.
- **Strengthening methodologies for incorporating gender transformative approaches and inclusion of Youth, males, PWDs in CBFIs**, and development of related training content. As mentioned above, their wealth of experiences among CBF Promoters on how to address gender imbalances at the household level and promote joint decision-making; strengthen the inclusion of Youth and PWDs in CBFIs and integrating other training content into their curricular (e.g., regarding agriculture, or climate adaptation). SaveNet would facilitate a stock taking of scattered approaches and experiences along with workshops to share such experiences, learn from failures and successes, and develop some sort of best practice guidelines. These could then be shared across members and specific trainings the organized (complementing the core assessment and trainings developed by FIRIP, described above).
- **Best practices for digitization of CBFIs and linkages with FSPs.** There is a wealth of experience on with CBAR digitalization and linkage banking many of which supported under RUFEP. SaveNet (on collaboration with BOZ) would facilitate sharing and documentation of lessons learned about preconditions for success and good practices. These lessons would be instrumental to inform the design of related sub projects to be supported by FIRIP.

381. Other potential Strategic Partners include the RFU, the apex body for financial cooperatives, the Insurance Regulator, MoA, MSME, ZICTA, Competition and Consumer Protection Commission (CCPC), and the Patents and Companies Registration Agency (PACRA).

382. The remaining part of this section describes the main approach used to identify, formalize, monitor and close SPs. All partners will go through a rigorous due diligence and needs assessment process as part of the partnership framework development.

383. **Implementation approach.** New partners will be identified and engaged by the PCU during the Programme life cycle. Each new SP need to be well crafted and built on a number of contextual factors including the capacities of the partner, available resources, support needs, and partner willingness to take ownership. Therefore, all partnerships under component 2 FIRIP go through a structured approach for developing, refining and approving partnership agreements. The key steps in the partnership development process, as well as key issues to consider are laid out in table 1. Whenever possible these steps are taken in close collaboration with the potential partner, in an open and transparent way.

**Table 17: Key steps for strategic partnership development**

Step	Processes	Issues to consider
1	Market scans, stakeholder dialogue, and follow-up through other FIRIP activities to identify and engage with potential partners;	Partners' role in the marketplace, outreach capabilities, synergies with Programme objectives, and with current and planned activities under the AWPB;

2	Dialogue and negotiation with key decision-makers to develop and draft a partnership framework, conduct due diligence, partner needs assessment;	Partner financial, operational and technical capacities, audited financials, management structures, clients/target groups, value add, risks, planned activities, duration, resources needed, partner support needs, market assessment needs, need for other service providers;
3	Internal review of partnership framework, refinement together with partner, presentation to PVC or PSC for approval.	Contribution to achieving PDO, potential impacts, realistic objectives, planning and financing, timeframe for completion, partner commitment and ownership, performance monitoring plans;
4	Sign off on formal agreement, integration into formal planning tools (AWPB, financial and procurement plans, PM&E)	Priorities on commencement, support needs, partner orientation, quality of field work plans, monitoring and supervision plans.

384. Partnerships must contribute towards FIRIP's Project Development Objective (PDO) and each organisation and partnership must meet the following set of guiding principles, in addition to the values mentioned above:

- a) The organisation's mandate and services are highly relevant for achieving FIRIP's objectives;
- b) It has the minimum required financial and human resources available to undertake the proposed activities for the benefit of the target groups;
- c) It is willing to commit itself to closely collaborate with FIRIP; and
- d) It contributes to the costs of specific activities supported under the programme.

385. Cost contributions will be finalised as part of the due diligence and partner framework development process. During the due diligence process, each organisation will be assessed based on the partnership guiding principles and values. In principle, a cost-sharing of at least 20% is required.

386. **Partner identification.** The Project will observe the rural finance space to identify potential actors that may need to be brought on board to address challenges in the enabling environment that are being identified during implementation, or reported by IPs. It is during their day-to-day work, stakeholder dialogue, and participation in relevant fora and events that the PCU will identify and engage with potential partners. The M&E and KM Specialist who handles FIRIP's communication strategy will play an important role in engaging potential partners.

387. Potential new strategic partners, who display interest in becoming partners, will be engaged by the PCU in discussion to judge whether they meet the guiding principles and values for strategic partnership. If they do indeed meet this basic guidance, then the PCU may decide to move on to the next phase of stakeholder engagement, which involves a detailed due diligence process to ensure that the organisation is indeed suitable to become a strategic partner.

388. **Potential partner due diligence.** If a potential new strategic partner is identified, and through dialogue with the organisation the PCU deems they meet the basic guidance, the PCU will conduct a detailed partner due diligence. The finance, procurement and M&E departments of the PCU provide potential partners with brief surveys to gather information about the potential partner's capacity in the respective areas. The process may require PCU staff spending a number of days in the potential partners office. The due diligence will assess: partner stability, management and implementation capacities, available resources, commitment levels and past performance record (guidelines for partner due diligence are provided in Annex 1).

389. **Partnership framework.** During the due diligence, the PCU works with the potential strategic partner to develop a partnership framework. The PCU will host

workshops with the key staff of the potential strategic partner to orientate them about FIRIP and what will be required in a strategic partnership. The workshops will also include opportunity for the joint development of the partnership framework. The purpose of the partnership framework is to document the main capacity gaps the potential partner is facing, what the potential partner would like to achieve through a partnership with FIRIP and describe the potential project (objective, results, and key activities). The partnership framework template is in Annex 2.

390. **Strategic Partner Approval Process.** The partnership framework, together with other relevant documentation, are then presented to the Internal Review Committee (IRC) for initial approval. Any changes after the internal review are done in conjunction with the partner. If the partnership is approved by the IRC, the PCU drafts a Terms of Reference (TOR) for the project, which are presented to the PSC or PVC (depending on value and the strategic nature of the partnership, see approval levels below) for approval.

391. The PSC and PVC are responsible for approving, rejecting or deferring approval of strategic partners. The respective committees can only defer approval if they deem the partnership has merit, but the current proposed Terms of Reference (TOR) require some clarification on some immaterial issues. The PCU submits the final partnership framework, TOR, together with relevant documentation to the PVC or PSC for formal approval.

1. The PSC is responsible for approving all partnerships with Government institutions, regardless of value. These will take the form of a Memorandum of Agreement (MoA)
2. The PVC is responsible for approving partnerships with other organizations such as apex and network organisation and other 'strategic influencers' in the sector (i.e. organisations that may have an effect on the sector as a whole).

392. The overall ceiling for FIRIP's co-financing of a strategic partnership is USD 250,000 plus SP contribution of at least 20%. SPs are free to increase their co-financing share. Given the public good nature of the envisaged strategic partners, their contribution can be partially in kind. The exact modalities are determined during the due diligence process considering the particularities of each partner.

393. The relevant committee use the following criteria and weightings to evaluate the partnership terms of reference.

**Table 18: Strategic Partnership Framework Approval Criteria**

<b>Partnership Framework Approval Criteria</b>	<b>Relative weight</b>
Capacities of the partner and evidence of partner ability to manage and report on activities proposed under the partnership	15%
Extent of impact on management and staff of FSPs focussing on rural areas, agriculture, climate adaptation and greening of rural value chains	15%
Extent of impact on sustainable growth and outreach in rural areas, cost of borrowing, increased financial inclusion for low-income rural micro entrepreneurs and households, and women and youth in particular	15%
Potential impact of the proposed activities on women and youth	10%
Strategic alignment of pproposed activities with partner's core area of business and expertise	5%
Evidence of adequate availability of resources (financial, human, technical know-how) to delivery as per the partnership framework	10%
Partner willingness to take ownership (as evidenced by co-financing mobilized)	15%
Level of external support required	5%
Potential for sustainable impact (long-lasting and sustainable)	10%

394. The PSC/PVC members use the above criteria, as best as possible, to guide their analysis and assessment of the TOR. They do not score the TOR, but instead use the weightings as guidance as to which criteria they should expect to see the TOR responding most strongly to.

395. The PSC/PVC discuss the merits of each potential strategic partnership, whether they feel the TOR respond satisfactorily to the criteria above, and the basic guidelines and values. Following discussion of the TOR, the committee votes as to whether approve, defer approval, or reject the partnership.

396. The PSC/PVC discuss the merits of each potential strategic partnership, whether they feel the TOR respond satisfactorily to the criteria above, and the basic guidelines and values. Following discussion of the TOR, the committee votes as to whether approve, defer approval, or reject the partnership.

397. Approval of the TOR means that the PCU can move to the next step and develop the appropriate formal agreement. The committee can defer approval if they feel the partnership has merit, but they have questions/comments to issues immaterial to the partnership itself but nevertheless require clarification. Partnerships maybe rejected if the committees do not feel the partnership would help FIRIP meet the PDO and/or it doesn't meet the criteria, or basic guidelines and values. Partnerships that have not been approved may be resubmitted, after being amended, if the potential partner does meet the basic guidelines and values but the terms of reference for the partnership did not meet the approval criteria.

398. Following the committee meeting, the PCU will inform the potential partner of the outcome of the committee meeting and the appropriate next steps.

399. Partnership agreement, MoA, or GA. Depending on the type of organisation and the nature of the relationship, FIRIP may use one of three mechanisms for formalising the partnership. If the potential partner is a Government Institution, then the PCU will develop an MOU, which allows for a more flexible agreement with the institution and revision or amendment at a later date. Some organisations may not require funding, but FIRIP may seek to develop an MOU with the organisation to allow for sharing of information and other collaborative efforts. MOUs are signed by the MoF Permanent Secretary (PS) and the legal representative of the partner institution or organisation.

400. The main instrument for formalising a strategic partnership will be a formal partnership agreement. A partnership agreement will be used for the majority of strategic partners. It is a formal contract that details the value, duration and obligations for each party. The partnership agreement is signed by the PS and the legal representative of the partner organisation.

**Table 19: Strategic Partner Agreement Type**

<b>Strategic Partner</b>	<b>Type of Agreement</b>	<b>Signed by</b>
Government Institution,  Strategic Influencer, with no funding amount	MOU	PS
Apex or Network Organizations / FSPs / MNOs / NGOs	Partnership Agreement	PS
For specific projects with potential partners who have potential for catalyzing expansion of rural finance.	GA	PVC  (excluding Govt. institutions)

401. The MOU and partnerships and GA templates are provided in a separate file. Following the signing of the appropriate agreement, the PCU engages the strategic partner in a set of implementation activities, which are discussed in the sections below.

### **Activities during partnership implementation**

402. **Pre-implementation Orientation.** Immediately following the sign-up of a new partner, the PCU will provide a comprehensive orientation on programme goals and objectives, reporting for respective staff counterparts in the partner organisation, including data generation and indicator tracking requirements, orientation on reporting formats and obligations, as well as potential consequences of non-compliance.

### **Funding Arrangements**

403. **Financial management for partnerships.** In addition to FIRIP funding, all partners are expected to make significant financial contributions towards the partnership implementation activities. Partnership budgets can be in either US Dollars (USD) or Zambian Kwacha (ZMW).

404. *Disbursements.* Prior to disbursing FIRIP funding, strategic partners must provide detailed information about their planned activities, and they must also set up a bank account for FIRIP funds. Disbursement requirements:

- Monthly and quarterly implementation plans
- Procurement plan (see the Procurement Sub-Manual for more details)
- Each partner institution will open a specific bank account for the FIRIP funds.
- To access FIRIP funds, evidence by way of bank statements will be provided by partner institutions that it has put its *pro rata* contribution on the bank account in advance.

405. The partner institution will receive an initial float that will be managed on a replenishment basis on submission of certified Statement of Expenditures (SOEs). The same replenishment system that FIRIP uses to access IFAD loan funding will cascade to the partner institution. The initial float that organisations receive is USD50,000 or ZMW equivalent. Implementing partners receiving grants for technical assistance, receive disbursements in two tranches, 50% of the project costs in the first tranche, and the balance when they expend 70% of the first tranche.

406. The PCU, in addition to the SOEs requires financial reports to be able to capture the transactions of the partner institution in the FIRIP consolidated financials.

407. **Financial Management.** The PCU analyses information gathered during the due diligence process to assess the partners' financial management capacity. It is expected that strategic partners use a formal financial management software, either proprietary or off-the-shelf. If the partner does not use a formal financial management software, FIRIP provides the partner with a MS Excel based expenditure tracking and reporting tool. The financial reporting template is in Annex 5, the tool is provided separately.

408. Partners are expected to maintain records of their expenditures and submit scanned copies of receipts along with their quarterly financial reports. Partners are required to keep records for at least two years after the completion of the project.

409. Budget overruns at partner institution level are not allowed beyond 5% without prior written concurrence from the PCU. Thus, the partner institution will be required to make use of agreed budget control tools.



410. Partner institutions will be required to grant FIRIP's internal and external auditors full audit cooperation. This will include collaboration with the IFAD Supervision Missions.

411. **Knowledge Management.** During the pre-implementation workshop the KM Specialist provides guidance to partners on how to identify and record interesting human interest and other stories. The PCU and partner must jointly approve any publications before publication. As each partnership and project is different, the KM Specialist works with the partners to establish a tailored plan for publications, based on the KM Strategy.

412. **Procurement.** Partners are required to have clearly defined procurement procedures, including either a procurement professional on staff or a procurement committee. Procurements must follow the procurement plan provided pre-disbursement; any deviations must follow the guidelines in the procurement sub-manual.

### **Planning, Monitoring and Evaluation**

413. **Annual Work Plan and Budget.** FIRIP's AWPB preparation process is participatory, and as such each partner institution must provide counterpart staff to participate in FIRIP AWPB events to ensure their respective parts of the budgets have been well captured. The partners must submit a DIP, which shows monthly and quarterly budget and activity information. This information is compiled by the PCU into the AWPB, and the PM&E database system (*see the PM&E plan for more information*) and used to track partner project performance.

414. **Progress Reporting.** Partners are required to submit quarterly implementation progress reports (30 days after end of the quarter) and accompanying financial reports based on the reporting templates provided. Reporting is required starting from the date of initial disbursement of funding and henceforth for the duration of the partnership. On receipt of the quarterly reports, the PM&E Specialist inputs the activity data into the PM&E database system and analyses performance based on the implementation plan. The PCU also tracks the expenditure against the implementation plan. The partner must provide a narrative report explaining any deviations from the plan. The PCU will work with the partner to develop a plan for remediation of any deviations. Persistent lack of adherence to deadlines or violation of agreement terms may lead to termination of the partnership agreement as per the close out/termination procedures below.

415. **Supplementary reports.** Partners under component 2 may be required, if requested by IFAD, to submit additional reports related to impact and evaluation assessment (e.g. beneficiary impact assessments, cost-benefit analysis, etc.) for up to two years after partnership/grant closure. Furthermore, partners will be expected to allow specific representatives of the GRZ and IFAD, including auditors, supervision and evaluation missions, access to partner facilities, documentation, implementing staff and partner beneficiaries to support FIRIP -related impact and evaluation initiatives. Partnership agreements expressly make reference to such requirements and clearly show that signing of the agreement is acknowledgement of acceptance of the requirements.

### **Close-out or Termination of Partnership**

416. **Termination.** Partnerships have different conditions for termination based on the type of partnership. Due to the nature of MOUs being a more flexible arrangement, MOUs terminate when all conditions that are required to be fulfilled or at the end of the Programme, whichever comes first, or by either party with one month's written notice. Partnership and GAs are time bound contracts that require the partner to achieve a clear set of obligations. Failure to meet those obligations may result in termination of the partnership by FIRIP.

417. **Close-out procedure.** No later than 6 months from the end of the GA, the PCU will send a "letter of closure/termination" to the partner informing them that the partnership is ending/being terminated, stating the notice period as specified in the agreement. The PCU will inform the partner about any documentation or reports that are outstanding, and whether there is a need for funds to be reimbursed to the Programme. In accordance with IFAD procedures, all Project activities must be concluded by the GA End Date. Only expenditures (payments made or due) for activities concluded by the GA end date will be considered eligible.

418. FIRIP has the right to claim the reimbursement of any amount of grant funds made available to the partner that FIRIP determines had not been expended in accordance with the terms and conditions. Funds must be returned within thirty days of the termination date.

419. The partner must submit a detailed end of project narrative and financial report within two months of the final end date of the project.

420. **Record keeping.** IFAD, GRZ and FIRIP may seek to access the partners records after the end of the project. Partners must therefore keep their records for at least two years after the end of the project.

421. FIRIP Will keep a hardcopy and soft copy of partner documents. Hard copies will be stored in box files, and the soft copies will be stored on the Programmes network drives. The documents to be kept will include:

- Concept Note
- IRC Approval
- Proposal, including the budget, gantt chart, and supporting information
- PVC/PSC Approval
- MOU/Partnership Agreement/GA
- DIPs
- Quarterly Progress reports
- Quarterly financial reports along with supporting documents
- Partner audit reports
- Human interest and other stories
- Supplementary reports

ANNEX 1 – DUE DILIGENCE GUIDELINES FOR POTENTIAL STRATEGIC PARTNERS

Assessment Indicator/factor	Description
Legal status	<ul style="list-style-type: none"> <li>• Is the applicant legally registered under prevailing laws?</li> <li>• Are there by laws or documents of legal registration?</li> <li>• Is the organisation supervised by BoZ or other regulatory authority?</li> </ul>
Core business	<ul style="list-style-type: none"> <li>• What is the core mandate of the applicant?</li> <li>• Do its services have an orientation towards rural enterprises? Agriculture? Rural women? Rural youth?</li> <li>• If the applicant is not already providing services in the rural areas, are there plans to expand services to rural areas?</li> </ul>
Governance structure	<ul style="list-style-type: none"> <li>• Is there a functional board in place?</li> <li>• Is there a constitution/By laws or memorandum and articles of association?</li> <li>• Do Board members have full knowledge and understanding of financial inclusion and rural finance?</li> <li>• Are the Board members fully apprised of their opportunities?</li> <li>• Are Board meetings held regularly with the right quorum?</li> <li>• Does the Board have a code of conduct document?</li> </ul>
Senior management	<ul style="list-style-type: none"> <li>• Are all management positions filled?</li> <li>• Are key management positions and functions clearly delineated on paper and in practice?</li> <li>• Is management guided by organisational mission, vision and a current strategic plan, and annual work plan showing clear outreach and sustainability targets?</li> <li>• Does management meet regularly for progress review?</li> <li>• Does a healthy relationship between management and Board exist?</li> <li>• Is management pro-active in identifying and dealing with operation gaps?</li> <li>• Is management willing to address identified weaknesses?</li> </ul>
Staff capacity	<ul style="list-style-type: none"> <li>• Does the organization have the right number of staff and are they knowledgeable in financial inclusion, agriculture lending, microfinance and rural enterprise?</li> <li>• Is there willingness to improve capacity and ensure proposal is implemented successfully?</li> </ul>
Management information System (MIS)	<ul style="list-style-type: none"> <li>• Does the organization have a functional MIS evidenced by up to date operational and financial reports, and operations and accounting manuals?</li> <li>• Is management willing to address any apparent weaknesses in the system?</li> </ul>

Internal Controls	<ul style="list-style-type: none"> <li>• Is there a procurement and accounting manual? Is it being applied by staff?</li> <li>• Is there proper segregation of duties over procurement and payment processes?</li> <li>• Is there a travel and per diem policy governing applied rates (if applicable)</li> <li>• Are there physical security and strong financial controls over petty cash including regular independent cash counts</li> <li>• Does Finance prepare regular bank reconciliations</li> <li>• Are there sufficient controls around fixed assets (tagged, register, counts) and fleet (fuel consumption, vehicle logbook)</li> <li>• Is there an adequate payroll management (payroll statements, payslips, tax returns)</li> </ul>
Products and services	<ul style="list-style-type: none"> <li>• Are these clearly defined and documented?</li> <li>• Are these products and services operational and convenient (i.e. timely, affordable, information on eligibility easily accessible and understood)?</li> <li>• Are the products geared toward financial inclusion of the rural poor?</li> <li>• Are products developed with targeting the rural un- or under-served?</li> </ul>
Cost sharing	<ul style="list-style-type: none"> <li>• Is the Applicant FSP willing to cost share on the proposal for capacity building?</li> </ul>

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## ANNEX 2 - PARTNERSHIP FRAMEWORK TEMPLATE

### Support to Partner Institutions

Sub-Project: Phase (enter phase) support to (enter partner / partners' name(s))

Name of partner institution	
Address	
First contact person	
Second contact person	
Third contact person	

Mandate, goals and objectives	<p>Corporate Vision:</p> <p>Mission Statement:</p> <p>Strategic Objectives:</p>
Main strategies relevant here:	
Main sources of income:	
Number of full-time staff:	<ul style="list-style-type: none"> <li>• Management</li> <li>• Operational staff</li> </ul>
Key figures for yy: [latest available; to be checked upon receipt of audited accounts]	<p>Total assets:</p> <p>Income:</p> <p>Expenditure:</p> <p>Net result:</p> <p>Off-balance sheet items:</p>
What are the main problems and challenges you are facing that you want to address under this collaboration with the FIRIP?	
What are the objectives of this sub-project?	<p>Objective(s):</p> <p>This will be measured by the following indicators:</p> <p>Indicator 1:</p> <p>Indicator 2:</p> <p>(Add other indicators as necessary)</p>

<p>Please formulate 1-3 major results (or outcomes) that shall be achieved at the end of this sub-project?</p> <p>In case it would be possible to breakdown the targets reached by gender and youth and/or rural areas, please do so.</p>	<p>Result 1:</p> <p>Result 2:</p> <p>Result 3:</p> <p>(Add brief additional explanations as necessary)</p>	
<p>Please describe for each Result 1-3 above the key implementation activities that would lead to the achievement of the outcome/result.</p>	<p>Result 1:</p> <ul style="list-style-type: none"> <li>• Key Activity 1.1:</li> <li>• Key Activity 1.2:</li> <li>• Key Activity 1.3:</li> <li>• Key Activity 1.4:</li> </ul> <p>Result 2:</p> <ul style="list-style-type: none"> <li>• Key Activity 2.1:</li> <li>• Key Activity 2.2:</li> <li>• Key Activity 2.3:</li> <li>• Key Activity 2.4:</li> <li>• Key Activity 2.5:</li> </ul> <p>Result 3:</p> <ul style="list-style-type: none"> <li>• Key Activity 3.1:</li> <li>• Key Activity 3.2:</li> <li>• Key Activity 3.3:</li> </ul>	
<p>Taking a realistic view, what is the timeline for achieving the above results?</p>	<p><b>Result 1</b> by: (enter month and programme cycle year for completion)</p> <p>Result 2 by:</p> <p>Result 3 by:</p>	
<p>If the above would involve a partnership with a third party, please provide the name and the nature of that partnership.</p>		
<p>How do you suggest shall the progress achieved against the objective and the results/outcomes be captured and monitored?</p>		
<p>Please formulate risks that you would anticipate for the implementation of the above, and what risk mitigation measures should be applied.</p>	<p>Risks:</p> <ul style="list-style-type: none"> <li>• Risk 1:</li> <li>• Risk 2:</li> <li>• Risk 3:</li> </ul> <p>(add as necessary)</p>	<p>Risk mitigation measures:</p> <ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> </ul>

What are the total costs for this sub-project?  What is the financing plan for this sub-project?	Costs and financing plan: (based on detailed budget and costings – see separate sheet)			
		Costs	Funded by FIRIP	Funded by Partner
	In ZMK			
	In USD			
	In % of total			
What procurement rules do you suggest applying for the procurement of goods and services under this sub-project?				
Next steps				

Required information	(For Internal Use) Submitted Yes / No
1. Financial statements for the previous two years	
2. Management accounts for the latest quarter	
3. Procurement guidelines, policies or regulations	
4. Corporate strategy and/or business plan	
5. Budget	
6. Value of any off-balance sheet operations	

## 4.0 PROJECT IMPLEMENTATION ARRANGEMENTS

### 4.1 PROJECT OVERSIGHT AND MANAGEMENT

422. The **Lead Programme Implementing Agency** will be the MoFNP, which has mandated the RFU created and supported under RUFEP and housed by its Economic Management Division (EMD) to be directly responsible for FIRIP implementation.

423. **Programme oversight.** The **PSC**, chaired by the PS, Budget and Economic Affairs (BEA) in the MoFNP, will oversee and guide program implementation. The PSC will have relevant representation at national level and provides oversight, policy direction and coordination between key government institutions. The PSC members include:

1. PS, MoFNP
2. Director, EMD, MoFNP
3. Assistant Director, RFU, EMD, MoFNP
4. Chief Accountant, BEA, MoFNP
5. Director, Financial Conduct, BoZ
7. Director, Agribusiness Department
8. Principal Economist, Investment and Debt Management (IDM), MoFNP
9. PS, Ministry of Green Economy and Environment (MGEE)
10. PS, Ministry of Small and Medium Enterprise development (MSME)

424. The PS serves as chairperson to the PSC and the Program Coordinator (PC) serves as Secretary (without voting rights). The PSC approves SPs under component 2 and supervises the overall implementation of the project under components 1 and 3. The PSC will convene semi-annually to offer guidance and review progress reports and AWPBs. During the initial 1 – 2 years, the PSC may meet more frequently on an ad-hoc basis to ensure smooth start-up in the establishment of the various instruments, committees and partnerships.

425. It is recommended that all or part of the members of the PSC who have actively participated in the FIRIP design process be transformed into a **Technical Advisory Group (TAG)** for Programme implementation. The group could also bring in other stakeholders from the rural finance/banking sector and should have at least half of its members coming from the private sector. The TAG will be co-chaired by the Director IDM and Director EMD. It will include directors from other relevant departments within the MoFNP, MoA and the MGEE in addition to other private sector players.

426. The TAG will complement the PSC by providing a platform to discuss technical issues with industry players and stakeholders, given the demand-driven nature of the project. Since the TAG will not hold decision-making authority, its role will be to provide expert input on technical aspects of the project, such as the Blending Facility and the nature and scope of enterprises to be funded, and to make recommendations to the PSC. As such, the TAG's agenda and meeting frequency will be on a demand driven basis and subject to approval by the PSC. When a TAG meeting is scheduled, it will occur before the PSC meeting to allow the PSC to make final decisions based on the TAG's recommendations. In certain cases, the TAG may also be asked to directly support the PMU, particularly on issues within the PMU's mandate.

427. TAG members will be selected based on their technical roles within the project. This group will include representatives from relevant government ministries at the Director and senior technical officer level, as well as private sector stakeholders such as technical officers from banks, insurance companies, apex organizations, and farmer representatives. The PSC will appoint TAG members based on recommendations from the PMU. The first TAG meeting will be chaired by a designated technical officer from the Ministry of Finance, with subsequent meetings chaired on a rotational basis. A new chairperson will be



appointed at the end of each meeting. The PMU will designate an officer to serve as the secretary for these meetings.

428. Stakeholders will be selected based on their roles in the project, with a focus on ensuring a broad representation from both the public and private sectors. To maintain objectivity and avoid conflicts of interest, participation will be limited to apex organizations that are not directly involved in the project's implementation. Public and private apex organizations will provide critical insights to ensure that the technical aspects of rural finance accurately reflect the realities on the ground. The TAG should also include other stakeholders from the rural finance and banking sectors, with at least half of its members coming from the private sector to foster a balanced perspective that integrates diverse viewpoints and expertise.

### **Programme Management and Coordination**

429. A **PCU** composed of competitively selected or seconded staff will manage the day-to-day operations of the programme. The PCU will have the following key technical staff to manage its implementation:

- Program Coordinator
- Technical Specialist – Rural Finance (focus on Agriculture and Climate Finance)
- Technical Specialist – Rural Finance (focus on CBFIs, linkage banking and DFS)
- Gender and Social Inclusion Officer
- Environment and Climate Adaptation Specialist
- Monitoring, Evaluation and Knowledge Management (ME&KM) Officer
- ME&KM Assistant
- Financial Controller
- Procurement Specialist

430. PCU Specialists will manage some of the initial assessments, trainings, and TA activities directly (especially under component 2). However, most activities will be implemented through IPs including SPs, FSPs, CBF Promoters and other NGOs.

431. SPs under Component 2 will be identified during implementation. The IOF will be managed by the PCU under a specific governance structure ensuring a transparent and fair process. FSP and other IPs will be engaged competitively through calls for proposals. For the BFF, an independent FM will be recruited by the PCU who will also provide the technical oversight.

432. **An independent PVC** oversees the approval of IOF grants. The PVC has authority to approve, defer approval and reject proposals. Deferred approval occurs when the PVC deems the proposal to have merit, but the PVC requires additional information that is immaterial to the design of the project.

433. Regarding the BFF, the PVC will receive from the FM team for approval and direction: (i) requests for accreditation of PFSPs, (ii) recommendations for subsidiary loan agreements at the concessionary wholesale level and FSP loans blended at the retail level to sub-borrowers, (iii) monitoring and financial reports for guidance and (iv) proposed amendments to the operational guidelines of the BFF.

434. **Managing partnership arrangements.** The work of competitively selected IPs under Component 2 will be governed GAs (IOF), commercial contracts (FM of BFF). SPs under Component 2 will be formalized through partnership agreements or Memorandum of Understanding (MoU), depending on the type of partner. FIRIP will develop a detailed framework and set of guidelines for work planning and budgeting, progress reporting, financial and procurement management. These ensure the quality of

the work and monitor project performance, to allow FIRIP to terminate partnership arrangements when required.

435. **Linkages with other actors.** Coordination, linkages with various actors and partnerships will be actively pursued. Maintaining dialogue with various partners and proactively exploring opportunities for linkages will be one of the important tasks for the PCU, which will also contribute to coordinating the support for the sector under the RFU. The PCU will hold periodic meetings with key partners at the technical and operational level to identify concrete area for collaboration, especially regarding the IOF. This may include joint or aligned planning or activities, joint sensitization, and outreach events to inform potential IPs about opportunities for alignment around specific locations, VCs, and technical areas. Such collaboration would include government institutions as well as DP funded initiatives.

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT FOR  
RURAL ZAMBIA (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE:                   PROGRAMME COORDINATOR**

Duration:                   Initial 3 years

Contract:                   Initial Three- year contract, with six months' probation period,  
renewable based on agreed performance targets and deliverables

Reports to:                   Programme Steering Committee (on matters related to the Financing  
Agreement with IFAD)  
  
Director, Investment and Debt Management Department, Ministry  
of Finance [MoF] (on administrative matters)

**Purpose**

As head of the PCU, the PC has the overall responsibility for the smooth, timely and high-quality management and implementation of the Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP). The PC oversees the day-to-day management of the Project and the coordination of all its activities and partnerships. The PC liaises with relevant stakeholders including in the: i) government; ii) financial sector; iii) agricultural and agribusiness sector; iv) the donor community as far as it supports or is interested in rural and agricultural finance, or financial systems development; and v) IFAD as regards all matters pertaining to the Financing Agreement signed between the GRZ and the Fund. The PC ensures coordination with the RFU under the MoFNP and maintains close ties with the National Financial Inclusion Strategy Working Groups for programme implementation. The PC will be the Secretary to the Programme Steering Committee

**Key Responsibilities and Duties**

- Develop an implementable programme of activities in accordance with the Financing Agreement and the Programme design documents;
- Ensure timely submission of AWPBs, activity reports, financial reports, audit reports and others in accordance with the stipulated requirements;
- Ensure the smooth management of the Programme in all facets and dimensions;
- Coach, guide, mentor, inspire, monitor and supervise all staff in the PCU;
- Ensure proper funding of activities all the time, and adequate use and absorption of funds as allocated;
- Ensure that proper systems and procedures are established, contained in the respective manuals and fully adhered to by all respective persons and units;
- Ensure updating of manuals, systems and procedures as required;
- Maintain excellent relationships with partners and key actors in the government, financial and private sectors as well as with the relevant donor community, and coordinate activities with these as needed;

- Assist potential and actual partners to conceptualize their projects, proposals and visions;
- Introduce innovations generated inside and outside Zambia to other possible actors and replicators;
- Guide and inspire the national dialogue on rural and agricultural finance, and on financial systems development, in particular as regards the ability of the financial sector to better serve the rural poor;
- Provide oversight over the implementation of components 1 and 2;
- Manage the knowledge management and technical assistance activities under component 3.1;
- Provide guidance and expertise in the process of establishing the RFU in the MoFNP;
- Ensure a proper set-up and functioning of the Planning, Monitoring and Evaluation (PM&E) systems and procedures, and that PM&E is properly anchored in all projects run by partners and grant recipients;
- Prepare an annual report on the evolution of rural finance in Zambia and the progress made by the financial sector to improve the quality, outreach and depth of financial services to the IFAD target groups, including an overall assessment of the development of the financial sector; this report shall be published annually on the website managed by the PCU;
- Prepare the AWPB in accordance with the Financing Agreement and IFAD procedures;
- Contribute actively to the knowledge management activities of IFAD within the Eastern and Southern Africa Division;
- Conceptualize all knowledge management activities under the RUFEP and ensure their proper implementation and most widespread dissemination;
- In collaboration with the Financial Controller, ensure effective management and accounting of the FRIRP financial resources;
- Participate in and lead the technical review and appraisal process of grant and partnership applications;
- Ensure the most efficient and effective use of the financial resources provided by the GRZ and IFAD;
- Adequately prepare, guide and assist all incoming supervision, evaluation, backstopping etc. missions deployed by either GRZ or IFAD;
- Implement all written directions by the PSC, IFAD and MoF as required;
- Ensure that proper financial management and procurement systems are set up, and the full compliance of all persons concerned with the respective regulations;
- Excel in transparency and accountability of all activities and duties performed, and set the standards for transparency and accountability in programme implementation;
- Ensure that a website on rural finance will be established in the first months after programme start and regularly updated;
- Ensure that the two TTRs are prepared and conducted as scheduled;
- Agree with the EU Enterprise Challenge Fund II, the GIZ CREATE II Program and other projects or programmes complementary in nature to FIRIP, on mechanisms and procedures of exchange of information, applications, reviews and approvals, concentration of work, joint initiatives and co- or parallel financing, as required;
- Assume full responsibility over the assets received by the PCU and the prudent use of Programme-funded assets and resources;

## **Minimum Qualifications**

- MSc/MA degree in economics, business administration, finance, law or other related fields;
- At least 10 years of professional experience in relevant fields;
- Practical banking experience gathered in a leading or middle management position over at least 5 years in a developing environment;
- Excellent leadership qualities;
- Practical experience in leading and managing teams;
- Good understanding of accounting practices;
- Excellent communication skills;
- Full proficiency in English;

## **Skills and Experience**

- Proven technical leadership in banking and finance, especially agriculture, climate and green finance, digital finance and community-based finance, and agriculture;
- Good understanding of agriculture, value chain development value chain finance, and rural development issues;
- Experience in the provision of technical assistance, supervision or evaluation of projects and programmes, in the private and/or public sectors;
- Good understanding of networking principles, lobbying and advocacy mechanisms, and the creation of alliances for joint initiatives;
- Good understanding of PM&E, planning approaches, results-based management, and similar;
- Proven capacity in the formulation and production of high-quality written material, including among others research studies, impact assessment reports, publications for media, etc.;
- Demonstrable capacity to work with private sector, civil society, media and government sectors on evaluation and monitoring programs at a national scale, and to develop appropriate communication strategies and be an effective communicator in working with a diverse range of stakeholders;
- Strong people management skills, willing and able to foster cross-sector collaboration and partnerships to enhance program results;
- Experience in managing World Bank, IFAD or other donor supported projects through government.

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT FOR  
RURAL ZAMBIA (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE:** **RURAL FINANCE SPECIALIST (AGRICULTURE, SME, GREEN AND CLIMATE ADAPTATION AND VC FINANCE, )**

**Duration:** 3 Years

**Contract:** Three-year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

**Reports to:** Project Coordinator

**Purpose**

The Rural Finance Specialist - Agricultural, Green and Climate Adaptation Finance (RFS-AGCAF) co- leads implementation of the rural finance related project activities, in close collaboration with the RFS – DCF. In particular, the incumbent is in charge of the activities related to agricultural, green and climate adaptation finance across all project components, in close collaboration with the Environment and Climate Adaptation Specialist (ECAS), and other PCU members. Tasks include the fine-tuning of the project instruments – IOF and BFF – and co-leading their implementation; the identification of Strategic Partners, and leading the implementation of the various training, capacity development and technical assistance activities under component 2. Other tasks include technical advice to other PCU members and IPs, as well as outreach and knowledge management activities related to green and climate adaptation finance.

**Key Responsibilities and Duties**

1. Co-lead the implementation of the rural finance related activities under the project;
2. Lead project activities related to agricultural, green and climate adaptation finance across all project components, in close collaboration with the ECAS;
3. Revise and fine-tune the scope, focus and implementation arrangements of the IOF, especially Windows 2 and 3, in close collaboration with the ECAS;
4. Fine-tune the design of the BFF and the related implementation manual;
5. Prepare the technical specifications for the recruitment of the Fund Manager for the BFF, in collaboration with the Procurement Specialist
6. Identify the capacity building needs of different IPs, especially in the areas related to AGCAF, and advise on how these needs can be addressed to ensure their effectiveness in terms of project outcomes;
7. Provide technical oversight and backstopping of the FM;
8. Lead the implementation of the IOF along the entire subproject cycle;
9. Identify external reviewers for Concept Notes, especially in the areas of agricultural green and climate adaptation finance, and manage the review process of the Internal Review Committee and the Project Vetting Committee;
10. Lead the implementation of training, capacity development and technical advisory activities under Component 2;

11. Liaise with technical counterparts at relevant government entities (including the Ministries of Agriculture, MSME and Green Economy, as well as Bank of Zambia) to ensure alignment of IOF and BFF implementation with government priorities;
12. Advise on specific opportunities to support inclusive agricultural value chains and inclusive business models and to develop specific value chain finance arrangements, in collaboration with key public and private actors;
13. Identify employment opportunities within agricultural VCs, especially for rural women and youth, along with skills requirements and training needs;
14. Identify partnership opportunities at the operational level with complementary initiatives by government and Development Partners that provide training and capacity development to farmers, rural MSMEs, youth and women, such as business development and skills training, vocational training, youth and women empowerment, use of household approaches, and inclusive value chain development, to strengthen the uptake of youth and women centric financial services;
15. Review draft Memoranda of Understanding (MOUs) between the Programme and other partners;
16. Plan and implement joint sensitization and outreach events with partners to inform potential applicants under the IOF and FSPs participating in the BFF;
17. Advise the PCU on how to enhance overall performance under the Programme;
18. Support the PCU in developing appropriate strategies to inform potential partners of available project support under all components;
19. In collaboration with other PCU members, participate in the development of Terms of Reference (TORs) for all FIRIP-related consultancies and review capacity interventions, including training, and ensure quality of deliverables;
20. In collaboration with the RFS - DCF, support the RFU in the development of rural finance calendar of events;
21. In collaboration with the RFS - DCF, support the RFU in planning, organizing and holding sector and knowledge fora;
22. Advise the RFU on new developments about policy, innovations in rural finance and best practices, especially in the areas of agricultural, green and climate adaptation finance;
23. Assist in the preparation and conduct of supervision, backstopping and evaluation missions;
24. Attend meetings/workshops under the Project and offer advice/technical opinion with special focus on those that may affect Project performance; and
25. Deal with any other matter relevant to Project objectives as may be identified by the PCU and RFU/MoF, including training stakeholders on aspects immediately related to Programme implementation.

## **Education and Experience**

- MSc, MBA or MA in economics, banking and finance, agricultural economics, or similar discipline;
- At least 10 years of practical experience in banking and finance, including agricultural, green and climate adaptation finance, agricultural value chain and SME development, of which at least 5 years are in managing a large programme;
- Good understanding of the functions of a financial system, the different types of financial institutions and their services, financial systems development, inclusive finance, value/supply chain finance principles and approaches as well as extensive exposure to innovations;
- Good understanding of institutional strengthening concepts and methods as well as how to operate an innovation/matching grant facility; and
- Excellent knowledge of innovations (in the financial sector) within the region and other parts of the world.

**Competencies**

- He/she should have extensive exposure to policymaking in rural finance, especially in agricultural, green and climate adaptation finance.
- Sound understanding of inclusive agricultural value chains and rural MSME development;
- Experiences with demand-driven technical assistance facilities and blended finance would be an asset;
- Experience with institutional strengthening and/or innovation in rural financial institutions will be an added advantage.
- Mature, team-oriented professional with good analytical and good communication - able to make easily understandable technical inputs on rural finance and financial sector.
- He/she should be able to strike a rapport with personnel at different levels, including policy makers, international organizations and other stakeholders.
- A strong self-motivated individual working with no or minimal supervision and able to travel to the rural areas and meet tight deadlines.

Excellent skills in written and spoken English and be fully conversant with computer use.



**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT  
FOR RURAL ZAMBIA (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE:** RURAL FINANCE SPECIALIST (DIGITAL AND COMMUNITY FINANCE)

**Duration:** 3 Years

**Contract:** Three-year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

**Reports to:** Project Coordinator

**Purpose**

The Rural Finance Specialist - Digital and Community Finance (RFS- DCF) co-leads implementation of the rural finance related project activities, in close collaboration with the RFS – AGCAF. In particular, the incumbent is in charge of the activities related to digital finance as well as Community Based Financial Institutions (CBFIs) across all project components, in close collaboration with the Gender, Youth, Targeting and Social Inclusion Specialist (GYTSIS), and other PCU members. Tasks will include the fine-tuning of the project instruments – IOF and BFF – and co-leading their implementation: the identification of Strategic Partners, and leading the implementation of the various training, capacity development and technical assistance activities under component 2. Other tasks include technical advice to other PCU members and IPs, as well as outreach and knowledge management activities related to digital and community-based finance.

**Key Responsibilities and Duties**

1. Co-lead the implementation of the rural finance related activities under the project;
2. Lead project activities related to activities related to digital and community-based finance across all project components, in close collaboration with the GYTSIS;
3. Revise and fine-tune the scope, focus and implementation arrangements of the IOF, especially Window 1 and the CBFi support under Windows 2 and 3, in close collaboration with the GYTSIS and the ECAS;
4. Support the RFS-ECAS in finetuning the design of the BFF and the related implementation manual, and in preparing the technical specifications for the recruitment of the Fund Manager for the BFF;
5. Identify the capacity building needs of different IPs, especially concerning rural outreach and design of youth and women-centric financial services and delivery mechanisms, and advise on how these needs can be addressed to ensure their effectiveness in terms of project outcomes;
6. Identify opportunities for rural entrepreneurship development, especially for women and youth, including linkages between CBFIs and rural SMEs, and related skills requirements.
7. Lead the implementation of the IOF along the entire subproject cycle, especially under Window 1 and regarding the CBFi sub-projects;

8. Identify external reviewers for Concept Notes in the areas related to digital and community-based finance, and manage the review process of the Internal Review Committee and the Project Vetting Committee;
9. Lead the implementation of training, capacity development and technical advisory activities under Component 2 related to digital and community-based finance, and support those in other technical areas;
10. Lead the identification, formalization and implementation support of Strategic Partnerships under Component 2;
11. Liaise with technical counterparts at relevant government entities (including the Ministries of Finance, Youth, and Community Development; Bank of Zambia and ZICTA) to ensure alignment of IOF and BFF implementation with government priorities;
12. Identify partnership opportunities at the operational level with complementary initiatives by government and Development Partners that provide training and capacity development of farmers and other value chain actors in areas such as climate smart agriculture, inclusive value chain development and renewable energies, to strengthen the demand for AGCAF;
13. Review draft Memoranda of Understanding (MOUs) between the Programme and other partners;
14. Plan and implement joint sensitization and outreach events with partners to inform potential applicants under the IOF and FSPs participating in the BFF;
15. Advise the PCU on how to enhance overall performance under the Programme;
16. Support the PCU in developing appropriate strategies to inform potential partners of available project support under all components;
17. In collaboration with other PCU members, participate in the development of Terms of Reference (TORs) for all FIRIP-related consultancies and review capacity interventions, including training, and ensure quality of deliverables;
18. In collaboration with the RFS - AGCAF, support the RFU in the development of rural finance calendar of events;
19. In collaboration with the RFS - AGCAF, support the RFU in planning, organizing and holding sector and knowledge fora;
20. Advise the RFU on new developments about policy, innovations in rural finance and best practices, especially in the areas of digital and community-based finance;
21. Assist in the preparation and conduct of supervision, backstopping and evaluation missions;
22. Attend meetings/workshops under the Project and offer advice/technical opinion with special focus on those that may affect Project performance; and
23. Deal with any other matter relevant to Project objectives as may be identified by the PCU and RFU/MoF, including training stakeholders on aspects immediately related to Programme implementation.

### **Education and Experience**

- MSc, MBA or MA in economics, banking and finance, social sciences, or similar discipline;
- At least 10 years of practical experience in banking and finance, including digital, and community-based finance in rural areas, as well as enterprise development and market linkages;
- At least 5 years of professional experience in managing or implementation of large programmes in related areas;
- Good understanding of the functions of a financial system, the different types of financial institutions and their services, financial systems development, inclusive finance, youth and gender centric product design, and gender transformative approaches;

- Good understanding of entrepreneurship development and market integration in rural areas, especially for women and youth;
- Good understanding of institutional strengthening concepts and methods as well as how to operate an innovation/matching grant facility; and
- Excellent knowledge of innovations (in the financial sector) within the region and other parts of the world.

### **Competencies**

- He/she should have extensive exposure to policymaking and programme implementation in rural finance, especially in digital finance and community-based finance in rural areas;
- Experiences with demand-driven technical assistance facilities and blended finance would be an asset;
- Experience with institutional strengthening and/or innovation in rural financial institutions will be an added advantage.
- Mature, team-oriented professional with good analytical and good communication - able to make easily understandable technical inputs on rural finance and financial sector.
- He/she should be able to strike a rapport with personnel at different levels, including policy makers, international organizations and other stakeholders.
- A strong self-motivated individual working with no or minimal supervision and able to travel to the rural areas and meet tight deadlines.
- Excellent skills in written and spoken English and be fully conversant with computer use.

**Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE:** Gender, Youth, Social Inclusion and Targeting Specialist

Duration: 3 years

Contract: Three- year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

Reports to: Programme Coordinator (PC)

**Purpose**

Under the general supervision of the project director, the project Gender, Youth, Social Inclusion and Targeting Specialist is responsible for the implementation of the social inclusion strategy. Under the direct supervision of the Project Director, s/he will be responsible for implementation, reporting, and facilitation for supervision missions on all social inclusion management aspects. They will be working closely with different internal and external stakeholder to achieve the project objectives and deliver interventions according to the workplan.

**Key Responsibilities and Duties**

Under the general supervision of the project director, the project Gender, Youth and Social Inclusion Targeting Specialist will perform activities in five main areas to mainstream social inclusion:

Project implementation

- Advise and support the project manager, other members of the PCU and field officers in the effective mainstreaming of targeting, gender, youth and social inclusion in project activities.
- In close collaboration with the PCU, develop full targeting and gender strategies and action plans to be updated regularly.
- Work with each specialist in the PCU in critically reviewing project design to see how each component or subcomponent addresses gender issues and identify opportunities for strengthening implementation from a targeting/youth/gender perspective.
- Collaborate with the Rural Finance and other Specialists to ensure that Gender, Youth and Poverty targeting objectives are properly reflected in the detailed implementation arrangements for the IOF (including, templates for Expression of Interest and Calls for Proposal; eligibility and selection criteria, etc).

- Review basic project implementation processes to provide feedback and suggestions on how to achieve the best possible project outcomes with respect to targeting, gender equality and women's empowerment, and youth inclusion.
- Identify and report bottlenecks in outreach of target groups (specially women, youth, people with disabilities), discuss with relevant internal and external stakeholders, and present solutions.
- Identify complementarity activities in other development programmes that allows FIRIP create partnerships and implement SI interventions contributing to the SI objectives.
- Establish partnership with key institutional actors, through the development of MoU.
- Ensure that activities of the targeting and gender strategies are reflected in the following:
  - ✓ Preparation of the AWPB;
  - ✓ Project progress reports;
  - ✓ Project supervision.
- Participate in the development of detailed TORs and tender documents of national and local service providers to various project components to ensure that target groups will be able to participate effectively in all components and meet the project's targets.
- Carry out regular field visits to supervise and support gender/targeting and youth inclusion activities and detect potential targeting errors as well as adverse impact on women and youth.

#### M&E and knowledge management

- Together with M&E and knowledge management staff, establish an M&E system that captures and analyses disaggregated data on gender and social inclusion.
- Document and share M&E, learning and communication products.
- Analyse data, including from M&E GRM and Feedback Mechanisms, to ensure that there are no adverse impacts on target groups as a result of project implementation, and suggest remedial measures if necessary.
- Identify existing knowledge and data gaps in the area of gender, targeting and social inclusion and develop measures to close data gaps.

#### Capacity-building

- Participate in gender, youth and social inclusion trainings and reflect the learning outcomes into actions
- Undertake regular capacity assessment on gender and social inclusion issues and provide capacity-building for staff at the field level, PCU, implementing partners and service providers.

#### Advocacy and policy-dialogue

Be familiar with gender policies of the institutions linked to the project, including national policies and those of ministries, implementing institutions and financing agencies, including IFAD.

- Establish linkages with other gender, women's or social inclusion programmes implemented by national, international and intergovernmental agencies.
- Present evidence-based information on gender inequalities as well as good practices on how to address those inequalities in national forums.

#### Partnerships

- Work closely with different local and national partners on the gender and youth components of FIRIP
- Ensuring full integration of IFAD gender transformative approaches in interventions implemented by CBFIs, FSPs, MFIs and others.

**Minimum Qualifications**

- Master's degree in social sciences, rural development or related discipline.

**Skills and Experience**

- At least 7 years' experience working in gender and social inclusion issues;
- Experience with participatory methodologies
- Experience in agricultural and rural development projects;
- Experience in projects integrating targeting and gender considerations across components/activities and M&E;
- Experience in designing and delivering training modules;
- Highly motivated and committed to poverty alleviation and gender equality;
- Working knowledge of spoken and written native and English languages;

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT  
FOR RURAL ZAMBIA (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE: ENVIRONMENT AND CLIMATE ADAPTATION SPECIALIST**

Duration: 3 years

Contract: Three- year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

Reports to: Programme Coordinator (PC)

**Purpose**

The Environment and Climate Adaptation Specialist will work closely with all PCU staff, in particular the Social Inclusion Officer and the Rural finance Specialist, and implementing partners (host institutions, PFSPs, and technical service providers) to cover the entire project's environmental and climate change oversight. The position will provide support to the project to comply with environmental and climate requirements through: (i) technical backstopping and advising the PCU and implementing partners in addressing a variety of environmental and climate issues, (ii) providing/coordinating environment and climate related training/awareness raising particularly in regard to setting up environmental and social management systems (ESMS); (iii) supporting the Participating Financial services providers (PSFPs) to develop and implement Environment and Social Management Systems (ESMSs);

iv) providing support to MFBs, CBFIs and MSMEs to develop ESMSs appropriate to the nature and scale of their activities, and (v) ensuring that environment and climate issues are mainstreamed into project interventions and in the application of project documents.

**Key Responsibilities and Duties**

1. Guide the project in mainstreaming environment, climate and NRM considerations in all interventions and implementation processes.
2. Prepare guidelines, tools, and notes for use in the project based on relevant environmental policies, acts and regulations/directives of the Government of Zambia and relevant safeguard policies of IFAD.
3. Strictly adhere to both national and IFAD's Social, Environmental, and Climate Assessment Procedures (SECAP) guidelines and procedures throughout the entire project implementation process to ensure compliance and promote responsible, sustainable development.
4. Lead for the roll-out of Window 3 Financial Innovations for Green Investments and Climate Resilience and the participating institutions including CBFIs promoters.

5. Support the CBFIs promoters and PFSPs in the development and application of Green Investments and Climate Resilience proposal.
6. Establish synergistic partnerships with similar initiatives, such as GIZ-CREATE and World Bank ZAMGROW, and integrate lessons learned from existing programs that promote climate-smart agriculture practices to maximize impact and ensure efficient resource utilization.
7. Organise training events/modules for both the Fis and CBFIs on mainstreaming climate risk management within financial operations and business plans.
8. Oversee and provide technical support towards the development of the ESMS, indicators, tools, guidelines on environment and climate aspects of the project's baselines, and ensure that the progress is also systematically monitored, including the mid-term and end line.
9. Develop relevant training and capacity building materials for environment and climate awareness, and for setting up ESMSs,
10. Ensure that PFSPs develop ESMSs appropriate to the activities they fund, and that they implement to the necessary environmental, climate and social processes and procedures as required by their ESMSs.
11. Develop implementation strategies of AWPB activities related to environment, climate and Natural Resource Management activities and ensure AWPB targets are met in a timely manner.
12. Review activity plans, ESMSs and other safeguard requirements for PFSPs, and implementing partners, to ensure environmental, climate issues are mainstreamed, and mitigation measures are incorporated and ensure all project documents and environmental documents are in harmony.
13. Liaise with relevant officers at all levels to monitor E&S performance of FIRIP in terms of innovation window but also the blending facility
14. Support Programme M&E through data collection and writing of required reports.
15. Represent the PCU in relevant meetings and workshops, as well as in the preparation of any documents required to mobilise climate finance.
16. Any other environment-related duty as assigned by the Project Coordinator.

### **Skills and Experience**

- Master's Degree or equivalent in Environmental Sciences; Natural Resource management or any related field.
- At least 8 years of relevant and progressive experience at community, national or international level in providing environmental management advisory services, hands-on experience in design, monitoring and evaluation of development projects and establishing interrelationships among international organizations and national governments.
- Sound knowledge of policy and regulatory frameworks for environmental, climate assessments and natural resource management in the agricultural/livestock context of Zambia.
- Demonstrated capacity to develop environmental and social management systems, execute safeguards, prescribe solutions to environment and natural resource management problems, manage budgets and programs, as well as prepare reports.
- Excellent skills in written and spoken English and national language, and good computer skills; knowledge of other local languages will be an added advantage.



- Creative, innovative system thinker, with ability to catalyse change.
- Affiliation to a local environmental regulatory body (e.g. ZEMA)

Previous experience in development and implementation of green finance operations would be a major advantage for the candidate.

**Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE: MONITORING, EVALUATION AND KNOWLEDGE MANAGEMENT OFFICER**

**Duration:** 3 Years

**Contract:** Three-year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

**Reports to:** Programme Coordinator

**Purpose**

The ME&KM Officer will coordinate annual planning, monitoring, evaluation, knowledge management and communication under the project. The objectives of the position include:

- a. Ensuring that ME&KM activities are systematically described in an ME&KM plan that is implemented in an effective and well-coordinated manner.
- b. Ensuring that ME&KM systems are established and are operating effectively throughout the project period.
- c. Ensuring that accurate, complete, and up-to-date information and knowledge products about project performance, results and lessons learned is made available that will assist the Project Coordinator, the Government, IFAD, and co-financiers in making informed decisions
- d. Ensuring that timely and relevant information and knowledge products are made available to project stakeholders in reports, presentations and through other means of communication.

**Key Responsibilities and Duties**

Setting up the M&E system

1. Clarifying information needs of project stakeholders, including project management, government, IFAD, co-financiers, regulatory bodies, financial institutions.
2. Review and validate the Logframe and ToC at project startup.
3. Prepare the M&E plan, based on the M&E framework, the ToC and Logframe in this document.
4. Work with the M&E Assistant to design formats for data collection and progress reports.
5. Distribute M&E roles and responsibilities among project staff and implementing institutions, including detailed monitoring responsibilities in TORs and MOUs.
6. Oversee the establishment of an MIS and ensure that it responds to information needs of the project and key stakeholders.

7. Participate in the recruitment process of the M&E Assistant and KMC Assistant.

#### Coordinate annual planning and monitoring

1. Organizing annual planning & review workshops.
2. Preparing the AWPB, jointly with the Financial Controller, and in consultation with other PCU members, project implementers and key stakeholders.
3. Ensure that ME&KM activities are included and adequately budgeted for in the AWPB.
4. Supervise data submission, data entry and data quality assessment by project implementers and the M&E Assistant: this includes data on AWPB implementation, data for output indicators and data on outreach.
5. Organize and conduct regular field monitoring visits.
6. Update the Logframe and physical progress information based on the AWPB.
7. Participate in IFAD supervision missions by preparing reports, facilitating access to M&E data, and providing any other information required.

#### Project evaluation

1. Prepare the TOR/MOU for baseline, mid-term, and completion surveys, using the IFAD COI measurement guidelines.
2. Participate in the selection process of a survey institution.
3. Conduct or supervise the execution of the baseline, mid-term, and completion quantitative surveys.
4. Checking draft survey reports and providing feedback until they are of an acceptable quality.

#### Knowledge management

1. Provide guidance to project implementers to ensure that the necessary analysis on financial services is included in reports, to facilitate preparation of knowledge products on the same.
2. Organize fora for learning and information exchange on emerging topics and innovations in rural and agricultural finance and prepare policy briefs on policy-relevant findings.
3. Prepare and oversee focused studies to gain a deeper understanding of the effects of key project interventions and the preparation of reports on the same.
4. Supervise the KMC Assistant who will collect/prepare lessons learned and stories from the field.
5. Organize regular consultations with strategic partners, project implementers and other PCU members in a structured manner.
6. Work with the KMC Assistant to establish a channel for stakeholder feedback.
7. Package and disseminate lessons learned and other knowledge products for different audiences and purposes.

#### Analysis and reporting

1. Using monitoring data to analyse performance and results, report issues and propose solutions.
2. Presenting survey findings, together with recommendations on the need for adaptation or restructuring, to project management, government, and IFAD.
3. Within set deadlines, prepare and submit required reports (e.g. AWPB document, consolidated progress reports).
4. Organizing annual planning & review workshop, with partly focus on past performance, lessons learned and recommendations.

5. Prepare and provide information in response to requests by key stakeholders that fall within the agreed results measurement framework of the project.

### Capacity building

1. Identify training needs related to M&E and KM and develop a plan and training resources for capacity building.
2. Provide training and backstopping to PCU staff, implementing partners with ME&KM responsibilities, and other key stakeholders on ME&KM aspects related to their tasks.

### **Education and Experience**

- An advanced degree in a field related to rural development and project management.
- At least eight years of relevant work experience, including at least four years working with knowledge management, planning, M&E and/or MIS in government/donor projects or large institutions. Experience with IFAD projects would be an advantage.
- Expertise in M&E methods and approaches (Logframe, theory of change, stakeholder analysis, quantitative and qualitative data collection, adaptation to local context, participatory approaches).
- Proven skills in research and analysis, transforming data from multiple sources into useful information and knowledge products for management and reporting purposes.

### **Competencies**

- Proven skills in research and analysis, transforming data from multiple sources into useful information and knowledge products for management and reporting purposes.
- A good understanding of rural development, including aspects of rural financial services, poverty targeting, women and youth inclusion, environmental conservation, and adaptation to climate-change.
- Willingness to carry out field work and engage with project beneficiaries and other stakeholders in remote rural areas.
- Good document drafting and writing abilities, including in the presentation of analysis or research;
- Self-motivated, with demonstrated ability to take initiatives and work under a minimum of supervision, but also to work effectively as a member of a team.
- Demonstrated capacity to manage people and interact with a wide range of private sector partners, public sector representatives, and development partners.
- Good knowledge of Microsoft Office (Word, Excel, Power Point) for analysis and the preparation of reports and presentations.
- High level of proficiency in English

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT FOR RURAL ZAMBIA (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE: FINANCIAL CONTROLLER**

Duration: Initial 3 years

Contract: Initial Three- year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

Reports to: Project Coordinator  
Programme Steering Committee (on matters related to the Financing Agreement with IFAD)

**Purpose**

The Financial Controller (FC) will be one of the senior staffs of the PCU, particularly in relation to liaison with MoFNP, IFAD and the other funding agencies. He/she will be a principal actor in routine financial management of the Project activities, responsible for the smooth flow and proper accounting of use of funds. This will necessitate ensuring prudent financial management of FIRIP and for maintaining all Project accounts in good order.

**Key Responsibilities and Duties**

- Designing and implementing FIRIP's Financial Management system and tools;
- Undertake the financial management of the Project in a prudent manner;
- Ensuring, overseeing and guidance on the implementation of the overall financial systems and tools in accordance with the Government Legislation and Financing Agreements;
- Installation of an appropriate financial management system with a well coded chart of accounts to ensure that the PCU and especially, the Project Coordinator and M&E Officer are regularly informed of ongoing financial activities and transactions;
- Communicate to all implementing entities and service providers their financial responsibilities, the funds available and how to access them, and the requirements of reporting and record keeping in accordance with prevailing government practices which are acceptable to IFAD;
- Maintain all accounting records in a form appropriate for regular auditing (at least once a year);
- Ensure that:
- All FIRIP funds are used in accordance with the conditions of the financing agreements, with due attention to economy and efficiency, and only for the purposes for which the funds were provided;
- Counterpart funds have been provided and used in accordance with the conditions of the financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;


- Works, goods, and services financed have been procured in accordance with the financing agreement and in accordance with government and IFAD's rules and procedures;
- All necessary supporting documents, records and accounts are kept in respect of all Project activities, with clear linkages between the books of account and the financial statements presented to the financiers;
- The Designated account is maintained in accordance with the provisions of the financing agreement and in accordance with the financier's rules and procedures;
- The financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS) – Cash basis with the prerequisite disclosures for non-cash items;
- Liaise with external auditors to audit the FIRIP accounts to meet the required submission deadline fixed by IFAD;
- Oversee tax matters of the Programme, ensuring that tax exemptions for the procurement of goods for the Programme are secured at the appropriate time;
- Process documentation and follow up on disbursements from the government and IFAD to ensure that releases are not delayed;
- Ensure that funds for Project implementation are disbursed in a timely manner to enable Project interventions to be carried out on time;
- Coordinate preparation and submission of regular Withdrawal Applications to IFAD and follow up to ensure that the Project does not run short of liquidity;
- Follow up on all Project funds released to implementing entities and technical partners for timely retirement and proper utilization;
- Ensure that fixed assets are well accounted for and quarterly or when necessary, verification is undertaken of the condition of assets and their location;
- Prepare half-yearly consolidated statements of FIRIP accounts as an integral part of the Management Information System to be submitted to the Project Steering Committee, and subsequently to IFAD;
- Prepare quarterly reports regarding aspects of Project financial monitoring bringing out variances and advising component heads as to the limits of expenditure;
- Ensure the effective and efficient operation of administrative aspects of the Project;
- Assist the Project Coordinator in elaborating the Mid-Term Review and Project Completion Reports by providing updated detailed Project financial statements;
- Collaborate with M&E Officer in elaboration of the yearly AWPBs, periodically report, including semi-annual and annual progress reports;
- Ensure that all pieces of office equipment, IT Equipment, and vehicles under the PCU are in good working condition through regular maintenance, and appropriate repairs;
- Assist the Project Coordinator in conducting Project Completion and Loan Closing activities in compliance with the grant conditions; and
- Undertake any other activities that are assigned by the Project Coordinator.

### **Minimum Qualifications**

The candidate should have a Minimum of Bachelor's degree in Financial Management, Accounting and Finance, Finance, Business Administration or Commerce and must be a professional accountant registered with the national accounting regulator (Zambia Institute of Chartered Accountants).

### **Skills and Experience**

- At least seven (7) years of relevant work experience, including at least five as a Financial Manager or Accountant in government/ donor Projects or large institutions;

- At least seven (7) years of work experience working with credible accounting software;
  - Strong managerial skills and demonstrated capacity to manage people and interact with a wide range of private sector partners and government representatives;
  - Knowledge of work planning, budgeting, and reporting;
  - Excellent quantitative and analytical skills;
  - Strong communication skills and relations management;
  - Strong training skills; and Computer-literate and well-versed in the use of Excel, Word, Power Point, email and internet and financial software, fluent in English languages.
  - Strong managerial skills and demonstrated capacity to manage people and interact with a wide range of government agencies and, to a certain extent, private sector representatives;
  - Strong written and oral communication skills in English; Self-motivated and creative thinker;
  - Excellent leadership capacities and communication including skills for conflict management;
  - Integrity and honesty; and Able to work independently, with limited supervision.
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**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT FOR RURAL ZAMBIA (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE: PROJECT ACCOUNTANT**

Duration: Initial 3 years

Contract: Initial Three- year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

Reports to: Financial Controller

**Purpose**

The Project Accountant will ensure and undertake accounting and financial records of the Project Management Unit in the Financial Management and Administration Division. He/she will report directly to the Project Financial Controller and will be responsible in maintaining accounting records.

**Key Responsibilities and Duties**

- Prepare process including requests for payment of Project expenses;
- Support the Financial Controller in the overall expenditure planning;
- Support the Financial Controller in preparing the annual budget and financial plan of activities;
- Ensure adequate instruction of accounting processes in their all phases, including request for payments in line with the planned activities, control of procedures, reporting and authorization in line with the Project Financial Manual, PIM, and Government Procedures;
- Process Project payments in the accounting software;
- Generate reports for management and internal analysis from both the Project accounting software;
- Ensure that all payments and the related documentation are according to the Government and Financiers standards and follow the rules and procedures of both Government and donors;
- Provide accounting data from the accounting software whenever requested by the Financial Controller or Project Coordinator;
- Insert accounting data in the financial management system software;
- Perform preliminary analysis and reconciliations of accounts periodically;
- Maintain the filing of all accounting and financial documentation;
- Ensure that bank accounts are reconciled monthly;



- Assist Financial Controller in preparation of withdrawal applications for disbursements and/or justification;
- Collaborate with the Financial Controller in the preparation of periodic financial reports and annual financial statements;
- Ensure the fulfilment of administrative and financial procedures acceptable to the Financier and the Government; and
- Perform all other relevant tasks as assigned by the Financial Controller or Project Coordinator.

### **Minimum qualifications**

Degree in Accounting and Auditing, Accounting and Finance or Management, Financial Management, Business Administration or Public Administration.

### **Skills and Experience**

- At least five (05) year of experience in working in an Accounting Department of Government Institutions; consolidated knowledge and experience in using Accounting Software for public accounting and Government projects/ programmes financed by international organizations or donors.
- Knowledge in public/ government accounting rules and procedures; excellent skill in using computer and MS Office (Word, Excel, Access) including internet, email.
- Fluency in English. Solid experience in using an Accounting Software acceptable by IFAD will be an advantage.

**Financial Inclusion for Resilience and Innovation Project for Rural Zambia  
(FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE: PROCUREMENT SPECIALIST**

Duration: 3 years

Contract: Three- year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

Reports to: Programme Coordinator (PC)

**Purpose**

The Procurement Specialists reports directly to the PC and is responsible for managing procurement processes and contracts administration aspects. As head of the procurement unit, the incumbent will be tasked to ensure compliance with Zambia Public Procurement Act and its regulations and ensure due diligence to comply with IFAD Procurement Guidelines and handbook.

**Key Responsibilities and Duties**

The responsibilities of the Procurement Specialist will be as follows:

- With reference to the project design document, IFAD procurement guidelines and Procurement Handbook, update draft project procurement manual for the project for approval by PSC and IFAD.
- To update the initial 18-month Procurement Plan prepared during design and ensure that the subsequent annual Procurement Plans are continuously updated in accordance with the procedure and procurement plan agreed with IFAD.
- To liaise with IFAD procurement staff for FIRIP related procurement.
- To co-ordinate with concerned subject matter specialist on procurement matters, especially preparation of TOR, technical specification etc.
- To lead preparation of bidding documents, evaluation, letters of awards, draft contracts etc. in the procurement of good/works and services including consultancies, in compliance with IFAD Procurement Guidelines and Procurement Handbook.
- To submit necessary documents as per the Project Procurement Arrangements Letter, to IFAD for those items subject to prior review.
- To facilitate/assist in getting NOC from IFAD wherever required.
- To co-ordinate with project team, organize and support evaluation committees for prompt evaluation.
- To make necessary arrangement for contract signatures.
- To update Contract Management details in IFAD OPEN-CMT and prepare amendment letters to the contracts. As part of the contract management, in coordination with the concerned officials monitor the contractual provisions for compliance.
- To lead on providing capacity building and mentoring support to other PCU Procurement Staff and Implementing Parties Procurement staff.
- To monitor and provide technical guidance to Implementing Parties' procurement staff.

- To keep progress of procurement activities against procurement timetables, highlight variations in progress, record reasons and identify remedial actions, if any.
- Assist the Program Co-Ordinator for placement of various documents/papers before Project Steering Committee for review and approval, all types of audits of procurement activities, post review of IFAD, contracts exception reporting, etc.
- To liaison with any other appropriate authority for any dispute among the parties relating to procurement.
- To provide documentations and data to IFAD fielded Supervision Mission and Implementation Support Missions.
- To perform any other relevant work related to the project procurement assigned by the Program Co-Ordinator.

### **Minimum Qualifications**

- Formal Academic from recognized University or equivalent:** a. Graduate in commerce, business, finance, engineering or management.
- Relevant Training:** Purchasing management and procurement systems.
- Desirable Qualification:** (a) Post Graduate Diploma in Material/Supply Management; (b) Thorough knowledge of procurement procedures of International Financial Institution financed projects; (c) Completion of Procurement training from a national level institute; (d) MBA from any recognised university or institute.

### **Skills and Experience**

**Work Experience:** Post qualification, minimum ten (10) years of demonstrated experience in managing procurement in the organization with complete understanding and experience on national procurement procedure, especially preparation of Expression of Interest, Notice Inviting Tender, Terms of Reference, Request for Proposal and bidding document for procurement of consultant services, goods and works. Preference will be given for experience in handling procurement funded by external agencies like World Bank, ADB, IFAD etc.

**Preferred Skills:** Good written and verbal communication skills; Computer literacy general MS package; Proficient in computer based spread sheets for data analysis; Proactive, work with minimum supervision, and as a team builder.

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT  
FOR RURAL ZAMBIA (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE: ADMINISTRATIVE ASSISTANT**

Duration: Initial 3 years

Contract: Initial Three-year contract, with six months' probation period, renewable based on agreed performance targets and deliverables

Reports to: Financial Controller

**Purpose**

The Administrative Assistant will assist in the accounting and financial recording of the PCU. He/she will report directly to the Project Financial Controller and will be responsible in maintaining accounting records.

**Key Responsibilities and Duties**

- Apply Project Financial Management Procedures (PFMP)
- Assist the Financial Accountant in the implementation of a sound financial management system.
- Assist the Financial Accountant in preparing financial reports, including monthly funds reconciliation, and monthly expenditure statements;
- Assist the FA in prepare transaction vouchers, and input all transactions into the PIU accounting system before submission to the financial coordinator for approval;
- Assist the FA in process all payments, ensuring that PIU procedures are strictly adhered to;
- Assist the FA in process monthly payroll, payment of salaries to staff, and Project contributions;
- Assist the Financial Accountant and Financial Controller in the preparation of withdrawal applications;
- Assist the FA and FC in prepare cash flow forecasts as required;
- Assist in reviewing and monitor financial returns from Implementing Partners, including periodic visits to their offices;
- Assist in the preparation and monitoring of annual operational budgets Collate data received from colleagues into the system.

- Manage a well-organized and up-to-date filing system for accounting and financial records;
- Assist in providing assistance to the external auditors as required;
- Undertake any other activities assigned by PIU management.
- Supervise the driver(s) and office attendant.
- Perform secretarial duties, including maintenance of a well organised filing system. Collect and review financial reports from implementing partners at district level.

### **Minimum qualifications**

Degree in Accounting, Financial Management, Business Administration or Public Administration.

### **Skills and Experience**

- Ability to work as part of a team and take direction accurately
- Competent IT skills, particularly proficiency with spreadsheet software
- High level of accuracy
- Extremely organised in a manner that is easily read by others
- Trustworthy and discreet when dealing with confidential information
- Administrative skills
- Fluency in English

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT  
FOR RURAL ZAMBIA (FIRIP)**

**MINISTRY OF FINANCE AND NATIONAL PLANNING**

**JOB TITLE:                   PROCUREMENT ASSISTANT**

Duration:                   Initial 3 years

Contract:                   Initial Three-year contract, with six months' probation period,  
renewable based on agreed performance targets and deliverables

Reports to:                Procurement Specialist

**Purpose**

The position of the Procurement Assistant is to assist the Procurement Specialist on all project procurement related matters. The Procurement Assistant will report to the Procurement Specialist on procurement matters and will be under the administrative control of the Program Co-Ordinator.

**Key Responsibilities and Duties**

- To co-ordinate with concerned subject matter specialists on procurement matters, especially in preparation of TOR, technical specification etc.
- To assist in preparation of bidding documents, and other documentation.
- To manage the receipt and safe storage of quotations/bids/proposals.
- To co-ordinate with project team, organize and support evaluation committees for prompt evaluation.
- To update Contract Management details in IFAD OPEN-CMT and prepare amendment letters to the contracts. As part of the contract management, in coordination with the concerned officials monitor the contractual provisions for compliance.
- To monitor the Procurement progress and inform Procurement Specialist on the challenges and delays.
- To keep progress of procurement activities against procurement timetables, highlight variations in progress, record reasons and identify remedial actions, if any.
- To ensure correct maintenance of procurement correspondence and documentation required in hard copy files or electronic copy.
- To provide documentations and data to IFAD fielded Supervision Mission and Implementation Support Missions.
- To perform any other relevant work related to the project procurement assigned by the Procurement Specialist or the Program Co-Ordinator.

**Minimum qualifications**

Degree in Material/Supply Management/Purchase/Procurement or any other relevant degree with procurement training from a national-level institute or completion of procurement training conducted by an IFI.

**Skills and Experience**

- Post qualification, minimum 3 years of demonstrated experience in procurement in an organization with complete understanding and experience on national procurement procedure.
- Good written and verbal communication skills
- Computer literacy general MS package
- Proactive, work with minimum supervision, and as a team player

## **Implementation Readiness.**

436. ICO aims to obtain IFAD Board Approval for FIRIP in December 2024 and anticipates a 3-month period between design completion and start-up in Q2 2025. This will allow for loan negotiations and signing of the financing agreement in Q1 2025, with start-up expected in Q2 2025. Typically, this process usually takes about a year. However, following revisions in Zambia's public debt management process, which now requires loans to be pre-approved by parliament in the previous year, it is expected that the project will be included in the Annual Borrowing Plan (ABP) of 2025. Therefore, the 3-month period is deemed sufficient for administrative processes.

437. The implementation readiness of FIRIP will be ensured through a comprehensive set of actions, which include proactive management of potential delays and adequate time allocation to critical processes such as permits, participation, procurement, etc to facilitate a smooth transition from design to implementation in alignment with the Government and IFAD's frameworks. FIRIP is not anticipated to apply for the Facility for faster Implementation of Project Start-up (FIPS) but will benefit from a start-up advance not exceeding US\$500,000.

438. Building on RUFEP, FIRIP will leverage existing institutional arrangements to ensure a quicker start-up process. The RFU, the unit which provided technical oversight to RUFEP and facilitated coordination of the rural finance stakeholders as per its mandate, will continue to play this role under FIRIP. To avoid start up delays, the RFU will undertake key preparatory activities during the period between design completion and actual start up<sup>160</sup>. These include:

439. Reviewing and finalizing the TORs of the PCU staff as well as the project governance arrangements.

440. Obtaining necessary internal clearances for recruitment of key PCU staff including the Project Coordinator, Financial Controller, Procurement Specialist, and M&E Officer. This will ensure that adverts are sent out just after EIF, reducing the recruitment period by 3 months to enable the key staff to be in place by the 6th month. The remaining staff are expected to be onboarded 9 months after effectiveness.

441. In consultation with the ICO, refining the AWPB and PIM and ensuring the project is well appreciated among the key ministries.

442. Once the key PCU staff are recruited, the ICO will organize an onboarding session on IFAD's OPEN system and IFAD Client Portal (ICP) for the Procurement Specialist and Financial Controller. The PCU staff will ensure timely finalization of the AWPB, PIM, PPs, establishment of procurement processes and contracts, and preparation of an M&E system and baseline. They will also:

- Open designated and operational accounts and set up project management offices.
- Ensure the program budget is included in the national and line ministry's approved budget for the relevant fiscal year through timely submission of the AWPB for review and approval.
- Draft and finalize frameworks for onboarding key IPs and oversee the preparation and planning for the program launch and start-up workshop, based on an elaborate plan within the first year.

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<sup>160</sup> The design will be completed in December 2024 and Entry Into Force (EIF) is anticipated in Q2 2024.



- Ensure establishment of the PSC, headed by MoFNP, to provide strategic oversight and guidance for the project.
- Ensure timelines incorporate environmental due diligence and address any grievances, ensuring compliance with both national and international standards, policies, and practices.
- Ensure dependencies on legal changes and agreements critical to the project, such as special covenants in the financing agreement, are identified and addressed. These include disbursement conditions and effectiveness conditions pivotal for implementation readiness.

443. The project's financial planning and budgeting align with the government's annual budget allocation procedures. This requires the project to communicate its financing needs, as outlined in the AWPB, in the fourth quarter of each year. By doing so, government counterpart contributions can be submitted in time for inclusion in the budget for the subsequent year, ensuring smooth financing of project activities.

444. The implementation of sub-project activities under FIRIP will take place in various locations of selected programme districts. As such, several challenges and complaints may arise especially those which relate to infringement of rights of sections of the society. To address this, a GRM for FIRIP 161 was developed during design to ensure due consideration is given to grievances. Similarly, the ESCMP was developed based on local conditions and findings and serves as a guiding tool for mitigation and management of environmental, social and climate change impacts during and after project implementation. In this way, the project will guarantee environmental and social sustainability beyond the project life cycle<sup>162</sup>.

### **South-South and Triangular Cooperation (SSTC)**

445. There are number opportunities for cross-learning and SSTC within FIRIP. Building on and learning from experiences from other countries is already embedded in several activities under FIRIP:

- **Activity 2.1: Technical workshops on emerging topics and innovations in rural, agricultural and climate finance** will bring in experiences and experts from other developing countries on topics related to innovations in risk management, new agricultural finance products and services, youth and women centered financial services, etc. The invitation of experts from other countries will be covered by the budget for this activity.
- **Activity 2.7: Technical Assistance to review ZCGS operating model and enhance its efficiency, outreach and sustainability** will mobilize dedicated international TA to help ZCGS management to learn from international experiences and best practices on how to improve the efficiency, sustainability and scaling of its operations. The international TA team will include experts from other developing countries familiar with similar schemes. This will be covered by the activity budget.

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161 A draft Grievance Redress Mechanism (GRM) document has been developed as an annex to the PDR

162 A draft Environment, Social and Climate Management Plan (ESCMP) has been developed as an annex to the PDR

- **Activity 2.9: TA for the detailed design of the BFF** will also bring in international expertise through an international consultant, preferably from another African country, to support the final design and operationalization of the BFF.
- **Activity 2.10: TA to develop options for a permanent institutional structure for the BFF** will also be delivered by an international consultant team to share experiences from other African countries with similar structures

446. Furthermore, IFAD Zambia has submitted a proposal to the IFAD China SSTC Facility to support smallholder mechanisation project. This project will enhance water use efficiency through advanced technology, climate-smart practices, and the application of digital technology for precision farming. It will provide farmers and stakeholders with access to cutting-edge agricultural mechanisation and processing technologies from China. FIRIP's support to financial services will make these technologies more accessible to farmers and other VC actors.

447. While SSTC activities with countries like China will be explored, FIRIP will also prioritize cross-learning within the African region. The key focus areas for SSTC include, promoting cross-learning in agricultural and climate finance, enhancing institutional capacity, and introducing innovative financing solutions. Specifically, FIRIP will facilitate knowledge exchange on successful blended finance models, drawing on examples from other countries to support the Zambia Credit Guarantee Scheme (ZCGS) and the Sustainable Financing Facility. Cross-learning activities will also focus on green and climate adaptation finance, leveraging the experience of financial institutions like Equity Bank and Stanbic in East Africa.

448. Furthermore, IFAD Zambia will implement a smallholder mechanisation project with funding from the IFAD China SSTC window. This project will enhance water use efficiency through advanced technology, climate-smart practices, and the application of digital technology for precision farming. The project will set up demonstrations on climate-smart irrigation technologies suited to Zambia's agroecological conditions and the needs of small and larger farmers. Under the IOF windows, FIRIP will facilitate farmer linkages to these technologies through FSPs and IPs, ensuring that beneficiaries access improved mechanization and irrigation systems.

449. **Financing of SSTC Activities.** As outlined above, the SSTC activities under FIRIP will be financed through a combination of project budget allocations and external funding sources. A total budget of approximately USD 1 million (over seven years) has been earmarked for technical assistance, capacity building, and cross-learning initiatives, with a specific focus on agricultural and climate finance innovations. The financing will cover the costs of international consultants, workshops, exchange visits, and the implementation of best practices in Zambia. Additionally, the US\$ 400,000 smallholder mechanization project with funding from the China SSTC window, will be leveraged to enable farmer access to technology demonstrations and climate-smart practices. The table below presents a draft summary of an action plan for SSTC, which will be further refined at implementation based on a thorough analysis of opportunities and responsible stakeholders/actors as well as their roles and responsibilities.

Activity	Budget (USD)	Description	Expected Outcome
<b>Technical Workshops on Emerging Topics (Activity 2.1)</b>	536,000	Workshops featuring international experts sharing	Enhanced institutional capacity to deliver innovative financial

		innovations in agricultural, rural, and climate finance.	products for smallholder farmers.
<b>TA to Review ZCGS Operating Model (Activity 2.7)</b>	325,000	International TA to review and enhance ZCGS's efficiency, outreach, and sustainability using lessons from other countries.	Improved operational sustainability and scalability of ZCGS.
<b>TA for Blended Finance Facility Design (Activity 2.9)</b>	52,000	International consultants (from Africa) will support the design of the BFF.	A well-structured Blended Finance Facility that promotes sustainable agricultural investments.
<b>TA for Institutional Structure Design (Activity 2.10)</b>	11,000	International consultants will provide options for a permanent BFF structure.	Sustainable institutional framework for BFF operations.
<b>Sub-Regional Cross-Learning and Exchange Visits</b>	105,000	Learning exchanges within the sub-region on agricultural finance best practices.	Enhanced regional collaboration and knowledge exchange, improving the design of agricultural financing programs in Zambia.

450. Further specific opportunities for SSTC will be identified by the PCU during project implementation based on a clearer assessment of potential opportunities and needs. Examples for such collaboration include other IFAD Rural Finance projects, especially in Eastern and Western Africa, with similar objectives and target groups (e.g. in Malawi, Mozambique, Kenya), such as youth and women financial inclusion and empowerment, smallholder farmer and value chain finance, as well as green and climate adaptation finance. Webinars and online workshops will be organized as part of FIRIP's KM work. For in person workshops, exchange visits and study tours, additional funding would need to be sourced.

451. It is important to note that the integration of SSTC intervention requires deliberate efforts by the project to partner/ bring on board successful private sector partners that could help to enhance the effectiveness of FIRIP's interventions. Therefore, the selection of strategic private sector partners will focus on their ability to address key challenges and bring in relevant services, experiences and expertise, on the themes mentioned above. One opportunity could be to partner with ARCAFIM's leading banks and IPs, once the program has become fully operational. Another potential areas for support could include improving access to technology for better cultivation practices and processing, and essential support services like insurance and blended finance models. While relevant private sector players exist, many have not yet engaged with FIRIP's target groups. The Innovation and Outreach Facility, along with the Blending Facility, will enable these companies to expand their services to farmers. For instance, China Geo could provide access to advanced mechanization technology, while successful financing and

insurance models from neighbouring countries, such as Kenya, could serve as examples to promote greater adoption among FIRIP's beneficiaries.

## 4.2 MONITORING, EVALUATION AND KNOWLEDGE MANAGEMENT

452. Planning, monitoring, evaluation, and knowledge management would be an integrated function in FIRIP<sup>163</sup>. It would contribute to achieving project objectives by facilitating informed decision making and effective project management. Accurate, complete, and up-to-date data, in combination with analysis that yields processed information and knowledge products, would lead to adaptation during annual work planning, better implementation and results, improved project strategies, as well as reports that meet the needs of the Government, IFAD, co-financiers and other key stakeholders. The project's Theory of Change, which summarizes the pathways from project interventions to outcomes, and the Logframe, which summarizes the results measurement framework, would be at the centre of these efforts.

453. FIRIP implementation will be carried out based on an approved AWPB. The AWPB would be prepared by the PCU, in close consultation with implementing agencies and strategic partners of the project. The ME&KM Officer together with the Financial Controller would take the lead in this process, under the overall guidance of the PC. Technical specialists in the PCU would contribute to their respective areas, regarding the requirements for the IOF the capacity building activities and investments in value chains, Climate-smart Agriculture (CSA) and green technologies; the implementation of the strategies for gender and youth; and policy engagement. For the roll out of the blending finance facility, the Fund Manager would provide the necessary information. The ME&KM Officer would ensure that the necessary M&E activities and KM activities are included in the AWPB with adequate budget amounts.

454. Annual planning process. To ensure timely submission to the Government and IFAD, consultations and preparation should start in August. Initially, the Project Design Report (PDR) would be the main source of information for the AWPB, but over time the lessons learned from implementation experience, studies and surveys, engagement with strategic partners, and stakeholder feedback, would become increasingly important. After direct consultations and preparation of a first draft of the AWPB, an annual planning and review workshop would be held with strategic partners, financial institutions and representatives of other development agencies that support rural finance in Zambia or are involved in value chain development and CSA. These workshops would be platforms for both planning and learning and would be used to share information on progress made and lessons learned; present the draft AWPB and next steps for FIRIP; get feedback; and harmonize project activities with those of other institutions that work in the areas of rural financial services and value chain development.

455. The PC would submit the draft AWPB and Procurement Plan (PP) to the PSC by 1 October of each year, for review and approval. The draft AWPB would be submitted to IFAD for review and 'No Objection' no later than 1 November. The AWPB should be results-oriented; there would be a clear link between planned activities and the project outputs in the Logframe. The proposed contents of the AWPB document are presented in the table below, while the draft AWPB for the first year is included in the PDR. The final format of the template for planned activities and contents of the AWPB document are to be agreed between the PCU and IFAD.

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<sup>163</sup> An overview of IFAD resources related to monitoring and evaluation can be found here:

<https://www.ifad.org/documents/38711624/47767776/overview-ifad-guidance-m&e.pdf/16f4ef0f-868a-635d-6e27-3b7b1d220191>

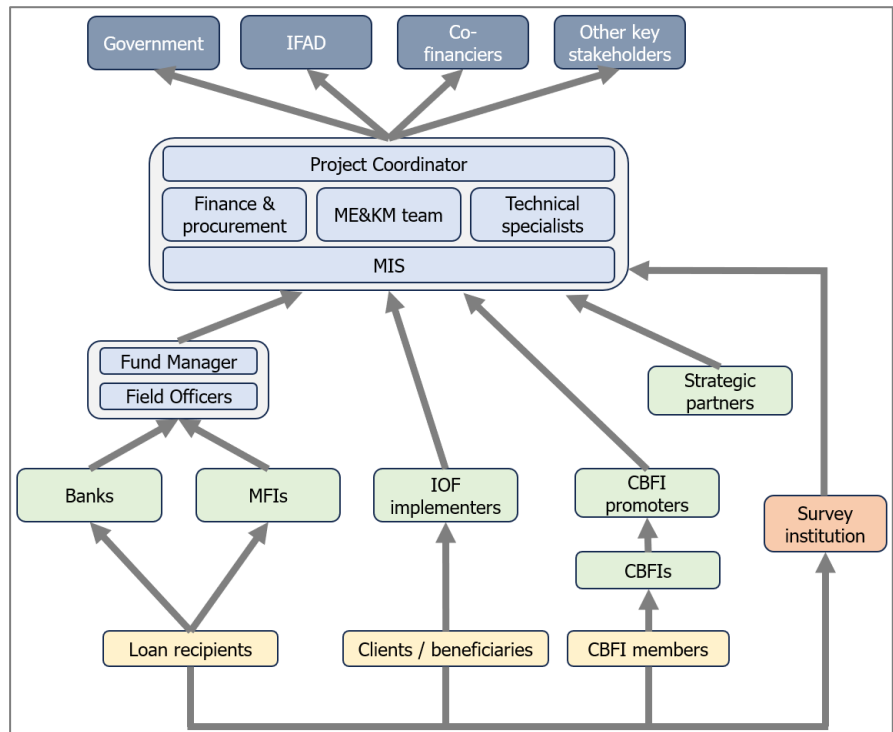
Resources related to knowledge management can be found here:

<https://www.ifad.org/en/web/knowledge/-/knowledge-management-resource-centre>

**Table 20: Content of the AWPB**

<p>1. Introduction</p> <ul style="list-style-type: none"><li>a. Project outline and environment: a brief summary of the key characteristics of the project (objectives, target group, project area, components) and description of any changes in the economic, political, institutional, and natural environment that may affect the project.</li><li>b. The annual planning process: how was the AWPB prepared, who was involved and consulted.</li></ul> <p>2. Implementation progress and performance to date</p> <ul style="list-style-type: none"><li>a. Overall performance and lessons learned: a summary of overall progress towards achieving objectives; and lessons learned and how these have been taken into account in the AWPB.</li><li>b. Brief summary of progress by component: what has been achieved under each component, compared to the previous AWPB and compared to the project design.</li></ul> <p>3. Project strategy and focus for the coming year</p> <ul style="list-style-type: none"><li>a. Key constraints, action required, and strategic focus: implementation constraints that have been identified, action that will be taken in the coming year, and any change in strategic focus or new direction that will be taken.</li><li>b. Activities by component and project output: narrative summary of the main activities that are planned in order to deliver project outputs under the three components.</li></ul> <p>4. Consolidated annual budget: budget summary tables (by component, expenditure category, financier) and observations regarding the budget.</p> <p>Annex 1. The Logical Framework: an updated Logframe with updated annual targets for output indicators.</p> <p>Annex 2. Activity and budget details: tables with details under each component and output with activity and budget details.</p> <p>Annex 3. Procurement plan: detailed overview of items to be procured and procurement methods.</p>
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456. The FIRIP monitoring approach. Monitoring would be a continuous process focused on activities (recording data on actual implementation of planned activities in the AWPB), output level (recording data related to output indicators) and outreach level (recording data on total numbers of project beneficiaries reached). All project implementers, including IOF recipients, banks, MFIs and SACCOs that participate in the blending finance facility, as well as strategic partners and services providers involved in capacity building, are expected to record and submit data related to their specific project interventions. The precise monitoring requirements would vary for each implementing partner and would be specified in their TOR or MOU. The diagram shows a general overview of the main IPs, and how data would flow from the place where it is collected to the PCU and Management Information system (MIS).



457. At activity level, each project implementer would report on relevant activities in the AWPB. The ME&KM team would provide an electronic template for submitting data on the actual implementation of planned activities – a starting point is shown below.

Planned activities				Monitoring									
Code	Activity	Unit	Target				Status	Results (annual)				Results (cumulative)	Comments
			Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
12345	Matching grants (window 1) for development and roll-out of client-centred financial services	number			3		Behind schedule	0	0	1		3	Elaboration, e.g. reasons for being behind schedule

458. In a similar manner, electronic templates would be provided to project implementers to submit data on output indicators. The focus would be on numbers of beneficiaries of financial services, while other indicators would track numbers, types and values of matching grants and loans disbursed; people trained; green technologies distributed; and policy-relevant knowledge products prepared (see M&E matrix). Since FIRIP is both gender transformative and youth sensitive, all people-based output indicators as well as the outreach indicator Core Indicator 1 would be disaggregated by sex (male/female) and by age group (youth/adult).

459. The M&E matrix in appendix 1 provides details on the Logframe indicators for which data would be collected, as well as some additional indicators that would be included

in the M&E system. For each project implementer, the indicators for which they would submit data would be specified in their TOR or MOU, and only relevant data entry templates would be provided.

460. At outreach level, the PCU would report on the total number of project beneficiaries, using Core Indicator 1, and on the related numbers of beneficiary households and household members. As highlighted in IFAD's recent cluster evaluation on rural finance, double counting and overreporting of beneficiaries could be a major challenge for FIRIP<sup>164</sup>: it is possible that the same individuals take multiple seasonal loans over the years, for example; financial institutions may report beneficiaries without making a distinction between regular clients and project-specific beneficiaries; and the same individuals may access multiple services (savings, credit, insurance, digital banking) and be counted multiple times in that way. It would be difficult for the project to obtain lists with names and personal details for all beneficiaries: providing such data may contravene privacy regulations, and for some beneficiaries, for example those who benefit from on-lending by Small and Medium-sized Enterprises (SME), the data would not be available. The ME&KM team would therefore have to work with each implementing partner and provide the necessary tools and capacity building to ensure that sufficiently detailed data is submitted (e.g. number of persons benefitting from services related to savings, credit, insurance and digital banking) while data on the total number of unique individuals who benefit from services supported by FIRIP is also reported. Such capacity building and backstopping would be an ongoing task for the ME&KM Officer and the ME&KM Assistant, with support from the field officers involved in fund management. Provision for annual M&E training/workshops has also been made for this purpose.

461. Field visits are expected to take place at least once every quarter, with ME&KM staff spending one week to visit selected sites where project activities have been implemented. The visits would be used for spot checks and field verification, and to discuss implementation and results with project implementers and beneficiaries, probe to identify lessons learned, check records, and provide backstopping regarding monitoring and reporting. Where possible and useful, field visits would be combined with visits by other technical specialists in the PCU and by field officers that monitor loans under the blending finance facility.

462. The FIRIP evaluation approach. Evaluation would focus on measuring the extent to which higher-level project objectives have been achieved; and would investigate whether the logic in the Theory of Change is valid and whether critical assumptions are correct. The M&E matrix in appendix 1 provides elaboration of the indicators for higher-level results in the Logframe, for which data would be collected. The following are some of the questions that evaluation of FIRIP would try to answer:

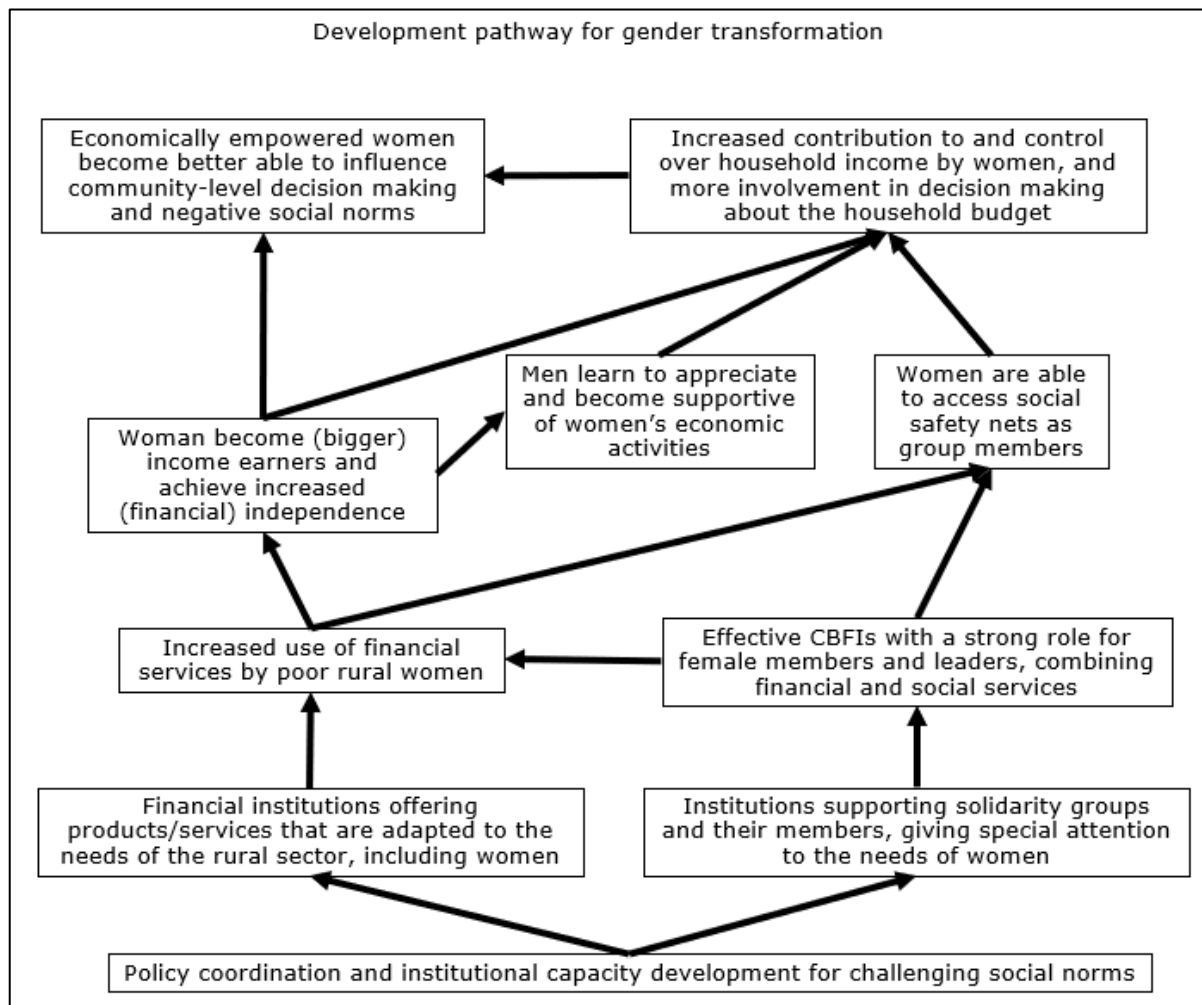
- Has the project resulted in increased use of financial services by the target group?
- What types of activities are financial services used for by the beneficiaries?
- Have users of financial services, especially loans, seen growth of their economic activities
- Do users of financial services, including investment in CSA and green technologies, experience increased resilience?
- Have rural livelihoods improved, are households better off?

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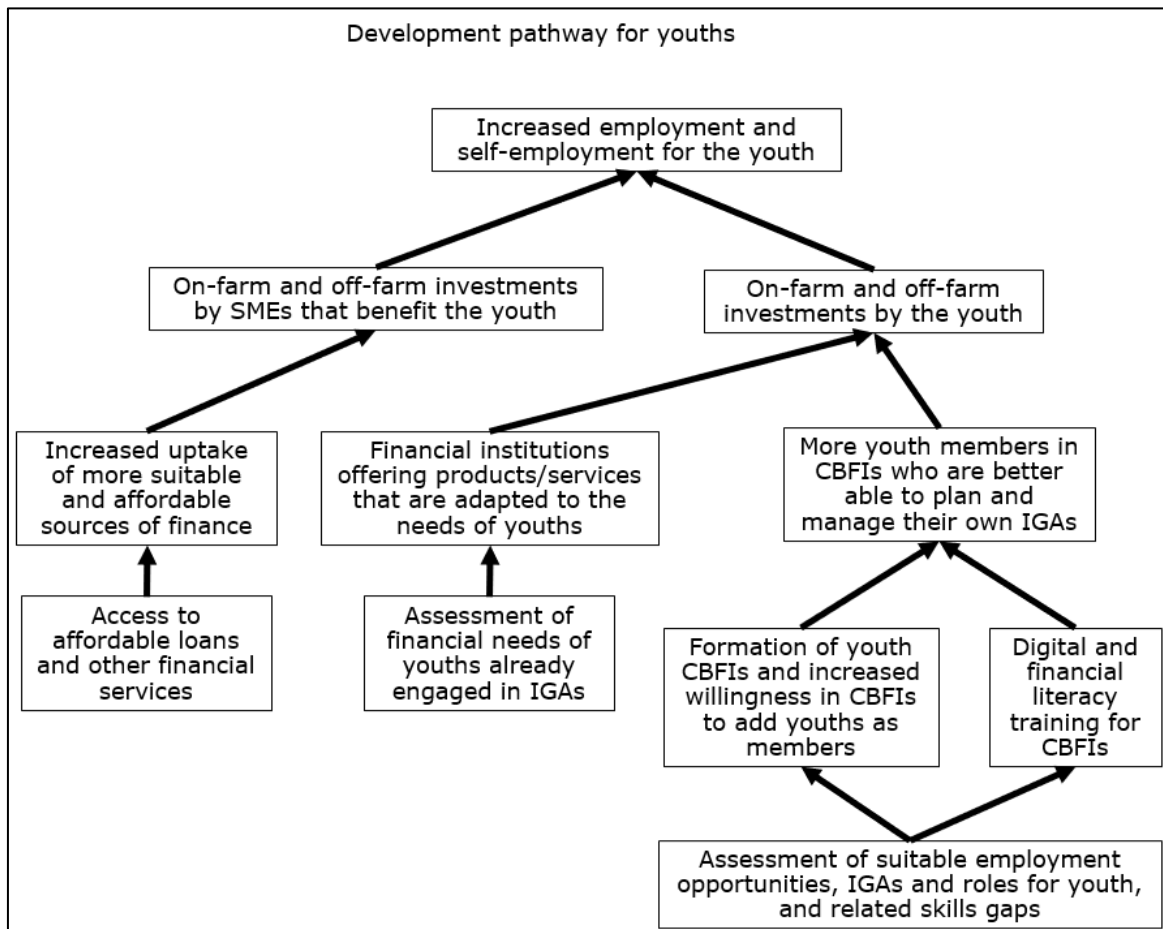
<sup>164</sup> IFAD, Rural Finance in the East and Southern Africa Region, Project cluster evaluation, Report No. 6678, December 2023.



463. Information related to the questions presented above would allow the project to assess at mid-term the extent to which the ToC is valid and, if needed, adjust. In a similar manner, the ToC would be evaluated at completion<sup>165</sup>. Since FIRIP is expected to be gender transformative, special attention would be given to analysis of changes in the ability of beneficiaries, women, and men, to make strategic choices; their autonomy in income; attitudes about partner violence; decision making about financial services, means of production and use of income; and group membership and influence in groups. Evaluation of the pathways for youth empowerment and employment creation would also receive special attention. Tools would include more detailed diagrams showing the



<sup>165</sup> Please refer to the Theory of Change description and diagram in the main text of the PDR.



pathways for gender and youth empowerment, as presented here; these complement the overall Theory of Change diagram in the main text.

464. The project would assess improved resilience as a result of using financial services, by considering increased savings and access to insurance, which enables households to better respond to and recover from shocks, and by considering investment in and adoption of environmentally sustainable and climate-resilient technologies and practices, which allows households to adapt to climate-related risks.

465. Quantitative data would be collected through a baseline survey that would be conducted before the end of the first year, and which would be followed by a mid-term survey in year 4 and a completion survey in year 7. Preparation for the mid-term and completion surveys would start at least one year before the Mid-term Review (MTR) and the project completion process, respectively, because both the procurement process and survey preparation can be time consuming, while the final survey reports must be available at the time of the MTR and project completion missions.

466. The target group of FIRIP has been divided into three categories. Two of these categories consist of rural people who can be considered IFAD's core target group, the rural poor: (i) semi-subsistence farmers, who have a potential to become integrated in value chains with the help of financial services; (ii) market-oriented smallholder farmers and owners of microenterprises, who can grow their business with the help of financial services. The third category, emerging commercial farmers and SMEs are value chain actors and enterprises that facilitate delivery of benefits to the other two categories, as suppliers, buyers or through employment creation. Data collection using surveys would focus on the first two categories, and this would require stratification. Since beneficiaries would not yet have been identified at baseline, and given the need for stratification, the

rule of thumb approach to sampling would result in a baseline survey with a sample size of 3,000 eligible persons<sup>166</sup>. It may be worthwhile to include a control group also at mid-term, which would mean that the mid-term and completion surveys would both cover 1,500 beneficiaries and 750 non-beneficiaries. Final decisions about stratification, whether to use a statistical formula or the rule of thumb approach to determine the sample size, the sampling method, and inclusion of a control group at mid-term, would be made by the PCU in dialogue with IFAD and the survey institutions. The fact that the project's coverage is national, with a focus on unbanked and underbanked areas, would pose logistical challenges and have cost implications for the surveys.

467. IFAD's template questionnaire for Core Outcome Indicator (COI) surveys would be used, but would be adapted, regarding the reference period and depending on the group that is interviewed and the stage of the project, as well as contextualized, regarding the units of measurement and types and sources of financial services appropriate for FIRIP and Zambia. Questions for project-specific indicators especially at the level of the Project Development Objective (PDO) and goal should also be added. Data for the outcome indicators CI 1.2.6 on portfolio-at-risk and CI 1.2.7 on operational self-sufficiency would not be collected through surveys but would be submitted directly by Participating Financial Institutions (PFI) to the PCU.

468. In addition to the quantitative surveys, complementary qualitative information would be collected, and this would include focus group discussions on changes in access to, use of and benefits from financial services. The focus groups would include Community-based Financial Institutions (CBFI), groups with only women, and groups of youths.

469. The PCU would use the findings of evaluation at mid-term to analyse performance and the extent to which project objectives are being achieved. Together with other information, on AWPB implementation, disbursement, targeting, and lessons learned, this would be the basis for an analytical report that the PCU would prepare before the MTR. Conclusions and recommendations would include the extent to which there is need for adaptation and restructuring, and the report would be a critical resource during the MTR mission. At project completion, the survey report and qualitative information would be among various sources of information that would be used to implement the project's exit strategy and prepare the Project Completion Report (PCR).

470. The FIRIP knowledge management approach. Knowledge management would focus on two key characteristics of FIRIP: innovation and policy engagement. First, the development and rollout of client-centric financial products and services, especially those supported under the IOF, is expected to result in better meeting the needs of the target group. The KM approach would include gaining a good understanding of how and to what extent project-supported financial services have actually succeeded in responding to these needs, and what the subsequent outcomes are. This would involve answering questions that are similar to those used for evaluation, but in a more qualitative and analytical manner:

- How do new, client-centric products and services result in increased use of financial services? What specific product characteristics are most appreciated and contribute to increased use?
- How does the increased use of financial services, especially loans, translate into growth of the economic activities of the target group? What factors in particular contribute to this?

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<sup>166</sup> See Core Outcome Indicators Measurement Guidelines (COI), IFAD, October 2021.

- How does the increased use of financial services, especially investment in CSA and green technologies, translate into increased resilience? What types of investments are successful and why?
- How best can the access to and benefits from financial services be extended to women and young beneficiaries? What types of targeting mechanisms are effective in this respect?
- How can a better understanding of the above aspects be shared with other projects and development partners in Zambia; how can it contribute to policy development and mainstreaming?

471. The ME&KM Officer and ME&KM Assistant would work with each recipient of IOF support to ensure that the necessary analysis is carried out and included in their respective grant completion reports. In a similar manner, they would work with the Fund Manager and participating banks, MFIs and SACCOs, regarding the blending finance facility. They would then draw on the various reports, as well as available M&E data, to package the findings in various ways that can be shared with key stakeholders.

472. Second, the project would aim to contribute to an enhanced enabling environment for rural financial services, as outlined in the National Financial Inclusion Strategy II (NFIS-II). The KM approach would include supporting the preparation of knowledge products and organizing fora for learning and information exchange on emerging topics and innovations in rural and agricultural finance. These could include some of the following, all of which have high priority in the NFIS-II: developing an MSME Financing Strategy; devising credit enhancing and guarantee schemes; developing an agriculture financing strategy; revising the Sustainable Agriculture Financing Facility (SAFF); developing the Disaster Risk Financing Strategy; developing the third National Strategy on Financial Education; and enhancing consumer awareness of complaint resolution and redress mechanisms. Priorities for FIRIP support would be determined in dialogue with the project's strategic partners, including the RFU in the MoFNP, the MoA, the MFL, the BoZ and ZICTA.

473. To facilitate both the policy engagement described above and gaining a deeper understanding of the client-centric financial products and services, provision has been made for technical assistance, workshops on topics related to rural finance, and several focused studies, which can either be contracted out or conducted by the PCU itself. While all these activities would be demand-driven, important topics that are expected to be covered include: the integration of Environmental, Social, and Governance (ESG) frameworks in financial institutions; the functioning of guarantee mechanisms; SAFF performance and implementation results; the effectiveness of selected financial services developed with IOF support; and the employment effect of financial services to SMEs. Knowledge products would include workshop recommendations, policy briefs and study reports.

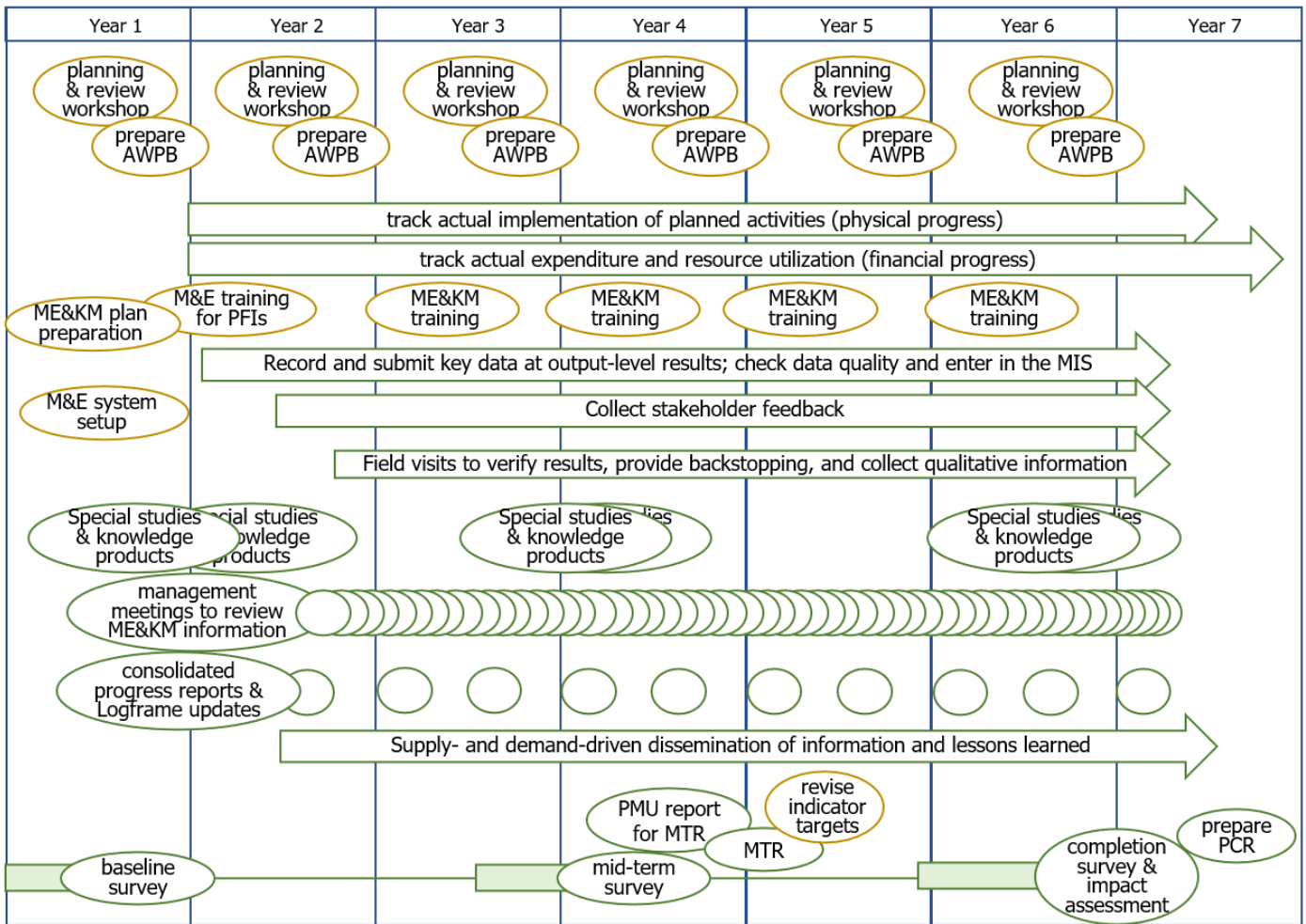
474. In addition, compiling, analysing and sharing lessons learned and stories from the field would be an ongoing KM activity throughout the life of the project. To this end, the ME&KM Officer and ME&KM Assistant would conduct interviews and take photographs; establish mechanisms for sharing information and experiences with strategic partners and project implementers; hold regular consultations with other PCU members, including during joint field visits; and set up a channel for stakeholder feedback. To ensure that this happens in a structured manner, KM-related tasks would be included in the AWPB, and where needed in the TOR / MOU of implementing agencies.

475. The lessons learned would be packaged for different audiences and purposes, and would be used for improving implementation, as well as to identify the need for adaptation of implementation approaches. A summary of lessons learned would be presented each year during annual review & planning workshops and would feature

prominently in consolidated annual reports. Stories and images from the field are an important knowledge product that would be used to complement M&E, by providing examples and adding a human face to tabulated data and charts in reports and during presentations. At mid-term, a key knowledge product would be a report prepared by the PCU, based on monitoring data, survey data, special studies and lessons learned, that would analyse performance and identify the need for restructuring. This report would be an input for the MTR mission.

476. Knowledge products will be accessible online and securely archived on cloud platforms to ensure their long-term availability and use beyond the project's lifetime. The project would also be expected to make information available to the general public: in electronic form (e.g. a FIRIP website or Facebook page); through leaflets and brochures (e.g. project at a glance; IOF windows and conditions); and newspaper and magazine articles (e.g. stories from the field). The specific needs and opportunities for these types of dissemination would be assessed each year during the annual planning process. The project would not publish information on or promote specific financial products and services that have been rolled out, that would be left to the FSPs that offer such products and services.

477. Overview of ME&KM activities. The figure below presents an overall calendar with the principal activities related to planning, monitoring, evaluation, and knowledge management. Many of the activities are recurrent, such as the annual planning workshops. Data collection, on AWPB implementation and for output indicators, would be a continuous effort. M&E training would focus on strengthening the capacity of participating financial institutions and other project implementers to collect and submit only data that is related to project support, rather than their general operations, and to avoid double counting. The boxes to the left of the surveys are a reminder of the typically lengthy procurement and preparation process for these surveys.



478. The utilization of the information generated by M&E and of the knowledge products emanating from KM is especially important. This includes: dashboard updates; regular management meetings to discuss M&E data and lessons learned; preparation of consolidated (semi)annual progress reports; and packaging and disseminating information in line with the needs of key stakeholders.

479. Roles and responsibilities. The ME&KM Officer would have overall responsibility for coordinating annual planning, monitoring, evaluation, knowledge management and communication under the project. This is a senior management function, with the authority to assign duties for data collection and sign off on physical progress reports. The ME&KM Officer would ensure that the activities described in the M&E plan are implemented; that ME&KM systems are established and are operating effectively; that accurate, complete and up-to-date information about the project is made available to the Project Coordinator, the Government, IFAD and co-financiers; and that timely and relevant information and knowledge products are made available to project stakeholders in reports, presentations and through other means of communication.

480. The ME&KM Officer would be assisted by one technician: an ME&KM Assistant who would focus primarily on data management but would also assist regarding knowledge products and communication. The focus for the ME&KM Assistant would be on tools for data collection; backstopping on the use of such tools for project implementers; data entry and data quality verification; transforming data into useful information; and ensuring that the MIS is working properly and is used effectively. The ME&KM Assistant would also assist

with conducting interviews and stakeholder feedback; organizing workshops and other fora for information exchange and learning; using available information to prepare knowledge products (write-ups, infographics, audio-visual products); and disseminating information (including print, broadcasting and social media). In addition, the ME&KM Officer would liaise with the Fund Manager regarding monitoring of the blending finance facility by the BFF field officers, who would also have an important role in collecting monitoring data.

481. The ME&KM team as described above would facilitate data collection, but actual data collection would be done mainly by implementing institutions: each project implementer would have an M&E focal point and would have clearly defined responsibility for collecting and submitting monitoring data and progress reports for the specific aspects of the project that they implement. Data collection using surveys would be done by a specialized survey institution. Technical specialists in the PCU would provide inputs regarding the specific data to be collected for selected indicators and on data collection templates designed by the ME&KM Assistant. They would also have a role in data quality assessment and in preparing sections of consolidated progress reports of the project. Finally, short-term ME&KM specialists would be contracted as needed for specific tasks that require external support, for example, review of a draft survey report, support with establishing the MIS, or editing an article on project performance and experience to be published in the national media.

482. Management Information System (MIS). FIRIP would establish a computerized system that ensures ME&KM data is stored systematically, safely and is easily accessible; and to transform data into useful information. The specific requirements will be defined by the PCU in dialogue with the government and IFAD. The system would be characterized by the following:

- Adaptable and where possible open-source technology.
- Electronic data entry of monitoring data by project implementers using tablets and computers, on progress with AWPB implementation and related to output indicators. Depending on their activities, each implementing agency would be provided with one or more standardized electronic templates, for enhanced efficiency and data quality.
- Data would be securely kept in the cloud, to avoid the risks associated with staff turnover and damage or loss of individual computers, from where it can be accessed for various analytical and reporting purposes.
- Lessons learned and other qualitative information (stories from the field, case studies, findings from focus group discussions, photographs, videos, reports from project implementers, reports from special studies) would be kept separately in a well-structured knowledge and learning repository.

483. ME&KM deliverables. Information on the physical progress, based on the actual implementation of activities in the AWPB, would be one key deliverable. Project implementers, IOF recipients and strategic partners would be expected to provide updates on progress made for the specific activities in the AWPB that concern them. Such updates should be provided on a quarterly basis using a standardized template, together with brief analytical comments that focus on implementation constraints and lessons learned. More complete progress reports would be expected only at the end of a contract (for IOF recipients and contracted technical assistance) or at the end of each six-monthly period (for the Fund Manager, strategic partners and other long-term project implementers).

484. The baseline, mid-term and completion survey reports are another key deliverable. The reports would be prepared by the selected survey institution, while the responsibility for quality assurance, including review of the draft report, rests with the ME&KM Officer, if needed with short-term assistance from a contracted M&E Specialist or

from IFAD. The reports should be focused on project results rather than broader socio-economic survey data and should provide data for indicators in the Logframe at outcome level as well as for the PDO and the project goal. Analysis should also be included, that would inform the need for adaptation or restructuring of the project at mid-term, and that would assist in evaluating project performance, impact and the theory of change at completion. In addition to a report, the database with survey questions and responses must be made available to the PCU in a form that can be used for future comparison and analysis.

485. Using monitoring data and survey data, the ME&KM Officer would ensure that indicator data in the Logframe is regularly updated. This would be done at least twice per year, before visits of a full supervision mission and at the time of preparing the consolidated annual report. Additional Logframe updates would be made available based on the needs of the Project Coordinator, the Government, IFAD, or co-financiers. M&E data would also be the basis for consolidated half-yearly and annual progress report (see the table below for proposed contents). Finally, presenting ME&KM information to project management on a regular – at least monthly – basis to facilitate evidence-based decision making is a key deliverable. How this can best be done, in terms of contents, timing and format, would be agreed between the Project Coordinator and the ME&KM Officer.

**Table 21: Components of the (semi) annual Report**

<p>1. Introduction</p> <p>a. Project outline: a brief summary of the key characteristics of the project (objectives, target group, project area, components/interventions).</p> <p>2. Implementation progress and performance to date</p> <p>a. Physical progress summary: narrative description of overall performance in terms of implementation of the AWPB, and delivery of projects outputs using data for output indicators. An attempt should be made to make a comparison with financial progress: do the achievements justify the financial outlays?</p> <p>b. Financial progress summary: summary tables of expenditure by component, expenditure category and financier with analytical comments.</p> <p>3. Implementation progress by component</p> <p>More detailed narrative description, with tabulated data, of progress made with AWPB implementation and of delivery of outputs for the various IOF windows; for roll out and disbursement under the blending finance facility; for development of systems and policies through strategic partnerships; and for capacity building and implementation of inclusion strategies.</p> <p>4. Performance assessment</p> <p>a. The project environment: changes in the economic, political, institutional or natural environment that have affected implementation, such as the introduction of new regulations for rural finance, or the influence of good/poor rainfall and agricultural production on loan repayments.</p> <p>b. Implementation performance and constraints: specific constraints experienced and performance compared to TORs of key project implementers, including the Fund Manager, IOF recipients, strategic partners, the PCU itself, the Government, IFAD, and co-financiers.</p> <p>c. Stakeholder feedback and lessons learned: a synthesis of questions and requests, positive feedback, complaints and grievances received, especially from the target group and other key stakeholders.</p> <p>d. Project outcomes and impact: the extent to which higher-level objectives are being achieved or are expected to be achieved. In the early years, this may be based only on perceptions and qualitative information; later, quantitative survey data will also be used.</p> <p>5. The way forward – given implementation experience and lessons learned, what adaptation or restructuring is required, if any, to improve performance and ensure project objectives are</p>
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achieved. This can include changing implementing partners, modifying targets, changing modalities for or placing emphasis on the IOF, blending finance facility or other project interventions.

Annex 1. Detailed financial report

Annex 2. Physical progress based on the AWPB

Annex 3. Logframe with updated indicator data

Annex 4. Procurement and contracts

Annex 5. Action taken on supervision mission recommendations

## ANNEX 1: M&E MATRIX

This M&E matrix contains indicator elaboration: a more detailed explanation of what indicators will measure in the context of the project. It also provides information on the sources of initial baseline data, and what targets are based on. It includes Logframe indicators (marked LF), as well as other indicators in the M&E system but not in the Logframe (marked M&E). Indicators starting with CI #.1.# are output-level Core Indicators and those starting with CI #.2.# are Core Outcome Indicators (COI). Data for outcome indicators will be collected through baseline, mid-term, and completion surveys, while data for output indicators will be collected on a continuous basis using monitoring tools and progress reports prepared by project implementers.

Level	Indicator	Unit	What it measures	Baseline	End target
Out-reach	1. CI 1 Persons receiving services promoted or supported by the project <sup>LF</sup>	Persons receiving services (Number of people, Males, Females, Young)	The number of individuals who directly benefit from at least one project intervention – financial services, employment creation and capacity building. If the same person benefits from multiple services (e.g., training and a savings product, or multiple loans over the years) they should only be counted once.	<b>0</b> Outreach at the start of the project is zero: no beneficiaries or households have been reached.	<b>370,110</b>
	2. CI 1.a Corresponding number of households reached <sup>LF</sup>	Number of households	The number of households these individuals come from. This will be the same as the number of individuals receiving services, unless data becomes available on beneficiaries coming from the same household. This was not available for previous IFAD projects in Zambia.		<b>370,110</b>
	3. CI 1.b Estimated corresponding total number of households members <sup>LF</sup>	Number of household members	The total number of members of beneficiary households (including children). This is obtained by multiplying the number of households (CI 1.a) by the average household size, which is 5 for rural households in Zambia (2022 census results).		<b>1,850,550</b>

Level	Indicator	Unit	What it measures	Baseline	End target
<p>The outreach target for CI 1 is based on:</p> <ul style="list-style-type: none"> <li>a. 30 IOF CBFIs sub-projects @ 5,000 beneficiaries each.</li> <li>b. 9 IOF window 1 sub-projects @ 9,700 beneficiaries each.</li> <li>c. 9 IOF window 2 sub-projects @ 3,000 beneficiaries each.</li> <li>d. 9 IOF window 3 sub-projects @ 3,000 beneficiaries each.</li> </ul> <p>IOF beneficiary numbers for different windows are based on the RUFEP experience.</p> <ul style="list-style-type: none"> <li>e. MFI loans to 14,592 Cat 1 (semi-subsistence) beneficiaries – some will take repeat loans.</li> <li>f. MFI loans to 3,512 Cat 2 (emerging) beneficiaries – some will take repeat loans.</li> <li>g. MFI loans to 131 Cat 3 (MSME/commercial) beneficiaries – some will take repeat loans.</li> <li>h. 4,794 beneficiaries from MFI loans being used for on-lending to smallholder farmers by MSMEs/commercial operators.</li> <li>i. Bank loans to 3,586 Cat 1 (semi-subsistence) beneficiaries – some will take repeat loans.</li> <li>j. Bank loans to 2,591 Cat 2 (emerging) beneficiaries – some will take repeat loans.</li> <li>k. Bank loans to 38 Cat 3 (MSME/commercial) beneficiaries – some will take repeat loans.</li> <li>l. 19,178 beneficiaries from bank loans being used for on-lending to smallholder farmers by MSMEs/commercial operations.</li> <li>m. 145,430 jobs will be created as a result of expansion/growth of the on-farm and off-farm activities of beneficiaries using financial services (90,831 of these are Cat 1 beneficiaries starting a new business and thus creating one job for themselves; 43,063 of these are Cat 2 beneficiaries who would create one additional job; and 11,536 of these are from SMEs that would on average create 5 new jobs).</li> </ul> <p>To avoid double-counting in the target for total outreach, it is assumed that 50% of beneficiaries of MFI or bank loans also benefit from an IOF sub-project, for which a correction has been made in the calculated total. Moreover, the Cat 1 beneficiaries who start new businesses are counted both under the indicators measuring people accessing financial services and the indicator measuring jobs created but are counted only once for total outreach.</p>					

Level	Indicator	Unit	What it measures	Baseline	End target
Goal	4. Change in household asset ownership <sup>LF</sup>	Household asset ownership index (percentage)	Increased household income (as a result of financial services being used for growth/expansion of economic activities) would be used for household needs: typically, this includes paying for children's education, buying assets, and home improvement. The indicator measures the change in asset ownership. It is proposed to use an asset ownership index, a simple average based on the proportions of households that own five assets: a home solar system; radio; television; refrigerator; and bicycle. The index can be modified at project startup as part of preparing the M&E plan.	<b>49%</b> The indicative baseline value is based on the assumption that FIFIP beneficiaries are comparable to but on average slightly better off than RUFEP beneficiaries. For asset ownership the average of RUFEP baseline and completion data has therefore been used: Solar Home Systems 63%; Radio 63%; TV 37%; Refrigerator 17%; Bicycle 64%. The FIRIP baseline survey should provide actual baseline data.	<b>60%</b> The end target is based on the RUFEP performance – a 9% increase in the asset ownership index (RUFEP impact assessment report) – and the assumption that FIRIP results will be better (by 20%) due to the additional finance facility.
	5. Rural households reporting an increase in savings <sup>LF</sup>	Proportion of rural households (Percentage)	Households that report that their total savings with formal and informal institutions have increased since they started using a project-supported financial product or service.	<b>0</b> At project startup, no households had used project-supported financial products or services.	<b>70%</b> Based on the estimated number of beneficiaries who will access savings services.
PDO	6. Persons reporting improved income from economic activities (agriculture/other IGA) <sup>LF</sup>	Number of people (Cat 1, Cat 2, Total, Males, Females, Young)	Individuals that report that their income from on-farm and/or off-farm economic activities has increased since they started using a project-supported financial product or service. Stratification during surveys will enable assessment of the extent to which Cat 1 and Cat 2 beneficiaries have increased their income (targets of 213,183 and 80,832 persons, respectively).	<b>0</b> At project startup, no households had used project-supported financial products or services.	<b>296,088</b> Based on 80% of all beneficiaries effectively using financial services for productive purposes.

Level	Indicator	Unit	What it measures	Baseline	End target
	7. CI 2.2.1. Beneficiaries with new jobs/employment opportunities <sup>LF</sup>	Number of people (Total, Males, Females, Young)	The number of new full-time or recurrent seasonal on-farm and off-farm jobs was created thanks to project-supported financial services. These can be independent individuals (self-employed) or employees of micro, small and medium-sized enterprises. Jobs created within farmers' organizations are also included. Temporary jobs created for a limited period (e.g., for road construction) shall be excluded.	<b>0</b> At project startup, no jobs have been created.	<b>145,430</b> Based on: (i) 40% of Cat 1 beneficiaries creating a new business; (ii) 50% of Cat 2 beneficiaries creating one additional job; (iii) each SME (Cat 3) creating 5 jobs.
	IE.2.1 Individuals demonstrating an improvement in empowerments <sup>LF</sup>	Total persons (number) Total persons (%) Females (number) Females (%) Males (number) Males (%)	This indicator assesses empowerment as a result of the project using an empowerment score (e.g., 40% based on 4 out of 10 points) for an individual and compares it to a score in the past to see if there is improvement. The score is based on ten empowerment dimensions, for which the survey asks questions: <ul style="list-style-type: none"> <li>▪ Autonomy in income;</li> <li>▪ Self-efficacy;</li> <li>▪ Attitudes about intimate partner violence;</li> <li>▪ Input in productive decisions;</li> <li>▪ Ownership of land and other assets;</li> <li>▪ Access to and decisions on financial services;</li> <li>▪ Control over use of income;</li> <li>▪ Work balance;</li> <li>▪ Group membership;</li> <li>▪ Membership in influential groups.</li> </ul> The sex of the respondent matters; ensure that the proportion of women/men respondents reflect the proportion of women/men targeted by the project.	<b>0</b> At project startup, there are no individuals who have improved the empowerment score (there is no past score for comparison).	<b>38%</b> This target is aligned with targets for other rural finance projects in ORMS. Women are expected to show a bigger improvement in empowerment (50%) than men (30%) who already exercise greater control over resources and decision making.
	8. CI 3.2.2. Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices <sup>LF</sup>	Households (Number, Percentage) Household members (Number of people)	Households where one or more members have been provided with environmentally sustainable practices and/or green technologies, and who claim that they are now routinely using these technologies and practices.	<b>0</b> At project startup, no households have been reached.	<b>83,604</b> Based on 80% of households accessing green technologies (see output 2.1) that would respond positively (translates into 23% of all households receiving project services).

Level	Indicator	Unit	What it measures	Baseline	End target
	9. SF 2.2 Households reporting they can influence decision-making of local authorities and project-supported service provider <sup>LF</sup>	Households (Number / Percentage) Household members (Number of people)	Households that participate in project-supported groups/organizations (CBFI, SACCO) reporting that: (a) they have influence over decisions taken in the group/organization in which they participate; <u>and</u> (b) the group/organization they participate in can influence decision-making of project-supported service providers.	<b>0</b> Baseline data on the level of influence that the eligible population may already have is not available.	<b>10%</b> The influence of CBFIs/SACCOs on decision making of formal financial institutions is likely to be limited.
Outcome 1	10. Number of new financial products, services and delivery mechanisms deployed <sup>LF</sup>	Financial products and services (Number)	The number of new financial products, services and delivery mechanisms developed and rolled out under Window 1, 2 and 3 of the IOF.	<b>0</b> At project start-up, no products or services have been developed under FIRIP.	<b>24</b> The majority (90%) of IOF initiatives are expected to result in products and services being rolled out.
	11. Number of access points for formal financial services established with project support <sup>LF</sup>	Access points (Number)	The number of new outlets of formal financial institutions (banks, MFIs) and mobile money operators established with project support in rural areas. In 2021, there were an estimated 285,000 access points in the country (191 per 10,000 adults, NFIS-II).	<b>0</b> At project start-up, no outlets, booths, or agents have been established.	<b>22,500</b> Based on RUFEP experience, an estimated 2,500 - 3 000 access points would be established per sub-project, which gives the above target for 9 sub-projects.
	12. CI 1.2.6 Partner financial service providers with PAR ≥ 30 days below 5% <sup>LF</sup>	Percentage	This will be used for MFI/SACCOs, to measure the risk to a loan portfolio from potential defaults: the value of outstanding loans that have at least one instalment overdue by more than 30 days, as a percentage of the value of the entire portfolio of all outstanding loans. The percentage of partner FSPs will be the proportion of MFI/SACCOs supported since project start-up reporting PAR ≥ 30 days below 5%.	<b>57%</b> The end results of RUFEP have been used as the baseline for FIRIP: FSPs must have acceptable performance to be selected. Actual data will be collected during the baseline survey.	<b>62%</b> While only limited institutional capacity building will be done, some improvement in performance is expected.

Level	Indicator	Unit	What it measures	Baseline	End target
	13. CI 1.2.7 Partner financial service providers with operational self-sufficiency above 100% <sup>LF</sup>	Percentage	This will be used for MFI/SACCOs, to measure operational self-sufficiency (OSS): financial revenues over the sum of financial expenses, loan loss provision expenses, and operating expenses. The indicator captures the number of FSPs with an OSS above 100% out of those supported since project start-up.	<b>57%</b> The end results of RUFEP have been used as the baseline for FIRIP: FSPs must have acceptable performance to be selected. Actual data will be collected during the baseline survey.	<b>62%</b> While only limited institutional capacity building will be done, some improvement in performance is expected.
	14. Proportion of non-performing loans in the loan portfolio of banks (agriculture, small and emergent) <sup>LF</sup>	Percentage	This will be used to measure the proportion of loans for agriculture (small and emerging farmers) and for MSMEs in default because scheduled payments have not been made for 90 days or more. The indicator captures the average proportion of NPLs for participating banks.	<b>Agriculture: 8.7%</b> <b>MSMEs: 13.7%</b> Average proportion of NPLs to agriculture (small and emergent) and MSMEs during 2022-2023 (source: BOZ CMMP Credit Data 2023).	<b>Agriculture: &lt; 5.0%</b> <b>MSMEs: &lt; 10.0%</b> End targets are a further improvement over the average of the four best performing quarters during 2022-2023.
Output 1.1	15. CI 1.1.6 Financial service providers supported in delivering outreach strategies, financial products, and services to rural areas <sup>LF</sup>	Service providers (Number)	The number of FSPs supported under the IOF (window 1, 2 and 3), including NGOs that do not directly provide financial services but support CBFIs.	<b>0</b> At project startup, no matching grants have been provided.	<b>57</b> 30 CBFI promoter grants 9x window 1 grants 9x window 2 grants 9x window 3 grants
	16. IOF matching grants provided <sup>M&amp;E</sup>	Matching grants (Number, CBFI, window 1, 2 and 3)	The number of matching grants for which agreements have been signed and disbursement has started, by type. This could be more than the number reported under CI 1.1.6, if one institution is supported more than once.	<b>0</b> At project startup, no matching grants have been provided.	<b>57</b> 30 CBFI promoter grants 9x window 1 grants 9x window 2 grants 9x window 3 grants

Level	Indicator	Unit	What it measures	Baseline	End target
	17. Value of matching grants disbursed <sup>M&amp;E</sup>	Matching grant value (USD total, CBF, window 1, 2 and 3)	The amount of money in USD disbursed for IOF grants, by type.	<b>0</b> At project startup, no matching grants have been provided.	<b>10,710,000</b> CBFI: 4,500,000 Window 1: 2,070,000 Window 2: 2,070,000 Window 3: 2,070,000
	18. IOF matching grant beneficiaries <sup>M&amp;E</sup>	Total (Total, Males, Females, Young)	The number of beneficiaries reached through project-supported IOF initiatives, by type.	<b>0</b> At project startup, no matching grants have been provided.	<b>291,300</b> CBFI: 150,000 Window 1: 87,300 Window 2: 27,000 Window 3: 27,000
Outcome 2	19. CI 1.2.5. Households reporting using financial services <sup>LF</sup>	Households (Number), Percentage, Household members (Number of people)	Households surveyed that report using rural financial services, which means they are fully satisfied with and are using the financial products and services facilitated by the project to invest in a productive or income-generating activity (i.e. as opposed to being used for consumption or other non-productive purposes). The outcome survey would ask questions on the main use of financial services.	<b>55.9%</b> The baseline value is the financial inclusion of rural people in Zambia: those who have access to and make informed use of savings, credit, payments, insurance and investment products and services (FinScope, 2020 data).	<b>80%</b> 296,088 households 1,480,440 household members. Some interviewees may benefit from employment but not financial services; others may not be satisfied with the services.
	20. SF 2.1 Households satisfied with project-supported services <sup>LF</sup>	Households (Number), Percentage) & Household members (Number of people)	The number of households that are satisfied with project-supported (financial) services, which means they easily accessed or used the services and were satisfied with the quality. This helps to understand whether the main services delivered by the project implementers adequately meet the needs of the target group. The percentage at mid-term is expected to be lower, since quality of services and benefits improve over time.	<b>0</b> Baseline data about the level of satisfaction cannot be provided since delivery of project services has not started.	<b>80%</b> 296,088 households 1,480,440 household members.



Level	Indicator	Unit	What it measures	Baseline	End target
Output 2.1	21. CI 1.1.5 Persons in rural areas accessing financial services <sup>LF</sup>	Persons accessing financial services (Total, Males, Females, Young)	<p>The number of individuals who have accessed a financial product or service specifically promoted/supported by the project and its partner FSPs.</p> <p>Such services include loans, saving funds, insurance, and using digital payment services. When MSMEs access financial services, only the owners and co-owners are counted. The data will be recorded separately for credit, savings, insurance, and digital payments (disaggregation by relevant financial product). The indicator is split into CI 1.1.5 and CI 1.1.5b because IFAD's ORMS cannot accommodate 'digital payment services' as multiplier.</p>	<p><b>0</b></p> <p>At project startup, no beneficiaries have accessed financial services promoted / supported under the project.</p>	<p>Unique IOF and BF beneficiaries accessing financial services. Total 315,511 (corrected for double-counting):</p> <ul style="list-style-type: none"> <li>- Savings services: 220,650</li> <li>- Credit services: 204,152 (IOF &amp; BFF)</li> <li>- Insurance services: 34,530</li> <li>- Digital payment services: 168,000</li> </ul>
	22. Number of loans disbursed <sup>M&amp;E</sup>	Loans (Number, bank loans, MFI/SACCO loans)	<i>The number of loans disbursed by PFIs on concessional terms under the blending finance facility, reported separately for banks and for MFI/SACCOs, and by Category (1,2,3). This does not include on-lending by SMEs.</i>	<p><b>0</b></p> <p>At project startup, no loans have been disbursed.</p>	<b>57,822</b>
	23. Value of loans disbursed <sup>M&amp;E</sup>	Million USD (Total, bank loans, MFI/SACCO loans)	<i>The value of loans in millions of USD, disbursed by PFIs on concessional terms under the blending finance facility, reported separately for banks and for MFI/SACCOs, and by Category (1,2,3). This does not include on-lending by SMEs.</i>	<p><b>0</b></p> <p>At project startup, no loans have been disbursed.</p>	<b>48.4</b>
	24. Households accessing green technologies <sup>LF</sup>	Households (Number)	This measures how many households have received climate-smart and green technologies, through Window 3 of the IOF which focuses on this, as well as through other channels. This can include inputs for climate-smart agriculture (e.g., drought-tolerant seed), solar powered equipment (e.g., drip irrigation, dryers, fridge, hatcheries), post-harvest storage equipment (e.g., silos, cooling systems), biogas digesters, climate-resilient on-farm infrastructure (e.g., water harvesting), energy-efficient transport and processing equipment.	<p><b>0</b></p> <p>At project startup, no households have received equipment or technologies.</p>	<b>104,505</b> This includes all IOF Window 3 beneficiaries and one-third of IOF CBFi beneficiaries, 20% of IOF Window 2 beneficiaries, plus 25% of BFF beneficiaries.

Level	Indicator	Unit	What it measures	Baseline	End target
Output 2.2	25. CI 1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services <sup>LF</sup>	Total (Total, Males, Females, Young)	The number of persons who receive capacity-building from the project, enabling them to acquire the knowledge, skills, and confidence to make responsible financial decisions or handle household economics and investments more effectively. This can include basic numeracy training, budgeting, saving, and credit management. If the same person has been trained more than once, they should be counted only once. Training is not a separate activity but will be built into IOF support (window 1, 2 and 3).	<b>0</b> At project startup, no persons have been trained.	<b>150,000</b> Members of CBFIs supported under the IOF.
	CI 1.1.3 Groups supported to sustainably manage natural resources and climate-related risks		Groups (CBFIs) involved in the management of natural resources for agricultural production, or in promoting technologies and practices for environmental protection and soil/water conservation, that have received project support to improve the sustainability of resource use and to manage climate-related risks.	<b>0</b> At project startup, no groups have been supported.	<b>2,500</b> One-third of CBFIs are expected to have this as an area of interest and will receive specific support
Outcome 3	26. Change in volume to agriculture lending to smallholders <sup>LF</sup>	Annual disbursements to agriculture (small and emergent) (million USD)	The total amount of loan disbursements to small and emergent farmers, as reported to the BoZ by financial institutions. This is national data, not project specific. A more conducive policy and regulatory environment would increase disbursements to this segment.	<b>20.1</b> Total disbursements to agriculture (small and emergent) were \$7.2 million in 2021, \$7.3 million in 2022 and \$20.1 million in 2023 (converted using mid-year exchange rates) (source: BoZ Credit Market Monitoring Reports 2023)	<b>34.2</b> The target is based on an annual increase in total disbursements of 5%, as a result of improved reporting, regulatory environment, and outreach.

Level	Indicator	Unit	What it measures	Baseline	End target
	27. Formally financially included adults in rural areas <sup>LF</sup>	Rural adults (Percentage)	This indicator measures formal financial inclusion in rural areas: individuals primarily using formal financial products/services provided by institutions formally regulated. This is national data, not project specific. A more conducive policy and regulatory environment would increase outreach by financial institutions and formal financial inclusion.	<b>44%</b> Source: FinScope 2020 (Fig. 17) Formally financially included adults, rural: 26.6% (2015), 44.2% (2020) Informally financially included adults, rural: 35.9% (2015), 30.6% (2020)	<b>57%</b> An improvement of 30% over 7 years is expected. Zambia's NFIS II foresees an improvement in formal financial inclusion (rural & urban) of 30% over 4 years (from 61.3% in 2020 to 80% in 2028).
Output 3.1	28. Strategic partnerships established to enhance policy review and coordination, and to support implementation <sup>LF</sup>	Partnerships (Number)	This indicator counts the number of formal partnership agreements established under, or with the support of, the project. These can involve government institutions, other development partners, and specialized technical agencies. They would improve project implementation or, more broadly, contribute to a conducive environment for agricultural and rural finance.	<b>0</b> At project startup, no partnerships have been established.	<b>6</b> Institutions that could be important potential partners include BOZ, ZICTA, SaveNet, the MOA and the MOFL.
	29. Policy 1: Policy-relevant knowledge products completed <sup>LF</sup>	Knowledge products (Number)	This indicator counts the number of knowledge products prepared with project support. These can include needs assessments; technical study reports; policy briefs; summaries of stakeholder consultations and fora for information and knowledge sharing; and other products that contain information that can make a substantial contribution to the development or implementation of selected strategies, policies, acts, bills and regulations for agricultural and rural finance.	<b>0</b> At project startup, no knowledge products have been prepared.	<b>6</b> The target is based on 1-2 knowledge products per strategy / policy / law / regulation supported.
	30. Laws, regulations and policies supported by the project <sup>LF</sup>	Number	This indicator counts the number of strategies, policies, acts, bills and regulations for agricultural and rural finance for which the project has made an active contribution, which is likely to involve the preparation of knowledge products.	<b>0</b> At project startup, no laws, regulations or policies have been supported.	<b>4</b> Capacity is limited, and the target is four high-priority items that will benefit agricultural and rural finance, to be agreed with the MoFNP and other strategic partners.

### 4.3 SECAP/ SAFEGUARDS

486. The Environment and Social risk category for FIRIP is **Moderate**. The design phase identified several moderate risks related to IFAD's SECAP 2021 standards, including: resource use efficiency and pollution; labour and working conditions; community health and safety; physical and economic displacement; financial intermediaries and direct investments; and climate change.

487. Key environmental and social risks include unsustainable natural resource use and pollution from livestock rearing (Standard 2), informal wage employment, high gender inequality, and lack of equal opportunities (Standard 5), risks related to gender-based violence (Standard 6), limited land ownership affecting credit access (Standard 7), and the need to enhance Environment Social Management Systems (ESMS) and complaint mechanisms for partnering financial institutions and service providers (Standard 8).

488. The Project will support market research and feasibility studies to develop targeted financial products for investments in green, climate-resilient, and labour-saving technologies across agricultural and non-agricultural value chains. These investments may encompass climate-smart agricultural technologies and practices, renewable energy, agroforestry, precision agriculture, labour-saving and climate-smart technologies, waste management and recycling, climate-resilient rural infrastructure, energy-efficient technologies for processing and value addition, and environmentally friendly packaging. By collaborating closely with financial institutions, the project will facilitate the development and reinforcement of robust Environmental and Social Management Systems (ESMS) and Environment and Social Action Plans (ESAP), as well as training in climate risk management for financial institutions.

489. **FIRIP's climate risk classification is Substantial.** Zambia faces significant challenges due to its high vulnerability score and low readiness score, ranking 56th in vulnerability and 141st in readiness according to the Notre Dame (ND) Gain score. In early March 2024, the President of Zambia declared the drought a national disaster and emergency in response to the devastating consequences of prolonged dry spells affecting more than 1 million farming households across 84 of the nation's 116 districts. The drought has impacted food production, water availability, and energy supply, posing risks to national food security and the livelihoods of millions of people.

490. Since 1960, Zambia has experienced an increase in the intensity and frequency of extreme weather events, including droughts and floods. These events have led to substantial economic losses, negatively impacting the agricultural and manufacturing sectors, and causing significant damage to infrastructure. Climate variability and extreme events continue to pose a major threat to sustainable agricultural development, resulting in challenges such as food insecurity, disrupted livelihoods, destruction of natural and agricultural resources, low adaptive capacity among farmers, reduced productivity, and difficulties in measuring and reporting greenhouse gas emissions from Agriculture, Forestry, and Other Land Use (AFOLU), as well as increased livestock and crop disease outbreaks.

491. During design, a targeted adaptation assessment was conducted to identify and evaluate specific adaptation measures to address climate risks and seize potential opportunities (see Targeted Adaptation Assessment). This report examined the prevalent climate hazards and factors that exacerbate communities' vulnerability to climate change, such as exposure, sensitivity, and adaptive

capacity. It offers recommendations for adaptation strategies to climate-proof targeted beneficiaries and ensure the sustainability of project achievements. Key adaptation options include:

- Diversifying available crops and introducing more resilient varieties.
- Adjusting planting and harvesting schedules.
- Diversifying income sources beyond agriculture.
- Enhancing crop storage structures and post-harvest management skills.
- Implementing integrated systems involving livestock and aquaculture.
- Promote community and small-scale irrigation structures and better water management practices

492. To effectively mainstream these recommendations, an Environment and Climate Adaptation Specialist (Terms of Reference are included in the ESCMP) will be appointed to guide the implementation of climate adaptation interventions at the PCU level. The specialist will provide technical support to the district council and beneficiary groups, ensuring climate adaptation is integrated into work plans and NRM plans. The Project Technical Committee will review annual work plans to confirm the effective mainstreaming of climate change adaptation before seeking approval from the Project Steering Committee. Finally, an Environment, Social, and Climate Plan will be developed and monitored, with progress reported in the annual report.

493. Client-centric product design supported under the IOF may include various climate-smart and sustainable practices such as agro-forestry, precision agriculture, labor-saving agricultural technologies, access to renewable energy, waste management, and recycling. Additional adaptations may involve climate-resilient rural infrastructures, energy-efficient processing equipment and technologies, value-addition technologies, environmentally friendly packaging, and conservation agriculture techniques. Additionally, other innovations may include smartphone applications and digital platforms, which provide farmers with access to climate information and advisory services, enabling them to make informed decisions for sustainably managing their farms.

494. During the design mission, an Environmental and Social Management Plan (ESCMP) was developed as a guiding tool to manage the environmental and social impacts during and after Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP) project implementation. It will guide the project implementation to mitigate environmental, social and climate change impacts.

495. The preparation of ESCMP fulfils IFAD environmental and social safeguards policy on borrower requirements to prepare and set out the mitigation and monitoring measures and institutional arrangements to address adverse environmental and social impacts while carrying out the project activities. The environmental and social assessments are carried out during the identification, preparation and or appraisal stages of the project development. Mitigation measures are then formulated to respond to the identified possible impacts. ESCMP provides the project implementers with an environmental and social management plan that enables them to mitigate potential environmental and social impacts, including preparation of a site-specific Environmental Impact Assessments (EIA) where applicable.

496. The ESCMP plan will guide the proposed FIRIP project, provides guidelines for the management of potential environmental and social aspects at the project sites. It outlines necessary environmental and social mitigation measures for the project and its proposed components during the development and operational phases of the project. The ESCMP further identifies parties responsible for monitoring actions, and any training or capacity building needs.

497. Mitigation measures have been identified to reduce present and potential impacts associated with the proposed project aimed to enable smallholder farmers and MSMEs access a diverse range of financial services that will enable them to invest in green and climate-resilient technologies, better manage the risks, and increase productivity. Moreover, mitigation measures are identified categorized as either social or physical. Social mitigation includes the measures used to mitigate effects of noise, land use, and other effects to the human environment. Physical mitigation includes measures that address impacts to the physical environment, such as biological communities, vegetation, air quality, and others.

**Table 22: Environment and Social Management Plan (ESCMP)**

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
<b>5.2</b>	<b>ENVIRONMENTAL IMPACTS</b>			
<b>1.0</b>	<b>CONSTRUCTION PHASE</b>			
<b>1.1</b>	<i>Potential Negative Impacts During Construction Phase.</i>			
<b>(a)</b>	<b>Soil Erosion</b>			
	<ul style="list-style-type: none"> <li>Exposure of land during preparation of land for crop and pasture farming.</li> <li>Point source contamination from diesel, lubricants etc around working areas.</li> <li>Increased soil erosion due to vegetation clearing, soil trampling and compaction.</li> <li>Increased rapid runoff due to vegetation clearing and soil compaction diminishing infiltration capacity during construction phase.</li> <li>Deterioration of soil characteristics due to increased erosion.</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate containment measures for all operational areas and proper disposal of used lubricants.</li> <li>Soil erosion control measures (e.g., re-vegetation, reseeding of grasses, land preparation, terracing, use of gabions, stabilization of banks etc)</li> <li>Restoration of borrow pits, sand and quarry stone abstraction sites and brick moulding sites.</li> <li>Revegetation, re-grassing of all bare surfaces</li> <li>Minimisation of vegetation clearing to working areas only</li> <li>Installing soil erosion control structures like, gabions, contour ridges, swells and catch dams.</li> <li>Use existing roads to access the fields and farm sites and employ drainage control measures and</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Contractors. District Agriculture Office.	Environmental awareness training

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
		culverts to control natural runoff and overland flow.		
<b>(b)</b>	<b>Ambient air pollution</b>			
	<ul style="list-style-type: none"> <li>• Pollution of air</li> <li>• Increases in bronchial disorders.</li> <li>• Impaired Visibility on the roads</li> <li>• Disturbs normal developments of vegetation.</li> <li>• Causes acid rain</li> </ul>	<ul style="list-style-type: none"> <li>• Animal waste must be handled properly to avoid smell.</li> <li>• Contractors should use dust screens or nets in windows, doorways, and ventilators of rooms where demolition or other dusty construction activities are occurring.</li> <li>• Dust suppression measures must be instituted at all sites which shall include covering soil mounds and spraying bare areas with water.</li> <li>• Site clearance is to be minimized as far as possible to reduce the potential for dust and other impacts.</li> </ul>	<p>FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers District Agriculture Office.</p>	None
<b>(c)</b>	<b>Ambient Water pollution</b>			
	<ul style="list-style-type: none"> <li>• discharges of debris from civil works, oil spills, and other pollutants generated from construction works including onsite sewage and rainwater run-off.</li> <li>• Discharge of effluent from agricultural processing plants.</li> <li>• Soil and water pollution resulting from the accumulation of solid and liquid waste.</li> <li>• Soil and water pollution from chemicals &amp; fertilizers meant for production.</li> <li>• Littering and indiscriminate dumping of solid waste pollutes land and water resources.</li> <li>• Poisoning of aquatic and inland ecosystems.</li> </ul>	<ul style="list-style-type: none"> <li>• Contractors to erect proper sanitary facilities. - Toilets at convenient locations throughout the project area.</li> <li>• Pollution from lubricants and other wastes to be avoided. Contain all oil leaks at workshops and surfaces by collecting in oil separators.</li> <li>• Controlled disposal of wastes and effluent by use of appropriate disposal facilities, use of appropriate drainage structures, use of cleaner technologies, proper storage of materials, awareness campaigns.</li> <li>• Waste must be recycled and reused to avoid dumping in waterways.</li> <li>• Polluted water shall be treated prior disposal to watercourse.</li> <li>• activities related to slaughtering of cattle should be carefully conducted.</li> <li>• Maintain all vehicles and equipment to avoid oil and grease leaks.</li> <li>• Install oil and grease separators to collect rain runoff around workshops and parking areas.</li> </ul>	<p>FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers District Agriculture Office.</p>	None

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
1.2	<b>OPERATION PHASE</b>	•		
1.2.1	<b>Potential Negative Impacts During Operation Phase.</b>	•		
(a)	<b>Solid waste</b>			
	<ul style="list-style-type: none"> <li>Less quantities of solid wastes generated include domestic wastes, plastics, and animal dung.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Collection of all solid waste in a systematic manner for disposal at designated landfills.</li> <li>Placing of waste collection bins at strategic positions throughout the project area.</li> <li>Solid waste should never be burnt on site. Develop a solid waste management plan and implement it.</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers District Agriculture Office. Contractors.	
(b)	<b>Effluent Discharges</b>			
	<ul style="list-style-type: none"> <li>Most agricultural, livestock, agro-processing, packaging, and marketing operations produce liquid effluent</li> </ul>	<ul style="list-style-type: none"> <li>Installation of appropriate effluent treatment facilities next to any processes that generate effluent. i.e., Septic tanks, oxidation ponds, etc</li> <li>Collecting and channelling all effluent to a properly constructed effluent treatment plant, which could be oxidation ponds, septic tanks or bio-gas digesters</li> <li>Monitoring the quality of the effluent that is ultimately discharged to the environment so that it meets the national effluent discharge standards.</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers District Agriculture Office.	
(c)	<b>Agro chemicals</b>			
	<ul style="list-style-type: none"> <li>Poisoning of farmers by chemicals.</li> <li>Poisoning of aquatic and inland ecosystems by the chemicals.</li> <li>Poisoning of the soil by the chemicals.</li> <li>Poisoning of farm products consumers by chemicals.</li> </ul>	<ul style="list-style-type: none"> <li>Encourage organic farming and limit the use of Agro chemicals like inorganic fertilizers.</li> <li>Use integrated Pest Management approaches to minimize pesticide use.</li> <li>Conduct awareness training &amp; workshops on safe handling of chemicals.</li> <li>Erect separate storerooms for all agro chemicals so that they are always under lock and key away from food staffs.</li> </ul>	FIRIP PCU. Local Leadership. Beneficiaries. Local Environment Officers	



TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
		<ul style="list-style-type: none"> <li>Use split application of fertiliser to avoid excess being washed away.</li> <li>No application before major storms</li> <li>Do not store fertilisers and agrochemicals and food in the same store room.</li> <li>All workers to use appropriate PPE every time.</li> <li>Use the least potent variants of pesticides to minimise poisoning.</li> </ul>	District Agriculture Office.	
<b>(d)</b>	E-waste generation			
	<ul style="list-style-type: none"> <li>Potential of E-waste generation from the laptops, computers and solar panels supplied for e-learning.</li> <li>Potential for Hazardous waste pollution.</li> <li>Littering and indiscriminate dumping of solid waste</li> <li>E-waste pollution</li> </ul>	<ul style="list-style-type: none"> <li>Seek guidance of local environmental officers to identify acceptable disposal sites for the e-waste.</li> <li>All e-waste must be securely stored on site prior to collection by competent personnel for proper disposal at designated landfills.</li> <li>Collect and store in a lockable area, all potentially hazardous waste (end of life laptops and computer components, batteries, solar panels, etc.), for onward transportation back to supplier, recycling facility or proper disposal site.</li> </ul>	FIRIP PCU. Local Environment Officers District Agriculture Office.	
<b>13</b>	<b>Potential Positive Impacts During Operation Phase.</b>			
<b>(a)</b>	<b>Revegetation</b>			
	<ul style="list-style-type: none"> <li>planting of grass and continuous rehabilitation of the pastures.</li> </ul>	<ul style="list-style-type: none"> <li>identify the correct indigenous plants that can thrive in the area.</li> <li>Conduct deliberate exercise to revegetate the project area using fodder and other grasses.</li> </ul>	FIRIP PCU. Local Environment Officers District Agriculture Office.	
<b>5.3</b>	<b>SOCIAL AND HEALTH IMPACTS</b>			
<b>(a)</b>	<b>Poor project Inception/Introduction</b>			
	<ul style="list-style-type: none"> <li>Anxiety and anticipation Limited cooperation</li> <li>Suspicion and hence concealing important of information.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Efforts must be made to stick to agreed timelines.</li> <li>Transparency and full disclosure of key elements of the project</li> <li>Production of proper plan of action with timelines</li> </ul>	FIRIP PCU. Local Leadership. Local Environment Officers	None

TEXT REF.	IMPACT	MITIGATION/ENHANCEMENT	RESPONSIBILITY	CAPACITY BUILDING
		<ul style="list-style-type: none"> <li>Presenting full disclosure of project decisions and actions to all concerned stakeholders</li> <li>The planning phase should not drag for far too long as people tend to lose despair.</li> </ul>		
<b>2.1</b>	<b>CONSTRUCTION/OPERATIONS PHASE</b>			
<b>2.1</b>	<b>Potential Negative Impacts During Constructions/Operations Phase</b>			
<b>(a)</b>	<b>Occupational Health and Safety Issues</b>			
	<ul style="list-style-type: none"> <li>Temporary and permanent physical injuries.</li> <li>Bronchial diseases from dust.</li> <li>Diseases and illness from agricultural activities such as pesticide handling.</li> <li>Loss of life.</li> <li>Accidental Injuries of local people accessing construction sites.</li> <li>Accidents from operation of various equipment,</li> </ul>	<ul style="list-style-type: none"> <li>A Health/Safety/Environment officer should be present during construction.</li> <li>All safety precautions must be enforced.</li> <li>Provide PPE to all workers.</li> <li>Institute dust and noise suppression measures.</li> </ul>	Health Dept, FIRIP PCU. Local Leadership. Local Environment Officers	Application of various types of PPE and their proper use.
<b>(b)</b>	<b>Gender Based Violence</b>			
	<ul style="list-style-type: none"> <li>Physical body harm</li> <li>Lack of productivity</li> <li>Communicable disease incidences</li> </ul>	<ul style="list-style-type: none"> <li>Zero tolerance to gender-based violence</li> <li>Ensure sexual harassment Policy at all levels involved in the project.</li> </ul>	FIRIP PCU. Local Leadership. Local Environment Officers	Gender Based Violence and Sexual Harassment
<b>2.2</b>	<b>Potential Positive Impacts During Constructions/Operations Phase.</b>			
<b>(a)</b>	<b>Economic Opportunities Employment (job creation)</b>			
	<ul style="list-style-type: none"> <li>improvement on their income generation.</li> <li>Improvement of livelihoods</li> <li>maintained land output gain.</li> <li>capacitation on entrepreneurial skills</li> </ul>	<ul style="list-style-type: none"> <li>Set up favourable partnership agreements.</li> <li>Meet all promises.</li> <li>Endeavour for a win-win situation</li> </ul>	FIRIP PCU. Local Leadership. Local Environment Officers	<ul style="list-style-type: none"> <li>Entrepreneurial approaches.</li> <li>Good animal Husbandry</li> <li>Commercial farming approaches.</li> </ul>

## ENVIRONMENTAL AND SOCIAL MONITORING PLAN

498. The environmental and social monitoring will be the responsibility of the PCU Environmental Officers who will be coordinating all safeguards issues. The objective for monitoring is twofold:

- To provide timely information about the effectiveness of the environmental and social management screening process as outlined in the ESCMP. Information generated will inform continuous improvement to the process,
- To establish the progress in implementation of the mitigation measures, the extent to which they are effective in maintaining environmental and social integrity and if any changes are required to improve the ESCMP implementation.

## AREAS TO BE MONITORED

### Environmental issues:

499. **Soils.** Soil degradation may occur as the soils are exposed and or compacted during the construction of agriculture infrastructure and agricultural activities, potentially affecting the drainage of the areas. Other soil pollutants may include the use of agrochemicals (pesticides, fertilizers, and other modifying agents) which have potential to pollute soils and water bodies or cause other negative impacts.

500. The beneficiary communities must ensure that no gullies or rills develop in the programme areas. This can be avoided by taking such soil erosion control measures as construction of embankments and designing drainage along work areas. The absence of gullies and rills will be used as a measure of the success of the control measures and Replacing polluting fertilizers and/or pesticides with other alternatives. The soil can also be scotched by chemical spillages. This will render the soil poisonous, and it must be discouraged at all costs.

501. **Vegetation.** Unnecessary vegetation clearing and grass fires must be prevented at all costs. The trees should not be gathered for firewood or cut for other purposes. The local residents must be monitored to ensure that firewood is not excessively collected. Cover with topsoil and re-vegetate (plant grass, fast-growing plants/bushes/trees) construction areas quickly once work is completed.

502. **Wildlife.** No unauthorised hunting, fishing, capture of wildlife or collection of plants. All wildlife should be treated in accordance with the Wildlife Act. Marginal lands and fragile ecosystems must be protected against abuse.

503. **Chemical pollution.** A great likelihood of chemical pollution of the water and the soil exists and to monitor this in the soil or water, samples must be taken regularly from them for pollution testing.

504. **Water resources.** Both quality and quantity of water resources in the rivers must be properly managed for sustainable irrigation activities to persist. Project Activities should not affect the availability of water for drinking and hygienic purposes. No soiled materials, solid wastes, toxic or hazardous materials should be stored in, poured into or thrown into water bodies for dilution or disposal.

505. **Ambient air quality.** All air polluting activities need to be checked regularly to minimise their effect on air quality. Minimize dust from exposed work sites by applying water on the ground regularly during dry season. Control vehicle speed when driving through community areas so that dust dispersion from vehicle transport is minimized.

506. **Climate Resilience.** Adopt various sustainable and climate-smart practices which may include agro-forestry, precision agriculture, labour-saving agricultural technologies, renewable energy, waste management, and recycling. value-addition technologies, eco-friendly packaging, and conservation agriculture techniques. It will be important to regularly inspect agricultural infrastructure for its resilience to climate change and variability and also any agricultural practices, if they are still relevant in the given climatic conditions.

## **Social Issues**

507. **Loss of natural and cultural heritage.** The rehabilitation/construction of roads, dams, warehouses and other agricultural infrastructure and fields may affect some natural features, antics and relics in the programme area. Measures must be put in place for chance finds and any such incidences must be treated as required by the relevant Act.

508. **Community Health and Safety.** Regular health checks of the workforce/farmers are a way to monitor disease patterns of the members of the community to ensure that no new strains of diseases are being introduced. Keep corrosive fluids and other toxic materials in properly sealed containers for collection and disposal in properly secured areas. Ensure adequate toilet facilities for workers from outside of the community.

509. **Noise and Vibrations.** Plan activities in consultation with communities so that noisiest activities are undertaken during periods that will result in least disturbance. It will be important to routinely monitor noise levels from the machinery to ensure that it conforms to the limits recommended for noise levels. Use when needed and feasible noise-control methods such as fences, barriers or deflectors (such as muffling devices for combustion engines or planting of fast-growing trees).

510. It is recommended that all environmental parameters mentioned above be monitored during the implementation and operation stages and any impacts should be mitigated as soon as possible. While monitoring, if and when any significant impacts are detected, the monitoring team should meet and address the issue. All team members should keep records of such meetings.

## **ENVIRONMENTAL AND SOCIAL MONITORING PLAN**

511. Sub-project screening will ensure that no activities in the project exclusion list will be done under FIRIP. Thus, the first action by the Environmental Officers will be to monitor whether any subprojects:

- i) Require acquisition of land and displacement of people,
- ii) Block the access to or use of land, water points and other livelihood resources used by others,
- iii) Encroach onto fragile ecosystems, marginal lands or important natural habitats,
- iv) Impact on physical cultural resources of national or international importance and conservation value.

512. The following is an outline of the proposed environmental and social monitoring plan for the FIRIP:

**Table 23: Outline of Social and Environmental Management Plan**

<b>ISSUE</b>	<b>METHOD OF MONITORING</b>	<b>AREAS OF CONCERN</b>	<b>POSITIVE INDICATOR</b>	<b>FREQUENCY</b>	<b>RESPONSIBLE AUTHORITIES</b>
Soils	In the eventuality of construction of agriculture infrastructure, the contractors should make a daily inspection of earth works and ensure that slopes are suitably graded. Once earthworks are complete the Implementing Agent should monitor the restoration measures implemented by the Contractor, such as re-vegetation	<ul style="list-style-type: none"> <li>• Soil erosion</li> <li>• Conservation activities</li> <li>• Rangelands management</li> </ul>	An absence of rills, gullies or other erosion features occurs	Daily and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Ministry Of Green Economy and Environment.</li> <li>• Ministry of Agriculture (MoA)</li> <li>• FIRIP-PCU</li> <li>• Zambia Environmental Management Agency (ZEMA).</li> </ul>
Vegetation	Vegetation clearance must be limited to areas to be used, and site works only.	<ul style="list-style-type: none"> <li>• Clearing of the project sites and disturbance of animals.</li> <li>• flora and fauna</li> </ul>	No unnecessary vegetation cleared	Weekly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Ministry Of Green Economy and Environment.</li> <li>• Ministry of Agriculture (MoA)</li> <li>• FIRIP-PCU</li> <li>• Zambia Environmental Management Agency (ZEMA).</li> </ul>
Birds Habitats	Interference with nesting sites	<ul style="list-style-type: none"> <li>• Nesting sites</li> <li>• Migratory routes</li> </ul>	Reproductive patterns of birds undisturbed	Weekly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Zambia Environmental Management Agency (ZEMA).</li> <li>• Department of National Parks and Wildlife</li> </ul>
Small mammals habitat loss	Ensure that no unnecessary habitat loss occurs, and that poaching is curtailed.	<ul style="list-style-type: none"> <li>• Animal habitats</li> <li>• Poaching</li> </ul>	No Mammals are displaced from their habitats.	Weekly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>• Zambia Environmental Management Agency (ZEMA).</li> </ul>

<b>ISSUE</b>	<b>METHOD OF MONITORING</b>	<b>AREAS OF CONCERN</b>	<b>POSITIVE INDICATOR</b>	<b>FREQUENCY</b>	<b>RESPONSIBLE AUTHORITIES</b>
			Number of poaching incidences reduced or eliminated.		<ul style="list-style-type: none"> <li>Department of National Parks and Wildlife</li> <li>Police department</li> </ul>
Crime	The FIRIP-PCU Secretariat should Liaise with police department if crime/theft becomes a problem.	<ul style="list-style-type: none"> <li>Criminal activities in the area</li> </ul>	Crime theft kept to a minimum. Incidences of stock theft and house breaking minimized.	Weekly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>Department of National Parks and Wildlife</li> <li>Police department</li> <li>District Administrators</li> </ul>
Noise	Noise monitoring should be carried out on an ad-hoc basis by the Environmental Monitor or the FIRIP-PCU to establish noise levels in the work areas.	<ul style="list-style-type: none"> <li>Noise Levels</li> </ul>	Noise levels at the nearest sensitive receiver would be kept to a minimum.	Weekly and ongoing as project is implemented.	<ul style="list-style-type: none"> <li>Ministry of Health</li> <li>Zambia Environmental Management Agency (ZEMA).</li> <li>FIRIP-PCU.</li> </ul>
Health	FIRIP-PCU must ensure that education and awareness campaigns are implemented and must mainstream HIV/AIDS issues into the project implementation programme.	<ul style="list-style-type: none"> <li>Public health</li> <li>Waste management at Sub-project sites.</li> <li>Disease outbreak due to concentration of people at the Sub-project sites.</li> <li>Disease outbreak due to dust and water pollution.</li> </ul>	Reduction in number of cases of such diseases as Avian flu, AIDS/STD related diseases recorded at hospital and medical clinic	Monthly and ongoing as project is implemented	<ul style="list-style-type: none"> <li>Health ministry</li> <li>FIRIP-PCU</li> <li>Ministry of Agriculture (MoA)</li> </ul>
Archaeology	This should concentrate on chance finds. Provision should be made to allow archaeologists to be present on site during the excavation periods if they so wish. The FIRIP-PCU should inspect all excavations, and where archaeological remains are found work must stop until the FIRIP-PCU has been given all clear to proceed. The FIRIP-PCU should contact the National Museums Board of Zambia in the event of a significant archaeological find.	<ul style="list-style-type: none"> <li>Archaeological Findings</li> </ul>	Archaeological remains not excavated, disturbed or destroyed.	<ul style="list-style-type: none"> <li>Daily and ongoing as project is implemented</li> <li>Room for chance finds</li> </ul>	<ul style="list-style-type: none"> <li>National Museums Board of Zambia.</li> <li>Zambia Environmental Management Agency (ZEMA).</li> </ul>

<b>ISSUE</b>	<b>METHOD OF MONITORING</b>	<b>AREAS OF CONCERN</b>	<b>POSITIVE INDICATOR</b>	<b>FREQUENCY</b>	<b>RESPONSIBLE AUTHORITIES</b>
Energy	The Developers must inspect the provisions made by the Contractor to supply energy to the workforce and ensure that fuel wood is not being collected. The Zambia Environmental Management Agency (ZEMA). should enforce legislation which prohibits cutting down of trees. The Zambia Environmental Management Agency (ZEMA), FIRIP and local leadership (cultural and political) should sensitize the workers against cutting down of trees.	<ul style="list-style-type: none"> <li>Types of energy sources used in the project</li> </ul>	Energy supplied by electric generator or other suitable source. Deforestation and resultant erosion controlled and reduced	Regularly	<ul style="list-style-type: none"> <li>Department of Forestry.</li> <li>Zambia Environmental Management Agency (ZEMA).</li> <li>Local Leadership</li> </ul>
Air Pollution	Observations should be made on the level of dust generated during the construction and Agricultural activities by the Environmental Monitor or FIRIP PCU. Dampening should be carried out if levels are unacceptable.	<ul style="list-style-type: none"> <li>Levels of dust emissions</li> </ul>	Deposition of dust on surfaces should decrease with increased dampening	Daily	<ul style="list-style-type: none"> <li>Health ministry</li> <li>Project FIRIP-PCU</li> <li>Ministry of Agriculture (MoA)</li> </ul>
Water resources	<ul style="list-style-type: none"> <li>Water resources should be managed well.</li> <li>The Ministry of Health should test borehole water quality in the area to ascertain the suitability for human consumption.</li> </ul>	<ul style="list-style-type: none"> <li>Watercourses and impoundments.</li> <li>Surface water quality</li> <li>Ground Water Quality</li> <li>Recommended distances from watercourses.</li> <li>Possible dam construction sites.</li> </ul>	<ul style="list-style-type: none"> <li>Water made available for environmental concerns.</li> <li>Pollution of water resources monitored/detected early, and remedial measures taken on time</li> </ul>	Tests for water pollution to be done Monthly.	<ul style="list-style-type: none"> <li>Health ministry</li> <li>Project FIRIP-PCU</li> <li>Ministry of Agriculture (MoA)</li> <li>Department of Water Development, (DWD)</li> <li>Zambia Environmental Management Agency (ZEMA).</li> </ul>
Landscape	The FIRIP-PCU should make visual inspection of earth works to ensure that excessive excavation is not being carried out. Temporary screening may be appropriate in some cases.	<ul style="list-style-type: none"> <li>Visual intrusions.</li> <li>Aesthetics.</li> </ul>	Landscape alteration reduced to a minimum	Monthly	<ul style="list-style-type: none"> <li>National Museums Board of Zambia.</li> <li>Zambia Environmental Management Agency (ZEMA).</li> </ul>

<b>ISSUE</b>	<b><i>METHOD OF MONITORING</i></b>	<b>AREAS OF CONCERN</b>	<b>POSITIVE INDICATOR</b>	<b>FREQUENCY</b>	<b>RESPONSIBLE AUTHORITIES</b>
Complaints	The FIRIP-PCU should inspect the record of complaints made by local residents, to be kept by the sub-project proponents, and should check that action is taken quickly and that the number of complaints does not rise significantly.	<ul style="list-style-type: none"> <li>• Complaints.</li> </ul>	Number of complaints decreases.	Monthly	<ul style="list-style-type: none"> <li>• FIRIP PCU</li> <li>• Ministry of Agriculture (MoA)</li> <li>• Zambia Environmental Management Agency (ZEMA).</li> </ul>



## BUDGETARY ALLOCATIONS

513. The following is a breakdown of the cost estimates for the various activities in the environmental and social management plan. The PDR provides details of costs for some activities that can be considered to be environmental, social and climate related activities. This detailed budget is meant for implementing and monitoring the recommended mitigation measures throughout the project life. **The budget must be integrated into the overall programme costs to ensure that the proposed mitigation measures are implemented.**

514. Also, since project activities are yet to be finalized, provisions for E&S related studies and other capacity-building initiatives will be accounted for in the planning stages.

515. The cost of implementing this ESMF includes the following:

- i. Salary for the Environment, Social and Climate Specialist,
- ii. TA Consultancy fees to carry out a needs assessment, capacity building in ESC awareness targeted at the PCU, PFIs, MFBs, Agri MSMEs,
- iii. Site-specific E&S workplans and ESCMPs (Develop and train beneficiaries to implement),
- iv. TA consultancy fees to support ESG and ESMS development (initial training),
- v. TA consultancy fees to support ESG and ESMS development (refresher training),
- vi. Training materials for ESG and ESMS for first and refresher courses,
- vii. High level training in Environmental and Social Risks of FIRIP,
- viii. Annual review workshops where lessons learned across the project are incorporated to improve ESG and ESMSs and overall ESC management,
- ix. Monitoring and evaluation exercises for training both the FIRIP staff and the beneficiaries in participatory environmental monitoring,
- x. Project ESC management to cover logistics, communications, per diems, stationery, etc (estimate),

516. This is summarised Table 6-1, Estimated ESMF Implementation Budget:

**Table 24: Estimated Budget for ESMF Implementation (US\$)**

YEAR ACTIVITY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL (USD)
Salary for ESC Specialist	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	125,000.00
capacity building and awareness training	30,000.00	20,000.00		10,000.00		60,000.00
Support to developing ESG and ESMSs	30,000.00			20,000.00		50,000.00
Training on ESG, ESMS and Risks of FIRIP	----- --	8,000.00	6,000.00	5,000.00	5,000.00	24,000.00
Monitoring and evaluation purposes (R&D, M&E, Field Visits)	----- --	10,000.00	10,000.00	5,000.00	5,000.00	30,000.00
Annual Reviews		10,000.00		10,000.00		20,000.00
Bi-Annual Audit	----- -		15,000.00		----- ---	15,000.00

End of Project Audit					15,000.00	15,000.00
Project ESC management.	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	20,000.00
<b>Total budget</b>						359,000.00
<b>10% Contingency</b>						35,900.00
<b>Grand Total</b>						394,900.00

517. The costs for environmental, climate and social mitigation, management and monitoring, including capacity building and training and support to the development and implementation of the PFI ESMSs is estimated to be USD **394,900.00**. The above budget lines will be refined further as the design progresses.

## **INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS**

### **INSTITUTIONAL FRAMEWORK**

518. In Zambia, environmental affairs are managed and regulated by the Ministry of Green Economy and Environment. The ministry formulates & implements policies & laws on green economy, climate change, environment management, meteorology, forestry, biosafety, sustainable dev. Etc. It is supported by the Zambia Environmental Management Authority (ZEMA) which provides administrative framework for environmental impacts assessments for prescribed projects. The ZEMA is headquartered in Lusaka and is led by a Director General. The directorate coordinates and supervises all environmental affairs including enforcement and compliance with Environmental Assessments. Thus, they undertake daily operations and management of environmental affairs.

519. The FIRIP PCU will work with the Ministry of Green Economy and Environment to ensure effective implementation of the ESCMP and to address environmental challenges that may arise. This will be realized with the technical input from relevant Subject Matter Specialist at the levels of the PCU. While the PCU, will constitute national-level structures of the implementation arrangement, the district-level technical support staff, the district, and community-level organizations, will constitute subnational level structures to ensure quality delivery of services and project support to community members.

520. The Environmental Management Act of 2011 is currently the overall law for the management of the environment in Zambia. The Act provides for the environmental management structure in the country, and provides for integrated environmental management and the protection and conservation of the environment and the sustainable management and use of natural resources. The act is implemented with reference to the Environmental Impact Assessment Regulations, **S.I No 28 of 1997** (herein referred to as the EIA Regulations).

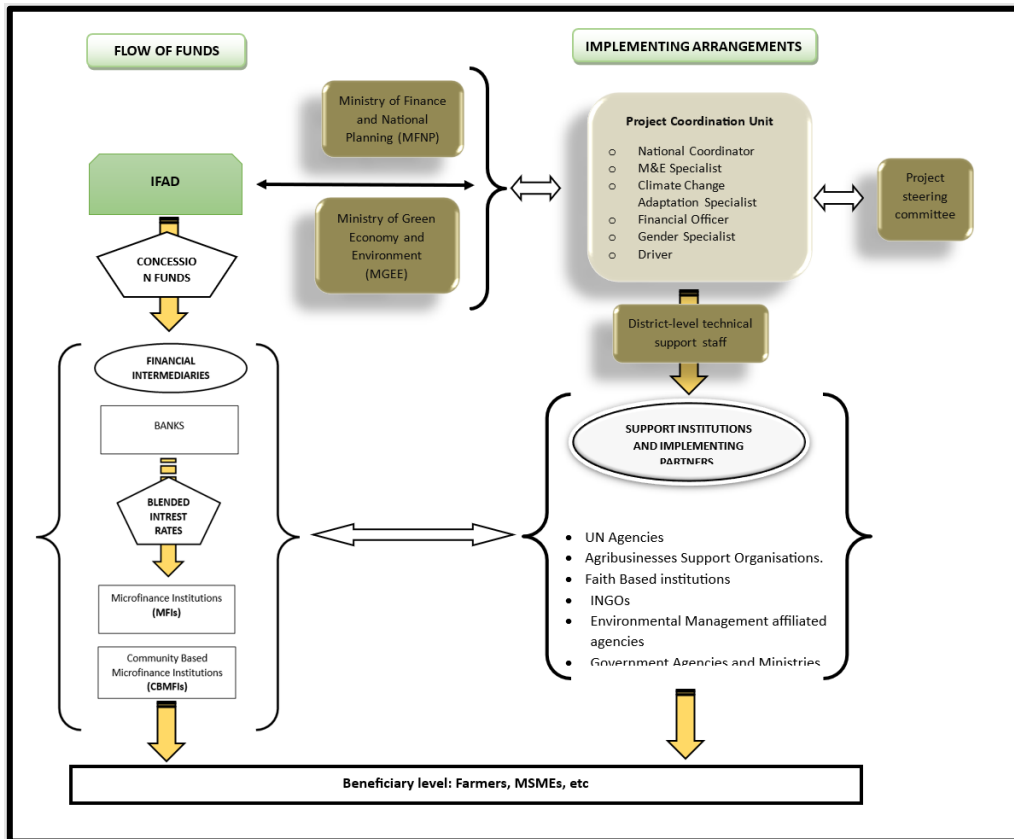
### **REPORTING**

521. To monitor the progress of the implementation of the measures that have been identified in this ESCMP, annual reviews will be carried. The principal output of the annual reviews is an **annual review report** that documents the review methodology, summarizes the results, and provides practical recommendations. Distinct sections should address:

- a. ESCMP performance and,
- b. cumulative impacts.

522. Annexes should provide the detailed results of the field work and summarize the number of approved sub-projects by district and their characteristics according to the annual report format. Copies of the annual review report (Appendix 2) should be delivered to the FIRIP Technical Committee (FTC), to each District office responsible for appraisal, approval, and implementation of sub-projects, and to IFAD.

**Figure 3: Implementation Arrangements for the ESCMP**

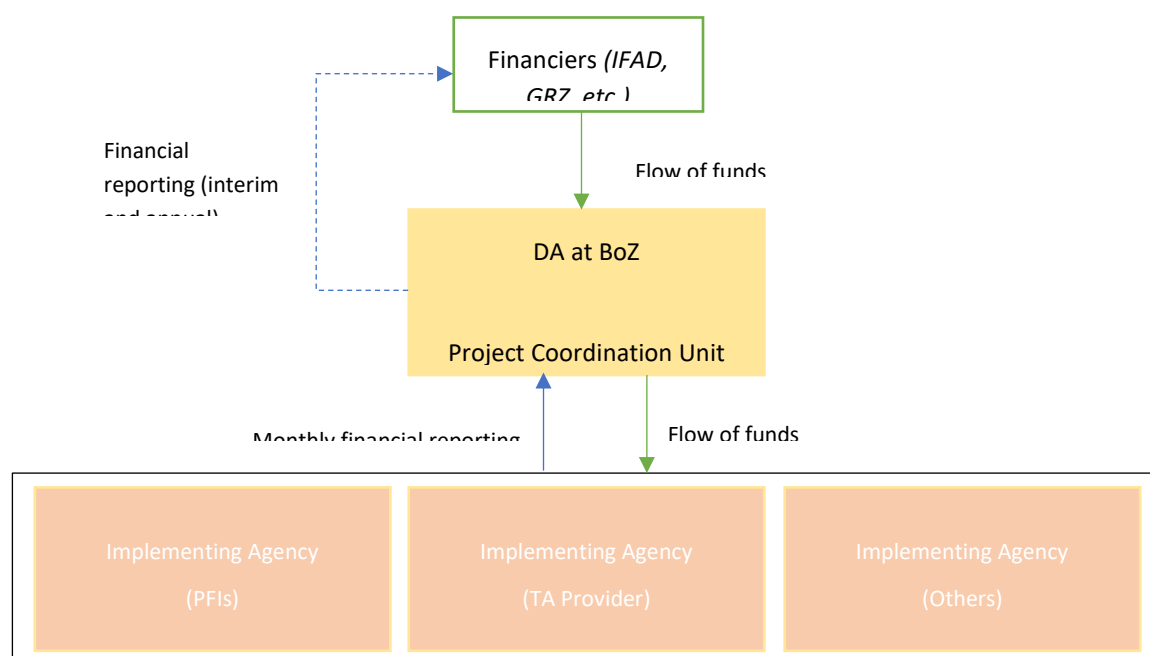


## 5.0 FINANCIAL MANAGEMENT

### 5.1 INTRODUCTION

523. The Project is implemented by Ministry of Finance and National Planning (MoFNP) under the terms and conditions of the financing agreement signed between the Government of Zambia and IFAD. MoFNP will have the responsibility to implement sound financial management practices. This financial manual outlines the financial management processes and procedures to be implemented by MoFNP and the project coordination unit (PCU) throughout the duration of the Project. MoFNP will use other implementing agencies to implement specific sub-components and will enter into MOUs with these agencies which will outline the financial management roles and responsibilities of each party.

524. Refer to section XX and XX of the PIM for an overview of the implementation arrangements (diagram to be updated based on final implementation arrangements).



#### **Reference material**<sup>167</sup>

525. This document should be read together with the:

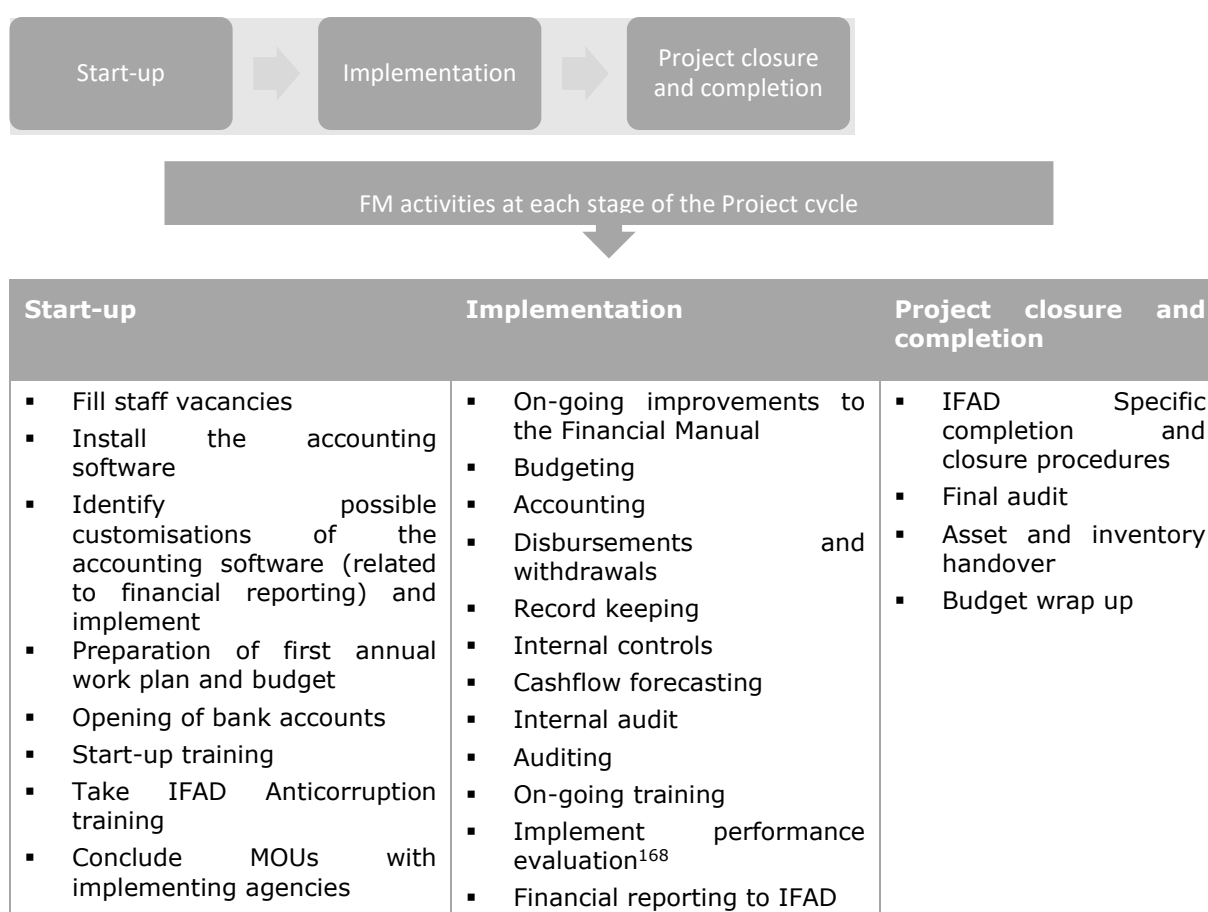
- Project financing agreement entered between the Borrower and IFAD
- Financial Management and Financial Control Letter (FMFCL)
- IFAD General Conditions for Agricultural Development Financing
- IFAD Loan Disbursement Handbook
- IFAD Handbook on Financial Reporting and Auditing of IFAD-funded projects

<sup>167</sup> Refer to Useful Links section for links to documents.

- IFAD Project Financial Management and Financial Control Handbook

526. This section of the PIM provides detailed information on the systems, procedures, and steps to be used by FIRIP in relation to financial management and auditing. The information in this section aligns with IFAD policies, practices and standards and should always be followed by the project management team. The financial management section focuses on issues related to the flow of funds, FIRIP policies and procedures and the financial management cycle. This section describes project-specific financial procedures and practices to be followed by the PCU during implementation and includes all necessary information regarding budgeting, accounting, cash flow management, internal controls, financial reporting, project audits and oversight.

527. **Project cycle and financial management activities.** The Project Coordinator and Finance Controller of FIRIP will have final responsibility for the execution of the financial management activities at each stage of the Project cycle as outlined below:



<sup>168</sup> Develop (in consultation with the Project Coordinator) a performance evaluation process for FM staff within 1 year of project commencement and document process in the PIM. This process should identify skills gaps and assist with identifying appropriate training interventions.



*NB: The Financial Controller will have the final responsibility to prepare interim and annual financial reports for submission to IFAD. Refer to Section 12 for more detail.*

528. **Pre-implementation activities.** During the start-up of the Project, it is recommended that Project staff undertake the following activities. These activities are recommended to ensure that Project staff are well informed and knowledgeable with regards to the financial management aspects of the Project once implementation commences:

Activity	Overview
<i>Financial management staff appointment</i>	<ul style="list-style-type: none"> <li>• Fill vacancies within PCU to ensure sufficient staff capacity to manage the Project. Refer to Section 5 for the proposed organogram.</li> </ul>
<i>Accounting software</i>	<ul style="list-style-type: none"> <li>▪ Customise the accounting software and ensure that new staff are trained in the use of the system.</li> <li>▪ Incorporate correct chart of accounts (categories and components).</li> <li>▪ Upload the AWPB to the accounting software for purposes of budgeting / monitoring.</li> </ul>
<i>Open bank accounts</i>	<ul style="list-style-type: none"> <li>▪ The Finance Controller, with support from MoFNP, will be responsible for the opening of the Project bank accounts.</li> </ul>
<i>Preparation of first annual work plan and budget</i>	<ul style="list-style-type: none"> <li>▪ The Finance Controller, together with the component heads and M&amp;E lead, will be responsible for the compilation of the first Annual Work plan and Budget, as directed by the Project Coordinator, subject to IFAD no-objection.</li> </ul>
<i>Staff training and capacity building</i>	<ul style="list-style-type: none"> <li>▪ Newly appointed FIRIP financial Management staff will be required to complete the IFAD FM e-learning and submit completion certificates to IFAD within 1 month of date of appointment. Refer <i>Section: Useful Links</i> for link to training.</li> <li>▪ Existing FIRIP financial management staff will be required to complete the IFAD FM e-learning within 1 month of project start-up (if not yet completed) and submit the completion certificate to IFAD.</li> <li>▪ All staff are required to study the project related documents at project start-up.</li> </ul> <p><u>*Other training at project start-up:</u></p> <ul style="list-style-type: none"> <li>○ FIRIP financial management training workshop for all implementing agencies. <i>This training to be presented by the FIRIP Finance Controller.</i></li> </ul>

	<p><i>Training to focus on FIRIP requirements (monthly reporting, document retention etc.) and cover practical issues / lessons learnt.</i></p> <ul style="list-style-type: none"> <li>○ Anti-corruption/anti-fraud training for all FIRIP finance and procurement staff to be provided by IFAD during the start-up workshop.</li> </ul>
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*\*Start-up training to be repeated on an annual basis to take into account any emerging issues and changes in guidelines.*

529. **IFAD Anticorruption policy.** The management of Project funds shall be sufficiently rigorous to safeguard against Fraud and Corruption. Fraud and corruption include, but are not limited to (as defined in the IFAD anticorruption policy):

- Corrupt practice - offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- Fraudulent practice - any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- Collusive practice - an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.
- Coercive practice - impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

530. IFAD applies a zero-tolerance policy towards fraudulent, corrupt, collusive, or coercive actions in Projects financed through its loans and grants. 'Zero tolerance' means that IFAD will pursue all allegations falling under the scope of this policy and that appropriate sanctions will be applied to parties or entities involved where the allegations are substantiated. IFAD takes all possible actions to protect individuals who submit allegations of fraudulent or corrupt practices in its activities from reprisal. The primary responsibility for enforcing the Anticorruption Policy lies with the project, and the first defence for controls shall be exercised by Project staff and counterparts Pursuant to this, the project shall have the responsibility to incorporate pertinent provisions of the Anticorruption Policy in its contracts with Project staff, cooperating/implementing partners, and suppliers/consultants.

531. It is the Project Coordinator and the Project Finance Controller's responsibility to make sure that all Project staff are aware of IFAD's and the national anticorruption policies and whistle blowing procedures.

532. The project can contact the IFAD Officer of Audit and Oversight to report events.

How to contact the IFAD Office of Audit and Oversight

All communications are treated with the utmost CONFIDENTIALITY.

By phone: +39 06 54592888

By fax: +39 06 54597888

By e-mail: [anticorruption@ifad.org](mailto:anticorruption@ifad.org)

Through the online complaint form:

[www.ifad.org/governance/anticorruption/how.htm](http://www.ifad.org/governance/anticorruption/how.htm)

In person or by mail to:

IFAD Office of Audit and Oversight, Investigation Section

Via Paolo di Dono, 44

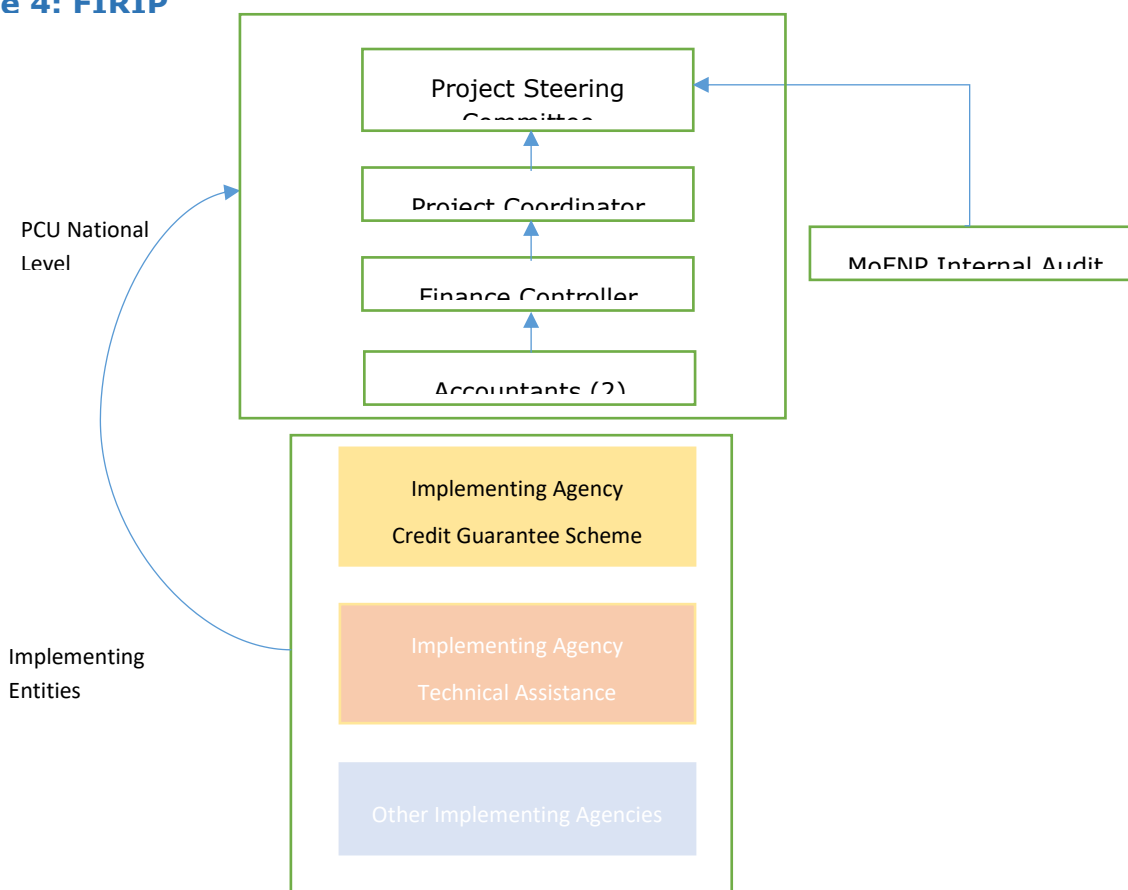
00142 Rome, Italy



## 5.2 FM ORGANIZATIONAL STRUCTURE, ROLES, AND RESPONSIBILITIES

533. **Overview of FM organizational structure.** The FIRIP finance department is headed by a Finance Controller which reports to the Project Coordinator. Within the finance department, there are two accountants supporting the Finance Controller to execute the financial management responsibilities. Figure 1 shows the FIRIP organogram/staffing

**Figure 4: FIRIP**



arrangements.

534. **FM staff – key roles and responsibilities.** Detailed job descriptions for the Finance Controller and Accountants are outlined in the ToRs (refer to Annex 3 for the terms of reference).

535. **Budgeting and Budget Control.** The FIRIP budget is reflected in the project's AWPB. The AWPB is a key instrument for the implementation and operational control of the project. Once approved, it guides the daily financial management and serves as a guiding document indicating the activities to be implemented and the resources available. The AWPB is more than a guideline, it represents: a) The commitment of the PCU and the implementing agencies to carry out a set of activities, produce specific results and achieve certain objectives; and b) The agreement of the GRZ and IFAD that the planned activities are adequate in light of the objectives of the project.

536. The AWPB is a means by which the GRZ and IFAD will have provided the PCU with the resources to implement the planned activities. It should be taken seriously and referred to regularly as any expenditure incurred outside the AWPB will be questioned by auditors, supervisory missions and will be declared ineligible for funding by IFAD.

537. The detailed steps to be followed in preparing the AWPB are included in IFAD's guidelines for preparing AWPB and progress reports. All matters related to the procurement plan are dealt with within the scope of the Procurement Manual. It is equally important that the AWPB preparation schedule is aligned with the Government's budget process, as the project budget must go through the Government's budget approval process.

538. With reference to the detailed AWPB preparation schedule, the PCU will take the following steps to ensure that the approved AWPB is finalized and distributed to the implementing agencies by the beginning of the new fiscal year: i) The PCU will submit the draft AWPB submitted for PSC review and approval by the end of September; ii) Any changes proposed by the PSC will be reflected in the AWPB and the PCU will submit to IFAD by end of October (60 days before the financial year; iii) Any changes requested by IFAD will be included by mid-December; iv) PCU will upload the budget into the accounting software and distribute the approved AWPB to implementing institutions by the end of December, in time for the new fiscal year.

539. In the planning and budgeting phase, the project finance team performs the four functions indicated below:

**Figure 5: Roles of project staff in the budgeting process**



540. **Function 1:** Make available the status of available funds to all project technical staff. The project's technical staff will play an important role in preparing the budget for activities in their respective areas of responsibility. This does not imply, however, that the Project Specialists can have component budgets on their own, as the sub-components are interrelated. FIRIP budgeting will be done through the integrated approach of team management.

541. Prior to the start of the planning and budgeting exercise, the Finance Controller provides each of the budget holders with the status of available balances and the overall category implications for their respective sub-components. The Finance Controller extracts information from the accounting system and obtains from IFAD a status of available balances by category. The status of available funds should be adjusted by deducting commitments, backlog requests, and projected expenses for the remainder of the year.

Adjusted information on the status of funds is provided to budget holders to make them aware of budget limits. A work form in Microsoft Excel can be used to determine the available balance. The accounting software can assign historical expenses to each of the planning units, as described above.

542. The available net balance should be broken down by components, subcomponents, and main activity items so that planners can determine the relative weights for each component/subcomponent in the AWPB, as illustrated in the table below. It is important to maintain a relative balance between components.

543. **Function 2:** Quantify other factors that constrain disbursement. While available balances may set the upper limit on what to include in AWPBs, other constraining factors also need to be considered. The Finance Controller will need to quantify these and communicate them to budget holders / sub-component heads at the beginning of the Planning Cycle. Examples of other constraining factors include:

- a. The realistic amount that can be requested from IFAD for the specific year.
- b. The time interval between commitment and disbursement.
- c. Existing obligations to complete work in progress.

544. **Function 3:** Consolidate the AWPB. In the AWPB there are a series of financial tables that must be consolidated by the Finance Controller and the finance team, working closely with the M&E Manager. While the consolidation of the AWPB into a single document will be led by the M&E Manager, the financial tables will be the responsibility of the Finance Controller. The tables will include: (a). Accumulated financial performance for the previous year (b). Consolidated annual budget summary (c). Summary of expenses/income by category by funder (d). Summary of expenditures/revenues by component by funder (e). The AWPB based on detailed activities for each budget responsibility centre.

545. **Function 4:** Treasury Planning. As part of the preparation and processing of the AWPB, the Finance Controller will reserve the larger items that can be paid for through direct payments and those that must be paid from operational bank accounts. This will be translated into a quarterly cash flow forecast (included as part of the interim financial reports) to ensure there is sufficient liquidity even during peak periods. The AWPB template is provided in Annex 1.

## **Internal controls**

546. **Overview of internal controls.** It is recommended that the Finance Controller consider the guidance outlined in the *Useful Links* section under the link *Guidelines for internal controls for Public Sector Entities (INTOSAI GOV 9100)* when developing/improving the system of internal control (*also see COSO Integrated Framework – Internal Control*).

547. In terms of the Guidelines for Internal Control Standards for the Public Sector (INTOSAI GOV 9199):

*Internal control is an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide*

*reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved:*

- ✓ *executing orderly, ethical, economical, efficient, and effective operations;*
- ✓ *fulfilling accountability obligations;*
- ✓ *complying with applicable laws and regulations;*
- ✓ *safeguarding resources against loss, misuse, and damage.*

*Internal control is a dynamic integral process that is continuously adapting to the changes an organisation is facing. Management and personnel at all levels have to be involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives.*

548. At project start-up it is recommended that the Finance Controller use the general framework for considering the internal control environment with the intention of improving the existing control environment. In terms of the general framework:

- 1) Perform a risk assessment
- 2) Develop control activities which address identified risks (or improve existing control activities)
- 3) Implement control activities (by documenting controls, updating the information systems, communicating to relevant parties)
- 4) Develop a system for monitoring the effectiveness of controls implemented

549. Control activities should be developed with consideration of the following categories:

<b>Control activities</b>	<b>Description</b>
<i>Authorisation and approval procedures</i>	Authorisation controls require certification that a transaction or event is acceptable for further processing. The delegated authority of staff should ensure efficient implementation while mitigating related risks. Authorisation levels of Project staff should be in line with their underlying roles. For example, only the Project Coordinator may be authorised to approve payments.
<i>Segregation of duties</i>	An important element in any control system is the separation of those duties which would, if combined, enable one individual to record and process a complete transaction. For example, an Accountant might prepare a document, but it would then be reviewed and cleared by the Finance Controller, and then approved by the Project Coordinator. It is the Finance Controller's responsibility to ensure that certain duties are segregated, including authorising, processing, recording and reviewing.
<i>Access to resources and records</i>	All data, records and assets should be kept in a physically secure environment. Petty cash should be kept secure. Financial data and other records should also be protected by back up procedures and copy records should be stored securely off site.

Control activities	Description
<i>Verifications</i>	Transactions and significant events are verified before and after processing, e.g. when goods are delivered, the number of goods supplied is verified with the number of goods ordered. Afterwards, the number of goods invoiced is verified with the number of goods received.
<i>Reconciliations</i>	Reconciliations between independent, corresponding sources of data are a key control for identifying errors and discrepancies in balances. The reconciliations should be done monthly. Any reconciling or balancing amounts should be promptly cleared. Unusually long outstanding reconciling items should be investigated. Physical checks should also be performed on assets and petty cash.
<i>Reviews of operating performance</i>	Operating performance is reviewed against a set of standards on a regular basis, assessing effectiveness and efficiency. If performance reviews determine that actual accomplishments do not meet established objectives or standards, the processes and activities established to achieve the objectives should be reviewed to determine if improvements are needed.
<i>Reviews of operations, processes, and activities;</i>	Operations, processes, and activities should be periodically reviewed to ensure that they are in compliance with current regulations, policies, procedures, or other requirements.
<i>Supervision</i>	Competent supervision helps to ensure that internal control objectives are achieved. This includes assigning, reviewing, and approving an employee's work.
<i>Information and technology related controls</i>	Information and technology controls can be both general and related to applications. The major categories of general controls are (1) entity-wide security program planning and management, (2) access controls, (3) controls on the development, maintenance and change of the application software, (4) system software controls, (5) segregation of duties, and (6) service continuity. Application controls are the structure, policies, and procedures that apply to separate, individual application systems, and are directly related to individual computerized applications. These controls are generally designed to prevent, detect, and correct errors and irregularities as information flows through information systems.

550. Entities should reach an adequate balance between detective and preventive control activities. Corrective actions are a necessary complement to control activities to achieve the objectives.

551. The Financial Manual incorporates practical guidance on recommended control activities in the sections that follow which can be considered by the Finance Controller when developing/improving internal controls.

552. **Authorization and approval:**

- ✓ Each payment to be uploaded to the accounting software based on an approved payment request
- ✓ Cheques or electronic funds transfer must be authorised by two signatories as per the established approval thresholds
- ✓ In case of use of Treasury Single Account (TSA), payments are to be released to payees by two authorized signatories (by using authorized log-in credentials)

553. **Segregation of duties:**

- ✓ Payment requests prepared by an accountant
- ✓ Payments reviewed/approved by Finance Controller / Project Coordinator
- ✓ Payments recorded in the accounting software by Accountant
- ✓ Payments released by authorized signatories (Finance Controller/Project Coordinator, and/or as per MoFNP authorisation levels)

554. **Access to resources and assets**

- ✓ Financial Management to be locked after working hours and key retained by the Finance Controller
- ✓ Other project offices locked after working hours when not in use

555. **Verifications**

- ✓ Semi-annual fixed asset verifications (asset register to floor and floor to asset register)
- ✓ Fixed assets are tagged with unique number or barcode

556. **Reconciliations, reviews, supervision.** The following reconciliations, checks, monitoring, and review activities should be prepared on a monthly basis:

Type	Description	Preparer	Reviewer (signed by)
<i>Designated account bank reconciliation</i>	Reconciliation of the bank balance of the designated accounts to the cash book balance. (use IFAD format outlined in Appendix 4)	Accountant	Finance Controller
<i>Transit accounts / interest accounts / tender accounts</i>	Reconciliation of the bank balance of the operational accounts to the cash book balance.	Accountant	Finance Controller

Type	Description	Preparer	Reviewer (signed by)
<i>reconciliations (local currency)</i>			
<i>Petty cash reconciliation</i>	Reconciliation of petty cash to relevant cash book.	Accountant	Finance Controller
<i>Petty cash spot checks</i>	Finance Controller to undertake random sport checks of petty cash (compare cash balance to petty cash book)		Finance Controller
<i>Advance justifications</i>	Clear all outstanding advances within 5 days of each quarter (received and record approved expenditure) and follow up on long overdue items for which invoices/supporting documentation has not been received.	Accountant	Finance Controller
<i>Review of monthly reports from Implementing agencies</i>	<p>Obtain monthly reports from implementing agencies and confirm:</p> <ul style="list-style-type: none"> <li>✓ Report was approved by relevant implementing agency head</li> <li>✓ Bank balances agree to bank statement / bank reconciliation</li> <li>✓ Petty cash balances agree to petty cash reconciliation</li> <li>✓ Listed expenses are supported by valid invoices and other supporting documentation (review original documentation)</li> <li>✓ All advances from implementing agencies are recorded in line with advances recorded in the accounting software</li> <li>✓ Expenses have been incurred in line with the approved AWPB</li> </ul>	Implementing Agency Accountant	Accountant
<i>Financial Capacity building of implementing agencies</i>	Follow up on financial control weaknesses identified at due diligence stage and throughout implementation	Accountant	Finance Controller

Type	Description	Preparer	Reviewer (signed by)
	Organise regular field verifications and training on finance policies and procedures		
<i>Quarterly and Monthly internal report</i>	Prepare internal reports for the purposes of monitoring project progress and identifying issues. This includes interim financial reports in the IFAD approved format.	Finance team	Project Coordinator

557. In all instances, issues identified during the review/reconciliation process should be followed up and resolved in a timely manner.

558. **Information and technology related controls:**

- ✓ Password is required to log into accounting software
- ✓ Accounting software to require password change on a regular basis
- ✓ User rights are defined and documented and linked to log-in credentials
- ✓ Daily back-up of accounting software data on server
- ✓ Sensitive information (e.g. payroll files) are password protected
- ✓ Regular software updates are undertaken to ensure that accounting software version is supported by technical team at vendor
- ✓ Offsite backup of data on a weekly basis
- ✓ Financial Management staff are not allowed to share accounting software passwords or use login credentials of another
- ✓ Desktop access requires login with a password
- ✓ Operating system software updates are performed regularly
- ✓ Use authorized signatory to have log-in credentials for on-line banking

559. **Internal control environment – implementing agencies.** The Finance Controller will be responsible for the assessment of the internal control environment of implementing agencies. In terms of the MOUs, it will be required that implementing agencies perform an annual self-assessment of their financial management arrangements in line with the FM provisions in the MOU – refer to Annex 6. It is recommended that the Finance Controller use the information contained in this section to consider the soundness of the internal control environments and provide guidance on improving controls if weaknesses are identified.

560. **Flow of Funds:**

- a. Designated and operating accounts. The project will have a designated USD account at the Bank of Zambia that will receive the funds from the financing



Account, resulting from the financing agreement signed between the Government of Zambia and IFAD. Transactions on the designated account are ordered by means of two signatures from the LPA (MoFNP).

Subscribers to this account must be registered in the IFAD Client register (ICP\_IFAD). To comply with this procedure, according to the Financial Management and Financial Control Letter, IFAD must receive from the Minister of Finance and National Planning, a letter designating the names of officials authorized to sign withdrawal requests and expense statements, which includes their authenticated signatures.

b. Disbursement. Funds will be disbursed based on the following methods:

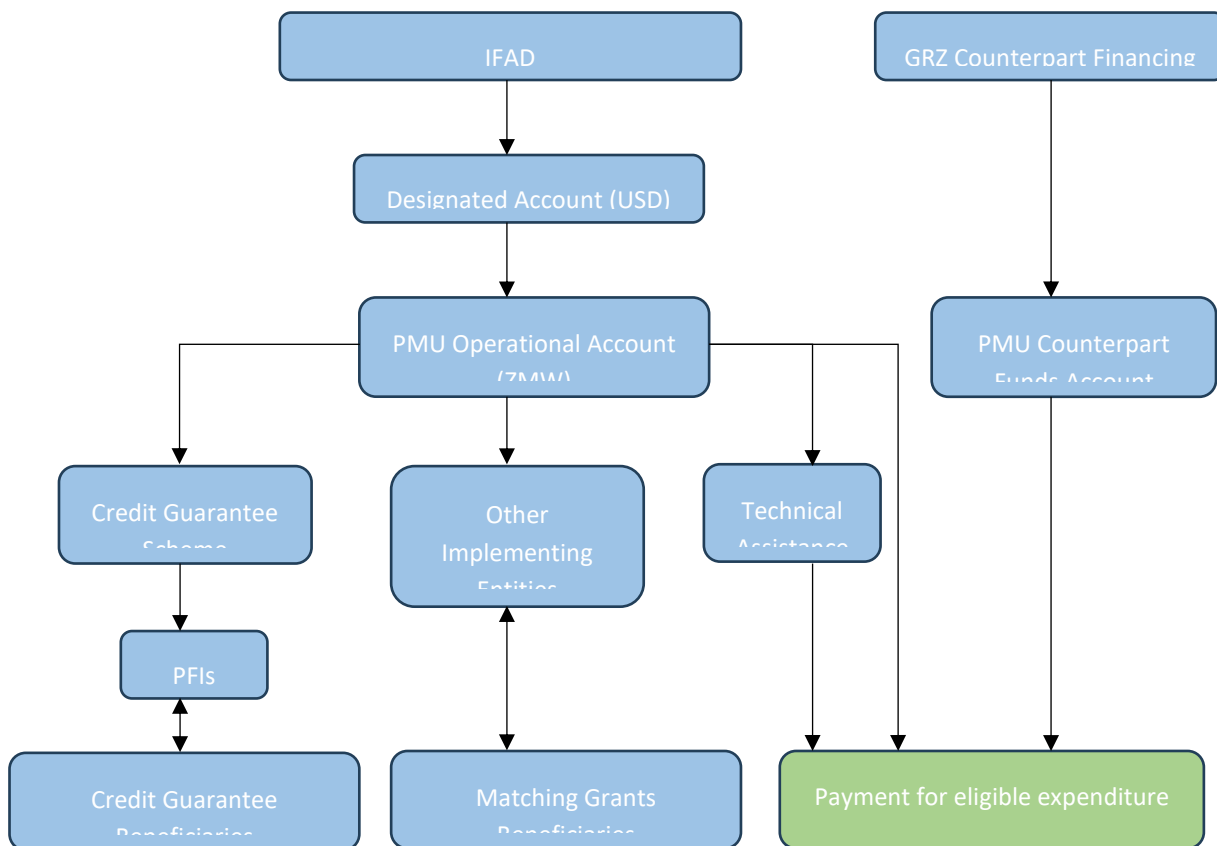
- DA advances: initial deposits and subsequent request for advances based on quarterly cash forecasts included in the interim financial reports;
- Reimbursement: This procedure is related to the reimbursement of eligible expenditures incurred by the Government.

561. Procedures for withdrawal of funds will include:

- A first disbursement designated initial deposits based on the limits of the disbursement amounts defined for advance to the Designated Account.
- Project Coordinating Unit will control the designated account (DA) (through the MoFNP) and will be responsible for requests for replenishment to the designated account, made electronically through the IFAD Client Portal (ICP IFAD) platform.
- In accordance with the instructions contained in the IFAD Manual on Disbursement of Funds (LDH), for the start of the Project, the PCU must prepare the disbursement request of funds from the initial deposits, Withdrawal Application (WA), for each type of financing and send them through the IFAD Client Portal platform (IFAD-ICP). Submission to the ICP is made by one of the subscribers of the project's designated account, duly registered, with an authorised profile.
- Funds channelled to the Designated account are subsequently transferred to the operational accounts.

562. The PCU will be responsible for coordinating and ensuring the regular flow of funds (disbursement, requisition, reimbursement, and expenditure), so that they are available whenever necessary for the fulfilment of the project's financial obligations to suppliers and service providers. This will involve: (i) establishing each implementing agency's liquidity requirements based on the approved AWPB; (ii) prepare and send bank transfer instructions to always ensure sufficient liquidity in the operating account; (iii) follow up on any funds advanced to implementing agencies and ensure their timely justification; (iv) maintain supporting documentation underlying expenditure incurred by the project in order to prepare disbursement requests for submission to IFAD; and (v) ensure that disbursements by IFAD are always fully accounted for by preparing quarterly statements of sources and uses of funds and reconciliation to designated accounts. All movements from the designated account will require the countersignature of the authorized representative of the GRZ.

## **Figure 6: FIRIP Funds Flow**



563. The signatories of the project bank accounts will be the following:

<b>Designated Account</b>	The designated account will be fully operated by MoFNP staff as the official beneficiary. For any transfers from the account designated for operations requesting such transfer. Upon receipt of the request, the BoZ office will process the transfer request.
<b>Operating Account</b>	The account will be bound by two signatures, one for Category A and the other for Category B, as follows: <ol style="list-style-type: none"> <li>1. Category A Signatories: <b>Director XXX - MoFNP</b> &amp; Project Coordinator;</li> <li>2. Category B Signatories: <b>Director XXX - MoFNP</b> and Project Finance Controller</li> </ol>

564. GRZ contribution will cover duties and taxes on project activities. The project will recognise the amount of taxes and duties due for payment from the government and

ensure appropriate recording and segregation from the transaction amounts justified/claimed from IFAD. Funding through grants will use similar funds flow arrangements with separate ledgers to facilitate traceability of transactions. The accounting software will include account codes to clearly identify the funding source and components/sub-components to which transactions should be charged.

## **Accounting**

565. **Accounting system.** Most of the project activities result in the receipt, commitment, or expenditure of funds. The accounting system records, processes, and organizes this data to produce useful financial information in the form of AWPB, Financial Reports, Withdrawal Applications, Financial Statements etc. needed by the financier and project management. The accounting system should reflect the Project's needs and be designed to provide the financial information required by all interested parties. It should also fulfil all the legal and regulatory requirements of the project. In addition, the accounting system should incorporate the reporting requirement of the chosen accounting standard for the project, which is IPSAS, Financial Reporting under the Cash Basis of Accounting.

566. **Accounting software.** The government accounting system (IFMIS) is used for processing government related transactions. Government budget is mapped in the system and payments are made against the specific budget lines. There are sufficient controls within IFMIS to facilitate segregation of duties between the initiators, reviewers, and approvers of financial transactions. However, the system is not tailored for IFAD financial reporting requirements. Whereas the customisation process was meant to be piloted with the predecessor project (RUFEP), the process was not undertaken. The project will therefore use an off-the-shelf accounting system, preferably the same software that was being used under RUFEP and which had been customised with the IFAD financial reporting requirements.

567. **Chart of accounts.** The accounting software should include the appropriate Chart of Accounts. The Chart of Accounts should be developed to cater for:

- All components and sub-components that are incorporated in the AWPB (outlined in the financing in agreement)
- All categories as outlined in the financing agreement
- Sources of finance (Government, IFAD, other co-financers, Beneficiaries)
- Sub categorisation to cater for activities at the various provinces

568. The Chart of Accounts should mirror the cost tables (as presented in the Project design report) to enable comparison of actual Project costs during implementation with those estimated during the Project preparation.

569. **Recording and processing of transactions.** Whenever a transaction takes place under the Project, it should be recorded and processed using the accounting software. Transactions are recorded on the cash basis of accounting which requires the recognition of cash flows when they occur (inflows and outflows).

570. Each transaction should be recorded in the accounting software based on the following:

- Use double entry accounting (debit and credit)
- Capture the transaction using the correct account code (as determined by the chart of accounts) – for all transaction, to be confirmed the Financial Manager
- Capture transactions which have the required supporting documentation
- Capture information accurately and completely.

571. **Accounting for in-kind contributions:**

- a) Government contributions are included in the project financing agreement as part of Programme revenues. At least USD 2.2m is expected as Government contribution (4% of total project cost). These contributions shall be both cash (taxes and duties) in-kind (in-kind domestic contributions) and shall be assessed using valuation of their fair costs.
- b) Whilst beneficiary contributions are expected to be at least USD 10m (10% of total project costs). These contributions may be in cash or in-kind.
- c) Government contribution is seen as a viable mechanism to ensure sustainability of programme interventions and promote mindset changes to attract additional investments for similar interventions. On the other hand, in-kind domestic contribution could minimize the number of external resources needed for Programme implementation. As such, the following paragraphs provide the guidelines for valuation of in-kind domestic contribution.
- d) In-kind contributions are the expenditures incurred by Government, or other implementing partners (value chain actors, service providers and others) for the implementation of project operations: They include (i) goods, (ii) works, (iii) use of services and facilities (e.g. office space), (iv) professional services or expertise in the form of staff time, (v) provision of or access to equipment and special materials; and (vi) office running costs, which otherwise would need to be paid for by the project in order to carry out activities. They are only considered eligible if:
  - (i) They are dully included in the approved AWPB;
  - (ii) the amount of expenditure is duly justified by supporting documents having equivalent probative value to invoices, without prejudice to provisions set out in specific national regulations;
  - (iii) their value can be independently assessed and/or audited; and
  - (iv) the co-financing from the contributor does not significantly exceed the total eligible expenditure planned for the project excluding the value of such contributions.
- e) However, some expenses considered ineligible shall be excluded from FIRIP in-kind contribution records and these comprise:
  - (i) Salary cost for administrative support staff;
  - (ii) Management activities unrelated to the project;
  - (iii) Co-applicants and collaborators as consultant fees during programme design;
  - (iv) Activities not included in the AWPB;
  - (v) Activities that do not contributed directly to the project;
  - (vi) Data, software, goods, services, equipment, and spaces that are available for free.
- f) To ease production of data on in-kind contribution, the project will develop data collection instruments to be used at different levels of the Programme. These shall be

captured through the project M&E system. Technical staff and other stakeholders shall be trained on application of these instruments. These instruments shall be developed by the FIRIP M&E staff and distributed to all technicians and stakeholders involved in Programme interventions with potential in-kind contribution. Beyond others to be produced in course of the project and as needed, tools for capturing beneficiary contribution include:

- (i) Government contribution through permanent staff;
- (ii) Government contribution through temporary technical assistance; and

572. **Government Contribution:**

- g) The contributions expected from GRZ include: (i) provision of office spaces or land; (ii) provision of equipment and tools; (iii) Use of buildings, facilities, and office spaces; (iv) Use of vehicles; (v) Use of data, patents, licences and others; (vi) Use of tools and equipment for project interventions; (vii) Donation of tools or equipment for project interventions (permanently); (viii) Technical assistance for project interventions (through human resources, including experts and specialists).
- h) In-kind contributions should be recognized at fair market value. "Fair market value" is defined as the agreed-upon price in an open and unrestricted market between knowledgeable and willing parties who are dealing at arm's length and who are fully informed. The fair market value is the price an entity would be expected to pay in such circumstances, after normal and educational discounts.
- i) Tax exemptions should be recognized at their market value, which is equal to the gross amount of taxes corresponding to the goods or services purchased.
- j) In all cases, it is fundamental that the basis of measurement be determined in advance of recording and reporting, as it will be subject to external audit. Advance consultation may be made with the auditors, where relevant, or advice sought from IFAD, to facilitate a smooth audit process.
- k) The table below presents standard formula that may be used for the computation of government contribution. The list is not exhaustive as the framework will be completed at project start.

#	Source of contribution	Formulae	Means of verification
1	Use of buildings, facilities, and office spaces	$CG = d_o \times P_m \times A_o$ <p>Being: <math>d_o</math> the duration of occupation (days); <math>P_m</math> the average market value of price determined through competitive procurement.</p>	(i) payment application; (ii) dully signed and approved valuation report;
2	Use of government vehicles	$GC_{VEHICLES} = d \times 0.28 \times e + \frac{d}{100} \times 8.06 \times f_p$ $GC_{MOTORBYKES} = d \times 0.28 \times e + \frac{d}{100} \times 25.02 \times f_p$ <p>Taking: <math>d</math> - as the total distance travelled; 0.28 - as the travel cost per km (in USD/km) as per</p>	(i) Logbook; (ii) Travel permit;

#	Source of contribution	Formulae	Means of verification
		these UN <a href="#">Guidelines</a> for Private motor vehicle reimbursement; 8.06 – as the factor that translates the average fuel spent for each 100 km travelled and $f_p$ - as the fuel price and $e$ - as the exchange rate (ZMW/USD).	
3	Use of data, patents, licenses, and others	Market price of the data, patents, and/or licenses	(i) receipts or reports;
4	Use of equipment for FIRIP interventions	$CG = h_u \times p_u$ <p>Being <math>h_u</math> total hours of usage (according to the daily usage log); and <math>p_u</math> hourly usage (renting rate), estimated through quotations. The unit price for equipment rental can also be derived from simple depreciation.</p>	(i) payment application; (ii) logbook confirming usage;
5	Donation of equipment for FIRIP interventions (permanently)	$CG = C - \frac{C}{L} \times l$ <p>Taking <math>C</math> - as the initial purchasing cost, <math>L</math> - as the lifetime of the equipment and <math>l</math> - the time elapsed since the good has started to be utilized. That is, the current cost of equipment (by deducting the depreciation from the purchase cost.</p>	(i) payment application; (ii) logbook confirming usage;
6	Technical assistance to FIRIP interventions (staff, and others)	$CG = \frac{h_e \times d_e \times S_m}{8 \times 24}$ <p><math>h_e</math> is the number of daily hours in which that the staff has been engaged in FIRIP; <math>d_e</math> total number of days in which the staff was engaged in FIRIP and <math>S_m</math> the monthly salary for the technician (obtained from the salary sheet or payment slip for the last August). The factors 8 and 24 represent the average working hours and days, respectively, in a month.</p> <p>This section will also include the cost equivalent of the external auditors and internal auditors.</p>	(i) Payment slip (from the institution); (ii) technical staff assignment form dully filled and signed; (iii) staff travel permit;
7	Tax or cost exemption	Total exemption cost	(i) Exemption receipt of declaration.

573. **Processing of payments.** IFAD funds may not be used for payment of taxes, customs, or duties.

574. **Supporting documentation.** The processing of all payments is subject to FIRIP retaining the following original supporting documentation after processing:

Expenditure type	Supporting documentation
<i>All</i>	<ul style="list-style-type: none"> <li>▪ Signed contract or confirmed purchase order – showing the specified amount that is due to be paid;</li> <li>▪ The bank guarantee (if applicable) for:               <ul style="list-style-type: none"> <li>○ advance payment, as specified in the contract documents;</li> <li>○ performance, as specified in the contract documents;</li> </ul> </li> <li>▪ Copies of communications sent by the IFAD country director to the project providing the 'no objection' to the contract award; and</li> <li>▪ Evidence of payment made by the project.</li> </ul>
<i>Goods</i>	<ul style="list-style-type: none"> <li>▪ Items listed above under "all"</li> <li>▪ Supplier's invoice, duly certified for payment by the Project Coordinator– specifying the goods, their quantities, and prices;</li> <li>▪ Bills of lading or similar documents; and</li> <li>▪ As appropriate, the certificate of delivery (to include condition of goods on delivery).</li> </ul>
<i>Services (including consultants)</i>	<ul style="list-style-type: none"> <li>▪ Items listed above under "all"</li> <li>▪ The supplier's or consultant's claim duly certified for payment by the Project Coordinator and showing sufficient detail.</li> <li>▪ As appropriate, a certificate of delivery of satisfactory services.</li> </ul>
<i>For payment of Trips, fuel, stationary and other expenses</i>	<ul style="list-style-type: none"> <li>▪ Items listed above under "all"</li> <li>▪ Supplier invoices;</li> <li>▪ Evidence of payment;</li> <li>▪ Back to office report;</li> <li>▪ Training certificate,</li> <li>▪ Travel authorization; and/or</li> <li>▪ Expense reports by the traveller (including invoices)</li> <li>▪ Boarding passes</li> </ul>

Proforma invoices are not acceptable replacements for invoices. In all instances, supporting documentation need to include final invoices.

### **General guidelines for processing of payments**

575. For invoice related payments, the following general process is applicable:

Activity	Procedures
<i>Request and approve activity in line with AWPB</i>	Generally, ensure that expenses are in line with the AWPB/Procurement Plan and that IFAD no objection has been obtained if required.
<i>Service delivered, or goods received</i>	Obtain evidence that the goods were delivered / services received to the satisfaction of the Project. Evidence to be retained for the purposes of providing supporting evidence for processing of invoice. (delivery notes, completion reports etc.)
<i>Prepare payment request</i>	<ul style="list-style-type: none"> <li>▪ Once invoices are received, the accountant prepares a payment request which includes supporting documentation and indicates accounting codes, category of payment, component of payment and source of finance.</li> <li>▪ The Finance Controller reviews the payment request for accuracy and validity.</li> <li>▪ The Finance Controller adds the correct account codes for the purposes of recording the transaction in the accounting software.</li> <li>▪ The disbursement officer forwards the payment request with supporting documentation to the relevant Technical Officer /Component Head for review and sign off.</li> </ul>
<i>Review payment request</i>	<p>The Project Coordinator shall review and sign the payment request, checking/confirming:</p> <ul style="list-style-type: none"> <li>▪ The expenditure is included in the approved AWPB</li> <li>▪ IFAD no objection was obtained (if applicable).</li> <li>▪ All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date.</li> <li>▪ Payment was cleared by the relevant component technical officer/head.</li> <li>▪ All supporting documentation is attached</li> </ul>
<i>Approve payment request</i>	<p>The Project Coordinator shall review and sign payment request, checking/confirming:</p> <ul style="list-style-type: none"> <li>▪ The expenditure is included in the approved AWPB</li> <li>▪ All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date</li> <li>▪ Payment was cleared by the relevant component technical officer/head.</li> <li>▪ All supporting documentation is attached</li> <li>▪ The payment request was reviewed and approved by the Finance Controller.</li> </ul>



Activity	Procedures
<i>Process payment</i>	<ul style="list-style-type: none"> <li>▪ The approved payment request with related documents shall be sent to the accountant for processing and uploading on the online banking platform.</li> <li>▪ The accountant shall confirm that the bank details provided by the supplier corresponds to the signed legal agreement / original bank letter provided.</li> <li>▪ Once loaded on the banking platform, the payment to be released by two authorised signatories (using unique digital signatures).</li> <li>▪ Cheques must be signed by the authorised signatories.</li> </ul>
<i>Record payment</i>	<ul style="list-style-type: none"> <li>▪ Accountant records the transaction in the accounting software, using the correct codes as captured on the payment request.</li> <li>▪ File supporting documentation, include proof of payment (bank statement/bank confirmation of payment)</li> </ul>

576. **Travel related payments.** The following type of travel may take place by Project staff or Project beneficiaries:

- International travel
- Local travel

577. All types of travel payments follow the general process:



578. The process for each type of travel is outlined below:

(a) **International travel**

International travel	
<i>Type of travel</i>	<ul style="list-style-type: none"> <li>▪ Training which is conducted for Project staff or beneficiaries at an international location.</li> <li>▪ Business trips</li> </ul>

## International travel

<p><i>Overview of entitlement</i></p>	<ul style="list-style-type: none"> <li>▪ Individuals are entitled to DSA, paid based on the number of days of travel for training purposes.</li> <li>▪ The per diem should be used to pay for the cost of accommodation, meals, and travel</li> <li>▪ Taxi trips to/from airport and visa is paid for separately based on actual cost estimates.</li> <li>▪ Unused per diem is not returned to the Project.</li> <li>▪ The per diem amount is determined in line Government daily subsistent rates.</li> <li>▪ The per diem is reduced in the event that meals or accommodations is provided to the individual.</li> <li>▪ 100% of the DSA is advanced before commencement of the travel.</li> <li>▪ The number of travel days are calculated from date of departure from home until last day of the training.</li> <li>▪ Air travel is booked by the project and paid for by the Project directly.</li> </ul>
<p><i>Request for travel</i></p>	<p>The relevant department will prepare a request for travel which includes:</p> <ul style="list-style-type: none"> <li>▪ List of individuals to attend external training</li> <li>▪ Dates of training</li> <li>▪ Invitation to training / training registration confirmation</li> <li>▪ Overview of training (agenda, location noted) – brochure / email correspondence or other suitable evidence</li> <li>▪ Related AWPB classification (category, component)</li> <li>▪ Calculation of total per diem due (100%)</li> <li>▪ Estimated cost of air travel</li> <li>▪ Estimated cost of visas</li> </ul> <p><i>(Air travel is paid directly by the Project)</i></p>
<p><i>Approval of travel request</i></p>	<ul style="list-style-type: none"> <li>▪ The travel request is reviewed by the accountant for:             <ul style="list-style-type: none"> <li>○ Accuracy and compliance with the Government decree in terms of the per diem rate applied.</li> <li>○ Alignment with the approved ABPB</li> </ul> </li> <li>▪ The travel request is submitted to the Project Coordinator for approval.</li> <li>▪ IFAD and MoF no-objection should be obtained for travel request after approval by the Project Coordinator.</li> </ul>
<p><i>Advance provide</i></p>	<ul style="list-style-type: none"> <li>▪ Upon approval of the travel request by the Project Coordinator, the Project accountant will advance 100% of the total per diem to individuals or the team leader as appropriate.</li> <li>▪ The Project accountant will record the advance in the accounting system, indicating the amount, date of advance, to who advanced and related budget line item (advance is not recorded as an expense at this stage).</li> </ul>

International travel	
<i>Justification of travel expenses</i>	<ul style="list-style-type: none"> <li>▪ Within 10 business days after the travel, the team leader / individual is required to prepare a travel expense report which includes:               <ul style="list-style-type: none"> <li>○ Advance report</li> <li>○ Boarding passes for air travel</li> <li>○ Attendance register completed at the training event</li> <li>○ Back to the office report</li> </ul> </li> <li>▪ The travel expense claim is submitted to the accountant who confirms the accuracy and validity of the travel expense claim.</li> <li>▪ The Financial Manual reviews the travel expense claim for accuracy and validity and captures the correct account codes on the request (in line with AWPB line items). (sign as evidence of review)</li> </ul>
<i>Approval of travel payment</i>	<ul style="list-style-type: none"> <li>▪ The travel expense is approved by the Project Coordinator by way of signing the travel expense report.</li> </ul>
<i>Recording of expense</i>	<ul style="list-style-type: none"> <li>▪ The total travel expense is recorded as training expenditure/business trip, by clearing the travel advance, in terms of the correct category and component, in line with the account codes which are captured on the travel expense report.</li> </ul>

**In all instances, unjustified travel advances will need to be reimbursed to the Project by the traveller within three months after the travel date or the amount will be deducted from the payroll.**

(b) **Local travel**

Local travel	
<i>Type</i>	Training / field visits
<i>Overview of entitlement</i>	<ul style="list-style-type: none"> <li>▪ The number of travel days used for the calculation of per diem is calculated from date of departure from home until last day of the training.</li> <li>▪ If Project vehicles are used, the driver is responsible for ensuring the vehicle is refuelled in terms of the process outlined in Section 10.8.</li> <li>▪ If private vehicles are used, staff are reimbursed in line with the allowable rate per kilometre as specified in the staff bylaws, based on actual distance travelled.</li> </ul>
<i>Request for travel</i>	<p>The relevant department will prepare a request for travel which includes:</p> <p>Training:</p> <ul style="list-style-type: none"> <li>▪ List of individuals to attend training</li> <li>▪ Dates of training</li> </ul>

<b>Local travel</b>	
	<ul style="list-style-type: none"> <li>▪ Overview of training (agenda, location noted) – brochure / email correspondence or other suitable evidence</li> <li>▪ Related AWPB classification (category, component)</li> <li>▪ Confirmation from the Finance Controller that a Project vehicle(s) is available for the travel dates should this be the mode of transportation</li> <li>▪ Calculation of per diem in line with Government rates.</li> </ul> <p>Field visits:</p> <ul style="list-style-type: none"> <li>▪ Request for field trip from technical department</li> </ul>
<i>Approval of travel request</i>	<ul style="list-style-type: none"> <li>▪ The travel request is reviewed by the accountant for: <ul style="list-style-type: none"> <li>○ Accuracy and compliance with the staff bylaws in terms of the pocket money allowance / estimation for fuel costs</li> <li>○ Alignment with the approved ABPB</li> </ul> </li> <li>▪ The travel request is submitted to the Project Coordinator for approval.</li> <li>▪ Once approved, the team leader or individual should submit a request for vehicle use.</li> </ul>
<i>Advance provide</i>	<ul style="list-style-type: none"> <li>▪ No fuel advances are provided in cash (driver will use fuel card to refuel)</li> <li>▪ Applicable per diem is advanced in cash.</li> </ul>
<i>Justification of travel expenses / return of unused fuel advance</i>	<ul style="list-style-type: none"> <li>▪ Within 5 business days after the travel, the team leader / individual is required to prepare a travel expense report which includes: <ul style="list-style-type: none"> <li>○ Attendance register completed at the training event</li> <li>○ If a private vehicle was used, indication of total distance travelled in kilometres with payment due to vehicle owner, based on the approved rate.</li> <li>○ If a Project vehicle was used, invoiced for fuel which was paid from fuel advance.</li> <li>○ Back to the office report (in case of field visits)</li> </ul> </li> <li>▪ The travel expense claim is submitted to the accountant with the fuel advance which was not used.</li> <li>▪ The accountant confirms the accuracy and validity of the travel expense claim and determines the per diem which is due.</li> <li>▪ The Project accountant reviews the travel expense claim for accuracy and validity and captures the correct account codes on the request (in line with AWPB line items). (sign as evidence of review)</li> </ul>
<i>Approval of travel payment</i>	<ul style="list-style-type: none"> <li>▪ The travel expense is approved by the Project Coordinator by way of signing the travel expense report.</li> </ul>

**Local travel**

*Recording of expense*

- The total travel expense is recorded as expenditure in terms of the correct category and component, in line with the account codes which are captured on the travel expense report. (advance cleared at this stage)
- Only fuel expenses may be charged to the training budget code. If other vehicle maintenance was incurred, this expense is recorded as maintenance.

**(c) Civil works, equipment, and tools**

Activity	Procedures
<i>Request and approve activity in line with AWPB</i>	<ul style="list-style-type: none"> <li>▪ Civil works, equipment and tools are defined and outlined in both the AWPB and the Procurement Plan.</li> <li>▪ Civil works, equipment and tools is contracted via a procurement process as outlined in the Procurement Manual.</li> <li>▪ IFAD no objection is required on the bidding document, recommendation of award and contract outline before the final bid award is made. (refer to Letter to the Borrower)</li> </ul>
<i>Prepare payment request</i>	<ul style="list-style-type: none"> <li>▪ The procurement officer will request payment of invoices, subject to providing the following supporting documentation:               <ul style="list-style-type: none"> <li>- Copy of civil contract with award letter (for civil only)</li> <li>- Contract amendment letter (if applicable)</li> <li>- Bid analysis and evaluation report</li> <li>- Evidence of IFAD no objection related to the contract award</li> <li>- Purchase order / Invoice</li> <li>- Progress report prepared by consulting engineer</li> </ul> </li> <li>▪ The accountant prepares a payment request which includes the supporting documentation.</li> <li>▪ The accountant reviews the payment request for accuracy and validity.</li> <li>▪ The Finance Controller adds the correct account codes for the purposes of recording the transaction in the accounting software.</li> <li>▪ The accountant forwards the payment request with supporting documentation to the relevant Technical Officer /Component Head for review and sign off.</li> </ul>
<i>Review and approval of payment request</i>	<p>The Finance Controller reviews and signs the payment request before submission to the Project Coordinator. The Project Coordinator shall review and sign the payment request, checking/confirming:</p> <ul style="list-style-type: none"> <li>▪ The expenditure is included in the approved AWPB</li> <li>▪ IFAD no objection was obtained related to procurement as applicable</li> <li>▪ All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date.</li> </ul>

Activity	Procedures
	<ul style="list-style-type: none"> <li>▪ Payment was cleared by the relevant component technical officer/head.</li> <li>▪ All supporting documentation is attached.</li> <li>▪ <b><u>Where stipulated in the contract, the required bank guarantees are valid and is retained in the project's safe.</u></b></li> </ul>
<i>Process payment</i>	<ul style="list-style-type: none"> <li>▪ The approved payment request with related documents shall be sent to the accountant for processing and uploading on the online banking platform.</li> <li>▪ The accountant shall confirm that the bank details provided by the supplier corresponds to the signed legal agreement / original bank letter provided.</li> <li>▪ Once loaded on the banking platform, the payment to be released by 2 authorised signatories (using unique digital signatures)</li> </ul>
<i>Record payment</i>	<ul style="list-style-type: none"> <li>▪ Account records the transaction in the accounting software, using the correct codes as captured on the payment request.</li> <li>▪ File supporting documentation, include proof of payment (bank statement/bank confirmation of payment)</li> </ul>

(d) **Payments for consultant services**

Activity	Procedures
<i>Request and approve activity in line with AWPB</i>	<ul style="list-style-type: none"> <li>▪ The process for requesting and approving consultants is outlined in the procurement section of the PIM (and FMFCL) and is dependent on whether the service is recruited internationally, nationally, locally or on a single source basis.</li> <li>▪ In some instances, the procurement of consulting services is subject to IFAD's no objection.</li> </ul>
<i>Prepare payment request</i>	<ul style="list-style-type: none"> <li>▪ The procurement officer will request payment of consulting services subject to providing the following supporting documentation: <ul style="list-style-type: none"> <li>- Copy of consulting contract and invoice requesting payment (invoice to specify bank details in line with contract)</li> <li>- Copy of output (report / study etc.)</li> <li>- Copy of timesheets (if time-based payment is required)</li> <li>- Written recommendation for payment from the relevant technical department which confirms that the consultant(s) have delivered the key outputs as specified in the consulting contract.</li> <li>- Confirmation of IFAD no objection.</li> </ul> </li> <li>▪ The accountant prepares a payment request which includes the supporting documentation.</li> <li>▪ The accountant reviews the payment request for accuracy and validity.</li> <li>▪ The Finance Controller adds the correct account codes for the purposes of recording the transaction in the accounting software.</li> </ul>

Activity	Procedures
	<ul style="list-style-type: none"> <li>▪ The accountant forwards the payment request with supporting documentation to the relevant Technical Officer /Component Head for review and sign off.</li> </ul>
<i>Review and approval of payment request</i>	<p>The Finance Controller reviews and signs the payment request before submission to the Project Coordinator. The Project Coordinator shall review and sign the payment request, checking/confirming:</p> <ul style="list-style-type: none"> <li>▪ The expenditure is included in the approved AWPB</li> <li>▪ IFAD no objection was obtained related to procurement as applicable</li> <li>▪ All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date.</li> <li>▪ Payment was cleared by the relevant component technical officer/head.</li> <li>▪ All supporting documentation is attached.</li> </ul> <p>The Finance Controller reviews and signs the payment request before submission to the Project Coordinator. The Project Coordinator shall review and sign the payment request, checking/confirming:</p> <ul style="list-style-type: none"> <li>▪ The expenditure is included in the approved AWPB</li> <li>▪ IFAD no objection was obtained related to procurement as applicable</li> <li>▪ All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date.</li> <li>▪ Payment was cleared by the relevant component technical officer/head.</li> <li>▪ All supporting documentation is attached.</li> </ul>
<i>Process payment</i>	<ul style="list-style-type: none"> <li>▪ The approved payment request with related documents shall be sent to the accountant for processing and uploading on the online banking platform.</li> <li>▪ The accountant shall confirm that the bank details provided by the supplier corresponds to the signed legal agreement / original bank letter provided.</li> <li>▪ Once loaded on the banking platform, the payment to be released by 2 authorised signatories (using unique digital signatures)</li> </ul>
<i>Record payment</i>	<ul style="list-style-type: none"> <li>▪ Account records the transaction in the accounting software, using the correct codes as captured on the payment request.</li> <li>▪ File supporting documentation, include proof of payment (bank statement/bank confirmation of payment)</li> </ul>

**(e) Payments for fuel**

579. Vehicles may be refuelled at the local preferred fuel station, based on approved purchase orders issued to drivers by the Project accountant. In such instances the driver

does not pay in cash for fuel. On a monthly basis the preferred petrol station will submit a customer statement for payment to the Project. The customer statement should:

- a. List all individual invoices separately with supporting purchase orders issued by the Project accountant
- b. Indicate the date and amount (value and volume)
- c. Indicate the vehicle registration number

580. The administrative assistant will compare the customer statement information to the respective Project vehicle logbooks to confirm accuracy of the customer statement. In addition, the administrative assistant will confirm that only approved Project vehicles are listed on the customer statement. Once the administrative assistant is satisfied with the customer statement, a payment request will be prepared.

581. If drivers are not able to refuel at the preferred fuel station, drivers may use fuel advances to procure fuel. In all instances, travel is approved in line with required procedures. The fuel invoices should be attached to the trip expense to be filed upon return to the office.

582. **Advances to implementing agencies.** Implementing agencies will request funds from FIRIP for the purposes of implementing activities.

Activity	
<i>Receive payment request</i>	<ul style="list-style-type: none"> <li>▪ Implementing agency submit ad-hoc funds requests in writing, using a request for funds form.</li> <li>▪ The request for funds form to be duly authorised by the Project Coordinator of the Implementing Agency.</li> <li>▪ The request for funds form to stipulate the individual activities for which funds are requested in line with the approved AWPB.</li> </ul>
<i>Prepare payment request</i>	<ul style="list-style-type: none"> <li>▪ The Accountant will receive and review the request for funds from the implementing agency and confirm that requested funds are for activities approved in the AWPB related to the specific agency.</li> <li>▪ <i>The Accountant may reject a request for funds if the implementing agency has large advances which have not been justified for previous funds requests.</i></li> <li>▪ The accountant prepares a payment request which indicates the details of the implementing agency and amount to be transferred.</li> </ul>
<i>Review and approval of payment request</i>	<ul style="list-style-type: none"> <li>▪ The Accountant submits the payment request and supporting documentation to the Finance Controller and Project Coordinator for review and approval.</li> <li>▪ The Project Coordinator shall review and sign the payment request, checking/confirming that the funds allocation is included in the approved AWPB.</li> </ul>
<i>Process payment</i>	<ul style="list-style-type: none"> <li>▪ The approved payment request will be submitted for payment.</li> <li>▪ The accountant to load the payment on the online banking platform.</li> </ul>



Activity	
	<ul style="list-style-type: none"> <li>▪ Payment released by 2 authorised signatories.</li> </ul>
<i>Record payment</i>	<ul style="list-style-type: none"> <li>▪ Accountant to record the advance in the accounting software against the specific implementing agency.</li> <li>▪ <i>Do not record the advance as an expense. Once advance is justified, account for expenses using the correct expense codes (component, category) at the historical exchange rate.</i></li> </ul>

583. **Withdrawal Applications.** At the end of every quarter, the Finance Controller will prepare the interim financial report, which will include cash flow forecast for the subsequent six months. On the basis of the cashflow forecast, the project will prepare a withdrawal application requesting an advance from IFAD equivalent to the forecast for the upcoming quarter. Additionally, the project will prepare another withdrawal application justifying the expenditure incurred in the quarter and any previous expenditure that had not been justified. Accordingly, there will be two withdrawal applications: justification WA and request for advance WA. WA to request for advance may not be applicable where the cashflow forecast is less than the available funds at the end of the reporting quarter.

584. The finance team must be efficient in submitting disbursement requests to IFAD, otherwise liquidity may be an obstacle to implementation. Whereas IFRs are due 30 days from the end of the quarter, projects can prepare and submit IFRs any time after the end of the quarter and can request for funds if needed.

585. It is essential for the Finance Controller to know the available treasury balance of the project efficiently. The main objectives are to ensure that:

- a. There are sufficient funds in the treasury to implement the planned activities.
- b. The project disbursement rate closely tracks progress in physical activity;
- c. FIRIP's performance increases and that the project is well positioned to meet its objectives, as outlined in the PDR.

586. The key elements related to the project's cash position are:

- a. Balance status in designated accounts (using cash books at reporting date);
- b. Balance status in operating accounts (using cash books at the reporting date);
- c. The status of cash on hand (using the cash book at the reporting date)
- d. The monetary value of disbursement requests submitted to IFAD for reimbursement;
- e. The monetary value of disbursement requests to be submitted to IFAD.

587. **Financial Reporting and Auditing.** Periodic financial progress reports are required under the IFAD Financing Agreement. Sufficient information must be made available on how the funds are used, on the amounts spent and the results obtained. Key financial reports to be produced will include the following: AWPBs, monthly financial reports, other periodic financial progress reports, supervisory reports, annual financial statements, and audit reports.

588. **Financial Reporting.** The section on financial reporting deals with:

- Financial reports for submission to IFAD and other financiers
- Implementing agencies reporting to FIRIP

589. **Financial reports for submission to IFAD and other financiers.** FIRIP is responsible for submitting consolidated financial reports to IFAD. *The applicable financial reporting requirements applicable to IFAD-financed Projects are outlined in the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects* which may be updated from time to time. The Finance Controller should ensure adherence to the latest version of the Handbook.

590. FIRIP is required to prepare financial reports and submit to IFAD as outlined in the table below:

Type	Period / Frequency of submission
<i>Annual Financial Statements</i>	<ul style="list-style-type: none"> <li>▪ <u>Unaudited:</u> Prepare annual reports and submit to IFAD within 4 months of the end of the financial year-end.</li> <li>▪ <u>Audited:</u> Submit audited financial statements within 6 months of the end of the financial reporting period.</li> </ul> <p>The reports should be prepared in line with requirements are outlined in Section 12.1.4. The annual financial statement should be authorised by the Project Coordinator before submission to the auditor/IFAD.</p>
<i>Interim financial reports</i>	Prepare quarterly reports and submit to IFAD within 30 days of the end of the quarter. The reports should be prepared in line with requirements contained in the template and guidelines for interim financial reports.

591. **Financial reporting requirements.** FIRIP is required to prepare financial reports in line with IPSAS, "Financial Reporting under the Cash Basis of Accounting" (IPSAS Cash). Should MoFNP propose to use a different accounting standard, this should be agreed with IFAD. In all instances, IFAD required Projects to use internationally accepted accounting standard.

592. **General principles for the preparation of financial reports.** FIRIP shall prepare financial reports with consideration of the following specific principles:

Principal	Guidance
<i>Completeness</i>	<ul style="list-style-type: none"> <li>▪ The financial reports shall be complete and include the activities of FIRIP, provincial delegations and other implementing agencies and present the results of a single entity.</li> <li>▪ The sources and uses of all categories/components shall be included (including sources received in-kind).</li> <li>▪ The sources and uses from all financiers shall be included, including: <ul style="list-style-type: none"> <li>○ IFAD Loan</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Other financiers</li> <li>○ Government Contributions</li> <li>○ Beneficiary Contributions</li> </ul>
<i>Accuracy</i>	<ul style="list-style-type: none"> <li>▪ Ensure that the various disclosures as outlined in Section 12.1.4 are reconcilable as appropriate</li> </ul>
<i>Accountability</i>	<ul style="list-style-type: none"> <li>▪ The financial reports should promote the concept of accountability.</li> </ul>

593. **Minimum prescribed content for interim and annual financial reports.** FIRIP is required to prepare financial reports (annual and interim). Detailed guidance on the preparation of the disclosures as prescribed by IPSAS Cash can be found in the Standard (<https://www.ifac.org/publications-resources/revise-cash-basis-ipsas>). FIRIP is required to adopt all reporting requirements as outlined in Part 1 of IPSAS Cash. The Project is encouraged to adopt Part 2 of IPSAS Cash on a voluntary basis.

Content	Source of requirement	Guidance on preparation of content
<i>Statement of Cash Receipts and Payments</i>	Prescribed by IPSAS Cash	<ul style="list-style-type: none"> <li>▪ Layout: <ul style="list-style-type: none"> <li>○ Receipts – Payments = Surplus/Deficit + Opening Cash +/- Exchange rate difference = Closing Cash Balance</li> </ul> </li> <li>▪ The opening and closing cash balance should include the balance of the designated accounts (USD) and all Project accounts (ZMW)</li> <li>▪ The opening and closing cash balance in the Designated Account is derived by applying the spot rate on the date of translation</li> <li>▪ Disclose cash receipts using an appropriate classification system (<i>Contributions from external financiers, Contributions from Government, Contributions from Beneficiaries, Cash generated from Project activities</i>)</li> <li>▪ Disclose cash payments in line with the categories outlined in Schedule 2 of the IFAD financing agreement</li> <li>▪ Disclose the exchange rate gain or loss (resulting from the translation of funds in the designated account from USD to ZMW and vice versa).</li> </ul>
<i>Budget to Actual Comparison</i>	Prescribed by IPSAS Cash	<ul style="list-style-type: none"> <li>▪ Ensure that the Budget period corresponds to the Financial Reporting Period</li> <li>▪ Derive the budget disclosure from the approved AWPB. Disclose both the original and final approved AWPB.</li> <li>▪ Calculate the variance between budgeted and actual results for both receipts (sources) and uses (payments)</li> </ul>

Content	Source of requirement	Guidance on preparation of content
		<ul style="list-style-type: none"> <li>Provide narrative on the reason for the variances observed.</li> </ul>
<i>Accounting policies and explanatory notes</i>	Prescribed by IPSAS Cash	<ul style="list-style-type: none"> <li>Develop accounting policies with reference to the guidance provided in IPSAS Cash</li> <li>Disclose the authorisation date</li> <li>Disclose the basis of presentation</li> <li>Disclose the presentation currency</li> </ul>
<i>Sources and Uses of Funds Statement</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	<ul style="list-style-type: none"> <li>Include both cash and in-kind contributions in the Sources of Funds</li> <li>Provide disclosure on uses of funds by financier/by category and financier/component</li> </ul>
<i>Designated account reconciliation</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	<ul style="list-style-type: none"> <li>Prepare reconciliation which provide justification for the IFAD advance – disclose for each designated account.</li> <li>Explain variances.</li> <li>The IFAD Loan Disbursement Handbook provides detailed guidance on the preparation of the reconciliation.</li> </ul>
<i>Designated account Statement</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	<ul style="list-style-type: none"> <li>Prepare for each designated account.</li> <li>Ensure that opening and closing cash balances presented in this Statement is reconciled with the cash balances used in the Statement of Cash Receipts and Payments.</li> <li>Disclose the exchange rate gain/loss separately and ensure that this is reconciled with the Statement of Cash Receipts and Payments.</li> <li>The IFAD Loan Disbursement Handbook provides detailed guidance on the preparation of the reconciliation.</li> </ul>
<i>Summary of Withdrawal Applications</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	<ul style="list-style-type: none"> <li>Ensure that summary information is reconcilable with the IFAD historical transaction statement (to be requested from the IFAD Finance Officer) with regards to the value date of the transaction amount of withdrawal in loan denomination currency.</li> <li>Cross reference amounts included here per WA to amounts included in the Designated Account Statement / Designated Account Reconciliation.</li> </ul>

Content		Source of	Guidance on preparation of content requirement
<i>Fixed register</i>	<i>asset</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	<ul style="list-style-type: none"> <li>▪ Include a fixed asset register which lists all Project assets (<i>including those purchased on behalf of implementers if the Project retains the title and the assets will be returned to the Project at Project closure</i>).</li> <li>▪ Indicate the implementing agency which procured the asset and related component.</li> <li>▪ Ensure that all fields are included.</li> </ul>

594. In addition to the above disclosures, the Project is required to maintain and Action Tracker log which is a log of agreed actions. This document should be maintained on an on-going basis provide together with the financial report (interim or annual). The Action Tracker format is outlined in Annex 5. It is required that the Action Tracker include actions which have been agreed on with IFAD during missions or the Auditor during the audit (derived from the management letter). The purpose of the Action Tracker is to keep track of progress regarding agreed on actions.

595. **Other considerations.** The following specific issues should be considered in the preparation of the financial reports:

- Accrual related information should be disclosure in the notes of the financial statements. This includes outstanding advances, which, in terms of the cash basis of accounting, should be expensed when provided. This entails that the advance will be recorded in the relevant categories /components at year-end. (NB: Best practice is that zero advances are outstanding at the end of the fiscal year).
- In-kind contributions from Government should be reported in the notes to the financial statements.

596. **Implementing agencies reporting to FIRIP.** All implementing agencies which report to FIRIP are required to submit monthly reports to the project. FIRIP will review the reports and verify bank balances/expenses with reference to supporting documentation attached to the report. FIRIP will proceed to record individual transactions in the accounting software and clear related advances. The implementing agencies are required to submit monthly reports using the report format to be provided by FIRIP.

### **Audit matters**

597. **Internal Audit.** MoFNP's Internal Audit Department must include FIRIP in its internal audit work plans; associated reports will be submitted to FIRIP and PSC. IFAD will require the submission of related action plans and progress reports on the implementation of internal audit recommendations. Internal audit reports are expected to provide assurance that FIRIP is being implemented in compliance with the approved AWPB and in compliance with GRZ regulations and the IFAD financing agreement. A key risk is the low capacity of staff to cover the project's internal audit requirements. It is recommended that, at the outset, internal audit personnel be present and attentive to familiarize themselves with IFAD's procedures.

598. **External audit.** The project audit is an ex-post review of the financial statements, transaction records and financial systems. Examines the adequacy of accounting systems and procedures, the ability to maintain adequate accounts and documentation of project/grant expenditures. The purpose of the project audit is to provide credibility and assurance of accountability. In accordance with the IFAD General Conditions and the IFAD Guidelines for Project Audits, financial statements must be audited by the country's Supreme Audit Institution (the Office of the Auditor General). Audited financial statements must be submitted to IFAD no later than six months after the end of the fiscal year.

599. Annual audits will also verify the accuracy of IFRs submitted in the year. Financial management and internal control procedures will be detailed in the project implementation manual, which will include TORs for finance staff and template IFR and other financial reports.

600. IFAD promotes the use of internationally accepted auditing standards and requires that the project be audited in terms of the International Standards on Auditing (ISA). Audit terms of reference are included in Annex 7. However, where the project audit is conducted by the Supreme Audit Institution, the applicable standards are the International Standards of Supreme Audit Institutions (ISSAIs).

601. Audit reporting period. IFAD generally requires an annual audit of Project financial statements. However, the frequency of the audit may be changed by IFAD as a function of the Project's risk profile. In all instances, IFAD will confirm the frequency with which FIRIP's financial statements are to be audited.

602. The audit reporting period may be amended for the first and/or final audits, in line with the following guidance:

- For the first audit, in cases in which the Project commences during the financial year, the following procedures will generally apply:
  - When the period between the first disbursement and the end of the financial year is less than six months, IFAD may allow the results for the first financial period to be included in the following financial year's audit; or
  - When the period between the date of the first disbursement and the financial year-end is greater than six months, audited financial statements for the period are always required.
- For the final audit, IFAD may recommend an audit reporting period that is longer or shorter than 12 months, but that in no case may exceed 18 months. This is to ensure that the final audit can be concluded, and the audit report submitted to IFAD by the Project Closing Date.

603. In such instances, IFAD will discuss and agree on its requirements with the borrower well in advance of commencement of the final audit.

604. IFAD Audit reviews. IFAD will conduct reviews of FIRIP's audit reports. The main purpose of the reviews is to determine whether the private auditor conducted a quality audit resulting in an audit opinion acceptable to IFAD, and to assess the quality of the financial reporting of FIRIP. IFAD will communicate the results of the audit report review process within sixty days following receipt of the audit package. If required, FIRIP will be

requested to take corrective actions within a specified time frame. These actions should be included and monitored in the Action Tracker.

605. Public disclosure of audit reports. IFAD will publicly avail FIRIP's Project financial statements and audit reports, subject to processes applicable to their publication. In line with the standards of the International Aid Transparency Initiative, FIRIP is encouraged to publish financial information on its own website, for increased accountability. FIRIP must ensure that the audit TORs explicitly mention the right of the FIRIP and of IFAD to publish the audit report, with no limitation-of-use clause.

606. **Fixed Asset Management.** Fixed asset management is an important process that seeks to track fixed assets for the purposes of financial accounting and to ensure preventive maintenance, and theft deterrence. Adequate Fixed asset maintenance also increases the sustainability of the Project. There are three elements in fixed asset management that require the attention of the Finance Controller:

- Purchase of equipment
- Setting up and maintaining an asset register including verification
- Setting up a plan for disposal and/or handover of the asset once the Project is completed

607. **Purchase of Equipment.** The accountant should follow the following process for each fixed asset purchased:

- Assign a unique, sequential asset number (excluding minor items such as stationery).
- Tag each item with its unique asset number.
- Record the item of equipment in fixed asset register

608. **Fixed asset register.** The accountant must maintain a fixed asset register in the asset management module of the accounting software. The asset register should record the following information for each individual piece of equipment (refer Annex 5 for illustration):

- Asset description
- Asset number
- Individual responsible for asset
- Implementing agency responsible for purchase
- Source of funding of asset (IFAD, government etc.),
- Location of the asset
- Date of purchase
- Cost of purchase and invoice number
- Remarks regarding the condition of the asset

609. The Finance Controller shall ensure that the consolidated fixed asset register is maintained and updated regularly.

610. Assets purchased for beneficiary use should be included in the fixed asset register if the assets remain under the ownership of the Project (therefore beneficiaries to return to Project at Project closure).

611. **Asset Verification Review.** Under the management of the Finance Controller, FIRIP must conduct an annual asset verification process whereby the following checks are performed:

- Verify that all fixed assets are still held in the location recorded on the register;
- Confirm the completeness and accuracy of the information recorded on the fixed asset register;
- Check that equipment and vehicles are still in a reasonable state of repair and that remarks regarding the condition of the assets are correct as recorded in the fixed asset register;

612. The verification review must be performed by different staff from those who use the equipment, to ensure adequate segregation of duty. Discrepancies between the verification exercise and the fixed asset register should be investigated. Where assets are missing or seriously damaged, they should be removed from the asset register. The removal should be formally documented and approved by Finance Controller and Project Coordinator. Moreover, the Finance Controller will undertake random verification of fixed assets during field visit.

613. **Vehicle Maintenance and Fuel.** Drivers are required to maintain waybills/itinerary lists and vehicle history records (refer to Annex 4). No cash shall be advanced to drivers for refueling purposes.

- Each vehicle to have dedicated fuel card which indicates the vehicle registration number.
- Each fuel card to have a set daily / monthly limit based on average consumption.
- Changes to the monthly limit are subject to approval by the Finance Controller (which will be approved based on approved trips).
- The waybill shall indicate the reading of the odometer at the beginning and end of the period, i.e., the mileage of the car, as well as fuel consumption.
- Fuel stations shall provide a monthly summary report on fueling and invoice which the accountant shall compare to the fuel invoices attached to the waybill. Differences to be followed up/resolved.
- Provision of fuel and lubricants shall be strictly limited per each vehicle per month in accordance with the order signed by the Management.

614. **Vehicle insurance.** The Finance Controller should ensure that all Project vehicles are comprehensively covered and that all drivers are noted on the insurance policy. Under no circumstances may uninsured drivers drive the vehicles. The insurance policies should be renewed annually or as stipulated in the policy. The safety of cars is the responsibility of the drivers assigned to the vehicles. Consequently, they must ensure that the vehicles are parked in a secure area when not in use or outside working hours.

615. **Maintenance.** The drivers are required to monitor the maintenance of their assigned vehicles. The drivers must notify the Finance Controller of maintenance needs so that the cars can be serviced on a timely basis. The Finance Controller is required to request the car maintenance, subject to approval by the Project Coordinator. The assigned cars must always be taken to the selected garage for repairs and maintenance.

616. **Asset handover plan.** The plan should develop report outlining the following for the purposes of handing over Project assets to the identified beneficiaries:

- The value of all the assets bought under the Project
- Summary of the current condition of the assets,
- To which entity, will the assets be transferred to and on which date and for what purpose.



- List the assets that will be disposed and the reason for being disposed.

617. **IFAD Financing agreements – amendments and budget reallocations.**

If amendments are required to the financing agreement:

- a formal written request should be submitted to IFAD
- outlining the required amendment and motivation thereof.

618. **Amendments** to the agreement may be required for (but not limited to):

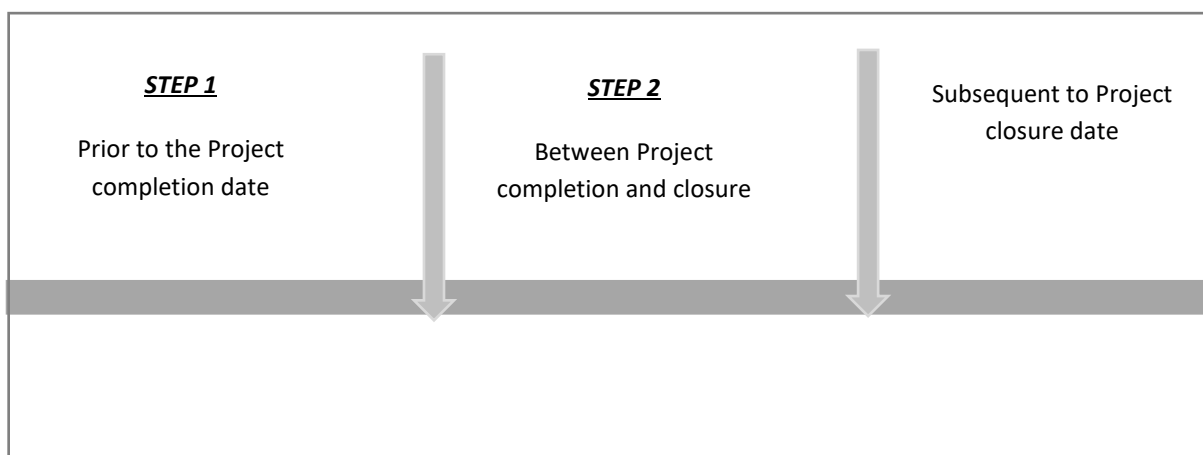
- Changes to the project completion date and grant closing date,
- Changes to the project budget/budget reallocation (noting that the budget may not be increased above the original total amount)

619. Budget reallocations:

- In some cases, the expenses category amounts as outlined in the financing agreement requires a revision if the project notes that actual expenditure is deviating from the original budget.
- In such instances a reallocation is required, depending on the size of the reallocation per category (expressed as %)
- Reallocation of equal to or less than 10% (of each category) between the various categories if such a reallocation ***does not change the basic purpose of the project.***
- For reallocation greater than 10% of any expense category, the Borrower is required to formally request a reallocation from IFAD (supported by a detailed motivation).

620. Refer to the Project Financial Management and Financial Control Handbook (link provided under [Useful links](#)).

621. **Project completion and closure.** The Project completion date is defined in the financing agreement and the Project closure date is 6 months thereafter. The following is relevant to period before Project completion up to Project closure:



Project completion date

**STEP 3**

Project closure date

STAGE 1	STAGE 2	STEP 3
Up to the Project completion date	Between Project completion and closure	Project closure date
<ul style="list-style-type: none"> <li>▪ Submit an advance recovery plan to IFAD, indicating how the advance will be recovered up to Project closure (in line with financing agreement) (<i>request template for plan from IFAD</i>)</li> <li>▪ Agree on the audit scope of work and submit to IFAD for no objection</li> <li>▪ Incur eligible expenditure up to the Project completion date</li> </ul>	<ul style="list-style-type: none"> <li>▪ Commencement of the final audit</li> <li>▪ Auditor performs the final audit in line with scope of work approved by IFAD</li> <li>▪ Incur winding up expenditure only (cost of audit, staff salaries, operating costs, Project completion report)</li> <li>▪ Submit final withdrawal application and recover advance via this process</li> <li>▪ Develop an asset handover and disposal plan (include up to date fixed asset register, indicate condition of all assets and to which entity the assets will be transferred).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Submit final audit report on or before the Project closure date</li> <li>▪ Submit Project completion report on or before the Financial Closure Date (as required in the financing agreement)</li> <li>▪ Confirm the final withdrawal application with IFAD</li> <li>▪ Return outstanding advance if applicable (if due and not recovered via recovery process)</li> <li>▪ Closure of the grant with IFAD</li> </ul>

622. A notice is sent to the Borrower at least six months prior to the project completion date (PCD) to advise that all applications must be submitted before the closing date, and to remind the Borrower that expenditures incurred, and commitments made after the PCD will not be honoured, except for authorised expenditures during the "Winding Up Period" (from PCD to Financing Closing Date). This means that goods are delivered, civil works are completed, and services are rendered on or before such a date.

623. After the financing closing date, IFAD informs the Borrower of the formal closure of the loan/grant account, provides a history of disbursement transactions, and cancels the unused loan/grant balance. A re-amortisation plan should be sent where relevant.

**Useful links**

Document	Link
<i>IFAD financial management e-learning</i>	<a href="https://www.ifad.org/elearning_cfs_a/index.html">https://www.ifad.org/elearning_cfs_a/index.html</a>
<i>Project Financial Management and Financial Control Handbook for Borrowers</i>	<a href="https://www.ifad.org/en/-/document/loan-disbursement-handbook-for-projects-approved-under-gcs-effective">https://www.ifad.org/en/-/document/loan-disbursement-handbook-for-projects-approved-under-gcs-effective</a>
<i>Revised IFAD policy on preventing fraud and corruption in its activities and operations (December 2018)</i>	<a href="https://www.ifad.org/en/document-detail/asset/40189695">https://www.ifad.org/en/document-detail/asset/40189695</a>
<i>Guidelines for internal controls for Public Sector Entities (INTOSAI GOV 9100)</i>	<a href="http://www.intosai.org/issai-executive-summaries/detail/intosai-gov-9100-guidelines-for-internal-control-standards-for-the-public-sector.html">http://www.intosai.org/issai-executive-summaries/detail/intosai-gov-9100-guidelines-for-internal-control-standards-for-the-public-sector.html</a>
<i>IFAD General Conditions for Agricultural Development Financing</i>	<a href="https://www.ifad.org/documents/38711624/39421024/general_e.pdf/47c5f14b-2903-4285-b0b0-62c67cd650b8">https://www.ifad.org/documents/38711624/39421024/general_e.pdf/47c5f14b-2903-4285-b0b0-62c67cd650b8</a>
<i>IFAD Handbook for Financial Reporting and Auditing of IFAD-financed projects (English)</i>	<a href="https://www.ifad.org/documents/38711624/39421009/IFAD+Handbook+for+Financial+Reporting+and+Auditing+of+IFAD-financed+Projects/133b165d-15c7-4f79-8217-aef95b79dd67">https://www.ifad.org/documents/38711624/39421009/IFAD+Handbook+for+Financial+Reporting+and+Auditing+of+IFAD-financed+Projects/133b165d-15c7-4f79-8217-aef95b79dd67</a>
<i>IFAD Loan Disbursement Handbook</i>	<a href="https://www.ifad.org/web/guest/document-detail/asset/39635782">https://www.ifad.org/web/guest/document-detail/asset/39635782</a>
<i>IFAD Financial Administration Manual</i>	<a href="https://www.ifad.org/web/guest/document-detail/asset/39637251">https://www.ifad.org/web/guest/document-detail/asset/39637251</a>
<i>IPSAS Cash Standard</i>	<a href="https://www.ifac.org/publications-resources/revised-cash-basis-ipsas">https://www.ifac.org/publications-resources/revised-cash-basis-ipsas</a>
<i>ICP page</i>	<a href="https://icp.ifad.org/">https://icp.ifad.org/</a>
<i>ICP support email</i>	<a href="mailto:icpsupport@ifad.org">icpsupport@ifad.org</a>

## **ANNEXES**

### **ANNEX 1: AWPB STRUCTURE AND PREPARATION CHECKLIST**

FIRIP is responsible for the development of the Annual Work Plan and Budget (AWPB), generally covering a period of 12 months, which should include the following mandatory sections:

<b>Section</b>	<b>Description</b>
<i>Introduction</i>	<ul style="list-style-type: none"> <li>▪ Provide a brief background</li> <li>▪ Include narrative covering the strategic focus, target group, geographical focus (Project sites), outreach (with gender disaggregation), Project components, specific activities to be undertaken and the planned output for each activity.</li> </ul>
<i>Risks and mitigation</i>	<ul style="list-style-type: none"> <li>▪ Outline of major risks that could affect adversely the Project outcomes and mitigating actions taken.</li> </ul>
<i>Budget and financing plan</i>	<ul style="list-style-type: none"> <li>▪ Describe the necessary inputs and outputs for each activity, including the expenditures, financing source and expected completion date.</li> <li>▪ The expenditures should be classified per activity and should also be linked to a component, expenditure category as per the financing agreement and a financing source.</li> <li>▪ Each activity should be coupled with tangible outputs or physical targets to facilitate the measurement of Project progress.</li> </ul>
<i>Procurement plan</i>	<ul style="list-style-type: none"> <li>▪ Outline detailed plan outlining procurement activities, include expected cost for each item, procurement method and timeline.</li> <li>▪ <u><i>The first Procurement plan should cover the first 18 months of the Project lifecycle while the subsequent procurement plans should cover 12 months of the Project lifecycle.</i></u></li> </ul>
<i>Progress and past performance (include in 2nd AWPB onwards)</i>	<p>Outline the following with:</p> <ul style="list-style-type: none"> <li>▪ Summary of the key achievements</li> <li>▪ Problems encountered and how these were resolved</li> <li>▪ Budget execution, comparing actual expenditure per category/component to prior AWPB with an indication of category overspend</li> </ul>
<i>Other</i>	<ul style="list-style-type: none"> <li>▪ Training and technical assistance schedule</li> <li>▪ PCU staff development plan</li> <li>▪ Project staff payroll (including the names, titles, salaries, and incentives)</li> </ul>

**AWPB CHECK: THE CHECKS LISTED BELOW ARE DESIGNED TO IMPROVE THE QUALITY OF THE AWPB DURING THE FINAL PREPARATION STAGE.**

**YES      NO**

IS THE AWPB COMPLETE AND CLEARLY PRESENTED? DOES IT DISCLOSE SUFFICIENT INFORMATION?		
IS THE AWPB IN LINE WITH THE PROJECT DESCRIPTION AND RATIONAL (SCHEDULE 1) AS PER THE FINANCING AGREEMENT AND THE PROJECT LOG-FRAME? ARE ALL THE ACTIVITIES RELEVANT TO THE PROJECT?		
DOES IT CONTAIN THE NECESSARY SUMMARY TABLES BY COMPONENT AND FINANCIER, EXPENDITURE CATEGORY AND FINANCIER, AND DETAILED TABLES BY COMPONENT?		
DOES THE IMPLEMENTATION SCHEDULE SEEM REALISTIC, AND DOES IT SHOW APPROPRIATE TARGETS AND MILESTONES? ARE THE TARGETS AND EXECUTION LEVEL REALISTIC COMPARED TO PAST YEARS' PROGRESS?		
DOES IT CONTAIN A SEPARATE ANNEX DISCLOSING THE DETAILS OF THE PROJECT PAYROLL?		
DOES IT CONTAIN A SEPARATE ANNEX CONTAINING OUTLINING THE PLANNED TRAININGS?		
IN THE DETAILED TABLES ARE THE EXPENDITURES STRUCTURED BY ACTIVITY AND LINKED TO A COMPONENT, EXPENDITURE CATEGORY AND FINANCING SOURCE?		
ARE THE COST CATEGORIES OF THE AWPB IN LINE WITH THE SCHEDULE 2 OF THE IFAD FINANCING AGREEMENTS AND ARE EXPENDITURES WITHIN THE AGREED ALLOCATIONS?		
IS ANY EXPENDITURE CATEGORY GOING TO BE OVERDRAWN DURING THE YEAR? IS A REALLOCATION OF IFAD FUNDS NEEDED?		
DO THE TOTAL (AND SUBTOTAL) COSTS ADD UP? ARE THE INPUTS (UNIT COST) AND OUTPUTS (PHYSICAL TARGETS) ADEQUATELY QUANTIFIED? IS THERE COHERENCE BETWEEN THE INPUTS AND OUTPUTS? AND DO THESE REPRESENT VALUE FOR MONEY (I.E., WHAT IS THE UNIT COST PER OUTPUT, E.G. COST PER TRAINED FARMER)?		
ARE THE UNIT COSTS REALISTIC AND DO THEY REFLECT MARKET PRICES?		
IS THE AWPB ACCOMPANIED BY A PROCUREMENT PLAN? IS THE PROCUREMENT PLAN CONSISTENT WITH THE AWPB?		

<p>IS THE FORMAT OF THE AWPB COMPATIBLE WITH OTHER FINANCIAL REPORTS AND THE ACCOUNTING SOFTWARE TO ALLOW INPUT IN THE BUDGET MODULE AND GENERATION OF ACTUAL VS. BUDGET REPORTS AND</p>		
<p>IF LAST AUDIT, DOES IT CONSIDER COMPLETION DATE OF THE PROJECT AS WELL AS WINDING UP ACTIVITIES SUCH AS PROJECT COMPLETION REPORT, FINAL AUDIT AS HANDOVER/DISPOSAL OF PROJECT ASSETS (COMPUTERS, VEHICLES ETC.)</p>		

**A.1. Annual Work Plan and Budget**

**Project Name:**

**Recipient:**

**Reporting period: DD.MM.YYYY – DD.MM.YYYY**

Detailed Tables per Component, Expenditure Category and Financier - (Separate sheet for each component as applicable).																	
Description		Budget Category	Location		Items (cost in USD)				Physical Outreach/target by activity	Timeline					Financing Source (USD)		
Budget item by Component, Subcomponent and Activity	Methods		Implementing entity	Country/site	Unit	Unit cost	Quantity	Total		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Delivered by	IFAD Grant	Recipient	Co-financier
<b>Component 1</b>																	
Activity 1.1																	
Expenditure item																	
Expenditure item																	
Subtotal																	
<b>Activity 1.2</b>																	
Expenditure item																	
Expenditure item																	
Subtotal																	
<b>Activity 1.3</b>																	
Expenditure item																	
Expenditure item																	
Expenditure item																	
Expenditure item																	
Subtotal																	
<b>Total (Component 1,2,3 etc)</b>																	

## ANNEX 2: INFORMATION CHECKLIST – PREPARING FOR IFAD MISSIONS

It is required that FIRIP prepare the following in anticipation of IFAD missions:

	Information	Guidance
1.	<i>Appendix 1</i>	<ul style="list-style-type: none"> <li>Prepare Appendix 1 in Excel Workbook and include formulae as appropriate.</li> </ul>
2.	<i>FMAQ</i>	<ul style="list-style-type: none"> <li>Include comments in the Financial Management Assessment Questionnaire (with exception of the summary section).</li> </ul>
3.	<i>Withdrawal applications/ IFRs</i>	<ul style="list-style-type: none"> <li>Make hardcopy files of all recent withdrawal applications/Interim Financial Reports available (covering the period since the previous mission). Upon request, provide supporting documentation for a selection of expenditures.</li> <li>Provide copy of most recent audited financial statement.</li> </ul>
4.	<i>Bank and petty cash reconciliations</i>	<ul style="list-style-type: none"> <li>Make hardcopy files of most recent bank and petty cash reconciliations available. Include copies of relevant bank statements. Ensure that IFAD designated account reconciliations are prepared in the correct format as outlined in the IFAD Loan Disbursement Handbook.</li> </ul>
6.	<i>Fixed asset register</i>	<ul style="list-style-type: none"> <li>Provide updated fixed asset register in Excel Workbook format (export from accounting software).</li> </ul>
7.	<i>Manuals and procedures</i>	<ul style="list-style-type: none"> <li>Provide an electronic of the most recent version of the Financial Manual (to which IFAD provide a no objection).</li> </ul>



Information		Guidance
		<ul style="list-style-type: none"> <li>Provide a copy of the accounting software manual (if available).</li> </ul>
8.	<i>Contract register and monitoring forms</i>	<ul style="list-style-type: none"> <li>Make available the update Contract Register and Contract Monitoring Forms (export from ICP).</li> </ul>
9.	<i>Action tracker</i>	<ul style="list-style-type: none"> <li>Update the action tracker with progress to date on all outstanding agreed actions/recommendations from previous review missions/audits.</li> </ul>
10.	<i>AWPB/Procurement Plan</i>	<ul style="list-style-type: none"> <li>Make available electronic copies of the AWPB and Procurement Plan (provide in Excel Workbook format).</li> </ul>
11.	<i>Advances</i>	<ul style="list-style-type: none"> <li>Make available a summary of outstanding advances with supporting documentation.</li> </ul>

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## ANNEX 4: SAMPLE TEMPLATES FOR MONTHLY REPORT FOR MANAGEMENT USE

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### DESIGNATED ACCOUNT RECONCILIATION FORM

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#### **Designated Account Reconciliation Statement**

Designated Account No:

Bank Name:

1. Total Advanced by IFAD	USD
2. Less total amount recovered by IFAD	USD
3. Equals present outstanding amount advanced to the designated account (line 1 less line 2)	USD
<hr/> <hr/>	
4. Balance of designated account per attached bank statements as of (Date: day/month/year)	USD
5. Plus balance of the project account(s) (listed separately)	USD
Plus balance of sub accounts (listed separately)	USD
Plus balance of Cash in Hand	USD
Total of Bank Balances (designated A/C, PA, SUB accounts& cash in hand balance) (line 4+line 5)	USD
6. Plus total amount claimed in this WA no.	USD
7. Plus total amount withdrawn from the designated/PA/Grant account and not yet claimed for replenishment) or WAs pending submission	USD

8. Plus amounts claimed in previous applications but not yet created at the date of bank statement and/or claimed after date of bank statement

USD

Application No.	Date	USD	Amount
		\$	
		\$	
		\$	

9. Minus Interest earned (to be completed. If zero, please enter zero)

USD

10. Total Advance accounted for (line 5 through line 9)

USD

11. Explanation of any difference between the totals appearing in Lines 3 and 10

USD

e.g. Non eligible amount to be refunded to the designated account

USD

e.g. calculation errors in application of percentage financing

USD

e.g. counterpart financial resources to be reimbursed

USD

e.g. cheques not yet cleared/presented to Bank

USD

12 DATE

\_\_\_\_\_

SIGNATURE

\_\_\_\_\_  
Name in full

\_\_\_\_\_  
Title in Full

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PETTY CASH RECONCILIATION FORM

**Project** \_\_\_\_\_ **Date of reconciliation** \_\_\_\_\_

**Part i. Petty cash reconciliation**

Petty cash balance brought forward (a) \_\_\_\_\_

Replenishments during the current month (b) \_\_\_\_\_

Total petty cash balance (c = a + b) \_\_\_\_\_

Disbursements during the current month (d) \_\_\_\_\_

Petty cash book balance (e = c - d) \_\_\_\_\_

Cash count balance (f) – see part ii. below \_\_\_\_\_

Difference (G = E - F) \_\_\_\_\_

**Explanation Of Difference**

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**MONTHLY FUEL CONSUMPTION REPORT**

**Project Name:**

**Lead Project Agency: MoFNP**

**Reporting period:**

**Monthly fuel Consumption report as at DD/MM/YYYY**

Vehicle	Location	Quantity (litres)	Cost (reporting period in USD)	Annual (USD)	Planned	Cumulative Cost (annual in USD)	Variance (%)

Total						

---

## ANNEX 5: ILLUSTRATIVE FINANCIAL STATEMENTS

**[PROJECT NAME]**

### **ANNUAL FINANCIAL STATEMENTS**

**FOR THE 12 MONTH PERIOD ENDING xxx**

[THIS ILLUSTRATION IS BASED ON A NEW PROJECT. FOR EXISTING PROJECT, DISCLOSE PRIOR PERIOD COMPARATIVE INFORMATION AND CUMULATIVE INFORMATION ON S&U STATEMENT]

#### **Table of content:**

1. Background
2. Management Statement
3. Audit report
4. Statement of Cash Receipts and Payments
5. Budget to Actual Comparison
6. Accounting policies
7. Notes to the financial statements
8. Designated account statement
9. Designated account reconciliation
10. Withdrawal application summary
11. Fixed asset register
12. Action tracker (supplementary)

#### **Background**

*Insert Project background information*

- *Indicate Project start date*
- *Indicate reporting lines*
- *Provide overview of categories and components and indicate responsible implementing agencies*
- *Provide description of Project activities*
- *Status update*
- *Indicate the relevant legislation governing the Project activities*
- *Overview of financing facilities – see table below:*

<b>Source of funds</b>	<b>IFAD Grant</b>	<b>IFAD Loan</b>	<b>[Other financiers]</b>
<i>Facility/agreement number</i>			
<i>Amount approved (indicate currency)</i>			
<i>Undrawn balance at period end</i>			
<i>If applicable, interest rates and repayment periods</i>			

<i>Restrictions on use of funds (e.g. designated account workings, authorised allocation)</i>			
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**Management Statement**

*Insert management responsibility statement*

**Audit report (illustrative only)**

**Independent Auditor’s report (Provided on Auditor letterhead)**

Report on the Audit of the Financial Statements

***Opinion***

We have audited the financial statements of *[Project Name]* funded by the International Fund for Agricultural Development (loan xxx and grant xxx) and *[state any other co-financier]*. The financial statements comprise of the Statement of Cash Receipts and Payments, Budget to Actual Comparison, accounting policies and explanatory notes.

In our opinion, the accompanying financial statements of *[Project Name]* give a true and fair view of the financial performance and cash flows for the year then ended in accordance with *IPSAS Financial Reporting Under the Cash Basis of Accounting*.

***Basis for Opinion (refer to ISA705 for modifications)***

We conducted our audit in accordance with International Standards on Auditing (ISAs) *[or ISSAIs]*. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key audit matter***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

***[insert matters if applicable]***

***Other information***

The Project Steering Committee is responsible for the other information. The other information comprises the *[xxxx]*. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with



our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for overseeing the project's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements. Whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were or most significance in the audit or the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Public disclosure**

This report has been prepared on request of the project, the International Fund for Agricultural Development, however, the report is a matter of public record, and its distribution is not limited.

The engagement partner on the audit resulting in this independent auditors' report is xxx from xxxx audit firm.

### **Independent Assurance Report prepared for IFAD (provided on auditor letterhead)**

This report represents the results and conclusions of the independent assurance engagement undertaken on behalf of IFAD.

### **Background**

[Summarise details of financiers, facilities and amounts of funding provided for the period under review and committed in total to the project]

### **Audit Objectives and Scope**

An assurance engagement was undertaken in line *ISAE 3000 Assurance Engagements other than audits or reviews of historical financial formation* to provide a report to the International Fund of Agricultural Development on the following:

1. Whether the expenditures, reported by the project are in eligible in terms of the financing agreement with the International Fund of Agricultural Development.
2. Whether the project has adhered to other terms and conditions of the IFAD Financing agreement / Letter to the Borrower/Recipient and other financial management related requirements related to maintenance of the designated account records.
3. Whether the IFAD specific disclosures are accurate and complete and agree to IFAD financial records (statements etc.).

The financial information outlined in pages xxx to xxx was the subject of this assurance engagement.

### **Summary of work performed**

The following specific work was performed in order to address the scope of work:

#### Preparatory

- Review financing agreements and related amendments to determine key financing terms and conditions application to the project.
- Review the Letter to the Borrower and related amendments to determine key financing terms and conditions applicable to the project.
- Obtain IFAD financial information related to the project from the IFAD finance officer, as may be appropriate and required.

#### Designated account statement(s) (page xxx)

- Confirm/agree that opening and closing bank balances (in USD and ZMW) disclosed on the designated account statement(s) agree to the bank account statement and that such balances reconcile with disclosures in the notes the financial statements.
- Recalculate the closing balance of the designated account statement (in USD and ZMK).
- Confirm/agree that the dollar denominated amounts disclosed have been accounted for in USD at the historical exchange rate, in line with the procedure as outlined in the IFAD Financial Administration Manual (available on IFAD website).
- Recalculate the foreign exchange gain / loss as included in the designated account statement and agree to the amount disclosed in the Statement of Cash Receipts and Payments.
- Agree replenishments / transfers and direct payments to the bank account statement and IFAD historical transaction information.
- Confirm amounts disclosed for withdrawal applications agree to the information disclosed on the withdrawal application summary.

#### Designated account reconciliation(s) (page xxx)

- Confirm the accuracy of the reconciliation.
- Confirm that the designated account has been managed in line with the provisions of the financing agreement / Letter to the Borrower.
- If applicable, review and determine the reasonability of the explanation for variance as disclosed on the designated account reconciliation.
- Agree disclosed amounts to supporting documentation (bank statements / IFAD historical financial information).

#### Withdrawal application summary

- Determine whether goods and services have been purchased through the appropriate mechanism in line with the stipulated thresholds.
- Determine whether the expenditures claimed through IFR procedures were properly and appropriately authorized, classified and supported by audit documentation.
- Select a sample of withdrawal applications and confirm the accuracy of the disclosures to the underlying documentation submitted to IFAD.
- Test a sample of project expenditure transactions from the withdrawal applications and confirming eligibility of expenditure / adequacy of supporting documentation. Summarise all ineligible expenditures identified in the conclusions section.

#### Reconciliation of interim financial reports to the annual financial statements

- Review the expenditure reported in all four interim financial reports during the year covered by the financial statements.
- Confirm that the amount reported in the IFRs reconciles to the annual financial statements.

#### Fixed asset register (page xxx)

- Select a sample of fixed assets from the fixed asset register and confirm the accuracy and completeness of the information included in the fixed asset register.
- Select a sample of project assets from the floor and confirm that the asset is accurately recorded in the fixed asset register.

#### Other

- Confirm the degree of compliance with the recipient's procurement policy and identify non-compliance.

***Conclusions on procedures performed***

[Summarise findings of procedures]

***Management letter***

Other issues related to internal control weaknesses are included in the management letter issued on xxx.

[Signed by engagement partner]

**Statement of Cash Receipts and Payments**

Financial Statements for For the Period Ending Statement of Cash Receipts and Payments '000 (thousands)		[Project Name] 31 December 20XX
		Current period
		31 December 20XX
Months in period		12
Currency		USD
'000 (thousands)		
	<u>Notes</u>	
<b><u>TOTAL CASH RECEIPTS</u></b>		
Proceeds from external financiers:		
- IFAD Loan/Grant	2	-
- Financier 2...	3	-
- Financier 3...	4	-
<b>Total receipts</b>		-
<b><u>TOTAL CASH PAYMENTS</u></b>		
Civil works		-
Goods and services		-
Consultancies		-
Training and workshops		-
Equipment and materials		-
Operations and maintenance		-
Credit and guarantee funds		-
Salaries and allowances		-
<b>Total payments</b>		-
<b>INCREASE/(DECREASE) IN CASH</b>		-
Unrealised gains/(losses)	5	-
<b>CASH AT THE BEGINNING OF THE YEAR</b>	6	-
<b>CASH AT THE END OF THE YEAR</b>	6	-

**Budget to Actual Comparison**

(Note: This disclosure is not mandatory in terms of IPSAS Cash given that the FIRIP budget is not publicly disclosed, however, IFAD requires this disclosure in terms of the IFAD Handbook on Financial Reporting and Auditing of IFAD-Financed Projects)

Financial Statements for For the Period Ending Budget to Actual Comparison '000 (thousands)		[Project Name] 31 December 20XX			
		Current period budget	Current period actual	Variance	%
		31 December 20XX	31 December 20XX		
Months in period		12	12		
Currency		USD	USD		
'000 (thousands)					
	<u>Notes</u>				
<b>CASH RECEIPTS BY FINANCIER</b>					
IFAD Loan				-	#DIV/0!
IFAD Grant				-	#DIV/0!
Financier 2...				-	#DIV/0!
Financier 3...				-	#DIV/0!
Government of the Republic of Zambia - cash				-	#DIV/0!
Government of the Republic of Zambia - in-kind				-	#DIV/0!
<b>Total Receipts</b>					
<b>USES OF FUNDS (BY CATEGORY)</b>					
Civil works				-	#DIV/0!
Goods and services				-	#DIV/0!
Consultancies				-	#DIV/0!
Training and workshops				-	#DIV/0!
Equipment and materials				-	#DIV/0!
Operations and maintenance				-	#DIV/0!
Credit and guarantee funds				-	#DIV/0!
Salaries and allowances				-	#DIV/0!
<b>Total payments</b>					
<b>USES OF FUNDS (BY COMPONENT)</b>					
[Component 1]				-	#DIV/0!
[Component 2]				-	#DIV/0!
[Component 3]				-	#DIV/0!
<b>Total payments</b>					
<b>Explanation of variances</b>					
[Explain variances in the notes to the financial statements]					

## **Accounting policies**

### (1). Definitions

- *Designated account* – Ring-fenced, foreign denominated bank account which is maintained on behalf of the entity. The entity may receive replenishments from the direct account in line with the working as outlined in the IFAD Disbursement Handbook.
- *IFAD* – International Fund for Agricultural Development
- *Impress account* – An account which maintains a record of all cash advances made for staff or Project expenses which are either returned to the Project or justified by valid expenditure documentation.
- *Borrower* – The Borrower is the Government of the Republic of Zambia

### (2). Reporting entity

The financial statements are for [Project Name]. The Project is managed centrally by IDEPA and has operations in various provinces which are reported on as a single entity.

### (3). Reporting period

These financial statements include a 12-month reporting period for the current and prior year with additional cumulative disclosure (from Project inception) provided in the notes where appropriate.

(4). Basis of preparation

The financial statements have been prepared in accordance with the Standard. The entity complies with all the requirements as outlined in Part 1 of the Standard and as described in the accounting policies. In addition, the entity has elected to adopt the following recommended disclosures in line with Part 2 of the Standard:

- Payments of Third Parties on behalf of the entity (*refer 16. Voluntary Disclosure*)

(5). Authorisation date

These financial statements have been authorised for issue by the Project Coordinator on [xxx]. No events after this date are included in the financial statements.

(6). Presentation currency and level of precision

The presentation currency is the local currency, ZMW. Where appropriate, the designated account balances are reported in USD. The amounts are displayed in million unless otherwise specified in the notes. Additional note disclosures may quote US Dollar amounts if loans or grants from financiers are denominated in US Dollar.

(7). Comparative information

It must be noted that, due to the first-time adoption of the Standard, comparative results presented for the period ending xxx (and cumulative results where applicable) was not prepared in line with the Standard. Where practical and material, adjustments have been made to align prior period (and cumulative results) with the IPSAS Financial Reporting under the Cash Basis of Accounting

(8). Composition of the annual financial statement

The financial statements comprise the Statement of Cash Receipts and Payments, the Budget to Actual Comparison and the notes. The notes include various other disclosures which are required by external financiers, including IFAD, which may enhance fair presentation and accountability. Additional, supplementary information is indicated as such.

(9). Cash basis of accounting

In terms of IPSAS Financial Reporting under the Cash Basis, the entity measures transactions, and events only when cash is received or paid by the entity. The measurement focus of the financial statements is balances of cash and changes therein. In terms of the Standard, cash may include cash on hand, demand deposits, impress accounts and cash equivalents. Cash equivalents are investments with a maturity of less than 3 months.

(10). Control of cash

In line with the Standard, cash balances reported at the end of the reporting period include all cash which the entity can use or otherwise benefit from at the exclusion of other. Therefore, cash will include all IFAD designated account balances which are maintained in foreign currency (USD) to which access is restricted in line with the financing agreement entered into between the Recipient and IFAD.

(11). Materiality and disclosure

The Project discloses material information separately on the face of the financial statements or in the notes. The materiality is assessed in line with the nature and amount of the item. In all instances, payments of third parties on behalf of the Project is considered material and disclosed separately. This will include payments made on behalf of the Project to third parties or received "in-kind". – refer "16. Voluntary disclosure"

(12). Classification of transactions

Uses of cash receipts are disclosed in line with categories as defined in the Project financing agreements. Additional useful disclosures in terms of components are provided in the notes to the financial statements. Receipts of funds are disclosure based on the source of finance.

(13). Foreign currency

Cash receipts and payments arising from transactions in foreign currency are incorporated in the financial statements Statement of Cash Receipts and Payments in ZMW by applying to the foreign currency amount the spot exchange rate between the reporting currency and foreign currency at the date of the receipts/payments. The spot rate is defined as the rate of exchange for immediate delivery.

Closing cash balances held in foreign currency are translated to ZMW at the spot rate on the last day of the reporting period. Resulting foreign gains / losses are reported as a reconciling item on the Statement of Cash Receipts and payments. Further information with regard to the gains/losses per financier is disclosed in the notes.

**[COMMENT ON USE OF FIFO]**

(14). Additional note disclosures – accrual basis

The notes to the financial statements provide additional information about liabilities and assets which are not presented on the Statement of Cash Receipts and Payments or Budget to Actual Comparison. These may include contingent liabilities related to suppliers, advance payments from contractors, staff loan receivable and any other material items which will enhance the fair representation of the financial statements.

(15). Voluntary adoption of Part 2 of the Standard – Payments made to 3<sup>rd</sup> parties on behalf of the Project

In line with Part 2 of the Standard, the Project shall disclose payments made on its behalf to 3<sup>rd</sup> parties. For the Project, this disclosure deals specifically with payments made by the Recipient/beneficiaries for items such as salaries and xxx. Additional note disclosure is provided which outlines the total of such amounts for the period, the nature of activities paid for and the manner in which management has arrived at a value for such payments. In the event that management is of the opinion that the estimation or value may not be fully reflective of the total value received, this will be indicated in the notes.



## **Notes to the financial statements**

1	<b><u>Cash and cash equivalents:</u></b>		
	Cash included in the Statement of Cash Receipts and Payments comprise the following amounts:		
		31 December 20XX	31 December 20XX
		[LCY]	USD
	<i>Exchange rate</i>		
	<b><u>Bank balances per financier:</u></b>		
	IFAD Loan		
	IFAD Grant		
	Financier 2...		
	Financier 3...		
	<b>Total</b>	-	-
	<b><u>Bank balances per type of account:</u></b>		
	IFAD Loan designated account		
	IFAD Grant designated account		
	Financier 2 designated account		
	Financier 3 designated account		
	IFAD Loan Operational Account		
	IFAD Grant Operational Account		
	Financier 2 Operational Account		
	Financier 3 Operational Account		
	Cash on hand		
	<b>Total</b>	-	-

2	<b><u>Proceeds from external financiers</u></b>		
	The following external source of finance were received during the period:		
		<b>31 December 20XX</b>	
	IFAD Loan	-	
	IFAD Grant	-	
	Financier 2...	-	
	Financier 3...	-	
	<b>Total</b>	<b>-</b>	
3	<b><u>In-kind contributions</u></b>		
	The following in-kind contributions were received during the period:		
		<b>31 December 20XX</b>	
		<b>Government</b>	<b>Beneficiaries (if any)</b>
	Amount recognised		
	<b><u>Uses of funds</u></b>		
	Civil works		
	Goods and services		
	Consultancies		
	Training and workshops		
	Equipment and materials		
	Operations and maintenance		
	Credit and guarantee funds		
	Salaries and allowances		
	<b>Total</b>	<b>-</b>	<b>-</b>
	Explain the basis for measuring the value recognised. Provide the nature of the contribution. Indicate the uses of funds by category.		

## Designated account reconciliations

Financial statements for		31 December 2022	
For the period ending			
Designated account reconciliation			
<b>TABLE 5.1: IFAD LOAN DESIGNATED ACCOUNT RECONCILIATION</b>			
IFAD Financing agreement nr:			
Bank account nr:			
<b>SECTION 1</b>			
1	Total advanced by IFAD to designated account		
2	Less Total amount recovered by IFAD		
3	= Outstanding amount advanced by IFAD		-
<b>SECTION 2</b>			
4	Balance of designated account as per bank statement		
5	Plus balance of operating accounts		
	Plus cash on hand		
	= Period end cash balance		-
6	Plus amount claimed for the period		-
	<i>Provide reasons - not yet claimed</i>		
8	Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement		-
9	Less: interest earned		
10	= Total advance accounted for		-
11	<i>Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)</i>		-
	<i>Insert explanations</i>		







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## ANNEX 6: IMPLEMENTING AGENCIES – MOU TERMS

FIRIP will enter into MOUs with other implementing agencies. The following recommended financial management roles and responsibilities are proposed for inclusion:

### **FIRIP shall:**

- ✓ Provide financial management support to the implementing agency;
- ✓ Ensure that implementing agency performs its duties and enjoys rights indicated in the Memorandum.
- ✓ Provide financial management training at project start-up and annually thereafter in order to strengthen the financial management capacity of the implementing agency.

### **The implementing agency shall:**

- ✓ Implement sound financial management practices and procedures to the satisfaction of the FIRIP.
- ✓ Ensure that all financial management staff responsible for dealing with the FIRIP project attend financial management training (hosted by the LPA) at project start-up and annually thereafter.
- ✓ Ensure that a qualified and experienced accountant is responsible for dealing with the financial management aspects of the FIRIP project for the duration of the MOU.
- ✓ Inform the FIRIP Finance Controller of any finance staff vacancies.
- ✓ Perform an annual financial management self-assessment (questionnaire template to be provided) and submit the results to the FIRIP Finance Controller. Cooperate with the FIRIP Finance Controller to address identified shortcomings within a specified timeframe.
- ✓ Assist the FIRIP with the annual budgeting process by preparing a budget for the component/sub-component which it is required to implement. For this purpose, the FIRIP Finance Controller will provide a budget template which should be used. In addition, strictly adhere to deadlines for submission of inputs.
- ✓ Retain all project related documents (invoices, bank statements, supporting documentation) for inspection. Documents should be retained in line with the terms and conditions as outlined in the IFAD General Conditions for Agricultural Development Financing.
- ✓ When required, submit a written request for funds in line with the template provided by FIRIP. Written requests should be signed by the duly authorized representatives. Request letters should clearly indicate the related budget activity as included in the FIRIP approved AWPB (and related procurement plan).
- ✓ Prepare and submit a monthly report for IFAD in line with the template provided by FIRIP. Attach copies of bank statements and supporting invoices/documents to the monthly report.
- ✓ Use the monthly report to IFAD for the purposes of internal monitoring of budget to actual performance. Take corrective action as required.
- ✓ Respond to queries / resubmit information as requested by the FIRIP Accountant or Finance Controller in a timely manner.

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ANNEX 7: SAMPLE TERMS OF REFERENCE FOR THE AUDIT OF FIRIP

**Use the most recent audit ToRs template found on the IFAD website:**

<https://www.ifad.org/documents/38711624/39421009/IFAD+Handbook+for+Financial+Reporting+and+Auditing+of+IFAD-Financed+Projects/133b165d-15c7-4f79-8217-ae95b79dd67>



## 6.0 PROCUREMENT

### Acronyms And Abbreviations

AG	Attorney General
APP	Annual Procurement Plan
AWPB	Annual Work plan and Budget
BER	Bid Evaluation Report
BDS	Bid Data Sheet
CO	Controlling Officer
CQS	Consultants' Qualifications Selection
TEC	Technical Evaluation Committee
EOI	Expression of Interest
EXC	Executable Contract
FBS	Fixed Budget Selection
GCC	General Conditions of Contact
GPN	General Procurement Notice
GRZ	Government of the Republic of Zambia
IC	Individual Consultant
ICB	International Competitive Bidding
IDM	Investment and Debt Management Department
IFAD	International Fund for Agricultural Development
IP	Implementing Partner
ITB	Invitation to Bid
ITC	Instructions to Consultants
LCS	Least-Cost Selection
LIB	Limited International Bidding
LoC	Letter of Credit
LOI	Letter of Invitation
LPO	Local Purchase Order
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
MGF	Matching Grant Facility
MPC	MOF Procurement Committee
NCB	National Competitive Bidding
NGO's	Non-Government Organizations
P&A	Price and Availability
PCU	Project Coordination Unit
PEs	Procuring Entities
PIM	Project Implementation Manual

PPA	Public Procurement Act
PSC	Program Steering Committee
PSU	Procurement and Supplies Unit, in this case MOF
PU	Procurement Unit
QBS	Quality Based Selection
QCBS	Quality and Cost-Based Selection
RAC	Rate Contract

REOI	Request for an Expression of Interest
RFP	Request for Proposal
RFQ	Request for Quotation
RC	Running Contract
SBD	Standard Bid Document(s)
SCC	Special Conditions of Contract
SOPM	Standard Operating Procedures Manual
SSS	Single-Source Selection
SoW	Statement of Work
ToR	Terms of Reference
ZMW	Zambian Kwacha
ZPPA	Zambia Public Procurement Authority

## LIST OF DEFINITIONS

**"Accountability"** means to be Responsible to a superior officer a higher authority in respect of (a) responsibilities entrusted to one or activities undertaken by one; or (b) one's responsibilities and/or duties delegated to a subordinate officer; or (c) one's responsibility for the actions taken / decision made in the course of implementation of the FIRIP program.

**"Annual Procurement Plan"** A consolidated schedule that details all Procurements to be made annually by FIRIP and its Implementing Partners. The Plan includes the scope of the Procurements, the selected Method of Procurement, the estimated value, and schedule of Procurement stages.

**"Applicant"** means a natural person (physical body) or incorporated body (juridical) submitting an application to prequalify, or an Expression of Interest.

**"Approvals Authority"** means the body or individual with authority to grant prior authorization of certain key steps in the Procurement process in accordance with section 22 of the PPA and Regulations 28 and 31 and this Manual's **Annex 8 (Schedule of Contract Approval & Signing Authorities)**.

**"Authorized Person"** means any person who has been granted the Power to authorize a transaction or otherwise commit the FIRIP.

**"Award"** means the acceptance of an offer with the intention of contracting.

**"Best Evaluated Bidder"** means the Bidder ranked as first, following the application of the specified evaluation methodology and criteria.

**"Bid Evaluation Report"** a Report issued by the Technical Evaluation Committee on the completion of their work that identifies the Best Evaluated Bidder.

**"Bid"** means an offer to provide Goods, Works or Consulting and Non-Consulting Services submitted by a Bidder in response to an invitation from FIRIP and includes a tender, proposal, and Quotation.

**"Bidder"** means a person or group of persons that offers to provide Goods, Works, Consulting or Non- Consulting Services in response to an invitation from FIRIP and includes, where applicable, a Potential Bidder or Applicant to prequalify.

**"Bills of Quantities"** means the priced and completed bill of quantities forming part of the Bid.

**"Citizen Bidder or Citizen Supplier"** means, in the case of— (a) an individual, a bidder or supplier who is a citizen; (b) a firm or company, whether corporate or unincorporate, a firm or company wholly owned by a citizen; and (c) a body of persons wholly comprising of citizens.

**"Close relative"** means a spouse, child, sibling, uncle, cousin, aunt, niece, nephew, parent or a parent of a spouse, child or sibling.

**"Coercive practices"** means harming or threatening to harm, directly or indirectly, a person, or a person's property, to influence that person's participation in a Procurement process or affect the execution of a Contract.

**"Collusive practices"** means a scheme or arrangement between two or more Bidders, with or without the knowledge of FIRIP, designed to establish Bid prices at artificial, non-competitive levels.

**"Consulting Services"** means Services of an intellectual or advisory nature, the delivery of Reports, Drawings or designs including engineering designs, supervision, accountancy, auditing, financial Services, Procurement Services, training and capacity building Services, management advice, Policy studies and advice, assistance with institutional reforms and software development.

**"Contract"** means an agreement (either a Local Purchase Order or an executed Contract) between FIRIP and a Supplier for the provision of a Purchase or Procurements.

**"Controlling Officer"** has the meaning assigned to it in the *Public Finance Act, 2004*; for PPEs, it will mean the head of such an entity.

**"Corrupt practice"** means the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence the action of a Public Officer in the Procurement process or in Contract execution.

**"Cost Threshold"** means the estimated total price for a Purchase, including applicable sales taxes and customs duties that will determine the processes and Approval Authority for the Purchase.

**"Days"** are calendar Days, unless otherwise defined in the text.

**"Development Partners" (also referred to as "Donors")** are multi or bi-lateral agencies and governments that provide financial and other support to the GRZ.

**"Direct bidding or contracting"** means a Method of Procurement where a Bid is obtained directly from a single Bidder, without competition.

**"Due diligence"** means the assessment of the technical, financial and management capabilities of a Bidder or Supplier and includes the governance record of the Bidder or Supplier to effectively execute the Contract under Bid.

**"Technical Evaluation Committee (TEC)"** means a group of persons selected by the Controlling Officer to (i) evaluate Bids for each Procurement requirement, in accordance with the evaluation criteria stated in the Bid Document, and (ii) prepare the Bid Evaluation Reports (BERs) for submission to the Approval Authority. The number and level of members of the committee shall depend on the complexity of the Procurement but shall not be less than three members.

**"Expression of Interest"** means a submission by an Applicant to FIRIP responding to a Request for Expression of Interest, published by FIRIP. The Expression of Interest provides information on the qualifications and experience of a Potential Bidder (or

Applicant) for a Consulting Services requirement.

**"Foreign Bidder or Supplier"** means a non-citizen bidder or supplier who is not registered to undertake business activities in the Republic in accordance with the relevant law.

**"Fraudulent practice"** means a misrepresentation or omission of facts in order to influence a Procurement process or the execution of a Contract.

**"General Procurement Notice"** is a notice published by FIRIP each year, once the Annual Procurement Plan (PP) is established. The notice will advise the Procurement stakeholders of the planned Procurements during the forthcoming year to be made by the Procurement Entity that published the notice.

**"Goods"** means objects of every kind and description including raw materials, products, equipment, objects in solid, liquid or gaseous form, electricity, and Works and Services incidental to the supply of the Goods if the value of those incidental Works and Services does not exceed that of the Goods themselves.

**"Limited Bidding" (National Shopping)** means a Method of Procurement for Goods, Works and Non-Consulting Services where Bids are obtained by direct invitation to a shortlist of Bidders, without open advertisement.

**"Limited Selection"** means a Method of Procurement for Consulting Services where Bids are obtained by direct invitation to a shortlist of Bidders, without open advertisement.

**"Local Bidder or Supplier"** means a non-citizen bidder or supplier who is registered to undertake business activities in the Republic in accordance with the relevant written law;

**"Open National bidding"** means bidding that is limited to Citizen and Local Bidders. Interested foreign bidders shall also be allowed to bid.

**"Method of Procurement"** is the collective term for approaches selected by FIRIP to obtain Bids.

**"Non-Consulting Services"** means Services, other than Consulting Services, for the carrying out of work of any kind, with or without the use of vehicles, machinery or equipment or the provision of operators, technicians or drivers.

**"Open Bidding"** means a Method of Procurement for Goods, Works and Non-Consulting Services that is open to participation on equal terms by all eligible Bidders through advertisement of the opportunity.

**"Parastatal body"** means a statutory corporation or body, a local authority or a company in which the Government has a majority or controlling interest.

**"Probity"** means the integrity and adherence to the highest principles and standards of behavior and conduct.

**“Procurement”** means acquisition by purchase, rental, lease, hire purchase, license, tenancy, franchise or any combination thereof.

**“Procurement Sub-Committee”** means a sub-Committee that has the delegated authority from the Ministry Procurement Committee (MPC) to provide Procurement authorization for Ministry Procurements, in accordance with Section 22 of the PPA and Regulations 28 and 31.

**“Procuring Entity”** means an institution that is established and mandated by GRZ to conduct Procurement using Public Funds.

**“Program Management Unit”** means the unit established within MoF with responsibility for the day-to-day management and coordination of all Program components and activities.

**“Project Steering Committee”** is a decision-making body within the project governance structure. The role of the PSC is to provide oversight, policy direction and coordination between key government institutions.

**“Post-qualification”** means the conduct of Due diligence after a Bid has been received to determine whether the Bidder is qualified to perform the Contract effectively.

**“Prequalification”** means a submission by an Applicant to FIRIP responding to a request for Prequalification, published by FIRIP. The Prequalification provides information on the qualifications and experience of a Potential Bidder (or Applicant) for the supply of Goods, Works and Non-Consulting Services.

**“Pricing Approach”** means the method to be used to calculate payments to be made to the Supplier for the work performed under the Contract.

**“Public Funds”** has the meaning assigned in the Public Finance Act, 2004.

**“Public officer”** means a person holding or acting in any public office.

**“Procurements”** is a collective term that encompasses Goods, Works, Consulting and Non-Consulting Services purchased by FIRIP.

**“Procurement Specialist”** means a person charged with undertaking a Procurement activity in FIRIP.

**“Procurement Assistant”** means a person assigned to assist the Procurement Specialist in all project procurement activities of FIRIP.

**“Quotation”** means a type of Bid, usually associated with ‘off-the-shelf’, standardized Goods, Works and Non-Consulting Services with a Cost Threshold up to the amount for Simplified Bidding defined in **Annex 9 (Cost Thresholds for Method of Procurement)**.

**“Request for Quotation” (National Shopping):** A Method of Procurement for obtaining Quotations.

**“Requisition”** is a document issued by the User Department that defines the scope of the Purchase and confirms that funding is available. In some instances, the Requisition

may be combined with the ToRs, Specification or Statement of Work produced by the User Department.

**"Scope of Work"** is a document specifying the Works to be conducted, including scope, quality, type, standards of the Works.

**"Services"** means any object of Procurement other than Goods or Works, which involve the furnishing of labor, time or effort.

**"Short-list"** means a list of Applicants deemed suitable to be invited to submit Proposals for intellectual and professional Services following the evaluation of Expressions of Interest.

**"Simplified Bidding"** means a Method of Procurement which compares Bids (Quotations) from a number of Bidders.

**"Bid Document"** means a bidding document, a Request for Quotation (RFQ) and, where applicable, a request for pre-qualification, a request for an Expression of Interest (REOI) or a document of any kind issued by FIRIP, inviting Bidders to participate in Procurement proceedings.

**"Specifications"** a document specifying the quality of Goods required and the quality, type and standard with which the Goods should comply.

**"Supplier"** means a Contractor, either a natural person or an incorporated body that is party to a Contract with FIRIP for the provision of Procurements.

**"Terms of Reference"** a document specifying the scope of Consulting and Non-Consulting Services to be conducted, the deliverables and the standard with which the deliverables should comply.

**"Transparency"** means the openness, fairness and objectivity of an activity or process; the execution of such a process or activity in accordance with its established norms, and with due regard to Probity and Accountability.

**"User Department"** means any department, division, branch, section or project unit of FIRIP which initiates Procurement requirements and is, or represents, the end user of the Procurements.

**"Value for Money"** means, in general terms, a measure of the efficiency with which available financial resource inputs are transformed into Procurements required for specified purposes. Therefore, this is also a measure of Procurement effectiveness. In respect of transactions, it is the optimum combination of whole-life cost and quality (or fitness for purpose to meet the User Department's requirement.

**"Works"** means all work associated with the construction, re-construction, demolition, repair or renovation of a building, road, Structure or Works, such as site preparation, excavation, erection, building, installation of equipment or materials, decoration and

finishing, as well as Services incidental to construction such as drilling, mapping, satellite photography, seismic investigations and similar Services provided pursuant to a Contract, if the value of those Services does not exceed that of the Works themselves.



## 6.1 BACKGROUND

624. The Government of the Republic of Zambia (GRZ) and the International Fund for Agricultural Development (IFAD) have jointly designed and established the Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP) that is managed by the Ministry of Finance (MoF). The Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP) is a follow up of the earlier successfully completed Rural Finance Expansion Program (RUFEP) that completed its implementation on 30<sup>th</sup> September 2023 and closed on 31<sup>st</sup> March 2024.

## 6.2 PURPOSE AND USE OF THIS SUB-MANUAL

625. This Procurement sub-manual is a part of the Project Implementation Manual (PIM) and elaborates on the Procurement Processes to be followed in the procurement of goods, works and services under the Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP). This sub-manual has been prepared in alignment with the National Procurement Legal Framework (consisting of the PPA, 2020 amended in 2023 and PPR, 2022) as well as the IFAD Procurement Framework (consisting of IFAD Procurement Guidelines of 2022, IFAD Procurement Handbook of 2021 and other associated IFAD policies like Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, IFAD policy to preventing and responding to sexual harassment, sexual exploitation and abuse, Anti-Money Laundering and Countering the Financing of Terrorism Policy and IFAD Social, Environmental and Climate Assessment Procedures etc.). The FIRIP program shall follow the National Legal Procurement Framework, to the extent they are consistent with the IFAD Procurement Framework and in cases of inconsistency between them, IFAD Procurement Framework shall prevail.

626. This sub-manual provides project-related procurement processes to be adopted and used as a practical guide for FIRIP project staff and other stakeholders who partake in the project procurement activities. It is designed to be simple to use and understand by breaking the overall procurement process down into a series of individual procedural steps and breaking each stage down into step-by-step instructions.

627. It is noted that the lack of procurement procedures manual leads to many different interpretations, inefficiencies, poor specification of requirements, inadequate Bid documentation and procedures, improper use of processes (intentional or unintentional), payment delays, costs overruns and inadequate contract management. In view of this, the Manual is designed to:

1. Provide detailed guidance on the FIRIP related project procurement processes;
2. Provide uniform measures for the procurement of goods, works and services;
3. Ensure transparency and accountability in all operations, and consistency with the IFAD/GRZ Procurement Frameworks;
4. Improve the efficiency and effectiveness of procurement operations; and
5. Promote the consistent application of the best procurement practices and international standards.

628. Furthermore, the sub-manual covers the procurement cycle from planning to final delivery or performance and contract completion and will assist in:

1. Removing or minimizing the need for making new decisions every time a comparable situation arises;
2. Introducing procedures for all routine procurement activities;

3. Providing a point of reference against which principles and practices can be evaluated; and
4. Serving as a training Manual for stakeholders and FIRIP staff and provide guidance based on best international practices.

629. Consistent application of the provisions and procedures of this sub-manual is crucial to achieve improved efficiency, transparency, value for money, uniformity of documents and decisions, and reduced costs of procurement for FIRIP.

630. **Deviations.** Deviations to the provisions of this sub-manual may arise for a number of reasons, including the following:

1. A special situation, such as an extreme emergency like natural disasters or any other circumstances that FIRIP may consider as a special situation;
2. One-off requirements introduced as special provisions in a loan or credit facility that are not otherwise covered in this sub-manual and do not constitute a revision to the sub-manual;

631. **Revisions.** Change is inevitable in a dynamic organization and business environment and this sub-manual is also subject to changes and revisions. This sub-manual will be updated to reflect FIRIP's changing needs, legislative amendments, and the emergence of new or improved Procurement procedures and practices. A number of factors may necessitate a need for revision of this Manual including:

1. New procurement legislation and associated regulations;
2. Policy changes by IFAD;
3. Introduction of new improved practices, policies or procedures;
4. Removal of outdated practices, policies or procedures;
5. Introduction of newer procurement systems like e-GP, OPEN, CMT etc.; and/or
6. Lessons gained from practical experience.

632. Where a revision to the Manual is deemed necessary, a formal request may be submitted to the Program Steering Committee (PSC) in accordance with the following procedure:

1. The request shall state the purpose of the revision and provide a comprehensive justification, together with the precise changes suggested to the relevant text of the sub-manual; and
2. The PSC will then formally consider each request and seek advice, where necessary, before considering a modification of the sub-manual.
3. The revised sub-manual shall be submitted to IFAD for prior review and No Objection, before it can be implemented.

## 6.3 STANDARD DOCUMENTS AND TEMPLATES

633. Standard documents and templates referred to in this Manual are model working documents for the implementation of Procurement activities at FIRIP. The use of standard documents is mandatory, unless there are circumstances that warrant modifications as determined by the Approval Authority. The use of standard documents is intended to:

1. Support compliance with the rules and procedures contained in the IFAD/GRZ Procurement Framework;
2. Simplify the drafting of Bid Documents, Contracts and records of Procurement;

3. Minimize the time required to approve documents and records; and
4. Facilitate monitoring and auditing of Procurement activities.

634. **Objectives.** The objective of this sub-manual is to act as a point of reference, a planning guide, and training related to procurement and contracts management of FIRIP program. Being a management tool, the sub-manual will eliminate wasteful steps in the procurement process, simplify methods, and improve communications and institute standards and controls vital to FIRIP implementation. The manual has been prepared specifically in relation to FIRIP implementation, based on an overview of FIRIP's general business environment, and the Government of Zambia's Procurement Framework and the International Fund for Agricultural Development (IFAD), which finances FIRIP jointly with the GRZ.

## 6.4 PROCUREMENT PROCEDURES

635. **Applicable Procurement Rule.** The Public Procurement in Zambia is governed by National Procurement Legal Framework consisting of Zambia's Public Procurement Act No.8, 2020 amended by Act. 17 of 2023 and the Public Procurement Regulations, 2022. The procurement legal framework of Zambia covers most aspects of a well-functioning public procurement system. It has established an independent regulatory body, the ZPPA, which is responsible for making policies, setting standards, monitoring compliance and performance, managing performance development, and disseminating information on public procurement. The responsibilities for contract management are stated in the Act and Regulations. The Procurement Law is applicable to Procuring Entity which is a) any Government Agency or parastatal body carrying out procurement using public funds or any other funds; and b) any other body or unit established or mandated by Government to carry out procurement using public funds. FIRIP Implementing Agency (IA) i.e. Ministry of Finance (MoF) is a Procuring Entity, as per definition of the Zambia Public Procurement Law.

636. According to the IFAD general conditions for financing, 'Procurement of goods, works and services shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations; to the extent such are consistent with the IFAD Procurement Guidelines. Therefore, as far as possible, national procurement procedures will be applied.

637. The overall procurement responsibility will be under the MoF, delegated to the FIRIP PCU to undertake all project related procurement processes. FIRIP shall follow the National Procurement Legal Framework (so long as they are consistent with the IFAD Procurement Framework). In the event of any inconsistency between the two, IFAD Procurement Guidelines/Handbook will prevail. Items of specific applicability will be clearly identified in the Procurement Plans to be submitted to the Steering Committee for approval and IFAD for "No objection".

### **Procurement Methods, Thresholds and Prior Review**

638. **Procurement Plan.** A procurement Plan has been prepared for the first eighteen (18) months of the project and will be followed by successive twelve (12) month plans synchronized with the annual work plan and budget (AWPB) during implementation. FIRIP's Procurement Specialist will therefore participate in the preparation of the AWPB. The Procurement Specialist will provide guidance on market prices to ensure that budgets are realistic. The Procurement Plan will be developed using the IFAD Procurement Plan template and will be uploaded to IFAD OPEN. IFAD will provide a no objection to the procurement plan and once the NO objection is provided, it shall serve as the basis for procurement implementation under the project.

639. **Contract Register and CMT.** All contracts, Memorandums of Agreements, purchase orders and related payments must be recorded in the Contract Monitoring Tool of the IFAD OPEN system. The register of contracts contained within the Contract Monitoring Tool replaces the requirement to complete the Forms C-10 (Register of Contracts) and C-11 (Contract Payment Monitoring Form). Instead, an extract of the register of contracts must be downloaded from the Contract Monitoring Tool for submission together with Withdrawal Applications. The register of contracts must be kept up-to-date on a continuous basis.

640. **Tabular Summary of Applicable Methods and Thresholds.** All procurements under the project, which are above FIRIP's threshold should be made subject to Ministerial Procurement Committee (MPC) approval. FIRIP PCU will approve all

procurements below the value of MPC. Both are subject to obtaining IFAD No Objection (NO) for procurement values beyond the prior review thresholds below:

**Table 25: Procurement Methods and Thresholds**

Procurement Method	TYPES OF PROCUREMENT		
	Goods and Non-Consulting Services	Works	Consulting Services
<b>Open National Bidding (National Competitive Bidding)</b>	Over K1,000,000 and not exceeding US\$150,000	Over K1,000,000 and not exceeding US\$500,000	<b>Not Applicable</b>
<b>Open International Bidding (International Competitive Bidding)</b>	Equal to or above US\$150,000	Equal to or above US\$500,000	<b>Not Applicable</b>
<b>Limited Bidding (National Shopping / International Shopping)</b>	Up to K1,000,000 and not exceeding US\$70,000	Up to K1,000,000 and not exceeding US\$175,000	<b>Not Applicable</b>
<b>Direct Bidding Or Direct Contracting</b>	Up to K200,000 (Applies to the indicated contracts in the PP with due justification (as mentioned in the Handbook) and subject to IFAD's NO under prior review or alternatively without prior IFAD's NO for low-value unforeseen purchases with estimated cost per each purchase of US\$ \$500 or less up to an aggregate amount of US\$ 5,000 per annum).	Up to K200,000 (Applies to the indicated contracts in the PP with due justification (as mentioned in the Handbook) and subject to IFAD's NO under prior review or alternatively without prior IFAD's NO for low-value unforeseen purchases with estimated cost per each purchase of US\$ \$500 or less up to an aggregate amount of US\$ 5,000 per annum).	<b>Not Applicable</b>
<b>Open National Selection (CQS)</b>	Not Applicable	Not Applicable	<b>Over K600,000 and not exceeding US\$50,000</b>
<b>Open International Selection (LCS, FBS)</b>	Not Applicable	Not Applicable	<b>Up to US\$80,000</b>
<b>Open International Selection (QCBS, QBS)</b>	Not Applicable	Not Applicable	<b>Over US\$80,000</b>

<b>Limited Selection (CQS)</b>	Not Applicable	Not Applicable	<b>Over K600,000 And not exceeding US\$50,000 in appropriate circumstances</b>
<b>Single Source Selection</b>	Not Applicable	Not Applicable	<b>Up to US\$50,000</b> (Applies to contracts with firms designated under SSS in the Procurement Plan with due justification (as mentioned in the Handbook) subject to prior review and/or contracts estimated to cost US\$ 500 or less, up to an aggregate amount of US\$ 5,000 per annum)
<b>Individual Consultant Selection</b>	<b>Not Applicable</b>	<b>Not Applicable</b>	<b>Applies to contracts with individuals regardless of the value.</b>
<b>Individual Consultant Selection – Single Sourcing</b>	<b>Not Applicable</b>	<b>Not Applicable</b>	<b>Applies to contracts with individuals designated under SSS in the Procurement Plan with due justification (as mentioned in the Handbook) subject to prior review and/or estimated to cost US\$ 500 or less and with a contract duration of three months or less and up to an aggregate amount of US\$ 5,000 per annum.</b>

**Table 26: Approval Authority**

<b>Approval Authority</b>	<b>Goods and Non-Consulting Services</b>	<b>Works</b>	<b>Consulting Services</b>
<b>FIRIP Program Coordinator</b>	Up to K50,000	Up to K50,000	Up to K50,000
<b>Ministerial Procurement Committee (MPC)</b>	Over K50,000	Over K50,000	Over K50,000
<b>IFAD Prior Review for NO</b>	<b>&gt;USD50,000</b>	<b>&gt;USD100,000</b>	<b>&gt;USD30,000 (Firm)</b> <b>&gt;USD 15,000 (Individual Consultants)</b>

641. **Other Procurement Methods or Arrangements:**

- (i) The use of Force Account is not foreseen.
- (ii) Extensions of contracts funded by IFAD for Goods, Works, or related Non-Consulting Services to cover items of similar nature not listed in the original contract may not exceed 10% of the contract value and require IFAD's No Objection (such extension shall be considered as Direct Contracting). However, extensions of existing contracts, issued to increase/decrease items already listed in the original contract as a result of evolutionary changes during contract execution and subject to the contractual clauses governing such change may exceed 10%. In this case, the extension is subject to IFAD's No Objection.
- (iii) Procurement with Community Participation is allowed.
- (iv) The award of Grants and Investment Agreements are subject to the prior review threshold for Consulting Services (firms). The packaging of Grants and Investment Agreements is encouraged, single awards to entities or individuals are discouraged.
- (v) Procurement from United Nations Agencies is not foreseen.
- (vi) Secondary Procurement (orders against existing Long-term Agreements, national e-catalogues etc.) follows the regulations and applicable thresholds of the national legislation. The prior review threshold of the respective procurement category (goods, works, consulting services and related non-consulting services) applies.
- (vii) The borrower/recipient shall adopt and use the National Standard Procurement Documents. IFAD SPD for REOI (Consultancy Services) and, RFQ and Pre-Qualification (Goods, Works, and Non-Consultancy Services) shall be used, for which there is no National SPD is available.

642. **Standard Procurement Documents.** FIRIP will make use of Zambia's national SBDs which are well-developed and contain comprehensive standard contract terms. National SBDs will be amended to include mandatory reference to IFAD policies such as the Revised IFAD Policy on Preventing Fraud and Corruption, the IFAD policy to preventing and responding to sexual harassment, sexual exploitation and abuse, the Anti-Money Laundering and Countering the Financing of Terrorism Policy and IFAD's Social, Environmental and Climate Assessment Procedures (SECAP). A national SBD for Request for Expression of Interest (REOI) for procurement of consultancy services and Request for Quotation and Pre-Qualification for procurement of Goods, Works and Non-consultancy services are not currently available. If they are still not available by the time project implementation begins, the IFAD SBD for the same will be used. FIRIP will be uploaded on IFAD's End-to-End Procurement System (OPEN) and the Contract Monitoring Tool (CMT)

which will facilitate robust IFAD oversight as well as effective supervision and prior review of procurement processes.

### **Guidance Offered in the IFAD Procurement Handbook**

643. **Application of the IFAD Project Procurement Handbook.** The IFAD Procurement Handbook applies to any procurement activity undertaken by a borrower/recipient when procuring goods, works or services under any IFAD-financed operation, and when the applicable agreement so provides. Consistent application of the handbook's provisions and procedures is essential for ensuring greater efficiency, transparency, uniformity of documents and decisions and lower procurement costs.

644. **Key Provisions of the Handbook.** According to the IFAD Procurement Handbook, the procurement of goods, works and services for any given project should adhere to the following general provisions:

- Procurement is to be carried out in accordance with the financing agreement and the IFAD Project Procurement Guidelines, the respective loan agreement, including any duly agreed amendments thereto, and the borrower's/recipient's procurement regulations and/or IFAD handbook, as applicable.
- The cost of procurement may not exceed the availability of duly allocated funds, as stated in the financing agreement.
- Procurement must be consistent with the duly approved annual workplan and budget (AWP/B) and in accordance with the activities included in the procurement plan.
- Procurement must be well-organized and properly carried out in terms of quantity, quality, and timeliness, and at the optimum price.
- Processes must be proportionate to the procurement activity to minimize the overall cost of the procurement process and tailor it to the budget for the activity undertaken.

### **Prior Review Documentation**

645. **Procurement Plan.** Planning is a critical part of the procurement process that enables objectives and priorities to be properly set, workloads to be estimated and resources allocated. The procuring entity needs to plan, organize, project, and schedule its procurement activities and to identify potential areas for the pooling of needs.

646. Planning also provides the FIRIP/MoF/Government/IFAD with an important tool for monitoring project implementation. As far as possible, procurement planning should be integrated with financial planning so that budgets and procurement needs are synchronized to the extent possible.

647. The objective of Procurement Planning is to take harmonized and unified action to achieve requirements for goods, services or works in a timely manner and at a rational cost or price. FIRIP will ensure that prompt and accurate planning is conducted to avoid last-minute, emergency or panic driven procurements which are devised to open, efficient, effective, and transparent procurement. By conducting a Procurement Planning FIRIP will achieve possible savings in the procurement process.

648. Effective procurement is subject to thoughtful planning and a procurement plan is a vital instrument for management of the entire procurement process which involves scheduling, packaging, procurement methods etc. for procurement of goods, works and services. To achieve effective procurement planning, FIRIP procurement staff should be involved at the initial stages of the preparation of the AWPB. The PP is an offshoot of the AWPB, so if Procurement staff is left out in the initial stages, the PP developed may not be effective for procurement planning purposes.



649. The following will apply in managing Procurement Plans:

- i. Since procurement plans are not static, FIRIP will ensure that they are revised and updated as needs arise in liaison with FIRIP User Departments, Partners and IFAD. "No Objections" will be obtained from IFAD for any variations in the Procurement Plan.
- ii. The Procurement Plan shall be approved by the PSC and IFAD every year between months of November and December.
- iii. The Procurement Plan will be prepared, upgraded, updated in IFAD End-to-End Procurement System (OPEN) (<https://open.ifad.org>). The Procurement Plan is fully automated and prepared on OPEN and will require IFAD No Objection, the PP shall be reviewed at least once quarterly. Any major adjustments or amendments to the plan would require IFAD no-objection. The plan should be ready and updated for review by supervision missions.
- iv. Method of procurement will be dependent on the value of the purchase and in line with the thresholds prescribed in the Project Procurement Arrangement (PPA);
- v. Any item/activity, which is not included in the relevant AWPB or Procurement Plan will not be eligible for IFAD financing. Therefore, updates/upgrades of the Procurement Plan are essential.

650. As soon as the Project is declared effective and procurement staff at PCU are engaged, a communication with the following details to be sent to IFAD for obtaining user credentials for nominated staff:

First Name	Second Name	Job Title	Role	Email	Mobile No.
			Programme Co-ordinator		
			Procurement Specialist		
			Procurement Officer		
			Other Project Staff		

651. Only the FIRIP Programme Coordinator and Procurement Staff will have access to create, modify, update and undertake implementation of procurement activities. Nominated project staff will only be able to view. The nomination of Procurement and Project Staff will be done by the FIRIP Program Co-Ordinator and the nomination of FIRIP Program Co-Ordinator will be done by the Permanent secretary, MoF.

652. The Quick cards to assist the Procurement Staff to manage the activities / documents are available at <https://icp.ifad.org/wps/wcm/myconnect/icp/icp-helpen/help/Project+Procurement+-+Online+Procurement+End-to-End+-+OPEN>

653. The following details are required for creating a Procurement Plan:

1. Procurement Category
2. Activity title

3. Estimated budget
4. Activity description
5. Procurement method
6. Contracting arrangement
7. AWPB Reference No.
8. Sources of financing for the activity
9. Pre-qualification or post-qualification
10. Single or dual envelope
11. Implementation dates

654. **Procurement Plan Review.** Procurement Plans should be reviewed on a periodic basis (preferably quarterly), such as when a PP Update is submitted, prior to giving a NO for a PP Upgrade, and at any other point in time as determined by the CD e.g. when supervision and/or implementation support activities take place.

655. **Review of a PP will assess the following:**

1. Nature and quantity of goods/works/services is consistent with the activities in the AWPB;
2. Procurement schedule is consistent with the implementation schedules in the AWPB (the delivery of goods, works and services correspond to targets in the AWPB);
3. Procurement budget is adequate;
4. Selection of procurement methods are in compliance with the provisions of the PPA;
5. The estimate dates indicated seem realistic;
6. Adequacy of procurement packaging;
7. Procurement activities are systematically and logically grouped according to the categories of the procurement (goods/works/services);
8. Packaging has been done in a way that generally facilitates the use of the most competitive and efficient procurement method, that ensures the best value for money and that avoids pseudo-packaging; and
9. Progress in implementing and updating and upgrading the PP, including identifying significant delays and causes, proposing adjustments to the PP and recommending improvements relating to planned/ongoing procurement processes (e.g. in the preparation of the bidding documents).

### **The General Procurement Notice(s) (GPN)**

	<b>Activity / Step of the procurement process for Prior Review Contracts</b>	<b>IFAD "NO" is required</b>
1	Call/Request for Prequalification document and related advertisement	Yes
2	REOI (Request for Expression of Interest) document for consultancy services and related advertisement	Yes
3	Terms of Reference for consultancy services and related non-consulting services	Yes, usually as part of NO request for issue of the RFP (step 9 below)
4	Technical Specifications for Goods/Works/NCS	Yes, usually as part of NO request for issue of the bid docs (step 9 below)
5	Composition of evaluation committees	Yes, usually as part of 9, 13 or 15
6	Prequalification report for Goods/Works/NCS	Yes
7	Shortlisting report for consultants' selection	Yes
8	The use of "prior lists" for shortlisting consultants	Yes
9	Complete Bidding Documents and RFPs and CfPs and related advertisement if applicable	Yes
10	Use of a Performance Guarantee template if other than unconditional, irrevocable, and on-demand guarantee	Yes
11	Amendments to the Bidding Documents and RFPs, CfPs	Yes
12	Opening bids/quotes/proposals that are less than 3 (excluding DC/SSS)	Yes
13	Technical evaluation report (in two envelope procedures)	Yes
14	The combined evaluation report (in two envelope procedures)	Yes
15	The single evaluation report (in one envelope procedures) for Goods/Works/NCS/Consulting Services (SSS)	Yes
16	Decisions concerning abnormally low bids	Yes
17	Draft contract	Yes
18	Minutes of negotiation at award for consultancy services (where applicable) or when using DC for Goods/Works/NCS	Yes
19	Rejection of all bids/proposals and cancellation of the procurement procedure	Yes
20	Failure of negotiations and proceeding to next ranked consultant	Yes
21	Proceeding to next ranked bidder if top ranked fails to sign the contract in Goods/Works/NCS	Yes
22	Determination to reject a bid/proposal because of cross-debarment	Yes, usually as part of steps 13, 14 or 15

23	Amendments to contracts exceeding 10% in value (increase/decrease in quantities as a result of evolutionary changes). Additional unforeseen new items exceeding 10% of the contract value is a new procurement subject to Single Source/DC conditions.	Yes
24	Extension of time to contracts exceeding 25% of the original contractual duration in Goods/Works/NC Services/Consulting Services	Yes
25	Termination of a contract in Goods/Works/NC Services/Consulting Services	Yes

656. Upon signature of the financing agreement, the borrower/recipient shall issue a GPN that lists and describes all open procurement planned for the upcoming period, as identified in the initial procurement plan negotiated with IFAD. The GPN shall be advertised in a manner that will give potential suppliers, contractors and consultants reasonable notice of planned procurements. Advertisement of the GPN shall include posting in English (and/or other IFAD official languages, as applicable) on the United Nations Development Business website, the IFAD website, in a newspaper with wide circulation in the borrower/recipient country and other media outlets, as appropriate or as requested by IFAD. In countries where the official language is not English, the GPN shall also be published in the borrower/recipient country's official language in at least one newspaper with wide domestic circulation. Updates to the GPN may be published annually for outstanding procurement contracts that are still to be procured by the IFAD-funded project. IFAD's NO is required prior to publication of the GPN. The responses to the GPN should be used to create a vendor database. Borrowers/recipients are strongly advised to invite additional suppliers, contractors, and consultants from their database to participate in procurements, including procurements that are advertised. The IFAD template for the GPN is available online from the IFAD website: [www.ifad.org/project-procurement](http://www.ifad.org/project-procurement).

### Other Critical Procurement Issues

657. **Comparison between National and IFAD Procurement Frameworks.** The Public Procurement in Zambia is governed by National Procurement Legal Framework consisting of Zambia's Public Procurement Act (PPA) No.8, 2020 amended by Act. 17 of 2023 and the Public Procurement Regulations, 2022. The procurement legal framework of Zambia covers most aspects of a well-functioning public procurement system. The PPA is generally consistent with international standards and provides for a range of competitive procedures at varying degrees of complexity. However, the PPA has major gaps in its application, transparency, and disclosure of procurement information/data, requirements for approvals from agencies such as the Attorney-General and the Zambia Public Procurement Authority (ZPPA), barriers to competition (forced association of foreign bidders with local firms or citizens), clarity and independence of the complaints-handling mechanism, and lack of judicial review of ZPPA's decisions. The PPA provides that any bidder who is aggrieved with a decision made by a procuring entity under the Act may appeal against the decision to the ZPPA and subsequently submit the matter to Arbitration if not satisfied with the ZPPA's decision. Therefore, final redressal of appeals on procurement matters, as per PPA Section 101, are to be determined by arbitration in accordance with the provision of the Arbitration Act.

658. Article 91 of the PPA provides for Preference and Reservation for schemes, to grant a margin of preference to target group (citizen, local suppliers, persons from region, citizen suppliers, enterprises owned by women or youth, SME etc.) to bidders offering goods/service/works with local content, restricting to target group etc. However, extent of

such preference or methodology of their application have not been defined by the national framework. IFAD procurement framework for such domestic preference shall apply for FIRIP.

659. The Zambia Public Procurement Authority (ZPPA) approves requests for many direct bidding methods and Deviations, which has a risk of PEs making use of this for use of less competitive methods and may lead to conflict of interest. FIRIP shall restrict the use of less competitive methods of procurement, and if they are unavoidable shall be included in the PP with due justification for IFAD prior review. Restrictions on the participation of foreign bidders in Open Competitive Biddings are inconsistent with IFAD procurement framework, as they have a risk of limiting competition. Provisions of IFAD Handbook, Clause 4 of Module F1: Procurement Methods for Goods, Works and Non-consulting services shall be applicable for FIRRIP.

660. ZPPA reported compliance issues with inconsistent use of procurement bid documents and adherence to evaluation and award criteria, which has a risk of non-compliant procurement. The prior review thresholds for FIRIP have been fixed based on the procurement risk rating for risk management. FIRIP procurements shall be in adherence to the evaluation and award criteria given in the bid documents.

661. Other deviations of the National Procurement Framework via-a-vis the IFAD Guidelines/Handbook have been detailed in the PRM and PPS and suitable mitigation measures have also been listed therein.

662. The national SBDs are not in full compliance with IFAD procurement framework for other IFAD policies. National SBDs will be suitably supplemented with IFAD's policies on "Preventing Fraud and Corruption", "Policy to preventing Sexual Abuse", "Anti", Anti-Money Laundering and Countering the financing of Terrorism Policy" etc.

663. The advertisement rules as per the National Procurement Law and the IFAD Guideline/Handbook requirement for various procurement methods as well as the SPDs to be used are listed below, with recommendations for the minimum period for bid submission and the SBD to be used for each method.

<b>Procurement method</b>	<b>National rules of advt. (Min.)</b>	<b>IFAD rules of Advt. (Min.)</b>	<b>Bid validity period</b>	<b>Recommendations (Min. Bid Submission Time)</b>	<b>SBD to be used</b>
International Competitive Bidding (ICB) - Goods	Six Weeks	45 days	120	45 days	National SBD
National Competitive Bidding (NCB) - Goods	4 Weeks	30 days	90	30 days	National SBD
National Shopping (NS) - Goods	4 Weeks	--	60	30 days	IFAD SPD
Request for Expression of Interest (REOI) for Consultancy Services	2 Weeks	14 days	90	14 days	IFAD SPD
Quality cum Cost Based Selection (QCBS) for Consultancy Services	4 Weeks for National Selection	45 days (International)	120	45 days (International)	National SBD

	6 Weeks for International Selection				
Pre-Qualification	2/3 Weeks	--	90	14 days	IFAD SPD

664. Regarding Sustainable Public Procurement (SPP), there is a mechanism to monitor application of SPP in a general way without any reference to SPP. There is no sustainable procurement's implementation plan. The risk will be mitigated as the project is designed in line with IFAD's SECAP guidelines. SECAP provisions are integrated in the procurement processes and guidance for SPOs is detailed in the PIM. These provide a roadmap for monitoring compliance. Additionally, the project will adhere to the Project Procurement Strategy detailed in the PIM which was developed in accordance with a PESTLE analysis taking into consideration environmental and social concerns. National SBDs will be amended to include mandatory reference to SECAP to ensure considerations of non-price attributes environmental and environmental/social characteristics.

665. **Extent of the application of national procurement rules under FIRIP.** The national framework (PPA, PPR, and other relevant legislation) will apply for procurements undertaken by FIRIP, to the extent that they are consistent with IFAD Project Procurement Guidelines/Handbook. National SBDs will also be used and will be amended for consistency with IFAD Guidelines. As is consistent with national regulations, FIRIP will use the ZPPA e-GP system for all project procurement.

666. **Publication of Notices.** All procurement notices are automatically published in the e-GP system, where they can be viewed by potential bidders free of charge. All FIRIP ICB procurements will be posted to UNDB as well as IFAD's website.

#### **Award of Grants/Loans**

667. **Selection of Grant or Refinancing Partners.** Procurements under matching grants should be undertaken with consideration that public funds are involved. Though the beneficiaries have a contribution to make to the matching grants, it is important that the GRZ takes a keen interest on how its contributions will be used as these are public funds. Public funds demand accountability, transparency, and prudence usage. As such, it is imperative that MoFNP and FIRIP provide oversight on procurements undertaken under IOF. Beneficiaries will form "Procurement Committees" to approve procurements.

#### **668. Grant Beneficiary Selection and Responsibilities of FIRIP and Beneficiaries:**

1. Beneficiary selection for the receipt of grants will be done by calling for Expression of Interest along with concept note, on selection of which detailed proposals will be called for. Selection at both the stages will be done by nominated committees and approved.
2. FIRIP PCU will have the responsibility to provide the necessary procurement training to the Implementing Partners (IP) to enable them carry out the delegated procurement function on agreed purchases as stipulated in each GA.
3. FIRIP PCU will remain responsible for reviewing, supervising, and guiding the Procurement, disbursement and physical implementation of the relevant activities carried out by the IP, thereby ensuring that integrity, transparency, and accountability are maintained.
4. **Micro-credit financing.** FIRIP will promote partnerships with financial providers including microfinance institutions. Micro-financing institutions will play an

important role in FIRIP under Component 2: Enhanced enabling environment for inclusive rural financial services.

669. **Procurement Procedure**

The Matching Grant beneficiaries will procure goods and consultancy services using conventional Commercial Practices defined below:

- (1). When procuring, the matching grant beneficiaries shall pay attention for the need for economy, efficiency and transparency, timing and quality of the procured goods and consultancy services.
- (2). IPs that are public organizations shall follow Public Procurement procedures by the Zambia Public Procurement Authority (ZPPA).
- (3). IPs that are Private organizations to follow procurement procedures by the International Fund for Agricultural Development (IFAD) and shall obtain necessary approvals from IFAD for goods more than or equal to USD50,000 and works more than or equal to USD100,000 and services more than or equal to USD30,000
- (4). Where the cost of the services, goods or works is less than the preceding thresholds, the IP will seek the approval of FIRIP Procurement Specialist.
- (5). Before the beginning of the FY, the grant recipients shall prepare their annual procurement plan and submit it for the review and approval of FIRIP. Activities listed in the approved PP only can be procured against the grant. They shall revise the PP as and when required and submit the same for approval again to FIRIP.
- (6). IPs without Procurement Professionals will be required to appoint an officer within their institution to oversee all procurements under the FIRIP matching grant. The officer will be required to get approval from FIRIP Procurement Specialist for all procurements for goods and works less than K500,000 and services less than K300,000. All procurements above the preceding thresholds will be undertaken by FIRIP for the IP.
- (7). The governing principle in the selection of vendors/individuals will be based on consideration of price, quality, reliability, and performance. The contract award shall be made to the lowest responsive and qualified bidder. If award is made not to lowest responsive bidder, a justification note shall be filed in the documents. Matching grant beneficiaries shall not award contracts to their parent or affiliate companies unless there is an established arm's length arrangement.
- (8). The matching grant funds shall not be used for the procurement of second hand or refurbished goods. Beneficiaries shall ensure that the matching grants funds are only used to procure goods and consultancy services necessary to carry out the project and that they are procured in the most economical and efficient and transparent manner.
- (9). Grant recipients shall submit monthly reports on the procurement using the grant fund with details thereof.
- (10). All contract information and project-related facilities shall be available to FIRIP/MOFs staff and auditors for their review. FIRIP Procurement Unit shall routinely sample and monitor procurements under matching grants.
- (11). FIRIP will be conducting regular visits to ensure that all procurements are being conducted in accordance with the aforementioned procedures. Therefore, all IPs will be required to keep records for all procurements.

670. **Internal Controls.** In order to guarantee transparency of procurement, the following internal controls will be put in place:

- (i) Developing a simple procurement plan for each IP activity endorsed by the IP Procurement Committee.

- (ii) Informing the beneficiaries whenever goods are procured, the source, its prices and when delivered and
- (iii) Rotating procurement committee of the beneficiaries to ensure that no cliques form and that the committee adheres to procurement procedures. The chairperson of the procurement committee will not be a signatory to the beneficiary bank account but should be responsible for sanctioning procurement and ensuring that procurement is done according to plan.

## **Procurement Principles and Ethics**

671. **Transparency, Competition, Fairness and Elimination of Arbitrariness.** Public buying should be conducted in a transparent manner to bring competition, fairness and elimination of arbitrariness in the system. This will enable the prospective bidders to formulate competitive bids with confidence. FIRIP will ensure that suppliers and contractors are given an acceptable opportunity to partake in a competitive bidding process under conditions of fairness and equality. FIRIP procurement will be open to as many eligible bidders as reasonable to comply with the principles and requirements of competition. FIRIP shall follow important measures listed below to achieve the same and, thus, secure best value for money:

- i. Procurement processes are managed with a consistent approach and in compliance with the national laws, regulations, and financing requirements, offers conditions that allow for genuine competition; and all bidders are treated in a fair, impartial and unbiased manner so that the principles of impartiality and equal opportunity can be applied and demonstrated in all procurement activities.
- ii. The text of the bid document/Request for Proposals (RFP) should be user-friendly, self-contained, comprehensive, unambiguous, and relevant to the procurement's objective. The use of terminology used in common parlance in the industry should be preferred;
- iii. The specifications of the required goods should be framed giving sufficient details in such a manner that it is neither too elaborately restrictive as to deter potential bidders or increase the cost of purchase nor too sketchy to leave scope for sub-standard supply. The specifications must meet the essential requirements of the project. Efforts should also be made to use standard specifications, which are widely known to the industry;
- iv. The bid document/Request for Proposals should clearly mention the eligibility criteria to be met by the bidders such as minimum level of experience, past performance, technical capability, manufacturing facilities, financial position, ownership, or any legal restriction etc.;
- v. Restrictions on who is qualified to bid should conform to extant Government policies and be judiciously chosen so as not to stifle competition amongst potential bidders.
- vi. The procedure for preparing and submitting the bids/RFP; deadline for submission of bids/proposals; date, time & place of public opening of bids/proposals; requirement of earnest money and performance security; parameters for determining responsiveness of bids; evaluating and ranking of bids and criteria for full or partial acceptance of bid and conclusion of contract should be incorporated in the bid enquiry in clear terms.
- vii. Bids should be evaluated in terms of the criteria already incorporated in the bid document, based on which bids have been received. Any new condition, which was not incorporated in the bid document, should not be brought into consideration while evaluating the bids.
- viii. Sufficient time should be allowed for the bidders to prepare and submit their bids.



- ix. Suitable provisions should be kept in the bid document allowing the bidders reasonable opportunity to question the bid conditions, bidding process, and/or rejection of its bid and the settlement of disputes, if any, emanating from the resultant contract.
- x. It should be made clear in the bid document that bidders are not permitted to alter or modify their bids after expiry of the deadline for receipt of bid till the date of validity of bids.
- xi. Negotiations with the bidders for procurement of goods and works must be avoided. In the case of consultancy services negotiations should be conducted with the highest combined ranked consultant, to clarify certain aspects of reporting, agreement on the Accountability Matrix and to confirm the team of experts proposed.
- xii. The name of the successful bidder to whom the contract is awarded should be appropriately notified by the PCU for the information of the general public, including display on noticeboards, periodical bulletins, website etc.

672. The highest degree of transparency and openness will be applied in all FIRIP procurement processes. A lack of transparency will be perceived as an attempt to withhold information, which in turn may compromise fairness and integrity of the procurement process. Transparency within procurement relates to disclosure in the public domain of information for all parties involved, interested in, or affected by the procurement process, including but not limited to information on:

- (i) The availability of procurement opportunities;
- (ii) Where to access relevant data;
- (iii) The processes with which the procurement will be undertaken;
- (iv) The mechanisms by which contracts will be awarded;
- (v) Contract award data; and
- (vi) Appeal procedures (debriefs and protests).

673. FIRIP will strive to carry out the procurement process openly, predictably and in accordance with the information provided. FIRIP project staff and other stakeholders dealing with the project procurement will be responsible and accountable for all actions and decisions in connection with project procurement activities. This includes, but is not limited to ensuring:

- (i) That project funds are used solely for the purpose for which it was provided;
- (ii) That procurement is undertaken in accordance with the relevant legal framework and project financing agreement.

674. FIRIP will not tolerate exclusion, discrimination, bias, prejudice, favoritism or unequal treatment of any potential supplier or contractor, either directly or indirectly, through manipulation of any part of the procurement process, including (but not limited to) the preparation of technical specifications, evaluation criteria or bidding requirements. Where any such activity is suspected or proven, FIRIP will take suitable preventive, corrective or remedial action allowed under the legal and operational framework.

675. **Efficiency, Economy, and Accountability.** Public procurement procedures must conform to exemplary norms of best practices to ensure efficiency, economy, and accountability in the system. The FIRIP program will demonstrate efficiency and economy regarding the implementation of project procurement activities to avoid implementation

delays and to maximize "**value for money.**" Project procurement will be well organized and carried out correctly with regard to quantity, quality and timeliness, at an optimum price. Processes will be proportionate to the procurement activity in order to minimize the overall cost of conducting the procurement process and tailored to the budget for each activity. Efficiencies can be gained through a combination of procurement methods.

676. To achieve this objective, the following key areas will be taken care of:

1. To reduce delays, PCU will prescribe appropriate time frame for each stage of procurement; delineate the responsibility of different officials and agencies involved in the purchase process and delegate, wherever necessary, appropriate purchase powers to the lower functionaries with due approval of the competent authority.
2. PCU will ensure conclusion of contract within the original validity of the bids.
3. Extension of bid validity must be discouraged and resorted to only in unavoidable, exceptional circumstances with the competent authority's approval after duly recording the reasons for such extension.

677. FIRIP will seek to obtain the best value for money for all project procurement activities by:

- (i) Applying sound procurement principles;
- (ii) Ensuring that the goods, works, or services procured meet the requirements of the activity and are contracted on the best possible terms, taking into account their expected life cycle;
- (iii) Ensuring that the provider of the goods, works or services is qualified, legally entitled, and competent to enter into and execute the contract.

678. **Eligibility.** Firms/Entities/Individuals from any country are eligible to participate in this Project,

except:

- (i) as a matter of law or official regulation, Zambia prohibits commercial relations with that country, or
- (ii) by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, Zambia prohibits any import of goods from, or payments to, a particular country, person, or entity. Where Zambia prohibits payments to a particular firm or for particular goods by such an act of compliance, that firm may be excluded; and
- (iii) Those who are included in the IFAD's debarred list or common debarment list agreed with other IFIs (international financing institutions).

679. **Combatting Corruption and Sexual Harassment.** Zambia scored 37/100 on Transparency International's Corruption Perceptions Index for 2023 (98/180 countries). It is GoZ's policy to require that procuring entities (including any beneficiaries of the funds), as well as bidders, suppliers, and contractors and their agents (whether declared or not), personnel, subcontractors, sub-consultants, service providers and suppliers under government-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. The national framework provides detailed definitions of corruption as well as processes for the cancellation of procurement procedures in the event of corruption or fraud. National SBDs contain contractual provisions concerning fraud, corruption, and other prohibited practices defined in the legal framework.

680. The IFAD Procurement Guidelines and Anti-Corruption Policy, which are adapted to this Project through the Financing Agreement and IFAD General Conditions for Agricultural Development Financing, require zero tolerance to prohibited practices. Therefore, the procurement process also requires a strict adherence to these Guidelines and Policy.

681. **Prohibited Practices.** The MoF, FIRIP, Implementing Agencies/Partners, as well as bidders, potential bidders, suppliers, grant recipients, contractors and consultants financed through the proceeds of this Project, shall observe the highest standard of ethics during the selection and execution of such contracts/grants.

682. **Pursuant to this policy, the following provisions shall be applied throughout the project implementation:** For the purpose of this provision, the terms set forth below are defined:

- i. **"Corrupt Practices"** mean the offering, giving, receiving, or soliciting directly or indirectly of anything of value to influence improperly the actions of another party.
  - ii. **"Fraudulent Practices"** is any act or omission including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation.;
  - iii. **"Collusive Practices"** is an arrangement between two or more parties, designed to achieve an improper purpose, including to influence improperly the actions of another party;
  - iv. **"Coercive Practices"** is impairing or harming, or threatening to impair or harm, directly or indirectly, any party, or the property of the party to influence improperly the actions of a party.
  - v. **"Obstructive Practices"** mean: deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an IFAD investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice; and/or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or acts intended to materially impede the exercise of the IFAD's inspection and audit rights provided for under sub-clause (e) below.
- (b) The Borrower and IFAD will reject a proposal for award if it determines that the bidder or consultant recommended for award, or any of its personnel. Or its agents, or its sub-consultants, subcontractors, service providers, suppliers and/or their employees has directly or indirectly engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question;
- (c) IFAD will declare mis-procurement and cancel the portion of the loan allocated to the contract if it determines at any time that representatives of the borrower or of a recipient of any part of the proceeds of the loan engaged in corrupt, fraudulent, coercive, collusive or obstructive practices during the procurement or implementation of the contract in question without the borrower having taken timely and appropriate action satisfactory to the DP to address such practices when they occur, including failing to inform the DP in a timely manner at the time they knew of the practices.
- (d) IFAD will declare a consultant or firm ineligible, either indefinitely or for a stated period of time, to be awarded a future IFAD financed contract if it at any time determines that the bidder, supplier, contractor, service provider or consultant has engaged in corrupt, fraudulent, coercive, collusive or obstructive practices in competing for, or in executing, an IFAD-financed contract; and (e) All contracts financed out of the proceeds of Project has a provision requiring supplier, contractor or consultants to permit both the Borrower and IFAD to jointly or separately inspect their accounts and records relating to the performance of the contract and to have them audited by auditors appointed by the MoF and/or IFAD.

683. All staff involved in the procurement process has a duty to report to the Program Co-Ordinator and IFAD (i.e., through its Country Representative) for any suspected instances of prohibitive practices when identified.

684. In the case of collusive behaviour, if the evidence suggests that all or some of the bidders or consultants are involved, the evidence should be reviewed by the Mission Director, and if necessary, the procurement process is cancelled, and all the involved firms or individuals are sanctioned which could be up to the debarment. If the procurement is still in process, then the procurement must be cancelled and reinitiated only after the matters have been addressed properly.

685. **Complaint Handling Mechanisms (CHM).** There are three distinct types of complaints that are typically found in a Project; i.e.,

- (a) complaints concerning bid protest from aggrieved contractors, suppliers, service providers and consultants, which are addressed during or immediately after the bid process,
- (b) performance disputes, which are governed by the General Conditions of Contract (GCC) and Special Conditions of Contract (SCC), and,
- (c) non procurement related complaints from any parties, which are addressed in the PIM.

686. A complaint is any notification regarding an alleged illegal or improper procurement action and/or conduct of procurement officials, consultants, and/or sub-contractors directly or indirectly supporting a project or associated with its implementation, which the complainant believes is wrong, either under the law or on the grounds of unacceptable behaviour.

687. The Implementing Agency (MoF) shall ensure the confidentiality of any complainant and shall hold harmless any person reporting a complaint, oftentimes referred to as a "whistle blower", with provisions to shield complainant(s) or public official(s) from retaliation when they provide information that they reasonably believe to be a violation of the provisions of the agreed procedures.

688. All procurement related complaints shall be addressed to the Program Co-Ordinator, to which the FIRIP shall respond within 7 business days. If FIRIP needs more time due to complex investigation related to the complaints, then it shall state so in writing to the complainants, but in any case, a complaint shall be put into closure within 30 business days.

689. The complainant need not be personally aggrieved or impacted and may be acting merely in accordance with a sense of civic duty, such as an NGO or private citizen, in bringing an occurrence to the attention of project authorities.

690. All complaints, whether notified by persons who feel personally aggrieved or acting out of a sense of civic duty, will be acknowledged, and acted upon by responsible authorities in accordance with the procedures specified in this section.

691. Concerning bid protests, from time to time, with and without justification bidders, suppliers, contractors, service providers and consultants may choose to lodge a complaint concerning some aspect of the contract award process. In the event the contract has been awarded and a contractual relationship exists between the parties, there are established dispute mechanisms in the GCC that shall be followed, up to and including judicial review.

692. A formal mechanism to satisfactorily respond to bid protest complaints must be followed, consistent with this Manual and the steps to be followed by aggrieved bidders,

suppliers, contractors, and consultants in the complaints' procedure will be specified in the Bid/Request for Proposal documents.

693. **Conflicts of Interest.** A firm/entity/individual participating in a procurement process under FIRIP shall not have a conflict of interest. Any firm/entity/individuals found to have a conflict of interest shall be ineligible for award of a contract.

694. A conflict of interest is a situation in which a party has interests that could improperly influence that party's performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations, and that such conflict of interest is not acceptable under the FIRIP program. The Borrower will take appropriate actions to manage such conflicts of interest which may include rejecting a proposal for award if it determines that a conflict of interest has flawed the integrity of any procurement process.

695. A firm shall be considered to have a conflict of interest in a procurement process if:

- (a) such firm is providing goods, works, or non-consulting services resulting from or directly related to consulting services for the preparation or implementation of a project that it provided or were provided by any affiliate that directly or indirectly controls, is controlled by, or is under common control with that firm.; or
- (b) such firm submits more than one bid, either individually or as a joint venture partner in another bid, except for permitted alternative bids. This will result in the disqualification of all bids in which the Bidder is involved; or
- (c) such firm (including its personnel) has a close business or family relationship with a professional staff of the MoF (or of the project implementing agency, or of a recipient of a part of the loan) who: (i) are directly or indirectly involved in the preparation of the bidding documents or specifications of the contract, and/or the bid evaluation process of such contract; or (ii) would be involved in the implementation or supervision of such contract unless the conflict stemming from such relationship has been resolved acceptable to IFAD throughout the procurement process and execution of the contract; or
- (d) such firm does not comply with any other conflict of interest situation as specified in the Bidding Documents relevant to the specific procurement process.

696. It is the duty of all project staff, and any other public employee directly or indirectly involved with the procurement process and particularly the preparation of bid documents, bid evaluation, contract negotiations, contract management and payments to avoid any potential conflicts of interest. A conflict of interest arises when the individual has a direct or indirect relationship with a bidder, consultant, contractor, service provider or supplier.

697. In the event that a project staff or a member of the PC or an employee who is directly involved with the procurement process feels that there is the potential for a conflict of interest they shall declare it to the PC and remove themselves from the procurement process.

698. **Standard of Business Ethics.** All MoF/FIRIP staff and consultants involved in procurement activities shall observe the Code of Business Ethics as outlined below.

699. No individual shall use his/her authority or office for personal gain. Personal gain includes accepting or requesting anything of material value from bidders, prospective bidders, or suppliers for the individual, his or her spouse, parents, children, or other close

relatives, or for other persons from whom the individual might gain direct or indirect benefit of the gift.

700. An individual shall seek to maintain and enhance the reputation of the Government by:

1. Maintaining the highest standards of honesty and integrity in all relationships both inside and outside the Entity in which he works;
2. Developing the highest standards of professional competence; and
3. Using funds and other resources for which he/she is responsible to provide the maximum benefit to the Government.

701. **Conflict of interest** - An individual shall declare any personal interest that may affect or might reasonably be deemed by others to affect impartiality in any matter relevant to their duties.

702. **Disclosure of personal relationships** - an individual shall declare any relationship with a bidder, supplier, contractor, service provider or consultant and shall take no part in either the decision-making process or the implementation of any contract where such a relationship exists. A personal relationship is defined as consanguinity or affinity up to the third civil degree.

703. **Confidentiality and accuracy of information** - An individual shall respect the confidentiality of information gained in the course of duty and shall not use such information for personal gain or for the unfair benefit of any bidder, supplier, contractor, or consultant. Information given by an individual in the course of their duty shall be true, fair, and not designed to mislead.

704. **Competition** - All bidders, suppliers, contractors, and consultants shall be treated with fairness and impartiality and avoid any business arrangement that might prevent the effective operation of fair competition.

705. **Business gifts** - No business gifts will be accepted from current or potential Government suppliers unless such gifts are of very small intrinsic value (normally below US\$ 50 equivalent).

706. **Hospitality**. An individual shall avoid any business hospitality would be viewed by others as having an influence in making a government business decision as a result of accepting that hospitality.

707. **Reporting** - All individuals have a moral and ethical responsibility to report any unethical conduct by a colleague, a bidder or a supplier to their superiors, oversight agencies, IFAD or to the auditors.

708. **Examples of Unethical Conduct** - The following are examples of the type of conduct prohibited by this Code of Ethics:

- i. Revealing confidential or "inside information" either directly or indirectly to any bidder or prospective bidder;
- ii. Discussing a procurement with any bidder or prospective bidder outside the official rules and procedures for conducting procurements;
- iii. Favouring or discriminating against any bidder, prospective bidder, or consultant in the Preparing of technical specifications, terms of reference or standards or the evaluation of bids and proposals;
- iv. Destroying, damaging, hiding, removing, or improperly changing any formal procurement document;

- v. Accepting or requesting money, travel, meals, entertainment, gifts, favours, discounts, or anything of material value from bidders or prospective bidders, suppliers, contractors, or consultants;
- vi. Discussing or accepting future employment with a bidder or prospective bidder, suppliers, contractors, or consultants;
- vii. Requesting any other person to violate the public procurement rules or procedures;
- viii. Ignoring evidence that the Code of Ethics has been violated; and
- ix. Ignoring illegal or unethical activity by bidders or prospective bidders, suppliers, contractors, service providers or consultants, including any offer of personal inducements or rewards or otherwise.

709. **Preventing Sexual Harassment and Exploitation.** The FIRIP requires that all beneficiaries of IFAD Funding, including the client and any consultants, implementing partners, service providers, suppliers, sub-suppliers, contractors, sub-contractors, sub-consultants, and any of their agents (whether declared or not) and personnel comply with IFAD's Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse. Thus, IFAD's Policy on Preventing Fraud and Corruption, Code of Conduct, and Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation, and Abuse apply to all project and procurement activities undertaken by FIRIP. Bidders and contractors are required to sign the Self-Certification Forms on anticorruption and SH/SEA.

710. PCU and IPs, suppliers and consultants shall take all appropriate measures to prevent and prohibit sexual harassment and sexual exploitation and abuse on the part of their personnel and subcontractors or anyone else directly or indirectly employed by them or any of subcontractors in the performance of the contract. Beneficiaries, Service Providers, and consultants shall immediately report to the PCU/MoF/GoZ or IFAD any incidents of sexual harassment and sexual exploitation and abuse arising out of or in connection with the performance of the contract or prior to its execution, including convictions, disciplinary measures, sanctions, or investigations. The FIRIP may take measures, including immediate termination of the contract, against the consultant, its personnel or any subcontractors, if at any time the FIRIP becomes aware of proven acts of sexual harassment, sexual exploitation and abuse by the consultant and/or its personnel, directly or through an agent, in competing for, or in performance of, this contract.

711. PCU shall establish a Committee (with adequate representation of women) to review and recommend further steps of disciplinary measures or investigations. All complaints (anonymous or identified) should be recorded, and action taken within the time limit prescribed in the national law/State law. In addition, all such complaints and the action taken thereof should be reported to IFAD. The responsibility of reporting for these is with the Program Coordinator.

712. **Record keeping:**

1. Keeping accurate records and evidence is key to a transparent and auditable procurement process. It is therefore mandatory to keep accurate records of all procurement process communications and use a procurement reference numbering system to ensure a transparent and auditable procurement process.
2. Record-keeping of correspondence and communications are critical for effective management of relations with bidders, suppliers, contractors, and consultants since these may commit or bind originators and recipients to a course of action which can have legal, contractual, or financial implications.
3. Documentary records in hard copy or electronic format are therefore essential for efficient and effective management, as they provide the necessary evidence to support decision-making and action. Moreover, they provide an audit trail that permits the verification of transparency, accountability, and effectiveness.

4. The IFAD require that the Lead Project Agency and/or the Government Department retain documents and records for IFAD review at any time within 10 years of bid or contract completion.
5. The PCU shall use the e-GP system for all project procurements, which stores the procurement related records/documents.
6. All procurement records/files/documents as listed at Annex-2 shall be maintained by the Lead Implementing Agency, Service Providers, Implementing Partners etc.

### **Procurement Transactions – Institutional Setup and RACI**

713. **Delegated Procurement Responsibilities to local entities.** Procurement at the project level in FIRIP will be handled at the PCU Procurement Unit and no delegation of procurement responsibilities are foreseen to local entities. Field officers will be procuring low value day-to-day operation goods and services like fuel for vehicles, vehicle maintenance following the provisions of the national procurement law.

714. **Implementing Partners.** Ministry of Finance is the lead implementing agency. MoAs will be entered with other implementing partners like Ministry of Agriculture, Ministry of Fisheries and Livestock, Bank of Zambia (BOZ), Zambia Information and Communication Technology Agency (ZICA) and others. Strategic partners for implementation of Component 2.1: Enhanced Enabling Environment for Inclusive Rural Financial Services will be selected on need basis.

715. **Accounting for Procurement by Partners / Grant Beneficiaries.** The Matching Grant beneficiaries will procure goods and consultancy services using conventional Commercial Practices defined below:

1. When procuring, the matching grant beneficiaries shall pay attention for the need for economy, efficiency and transparency, timing and quality of the procured goods and consultancy services.
2. IPs that are public organizations shall follow Public Procurement procedures by the Zambia Public Procurement Authority (ZPPA).
3. IPs that are Private organizations to follow procurement procedures by the International Fund for Agricultural Development (IFAD) and shall obtain necessary approvals from IFAD for goods more than or equal to USD50,000 and works more than or equal to USD100,000 and services more than or equal to USD30,000.
4. Where the cost of the services, goods or works is less than the preceding thresholds, the IP will seek the approval of FIRIP Procurement Specialist.
5. Before the beginning of the FY, the grant recipients shall prepare their annual procurement plan and submit it for the review and approval of FIRIP. Activities listed in the approved PP only can be procured against the grant. They shall revise the PP as and when required and submit the same for approval again to FIRIP.
6. IPs without Procurement Professionals will be required to appoint an officer within their institution to oversee all procurements under the FIRIP matching grant. The officer will be required to get approval from FIRIP Procurement Specialist for all procurements for goods and works less than K500,000 and services less than K300,000. All procurements above the preceding thresholds will be undertaken by FIRIP for the IP.
7. The governing principle in the selection of vendors/individuals will be based on consideration of price, quality, reliability, and performance. The contract award shall be made to the lowest responsive and qualified bidder. If award is made not to lowest responsive bidder, a justification note shall be filed in the documents. Matching grant beneficiaries shall not award contracts to their parent or affiliate companies unless there is an established arm's length arrangement.
8. The matching grant funds shall not be used for the procurement of second hand or refurbished goods. Beneficiaries shall ensure that the matching grants funds are only used to procure goods and consultancy services necessary to carry out the



project and that they are procured in the most economical and efficient and transparent manner.

9. Grant recipients shall submit monthly reports on the procurement using the grant fund with details thereof.
10. All contract information and project-related facilities shall be available to FIRIP/MOFs staff and auditors for their review. FIRIP Procurement Unit shall routinely sample and monitor procurements under matching grants.
11. FIRIP will be conducting regular visits to ensure that all procurements are being conducted in accordance with the aforementioned procedures. Therefore, all IPs will be required to keep records for all procurements.

716. **Internal Controls.** To guarantee transparency of procurement, the following internal controls will be put in place:

- Developing a simple procurement plan for each IP activity endorsed by the IP Procurement Committee.
- Informing the beneficiaries whenever goods are procured, the source, its prices and when delivered and
- Rotating procurement committee of the beneficiaries to ensure that no cliques form and that the committee adheres to procurement procedures. The chairman of the procurement committee will not be a signatory to the beneficiary bank account, but should be responsible for sanctioning procurement and ensuring that procurement is done according to plan.

### **Institutional Setup, Roles, and Responsibilities**

717. **Evaluations Committees.** For undertaking procurement actions during the preparatory phase (pre-project) and during implementation phase, the following Committees should be established.

718. **Bid/Proposal Opening Committee:** This should have a maximum of 3 members and one member being Procurement Specialist/Officer. Alternate members in case of non-availability of the initial members should also be indicated.

719. **Technical Evaluation Committee (>ZMW500,000):** There should be a minimum of 3 and a maximum of 5 members in the TEC. Procurement Specialist at PCU level and Procurement staff at Implementing Partner level will be the Member Secretary of this Committee to advise and guide the members on the procedures and prepare documentation. Members exceeding five are normally not recommended, but for complex procurement involving inter-disciplinary themes, justification with the approval of the Permanent Secretary, MOF could be considered. All members of the Technical Evaluation Committee shall comply to the ethical standards and sign a declaration of impartiality and confidentiality for each procurement action any perceived conflict of interest to be declared prior to start of evaluation of bids/proposals.

- FIRIP in consultations with MOF will suggest Technical Evaluation Committees (TEC) members.
- The TEC will comprise of staff from key user departments at MOF and FIRIP;
- The TEC will be appointed by the Permanent Secretary of MoF;
- The TEC will submit their technical evaluation report to the Ministry Procurement Committee through the MOF Procurement & Supplies Unit / PCU.
- The TEC report and award for contract by MPC are then submitted to IFAD for final approval before contract award is made to the vendor.

720. Anyone involved in authorizing, clearing or approving evaluations or evaluation reports – such as the procuring entity's authorizing officer or the head of the project coordination unit/project implementation unit/project management unit – is precluded from membership in the TEC because of a perceived, potential, or actual conflict of interest.

Persons who participate in the preparation of the procurement documents generally have conflicts of interest and may not therefore be allowed to participate in the TEC for such procurement activities.

721. **IFAD Funded PCU Key Staff Selection.** The Financing Agreement for FIRIP designates the staff considered as "Key Staff" for project implementation. Typically, staff responsible for financial management, procurement, M&E and SECAP related compliance, besides the Program Co-Ordinator are considered as 'Key Staff.' Key PCU staff can be recruited using a consulting contract which is subject to IFAD No objection. The recruitment must follow an open, competitive and transparent process. The terms of reference, engagement process (advertisement, evaluation of CVs, shortlisting, and final selection) will require IFAD no objection.

722. **Procurement Roles and Responsibilities, and Terms of Reference (TORs):**

<b>Implementer</b>	<b>Role and Responsibility</b>
<b>FIRIP PCU</b>	<ol style="list-style-type: none"> <li>1. <b>Coordinate all procurement activities for the Program;</b></li> <li>2. <b>Receiving and issuing of all project items;</b></li> <li>3. <b>Engagement in the preparation of the AWPB to be aligned with the PP;</b></li> <li>4. <b>Preparing and updating procurement plans in consultation with user departments;</b></li> <li>5. <b>Preparing bids/RFP documents;</b></li> <li>6. <b>Preparing and publishing procurement opportunities;</b></li> <li>7. <b>Handling bid opening;</b></li> <li>8. <b>Preparing contract documents in line with award decisions;</b></li> <li>9. <b>Responding to bidders' complaints;</b></li> <li>10. <b>Ensuring that contract awards are published;</b></li> <li>11. <b>Monitoring contract management;</b></li> <li>12. <b>Securing requisite approvals from the MPC, and/or IFAD where applicable;</b></li> <li>13. <b>Acting as secretariat to the procurement and Evaluation Committees;</b></li> <li>14. <b>In consultation with the user departments, nominate Evaluation Committee members for approval by MOF;</b></li> <li>15. <b>Managing contract negotiations;</b></li> <li>16. <b>Reviewing requests for contract amendments and variations and advising the MPC on their approval;</b></li> <li>17. <b>Ensuring procurement records are filed;</b></li> <li>18. <b>Management of supplier relationships;</b></li> <li>19. <b>Any other procurement related activity.</b></li> <li>20. <b>Carry out procurement activities in OPEN system including preparation of PP, NO request for various stages of procurement etc.</b></li> </ol>

<b>Ministry Procurement and Supplies Unit</b> <b>(for procurement &gt;K50,000)</b>	<ol style="list-style-type: none"> <li>1. <b>Provide secretarial services to the MPC;</b></li> <li>2. <b>Assign a desk officer for the FIRIP program who will also represent the Program on the MOF, MPC secretariat;</b></li> <li>3. <b>In liaison with FIRIP PCU manage bidding process, including pre-bid meetings, clarifications, receipt and opening of bids;</b></li> <li>4. <b>Assist in preparation of Bid documents, bid notices, short-list, evaluation reports, contract award recommendations and contracts;</b></li> <li>5. <b>Manage the evaluation of bids and any post qualification or negotiations;</b></li> <li>6. <b>Have an input in the FIRIP Procurement Plan;</b></li> <li>7. <b>Assist to manage contracts;</b></li> <li>8. <b>Assist in preparation of Bid documents, bid notices, short-list, evaluation reports, contract award recommendations and contracts;</b></li> <li>9. <b>Manage the evaluation of bids and any post qualification or negotiations;</b></li> <li>10. <b>Assist with receiving and issue of all procured items for the project;</b></li> <li>11. <b>Assist to manage contracts.</b></li> </ol>
<b>User Departments</b>	<ol style="list-style-type: none"> <li>1. <b>Preparation of Specifications/TORs for review by PCU and IFAD;</b></li> <li>2. <b>Assist in evaluation of bids;</b></li> <li>3. <b>Assist in managing contracts.</b></li> </ol>
<b>MPC</b>	<b>To authorize procurements above K50,000</b>
<b>ZPPA</b>	<b>Procurement Audits and Policy Guidance</b>
<b>Ministry of Justice</b>	<b>Review of contract documents</b>
<b>IFAD</b>	<b>Provide prior review for tenders above USD50,000 for Goods, USD100,000 for works, USD30,000 for consulting services and USD15,000 for ICS.</b>

723. TOR for the PCU Procurement Specialist is provided at Annexure-11.

## 6.5 PROCUREMENT IMPLEMENTATION

724. **Procurement implementation.** The Procurement Unit is the primary responsible unit for preparing and implementing the procurement activities under the project. It shall be staffed by a well-qualified and experienced Procurement Specialist, supported by a Procurement Assistant. The Unit should have physical and/or electronic copy of the following:

- i. GRZ Public Procurement Act. Of 2020 amended in 2023;
- ii. GRZ Public Procurement Regulations, 2022;
- iii. IFAD Procurement Guidelines, 2020;
- iv. IFAD Procurement Handbook, 2021;
- v. Initial and all updates of the Project Procurement Arrangements Letter issued by the IFAD;
- vi. Financing Agreement and its amendments;
- vii. Project Agreement;
- viii. Project Implementation Manual approved by IFAD;
- ix. GRZ Standard Bidding Documents and templates issued by the ZPPA/IFAD.

725. Immediately after signing of the Financing Agreement and Project Agreement, FIRIP Procurement Unit should prepare and issue General Procurement Notice (GPN). Template for GPN is included in IFAD templates. GPN could be advertised in leading newspapers and on the website of the project.

726. Responses from interested suppliers/bidders should be organized under each of the Procurement Groups and when the procurement activity is implemented, FIRIP shall ensure that the interested suppliers are notified to participate in the bidding process, if they are still interested.

727. **Engagement of Government agencies.** Memorandum of Agreement (MOA) is a form of procurement contract entered between the borrower and a party or parties of special legal status like a ministry, state agency, UN agencies or other international organizations. The MOA specifies the exact service outputs to be delivered, the delivery schedule and stipulates the corresponding service fees and payments over a specified period.

728. Used typically for specialized non-commercially operating providers of a special legal status. The use of MOA with private firms is not permitted. Justification to ensure the best value for money for the project compared to a competitive procurement process involving the private sector. Payment of any kind of salary to government staff is prohibited. Their DSA/per diem, travel, and related expenditures to deliver the services or activities specified in the MOA are permissible.

729. The MOA is written in the template (Letterhead) of the originating ministry/state entity. The MOA cannot be legally enforced in normal courts; therefore, the risk of non-compliance

needs to be reduced as much as possible. Clear payment modalities (time-based or output-based) and payment schedule needs to be included with last (final) payment after full delivery and acceptance. The MOA should automatically terminate after its expiry (maximum 12 months) and without any automatic extension. If needed, the MOA can be extended beyond 12 months, but any extension is subject to positive performance evaluation and completion of identified deliverables. Delay in performance should not be a reason for extension beyond 12 months.

730. Initial engagement and extension are subject to IFAD prior review irrespective of value and must be supported with a strong justification why entering into a MOA with the designated entity represents the best option and best value for money for the project compared to a competitive procurement process.

### **Procurement Process**

#### **731. Procurement of Goods & Non-Consulting Services above Threshold.**

1. The Terms of reference (TOR) and Technical Specifications will be developed by the User Department with involvement of the Procurement Specialist;
2. TORs for services above \$30,000 & Specifications for goods above \$50,000 and \$100,000 for works will require "No Objection" from IFAD together with the respective Bid document;
3. Clearance of Request for Proposals (RFP) and Bidding documents for goods with the specified values above these values need "No objection" from IFAD;
4. FIRIP will make formal requests to MOF to undertake procurements of consultancies and goods above K50,000;
5. The Ministry Procurement Committee (MPC) shall grant "No objections" for procurements above FIRIP thresholds before FIRIP can affect the procurements; and
6. Upon MPC approval of procurements IFAD shall review the procurement for "No objection" before contract is signed by Permanent Secretary at MoFNP.

### **Review and approval of Procurement Plan (PL)**

1. The annual PP will be drafted from the AWPB, with stakeholders from FIRIP/Partners.
2. The AWPB and PP will be presented to the Program Steering Committee (PSC) for approval before implementation.
3. IFAD will review and grant a No objection before the PP can be implemented.

732. **Prior review by IFAD.** In accordance with paragraphs 49, 66 and 67 of the IFAD Project Procurement Guidelines and IFAD's Procurement Handbook, the following will be subject to prior review by IFAD and requires IFAD's No Objection:

1. Procurement Plans submitted as part of AWPB and any subsequent amendment of these plans;
2. General Procurement Notices;
3. The TOR (Job Description), Advertisement and selection proceedings for the hiring of any staff responsible for carrying out or administering procurement processes as part of the project;
4. Award of any Memorandum of Agreement irrespective of its value;
5. Award of any contract for goods and goods-related non-consulting services estimated to cost US\$ 50 000 or more;

6. Award of any contract for works and works-related non-consulting services estimated to cost US\$ 100,000 or more;
7. Award of any contract for consulting services provided by firms estimated to cost US\$ 30,000 or more;
8. Award of any contract for individual consulting services estimated to cost US\$ 15,000 or more;
9. Other considerations elaborated in the Project Procurement Arrangements Letter.

733. **Methods of Procurement – Goods, Works and NCS.** The choice of Procurement Methods will depend on the value of the procurement to be undertaken. There are many procurement methods and circumstances appropriate to each procurement method for goods, works and services. The correct choice of procurement method at the outset of the procurement activity is therefore an important factor in the success of the exercise as an incorrect decision could have a negative impact on the bidding process.

734. FIRIP will follow the GRZ procurement processes as specified in the Public Procurement Act 2020 as amended in 2023 and the Public Procurement Regulations of 2022, but will at all stages ensure that the processes conform to the best practices as described in the IFAD Procurement Handbook. GRZ templates approved by IFAD will be used in the process. The GRZ SBDs shall be suitably amended to include provisions related to IFAD SECAP requirement and other associated IFAD policies.

735. The methods for procuring goods and non-consulting services under FIRIP will be as follow

- i. International Competitive Bidding (ICB)
- ii. National Competitive Bidding (NCB)
- iii. National Shopping
- iv. Limited International Bidding
- v. Direct Contracting

736. **International Competitive Bidding (ICB).** The purpose of International Competitive Bidding (ICB) is to afford all qualified potential international bidders with opportune and acceptable notification for the required goods, services and works. ICB necessitates for bidding documents which are impartial, non-restrictive, clear, and all-inclusive. The IFAD Standard Bidding Documents (SBD) for ICB shall be used in preparing for the procurement of goods and works. The ICB documents should clearly spell out the criteria for evaluations and technical specifications relating to particular procurements. Specific Procurement Notices (SPNs) for all ICB contracts and consultancy assignments will be published in the United Nations Development Business (UNDB) online. ICB and NCB procurement shall also be advertised in at least one national newspaper with wide circulation.

737. Domestic Preference (Preferential Procurement) as per Public Procurement Act may be applied to price when competing with foreign bidders, subject to their being consistent with the domestic preference provided under IFAD guidelines (up to 15%). In cases of inconsistency, domestic preference provisions of the IFAD procurement framework shall prevail.

738. Steps to be followed are:

- i. Preparation of draft Bidding Documents and approval by the IFAD;
- ii. Preparation of Specific Procurement Notice (SPN) for UNDB/dgMarket publication. Simultaneously SPN should be published in least one local newspaper with a wide national circulation;
- iii. Sale of bid documents shall start only after publication of Invitation for Bids (IFB) in newspapers and UNDB/dg Market;
- iv. Public Opening of Bids;
- v. Preparation and submission of Bid Evaluation Report to MOF for MPC approval;
- vi. IFAD "No Objection" for Bid Evaluation Report;
- vii. Issue of Notification of Intent to Award (NOITA) and standstill period;
- viii. Issue of Notification of Award;
- ix. IFAD, NO for the draft contract;
- x. Signing of the Contract.
- xi. Forwarding the signed contract to IFAD for reference.

739. **National Competitive Bidding (NCB).** The National Competitive Bidding (NCB) method will be applied as a mode of procurement for public procurement in the country. The method is one of the most cost-effective ways of procuring goods or works, by their nature and scope. The National Standard Bidding (SBD) documents issued by ZPPA will be used for bidding, suitably amending them with IFAD SECAP requirements and other associated IFAD policies. Draft SBD for NCB, suitably amended as above, shall be submitted to IFAD for prior review and NO, at the startup phase of the program.

740. Invitations to bid will be advertised in at least one widely circulated national daily newspaper. Steps to be followed are:

- i. Prepare Technical Specification – User Department in consultation with the Procurement Specialist, PCU;
- ii. Prepare draft Bidding Document and upload in OPEN – Procurement Specialist;
- iii. Prior Review and NO, if above prior review threshold – IFAD;
- iv. Prepare Specific Procurement Notice (SPN) for UNDB/dgMarket publication. Simultaneously SPN should be published in least one local newspaper with a wide national circulation – Procurement Specialist;
- v. Publish Invitation for Bids (IFB) and bid document in e-GP system, newspapers, and UNDB/dg Market;
- vi. Public Opening of Bids;
- vii. Preparation and submission of Bid Evaluation Report to MOF for MPC approval;
- viii. IFAD "No Objection" for Bid Evaluation Report, if above threshold;
- ix. Issue of Notification of Intent to Award (NOITA) and standstill period;
- x. Issue of Notification of Award;
- xi. IFAD, NO for the draft contract, if prior review;
- xii. Signing of the Contract.
- xiii. Forwarding the signed contract to IFAD for reference.

741. **National or International Shopping Method.** Shopping method will be used for simple and rapid procurements. Use of this method will require observing a minimum of formality in the process, with proper record keeping. Shopping will not be used to avoid more competitive methods or to split large procurements into smaller ones exclusively to allow the use of shopping. Goods, works or services estimated to cost less than K500,000 may be procured under shopping. The terms of the accepted offer shall be incorporated in



a purchase order or brief contract. Foreign bidder are allowed to participate in the bidding process, if they are so desire, without any restrictions (IFAD provisions shall apply).

742. Steps to be followed are:

- i. The invitation, normally to not less than Five (5) to Six (6) firms, receiving at least 3 quotations (opening of less than 3 quotations require IFAD NO);
- ii. The tender and contract documentation can be prepared in a simple format;
- iii. No public or formal opening of tenders is required;
- iv. Tenders can be submitted by electronic mail;
- v. The successful quotation shall be the quotation with the lowest price that meets the requirements set out in the request for quotations. The terms of the accepted offer shall be incorporated in a purchase order or brief contract; and
- vi. To save time, goods, services or works costing K2,000 or less may be procured via imprest/petty cash only.

743. **Limited International Bidding.** Limited International Bidding (LIB) is essentially ICB by direct invitation without open advertisement. Under LIB procedures, bids shall be sought from pre-selected approved participants, without any open advertisement. The participants shall be pre-selected from the shortlist of bidders obtained from the Pre-qualification process under open bidding procedures or from FIRIP's / MoF database.

744. The participants' list will be broad enough to ensure effective competition. The list will include at least six (6) participants or all participants when there are only a small number.

745. It may be an appropriate method of procurement where the following conditions are satisfied:

- i. The time and cost required to examine and evaluate a large number of tenders would be disproportionate to the value of the goods or works; and
- ii. There are only a few known suppliers of the goods or works.

746. **Direct Contracting.** This is a procurement method that does not involve open competition. Single Source Selection is used for services whereas direct contracting is applicable to Procurement of Goods/Works. This Method may be appropriate under the following circumstances:

- i. The extension of an existing contract awarded in accordance with the procedures for Open or restricted Tendering for additional goods or works of a similar nature would clearly be economic and efficient and where no advantage would be obtained by further competition.
- ii. A product or equipment can only be provided by a single firm because of:
  - Exclusive capabilities, exceptional worth or proprietary rights; and there is only one person who can supply the goods or works being procured and there is no reasonable alternative or substitute for the goods or works.
  - There is an urgent need for goods or works being procured, because of the urgency the other available methods of procurement are impractical and the circumstances that gave rise to the urgency were not foreseeable and were not the result of dilatory conduct on the part of FIRIP. The contractor responsible for a process design requires the purchase of critical items from in exceptional cases, such as in response to natural disasters.

## 6.6 PROCUREMENT OF SERVICES – CONSULTANTS

747. **Procedures for selection of consultants.** Consultancy is the provision of services provided for the identification and preparation of projects, feasibility studies, research, maintenance, monitoring and evaluations, audits, among others. Service contracts shall also include the provision of technical advisory services, where a service provider is to provide advisory role, to manage or supervise a project. The selection of consultants should primarily be based on the experience of the candidates and the quality of the services they offer, rather than the price of their services.
748. The following will be considerations before deciding on services of consultants:
- i. High-quality services;
  - ii. Economy and efficiency;
  - iii. Give qualified consultants an opportunity to compete;
  - iv. Encouraging the development and use of national consultants; and,
  - v. The importance of transparency in the selection process.
749. **Quality and Cost Based Selection (QCBS).** This is considered the standard (or 'default') method of selection for most consultant services and will be used when: a compromise between quality and cost is required; the scope of work of the assignment can be precisely defined and the TOR are well specified and clear; and the client and the consultants can estimate with reasonable precision the staff time as well as the other inputs and costs required of the consultants.
750. **Quality Based Selection (QBS).** Quality Based Selection (QBS) may be appropriate for complex or highly specialized assignments, or those which invite innovations where the best expertise available is required without consideration of the price. For example: where it is difficult to define precise TOR and the required input from the consultants, and for which the client expects the consultants to demonstrate innovation in their proposals (i.e. country economic or sector studies, multi-sector feasibility studies, design of a hazardous waste remediation plant or of an urban master plan, financial sector reforms); assignments that have a long term impact and in which the objective is to have the best experts available (for example, feasibility and structural engineering design of such major infrastructure as large dams, policy studies of national significance, management studies of large government agencies); and assignments that can be carried out in very different ways, and therefore proposals may not be directly comparable (for example, management advice, or policy studies in which the value of the services depends on the quality of the analysis).
751. **Fixed Budget Selection (FBS).** This is used when: the assignment is simple; it can be clearly defined; and there is a strictly limited budget available for the services. It is often used towards the end of projects when only finite amounts of funding remain in the loan account and therefore there is no financial flexibility.
752. **Least Cost Selection (LCS).** Least Cost Selection is appropriate to use when selecting consultants for small value services of a routine nature such as audits, simple engineering design or supervision where well-established practices and professional standards exist. There may also be budgetary constraints or pressures which necessitate having the cost as the main driver for procuring certain services.

753. **Selection Based on Consultants Qualifications (CQS).** This method may be appropriate for very small assignments where the need for a full bid process with submission and evaluation of detailed competitive proposals is not justified. As it is not a full bid process there is no formalized technical or financial scoring announced and expressions of interest and information on the consultants' experience and competence relevant to the assignment are requested through an advertisement. Shortlisting following issue of Request for Expression of Interest is mandatory for all CQS procurement.
754. **ICS.** Individual consultants shall be hired for assignments in which (i) teams of personnel are not required and (ii) the experience and qualifications of the individual are the paramount requirement. Shortlisting following issue of Request for Expression of Interest is mandatory for all ICS procurement. Individuals submit their CVs in response to an openly advertised REOI which are subsequently evaluated. Only the highest-ranked individual consultant will be invited to submit a combined technical and financial offer, which is then negotiated with the client. If negotiations with the selected individual fail, the procuring entity may invite the second-ranked individual for negotiations, subject to IFAD's NO for prior review procurements.
755. **Sole Source Selection (SSS).** As with single sourcing (direct contracting) for any other type of procurement, sole-source selection of consultants lacks the benefit of competition in regard to quality and cost, is not transparent in selection, and may encourage unacceptable practices. Therefore, sole-source selection will only be used in exceptional circumstances and only with the express agreement of IFAD. Any request for sole-source selection must be accompanied by a detailed justification which will be examined carefully to ensure that IFAD is content there are no other alternative selection methods which can be used. To receive approval, it is necessary to demonstrate that there is a clear advantage over competitive selection. Some examples of such circumstances may be: for tasks that are a natural continuation of previous work carried out by the consultant; where rapid selection is essential (for example, in an emergency); for very low value assignments; when only one firm is qualified or has the necessary experience for the assignment.
756. Individual consultants may be selected on a sole-source basis with due justification in exceptional cases, such as for: (i) tasks that are a continuation of previous work that the consultant has done and for which the consultant was competitively selected; (ii) certain assignments expected to last less than three months; (iii) emergencies arising from natural disasters; and (iv) when the individual is the only consultant qualified for the assignment.
757. Single Sourcing applies to contracts with firms/individuals designated under SSS in the Procurement Plan with due justification (as mentioned in the Handbook) subject to prior review and/or contracts estimated to cost US\$ 500 or less, up to an aggregate amount of US\$ 5,000 per annum.
758. **Database.** The programs operated by FIRIP are considered specialized areas of work with a limited resources base. Consequently, a database of consultancy service providers in these specialist areas shall be maintained. The consultancy service providers may include individuals, companies, partnerships, NGOs, and other institutions. The FIRIP Procurement Unit will have the responsibility of maintaining the consultants' database based on input from program staff.

759. **Expressions of Interest and Short List of Consultants (SL).** The purpose of the request for Expression of Interest (EOI) is to allow FIRIP/MoFNP to establish a short list of consultants it considers qualified to provide the services requested. Consultants responding to an EOI demonstrate their ability to complete the assignment by submitting relevant information on their personnel, experience, and organization. The response shall address the general requirements of the assignment, but it shall not be over-specific or lengthy given the large number of submissions the client must review.
760. **Shortlist of consultants.** The applications received following a Request for Expression of Interest (REOI) shall be evaluated to arrive at shortlist of the consultants. FIRIP uses IFAD standard criteria to select consultants for the short list:
- i. Eligibility—Consultants must be from an eligible source country.
  - ii. Qualifications—Consultants must have the expertise, personnel, and infrastructure needed to complete the assignment.
  - iii. Geographic diversity—No more than two consultants from the same Country are short- listed.
761. In preparation of the shortlist first consideration will be given to those firms expressing interest which possess the relevant qualifications. The shortlists will comprise no more than six firms. Government owned enterprises can be considered for award of consultancy assignment subject to satisfying eligibility as provided in the Guidelines.
762. Shortlisting following a Request for Expression of Interest is mandatory for all CQS and ICS procedures. In addition, Shortlisting is mandatory for all consulting services contracts estimated to cost US\$ 50,000 or more.

## 6.7 CONTRACT MANAGEMENT

763. **Purpose.** It is to be understood that procurement actions do not end when the contract or purchase order is signed. The contractual obligations to be followed up systematically till the intended results are achieved as a result of procurement and cessation of all legal obligations as per the provisions of the contract with the parties.
764. During the course of contract administration, the receipt of goods/works as per the technical specifications agreed to be monitored and any shortfall/shortcomings to be informed to the supplier and made good. For Consultancy services, the contract management acquires importance as any delay in achievement of deliverables as per the timeline agreed, impact the project implementation. The contracts are to be closely monitored for satisfactory performance and occurrence of any force majeure conditions. Each payment to the consultancy services should be properly validated against the contract provisions and deviations should be communicated to the party, in writing. If unsatisfactory performance continues, appropriate actions to be initiated with strict adherence to the contract. Frequent change of staff without justification should be viewed as non-performance and action to be initiated for suspension/termination.
765. All disputes related to the contract should be resolved through mutual consultation and if unresolved disputes persist, arbitration process, as per the national law, should be initiated. All contractors should sign an undertaking that without exhausting the arbitration procedures, no judicial intervention should be proceeded. The results of arbitration will be subject to judicial review.
766. The end date of the contracts should be closely monitored and if any amendment/extension is warranted, these should be taken up sufficiently in advance.
767. Amendment or extension of contracts, which lapsed, should be strongly discouraged.
768. **Policy Objectives.** To ensure that; Contracts are executed in accordance with the agreed terms; Maximum value for money is obtained by GRZ from all procurements; and There is an orderly, efficient and effective execution of contracts.
769. **Documents.** Key documents for contract management shall include:
- a. Work plans and budgets
  - b. Contract for the procurement activity
  - c. Funding Agreement(s) with funding/donor organization
  - d. PPA,2020 as amended in 2023 and PPR, 2022
  - e. IFAD Guideline/Handbook
  - f. Contract Payment related documents
770. **Responsibility.** FIRIP PCU will appoint a user who will be responsible for contract management. FIRIP PCU Procurement Specialist shall actively co-ordinate and monitor the contract management, including updating contract related data on the Contract Management Tool.
771. **Procedures.** After a contract has been placed, contract management, shall pass to the Procurement Unit, who shall coordinate with the End-User jointly (Contract Manager). The

Procurement Specialist shall provide a copy of the contract to a user department. Upon receipt of a contract, the Head of Procurement Unit shall prepare a Contract Implementation Plan.

772. Where a user department has any reservations or difficulties with the terms or conditions of the contract, they shall be discussed and resolved with the Head of the Procurement Unit.
773. The user department shall nominate an existing member of staff, to manage the contract with the Head of the Procurement Unit. The user department may also nominate a member of staff of another user department, where appropriate.
774. A contract of high value or which is complex or forms part of a larger project may be assigned to a contract management team, which shall have the same responsibilities as a contract manager. Where, applicable, the contract management team shall be appointed by the Program Coordinator before the commencement of actual work. The contract management team shall constitute at least one member from the user Department.
775. A contract may be managed by a body or person external to FIRIP provided the Head of Procurement supervises the external contract manager.
776. A contract manager shall - (Head of Procurement Unit and the User Department) manage the obligations and duties of FIRIP specified in the contract; and ensure that the consultant performs the contract in accordance with the terms and conditions specified in the contract and FIRIP's requirements.
777. The functions of the contract manager are; to ensure that-
- i. Supplier/Contractor/Consultant meets all performance or delivery obligations in accordance with the terms and conditions of a contract;
  - ii. Supplier/Contractor/Consultant submits all required documentation in accordance with the terms and conditions of a contract;
  - iii. there is adequate cost, quality and time control where appropriate;
  - iv. there is compliance with the guidelines set forth in this manual and best practices;
  - v. all contract obligations are complete prior to closure of the contract file;
  - vi. all contract management records are kept and archived as required;
  - vii. to issue any required variations or change orders, in accordance with the terms and conditions of a contract;
  - viii. to provide full details of a required contract amendment to the Procurement Committee and to obtain the Committee's approval and IFAD "No Objection" prior to issue of any amendment;
  - ix. to manage handover or acceptance procedures;
  - x. to provide full details of any proposed termination of contract to a Procurement Committee and IFAD to obtain the approval of the Procurement Committee and IFAD "No Objection" prior to termination
  - xi. To submit reports on the progress or completion of a contract as required by Program Coordinator, MPC and IFAD;
  - xii. Role of the Procurement and Management Unit in contract management
  - xiii. Monitoring contract management; and
  - xiv. Review payment requests and recommend payment. FIRIP meets all payment and other obligations in accordance with the terms and conditions of a contract.

778. **Control Processes.** A contract manager shall be appointed for each contract involving a Works contract and shall oversee the performance of the contract. Head of Procurement Management Unit and End-User shall jointly oversee the performance of other contracts other than Works contracts.

779. **IFAD OPEN-Contract Monitoring Tool (OPEN-CMT).** All contracts irrespective of value should be entered into IFAD OPEN-Contract Monitoring Tool. OPEN-CMT is an online tool, which is dynamic and enables good data harvesting and analysis. For access credentials, the Project should request IFAD by nominating users. The Procurement Specialist and the Procurement Officer should monitor and update the contract details till completion and closing of contracts. Exceptions and Cost over-run items should be reported to the Programme Coordinator.

## 6.8 PROCUREMENT SUPERVISION PLAN

780. **Procurement Supervision Plan.** Zambia Public Procurement Authority (ZPPA) regulates the overall supervision of Public Procurement activities in Zambia. The ZPPA is charged with the responsibility of regulating public procurement. Its other responsibilities include: standard setting, planning, compliance and performance monitoring, professional development and information management and dissemination in public procurement. One of the key mandates for the ZPPA is to monitor compliance with the PPA and the procurement performance of the procuring entities. Hence, the ZPPA is mandated by the law to provide procurement supervision of FIRIP. IFAD will be responsible for supervision of procurement activities through the reviews required for no-objection requests, and performance monitoring, professional development and information management and dissemination in public procurement. IFAD will also undertake post procurement supervision for prior review thresholds. Procurement supervision will also be done during scheduled project supervision missions. Procurement activities at the project level will be supervised by the Project Procurement Specialist supported by a Procurement Assistant and the Programme Coordinator, on a day-to-day basis.
781. **IFAD's Project Supervision Role for the FIRIP Program.** The review of project procurement processes during project implementation is an essential part of IFAD's fiduciary responsibility. In supervising projects and providing implementation. IFAD aims to ensure that project procurement processes conform with national procurement laws and regulations and are consistent with the IFAD Project Procurement Guidelines and Procurement Handbook, any ancillary IFAD Procurement Documents/Templates, and other applicable policies, guidelines and procedures.
782. **Scope of Supervision.** The Procurement Risk Assessment undertaken during the FIRIP program design mission returned a rating of "Substantial" and therefore the extent and intensity will be based on a standard supervision scope as provided in the IFAD procurement Manual and will include the following:
- i. PRM Reviews
  - ii. Prior review
  - iii. Post review
  - iv. Project Supervision
  - v. Review of the Procurement Plan
  - vi. Internal Supervision
783. **PRM Reviews.** The PRM is a tool that underpins IFAD's risk-based approach to project procurement oversight. Its principal aim is to ensure adequate mitigation of key risks of a project implementing agency failing to perform the procurement processes it will be responsible for, in a sound and efficient manner. During the design of the FIRIP program, a Procurement Risk Assessment was undertaken which entailed updating the previous PRM assessment country level dimensions and conducting an institutional level dimension assessment of the MoFNP, which is the implementing agency. Determination of the scope and intensity of procurement reviews will follow a risk-based approach informed by PRM assessments, issues identified in previous procurement reviews, and



taking into account the project's stage of implementation. For every ongoing program, the PRM assessment will have to be updated once a year during project supervision.

784. **Prior review.** Conducted when a Country Director (CD) is required to provide a No Objection (NO) to a procurement document and process undertaken by the designated borrower. Prior review is an additional risk mitigation measure during the various stages of a procurement process. For FIRIP, prior review will include a review of: the Procurement Plan, bid documents, evaluation reports and award recommendations, draft contracts and its amendments. CD and FIRIP PCU are required to use OPEN to manage NOs; through OPEN, FIRIP PCU will submit documentation to IFAD for prior review and issuance of NOs.
785. Prior review will address the following:
- i. Compliance with Financing Agreement and Project Procurement Arrangement Letter (PPA), or any subsequent changes reflected in mission reports (e.g. Supervision, Mid-Term Review, Back-to-Office Reports, Aide-Memoires, correspondence, etc.) and consistency with the approved AWPB and PP;
  - ii. Adequacy and Quality of the Bidding Documents;
  - iii. Review of compliance with relevant provisions in the IFAD General Conditions for Agricultural Development Financing, Project Procurement Guidelines, Procurement Handbook, any ancillary IFAD Procurement Documents/Templates, IFAD Policy on Preventing Fraud and Corruption, the Financing Agreement and the PPA;
  - iv. The evaluation was done in compliance with IFAD guidelines and in compliance with applicable laws of the country;
  - v. Contract consistency between the draft contract and the contract form provided a part of the bidding document, and between the price contained in the contract and that in the evaluation report (to which IFAD provides its NO)

*Refer to checklist appendix: No-Objection Checklists for Prior Review of the IFAD Procurement Manual*

786. **Post Review.** This is the assessment by IFAD in the context of supervision and implementation support or desk-based reviews of procurement conducted by the FIRIP for a sample of contracts or ongoing procurement activities. The assessment will ensure procurement principles, provisions and procedures as stipulated in the IFAD Project Procurement Guidelines and Procurement Handbook, Financing Agreement and the PPA, PIM, standard templates (e.g. bidding documents for goods, works and services) and related systems are available and fully explained to procurement and project management staff. A minimum of 10% of ongoing contracts should be reviewed. The sampling should be risk-based and take into consideration:

- (i) the PRM assessment, with the riskier projects having a larger sample, and
- (ii) the contract risk rating, to ensure that riskier contracts constitute a higher proportion of the sample. The following will be assessed:
  - 1) Bidding Process (for each procurement);
  - 2) Evaluation Process (for each procurement);

- 3) Award and Negotiations (for each procurement);
- 4) Contract, Contract Administration and Management Process (for each procurement);
- 5) Identify issues and weaknesses (and the relevant underlying causes of these issues and weaknesses) in contract administration and management and recommend improvements;
- 6) Review of issues identified in the previous review and aide-mémoire and procurement related issues identified in project audit reports;
- 7) Review of project's procurement filing system and the ease of document retrieval;
- 8) Periodic review of any significant changes in the Borrower/Recipient's procurement system and practices, and ensure project procurement procedures and systems are updated accordingly;
- 9) Ascertain procurement capacity within PCU, availability of dedicated staff, and the adequacy of their experience and qualifications;
- 10) Assessment of further procurement staff training needs and ensure relevant training is planned and provided to project management and procurement staff in a timely manner;
- 11) Field visits as necessary to complete the above tasks, especially when an Issue is identified in contract management.

*Refer to checklist appendix: No-Objection Checklists for Prior Review of the IFAD Procurement Manual*

787. **Project Supervision.** IFAD will field an annual Supervision Mission to the project and the Procurement Specialist in the mission among other issues will:
- (i) review the procurement contracting and implementation processes and timeliness and appropriateness of procurement actions;
  - (ii) assess contract administration and management procedures and review the completeness and updated nature of contract data in the Contract Monitoring Tool;
  - (iii) determine whether adequate systems are in place for procurement planning, implementation and monitoring, and whether procurement documentation and records (including securities) are maintained as per required standards and can be relied upon. Additional specific ad hoc support missions will also be fielded by IFAD depending on the need assessed.
788. As part of a procurement review undertaken during supervision, a project's PRM will need to be reviewed and updated in light of evolving conditions or circumstances, for example, with respect to the national procurement system, improvement/deterioration of project procurement performance, overall implementation progress and results delivery, at least once in a year. As a result, procurement and prior review thresholds may be revised, and other existing risk mitigation measures may be adjusted or new ones implemented. The procurement plan will also be reviewed during supervision and any updates that may be agreed will be done and the revised PP sent for No-objection.
789. Supervision missions will spot check the procurement documentation associated with prior Reviews as well as assess procurement processes conducted by the Borrower/Recipient for a sample of contracts not subject to prior review as shown below:

1. Review Procurement Plan (PP)
2. Review of the procurement process
3. Review of final contract
4. Review of contract implementation
5. Review of project's procurement filing system and the ease of document retrieval

790. **Internal Supervision.** The PCU Procurement Specialist, supported by a Procurement Assistant, will be responsible for the supervision of all day-to-day procurement activities of the FIRIP program. He/she will undertake the following activities:

1. Review the Procurement Plan;
2. Monitor the day-to-day implementation of the PP;
3. Review the following documents before they are submitted for no-objection:
  - TORs/Specifications
  - Requests for expressions of interests
  - Request for proposals
  - Bidding documents
  - Evaluation reports
  - Draft contracts

791. **Procurement Audit.** Procurement is one of the key drivers in project implementation. The procurement management is a process that describes how the public resources should be managed until the closure of the contract, to obtain project objectives. These include preparing the independent estimates, constraints, assumptions, procurement documents, bidding and sourcing of suppliers/technical assistance/consultancy services.

792. A procurement audit is a project management process that reviews different contracts and contracting processes to determine the completeness, efficiency as well as the accuracy and transparency of the procurement process. It is a structured review that stems from the planning of procurement process through the procurement cycle. The objective of this process is to determine the success and failures that require acknowledgement during the implementation which would inform the Project management to resolve problem areas of internal control.

793. Procurement audit is basically a method in project management that formally evaluates the performance of the procurement processes being practiced. It is also used to create a record that can be used to shape and streamline the procurement practices of the organization.

794. It is to be understood that the internal audit team which performs the procurement audit function should deploy qualified persons with procurement skills and experience. The ToR should identify the methodology and sampling checks and tools for compliance. The procurement audit observations and the management responses to resolve these should be submitted to IFAD and placed before the Project Steering Committee (PSC).

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**ANNEX 1 – PROCUREMENT RESPONSIBILITY ASSIGNMENT MATRIX**

<b>Task</b>	<b>Component Heads</b>	<b>Procurement Specialist</b>	<b>Project Co-Ordinator</b>	<b>Project Steering Committee</b>	<b>MoF</b>
Preparation of AWPB	R	C	R	A	
Preparation of Procurement Plan and upload in OPEN	C	R	A		
Update/upgrade of PP		R	A		
Monitoring achievement/delays in PP		R	A		
Initiation of implementation	C	R	A		
Finalisation of ToR, technical specifications	R	I	A		
Preparation of RFQ/RFP/Bid documents		R	A		
Organise pre-bid meetings	C	R			
Issuing addendum/corrigendum/clarifications to the prospective bidders	C	R	A		
Safe custody of bids/proposals received		R			
Organise bid opening meetings and preparation of minutes		R			
Preliminary/administrative eligibility evaluation		C			
Constitute Technical Evaluation Committees	C	C	R		A
Briefing TEC and assist in the evaluation		R			

Preparation of TEC Evaluation and Combined Evaluation Reports		R	R/A		A
Conduct negotiations (in case of services procurement)	C	R	I		
Preparation of Draft contract/Purchase Order		R			
Handling debriefing/protests		R	A		
Contract Signature		R	R/A		A
Safe custody of Securities		R			
Receipt/delivery of goods		R			
Monitoring Contract deliverables	R	C			
Update contract details in OPEN-CMT		R			
Contract administration	R	I	R/A	A	A
Maintenance of all documentation related to Procurement		R			
Coordination with IFAD on procurement matters		R	A		
Capacity building of IP/SP's procurement staff		R			
Lead Procurement performance audit	C	R	I		
Resolution of audit observations on procurement		R	A	A	
Coordination with IFAD SM/ISM		R	A		



## ANNEX 2: PROCUREMENT RECORDS AND FILES

SI.	Document	Preferred format
1.	A copy of the published REOI advertisement or shortlist (if applicable)	Hard copy
2.	A copy of the published pre-qualification and bidding documents and any amendments, extensions or clarifications requested and issued	Hard copy
3.	A record of the tender opening, signed by all TEC members and the bidders present	Hard copy
4.	A full copy of each bid received and evaluated, plus clarifications requested and responses received	Hard copy
5.	A copy of the signed evaluation report	Hard copy
6.	Signed minutes of all meetings related to the procurement, including pre-bid and negotiation meetings, when held	Hard or electronic copy
7.	A contract award notice	Hard copy
8	Any letter of tender acceptance to the supplier, contractor or consultant	Hard copy
9	The signed contract document and contract acceptance	Hard copy
10.	Any contract amendments	Hard copy
11.	All contractual correspondence between the procuring entity and a supplier, contractor or consultant	Hard copy or electronic copy
12.	Post-contract documents related to the fulfilment of contract obligations, especially photocopies of bank guarantees or payment guarantees	Hard copy
13.	Signed minutes of any meetings related to contract management, including contract progress or review meetings	Hard copy
14.	Signed delivery documents evidencing delivery of supplies, or signed completion certificates related to a contract for services or works under the contract, including any contract delivery records	Hard copy



15.	A copy of all invoices for works, services or supplies, including working papers verifying the accuracy of payments claimed and details of the actual payment authorized	Hard copy
16.	A copy of cumulative payment worksheets/records evidencing management of all payments made	Soft copy
17.	All decisions of the Government's approval authority related to the procurement, including the approval of the bidding documents, the approval of the evaluation report(s), the contract award, the approval of Contract documents and contract amendments and any decision to suspend or cancel procurement proceedings	Hard copy
18.	A copy of any claims made by the procuring entity with respect to any warranty, non- warranty, short supply, damage and other claims against the contracted vendor or the procuring entity	Hard or electronic copy
19.	In the case of IFAD prior review, a copy of the respective IFAD NO letter	Electronic copy
20.	Any other communications related to the procurement in question, including internal entity correspondence	Hard or electronic copy

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## ANNEX 3 GUIDANCE ON USING OPEN END-TO-END PROJECT PROCUREMENT SYSTEM

1. For implementation of IFAD funded projects, goods, works and services need to be procured. The procurement is carried out by the recipients of IFAD financing, in accordance with the Financing Agreement and other project documents, including [IFAD's Project Procurement Guidelines](#). IFAD oversees procurement activities to ensure they are conducted in a sound and efficient manner, and that IFAD funding is used for its intended purpose. The successful and timely implementation of IFAD's development projects is closely tied to effective procurement oversight.
2. Earlier, tracking of procurement activities performed by the recipients of IFAD financing was based on complex spreadsheets which required manual updating – and, as such, project procurement plans were therefore only available as offline documents, which were frequently inconsistent with the real-time state of implementation and could not be linked to any online systems. This weighed heavily on the administrative processes of IFAD-financed projects, as it required significant effort to track procurement activities across different fragmented IT systems and offline templates. No-Objection Tracking Utility System (NOTUS) was used for providing No-Objection to various stages of procurement dossiers, after IFAD prior review process.
3. To address these issues, IFAD developed a new online system that automates and manages procurement reporting throughout the procurement cycle (“from end to end”) – that is, from procurement planning to contract management. And, as a result, the new Online Procurement End-to-End System - or IFAD OPEN - has been introduced. IFAD OPEN increases the efficiency of procurement teams by automating what were once manual processes and bringing together previously fragmented IT systems and offline templates. The system incorporates built-in guidance for users on how to conduct each procurement activity from start to finish and increases the transparency and efficiency over the procurement processes of IFAD-financed projects.
4. IFAD End-to-End Procurement System (OPEN) can be assessed at <https://open.ifad.org>. As soon as the Project is declared effective and procurement staff at PCU are engaged, a communication with the following details to be sent to IFAD for obtaining user credentials for nominated staff:

<b>First Name</b>	<b>Surname</b>	<b>Job Title</b>	<b>Role</b>	<b>Email</b>	<b>Mobile No.</b>
			Project Co-Ordinator		
			Procurement Specialist		

5. Only Project Co-Ordinator and the Procurement Staff will have access to create, modify, update and undertake implementation of procurement activities. Nominated project staff will only be able to view. The nomination of Procurement and Project Staff will be done by the Project Co-Ordinator and the nomination of Project Co-Ordinator will be done by the Principal Secretary, MoF.

6. The Quick cards to assist the Procurement Staff to manage the activities/documents are available at <https://icp.ifad.org/wps/wcm/myconnect/icp/icp-help-en/help/Project+Procurement+-+Online+Procurement+End-to-End+-+OPEN>

## ANNEX 4 - VENDOR ASSESSMENT FORM

<b>Vendor Details</b> Name of the Vendor: Address of the Vendor: Contact No. of the Vendor: Contact Person Name: Contact Person Designation: Website Address: Email: Type of Business:	         Trading      Manufacturing      Services
Sector of Business	
Company Registration Details	
Tax Registration Details	
Audited Finance Statement Submitted	
Past Experience Credentials	
Financial Capacity (Turn Over of Previous Year)	
Technical Capacity	
Organisational Setup	
No. of Staff Employed	Technical                      Non-Technical
Social & Environmental Compliance	
Quality Management Certification	
Experience in the Region	
Experience in the Country	
Experience with the Government	
Any Other Information	

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## ANNEX 5: DEBRIEF, PROTEST AND APPEAL TIMELINE

### **Debrief**

Any bidder that wishes to learn why its bid or proposal was not selected may request an explanation (debrief) from FIRIP. FIRIP will first have sent a notice that the evaluation is completed (via the notice of intent to award [NOITA]). After receiving this information, the unsuccessful bidder may request a debrief. The FIRIP shall promptly provide an explanation in writing of why the bid was not selected. The bidder may then request a meeting. If the FIRIP agrees to a meeting after providing the debrief, the bidder shall bear all the costs of attending the meeting. The FIRIP shall provide the written debrief within four business days of the request. In accordance with the Article 185(3) of the Public Procurement Regulations, 2022, the debrief should indicate the reasons for the failure of their bids or applications to pre-qualify, including:

- (a) the stage at which the evaluation of the bid was rejected;
- (b) the details of any material deviation;
- (c) the reservation or omission leading to the rejection of the bid; or
- (d) any other matter relating to the bidding.

FIRIP shall not, in providing the reasons for the rejection of any bidder, provide details on any other bids, other than information that is publicly available from bid openings or published notices.

### **Protests and Appeals**

A protest or appeal is a complaint by an unsuccessful bidder who submitted a bid or proposal in response to a request for bids or proposal by the FIRIP. Procedure for Appeals is defined under Section X of the PPA Act 2020 and XIX of the PPR 2022. The appeal review system has conditions and timeframes for decision by the appeal review system and clear enforcement authority and mechanisms.

### **Complaint Handling Mechanisms (CHM)**

There are three distinct types of complaints that are typically found in a Project; i.e.,

- (a) complaints concerning bid protest from aggrieved contractors, suppliers, service providers and consultants, which are addressed during or immediately after the bid process,
- (b) performance disputes, which are governed by the General Conditions of Contract (GCC) and Special Conditions of Contract (SCC), and,
- (c) non procurement related complaints from any parties, which are addressed in the PIM.

A complaint is any notification regarding an alleged illegal or improper procurement action and/or conduct of procurement officials, consultants, and/or sub-contractors directly or indirectly supporting a project or associated with its implementation, which the complainant believes is wrong, either under the law or on the grounds of unacceptable behaviour.

The Implementing Agency (MoF) shall ensure the confidentiality of any complainant and shall hold harmless any person reporting a complaint, oftentimes referred to as a "whistle blower", with provisions to shield complainant(s) or public official(s) from retaliation when they provide information that they reasonably believe to be a violation of the provisions of the agreed procedures.

All procurement related complaints shall be addressed to the Program Co-Ordinator, to which the FIRIP shall respond within 7 business days. If FIRIP needs more time due to complex investigation related to the complaints, then it shall state so in writing to the complainants, but in any case, a complaint shall be put into closure within 30 business days.

The complainant need not be personally aggrieved or impacted and may be acting merely in accordance with a sense of civic duty, such as an NGO or private citizen, in bringing an occurrence to the attention of project authorities.

All complaints, whether notified by persons who feel personally aggrieved or acting out of a sense of civic duty, will be acknowledged, and acted upon by responsible authorities in accordance with the procedures specified in this section.

Concerning bid protests, from time to time, with and without justification bidders, suppliers, contractors, service providers and consultants may choose to lodge a complaint concerning some aspect of the contract award process. In the event the contract has been awarded and a contractual relationship exists between the parties, there are established dispute mechanisms in the GCC that shall be followed, up to and including judicial review.

A formal mechanism to satisfactorily respond to bid protest complaints must be followed, consistent with this Manual and the steps to be followed by aggrieved bidders, suppliers, contractors and consultants in the complaints' procedure will be specified in the Bid/Request for Proposal documents.

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## ANNEX - 6 PROJECT PROCUREMENT STRATEGY (PPS)

### FIRIP Zambia Project Procurement Strategy (PPS)

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## Abbreviations and Acronyms

<b>FIRIP</b>	Financial Inclusion for Resilience and Innovation Project for Rural Zambia
<b>TBC</b>	To be Confirmed
<b>TA</b>	Technical Assistance
<b>ZPPA</b>	Zambia Public Procurement Authority
<b>IOF</b>	Innovation Outreach Fund
<b>CBFI</b>	Co-operative Based Financing Institution
<b>MFI</b>	Micro finance Institutions
<b>M&amp;E</b>	Monitoring and Evaluation
<b>FSP</b>	Financial Service Providers
<b>PCU</b>	Project Coordination Unit
<b>e-GP</b>	Electronic Government Procurement System
<b>MIS</b>	Management Information System
<b>SME</b>	Small and Micro Enterprises
<b>PE</b>	Procuring Entity
<b>AGO</b>	Attorney General Office
<b>IFAD</b>	International Fund for Agriculture Development
<b>SBD</b>	Standard Bidding Document
<b>PIM</b>	Project Implementation Manual
<b>ICO</b>	In-country Office
<b>GoZ</b>	Government of Republic of Zambia
<b>SECAP</b>	Social, Environmental and Climate Assessment Procedures
<b>CSO</b>	Civil Society Organisations
<b>OPEN</b>	Online End-to-End Procurement System
<b>CMT</b>	Contract Monitoring Tool
<b>ESA</b>	East and South Africa
<b>PPA</b>	Project Procurement Arrangement
<b>RFQ</b>	Request for Quotation
<b>RFB</b>	Request for Bids
<b>MoA</b>	Memorandum of Agreement
<b>QCBS</b>	Quality cum Cost Based Selection
<b>LCS</b>	Least Cost Selection
<b>FBS</b>	Fixed Budget Selection
<b>QBS</b>	Quality Based Selection
<b>CQS</b>	Consultant Quality Based Selection
<b>REoI</b>	Request for Expression of Interest





## I. Project Overview

Country	Zambia
Programme Area (as per design)	Nationwide
Full Project Name	Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP)
Project ID	2000004924
IFAD Loan amount (tentative)	USD 30 million
Loan Number	TBC
Name of Procurement contract or group of similar contracts	1) GAs for Component 1.1, 1.2 and 2.1 2) Vehicles for PCU and Field Officers 3) Consultancy for Market Research and Feasibility Studies
Estimated Contract Cost (\$)	1) 36,760,000 2) 260,000 3) 900,000

## II. Overview of Country, Borrower and Marketplace

### a. Operational Context

**Governance aspects:** Zambia is a landlocked, resource-rich country with a land surface area of 752,616 km<sup>2</sup>. Its estimated population is 19.6 million (2022), with about 54 per cent residing in rural areas. The political situation in Zambia has remained stable since independence in 1964. A strong democratic tradition has taken root, with multiparty elections held every five years, with the last general elections held in August 2021. Zambia is a presidential representative democratic republic, whereby the President of Zambia is both head of state and head of government in a pluriform multi-party system. The government exercises executive power, while legislative power is vested in both the government and parliament. Zambia is administratively divided into ten provinces subdivided into 117 districts. According to the Constitution, the main organs of the State are the Executive, the Legislature and the judiciary. The Cabinet formulates the policy of the Government and responsible for advising the President. The legislative power of the Republic of Zambia vests in Parliament which consists of the President and the National Assembly.

The Zambia Public Procurement environment is governed by a strong legal and regulatory framework that has undergone significant improvements in the past 5 years through reforms. Key notable reforms in the procurement system include: (i) revised Public Procurement Act and Regulations; (ii) revision of the standard bidding documents; and (iii) introduction of the

use of the electronic government system (e-GP). The Public Procurement Act No. 12 of 2008, revised through Act No. 15 of 2011 was replaced by the Public Procurement Act No.8 of 2020 (PPA) and amended in 2023. The new PPA forms the anchor in the procurement regulatory framework and is supported by very comprehensive Public Procurement Regulations of 2022 and the standard bidding documents. However, the PPA has major gaps in its application, transparency, and disclosure of procurement information/data, requirements for approvals from agencies such as the Attorney-General and the Zambia Public Procurement Authority (ZPPA), barriers to competition (forced association of foreign bidders with local firms or citizens), clarity and independence of the complaints-handling mechanism, and lack of judicial review of ZPPA's decisions. The PPA provides that any bidder who is aggrieved with a decision made by a procuring entity under the Act may appeal against the decision to the ZPPA and subsequently submit the matter to Arbitration if not satisfied with the ZPPA's decision. Therefore, final redressal of appeals on procurement matters, as per PPA Section 101, are to be determined by arbitration in accordance with the provision of the Arbitration Act.

In line with the procurement risk assessment, procurement under FIRIP will follow the national procurement framework, to the extent they are consistent with the IFAD Procurement Framework. The PPA, 2023 recognises precedence of international obligations like IFIs Financing Agreements to use IFI procurement guidelines and document templates. The lead ministry (MoF) has implemented the earlier Rural Finance Project (RUFEP).

**Key Conclusions of IFAD-PRM Part A:** The national procurement framework (Article 91 of the PPA) incorporates Preference and Reservation for schemes, to grant a margin of preference to target group (citizen, local suppliers, persons from region, citizen suppliers, enterprises owned by women or youth, SME etc.) to bidders offering goods/service/works with local content, restricting to target group etc. However, extent of such preference or methodology of their application have not been defined by the national framework. IFAD procurement framework for such domestic preference shall apply for FIRIP.

The Zambia Public Procurement Authority (ZPPA) approves requests for many direct bidding methods and Deviations, which has a risk of PEs making use of this for use of less competitive methods and may lead to conflict of interest. Restrictions on the participation of foreign bidders in Open Competitive Biddings are inconsistent with IFAD procurement framework, as they have a risk of limiting competition. ZPPA reported compliance issues with inconsistent use of procurement bid documents and adherence to evaluation and award criteria, which has a risk of non-compliant procurement. The national SBDs are not in full compliance with IFAD procurement framework for other IFAD policies. The ZPPA review noticed prolonged delays in execution of contracts in many of the cases, which may result in time and cost overruns affecting project execution. Sustainability related provisions are not fully reflected in the legal framework.

Compliance issues have been flagged and the PEs do not appear to be fully accountable for their procurement decisions as per the reports of the ZPPA and AGO. The ZPPA website has a provision to publish procurement data but is not working. Procurement as a profession has not evolved and standards for the qualification and experience for procurement positions are yet to be defined. There appears to be no substantive permanent training programs of suitable quality and content for the needs of the system.

Non-appointment of contract managers resulted in poor quality of contract delivery. Contract related documents were not maintained by most of the PEs assessed, which may result in

non-availability of documents for audit. The timelines for contract completion were significantly affected; contracts were not completed within the contractual periods and in most cases substantially delayed by more than one year. This has a potential risk for project implementation and achievement of project objectives.

Despite a legal framework against fraud and corruption, there seems to be no systematic detection, prevention, and enforcement of procurement-related corruption cases, which might compromise on fairness and transparency and limit competition. Periodic procurement audits are undertaken by the ZPPA, but AGO doesn't conduct separate procurement audits. No co-ordination controls appear to exist. No system of defining the qualifications of staff and providing training for them to conduct procurement audits.

**Mitigation measures to address the above key findings** are: IFAD project PIMs shall detail the procurement processes to be adopted. The use of less competitive methods shall be prior reviewed. The IFAD procurement framework shall be applicable for IFAD projects, in cases of inconsistencies with the National procurement framework. IFAD projects shall adhere to procurement methods of approved PP, evaluation and award criteria and shall make use of appropriate national SBDs, if available, suitably supplemented with other associated IFADs policies. In the absence of suitable national SBDs (REOI for Consultancy Services and RFQ and Pre-Qualification for Goods, Works and Non-Consultancy Services), IFAD SPDs shall be used. IFAD projects shall make use of eGP system for all project procurements. Project PIMs shall describe the contract management framework, duly nominating contract managers for larger contracts. Also, adequate contract management capacity of project staff is developed during the initial phases of the project. IFAD projects shall ensure recommended SECAP standards are included in the bid documents, contracts etc. The procurement officers assigned to the project shall be nominated to be enrolled in the BUILDPROC certification programs.

IFAD project procurements shall be in accordance with the National procurement framework, for selection and contracting. Procurement records shall be retained as per the provisions of the IFAD Handbook. Project procurement requirement and contract awards shall be published in the project website as well as on the ZPPA website. IFAD projects may also engage with the public and private sector players through stakeholder conferences.

All bidding documents shall include reference to the 3 IFAD Policies on Fraud and Corruption, Sexual Harassment and Exploitation, and Anti-Money Laundering. Procurement staff and other staff involved in IFAD project procurement shall sign the declaration of impartiality and integrity and shall refrain from all kinds of fraud and corruption. The PCUs shall keep track of internal and external audit findings and recommendations and their implementation. Exception reporting on non-compliance shall be brought to the attention of the Project Steering Committees. Procurement audit teams shall have qualified procurement specialists.

**Economic aspects:** Zambia's economy has been on a path of growth recovery since 2021 as compared to the preceding period of 2017-2021 marked by an average low growth rate of 1.4%<sup>169</sup>. The economy recovered in 2021 and 2022 with a real GDP growth of 6.2% and 5.2% respectively. The growth estimate and projection for 2023, and 2024 are 4.3% and 4.7% respectively. The recovery has been mainly driven by multi-sectoral growth including the

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<sup>169</sup> AfDB- Zambia - Country Strategy Paper 2024-2029

financial sector, which has remained resilient, and well capitalized, with stable profitability. The Non-Performing Loans (NPLs) which were above the statutory target of 10% during 2017-2020 improved from 11.6% in 2020 to 9.0 % in 2021 and 6.1% in 2022 due to business recoveries, improved credit performance, and write-off of bad loans. Government of Zambia is committed to provide counterpart funds and proactively endeavour convergence of funds from similar government projects like SAFF, through coordination at high levels of Government.

***Sustainability aspects:*** Use of renewable energy sources will be promoted, wherever feasible and positive lifecycle costs. The proposed environmental and social category for FIRIP project is "Moderate", based on the SECAP screening tool. The SECAP climate risk rating stands as "Substantial". The project will solicit and adopt cost-effective, sound structures to address natural disasters situations.

***Technological aspects:*** The Government of Zambia has mandated the use of eGP system since 10<sup>th</sup> December 2021, however its adaptation was slower. Most Procuring Entities continue to favour manual tendering methods, despite training efforts by the Zambia Public Procurement Authority (ZPPA). Lack of internal staff skills, technological challenges, resistance to change, and insufficient management support influence the low use of the system. FIRIP shall strive to make use of the eGP system for its procurement.

## **b. Implementing Agency Capability Assessment**

### **SWOT Analysis**

#### **Strengths**

- The MoF has implementation advantages, such as:
- Has successfully implemented the just concluded RUFEP program, which is similar in nature;
- Has a well-established Procurement Directorate with Qualified and Experienced procurement staff;
- Availability of technology (e-procurement system);
- Well established command and control structure;
- Well defined processes and delegation of authority;
- Better placed to implement FIRIP like programs in financial sector;
- Stakeholder's confidence in the organization;
- All relevant stakeholders are involved in the procurement process (shared process);

#### **Weaknesses**

- Weaker implementation of National Procurement Legal Framework;
- Larger % of procurement exceptions like Direct Contracting, Restricted Tendering requests sent to ZPPA for approval;
- Ineffective contract management processes;
- General delay in carrying out procurement processes;

- Too many layers in approval processes;
- Payment delays causing supplier/contractors not interested in partaking in the bidding processes;
- Insufficient integration of environmental and social aspects into procurement
- Lack of transparency in publishing in procurement related data;
- Non-adherence to legislated procurement processes;
- Estimated costs not prepared based on market research;
- High corruption perception index of the country;
- Wide spread of the project area and involvement of many implementing partners and service providers;
- Control mechanisms not working to full efficiency.

Note: Relevant mitigation measures have been included in the PRM to address these weaknesses

### **Opportunities**

- Using IFAD procurement training course (Buildproc II) as good opportunity to improve procurement capacity of MoF procurement staff;
- Increased capacity and efficient coordination with IFAD also represent a good Opportunity;
- IFAD procurement training at startup phase is an opportunity for better planning and quicker startup of program implementation
- Making use of e-GP system functionality for better and quicker procurement processes and better transparency;
- Improvements in the supplier and contractor capacity, by holding stakeholder workshops for them;
- Expanding supplier market, interest and incentives in environmentally friendly procurement.

### **Threats**

- Inefficient planning and execution of procurement activities resulting in delays in procurement, affecting program implementation;
- Startup delays in establishing priority procurement activities in line with program design;
- Bureaucratic delays in decision making and too many layers of approval;
- Supply chain disruption due to unexpected event like war in Ukraine and natural calamities like the COVID-19 pandemic;
- Supply market not sufficiently matured to provide effective competition;
- Unstable currency resulting in erratic supply markets;

Note: Relevant mitigation measures have been included in the PRM to address these threats

The IFAD-financed FIRIP will be implemented through a dedicated Project Management Unit under the Ministry of Finance. Procurement unit of the MoF is staffed with Head of Procurement, 2 Senior Procurement Officers, 2 Procurement Officers and 3 Procurement Assistants. The Procurement Unit exhibits gaps in implementation of the national procurement framework in contract management and record maintenance aspects. However, this staff strength may not be sufficient to directly handle the additional procurement workload of the

FIRIP. The procurement staff also have not been exposed to the IFAD procurement processes. Hence, it must be supported by suitably staffing the PCU with a qualified and experienced Procurement Specialist.

To enhance the performance of the procurement function of the project and considering the procurement risk assessment of the project, the following mitigation measures are proposed to be implemented:

- i) A dedicated Procurement Unit will be established with a Procurement Specialist at the PCU.
- ii) A comprehensive training on procurement aspects will be organised for the PCU staff and other stakeholders including the procurement staff of the MoF.
- iii) Through the initial 18-month PP, important and critical items are planned which will speed up the implementation. Many of the critical consultancy service engagement to be completed before entry into force.
- iv) Performance evaluation and achievement of identified deliverables is a compulsory provision and any shortfall to be followed up for resolution.
- v) Responsibility Matrix designed and included in PIM.
- vi) Audit, both internal and external, will also review procurement performance at all levels.
- vii) IFAD End-to-End Procurement system (OPEN) and its subsequent enhancements will be deployed. FIRIP shall use the new Contract Monitoring Tool (CMT) of the IFAD OPEN.
- viii) eGP of GoZ will be used for soliciting bids, opening and notification of award.
- ix) Project website will have dedicated page for tenders and awards.

### **Need for hands-on support**

Since the MoF procurement staff are not familiar with the IFAD procurement processes in terms of use of OPEN and CMT, hands on support are considered essential during the initial phase of the project. The hands-on support may have to be continued to the PCU procurement staff, for a considerable time, till they become proficient in the use of the OPEN and CMT and also with the IFAD procurement processes.

### **Contract management capability and capacity**

Contract Management in practice continues to be one of the major challenges as most PEs have challenges in one or all of the following: (i) Contracts not implemented in a timely manner; (ii) lack of mechanisms for inspection, quality control, and supervision of works contracts; (iii) delays in timely payment of invoices; and (iv) failure to manage and document variations and contract amendments. Though there are existing provisions that can be used to abate these challenges, lack of proper systems for implementation have led to large deviations and price escalations on contracts and increased non-performing contractors on projects. Additionally, there remains need for further growth and capacity improvement of the local private sector players as poor service delivery, substandard workmanship in construction works and abandonment of contracts continue to contribute to an inefficient public service delivery environment.

- i) No clear contract management procedures could be evidenced at MoF, with comprehensive contract management plan for major contracts in place. All contracts above the threshold of K250,000 are approved by the Ministry's Procurement Committed which is chaired by the PS. Contracts above the threshold of K1,000,000 are vetted by the office of Attorney General. All contract amendments are also approved by the Procurement committee, with contract variations limit fixed at 25%.
- ii) Procedures for Receipt, inspection and accounting are well established. However, Payment delays are generally common, despite sufficient linkage between budget allocation and contract commitments.
- iii) Provisions for amicable settlement of contract disputes is built in the contracts. Arbitration is governed by the Arbitration Act 19 of 2000.

### **Procurement Capacity Development**

The procurement staff engaged for the project should have benchmark qualifications and skills. No staff should be engaged without the benchmark skills.

The capacity of the procurement staff will be augmented in the following manner:

- i) Procurement Specialist should be provided with training on IFAD procurement framework and in the use of OPEN and CMT systems, within 3 months of engagement.
- ii) ITC/ILO has a project procurement training programme (Blend of online and offline), BUILDPROC. BUILDPROC is a capacity-building programme in procurement for agricultural and rural development. The cost of the programme would be borne by the project resources. To retain the talent, the PCU may specify minimum number of years of service to be completed, beyond certification.
- iii) IFAD Zambia Country Office will arrange additional need-based training programmes through its staff and accredited procurement consultants.

The project will be engaging many implementing partners and service providers, for providing project related rural financial services. The agreements with these IPs/SPs might allow them to carry out project related procurement for providing those rural financial services. Some of these IPs/SPs may not have adequate procurement capacity, both in terms of qualified staff and processes. In order to increase their capacity, the project shall organise procurement training at the startup phase of the project and also during the course of implementation. The Project Procurement Specialist shall provide the necessary handholding support to them.

### **Complaint management and dispute resolution system-**

Procedure for Appeals is defined under Section X of the PPA Act 2020 and XIX of the PPR 2022. The appeal review system has conditions and timeframes for decision by the appeal review system and clear enforcement authority and mechanisms.

**Key Conclusions of IFAD-PRM Part B:** FIRIP envisages procurement of non-financial service providers for providing FinTech and AgriTech services, which would involve service level agreements. For providing the financial services, the program may have to enter into



agreements with implementing partners (financial institutions). If these agreements do not incorporate appropriate safeguard clauses and performance evaluation framework, there is a risk that the program funds not being used for the intended purpose. The IPs might also be carrying out procurement activities, due to their inadequate procurement capacity, may have a risk of National/IFAD procurement framework not complied with, compromising on transparency, competition and value for money. Project involves many interdependent contracts, involving many implementing partners. Contract and GA templates do not fully comply with IFAD SECAP provisions. Contract Management procedures are lacking and there is no contract management form and contract register is not updated, to ensure effective contract monitoring. Knowledge of IFAD procurement procedures needs to be improved. Substantial use of non-competitive procurement methods. e-GP system is not being effectively utilized. There is no evidence of procurement audit recommendations being implemented and monitored.

**Mitigation measures to address above key findings are:** The program may make use of the “Agritech and Fintech Providers in East and Southern Africa - A Landscape Assessment” report developed by the ESA in formulating the FinTech and AgriTech interventions. The agreements with the Implementing partners for providing financial services, shall incorporate suitable safeguard clauses and performance evaluation framework. The IPs shall comply with the National/IFAD procurement framework, which should be a part of the agreements. Simplified procurement guidelines may be developed by the PCU, for the use of IPs. The project shall establish robust co-ordination and reporting mechanisms with the IPs. The contract and GA templates shall be appended with IFAD SECAP standards applicable. The project shall nominate contract managers for GAs and a contract monitoring mechanism shall be established. Accounting software shall be used for effective monitoring of payment delays. Sufficient procurement trainings shall be organized at the startup phase. Use of non-competitive bidding shall be identified in the PP and subject to IFAD prior process beyond PPA defined thresholds. FIRIP shall make use of e-GP system for all project procurement. FIRIP shall institute exception reporting for delayed payments and implementation of audit recommendations.

### **c. Market Analysis**

#### **Market analysis of construction sector**

Construction has opportunities in sectors like Mining, Agriculture, Transport Infrastructure, Water and Sanitation, Energy etc. Zambia is highly dependent on copper mining as its major foreign exchange earner (70% of foreign exchange). The extractive sector accounts directly for 9.9% of GDP, 27.8 % of government revenues and 78.4% of exports in Zambia. Indirectly, the mining sector may contribute as much as half of the GDP. The agriculture sector remains key to economic and poverty reduction contributing 2.7% of the GDP (2022). The government targets increasing private investments, more so in agro-parks to diversify enterprises and raise sector contribution to more than 20% of GDP. Zambia is making progress in improving its transport infrastructure. The overall level of infrastructure development has gradually improved since 2010, however, the infrastructure remains inadequate and continues to hamper industrial competitiveness and growth. Main challenges include inadequate financing and poor maintenance capacity. The country’s transport sector plans are being driven by the goal of improving connectivity, while emphasizing on national connectivity to complement the gains in regional connectivity. The contractor market is sufficient to cater to the small to medium level works, while larger works would require

involvement of foreign players. There are sufficient groups of players (medium, and small) servicing this sector at the country level.

### **Market analysis of supply sector**

The market for goods and services is good, with opportunities in sectors such as agriculture, mining, retail, energy, transport infrastructure and telecommunications. Mining industries provide opportunities for supply of goods and related services, followed by the agriculture industry, while the other sectors also play significant roles. Agriculture sector is characterized by weak linkages to markets, low value addition, low productivity and weak market integration. There are opportunities in the agriculture sector for businesses that supply inputs such as seeds, fertilizers, and machinery, as well as for those involved in processing and exporting agricultural products. Zambia's reliance on rain-fed hydropower generation for its energy needs remain vulnerable to changes in weather patterns and thus provides opportunities for alternative energy sources like solar energy. Zambia's telecommunication sector has seen positive and significant development over the last two decades. The biggest challenge to the sector remains limited infrastructure, providing opportunities in supply of goods and equipment for improving the telecom infrastructure.

### **Analysis of Consultancy Market**

The consultancy market in Zambia has been growing steadily in recent years, driven by increasing demand for professional services across various sectors of the economy, including government, private businesses, and non-profit organizations. The Government of Zambia has been actively promoting entrepreneurship and private sector development, leading to an increase in demand for consultancy services in areas such as business planning, market research, and investment advisory. Heavy public investment in infrastructure has also created opportunities for consultancies to offer services related to project management, feasibility studies, and technical assistance. Overall, the consultancy market in Zambia is expected to continue growing in the coming years, as the country continues to implement its development agenda and attract investment from both domestic and international sources.

### **Procurement trends**

Public procurement accounts for a significant level of public expenditure and hence strengthening public procurement systems is central to achieve concrete and sustainable results, build effective institutions, and gain substantial savings in the use of scarce public resources. Public procurement has a strategic function as a mechanism for supporting economic development, conserving and making optimum use of resources through application of sustainable criteria, and increasing job creation and private sector growth including enhanced participation of small and medium enterprises in a country. Government expenditure through public procurement has long been used as a means of stimulating growth at all levels, including accomplishing the government's vision and mission.

The Government of Zambia (GoZ) has progressively undertaken various initiatives in reforming its public procurement system during the past many years, including setting up a functional Public Procurement Authority (ZPPA) and revising the Public Procurement Act in

2020 from the previous version of 2008. The Public Procurement Regulations were revised in 2022. One of the key initiatives implemented by the government is the eGP system, which enables suppliers to submit bids electronically and allows for greater transparency and efficiency in the procurement process. The system has been successful in reducing the time and cost of procurement, as well as improving the quality of goods and services procured. However, not all the PEs have adopted the system fully and ZPPA gives approval for conducting procurement outside of the eGP system on a case-by-case basis, which is quite substantial and has a risk of conflict-of-interest situations.

The public procurement environment in Zambia has evolved and provides a healthy, competitive and well-functioning market environment. There are no systemic constraints that make it difficult for SMEs and similar targeted groups to participate in procurement processes. The PPA has detailed provisions that favour citizen and local bidders, including marginalized groups in participating in tenders through application of preferential and reservation schemes to promote the economic development of citizen bidders and suppliers. Small and Medium Enterprises (SMEs) participation over the last decade has increased, however, obstacles in information technology, inadequate financing, and contracting practices, especially government payment systems, have hindered many suppliers from doing business with government. Based on the survey results of the MAPS II, 73.7 percent of private sector respondents had a negative perception of the appropriateness of conditions in public procurement market.

There is a need for growth and capacity improvement of the local private sector players as poor service delivery, substandard workmanship in construction works and abandonment of contracts continue to contribute to an inefficient public service delivery environment.

**Financial:** The proposed GA for Component 1.1, 1.2 and 2.1 is to an extent of USD 36,760,000. Procurement of Goods during the first 18 months of the project is estimated to be of USD 528,000 and there are no works foreseen in that period. Consulting services need to be procured to an extent of USD 1,100,000 during the first 18 months period.

**III. Procurement Risk Analysis for above mentioned contract/group of similar Contracts**

Procurement Type	Risks	Mitigation Measures
Works Contracts (Though not envisaged for this project except very small works through community)	<ul style="list-style-type: none"> <li>• Very small, dispersed works not preferred by the contractors</li> <li>• Lack of qualified supervision</li> <li>• High cost of maintenance</li> <li>• High cost of construction materials</li> </ul>	<ul style="list-style-type: none"> <li>• Packaging of works to be done to attract the suppliers</li> <li>• Solicit prototypes of Climate / disaster proof models.</li> <li>• Promote alternative materials</li> </ul>
Goods Contracts	<ul style="list-style-type: none"> <li>• No proper need assessment conducted.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct detailed needs assessment.</li> <li>• Engage in proper advance</li> </ul>

	<ul style="list-style-type: none"> <li>• Dispersed destination delivery not preferred by the suppliers.</li> <li>• Small traders in the rural areas do not have the capacity to supply.</li> <li>• Low quality seeds</li> <li>• No advance planning for cropping seasons</li> </ul>	<p>planning to ensure goods are obtained in time, without delaying implementation.</p> <ul style="list-style-type: none"> <li>• Use Long Term Agreements with multiple suppliers for regularly required goods.</li> </ul>
Consultancy Services Contracts	<ul style="list-style-type: none"> <li>• Growing but still small market may result in inadequate expertise in various fields.</li> <li>• Project has difficulty in estimating/evaluating the price, as no benchmark price available</li> <li>• Oligopolistic market may constrain competition</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive TORs to ensure selection of qualified suppliers.</li> <li>• Automatic advertisement of procurement notices in eGP system</li> <li>• Engage technical resource persons in evaluating the proposals</li> </ul>

**IV. Procurement Objective for abovementioned contract/group of similar contracts (Related to the 5 Rs)**

1. Maximize Value for Money
2. Timely completion of contracts
3. Achieve adequate competition
4. Selection of qualified suppliers with good track record in implementation and
5. Addressing of SECAP concerns

**V. Recommended Procurement Approach for the Project**

**Works Contracts:**

<b>Attribute</b>	<b>Selected arrangement</b>	<b>Justification Summary/Logic</b>
<b>Specifications (SECAP compliance)</b>	<b>Conformance</b>	SECAP compliance requirements to be adhered: i) No child labour to be employed

		<ul style="list-style-type: none"> <li>ii) Strict oversight for structural stability</li> <li>iii) Mitigation of OSH risks by following statutory legal requirements</li> <li>iv) Making available rest sheds for workers</li> <li>v) Deployment of skilled labour to operate heavy equipment.</li> </ul>
<b>Sustainability Requirements</b>	<b>Yes</b>	
<b>Contract Type</b>	<b>A. Traditional</b>	Most of the works' contracts follow the normal contracting process. These are easy to manage.
<b>Pricing and costing mechanism</b>	<b>A. Schedule of Rates/Admeasurement</b> <b>B. Lump-sum</b>	These two methods are applicable and can be used in the pricing and cost mechanism of these contracts.
<b>Supplier Relationship</b>	<b>A. Collaborative</b>	
<b>Price Adjustments</b>	<b>A. None, fixed price</b>	Fixed Price applies or Admeasurement price for small variations authorized.
<b>Form of Contract (Terms and Conditions)</b>	<b>D. State any special conditions of contract</b>	Include SECAP compliance requirements clearly.
<b>Selection Method</b>	<b>A. Requests for Quotations (RFQ)</b>	NCB requirements deter contractors to submit bids. Also, the works are dispersed and small. No large works are foreseen in FIRIP being a rural finance project. Works if any, will be below the RFQ threshold of US\$ 175,000.

<b>Selection Arrangement</b>	<b>A. Commercial Practices</b>	In some instances, the market provides the best option
<b>Market Approach</b>	<b>A. Type of Competition</b> <b>1. Advertised RFQ</b> <b>B. Number of Envelopes/Stages</b> <b>1. Single Envelope</b> <b>C. Negotiations - No</b>	Open competition places the bids to the entire market to obtain value for money. No negotiations are allowed on works contracts
<b>Pre / Post Qualification</b>	<b>B. Post-Qualification</b>	Since bids are advertised in the open market, Post qualification is the most ideal method.
<b>Evaluation of Costs</b>	<b>A. Adjusted Bid Price (corrected for a bidder's minor deviations)</b>	Adjusted bid price is the most ideal method. Before award, bidder has to accept the corrected price.
<b>• Domestic Preference</b>	<b>No</b>	All bidders are domestic. No international bidders would be interested due to small packages.
<b>• Rated Criteria</b>	<b>List the type of criteria to be used (mandatory)</b>	Lowest Price on BoQ or Lowest Evaluated cost.
<b>Debriefing</b>	<b>Preferred</b>	To be conducted after award to identify the errors/failure to submit documents. This would increase the credibility of the organization to widen the competition.

**Goods Contracts:**

<b>Attribute</b>	<b>Selected arrangement</b>	<b>Justification Summary/Logic</b>
<b>Specifications (SECAP compliance)</b>	<b>Conformance</b>	For agricultural inputs (seeds / plant materials) all the materials should have been authorized by the Government for release. In case of pesticides, no prohibited pesticides to be procured.
<b>Sustainability Requirements</b>	<b>Yes</b>	Sustainability should always be considered in all procurement activities
<b>Contract Type</b> <b>A. Traditional based on Employer's/IA design</b> <b>B. Design and Build (design by contractor)</b> <b>C. Design, Build, Operate, Maintain</b>	<b>Traditional based on Employer's/ IA design</b>	For the proposed project, only standard traditional contract may apply for procurements of goods.
<b>Pricing and costing mechanism</b>  <b>A. Lump-Sum</b> <b>B. Performance based contracts</b> <b>C. Schedule of Rates/Admeasurement</b> <b>D. Time and Materials</b> <b>E. Cost Plus</b>	<b>A. Lump Sum</b>	Lumpsum pricing serves well in most of the procurement of goods for the project

<p><b>Supplier Relationship</b> <b>Adversarial/Collaborative</b></p>	<p><b>A. Collaborative</b></p>	<p>Collaborative relationships work well where suppliers agree on the prices and terms to be met.</p>
<p><b>Price Adjustments</b> <b>A. None, Fixed Price</b> <b>B. Negotiated or MoA</b> <b>C. Percentage</b></p>	<p><b>A. None, fixed price</b></p>	<p>Fixed prices will apply to procurement of goods as no negotiations are allowed for procurement of goods. Contract duration is not expected to be more than one year.</p>
<p><b>Form of Contract (Terms And Conditions)</b></p>	<p><b>D. State any special conditions of contract</b></p>	
<p><b>Selection Method</b></p>	<p><b>A. Requests for Bids (RFB)</b> <b>B. Requests for Quotations (RFQ)</b> <b>C. Direct Selection</b></p>	<p>Most of the procurements will go through RFB to give an opportunity for competition and a wide range of competitors. Need assessment to be done and technical specifications in a range (not exact leading to a particular brand/model). Conduct market survey. Direct selection only for very low value consumables for office equipment.</p>
<p><b>Selection Arrangement</b></p>	<p><b>A. Commercial Practices</b> <b>B. Framework Agreements/LTA</b></p>	<p>Both these methods could be used.</p>
<p><b>Market Approach</b></p>	<p><b>A. Type of Competition</b> <b>1. Open</b></p>	<p>Most of these tenders are open to encourage</p>



	<b>2. Limited</b> <b>3. International</b> <b>4. National</b> <b>5. Direct contracting (for low value)</b> <b>6. eGP</b> <b>B. Number of Envelopes/Stages</b> <b>1. Single Envelope</b> <b>C. Negotiations (No)</b>	competition amongst suppliers in the market. Single Envelope will be used for procurement of goods. No negotiations are allowed for procurement of goods. All direct procurement above threshold shall be properly justified. Negotiations is mandatory.
<b>Pre / Post Qualification</b>	<b>A. Post-Qualification</b>	Good supplier pool available. As such post qualification will be the most ideal method to be used.
<b>Evaluation of Costs</b>	<b>A. Bid Price (exclusive of taxes)</b> <b>B. Life-Cycle Costs</b>	Bid price substantially compliant to the specifications. Life cycle costs to be considered for capital assets like machinery (for agro processing)
<b>• Domestic Preference</b>	<b>No</b>	International bidding not foreseen. All domestic suppliers (manufactured or already imported prior to supply)
<b>• Rated Criteria</b>	<b>Mandatory</b>	Best evaluated price substantially responsive to requirements.

**Consultancy Services Contracts:**

<b>Attribute</b>	<b>Selected arrangement</b>	<b>Justification Summary/Logic</b>
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<b>Specifications (SECAP compliance)</b>	<b>Conformance</b>	When used on TA/advisory role, SECAP requirements to be adopted for final report, which has implications for downstream procurement.
<b>Sustainability Requirements</b>	<b>Yes</b>	Sustainability will be a mandatory requirement for any procurement carried out in this project.
<b>Contract Type</b>	<b>A. Traditional</b>	Most of the consultancy contracts will follow the traditional method
<b>Pricing and costing mechanism</b>	<b>A. Lump Sum B. Time based</b>	Most of the consultancy contracts will be lump sum. However, any of these methods can be used.
<b>Supplier Relationship</b>	<b>A. Collaborative</b>	Collaborative relationship will apply in all contracts with consultants
<b>Price Adjustments</b>	<b>A. Yes, beyond 24 months B. Negotiated</b>	Both Fixed Price and negotiated contracts methods will be used. Price adjustments to be done for long term contracts beyond 24 months. The consultant and the Client to agree on the modality of increase.

		<p>Negotiations are not held with the intention of making substantial changes to a contract or obtaining price reductions from the successful consultant. The only exceptions are:</p> <ul style="list-style-type: none"> <li>- when the single sourcing/direct contracting method of procurement has been used; or</li> <li>- when price has not been a factor in the bid evaluation process (i.e. quality-based selection)</li> </ul> <p>negotiations may normally deal with the following areas:</p> <ul style="list-style-type: none"> <li>- minor alterations to technical details, such as the terms of reference, proposal assignment methodology or staffing;</li> <li>- minor amendments to the special conditions of contract;</li> <li>- mobilization arrangements;</li> <li>- inputs required from the procuring entity;</li> <li>- finalization of payment arrangements;</li> <li>- agreement on the final completion schedules to accommodate any changes required by the procuring entity;</li> <li>- clarification of details that were not apparent or could not be finalized at the time of tendering;</li> <li>- the consultant's tax liability.</li> </ul> <p>Negotiations must not be used to:</p>
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		<ul style="list-style-type: none"> <li>- substantially change the technical quality or details of the proposal, including the consultant's tasks or responsibilities;</li> <li>- materially alter the contract terms and conditions stated in the RFP document;</li> <li>- reduce fee rates (see above) or reimbursable costs, except where changes are required to reflect any agreed changes to the technical proposal; or</li> <li>- substantially alter anything that was a critical or deciding factor in the evaluation of the tenders or proposals.</li> </ul>
<b>Form of Contract (Terms and Conditions)</b>	<b>D. State any special conditions of contract</b>	<p>Legal recourse to dispute resolution only after exhausting all appellate and arbitration avenues.</p> <p>Replacement of team at contract stage not allowed.</p> <p>Long term contracts, exceeding 12 months, each replacement requires Client approval.</p> <p>Frequent replacements lead to suspension and termination.</p>
<b>Selection Arrangement</b>	<b>A. Commercial Practices</b> <b>B. United Nations (UN) Agencies</b> <b>C. Government agencies on single source</b> <b>D. Single source</b>	<p>Selection arrangements will be based on standard commercial practices.</p>

<p><b>Market Approach</b></p>	<p><b>A. Type of Competition</b>  <b>1. Open</b>  <b>2. Limited</b>  <b>3. National</b>  <b>5. No Competition - Direct Selection</b></p> <p><b>B. Number of Envelopes/Stages</b>  <b>1. Two Envelopes</b>  <b>3. Single Stage</b>  <b>4. Multistage</b></p> <p><b>C. Negotiations (Yes)</b></p>	<p>Competition is national. In very isolated cases direct selection could also be used.</p>
<p><b>Pre / Post Qualification</b></p>	<p><b>A. Pre-Qualification</b>  <b>B. Post-Qualification</b>  <b>C. Initial Selection (limited tendering)</b></p>	<p>Shortlisting (prequalification) applies to majority of the cases. Where the assignment is specific post qualification could be used.</p>
<p><b>Consultant Selection &amp; Evaluation Method</b></p>	<p><b>A. Quality Cost Based Selection (QCBS)</b>  <b>B. Fixed Budget Based Selection (FBS)</b>  <b>C. Least Cost Based Selection (LCS)</b>  <b>D. Quality Based Selection (QBS)</b>  <b>E. Consultant's Qualifications Based Selection (CQS)</b>  <b>D. Direct Selection</b></p>	<p>All these are acceptable. QBS is to be used exceptionally.</p>
<p><b>Evaluation of Costs</b></p>	<p><b>A. Adjusted Bid Price (After negotiations)</b></p>	
<p><b>• Domestic</b></p>	<p><b>No</b></p>	<p>No</p>

<b>Preference</b>		
<ul style="list-style-type: none"> <li>• <b>Rated Criteria</b></li> </ul>	<p><b>List the type of criteria to be used (mandatory/desired)</b></p>	<p>Highest combined score for QCBS. Highest technical score within budget (FBS). Highest technical score with lowest financial cost. Though QBS is allowed, it is not generally used for rural development projects.</p>
<p><b>Government official (serving/retired/resigned) as part of consultancy team</b></p>		<p>If the proposed consultant is a government official, IFAD may agree on a case-by-case basis to the hiring of a government official of the Government under consulting contracts in the Borrower/Recipient country, either as an individual or as a member of the team of experts proposed by a consulting firm, only when:</p> <p>a) the services of the government official of the Borrower Government is of a unique and exceptional nature, or his/her participation is critical to project implementation.</p>

		<p>b) his/her hiring would not create a conflict of interest.</p> <p>c) his/her hiring does not conflict with any laws, regulations, or policies of the Government; and</p> <p>d) he/she is on an unpaid leave of absence granted by the current government employer. The contract of the concerned government official (proposed consultant) with its government employer needs to have ended (resigned or retired) or has been halted for the duration of the assignment and an official letter from its current employer to this effect must be submitted.</p>
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## ANNEX 7: SECAP RISKS AND PROCUREMENT ACTIONS

<b>Environmental and Social Safeguards</b>			
<b>Resource Efficiency and Pollution Prevention</b>	<b>Risk Rating</b>	<b>Consequence</b>	<b>Guidance for SPOs</b>
2.6 Will the project involve or lead to primary production of living natural resources through cultivation or rearing of plants, annual and perennial crop farming, etc.?	Low	<b>Minor</b> Project will only be partly dependent on production of living natural resources, it does not require serious environmental or social controls.	Suppliers of fertilizers will be required to operate in line with SECAP safeguard standards. The use of organic fertilizers will be encouraged.
<b>Labour and Working Conditions</b>	<b>Risk Rating</b>	<b>Consequence</b>	<b>Guidances for SPOs</b>
5.1 Could the project operate in sectors or value chains where there have been reports of discriminatory practices and the lack of equal opportunity (for disadvantaged and vulnerable workers, including women, children of working age, migrants and persons with disabilities), denial of freedom of association and collective bargaining, labour migrants?	Low	<b>Minor</b> The project will operate in sectors or value chains that have, in the past, not met national labour laws, or international commitments, but is now adequately nationally regulated, and is part of international value chains that are subject to regular environmental and social auditing.	Not relevant for procurement
<b>Community Health, Safety and Security</b>	<b>Risk Rating</b>	<b>Consequence</b>	<b>Guidances for SPOs</b>
6.5 Could the project lead to the potential for gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?	Moderate	<b>Moderate</b> The project may lead to moderate changes to community dynamics, may result in increased potential for gender-based violence or sexual exploitation. Gender based violence protocols in place.	All contracts signed with contractors must include a clause addressing Sexual Exploitation and Sexual Harassment.
<b>Physical and economic resettlement</b>	<b>Risk Rating</b>	<b>Consequence</b>	<b>Guidance for SPOs</b>
7.4 Could the project result in adverse impacts on or changes to land tenure arrangements and/or community-based property	Low	<b>Minor</b> The project will result in minor impacts on or changes to land tenure arrangements and/or	Not relevant



rights/customary rights to land, territories and/or resources?		community-based property rights/customary rights. Legal recourse and other forms of arbitration/conflict resolution are available.	
<b>Financial intermediaries and direct investments</b>	<b>Risk Rating</b>	<b>Consequence</b>	<b>Guidance for SPOs</b>
8.1 Could the investment be granted to an institution that does not have an environmental and social policy and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?	Moderate	<b>Moderate</b> The institution does not have an ESMS in place, but several individual E&S policies. The policies are therefore not considered transparent. Reporting on E&S is available upon request.	In compliance with the ESCMP, the partner financial intermediaries are required to prepare an Environmental and Social Management System (ESMS) consistent with SECAP requirements, including developing an environmental and social policy, procedures and capacities for assessing, managing and monitoring risks, organizational capacity and competency, and Grievance Redress Mechanisms.  Use of national or IFAD standard consultancy contract, tailored to the special conditions of contract to suit the project context and the borrower's ESCMP/ESCMF.
8.2 Could the investment be granted to an institution with insufficient capacities (i.e. unqualified personnel e.g. ES Officer) to implement the ESMS?	Moderate	<b>Major</b> The institution does not employ an ES Officer and field staff are somewhat capable of monitoring the environmental impact of the institution but needs support to fully perform the duties.	Any institutions and partners will be capacitated to implement ESMS.  Use of IFAD standard consultancy contract with tailored special conditions of contract to

			suit the project context and the borrower's overall project ESCMP
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ANNEX 8 – SCHEDULE OF CONTRACT APPROVAL & SIGNING AUTHORITIES

<b>VALUE THRESHOLD</b>	<b>Approval</b>
<b>Up to K50 million</b>	<b>A:Programme Coordinator</b>
<b>Above K50 million up to K500 million (Goods, Works and Non- Consulting Services; and K300 million Consulting Services)</b>	<b>A: MPC – Ministry Procurement Committee</b>
<b>Above K500 million – up to K30 billion (Goods and Works) and K10 billion (Consulting Services)</b>	<b>A: MPC – Ministry Procurement Committee</b>
<b>Above K30 billion (Goods and Works) and K10 billion (Consulting Services) – to unlimited</b>	<b>A: MPC – Ministry Procurement Committee</b>

KEY: **A**=Approval Authority;

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ANNEX 9 – COST THRESHOLDS FOR METHOD OF PROCUREMENT

**LEVELS OF AUTHORITY FOR APPROVALS AUTHORITY**

<i>Approvals Authority</i>	<i>TYPES OF PROCUREMENT</i>		
	<i>Goods and Non-Consulting Services</i>	<i>Works</i>	<i>Consulting Services</i>
Procurement Committee	Over <b>K250,000.00</b>	Over <b>K250,000.00</b>	Over <b>K250,000.00</b>
Controlling Officer/Chief Executive Officer	Up to <b>K250,000.00</b>	Up to <b>K250,000.00</b>	Up to <b>K250,000.00</b>

<i>Procurement Method</i>	<i>TYPES OF PROCUREMENT</i>		
	<i>Goods and Non-Consulting Services</i>	<i>Works</i>	<i>Consulting Services</i>
Open National Bidding	<i>Over K1,000,000.00</i>	<i>Over K1,000,000.00</i>	<i>Not applicable</i>
Open International Bidding	<i>In appropriate circumstances</i>	<i>In appropriate circumstances</i>	<i>Not applicable</i>
Limited Bidding	<i>Over K1,000,000.00 and in appropriate circumstances</i>		<i>Not applicable</i>
Open National Selection	<i>Not applicable</i>	<i>Not applicable</i>	<i>Over K600,000.00</i>
Open International Selection	<i>Not applicable</i>	<i>Not applicable</i>	<i>In appropriate circumstances</i>
Limited Selection	<i>Not applicable</i>	<i>Not applicable</i>	<i>Above K600,000.00 and in appropriate circumstances</i>
Simplified Selection	<i>Not applicable</i>	<i>Not applicable</i>	<i>Up to K600,000.00</i>
Simplified Bidding	<i>Up to K1,000,000.00</i>	<i>Up to K1,000,000.00</i>	<i>Not applicable</i>
Direct Bidding on account of low value	<i>Up to K20,000.00 or in appropriate circumstances</i>	<i>Up to K20,000.00 or in appropriate circumstances</i>	<i>Not applicable</i>
<b>Direct Selection</b>	<i>Not applicable</i>	<i>Not applicable</i>	<i>in appropriate circumstances</i>

ANNEX 10 – GRZ-FIRIP PROCUREMENT TEMPLATE

<b>Template #</b>	<b>Template Title</b>	<b>Template date</b>	<b>Comments</b>
	Invitation to Bid		
	Instructions to Bidders		
	Bid Data Sheet		
	Local Purchase Order		
	Minor Works Contract		
	Major Works Contract		
	Consulting Services Contract		
	General Goods Contract		
	Bid Bond		
	Performance Bond		
	Advance Payment Guarantee		
	Letter of Credit		
	General Conditions of Contract		
	Special Conditions of Contract		
	Annual Procurement Plan		
	General Procurement Notice		
	Contract Procurement Plan		
	Contract Award Notice		
	Bid Evaluation Report		
	Bid Opening Report		
	Bid Rejection Letter		
	Quarterly Report		
	Procurement Directorate Report to ZPPA		
	Declaration of no conflict of interest		
	Bidder/Supplier Appeal form		
	Notice of ZPPA decision on appeal		
	Request for an Expression of Interest		
	Requisition		
	Contract completion checklist		
	Supplier Performance Management Report		

FIRIP is to verify the completeness of this list and add the required templates numbers, dates, and comments.



## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 10: Integrated Project Risk Matrix**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department





## Overall Summary

<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<b>Country Context</b>	<b>Substantial</b>	<b>Substantial</b>
<i>Political Commitment</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Governance</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Macroeconomic</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Fragility and Security</i>	<i>Substantial</i>	<i>Substantial</i>
<b>Sector Strategies and Policies</b>	<b>Substantial</b>	<b>Substantial</b>
<i>Policy alignment</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Policy Development and Implementation</i>	<i>Substantial</i>	<i>Substantial</i>
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Substantial</b>
<i>Project vulnerability to environmental conditions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project vulnerability to climate change impacts</i>	<i>Substantial</i>	<i>Substantial</i>
<b>Project Scope</b>	<b>Moderate</b>	<b>Moderate</b>
<i>Project Relevance</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Technical Soundness</i>	<i>Moderate</i>	<i>Moderate</i>
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Substantial</b>	<b>Substantial</b>
<i>Implementation Arrangements</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Substantial</i>	<i>Substantial</i>
<b>Project Financial Management</b>	<b>Substantial</b>	<b>Substantial</b>
<i>Project Organization and Staffing</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Budgeting</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Internal Controls</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Accounting and Financial Reporting</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project External Audit</i>	<i>Moderate</i>	<i>Moderate</i>
<b>Project Procurement</b>	<b>Substantial</b>	<b>Substantial</b>
<i>A.1 Legal, Regulatory and Policy Framework</i>	<i>Substantial</i>	<i>Substantial</i>
<i>A.2 Institutional Framework and Management Capacity</i>	<i>Substantial</i>	<i>Substantial</i>
<i>A.3 Public Procurement Operations and Market Practices.</i>	<i>Substantial</i>	<i>Substantial</i>
<i>A.4 Accountability, Integrity and Transparency of the Public Procurement System</i>	<i>Moderate</i>	<i>Moderate</i>
<i>B.1 Assessment of Project Complexity</i>	<i>Moderate</i>	<i>Moderate</i>
<i>B.2 Assesment of Implementing Agency Capacity</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project Procurement Overall</i>	<i>Substantial</i>	<i>Substantial</i>
<b>Environment, Social and Climate Impact</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Biodiversity Conservation</i>	<i>Moderate</i>	<i>Low</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Cultural Heritage</i>	<i>Low</i>	<i>Low</i>
<i>Indigenous People</i>	<i>Low</i>	<i>Low</i>
<i>Labour and Working Conditions</i>	<i>Low</i>	<i>Low</i>
<i>Community health, safety and security</i>	<i>Moderate</i>	<i>Moderate</i>

<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<i>Physical and Economic Resettlement</i>	<i>Low</i>	<i>Low</i>
<i>Financial intermediaries and direct investments</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Climate change</i>	<i>Substantial</i>	<i>Substantial</i>
<b>Stakeholders</b>	<b>Substantial</b>	<b>Substantial</b>
<i>Stakeholder Engagement/Coordination</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Stakeholder Grievances</i>	<i>Substantial</i>	<i>Substantial</i>
<b>Overall</b>	<b>Substantial</b>	<b>Substantial</b>

<b>Country Context</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Political Commitment</b>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The political stability Zambia has enjoyed since adopting multi-party elections in 1991, along with its recent relatively smooth transitions of power to the United Party for National Development (UPND) in 2021, contributes to a favourable short-term political outlook. The World Bank's political stability index for Zambia in 2022 stands at 0.1 on a scale ranging from -2.5 (weak) to 2.5 (strong), indicating a relatively stable political environment with a very low occurrence of inter-ethnic tensions or clashes, unlike other sub-Saharan African countries. The current administration is expected to retain power until the 2026 elections, ensuring policy consistency for the successful delivery of IFAD development projects, which have seen high demand for rural financial inclusion since the first IFAD rural finance program in 2007. However, political tensions may surface around election periods, potentially leading to instability and change of political commitment shifts.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>Although IFAD has sustained a strong relationship with the Zambian Government and development partners for decades, to mitigate the risk of a potential reversal in political commitment, IFAD capitalizes on its robust relationship with the current administration to advocate for the institutionalization of policies supporting rural finance, thereby making them less susceptible to political shifts. Furthermore, counterparts from key ministries have been nominated and actively and closely engaged from the PCN and PDR stage of the project. This ensures governmental ownership and alignment with both IFAD's and the Zambian Government's policies.</p>		
<b>Governance</b>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>Zambia's Corruption Perceptions Index (CPI) score for 2023, as reported by Transparency International, was 37 out of 100. This score reflects the perceived levels of public sector corruption, positioning Zambia 98th among 180 countries. This represents a slight improvement from its 2022 ranking of 116th, with a score of 33 out of 100. Additionally, according to the World Bank's Country Policy and Institutional Assessment (CPIA), Zambia's Quality of Public Administration rating for 2022 remained at 3.0 on a scale from 1 (low) to 6 (high), unchanged from the previous year. Despite these scores, the prevalence of corruption remains a concern. Zambia continues to underperform in the sub-region compared to countries like Tanzania, South Africa, Namibia, Rwanda, and Botswana, indicating that there is substantial room for improvement in governance and anti-corruption efforts.</p>	Substantial	Substantial

<p><b>Mitigations:</b></p> <p>Under the current administration, there has been a renewed emphasis on combating corruption, with a commitment to not shielding officials involved in illicit activities, including corruption. As one of the key strategic areas in the Eighth National Development Plan (8NDP), the Government places strong emphasis on transparency and accountability in the Governance system, while also strengthening the rule of law, human rights, and constitutionalism. The government has acted against senior officials engaged in corrupt practices, demonstrating a resolve to eradicate corruption at all government levels. This strategy encompasses addressing instances of corruption past, present, and future, while ensuring that law enforcement agencies are both empowered and professionalized in their anticorruption efforts.</p> <p>IFAD adheres to a stringent zero-tolerance policy towards any prohibited practices, such as fraud, corruption, collusion, coercion, and obstructive practices, in its financed activities and operations. IFAD's legal framework mandates prompt reporting of any fraud or corruption allegations related to project activities. The Office of Audit and Oversight (AUO) is responsible for conducting investigations to establish the facts and take necessary actions. Furthermore, the IFAD Zambia team will oversee procurement and fiduciary aspects during supervision missions, in addition to providing regular implementation support.</p> <p>Most of FIRIP's activities are carried out by private and non-governmental implementation partners which will be selected through a transparent and competitive process. The BFF will be managed by a competent and independent Fund Manager. Sub-projects co-financed under the IOF will have clear performance milestones that will be monitored closely. Adequate provisions for staffing at PCO and Fund Management level have been made. Similarly, the strategic partnerships will be identified through a transparent and demand driven process and monitored in line with mutually-agreed milestones and deliverables.</p>		
<p><b>Macroeconomic</b></p>	<p><b>Substantial</b></p>	<p><b>Substantial</b></p>
<p><b>Risk:</b></p> <p>Despite facing significant debt distress from 2018 to 2021, Zambia implemented debt restructuring reforms in 2022 through the enactment of the Public Debt Management Act. These reforms successfully restructured its debt and improved its debt absorption capacity. Zambia's economic outlook shows signs of improvement, with projections indicating a GDP growth of 4.0% in 2023 and 4.2% in 2024, driven by recoveries in the mining, services, and manufacturing sectors. However, the country confronts macroeconomic challenges, including high debt levels - exceeding 104% of GDP - and a persistent fiscal deficit, projected at 8.1% of GDP in 2023 and 7.3% in 2024. The fiscal deficit is expected to escalate from 2026 as Zambia concludes its financing arrangement under the Extended Credit Facility (ECF) with the IMF at the end of 2025. Inflation rates are anticipated to decrease but remain vulnerable to potential increases in fuel prices and electricity tariffs, along with fluctuations in global fertilizer prices. Economic instability may arise from the debt crisis and delayed resolutions. External factors such as perennial droughts, volatile copper prices, and global geopolitical events could also present challenges.</p>	<p>Substantial</p>	<p>Substantial</p>
<p><b>Mitigations:</b></p> <p>Although macroeconomic challenges are specific to each country and there is limited scope for addressing them at the project level, IFAD persists in engaging in discussions about the necessity of building resilience against external shocks and fostering a diversified economy through agriculture-led growth. The project incorporates elements of climate adaptation and capacity enhancement for MSMEs and smallholders' investment capabilities. At the operational level, the AWPB will be formulated assuming a stable currency. IFAD will provide financing at highly concessional rates.</p>		
<p><b>Fragility and Security</b></p>	<p><b>Substantial</b></p>	<p><b>Substantial</b></p>

<p><b>Risk:</b></p> <p>Zambia is currently grappling with considerable fragility and security concerns, precipitated by a severe drought that has been officially recognized as a national disaster and emergency. This drought, intensified by the El Niño weather phenomenon and climate change, has wrought havoc on the agricultural sector, impacting more than a million households. The scarcity of rainfall has resulted in the loss of one million hectares from a total of 2.2 million hectares of cultivated crops, significantly undermining the country's food security and energy provisions, especially considering Zambia's dependence on hydroelectric power. Furthermore, since October 2023, Zambia has experienced a severe cholera outbreak. Although cases have dramatically decreased, the potential for re-emergence remains, highlighting the need to address issues related to climate adaptation resilience. These risks could continue during the project implementation period. Additionally, socioeconomic factors, including youth unemployment, lackluster economic performance, and diminishing household incomes, could exacerbate the situation.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>The project intends to enhance the livelihoods of the most marginalized rural groups, encompassing smallholder farmers, youth, women, and households headed by women. The project will improve access to innovative and sustainable rural financial services, as well as climate adaptation financing, for smallholder farmers and micro, small, and medium-sized enterprises (MSMEs), with a special emphasis on gender and youth. Improved access to payments, savings, emergency loans and insurance enhances the capacity to cope with shocks (including climate-, macro-economic, health related ones) and enhance resilience and adaptation strategies. Support to vulnerable groups such as semi-subsistence smaller farmers is anchored in savings-based strategies harnessing CBFIs to support resilience, livelihood diversification and asset building. Responsible-lending practices will be promoted across FSPs to avoid un-sustainable debt burdens for vulnerable population groups.</p>		
<p><b>Sector Strategies and Policies</b></p>	Substantial	Substantial
<p><b>Policy alignment</b></p>	Moderate	Moderate
<p><b>Risk:</b></p> <p>The policy environment for inclusive rural finance is sufficiently well developed in Zambia following continuous support under the Rural Finance Programme (2007-2013) and the Rural Finance Expansion Programme (RUFEP, 2014-2024). The National Financial Sector Development Policy (2017-2022) seeks to evolve and transform the financial sector by offering strategic direction and coordinating development efforts to foster a well-developed, inclusive financial system conducive to efficient resource allocation and sustainable economic growth. This policy complements the Financial Sector Development Plans (FSDPs), focusing on legal reforms, payment systems, market efficiency, financial education, and finance accessibility. Additionally, the National Financial Inclusion Strategy (NFIS) 2017-2022 and NFIS II (2024 – 2028) target universal access to diverse, quality, affordable financial services, with objectives to include 80 percent of the populace and 70 percent of adults in the formal financial system by 2022, aiming to incorporate the unbanked and underserved into the formal economy through technological innovation. The NFIS II places particular emphasis on rural and agricultural financial inclusion, mainstream ESG frameworks, and enhancing the quality and reach of DSF, and inclusion of women, youth, elderly, and other vulnerable groups. There are several regulatory instruments supporting the use of alternative collateral (e.g., movable assets, warehouse receipts), the role out of digital financial services, and – more recently, of Green Finance. These initiatives align with the Ministry of Agriculture's Strategic Plan (2022-2026), developed upon the Zambia Vision 2030, which emphasizes financial access in the sector, with current government efforts reinforcing these commitments. Despite this conducive environment, competition among rural financial institutions may be limited, potentially leading to an undersupply of finance for the rural poor, exacerbated by inadequate coverage and incomplete data from credit reference bureaus, affecting agricultural financial service efficacy.</p>	Moderate	Moderate

<p><b>Mitigations:</b></p> <p>Building on the success of RUFEP, FIRIP will continue to support the development of conducive policy, legislative, regulatory, and supervisory frameworks in rural finance and for the project's target demographics. FIRIP is fully aligned with the NFIS II and will support its implementation, especially in the aforementioned areas. Through its policy component and strategic partnerships, FIRIP will also be in well-positioned to influence the renewal of some older policies (e.g., the rural finance policy).</p>		
<p><b>Policy Development and Implementation</b></p>	<p><b>Substantial</b></p>	<p><b>Substantial</b></p>
<p><b>Risk:</b></p> <p>Despite the alignment of rural finance policies and strategies with the project's objectives, significant policy gaps arise from fragmented initiatives like the NFIS II outside of the RFU, the uncertainties regarding the planned update of the Rural Financial Services Strategy (2012) under the RFU's mandate, and the recently launched Sustainable Agricultural Financing Facility (SAFF) by the Ministry of Agriculture. Furthermore, important legal and regulatory instruments have been created under the 2015 Agricultural Credit Act (including warehouse receipt financing and other alternative sources of collateral) but are poorly used by FSPs. This also applies to enabling institutions such as the Electronic Moveable Assets Registry established based on the Agricultural Credit Acts. These gaps, concerning implementation and integration, as well as the adequacy in addressing the diverse needs of rural populations, risk undermining the project's implementation and its development objectives.</p>	<p>Substantial</p>	<p>Substantial</p>
<p><b>Mitigations:</b></p> <p>Mitigating these gaps necessitates a comprehensive effort to improve policy coherence and implementation and develop innovative financial products and services making use of the enabling legal and regulatory instruments to enhance sustainable rural outreach, and the customization of financial services to the unique contexts of rural communities. The project is committed to facilitating the harmonization and coordination of policy and regulatory frameworks with regards to rural finance and agricultural sectors and help a range of FSPs to innovate and expand their product offerings to rural target groups. This commitment is aimed at ensuring the coherence and effectiveness of rural financial services at both the macro and meso levels, through strategic partnerships. In addition, a major focus will be on strengthening the implementation of existing policy and regulatory instruments, through strategic partnerships with key macro and meso level actors, along with technical assistance and capacity development.</p>		
<p><b>Environment and Climate Context</b></p>	<p><b>Substantial</b></p>	<p><b>Substantial</b></p>
<p><b>Project vulnerability to environmental conditions</b></p>	<p><b>Moderate</b></p>	<p><b>Moderate</b></p>
<p><b>Risk:</b></p> <p>Despite being richly endowed, Zambia -as many other natural resource rich countries- has not been able to translate natural resource rents into broad based development and poverty reduction. Biodiversity is continuously under threat mainly due to human activities such as population growth, agriculture expansion, deforestation, industrialization, and urbanization. As the population continues to grow, pressure is being placed on arable land, water, energy, and other biological resources to provide adequate supply of food.</p>	<p>Moderate</p>	<p>Moderate</p>
<p><b>Mitigations:</b></p> <p>To support the preservation of Zambia's rich biodiversity and ensure the sustainable use of resources for the benefit of both current and future generations, the Project will be aligned to Second National Biodiversity Strategy and Action Plan (NBSAP2) (2015-2025), and the Eighth National Development Plan (8NDP) (2022-2026). The project will promote climate-smart and sustainable agricultural practices, as well as green and climate-smart technologies. This will be achieved by leveraging CBF savings and establishing linkages to banking systems to facilitate the adoption of these practices.</p>		

<b>Project vulnerability to climate change impacts</b>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>Extreme weather events such as droughts and floods have increased in intensity and frequency since 1960. These have resulted in notable losses for Zambia's economy, agricultural sector, the manufacturing sector as well as damage to infrastructure. On 29 February 2024, Zambia declared a national emergency as a result of a prolonged drought which led to the destruction of one million hectares of farmland which has affected over one million households across the country. It is expected that the intensity and frequency of extreme weather events such as flooding and droughts, would increase in the future. It is likely that average annual temperatures could show an increasing trend and that average monthly precipitation will decrease in the future.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>The Project will be aligned with the National Policy on Climate Change (2016), the National Adaptation Plan for Zambia (2023), the Second National Communication to UNFCCC (SNC, 2015) and the updated National Determined Contributions (2021). The project will promote green and climate smart technologies and practices by introducing specific financing instruments facilitating the uptake.</p>		
<b>Project Scope</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Project Relevance</b>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The Project objectives and interventions are well aligned with National policies and priorities, including the Eighth National Development Plan (8NDP) with which it shares similar outcomes to achieve improved adaptive capacity, reduce vulnerability and enhanced resilience to climate change, for both human and biophysical systems (development outcome 1). The Project also aligns well with the Zambia National Financial Inclusion Strategy II (NFIS II) (2024 – 2028), centered on addressing emerging issues such as agricultural, MSME, and green finance, along with a specific emphasis on women, youth and the elderly, as well as rural financial inclusion.. The strategy highlights key sectoral priorities for financial inclusion such as agriculture and MSMEs finance.. The project outcomes are also in line with IFAD Country Strategic Opportunities Programme (COSOP). Despite these alignments, there may be a risk that smallholder farmers and their associated MSMEs would not show an interest in adopting green and climate smart technologies. Another risk may arise from volatility in demand by the smallholder farmers and enterprises, which can change rapidly depending on several factors such as profitability of their investments as well as changes in factors that affect the productivity of their businesses. This would require timely adaptation of the project support strategy.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>The Project will place a strong focus on ensuring that interventions are tailored towards the needs of the intended target group and focused on key areas highlighted as part of Government's medium to long term priority areas and key policies for rural development. Additionally, constant engagement with Government and relevant stakeholders to support policy implementation minimises the risk of hasty shift in focus areas. The project also recognizes the need to strike an appropriate balance in the targeting of the beneficiaries based on the categorization of smallholder farmers and enterprises at different levels.</p>		
<b>Technical Soundness</b>	<b>Moderate</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>The proposed project structure draws from the experiences of RUFEP and similar rural finance initiatives. While aiming to avoid excessive complexity and ambition, the project design has been developed with a realistic timeline and expectations. However, there is a risk that the conditions offered to Participating Financial Institutions (PFIs) might not be sufficiently appealing, potentially leading to a loss of momentum among PFIs. Additionally, there may be reluctance among smallholders and agribusiness entrepreneurs to utilize the supported borrowing channels. A further risk involves the non-repayment of loans provided to these groups. There is also the potential for elite capture of project resources.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>The project will collaborate with partners to develop financial products tailored to the needs of the target groups. To avoid complexity and difficulty in adjustment over the course of implementation, the project design avoids being overly prescriptive and allows for operational flexibility using demand-driven approaches. In addition, a limited number of sub-components reduces complexity while focussing on inter-linkages and complementarities among them. It will also establish an M&amp;E framework that allows for the regular assessment of the project's impact and effectiveness. To mitigate the risk of project resources being disproportionately captured by the elite, the project will establish clear, transparent, and equitable criteria for selecting project beneficiaries and Participating Financial Institutions (PFIs). Engagement with various potential partners has been conducted during the design mission.</p>		
<p><b>Institutional Capacity for Implementation and Sustainability</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Implementation Arrangements</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The project will leverage RUFEP's experience, building on proven instruments and management frameworks. Nevertheless, there exists a risk associated with the potential inability to effectively coordinate and enhance implementation arrangements that involve various government entities, including the Ministry of Agriculture, the Ministry of Small and Medium Enterprises Development (MSME), and the Ministry of Green Economy and Environment (MGE), governance across different levels, and multiple financial institutions.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>To mitigate these risks, representatives from key ministries were involved from the initial conceptual phase of the project and design process. The IFAD team will continue to work closely with these government representatives during the subsequent stages of project start-up and implementation. Additionally, there will be a continuous, concerted effort to strengthen the Rural Finance Unit, pivotal in coordinating all rural finance initiatives within the country. A thorough review of the implementation arrangements was conducted during the design phase to identify further risks and develop suitable mitigation strategies in the design.</p>		
<p><b>Monitoring and Evaluation Arrangements</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>The M&amp;E system performance for RUFEP (the predecessor of this project), evaluated in July 2023, was "moderately satisfactory." Despite a dedicated M&amp;E specialist's efforts at the Project Coordination Unit (PCU), challenges included delayed and partial data submissions from partners, affecting timely updates and accurate performance analysis of key indicators. Despite Strategic Partners developing M&amp;E systems, the systems were evaluated as not yet fully operational to comprehensively support macro-level monitorable indicators. Non-compliance with reporting deadlines by some partners created data gaps, impacting comprehensive project evaluations. High staff turnover among partners further complicated data management, particularly for those using manual collection methods. Additionally, the M&amp;E Specialist's reliance on inexperienced interns have impacted the efficiency and depth of M&amp;E activities. These issues may persistently affect the project's M&amp;E arrangements under this project.</p>	Substantial	Substantial



<p><b>Mitigations:</b></p> <p>To address these risks, FIRIP will enhance the M&amp;E arrangements at PCU by recruiting : (i) a dedicated ME&amp;KM Officer (senior position) who will handle overarching responsibilities, including the planning process, annual reports, Logframe, lessons learned, official publications, and assisting the Coordinator, (ii) an ME&amp;KM Assistant (junior position) focused on assisting with conducting interviews and stakeholder feedback; organizing workshops and other fora for information exchange and learning; using available information to prepare knowledge products (write-ups, infographics, audio-visual products); and disseminating information (including print, broadcasting and social media. They will be responsible for developing a robust and user-friendly M&amp;E system, drawing upon the experiences from RUFEP. Once the core staff is established, the definition of M&amp;E responsibilities will extend to incorporating specific digital data collection and reporting tasks into ToRs for implementing agencies and service providers. During a project start-up workshop or at appropriate occasions during the start-up phase, the M&amp;E/KM Officer, with support from IFAD will facilitate a dedicated M&amp;E session. This session will involve engaging stakeholders to review the project's ToC and Logframe, and to discuss the utilization of these management tools in conjunction with the specific requirements of IFAD and potential co-financiers.</p>		
<b>Project Financial Management</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Project Organization and Staffing</b>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>The availability of Licensed Practicing Accountant (LPAs) is evidenced by the recently closed project (RUFEP) which well qualified accounting staff. This shows that the country has a sufficient pool of accounting professionals from which project FM staff can be recruited. The current and past projects have had dedicated finance staff. There is a risk that staff recruitment will be delayed which may affect project implementation. Additionally, recruited staff are unlikely to have solid understanding of IFAD financial management procedures, including the new report-based disbursement model.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>Using the terms of reference established in the PDR, the lead agency will commence the recruitment process as soon as it is notified of the project design approval. Provide training to FM staff to be recruited for the project on IFAD financial management procedures, including the new report-based disbursement model. Where possible, consider recruiting well performing FM staff from RUFEP to support implementation of the new project</p>		
<b>Project Budgeting</b>	<b>Substantial</b>	<b>Substantial</b>

<p><b>Risk:</b></p> <p>Budgets for the current IFAD supported project are reasonable. The process of developing the AWPBs is participatory. Approval of the budgets is done by the PSC, and there have been historical delays in prior projects in relation to approval of AWPBs. There is a risk of implementation delays due to late engagement of implementing partners. The PSC should be constituted early to ensure sufficient oversight of the budget preparation process.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>The LPA will ensure that PSC is set up within the first six months of project start-up. Preparation of AWPBs should strictly follow the IFAD guidelines, including submission for review and No Objection 60 days before the start of the fiscal year.</p>		
<p><b>Project Funds Flow/Disbursement Arrangements</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>The project is likely to have multiple financing facilities. This could complicate the treasury arrangements leading to delays in accessing funding, thus adversely affecting implementation of project activities. Regardless of the outcome of the debt restructuring process, there is a risk that meeting the projected co-financing targets may be problematic.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>Signing of MoU for the credit guarantee scheme with the relevant within the first six months of entry into force. Inclusion of co-financing in the annual work plans and budgets, clearly mapped to specific activities to enhance accountability.</p>		
<p><b>Project Internal Controls</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>There are sufficient controls within the government financial systems to effectively manage external funding. There haven't been incidences of government interference with project funds that would cast doubt on successful project implementation. There is a risk that with limited monitoring, the controls in place may not work optimally which could lead to inefficient and inappropriate use of project resources.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>FIRIP should be included in MoFNP's internal audit department's planning cycle, and adequate staff time and resources must be allocated accordingly. Scope of internal audit reviews should include entities implementing the project.</p>		
<p><b>Project Accounting and Financial Reporting</b></p>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Efforts to have the previous project (RUFEP) serve as a pilot for the government accounting system (IFMIS) did not materialise. The system is not tailored for IFAD financial reporting requirements and therefore could impede effective financial accounting of the project, especially due to the complex nature of the project structure.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>Install an off-the-shelf accounting software within the first six months of project entry into force. The system should be tailored to generate financial reports, including interim financial reports in the required format (by category and components of expenditure, and by source of funds)</p>		
<p><b>Project External Audit</b></p>	<b>Moderate</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>The country's SAI is an independent body reporting to the Zambia parliament and has the relevant structures and capacity to undertake the project external audit. The SAI has experience conducting external audits of the previous IFAD financed projects in the country. These audits are conducted in accordance with ISSAIs, globally accepted standards, with quality ranging between moderately satisfactory to satisfactory. FMD shall provide adequate capacity building to SAI around IFAD audit requirements. There is a risk that financial and partners institutions (PFSPs) are not equipped with adequate financial controls and lack proper understanding of IFAD finance procedures.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>Timely preparation of audit terms of reference and submission to IFAD for No Objection. Draft financial statements to be submitted to the auditor within three months of the financial year end. FMD to provide capacity building to SAI around IFAD audit requirements.</p> <p>Annual audits of the project, covering the PFSPs (insofar as the project financing is concerned).</p>		
<p><b>Project Procurement</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>A.1 Legal, Regulatory and Policy Framework</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>The Public Procurement Legal Framework is structured with high level Public Procurement Act, 2020 amended in 2023 and Public Procurement Regulations of 2022 with their precedence firmly established. However, there are no procurement manuals. ZPPA approves requests for many direct bidding methods and Deviations, which has a risk of PEs making use of this for use of less competitive methods. Article 39 of PPA puts restriction on the participation of foreign bidders in both NCBs (only citizen bidders and local bidders in partnership with citizen bidders are allowed) and ICBs (foreign bidders can participate but only in partnership with citizen bidders). These exclusions are inconsistent with IFAD procurement framework, as they have a risk of limiting competition. ZPPA reported compliance issues with inconsistent use of procurement bid documents, which has a risk of non-compliant procurement. The national SBDs are not in full compliance with IFAD procurement framework for other IFAD policies. Adherence to evaluation and award criteria provided in the SBDs is low and 10% of PEs do not follow laid down bid receipt and opening procedures. The ZPPA review noticed prolonged delays in execution of contracts in many of the cases, which may result in time and cost overruns affecting project execution. Many cases of improper contract management have also been reported by the Auditor General. Standard templates for RFQ, REOI and Pre-Qualification are not available. Evaluation methodology provides for taking into consideration the total cost of ownership. However, other sustainability related provisions are not fully reflected in the legal framework.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>IFAD project PIMs shall detail the procurement processes to be adopted. The use of less competitive methods beyond thresholds shall be prior reviewed by IFAD, duly reflected in the PIM. IFAD procurement framework shall be applicable for IFAD projects, in cases of inconsistencies with the National procurement framework. IFAD projects shall adhere to procurement methods of approved PP and shall make use of appropriate national SBDs, if available, suitably supplemented with other associated IFADs policies. In absence of suitable national SBDs (e.g. Consultancy Services), IFAD SPDs shall be used. IFAD project procurements shall be in adherence to the evaluation and award criteria given in the bid documents. IFAD projects shall make use of eGP system for all project procurements. IFAD projects shall describe the contract management framework, duly nominating contract managers for larger contracts, in the PIM. Also, adequate contract management capacity of project staff is developed during the initial phases of the project. IFAD projects shall ensure recommended SECAP standards are included in the bid documents, contracts etc.</p>		
<p><b>A.2 Institutional Framework and Management Capacity</b></p>	<b>Substantial</b>	<b>Substantial</b>

<p><b>Risk:</b></p> <p>Majority of the PEs do not submit their PPs to ZPPA for review and uploading. More than 50% of PEs did not have funds committed prior to award of contracts, which has a risk of delay in payments. The Zambia Public Procurement Authority (ZPPA) is a regulatory body established under the Public Procurement Act No. 8 of 2020, with clearly defined functions. The involvement of ZPPA in specific procurement requests could result in a conflict of interest in handling of complaints. Compliance issues have been flagged and the PEs do not appear to be fully accountable for their procurement decisions as per the reports of the ZPPA and AGO. e-GP is an integrated system that provides information on procurement opportunities and outcomes, but not all PEs are publishing their information on it. The ZPPA website has a provision to publish procurement data but is not working. Procurement as a profession has not evolved and standards for the qualification and experience for procurement positions are yet to be defined. There appears to be no substantive permanent training programs of suitable quality and content for the needs of the system.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>IFAD project procurements shall prepare yearly Procurement plans in alignment with the approved AWPB, subject to IFAD NO. IFAD projects shall adhere to AWPB and PP to ensure availability of budgets prior contract commitments. IFAD ICO may closely liaise with the GoZ to delink ZPPA from the operational issues of procurement. Project implementing PEs should be fully accountable for their procurement decisions. IFAD project shall make use of the eGP platform for all project procurements. IFAD project procurement staff are equipped with procurement consultant to provide procurement training during the project start-up and to enhance capacities during project procurement implementation. The procurement officers assigned to the project are encouraged to be enrolled in the BUILDPROC certification programs executed by the ITCILO and financed by IFAD. IFAD project procurement processes shall be clearly elaborated in the PIM. Supervision mission will be planned on a yearly basis where IFAD oversight will apply to monitor compliance and suggest improvements to procurement performance.</p>		
<p><b>A.3 Public Procurement Operations and Market Practices.</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>ZPPA assessment noted: 1) Poor management of the procurement process, inaccurate / inconsistent quotations; 2) Award of contracts based only on price considerations which may lead to non-eligible bidders being awarded contracts and value for money not achieved; 3) non-commitment of funds prior to contract awards, which delay payments; 4) failure to follow laid down procurement procedures which may result in ineligible expenses. Only 7 out of 50 PEs assessed by the ZPPA during 2022 had appointed contract managers. There was a correlation between non-appointment of contract managers and poor quality of contract delivery. Contract related documents were not maintained by most of the PEs assessed, which may result in non-availability of documents for audit. The timelines for contract completion were significantly affected; contracts were not completed within the contractual periods and in most cases substantially delayed by more than one year. The delayed completion of most of the projects resulted in the community being deprived of access to services that appropriate completion of the contracts was intended to provide. Contract award details are not published, even though mandated vide article 186 of PPR, 2022. Article 91 of PPA provides for Preference and reservation for schemes, without expanding the same in the PPR. Also, the Revised National Micro Small and Moderate Enterprise Development Policy, 2023 doesn't prescribe any reservation schemes for the MSMEs.</p>	Substantial	Substantial

<p><b>Mitigations:</b></p> <p>IFAD projects shall publish the PP in the eGP system. IFAD project procurements shall be in accordance with the National procurement framework, for selection and contracting. IFAD projects shall describe the contract management framework, duly nominating contract managers for larger contracts, in the PIM. Also, adequate contract management capacities of project staff are developed during the initial phases of the project. Procurement records shall be retained as per the provisions of the IFAD Handbook. Project procurement requirement and contract awards shall be published in the project website as well as in ZPPA website. IFAD projects may also engage with the public and private sector players through stakeholder conferences. IFAD may make use of Domestic preference provisions for International Competitive procurement methods.</p>		
<p><b>A.4 Accountability, Integrity and Transparency of the Public Procurement System</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Despite a legal framework against fraud and corruption, there seems to be no systematic detection, prevention, and enforcement of procurement-related corruption cases, which might compromise on fairness and transparency and limit competition. ZPPA engages with the public through various radio programs and Facebook announcements, but the effectiveness of the same in strengthening the public procurement system can't be ascertained. ZPPA website provides procurement information but is not fully functional/updated. There is no evidence that the ZPPA had directly engaged with the CSO for stakeholder consultations. Periodic procurement audits are undertaken by the ZPPA, but AGO doesn't conduct separate procurement audits. However, no co-ordination controls appear to exist. No system of defining the qualification of staff and providing training to them to conduct procurement audits. There is no requirement for the auditors to have knowledge of procurement and there is no formal training program, and no technical support is provided to the auditors.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>All bidding documents shall include reference to the 3 IFAD Policies on Fraud and Corruption, Sexual Harassment and Exploitation, and Anti-Money Laundering. IFAD ICO may engage with the GoZ to institute mechanisms for providing integrity trainings to the stakeholders and engage with the CSO more often and consult them for shaping and strengthening the public procurement framework. Procurement staff and other staff involved in IFAD project procurement shall sign the declaration of code of conduct and shall refrain from all kinds of fraud and corruption. IFAD may also encourage the GoZ to develop a specific code of conduct / code of ethics for procurement. IFAD projects may organise, in collaboration with ZPPA, procurement audit trainings to the AGO staff, to capacitate them to conduct specialised procurement audit. The PMUs shall keep track of internal and external audit findings and recommendation and their implementation. Exception reporting on non-compliance shall be brought to the attention of the Project Steering Committees. This shall be suitably incorporated in the PIM. IFAD supervision missions shall review the audit report, both internal and external, and verify whether any recommendations and the follow up actions taken relevant to procurement. Procurement audit teams shall have qualified procurement specialist.</p>		
<p><b>B.1 Assessment of Project Complexity</b></p>	<b>Moderate</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>FIRIP envisages procurement of non-financial service providers for providing FinTech and AgriTech services, which would involve service level agreements. For providing the financial services, the program may have to enter into agreements with implementing partners (financial institutions). If these agreements do not incorporate appropriate safeguard clauses and performance evaluation framework, there is a risk that the program funds not being used for the intended purpose. The IPs might also be carrying out procurement activities, due to their inadequate procurement capacity, may have a risk of National/IFAD procurement framework not complied with, compromising on transparency, competition and value for money. Project involves many interdependent contracts, involving many implementing partners.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>The program may make use of the “Agritech and Fintech Providers in East and Southern Africa - A Landscape Assessment” report developed by the ESA in formulating the FinTech and AgriTech interventions. The agreements with the Implementing partners for providing financial services, shall incorporate suitable safeguard clauses and performance evaluation framework. The IPs shall comply with the National/IFAD procurement framework, which should be a part of the agreements. Simplified procurement guidelines may be developed by the PMU, for the use of IPs. The project properly shall sequence the activities, particularly at the startup phase and establish robust co-ordination and reporting mechanisms with the IPs.</p>		
<p><b><i>B.2 Assesment of Implementing Agency Capacity</i></b></p>	<b><i>Moderate</i></b>	<b><i>Moderate</i></b>
<p><b>Risk:</b></p> <p>Procurement strategy is not prepared and followed. Contract and grant agreement templates do not fully comply with IFAD SECAP provisions. Contract Management procedures are lacking and there is no contract management form and contract register is not updated, to ensure effective contract monitoring. Knowledge of IFAD procurement procedures needs to be improved. Substantial use of non-competitive procurement methods. e-GP system is not being effectively utilized. There is no evidence of procurement audit recommendations being implemented and monitored.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>Project Procurement Strategy prepared at the design stage shall be implemented. The contract and grant agreement templates shall be appended with IFAD SECAP standards applicable. The project shall nominate contract managers for large value contracts including grant agreements and a contract monitoring mechanism shall be established. CMT shall be used as an effective contract monitoring tool for risk management. The project shall maintain contract payment monitoring forms. Accounting software shall be used for effective monitoring. Sufficient procurement trainings shall be organized at the startup phase. Use of non-competitive bidding shall be identified in the PP and subject to IFAD prior process beyond PPA defined thresholds. FIRIP shall make use of e-GP system for all project procurement. FIRIP shall institute payment monitoring mechanism and exception reporting for delayed payments and implementation of audit recommendations.</p>		
<p><b><i>Project Procurement Overall</i></b></p>	<b><i>Substantial</i></b>	<b><i>Substantial</i></b>

<p><b>Risk:</b></p> <p>The ZPPA approves requests for many non-competitive bidding requests, which may lead to conflict of interest. Restrictions on the participation of foreign bidders have a risk of limiting competition. ZPPA reported compliance issues in procurement process, which has a risk of non-compliant procurement. The national SBDs are not in full compliance with IFAD procurement framework for other IFAD policies. Compliance issues have been flagged and the PEs do not appear to be fully accountable for their procurement decisions as per the reports of the ZPPA and AGO. Public availability of procurement data is limited. Procurement as a profession has not evolved and standards for procurement positions are yet to be defined and there is no training programs of suitable quality and content for the needs of the system. Procurement record retention needs to be improved. Contracts are substantially delayed. This has a potential risk for project implementation and achievement of project objectives. Despite a legal framework against fraud and corruption, there seems to be no systematic detection, prevention, and enforcement of procurement-related corruption cases, which might compromise on fairness and transparency and limit competition. AGO doesn't conduct separate procurement audits. No co-ordination controls appear to exist. Project involves many interdependent contracts, involving many implementing partners. Contract and grant agreement templates do not fully comply with IFAD SECAP provisions. Contract Management procedures are lacking to ensure effective contract monitoring. Knowledge of IFAD procurement procedures needs to be improved. Substantial use of non-competitive procurement methods. e-GP system is not being effectively utilized. There is no evidence of procurement audit recommendations being implemented and monitored.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>The use of less competitive methods shall be IFAD prior reviewed. FIRIP shall make use of appropriate national SBDs suitably supplemented with other associated IFADs policies. IFAD projects shall make use of eGP system for all project procurements. Project PIMs shall describe the contract management framework and develop adequate contract management capacity of project staff during the initial phases of the project. The procurement officers assigned to the project shall be encouraged to be enrolled in the BUILDPROC certification programs. Procurement records shall be retained as per the provisions of the IFAD Handbook. Project procurement requirement and contract awards shall be published in the project website as well as in ZPPA website. Procurement staff and other staff involved in IFAD project procurement shall sign the declaration of code of conduct and shall refrain from all kinds of fraud and corruption. The PMUs shall keep track of internal and external audit findings and recommendation and their implementation. Exception reporting on non-compliance shall be brought to the attention of the Project Steering Committees. Procurement audit teams shall have qualified procurement specialist.</p> <p>The project shall establish robust co-ordination and reporting mechanisms with the IPs. The contract and grant agreement templates shall be appended with IFAD SECAP standards applicable. The project shall nominate contract managers for grant agreements and a contract monitoring mechanism shall be established. Accounting software shall be used for effective monitoring of payment delays. Sufficient procurement trainings shall be organized at the startup phase. Use of non-competitive bidding shall be identified in the PP and subject to IFAD prior process beyond PPA defined thresholds. FIRIP shall make use of e-GP system for all project procurement. FIRIP shall institute exception reporting for delayed payments and implementation of audit recommendations.</p>		
<p><b>Environment, Social and Climate Impact</b></p>	Substantial	Moderate
<p><b>Biodiversity Conservation</b></p>	Moderate	Low
<p><b>Risk:</b></p> <p>Zambia is endowed with abundant natural resources and a rich biological diversity, including wetlands and rivers, flora, and fauna, and agro biodiversity. The most serious threats to plant biodiversity and their habitats are deforestation and forest degradation. In northern Zambia, deforestation and forest degradation pose major threats to plant biodiversity. In the eastern, central, and southern regions of Zambia, the primary driver of forest cover loss and degradation is the conversion of forest land to permanent crop agriculture.</p>	Moderate	Low

<p><b>Mitigations:</b></p> <p>The Project will support green and climate-smart investments along agricultural value chains. In addition, Community-Based Financial Institutions (CBFI) members will receive training in climate-smart and sustainable agricultural practices. In compliance with SECAP requirements, PFIs and will comply with SECAP requirements and IFAD's exclusion list.</p>		
<p><b>Resource Efficiency and Pollution Prevention</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The main sources of pollution in Zambia have been identified as primarily emanating from mining, industrial and agricultural activities, resulting in widespread damage to biodiversity, goods, and ecological services. Unsustainable utilization of forest and fish resources are also emerging as an important environmental problem in the region and needs serious attention.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>The Project will support the development of financial products for investments in green and climate-resilient technologies across agricultural and non-agricultural value chains. These technologies and practices may include agroforestry, precision agriculture, climate-smart and labour-saving agricultural methods, access to renewable energy, waste management and recycling, climate-resilient rural infrastructure, energy-efficient technologies for processing and value addition, and environmentally friendly packaging. Development of the ESG framework and its implementation by FSP.</p>		
<p><b>Cultural Heritage</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Zambia is home to one UNESCO World Heritage Site (Mosi-oa-Tunya / Victoria Falls) and five UNESCO cultural practices and expressions of intangible heritage (Kalela dance, Budima dance, Mooba dance of the Lenje ethnic group of Central Province of Zambia, Makishi masquerade, Gule Wamkulu). There are also several sites that are classified by the National Heritage Conservation Commission (NHCC) as national monuments, cultural sites and historic sites. In addition, each of the over 70 ethnic groups has unique traditions, practices and beliefs, including music, dance, and storytelling, which are important expressions of cultural identity.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>Given FIRIP's focus on financial services, agricultural, climate and green innovative solutions, the project interventions are not expected to alter, damage, or remove any tangible or intangible cultural heritage. An Environment and Climate Adaptation Specialist will be hired to ensure that no cultural heritage is damaged. A Grievance Redress Mechanism (GRM) will also be established to address any arising concerns and safeguard Zambia's cultural identity.</p>		
<p><b>Indigenous People</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Zambia comprises at least 72 ethnic groups, most of which are Bantu-speaking. About 90% of the population falls into nine major ethnolinguistic groups: the Nyanja-Chewa, Bemba, Tonga, Tumbuka, Lunda, Luvale, Kaonde, Nkoya and Lozi. Although in Zambia there are peoples who identify themselves as indigenous, such as the San people, the Khoe people and the Batwa people, their exact number is not known, and the Government of Zambia does not recognize any specific group as indigenous.</p>	Low	Low



<p><b>Mitigations:</b></p> <p>Considering Zambia's diverse population, FIRIP will not be implemented in areas where indigenous are present. In addition, the project will ensure that its activities have no adverse impacts on the rights of indigenous peoples or the lands, territories, and resources they claim. The project will adhere to IFAD's targeting guidelines to prevent adverse effects on Indigenous lands, resources, or cultural heritage. A Gender and Social Inclusion Officer will be appointed to ensure no significant adverse impacts on Indigenous peoples.</p>		
<p><b>Labour and Working Conditions</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Zambia has a young population and addressing youth employment challenges is critical to ensure the country benefits from a potential demographic dividend. Currently, the share of youth classified as Not in Education, Employment, or Training (NEET) in Zambia is much higher than the regional or global average, with 47 percent of people between the ages of 15 and 35 years not working or unemployed.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>Better access to a diverse range of products and services (through client-centric savings, loans, payments, insurance products and delivery mechanism and alternative collateral instruments) result in higher and more stable incomes, decent jobs, more resilient livelihoods, leading to inclusive and green rural economic growth and reduced poverty.</p>		
<p><b>Community health, safety and security</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Gender inequality and patriarchal tendencies have a long-term impact on Zambian human and socioeconomic development. Power disparities between men and women have resulted in fewer opportunities for women to hold key decision-making positions and less access to productive resources. This has led to high rates of teen pregnancy, child marriage, and intimate partner violence (IPV), as well as low representation of women in formal employment and limited access to social services.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>Preventing and responding to gender-based violence is one of key priorities for the Government of Zambia. Strengthening CBFIs particularly contribute to women economic empowerment and that the development of gender and youth sensitive financial services and delivery mechanisms linked with financial literacy training will contribute to mitigate risks and redress in-equalities. A gender-transformative approach and strategy will be integrated in the project interventions, especially with smallholder farmers. Building on the RUFEP success and existing CBFIs and partners projects and curricula, FIRIP will integrate household methodologies in training to ensure male and community engagement, achieving balanced household dynamics, and challenging negative gender norms. This includes recruitment and training of Social Inclusion staff, gender audits, curricula assessments, and general training on gender and youth sensitive approaches for financial service development and delivery for FSPs.</p>		
<p><b>Physical and Economic Resettlement</b></p>	<b>Low</b>	<b>Low</b>

<p><b>Risk:</b></p> <p>Land allocation in Zambia is governed by the Lands Act of 1995, which classifies land into customary and state categories. Customary land constitutes 94% of the country's total area, with smallholders predominantly cultivating it. FIRIP interventions are not directly linked to access to land for improving rural livelihoods. However, the lack of titling for customary land presents challenges for securing agricultural credit, as banks do not accept proof of land occupation as collateral. Smallholders face significant barriers in accessing credit to increase their income. State land, accounting for 6%, is managed by the President and overseen by various professional bodies.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>Drawing upon lessons learned from RUFEP, FIRIP aims to explore the utilization of movable assets as collateral. This approach may contribute to bridging the access gap and enable a more diverse range of clients to secure the financial support they need. Through client-centric product design supported under the Investment and Operations Financing (IOF), FIRIP intends to scale up warehouse receipts and collateral substitutes, such as joint liability groups (e.g., within VSLAs), personal guarantors, reputational capital (borrowers aiming to maintain creditworthiness with lenders), and track records with lenders (including past loans taken and repaid), as well as contracts and past product delivery with off-takers.</p>		
<p><b>Financial intermediaries and direct investments</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The project will collaborate with a diverse range of actors within the financial sector. These actors have varying capacities in terms of developing and implementing Environmental, Social, and Governance (ESG) policies and strategies.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>The PCU will assess if the Partnering Financial Service Providers (PFSP) have in place environmental and social systems, procedures, and capacities for assessing, managing, and monitoring risks and impacts of direct investments and FI subprojects; and (ii) a portfolio risk-management framework that ensures a return on investment and sustainability. The new financial services supported under the IOF will need to meet basic ESG principles and standards, in line with the Regulation currently developed and supported under component 1</p>		
<p><b>Climate change</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>Drought, erratic rainfall, and flooding are likely to have adverse effects on crop yield and productivity due to water scarcity, increased prevalence of pests and diseases, and intermittent waterlogging of the soil. Increased temperatures and erratic rainfall may also necessitate adapting and adjusting crop planting, sowing, and harvesting schedules.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>The Project will promote environmentally friendly and climate-smart investments. Moreover, members of Community-Based Financial Institutions (CBFIs) will receive training in sustainable and climate-smart agricultural practices and technologies. Moreover, improved access to a diverse range of financial services, including savings, insurance, payment products as well as emergency loans, enhance the resilience of target populations against climate change related shocks and extreme weather events.</p>		
<p><b>Stakeholders</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Stakeholder Engagement/Coordination</b></p>	<b>Moderate</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>Stakeholders from both the public and private sectors were involved in consultations during the preparation of the PCN and PDR stage. Throughout the mission, these stakeholders attended a session where the project's goal, objectives, approach, and theory of change were presented to gather their feedback. The IFAD Country Office (ICO) also plays an active role in the Agriculture Donors Working Group and maintains significant relationships with stakeholders within these groups. Furthermore, the ICO has developed a Country Partnerships Engagement Plan (CPEP) to identify and assess potential collaborations for IFAD's work in the country. However, the increasing number of partners and players in the sector raises the risk of duplicating activities and overlapping efforts. Additionally, there is a risk of policy cohesion gaps, resulting in stakeholders operating in silos and engaging in similar activities, which could minimize the impact on the ground.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>Throughout the full design process, a consultative approach involving relevant stakeholders has been introduced to identify and examine further potential collaboration areas, both financial and non-financial (e.g., Technical Assistance). During the project's implementation, stakeholder meetings will be organized to facilitate knowledge sharing and information dissemination, thereby enhancing the implementation of project activities. The project will also maintain constant communication with relevant stakeholders concerning the support of policy and regulatory frameworks, ensuring cohesion among stakeholders.</p>		
<p><b>Stakeholder Grievances</b></p>	<b>Substantial</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>The project will engage with a diverse array of stakeholders, including smallholder farmers, CBFI promoters, and financial institutions. This engagement, coupled with increased access to diversified financial services, may pose a risk that stakeholders' grievances might not be recorded and resolved efficiently and promptly.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>The Project will establish a multi-level grievance redress mechanism (GRM) to resolve disputes arising from project development, implementation, and operation. All stakeholders will be informed about the GRM and educated on how to submit complaints and follow up on the resolution of any grievances. The project will improve the existing grievance mechanisms for digital financial services by further digitization to make filing of complaints easier for low-income rural customers and automatically lodge complaints falling onto the respective responsibilities of ZICTA and BOZ. These actions will make the mechanism more agile and client responsive and largely reduce processing and response times.</p>		

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex 11: Country Level Policy Engagement**

Mission Dates: 03 – 21 June 2024

Document Date: 28/10/2024

Project No. 2000004924

Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department



## **Annex 11. Country Level Policy Engagement**

### **I. Importance of IFAD's Policy Engagement**

1. Policy engagement is important for IFAD, serving three essential purposes. Firstly, it promotes development impact beyond individual projects by influencing public policies and national programs, thus fostering systemic change, and enabling the scaling up of successful approaches. This requires project flexibility, and the integration of lessons learned into broader policy frameworks. Secondly, policy engagement enhances project impact by addressing policy constraints that may hinder implementation, thereby creating an enabling environment for achieving desired outcomes. Finally, it increases IFAD's relevance and value to governments by providing expertise, experience, and financial resources, particularly in countries where IFAD is a key partner or its funding complements national budgets for agriculture and rural development. Through policy experimentation and adaptation, IFAD continuously contributes to effective and sustainable development practices.<sup>1</sup>

### **II. COSOP Policy Engagement Priorities**

2. The COSOP 2019-2024 for Zambia emphasizes country-level policy engagement, focusing on dialogue with the government to complement IFAD's investments. This includes ensuring policy coherence to incentivize private-sector engagement in agricultural value chains, integrating climate risk management into sustainable agriculture development, and promoting multi-sectoral nutrition governance for improved nutrition. Additionally, capacity building and knowledge management are crucial elements, supporting the government in enhancing the rural finance sector to drive rural transformation.

### **III. National Policy Making Process**

3. In Zambia, the national policy making process involves several key stages and actors, reflecting a mix of legislative, executive, and participatory elements. Typically, it begins with the identification of problems or opportunities arising from economic conditions, social needs, or political pressures. The formulation stage includes extensive research, review of existing policies and stakeholder consultations to ensure that the policy addresses real issues and gathers diverse perspectives. Proposed policies are then debated within the governmental bodies, often involving further input from expert panels, NGOs, and civil society to ensure a wide range of views are considered. This debate can be iterative, involving several rounds of revisions based on feedback from these discussions. Once a policy has been sufficiently refined, it progresses to the approval stage which typically involves several layers of governmental oversight, including relevant ministries and, ultimately, the President's office. The policy needs to align with national development goals and existing laws to pass this stage. Legislation is then formulated to operationalize the approved policy, which is again subject to debate and approval by the parliament.

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<sup>1</sup> Country-level policy engagement in IFAD Guide book  
[https://www.ifad.org/documents/38714170/40196529/CLPE\\_book\\_170412\\_W.pdf/a203813d-8918-43ac-a94c-ad700bcca036](https://www.ifad.org/documents/38714170/40196529/CLPE_book_170412_W.pdf/a203813d-8918-43ac-a94c-ad700bcca036)

4. IFAD can effectively contribute to and utilize these existing policymaking processes by aligning its initiatives with national priorities and engaging in the established channels of policy dialogue and development. By collaborating with local institutions and leveraging the country's structured policy development processes, IFAD can integrate its programs within the broader national agenda, ensuring that its contributions are sustainable and effectively implemented across the different layers of governance.

#### **IV. Interaction between National and Local Level Policy Roles**

5. The interaction between national and local levels in Zambia's financial inclusion landscape is crucial for creating a comprehensive and effective approach to ensuring that financial services are accessible to all segments of the population. In Zambia, the interaction between national and local-level policy roles involves an interplay of policy making, implementation and oversight, as well as a need for enhanced integration and coordination. National policies set the broad policies and strategic frameworks, while local governments have significant leeway in formulating and implementing these policies. However, the challenge lies in the effective integration and coordination between these levels, which leads to gaps in policy implementation and effectiveness.
6. The strengths of local actors include their deep understanding of unique challenges faced by rural communities, which can drive more tailored and effective local initiatives. However, weaknesses often stem from limited resources, insufficient training, differences in priorities and sometimes a lack of clear guidance or feedback from the national level. IFAD can contribute by enhancing capacity building at the local level, ensuring that local actors are well-equipped to implement national policies effectively and innovatively as well as supporting the integration of local-level insights and feedback on the effectiveness of policies in national policymaking to ensure that policies are practical and effective.
7. By supporting the strengthening of local capacities and ensuring that policy frameworks are conducive to local input and adaptation, IFAD can help bridge the gap between national intentions and local realities, fostering a more integrated and effective policy implementation environment across levels of governance.

#### **V. Rationale for FIRIP Policy Involvement**

8. At the time of approval, the COSOP was aligned to to the Seventh National Development Plan (7NDP) (2017-2021), the Second National Agricultural Policy, and the National Agriculture Investment Plan. The 8NDP (2022-2026) succeeded the 7NDP and there is considerable continuity between the two, with the latter arguably stressing the need to focus on diversification and industrialization through productivity increase and promotion of financial inclusion. However, the review of the COSOP identified that the inconsistencies in terms of policy implementation and government direction regarding specific sector regulation have persistently constrained private sector competitiveness and access to affordable finance, thus impeding economic transformation and job creation as per the objectives of Zambia's Vision 2030. The review of the revised National Agricultural Policy (2012-2030) also recognized that existing policies and pieces of legislation are not adequate to create the enabling environment necessary for the private sector to drive the growth envisaged in the

sector. Therefore, there is need to review existing policies and legislation, to align them to the current social and economic environment, and where possible develop new ones to ensure that the policy and legal framework is conducive for the attainment of the desired growth and reduction in poverty levels. Other critical areas which will need immediate attention are the following: the development of an Agricultural Marketing Act that will regulate market players in agricultural marketing; the review of the Agricultural Credit Act to provide for use of warehousing receipt system as collateral in obtaining loan, among others.

9. FIRIP's focus on policy issues is essential for several strategic reasons. Firstly, policies form the backbone of sustainable rural development. By influencing these policies, the FIRIP can help align with sustainable development goals as well as international best practices, ensuring rural financial inclusion through provision and expansion of inclusive client-centric rural financial services, ultimately contributing to poverty reduction. Effective policies can also facilitate the adoption of advanced agricultural technologies, promoting environmental sustainability and responsible resource management. Secondly, well-designed policies can drive economic stability. By complementing Government's efforts of creating a regulatory environment that supports affordable access to finance for MSMEs and encourages sustainable agriculture, FIRIP can support boosting the rural economy. This, in turn, can lead to increased agricultural productivity and improved livelihoods as farmers gain increased access to investment opportunities as well as access to markets and better prices for their products.
10. Furthermore, strong policy frameworks can attract investment from both the private sector and international donors. Investors and donors are more likely to contribute to systems that are well-regulated and that demonstrate potential for sustainable returns or impact. By enhancing the policy environment, FIRIP can leverage additional resources to support rural development.
11. Lastly, by focusing on policy engagement, the project can create more efficient and resilient systems capable of withstanding economic pressures, environmental changes, and social shifts. Overall, prioritizing policy within the FIRIP project is likely to yield substantial and lasting benefits across Zambia's rural finance and agricultural landscape.

## **VI. RUFEP's Contribution to Policy and Regulatory Frameworks.**

12. The predecessor of FIRIP, (RUFEP), made significant contributions at the macro level by establishing a regulatory and policy framework to expand financial inclusion in Zambia. The programme supported the operationalization of the Rural Finance Policy and Strategy (RFPS), coordinated efforts that supported the development NFIS II (2024-2028) and assisted the BoZ in developing guidelines for Agency and Mobile Banking. Additionally, RUFEP was at the heart of the legislation and significantly shaped policy including 7NDP and supported the development of 5 policy-relevant knowledge products including the Security Interest Act, the revision of the Banking and Financial Services Act, the establishment of Credit Reference Bureau, issuing the Fintech Regulatory Sandbox Guidelines, rolling out Agency Banking Directives, Development



of Collaborative Framework for DFS, Development of Incident Reporting System for DFS and the fees and commissions commercial banks were charging. RUFEP collaborated with numerous FSPs and IPs to develop innovative approaches, such as digital services. These efforts were crucial in unlocking the usage of DFS and ensuring the almost seamless delivery of financial services to underbanked and unbanked communities, thereby enhancing financial inclusion.

## **VII. FIRIP Alignment with the Government Strategic Vision**

13. FIRIP aligns with key national strategies such as the NFIS II (2024-28), which emphasizes rural and agricultural financial inclusion, mainstream ESG frameworks, and enhancing the quality and reach of DFS, including the inclusion of women, youth, elderly, and other vulnerable groups. It also aligns with the RFPS, National Financial Sector Development Policy and supports the National Agriculture Policy by promoting rural and agricultural financial inclusion, supporting agriculture and small businesses, reaching underserved groups, and promoting green financing. Additionally, FIRIP is consistent with the National Gender Policy (2023), the Comprehensive Agriculture Transformation Program (CATSP, 2022), and the National Adaptation Plan for Zambia (2023), as well as IFAD's country priorities. FIRIP will continue to contribute to the reinforcement of these policy and regulatory frameworks, as well as the enhancement of financial infrastructure, fostering an enabling environment for financial inclusion.

## **VIII. FIRIP Contribution to Policy and Regulatory Environment**

14. **Addressing Policy Gaps in Rural Financial Market Development.** FIRIP will address critical policy gaps, including the limited integration of rural finance policies with broader economic development strategies, insufficient support for digital financial services in rural areas, improved complaint mechanisms and inadequate financial literacy programs for rural populations. These issues stifle rural financial market development. FIRIP aims to create an enabling environment for inclusive rural financial services, supporting the improvement, development and implementation of policies aimed at increasing access for rural households, women, and youth, as well as laws and regulations, along with policy coordination and institutional capacity development. This will be achieved through strategic partnerships with key actors such as the BoZ, RFU, ZICTA, the Patents and Companies Registration Agency (PACRA), SaveNet, the MoA, and the MFL. FIRIP will support FSPs in developing new products and services and improving enabling policies and regulations to promote sustainable outreach at scale. This keeps flexibility to support emerging policy issues and strengthen implementation capacity as needs arrive through the strategic partnership mechanism, building on the experiences under RUFEP.

## **IX. Contribution to Development Objective**

15. FIRIP's component 2 is designed to align with its overarching goal: "Improved rural livelihoods through economic growth and increased resilience". The PDO is "Improved access to and use of financial services to strengthen resilience and green growth of rural production systems, VCs and livelihoods of poor rural men, women and youth".

16. FIRIP's component 2 and its KM will contribute to the PDO through several pathways:

- Firstly, streamlining existing regulations across various sectors helps create a supportive environment for sustainable provision of financial services in rural communities. This would ensure the scaling up and sustainability of the rural financial services introduced under component 1.
- Secondly, ensuring inclusive rural finance principles and lessons learned are consistently applied across GRZ development policies and programmes in complementary policy areas under line Ministries including the Ministries of Agriculture, MFL, MSME, MGEE, MCDSS, and others. The RFU in MoFNP created under RUFEP will have a critical role in this policy coordination and alignment. The RFU will be supported by FIRIP under a SP the content of which will be defined during the early implementation stage.
- Thirdly, enforcing regulations to promote secure digital financial services and improving the instruments for compliance (such as the automation of the complaints mechanism under BOZ and ZICTA) helps ensuring quality and safety especially among poor rural users of DFS, thus increasing consumer trust and uptake of such services.
- Lastly, FIRIP will collaborate with international organizations, especially Rome-based sister organizations FAO and WFP, will further enhance policy development, harnessing their technical knowledge on integrating financial services into broader agricultural transformation initiatives and making finance more accessible and affordable for the rural communities. Together, these interventions will contribute to transforming and localizing systems, building resilience, directly addressing the needs of Zambia's vulnerable populations.

#### **X. Expected outcomes, outputs, and activities of the policy intervention**

17. The key outcomes of component 2 will support the project's development objective of increasing the use of financial services by rural poor men, women, and youths, for growth of rural productions systems and value chains and to strengthen resilience and safety nets. One primary outcome is the strengthening of an enabling environment that supports provision of inclusive rural financial services. This includes revising and aligning conflicting or outdated regulations and ensuring these changes are effectively communicated and implemented at both the national and local levels.

18. The expected outputs from these policy interventions include support to relevant policies, laws, regulations, and institutions. This would result in detailed policy recommendations, which are backed by data-driven insights and stakeholder consultations. Together, these outcomes and outputs are designed to create a more effective and responsive financial inclusion environment that directly contributes to improving resilient livelihoods and financial access for Zambia's most vulnerable populations.

19. The activities to be undertaken to achieve the envisaged outcomes will include; supporting policy coordination and implementation, enhancing consumer protection and users of digital financial services, strengthening institutional and implementation capacity of strategic partners and collection and analysis of data on the effectiveness of different financial services, delivery models and policy and regulatory instruments. The Strategic Partnership mechanism under component 2 allows for sufficient flexibility

to accommodate emerging policy issues during project implementation and collaborate with key actors at macro and meso level to address these.

## **XI. Implementation responsibilities**

20. Under the overall supervision of the PC, the M&E and KM Specialist at the PCO will coordinate the policy related activities, in close collaboration with other project staff members, especially the two Rural Finance Specialists, the Environmental and Climate Adaptation Specialist, and the Gender, Youth, Targeting and Social Inclusion Specialist. The main implementation mechanism will be the Strategic Partnership as well as technical assistance under component 2. Policy advisory and KM activities will be supported by external service providers for tasks like surveys, data analysis, and policy document development.
21. With support from ICO, the PCO will also coordinate policy dialogue events and maintain close ties with UN agencies, donor partners, and relevant government ministries to ensure effective implementation of policy interventions across all levels. Strong coordination between the policy and M&E and KM aspects of the project will be established. The relevant terms of reference of the policy related staff members are included in the PIM.

## **XII. Strengthening Monitoring, Evaluation, and Knowledge Management.**

22. Strong M&E and KM systems are critical to measure and understand the impacts on FSPs and smallholders, informing policy decisions and making. To strengthen M&E in a project focused on financial inclusion, innovation, and resilience, it is essential to establish a robust framework that encompasses reliable data sources, sturdy monitoring systems and effective communication strategies. Communication of M&E findings are key for engaging stakeholders and fostering a culture of transparency and accountability that enhances a focus on learning and adaption of strategies to enhance their effectiveness. More details on FIRIP's M&E and KM Strategy are provided in Chapter 4.2 of the PIM.
23. Through the above approaches, FIRIP will effectively monitor progress towards financial inclusion, driving innovation, and strengthening resilience against climate-related and other shocks. FIRIP's KM strategy further ensures that project implementation is a continuous learning process with feedback loops into microlevel operations (IOF and BFF) as well to into policy support This includes the preparation of knowledge products and organization of learning and information exchange on emerging topics and innovations in rural and agricultural finance. This can may include updating the Rural Finance Strategy, improving credit-enhancing and guarantee schemes, developing an agriculture financing strategy, revising the SAFF, reviewing the RFPS, developing a Disaster Risk Financing Strategy, developing the Green Growth Strategy, developing the third National Strategy on Financial Education, and enhancing consumer awareness of complaint resolution and redress mechanisms. The above can help ensuring that policies achieve their intended outcomes and provide data-driven insights for future policy adjustments. Priorities for FIRIP will be determined in dialogue with the project's strategic partners, including the RFU in the MoFNP, the MoA, the MFL, the BoZ, and ZICTA.

**24. Enhancing Capacity-Building and Implementation Support.** Capacity-building is an important element of FIRIP. Interventions will focus on strengthening ministries' capacities in procurement, financial management, and IFAD's mainstreaming areas. The IFAD Zambia Country Office will support the government in successful implementation, ensuring transparency and compliance with government procedures. FIRIP will enhance capacities of various actors in rural finance inclusion, focusing on innovations in agricultural and green finance via workshops, trainings, and technical assistance, including ESG frameworks and Green Finance mechanisms.

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex: Grievance Redress Mechanism**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department





**REPUBLIC OF ZAMBIA**

**MINISTRY OF FINANCE AND NATIONAL PLANNING  
&  
MINISTRY OF GREEN ECONOMY AND ENVIRONMENT.**

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT FOR  
RURAL ZAMBIA (FIRIP)**



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**GRIEVANCE REDRESS MECHANISM  
(GRM)**

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**Prepared  
for:**

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**July 2024**

## **ABBREVIATIONS AND ACRONYMS**

**FIRIP** Financial Inclusion for resilience and Innovation Project for Rural Zambia

**FSPs** Financial Service Providers

**GRM** Grievance Redress Mechanism

**MoFNP** Ministry of Finance and National Planning

**MSMEs** Micro, Small Medium Enterprises



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## **1.0 PROJECT BACKGROUND**

1. The overall objective of FIRIP is to provide improved access to a diverse range of financial services that enable rural smallholders and MSMEs to better manage risks, increase productivity, and invest in green and climate-resilient technologies. The project will achieve this by i) Improve availability of client-centric rural financial services, ii) increase uptake of client-centric rural financial services by IFAD target groups and iii) enhance enabling environment for provision of inclusive rural financial services.
2. FIRIP will focus on underserved rural areas nationwide, that will be identified through a demand-driven process guided by clear selection criteria and cost-sharing arrangements. Overall beneficiaries are estimated at 102,000 smallholder farmers and rural MSMEs linked to agricultural VCs.

## **2.0 GRIEVANCE REDRESS MECHANISM (GRM)**

3. A Grievance Redress Mechanism (GRM) refers to a process for receiving, evaluating, and addressing project related concerns of, and complaints by, project affected communities or persons. This GRM has been developed for the FIRIP project, whose objective is to ensure that any disagreements that may arise during the implementation stage of the project are resolved, and grievances are addressed efficiently and effectively, that is in a timely and systematic manner.
4. GRMs are intended to be accessible, collaborative, expeditious, and effective in resolving complaints through dialog, joint fact-finding, negotiation, and problem solving. They are generally designed to be the "first line" of response to community concerns.
5. Primary principles are that all complaints and grievances are resolved as quickly as possible. Thus, all minor land or property related complaints that can be resolved should be resolved immediately on the project site. The focus of the GRM is to resolve issues in a customarily appropriate fashion at community level and record details of the complaint, the complainant, and the resolution.
6. The principles of a good GRM are<sup>1</sup>:
  - A mechanism scaled to risk and adverse impact on relevant stakeholders.
  - Designed to take into consideration culturally appropriate ways of handling community concerns.
  - A clear and understandable mechanism that is accessible to all segments of the affected communities at no cost. Barriers to access may include a lack of awareness of the mechanism, language, literacy, costs, physical location, and fears of reprisal. No grievance procedure can work satisfactorily unless there are definite provisions, consistently adhered to determining what is to be done, when and by whom.
  - Grievance procedure should be demonstrated fairly to all stakeholders.
  - Transparency and accountability to all stakeholders.
  - A mechanism that prevents penalty and does not hinder access to other remedies.
  - Grievance procedure should be simple.
  - It should function promptly and speedily.

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<sup>1</sup> IFC (2009); Good Practice Note – Addressing Grievances from Project-Affected Communities, Guidance for Projects and Companies on Designing Grievance Mechanisms

- enable trust from the stakeholder groups for whose use they are intended and being accountable for the fair conduct of grievance processes.
7. These basic principles must be followed to effectively manage grievances, and also ensure that the grievance redress mechanism is effective and valuable to beneficiaries and non-beneficiaries of the project.
  8. The key steps for grievance management are<sup>2</sup>:
    - i. Publicising grievance management procedures so that the mechanism is accessible to everyone. A good grievance mechanism should be clearly communicated to all relevant stakeholders (i.e., beneficiaries, the public and others. Information on how to channel grievances should be clear and widely publicized both by publishing in visible locations in the community.
    - ii. Receiving (i.e., collecting, recording, responding, and registering) and keeping track of grievances. A GRM should offer multiple channels for receiving and responding to grievances. Therefore, the conditions of the beneficiaries and other interested citizens should be taken into consideration when establishing a GRM. Again, a good GRM should enable and encourage the use of different local languages in channeling grievance which makes it more accessible for those who may not understand the official language.
    - iii. Reviewing and investigating grievances to assess the nature of the grievance, its severity and legitimacy. The staff receiving grievances should be objective and empathetic towards the complainant, should deeply investigate the matter before making any resolution, should not be defensive, unfair, or seen to be taking sides when dealing with the complaint.
    - iv. Developing resolution options corresponds with the nature of grievances and preparing and communicating a clear response and closing out cases when agreement with the complainants is reached.
    - v. Monitoring grievances through tracking to find out effectiveness, adapting the mechanism to correct inefficiencies, and using the results of monitoring for feedback and lessons learned.

### **3.0 GRIEVANCE REDRESS MECHANISM FOR FIRIP**

9. Implementation of sub-projects activities under FIRIP will take place in various locations of the selected programme Districts. The implementation may generate several challenges and complaints especially to those which relate to infringement of rights of sections of the society. As part of addressing such complaints and in the spirit of the continuous consultation process, a grievance redress mechanism has been developed for FIRIP. The grievance redress mechanism (GRM) will consist of three parallel systems, which are i) a community-based system ii) a formal system and iii) the IFAD Complaints procedure.
10. When an aggrieved person declares a grievance, they may elect to take the community-based route or the more formal one (Figure 3-2):

#### **3.1 COMMUNITY BASED GRM**

11. The communication mechanism in this GRM involves only community members and will tend to be site specific. This will be used to facilitate agreements among community members but also to solve disagreements where these might occur.

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<sup>2</sup> *ibid*

The Community Based Grievance Redress Mechanism aims to use the existing traditional structures and facilitate grievance resolution at higher levels (including the court of law, where necessary).

12. Communities tend to rely substantially on their own internal social regulatory systems including mechanisms to deal with grievances that work in parallel with the formal systems. These internal social regulatory systems will be used to the extent possible at community level. Recourse where necessary will be facilitated by the Project, but in general FIRIP will ensure easy access to information through culturally appropriate means and language of communication.
13. In solving problems, negotiation and agreement by consensus will provide the first avenue to iron out and resolve any grievances expressed by programme affected individuals. Thus, appropriate community-based channels of grievance redress mechanisms will be put in place, and the programme affected people sensitised to make use of them.
14. The channels will have to be in line with the norms of the communities as well as laws of the country. Thus, the process will involve informal courts handled by traditional leaders (Community chiefs etc.), and will follow the following route (Figure 3-2):

#### **3.1.1 Village Headman Level**

15. The first port of entry is the Village level run by the Village Headman. The Village Headman in conjunction with the Village Development Committees, preside over the matter over a set time (possibly 15 days) from receipt of the grievance to act upon it.

#### **3.1.2 Area Chief Level**

16. When one party is not satisfied with the decision at Village Level, the complaint can be taken up to the Area Chief Level. The Area Chief Grievance Redress Committees then investigate and give their ruling on the matter.

#### **3.1.3 Principal Chief Level**

17. When one party is not satisfied with the decision at Area Chief Level, the complaint can be taken up to the Principal Chief Level. The Principal Chief Grievance Redress Committees then investigate and give their ruling on the matter. In most cases such complaints get sorted out at this level.

#### **3.1.4 Ward Council Level**

18. When one party is not satisfied with the decision at Principal Chief Level, the complaint can be taken up to the Ward Council Level. The Ward Council Grievance Redress Committees then investigate and give their ruling on the matter.

#### **3.1.5 District Council Level**

19. However, those who are not satisfied will be allowed to appeal to the District Council (DC). At this level, the District Grievance Redress Committee under the District Officer will preside over the case. However, if the aggrieved party is still not satisfied then they can ultimately take the formal route.

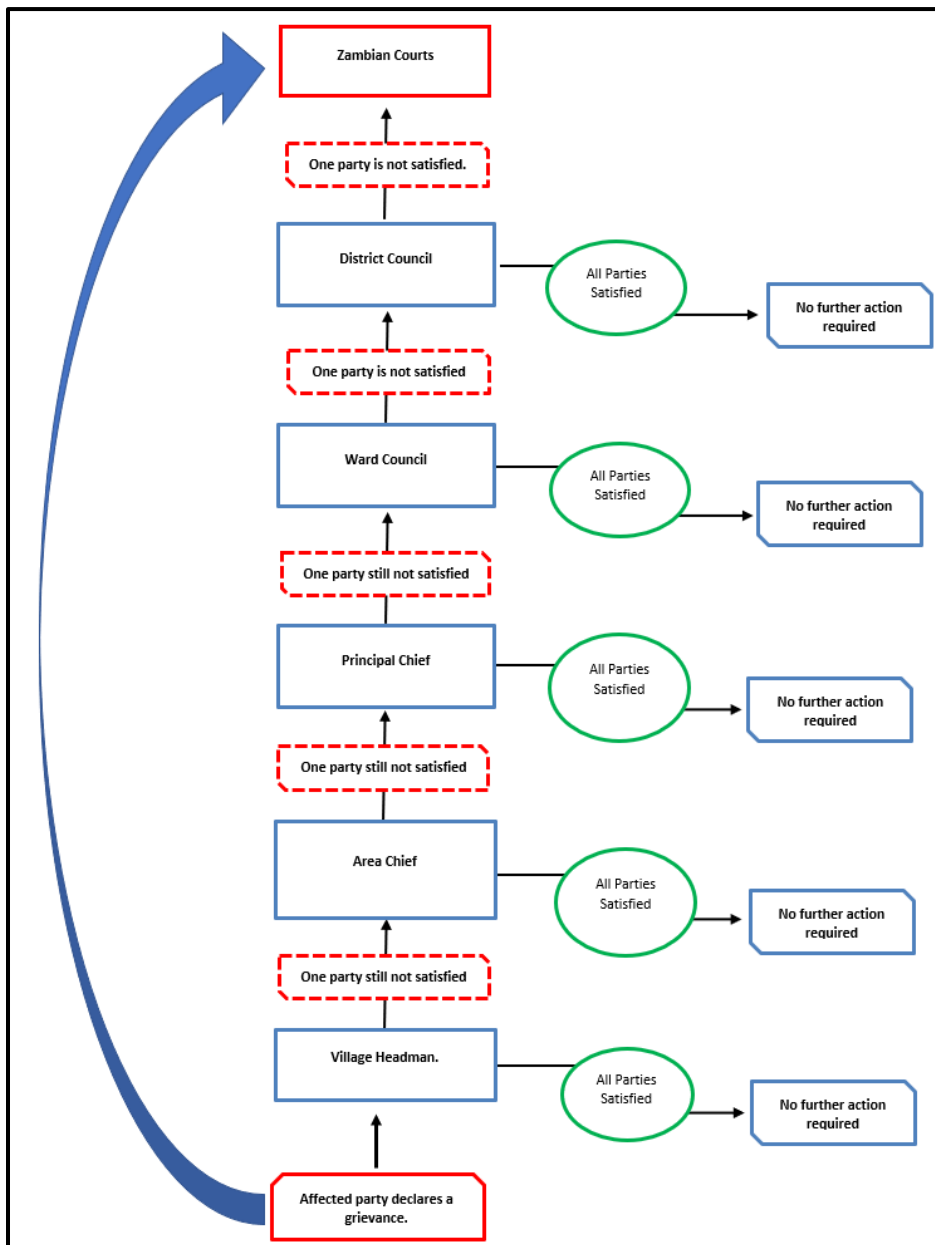


Figure 3-1 Grievance Redress Mechanism for FIRIPI  
 (Disclaimer: this Grievance Redress Mechanism (GRM) can only be used for development related grievances.)

#### 4.0 THE FORMAL GRM

20. The grievance redress mechanism (GRM) refers to a system by which queries, disputes or clarifications about the project will be responded to, problems with implementation will be resolved, and complaints and grievances will be addressed efficiently and effectively.

21. The formal Grievance Redress Mechanism consists of the following components:

- The access point for impacted/concerned people will be situated as close to the beneficiary farmers as possible, such as places at the sub-project and FIRIP IA offices. FIRIP IA staff will be responsible for receiving the grievances, classifying, and logging them.

- An acknowledgement of receipt should be given to the complainant containing an expectation of when they will receive a response.
- The grievance is then Assessed and investigated to identify all the key facts.
- A resolution is then arrived at, and the proposed actions are confirmed with FIRIP /Ministry of Finance senior members of staff.
- A response is then communicated to the complainant within the timescale promised.
- The complainant is given room to appeal to the Ministry of Finance and Food security or the Courts of Law if they are not satisfied with the response.
- Once done the case is brought to a closure and all the staff members of FIRIP IA are made aware of the complaint, any underlying issues and plans to prevent any future recurrence of the issue.

#### **4.1 PURPOSE OF THE GRM**

22. The GRM will serve the following purpose:

- to be responsive to the needs of beneficiaries by providing a channel for feedback and resolving grievances and disputes at the various levels in the project area.
- to serve as a channel for requesting inquiries, inviting suggestions, and increasing community participation.
- to collect information that can be used to improve project performance and mitigate project risks.
- to enhance the project's legitimacy among stakeholders, by promoting transparency and accountability and discouraging fraud and corruption.
- to provide an opportunity to the aggrieved party/person and the project implementers to resolve disputes in a short period of time before they escalate to big problems.
- to facilitate effective communication between the project and the affected parties.
- to provide platform to ensure compliance with the provisions of the laws, regulations, and cultural and traditional rules in the project areas.
- to provide vulnerable groups and other stakeholders with an avenue for expressing their concerns.
- establishing a prompt, easy to understand, consistent and respectful mechanism to support the receiving, investigating, and responding to complaints or grievances from community stakeholders.
- Ensuring proper documentation of complaints or grievances and any corrective actions taken.
- Contribute to continuous improvement in performance of FIRIP through the analysis of trends and lessons learned.

#### **4.2 STRUCTURE OF THE GRM**

23. The GRM consists of a small number of components:

- The access point for impacted/concerned people.
- Grievance log
- Acknowledgement stage
- Assessment stage
- Passing of resolution
- Response
- Room for appeal
- Case closure

24. The following key steps must be followed for all complaints received by FIRIP staff:

### i) Receive, classify & log

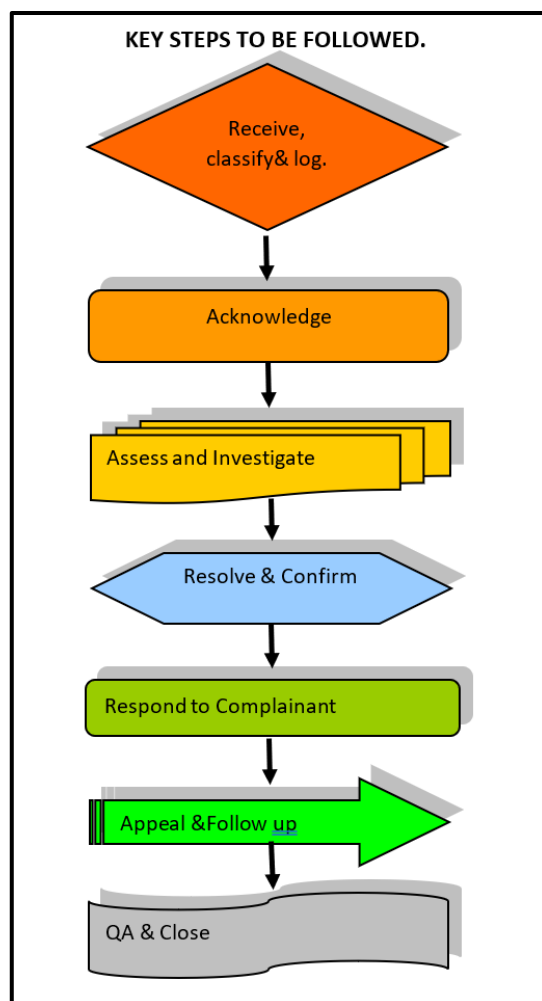
All potential issues must be captured and classified for escalation, review and action as required.

#### a) Receiving the Grievance:

The access points will be as close to the users as possible. Thus, for the programme, an easily accessible and well publicized focal point or user-facing 'help desk' will be the first step. This will be established in each participating country and at every sub-project Offices so that it will be seen as credible and accessible. The main issues for the access point include the following:

- Uptake channels should include, phone hotline, email, mail, SMS, webpage, or face-to-face.
- The uptake channels will be publicized and advertised via local media and the implementing agency.
- Verbal complaints should be recorded by staff for them to be considered.
- Many complaints may be resolved 'on the spot' and informally by the FIRIP PMU staff but should also be logged to (i) encourage responsiveness; and (ii) ensure that repeated or low-level grievances are being noted in the system.
- The GRM should have the ability to handle anonymous complaints.

Typically, the complainant will be provided with a receipt and 'roadmap' telling him/her how the complaint process works and when to expect further information.



#### b) Logging and classifying:

Any complaint, issue, or negative stakeholder interaction (whether this is formally logged by the complainant or not), must be logged and classified for action (Grievance Log). All these complaints must be formally logged using the standard forms and all complaints must be prioritized as follows:

- **Priority 1 – urgent,**

These pose potentially high health and high business impact. **These require a response to the Complainant within three (3) working days.**

- This should be used (sparingly) for major health issues where the complaint may have disastrous impacts on either human, the environment or FIRIP itself.
- Also, this could be used in a situation where the complainant may be in a position to influence or make public statements that would impact upon the FIRIP reputation.

- **Priority 2, - non-urgent,**

These pose lower health environmental and social impact. **These require a response to the complainant within 2 working weeks.**

- This should be used for most complaints with individual stakeholders, as this allows a reasonable time to collect information and produce a balanced response.

**All Priority 1 complaints must be escalated immediately to the FIRIP Programme Manager.**

**ii) Acknowledge**

25. Ensure that every complaint receives a formal written acknowledgement, containing an expectation of when they will receive a response, and the person dealing with it. All complaints, regardless of priority, should receive a pro forma acknowledgement sent out 1<sup>st</sup> class mail on the day of receipt.

**iii) Assess & Investigate**

26. Follow up all aspects of the complaint, both internal and external, to ensure that the key facts are identified and clarified.
- The priority of the complaint will drive the timescale for completion (3 days for urgent or 2 weeks for non-urgent).
  - All areas of interaction and communication should be established (who, what, where, when why etc.) and documented where possible.

**iv) Resolve & Confirm**

27. Ensure that the final resolution is clear and fair. Also confirm the proposed action and resolution with another senior person (FIRIP Management).
- Ensure that the proposed resolution meets corporate guidelines and does not prejudice FIRIP in any unnecessary legal or financial manner.
  - Document the proposed action and discuss and agree with the FIRIP Project Manager.
  - Discuss and review the solution from both the corporate and complainant viewpoint to ensure fairness and clarity.
  - The review should include recognition and documentation of any underlying issues that have contributed to the complaint and recommendations for actions to prevent further occurrence.
  - This should then be reviewed as part of the bi-monthly quality assurance reviews.

**v) Respond to Complainant**

28. Provide the Complainant with the resolution within the timescales promised.
- The details of the findings and proposed resolution should be clearly explained (in written or verbal form as appropriate) to the complainant- within the agreed timescales.
  - If this cannot be done on time the Complainant should be contacted by telephone to request further time.

**vi) Appeal & Follow**

29. Ensure that complaints are followed up to confirm that the complainants are satisfied with the response given. If not satisfied the Complainant is advised on the route for Appealing
- All Priority 1 complaints and 95% of priority 2 complaints must be followed up within a reasonable timescale.
  - This will be carried out by FIRIP Administration team / FIRIP Programme Manager's office.
  - The follow-up should identify the following:
    - Is the complainant satisfied with the response?
    - Did they feel that their complaint was properly and fairly handled?



- Any negative responses to these questions should be referred to FIRIP Programme Managers for action and direct follow up with the complainant.
- The complainant is given room for appealing to the Ministry of Finance or Courts of Law if he is not satisfied.

**vii) QA & Close**

30. Ensure that the FIRIP as a whole is aware of the complaints and any underlying issues. Plan actions to remove these and prevent future recurrence.
- All complaints should be reviewed monthly as part of the quality assurance review meetings.
  - Any complaints where action can be taken to avoid recurrence must be acted upon and raised with the appropriate managers/teams across the FIRIP.

**4.3 ESTABLISHMENT OF GRIEVANCE REDRESS COMMITTEES**

31. FIRIP Programme will put in place the strategies to monitor and resolve complaints that may arise during and after the Project implementation by the affected people. For better performance and sustainability of FIRIP project the committees on GRM have to be established at the different levels of operations. The Grievance Redress Mechanism (GRM) ensures that complaints are received, reviewed, and addressed by the elected Grievance redress committees.

**4.4 PROJECT GRIEVANCE LOG.**

32. The Grievance Redress Mechanism Committee will ensure that each complaint has an individual reference number and is appropriately recorded and tracked. The project grievance log form will contain record of the person responsible for an individual complaint received.

**4.5 GRIEVANCE PREVENTION/ALTERNATIVE DISPUTE RESOLUTION.**

33. There are ways to proactively solve issues before they even become grievances. Project implementers should be aware and accept that grievances are likely to occur. Dealing with them is part of the work and they should be considered in a work plan. Project implementers can prevent complaints by the following:

- Providing sufficient and timely information to communities
- Conducting meaningful community consultations involving all stakeholders
- Building capacity for project staff, particularly in community facilitations and other field-related issues

**GRIEVANCE LOG**

Month: \_\_\_\_\_  
 Year: \_\_\_\_\_

Date Grievance Filed: \_\_\_\_\_

Grievance entered by (Staff person): \_\_\_\_\_

Reported to Facility Administrator/Farm Manager? Yes  No

Facility Administrator/Farm Manager's Signature: \_\_\_\_\_

Name of Grievant: \_\_\_\_\_

Description of Grievance:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Actions/Steps Taken:**

Date: \_\_\_\_\_ Actions/Steps completed by (Staff person): \_\_\_\_\_

Date: \_\_\_\_\_ Actions/Steps completed by (Staff person): \_\_\_\_\_

Date: \_\_\_\_\_ Actions/Steps completed by (Staff person): \_\_\_\_\_

**Resolution:**  
 \_\_\_\_\_  
 \_\_\_\_\_

Was the grievant provided a verbal explanation of the above resolution?  
 Yes  No  Date: \_\_\_\_\_

Was the Grievance escalated?  
 If so to whom: \_\_\_\_\_  
\*Please attach any documentation regarding the escalation of the grievance.

Was Acknowledgement Letter Provided? Yes  No  Date: \_\_\_\_\_

Was Outcome Letter Provided? Yes  No  Date: \_\_\_\_\_

- Negotiation, Meditation, and reconciliation

## **5.0 ADDITIONAL GRM APPROACHES**

34. Besides the proposed GRM approaches, aggrieved persons can also employ additional channels to communicate their complaints. These include the IFAD Complaints procedure. The objective of the IFAD Complaints Procedure is to ensure that appropriate mechanisms are in place to allow individuals and communities to contact IFAD directly and file a complaint if they believe they are or might be adversely affected by an IFAD-funded project/programme not complying with IFAD's Social and Environmental Policies and mandatory aspects of SECAP. Parties adversely or potentially adversely affected by IFAD-funded projects and programmes may bring issues to the Fund's attention using [SECAPcomplaints@ifad.org](mailto:SECAPcomplaints@ifad.org). *IFAD has zero tolerance to Sexual Exploitation and Abuse. Any Sexual Exploitation and Abuse (SEA) complaints received shall be directed to IFAD's Ethics Office.*
35. Complaints must concern environmental, social and climate issues only and should not be accusations of fraudulent or corrupt activities in relation to project implementation – these are dealt with by IFAD's Office of Audit and Oversight.

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex: E-Waste Management Plan**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department





**REPUBLIC OF ZAMBIA**

**MINISTRY OF FINANCE AND NATIONAL PLANNING  
&  
MINISTRY OF GREEN ECONOMY AND ENVIRONMENT**

**FINANCIAL INCLUSION FOR RESILIENCE AND INNOVATION PROJECT FOR RURAL  
ZAMBIA (FIRIP)**



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**ELECTRONIC WASTE MANAGEMENT PLAN**

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**Prepared  
for:**

**Financial Inclusion for Resilience and Innovation Project for Rural  
Zambia (FIRIP).  
Ministry of Finance and National Planning.  
Ministry of Green Economy and Environment.  
Lusaka.  
Zambia.**

**June 2024**

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## 1.0 INTRODUCTION

1. Electronic waste (E-waste) is a term used to cover items of all types of electrical and electronic equipment (EEE) and its parts that have been discarded, irreparable or at the end of life. Although E-waste is a general term, it is considered to cover laptops, desktops, tablets, TV's, mobile phones, and household appliances. E-waste contains materials that, if mishandled, can be hazardous to human health and the environment, but, most importantly, also materials that are valuable and scarce (ZamStats 2023).
2. The purpose of this Waste Management Plan is to describe the principles, procedures and management of the E-waste that will be generated by the FIRIP project from all the digitization and digitalization of the financial and agricultural systems that it will institute. The plan has been developed to ensure e-wastes are reduced, reused, and recycled wherever possible.
3. In accordance with requirements of the Environment Management Act, the Waste Management Plan outlines measures to manage and mitigate waste generation and resource consumption during the operation of the developments. The Plan includes details on the following:
  - The types and quantities of waste generated during operation,
  - Procedures to collect and dispose of waste,
  - Measures that will be implemented to minimise waste generation associated with the project, and
  - A program for monitoring the effectiveness of these measures.
4. The Waste Management Plan is designed to support an ecological based management approach underpinned by adaptive management principles.
5. This Plan also considers other aspects to waste management such as waste reduction, segregation of waste, disposal of waste, financial impacts of waste disposal and recording, monitoring, education and reviewing. This Plan outlines the waste management procedures that have been put in place and demonstrate the benefits to the environment, how we can measure the effects and how these procedures and practices are sustainable.

## 2.0 TOXICITY AND RADIOACTIVE NATURE OF E-WASTE.

6. Electrical and electronic equipment contain different hazardous materials, which are harmful to human health and the environment if not disposed of carefully. While some naturally occurring substances are harmless in nature, their use in the manufacture of electronic equipment often results in compounds, which are hazardous (e.g., chromium becomes chromium VI). Lead, mercury, cadmium, and polybrominated flame retardants are found in electronic equipment and are all persistent, bio-accumulative toxins (PBTs). They can create environmental and health risks when computers are manufactured, incinerated, landfilled, or melted during recycling. PBTs, are a dangerous class of chemicals that have longevity in the environment and bioaccumulate in living tissues. PBTs are harmful to human health and the environment and have been associated with cancer, nerve damage and reproductive disorders. Table 1 is a selection of the mostly found toxic substances in E-waste (ZamStats. 2023).

**Table 1.** Toxic Substances in E-waste (ZamStats 2023)

SUBSTANCE	OCCURRENCE IN E-WASTE
<b>Halogenated compounds</b>	
PCB (polychlorinated biphenyls)	Condensers, Transformers
TBBA (tetrabromo-bisphenol-A) PBB (polybrominated biphenyls)	Fire retardants for plastics (thermoplastic components, cable insulation) TBBA is presently the most widely used flame retardant in printed

PBDE (polybrominated diphenyl ethers)	
Chlorofluorocarbon (CFC)	Cooling unit, Insulation foam
PVC (polyvinyl chloride)	Cable insulation
<b>Heavy metals and other metals:</b>	
Arsenic	Small quantities in the form of gallium arsenide within light emitting diodes
Barium	Getters in CRT
Beryllium	Power supply boxes which contain silicon-controlled rectifiers and x-ray lenses
Cadmium	Rechargeable NiCd-batteries, fluorescent layer (CRT screens), printer inks and toners, photocopying-machines (printer drums)
Chromium VI	Data tapes, floppy-disks
Lead	CRT screens, batteries, printed wiring boards
Lithium	Li-batteries
Mercury	Fluorescent lamps that provide backlighting in LCDs, in some alkaline batteries and mercury wetted switches
Nickel	Rechargeable NiCd-batteries or NiMH-batteries, electron gun in CRT
Rare Earth elements (Yttrium, Europium)	Fluorescent layer (CRT-screen)
Selenium	Older photocopying-machines (photo drums)
Zinc sulphide	Interior of CRT screens, mixed with rare earth metals

### 3.0 OBJECTIVES OF THE EWMP

7. The overall objectives of the waste management plan are to:

- i. assess the activities involved for the proposed FIRIP project and determine the type, nature, and estimated volumes of waste to be generated,
- ii. identify any potential environmental impacts from the generation of waste at the project sites,
- iii. to recommend appropriate waste handling and disposal measures in accordance with ZEMA regulatory requirements.

### 4.0 WASTE TYPES FROM FIRIP

8. The implementation of the FIRIP project will generate a range of wastes, including end of life e-waste from computers, laptops, tablets, and smart phones, dis-used solar batteries, contaminated/hazardous electronic wastes, and solid waste from solar panels, that will be purchased by the project.

#### 4.1 Waste Categories

9. Table 2 provides an overview of the potential wastes, their classification, and avenues of disposal.

**Table 2.** Waste types and waste management practices

WASTE TYPES	WASTE FORM	WASTE STREAM AND DISPOSAL	WASTE HANDLING
e-waste from computers	S	Recycling, Re-use, landfill	ZEMA, Approved Contractor.



e-waste from smart phones	S	Recycling, Re-use, landfill	ZEMA, Approved Contractor.
Paper Waste	S	Landfill (soiled) Reuse recycling	Location waste transfer station or Contractor
Plastic Packaging	S	Recycling, landfill	Recycling depot
Cardboard Packaging	S	Recycling, landfill	Recycling depot
Other solid waste from solar panels	S	Recycling, Reuse landfill	Contracted Approved disposal Services
Old batteries from solar systems	L	Recycling, landfill	Approved Contractor

10. Waste materials fall into four categories for management, which include:

- Re use,
- Recycle,
- Residual wastes, and
- Landfill.

#### 4.1.1 Re-use

11. If surplus materials can be used in future operations they are classified as materials which can be re-used, i.e., rope off cuts and spare netting. Materials that can be reused in their present form are surplus to requirements and need to be removed from site and be reused elsewhere. The surplus products will be labelled, and storage area recorded for future reference.

#### 4.1.2 Recycling

12. If surplus materials cannot be reused in their present form but could be used in a different form, they will be sent to recycling or labelled as future recycling i.e., damaged stock.

#### 4.1.3 Residual Waste

13. Residual waste can come in several forms including:

- Waste that cannot be disposed of due to its category, class or material (e.g. computer components). Ways of reusing or disposing of the waste from the site needs to found, and
- Unused machinery, spare parts, or discarded parts. All items of this nature will be identified and dated. These items will be assessed quarterly to gauge their importance for potential future use. Once an item is deemed to have little or no future potential to be utilised, it will be either assessed for reuse in another form or disposed of from the site.

14. Residual waste can be an eyesore, fire hazard and has potential to impact on the environment through leachates. All residual wastes will be identified, and new residual wastes will be added to the residual waste catalogue for quarterly auditing. Residual wastes that are deemed essential or have the potential for future use will be stored in a neat and tidy manner and where possible under cover to avoid or reduce the potential for further corrosion or damage to the product.

#### **4.1.4 Landfill**

15. If the above options cannot be satisfied, then the waste can either be sent to a landfill or delivered back to supplier if there is potential of the waste being toxic.

### **5.0 WASTE COLLECTION AND DISPOSAL**

#### **5.1 OLD BATTERIES**

16. Storage of old batteries will be held to an absolute minimum at the institutions or agriculture facilities. They should be stored within impervious bunds. Adequate absorption materials shall be readily available to collect and recover any liquid lickages from the batteries.

#### **5.2 CONTAMINATED / HAZARDOUS WASTES**

17. All materials generated from the end of life of electronic equipment, computers and laptops will be fully evaluated for potential contamination and staff should note if hazardous materials or conditions are found which may include the following:
  - Toxic or contaminated materials,
  - Radiation or radioactive materials,
  - Noxious or explosive chemicals,
18. Depending on the type of material and the danger level of the material, storage and handling procedures may be required.

### **6.0 WASTE MINIMIZATION**

19. Wastes from the FIRIP operations have the potential to impact on the environment. The Waste Management Plan has been developed to manage the risk associated with the potential impacts including minimising waste generation.
20. GRZ and the PMU will implement all possible waste minimisation procedures and therefore reduce the amount of waste to be removed from all the participating institutions and agricultural facilities. Management, staff, design teams, contractors and suppliers will all be encouraged to look at ways to minimise the amount of waste generated at all the participating institutions and agricultural facilities.

### **7.0 INDUSTRY BEST PRACTICE**

21. FIRIP will follow industry best practice guidelines in handling e-wastes, such as:
  - Waste materials will be reduced, reused, and recycled where possible,
  - Lease infrastructure removed from the lease will be returned to shore for processing, recycling or disposal,
  - General wastes will be returned to shore for processing or disposal,
  - All sewage wastes will be contained on service vessels in onboard holding tanks or chemical toilets and disposed of through an approved vessel sewage discharge point on return to port, and
  - Residual materials that cannot be reused or recycled will be disposed of at an approved waste management facility.
22. The PMU will be responsible for ensuring the instruction of workers and suppliers follow the requirements of the Waste Management Plan during induction processes. The induction relating to waste management will include advice on appropriate separation, handling, recycling, reuse methods to be used by all parties conducting operations at all the participating institutions and agricultural facilities were applicable.
23. Regular toolbox meetings will include discussion of waste management issues and updates on how to minimise wastes. The monitoring of wastes generated will provide an opportunity to review the wastes being generated and ways in which they can be

reduced.

Training.

24. GRZ recognises the need for staff and contractors to be appropriately trained in the tasks that they are to undertake to reduce the chance of wastes being produced.

**8.0 E-Waste Management/Disposal Plan**

25. Table 3 below outlines the E-Waste Management Plan for FIRIP.

**Table 3.** E-Waste Management/Disposal Plan.  
(Adapted from ZamStats 2023)

No.	IMPACT	MITIGATION	MONITORING	RESPONSIBILITY	BUDGET
	<p><b>Air Pollution through improper disposal</b> which leads to release of toxic, hazardous, and carcinogenic gaseous.</p> <p><b>Human Health Impacts</b> due to poor disposal.</p> <p><b>Pollution of water bodies</b> Electrical and electronic equipment contain different hazardous materials, which are harmful to human health and the environment if not disposed of carefully.</p>	<p>Procure Electronic devices from credible manufactures to avoid purchasing second hand, refurbished or obsolete devices with a short shelf life or already categorized as E-Waste. If possible, select sources offering repair and take back schemes. Ensure insurance coverage and electronic physical protective devices are fitted.</p> <p>Reuse and recycle all E-waste where applicable and possible.</p> <p>Establish E-Waste collection points at all participating Financial and agricultural institutions, including collection bins/receptacles.</p> <p>Conduct awareness and sensitization targeting the users of the</p>	<p>Warranty and take back schemes for Electronic Devices purchased.</p> <p>Credibility of manufacturers supplying the electronic devices.</p> <p>Availability of E-waste receptacles at all participating Financial and agricultural institutions.</p> <p>Number of awareness and trainings conducted for users of electronic devices on E-waste.</p> <p>E-waste certificates of disposal using licensed hazardous waste contractors and licensed hazardous waste landfills.</p>	<p>FIRIP PMU</p>	<p>XXXX USD</p>

		electronic devices to ensure that they engage in best practice for E-waste management.			
	<p><b>Pollution of land resources including landfills.</b></p> <p>Electrical and electronic equipment contain different hazardous materials, which are harmful to human health and the environment if not disposed of carefully.</p>	<p>Procure Electronic devices from credible manufactures to avoid purchasing second hand, refurbished or obsolete devices with a short shelf life or already categorized as E-Waste. If possible, select sources offering repair and take back schemes. Ensure insurance coverage and electronic physical protective devices are fitted.</p> <p>Reuse or recycle all E-waste,</p> <p>Establish E-Waste Collection Centers at all all participating Financial and agricultural institutions, including collection bins/receptacles,</p> <p>Use licensed hazardous waste contractors and licensed hazardous waste landfill sites.</p> <p>Create and maintain records of all E-waste items for disposal, securely store and prepare for shipment correctly.</p>	<p>Warranty and take back schemes for Electronic Devices purchased.</p> <p>Credibility of manufacturers supplying the electronic devices.</p> <p>Availability of E-waste receptacles at all participating Financial and agricultural institutions.</p> <p>Number of awareness and training conducted for users of electronic devices on E-waste.</p> <p>E-waste certificates of disposal using licensed hazardous waste contractors and licensed hazardous waste landfills.</p>	FIRIP PMU	XXXX USD

		Conduct awareness and sensitization targeting the users of the electronic devices to ensure that they engage in best practice for E-waste management.			
	<p><b>Growth of informal E-waste disposal centers.</b></p> <p>Improper and indiscriminate disposal of E-waste is likely to lead to the exponential increase of informal waste disposal centers in communities near all participating Financial and agricultural institutions which further exacerbates the problem of E-waste</p>	<p>Procure Electronic devices from credible manufactures to avoid purchasing second hand, refurbished or obsolete devices with a short shelf life or already categorized as E-Waste. If possible, select sources offering repair and take back schemes. Ensure insurance coverage and electronic physical protective devices are fitted.</p> <p>Reuse or recycle all E-waste,</p> <p>Establish E-Waste Collection Centers at all participating Financial and agricultural institutions, including collection bins/receptacles.</p> <p>Use licensed hazardous waste contractors and licensed hazardous waste landfill sites.</p> <p>Create and maintain records of all E-waste items for disposal, securely</p>	<p>Warranty and take back schemes for Electronic Devices purchased.</p> <p>Credibility of manufacturers supplying the electronic devices.</p> <p>Availability of E-waste receptacles at all participating Financial and agricultural institutions</p> <p>Number of awareness and training conducted for users of electronic devices on E-waste</p> <p>E-waste certificates of disposal using licensed hazardous waste contractors and licensed hazardous waste landfills.</p>	FIRIP PMU	XXXX USD

		store and prepare for shipment correctly.			
		Conduct awareness and sensitization targeting the users of the electronic devices to ensure that they engage in best practice for E-waste management			

## 9.0 MONITORING

26. GRZ is committed to minimising the risks associated with the generation of wastes in the operation of the FIRIP. The monitoring of the quantity and types of wastes being generated by the FIRIP operations will be recorded in the wastes logbook and always kept at each participating institution so that regular reviews can be undertaken.
27. All products that are of a concern in relation to the waste being generated will be replaced where possible for products that are less wasteful and/or considered to be environmentally friendly.
28. The PMU will continue to review the type of surplus materials produced and where possible change the operations to minimise products that go to landfill. Recycling or reuse of wastes are a priority.
29. The Waste Management Plan and its importance will be communicated to the whole team regularly. Project wide updates including improved recycling amounts will be communicated and discussed at management meetings.

## 10.0 REFERENCES:

**ZamStats 2023;** Electronic Waste Management Plan, Zambia - Southern African Development Community (SADC) Regional Statistics Project P175731, Zambia Statistics Agency, March 2023.

**WB, 2007;** Environmental Waste Management, Environmental, Health, and Safety (EHS) Guidelines General EHS Guidelines. International Finance Corporation, World Bank Group (IFC-WBG), 2007

**ZEMA, 2013;** The (Zambian) Environmental Management (Licensing) Regulations (SI. No 112 of 2013).

**WB, 2017;** Environmental Social Standards 1 and 3. The World Bank Environmental and Social Framework 2017.

**EU, 2013;** The European Union Waste Electrical and Electronic Equipment (WEEE) Regulations 2013

## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex: Zambia Firip Pdt Review Matrix**

Mission Dates: 03 – 21 June 2024

Document Date: 28/10/2024

Project No. 2000004924

Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department





**Zambia - Financial Inclusion for Resilience and Innovation Project for Rural Zambia (FIRIP)**

**Compliance Matrix: PDT responses to comments from ESA Regional Team (RT)**

**Pre-DRM meeting & pre-QAG submission**

**August 2024**

Comments		PDT Response
<b>Regional Team</b>		
<b>Executive Summary</b>		
<b>A. Context</b>		
1.	<p>a. <b>Project Pitch:</b> is missing. A concise project pitch is required here, summarizing the main goals and scope in five lines to provide a quick overview to the reader.</p> <p>b. <b>Contextual Background (para 1):</b> Beyond inflation and copper price, it's essential to incorporate comprehensive data about Zambia from the SECAP, including population, GDP per capita, and key international indicators such as the Human Development Index (HDI) and Gini coefficient, to provide a fuller picture of the environment in which the project operates (as already mentioned in point 3 above).</p> <p>c. <b>Financial Institutions Differentiation (para 4):</b> It is necessary to distinguish between commercial banks and microfinance institutions to accurately reflect the type of credit facilities and their allocation specifically targeted towards smallholders. A better description of rural finance landscape would be useful.</p>	<p>a) Thank you. This has been added.</p> <p>b) Thank you. This has been partially added in Exec Summary, more in chapter 1.2. Some was already mentioned in 1.5. Due to size restrictions in the new PDR format, detailed background information on the country is provided in the PIM (annexes 1-10 of chapter 2; Annex 1 of chapter 3.3)</p> <p>c) Pls refer to PIM chapter 3.3 Annex 1 (financial Market assessment). Detailed data on lending to smallholders only available by regulated FSPs combined. Info for specific MFIs provided as available. Obtaining such data during/after the mission from individual FSPs has been very challenging.</p>
<b>B. Target groups</b>		
2.	<p>a) <b>Target Group Fund Allocation (para 2):</b> The target groups are clearly defined (3 categories) and broadly encompassing, promising extensive outreach. It is important to specify the amounts of funds allocated to each of the three groups later in the text, with an indication of funding in dollars per group</p>	<p>a) The exact allocation of funds among target groups is difficult to determine ex-ante as the project supports the development/roll-out of demand-driven, client centric products and services fostering innovations in product</p>

<p>(e.g., Group 1 is 72% of beneficiaries but how much fund will it get compared to SMEs group).</p> <p>b) <b>SME Group Fit and Impact (para 2):</b> Although SME groups may not typically fit within the traditional IFAD target groups, it is crucial to demonstrate how they align with IFAD's goals and their socioeconomic impact on vulnerable groups (creation of jobs and value added for small farmers). The issue of elite capture with MSEs also needs careful attention.</p>	<p>features and delivery mechanisms to respond to needs of specific target groups, reduce costs and manage risks.</p> <p>Cat 1 beneficiaries will mainly be reached through strengthening of CBFIs (USD 4.5 million), which are savings-based strategies combined with capacity development and trainings on various aspects (including fin literacy, enterprise development, CSA, and with specific focus on youth sensitive design and gender transformative approaches). Some CBFIs will be linked to formal FSP and digitalized (where feasible and desired by members). Other IOF funded sub-projects would benefit all target groups. The BFF is expected to finance mainly cat 2 and 3 directly. However, there will be important spill-overs through on-lending and employment generation for cat 1. Some Cat 1 beneficiaries will receive small loans, mainly from MFIs. Many will also receive mobile money and digital payment services.</p> <p>Cat 2 beneficiaries will be reached through all the above types of financial services, but with a higher share in agricultural credit (seasonal, post-harvest, investment, etc). The same will apply to cat 3 beneficiaries which will on-lend substantial share of credit borrower from the BFF to cat 1 and 2 beneficiaries, through buyer and supplier credit arrangements. Insurance is likely to be bundled with other financial services or inputs and will reach all three beneficiary categories. Comp 2 and 3 funds cannot be allocated to specific beneficiary categories.</p> <p>b) Cat 3 includes emergent farmers and MSMEs that play an important role in inclusive business models and - as providers of decent jobs and as aggregators / input suppliers - for market access and VC integration of cat 1 and 3 farmers.</p>
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	c) <b>Project Cost and Beneficiary Analysis:</b> The total project cost is \$50 million, covering 315,511 direct beneficiaries, which equates to \$158 per direct beneficiary and \$27 per household member.	c) Correct. Substantially higher than RUFEP (USD 36 per beneficiary), due to FIRIP's focus on client-centric financial services, agricultural and climate finance products, and extended capacity development (including youth-centric and gender-transformative approaches), especially within CBFi promotion.
3.	While a full demand analysis may not be feasible / necessary during design (also considering the demand-driven nature of the project), it would be helpful to provide more information on the type of demand for financial services by target group. For example, what type of financial services would be demanded by cat 1 beneficiaries? Would credit be appropriate? You may use some data from RUFEP or other development partners in the country, if available.	Requested information has been added under the target group description in chapter 2.2.
<b>C. Exit strategy</b>		
4.	The summary currently lacks an exit strategy. Please incorporate a few lines about this and ensure a dedicated, detailed chapter is included at the end of the PDR, specifically referencing Chapter 2.5 on page 13 of the main text. This will ensure that the project's sustainability and closure processes are clearly outlined and understood.	Given the size restriction of the Exec Summary, pls refer to chapter 2.5.
<b>Chapter 1: Context</b>		
<b>A. Project in Brief</b>		
5.	Please align total projects costs with 49.8 as in summary	Ok. Done
<b>B. Portfolio and lessons learned</b>		
5.	a. <b>Para 14: Lessons Learned not quantified.</b> The reference to RUFEP should be placed at the beginning of the project pitch and better explained throughout the document, as FIRIP clearly serves as a follow-up to RUFEP, utilizing its assets, methods, and regulations. This foundational reference justifies many planned activities and sets the stage for the project's context. This should be enriched with quantitative achievements of RUFEP (as of now only qualitative appreciations).	a) Reference to RUFEP have been added at the beginning of the Exec Summary and here are several references throughout the document (including lessons learned, Rationale, Component Description) highlighting both how FIRIP builds on RUFEP as well as its new orientations and instruments. Given that RUFEP's beneficiary number were mainly driven by first-generation digital financial services (mobile money), they cannot be extrapolated to FIRIP which is focussing on second-generation, client centric products

	b. <b>Lesson 3 under para 14</b> - This will need to be explained as matching grants is challenged nowadays leading to exaggerations in many countries.	(including loans for agriculture, green and climate resilient technologies, etc.) b) Revised.
6.	c. <b>Para 14, first bullet.</b> Better explain the concept of access points.	Revised accordingly
<b>Chapter 2: Project/Programme Description</b>		
<b>2.1. Theory of Change</b>		
7.	The logframe is aligned with the TOC, particularly in the Goal, PDO, and Outcomes sections of both documents. However, please consider checking the <i>assumptions</i> listed in the TOC diagram against those in the logframe to ensure alignment. For example, at the Goal level, Outcome 1, 2, and 3, etc.	Assumptions in the Logframe have been updated to improve alignment with the TOC. However, the TOC highlights only some key assumptions, while the Logframe contains additional assumptions.
<b>2.2 Targeting Strategy</b>		
8.	a. <b>Programme Area not defined – Para 26:</b> The National territory is very large. Leaving the decision of the project zone until during the implementation could lead to significant management challenges. It is advised to negotiate and establish 70-80% of the project area before implementation begins to ensure smooth execution. The same apply to value chains selection (see above comment in SECAP doc). It is very risky to wait for further surveys where initial key value chains can easily be identified at design stag through participatory process and experience of previous IFAD project.	a) Similar to RUFEP and most other rural finance projects, FIRIP’s scope is national focusing on underserved rural areas. Criteria for Window 1 (Financial Inclusion of Un(der)served Areas) have been set out clearly and need to be operationalized at project start (based on new Finscope and other data). Related section in the PDR has been sharpened, more details are in the PIM.  For the other Windows and the BFF, the area selection will follow a demand-driven process keeping FSPs and other IPs in the driver seat being better positioned to identify opportunities / suitable areas / value chains to introduce / roll out innovative services for FIRIP target groups. Moreover, given their substantial sharing of costs (and risk), a demand-driven selection will enhance the chances of sustainable financial service provision and related impact on beneficiaries beyond project implementation. Eligibility and selection criteria under IOF and BFF along with close monitoring during implementation will ensure

	<p><b>b. Target groups and activities</b> - While target groups and activities are well-defined, it is essential to specify the percentage of project funds allocated to each group. Providing clear financial allocations will enhance transparency and planning effectiveness and limit potential elite capture:</p> <ul style="list-style-type: none"> <li>i. Category 1 (about 72% of all beneficiaries) -<b>para 28</b> - Ok but getting which percentage of project funds? These ratios are worth being calculated for each category of beneficiaries.</li> <li>ii. Category 3 - please give an indication of the percentage of resources allocated to each target group.</li> </ul>	<p>that FIRIP objectives and target groups are being served. View PIM for more details.</p> <p>b) View response to question 2.a above. There is not strict allocation ex ante. CBFi promotion will mainly target cat 1. Most financial resources flowing to cat 3 will be passed on via buyer and supplier credit (e.g., outgrower schemes) to cat 1 and 2. Moreover, cat 2 and 3 will be important sources of job creation facilitated by business explosion through better access to finance.</p>
9.	<p>a) Micro-enterprises. Reconfirm whether micro-enterprise should be included in category 1. The concept of Micro-enterprise implies a certain level of market-related activities.</p> <p>b) Savings. Highlight the importance of savings for consumption smoothing and household resilience.</p> <p>c) Geographic Targeting. While the PDR indicates that the project will be national in scope and specific areas will be defined based on demand-driven proposals, the criteria for geographic targeting should be mentioned in the PDR.</p>	<p>a) This refers to the lower echelon of micro-enterprise - IGAs of rural people (most of which combine farm and non-farm activities). As in case of farming activities, a part of the output is marketed but the overall contribution to household income is limited and activities are part time. Additional explanation has been added to the text.</p> <p>b) Fully agree. Text revised accordingly</p> <p>c) Criteria for geographic targeting have been spelled out in more detail in the PDR. More details in the OIM.</p>
<b>2.3. Project/Programme Objectives</b>		
10.	<p>a. <b>Para 39: Jobs creation.</b> Target of 145, 430 new jobs created - This could be a very good achievement. This objective will significantly impact local communities. It requires dedicated monitoring to assess job types, durations, incomes, etc., ensuring that employment generated by the project meets quality standards and contributes effectively to the community.</p>	<p>Indeed. Proper reporting framework will be developed with all IPs. In addition, the monitoring function and related staffing and transport at PCO and Fund Manager level will ensure substantial field-level verification including ad hoc spot checks.</p>

<b>2.4 Component description</b>	
11.	<p>a) Due to the word limits for the PDR, most detailed information about the components and related background analysis is presented in the PIM. It is therefore recommended to include specific references to the PIM into the PDR. In addition, it would still be helpful to integrate some additional specific information in the component descriptions to give the reader a better grasp of technical content. This could be achieved through some editing/shortening of the existing text.</p> <p>b) The implementation and cost-sharing arrangements for the TA need to be laid out in more detail</p> <p>c) The blending modalities should be better explained, possibly by using some graphic illustration.</p>
	<p>a) Indeed, the word limitations do not allow for a lot of detail in the PDR. Several references to related PIM sections have been included. The component description has been revised in line with the comment received. Again, much more detail is provided in the PIM.</p> <p>b) Done. For more details, pls refer to PIM.</p> <p>c) Done.</p>
<b>D. Sustainability, scaling up and Exit Strategy</b>	
12.	<p><b>Exit strategy towards end of implementation</b> (para 60) – The PDR mentions that FIRIP will conduct a study towards end of implementation on options to institutionalize the BFF and other support services (e.g., IOF). However, this is late in project life. Addressing the exit strategy from day one is crucial. Waiting until the end of implementation is impractical and risks inadequate preparation for project sustainability. Incorporating specific exit criteria in the mid-term review could ensure proper monitoring and adjustment.</p>
	<p>Agreed. In fact, the PCU and the FM will actively look for additional funders resources to the BFF will start from inception of the BFF. This would contribute to its sustainability, enhance its credibility and help preparing FIRIP's exit. Regarding the proposed assessment of options to institutionalize the BFF: it is important to first establish a well-functioning BFF in the market able to attract co-finance from FSPs as well as additional concessionary funders. The intuitional landscape might change over time (the Zambia Development Bank was just liquidated but a new DFI might be established). Hence, the study may take place after mid-term.</p>
<b>2.6 Project Financing</b>	
13.	<p>a) Overhead costs. Currently, the proposal indicates 11%. FMD provides a cap of 7% on recurrent costs (FMD to clarify this)</p>
	<p>a) It is true that at CN stage, 9% recurrent costs were budgeted for (7% Salaries and 2% Operating costs). But major amendments to the budget have been made at Design Stage which translated into a higher ratio of 11%. Indeed, the project budgeted for the adequate human resources needed for its activities on the technical side</p>

	<p>b) Financing gap: Need to clarify in COSTAB and in the description (including annex 3) that USD 8.9 million will be financed under IFAD 12 and the remaining USD 21.1 will be funded under IFAD 13.</p> <p>c) Co-financing by private sector. Experience has shown that in many countries participating FSPs have failed to leverage the co-financing contribution because it was not implicitly stated in the contractual arrangements with the PSFPs. Co-financing arrangement should be confirmed in writing with PFSPs, along with benefits to end-borrowers, e.g., through lower interest rates for final beneficiaries or relaxed collateral requirements</p>	<p>(RF), to properly implement the various mainstreaming themes, and to strengthen the M&amp;E and KM function (in response to lessons from RUFEP and other RF projects. That said, recurrent costs are still within the 15% limit set by IFAD (assuming that the funding gap will be met by IFAD 13 resources) which is deemed acceptable in view of the above and the scope and complexity of the project.</p> <p>b) Done</p> <p>c) Cofinancing requirements are clearly established in the operating procedures of the IOF and the BFF. In order to access FIRIP support, the stipulated co-financing needs to be made. The co-financing arrangements are based on consultation with key stakeholders during design, RUFEP experiences and IFAD’s new guidance in this regard.</p>
<b>2.7. Economic and Financial Analysis</b>		
14	<p>a. <b>EFA and Summary of benefits</b>– para 66:</p> <p>i. The sentence "<i>The Economic and Financial Analysis (EFA) of FIRIP is different from a typical agriculture or livestock project, given its demand-driven nature</i>" should be revised. The statement that FIRIP's EFA differs from typical agriculture or livestock projects due to its demand-driven nature should be reconsidered. All projects, including agricultural and livestock, operate under demand-driven dynamics</p> <p>ii. "<i>Moreover, as a rural finance project, it cannot be anticipated how the beneficiaries will use the financial services and in which activities they will invest</i>". This is the whole issue, which require more precisions in the descriptions of activities which are too general and too generic as of now</p>	<p>a) The point here is that in demand-driven projects (which include agricultural and livestock projects using matching grant funds and similar approaches), it is impossible to determine the use of funds by beneficiaries with precision ex ante. This applies even more to a RF project using demand-driven approaches to stimulate innovations in financial services and delivery mechanisms responding to the needs of specific underserved target groups: While example of innovative services and product features can be given (and are given in the PDR/PIM), the exact type of innovation, number of services with specific features, etc, cannot be predicted with precision. Moreover, as laid out in the TOC, financial services can serve a range of needs of rural households: to prepare for, manage, and recover from risks and shocks; diversify their economic activities, build assets, and adopt technologies (for</p>

	<p>...Additionally, more precise descriptions of how beneficiaries will utilize financial services and invest in various activities are needed.</p> <p><b>b. Project benefits</b> – para 68: The sentences explained that rural services and access to Agri inputs and Agri processing will lead to higher income. The assumption that access to rural services and agricultural inputs will automatically lead to higher income needs further substantiation. Experience shown that increase of production and/or transformation is not sufficient par se to ensure increased income for producers. It also requires the development of skill development for farmers, robust contracts, and equitable sharing of benefits.</p> <p><b>c. Economic results</b> – para 70: An ERR of 20% is relatively low for rural finance projects; typically, simpler production projects achieve 25-35% ERR. This should be addressed to enhance financial viability and attractiveness to stakeholders. Refer to Anura analysis and advice to reinforce the EFA.</p>	<p>productivity increase, climate resilience, etc). Given the reality in rural Zambia, these options will often be context and location specific. Therefore, the EFA needs to rely on a set of assumptions and build the analysis on some typical investments and use cases of financial services (including reduced transaction costs by rural users in case of digital fin services).</p> <p>b) These points are well taken. Therefore, FIRIP will encourage the collaboration of its IPs with other initiatives providing complementary services including related training, market linkages, data integration, etc. to mitigate these risks.</p> <p>c) The aggregation of the overall cash-flow has been adjusted to reflect the actual project results. The overall ERR is now estimated at 33% with NPV of US\$33.9 million. The detailed analysis is presented in the revised EFA worksheet and annex 4.</p>
<b>Chapter 3: Organisation and Management</b>		
<b>3.1. Organisational set-up and Governance</b>		
15.	<p><b>a. Programme oversight:</b></p> <p><b>Para 73 and 75: Programme steering committee and technical advisory group.</b> Promoting interaction as proposed between the program's steering committee and the technical advisory group is excellent. Including representatives from beneficiary groups and financial institutions as observers or participants will foster better coordination and enhance program integrity.</p>	a) Thanks and agreed





	<p>person-based core indicators meet the correct quota for youth-sensitive projects and are disaggregated by youth and sex.</p> <p>c. For the goal indicator 'Change in household asset ownership' and PDO indicator 'Persons reporting improved income from economic activities': Please note that these indicators cannot/should be measured by the COI survey as it is not an IFAD COI indicator. Please update the data source in the LF.</p> <p>d. For the indicator 'CI 1.2.5. Households reporting using financial services': Please check and provide midterm target.</p> <p>e. In the disaggregation of the indicator 'CI 1.1.5 Persons in rural areas accessing financial services ': do not you think we need the sum of persons accessing all the listed services (Savings+ credit+ Insurance+ digital payment)</p>	<p>c. These are higher level indicators that need to be measured using surveys, and they should therefore be included in the COI surveys. This is foreseen in the COI guidelines, which state: "Additional questions for project-specific indicators may be added to the template as deemed relevant."</p> <p>d. Mid-term targets for CI 1.2.5 have been added.</p> <p>e. Total targets for CI 1.1.5 have been added. The CI framework guidelines seem to suggest this is not needed, but a total is actually important, especially because beneficiaries can access multiple services (e.g. savings and credit). Note that the total for all services (315,511) is therefore different from the sum of beneficiaries for the different services (savings, credit, insurance, digital payment services).</p>
<b>Monitoring &amp; Evaluation (M &amp; E)</b>		
18.	<p>a. The draft PDR identifies key M&amp;E processes and well outlines the monitoring mechanisms. It is also appreciated that the roles and responsibilities for the various M&amp;E functions have been clearly defines in the PDR and in the PIM.</p> <p>b. The PIM has clearly stipulated the M&amp;E activities and clearly includes specific references to the measurement methodologies that the project plans to use, as well as the Logframe and indicator definition. The PIM also includes the TORs of the M&amp;E officer activities timeline in the draft PIM.</p> <p>c. <b>Budget versus total project cost:</b> Based on the project cost table, the current costs for M&amp;E activities, which include the costs of M&amp;E and KM, amount to around 2% of the total project cost. Please note that QAG/OPR usually recommends allocating 3-5% of the total project cost towards M&amp;E.</p>	<p>Thanks</p> <p>Thanks</p> <p><b>M&amp;E budget.</b> The main role of the two field officers of the BFF Fund Manager (DT_1_2) is monitoring (selection of loan recipients and loan utilization, as well as other data collection tasks required by the ME&amp;KM Officer). This means the 'core' M&amp;E budget is 2.6% of total cost (assuming 60% of</p>

	<p>d. <b>Survey costs:</b> The costs of the three COI surveys have been budgeted for in the current project Costab.</p>	<p>ME&amp;KMstaff effort for M&amp;E; and including annual planning workshops). The KM budget then is 1.2% of total project cost, making the combined ME&amp;KM budget 3.8% of total project cost. In FIRIP, M&amp;E and KM are integrated functions that serve the same purpose: to provide data, information and knowledge aimed at improving project implementation; as well as broader learning about delivering effective rural financial services, for the benefit of the country, IFAD, and other/future projects. It is therefore considered appropriate to assess the combined budget, which is in the 3-5% range in line with DEF recommendations.</p> <p>Thanks</p>
<p><b>Knowledge Management</b></p>		
<p>19.</p>	<p><b>Para 100. Managing K products.</b> It is essential to specify the types of tools and systems to be used, focusing on open data and open systems. This approach will help prevent the unnecessary creation of new software or platforms that risk becoming obsolete once the project concludes—a common challenge in IFAD programs.</p>	<p>This comment is a repeat from 16. Above, it is not about KM but about MIS in para.94,and has been addressed there.</p>
<p>20.</p>	<p><b>Para 76: ME&amp;KM officer.</b> Avoid mixing the functions in only one position. Given the project's scope, involving a large number of beneficiaries, institutions, and various outputs, it is crucial to have a dedicated senior officer for Monitoring and Evaluation (M&amp;E) and Management Information Systems (MIS). This role is critical to ensure comprehensive oversight and effective data management throughout the project lifecycle. Additionally, the Knowledge Management (KM) function should be managed by a separate officer, focusing solely on knowledge harvesting, dissemination, and storage, rather than combining these responsibilities with M&amp;E/MIS tasks. This separation of duties (while staying the same unit) will enhance efficiency and allow for specialized focus in each area.</p>	<p>As long as adequate staff capacity is available, integration rather than separation of M&amp;E and KM is considered more efficient: data, information and knowledge for the benefit of improving implementation and for learning is a continuum. Some specialization was however foreseen as suggested, by having one ME&amp;KM Officer, one M&amp;E Assistant (MIS/data-focused) and one KM Assistant (qualitative information, knowledge products and dissemination). This is still the preferred option, but budget constraints resulted in the two assistant positions being combined. The Field Officers under the Fund Manager also have a monitoring function, but their priority will be selection of beneficiaries and utilization of loans.</p>
<p><b>EFA review</b></p>		

21.	<p><b>General comment.</b> FIRIP was designed with the goal of improving rural livelihoods through increased resilience and inclusive sustainable growth. The project will support improved access to and use of financial services to strengthen resilience and green growth of rural production systems, value chains and livelihoods of poor rural men, women, and youth.</p>	Noted
<b>GENERAL OBSERVATIONS</b>		
22.	<p>The LF and the project outreach numbers presented in the PDR are consistent and therefore the beneficiaries supported by the project through different activities presented in the LF are used in this review as the reference point.</p>	Noted.
23.	<p><b>Log-frame:</b> the EFA has presented the project targets in the Tab "Beneficiaries Computation" of the EFA excel sheets. These numbers are based on the assumed amounts of loans that would be disbursed. The outreach and the number of loan beneficiaries etc. presented in the EFA is different from the beneficiaries used in the LF (see CI 1.2.5. Households reporting using financial services in the LF).</p> <p><b>Recommendation:</b> The outreach and the number of beneficiaries used for the EFA should be revised to bring consistency between the LF and the EFA.</p>	<p>The Economic and Financial Analysis (EFA) has been adjusted and aligned to the log-frame figures. FIRIP's total outreach is 370,110 including 315,511 beneficiaries through access to financial services, and 54,599 beneficiaries through jobs creation (excluding beneficiaries benefitting from both).</p>
24.	<p><b>Explaining the computations in the Tab "IOF W2-W3 &amp; CBFIs Benefits" of the EFA excel sheets:</b> This Tab has the computations which were used for the overall EFA to obtain the results. There are some unclear computations in this Tab as listed below:</p> <ol style="list-style-type: none"> <li>a. Beneficiary computation (cell A20, A21 etc.) as mentioned above should be aligned with the LF outreach numbers;</li> <li>b. Simple averages of the gross margin models were used to compute the benefits presented in the row named "IOF Window 2 Benefits (On-farm and Off-farm)" (cell B24). However, the gross margin models are heterogenous which include both crops and livestock that uses different technologies. Taking an average of such a distribution may not represent the</li> </ol>	<p><b>Response to a:</b> Related to the above.</p> <p><b>Response to b:</b> The aggregation of benefits has been rerun as recommended by the reviewer. The adjusted EFA worksheet is attached to this compliance note.</p>

	<p>beneficiaries' potential cash flows. Differentiation is required at least by crops and livestock models. Climate smart model also has the same problem where bio-gas digester is included with the crops model averages. These should be separated.</p> <p>c. The "Total Incr. Benefits" (line 33) which is used for the computation of economic viability parameters in "Overall Summary rvd" Tab has an <b>average</b> benefit. It should have the <b>total</b> benefits instead, except there is a reason to support taking the average. This needs to be explained and currently it is unclear.</p> <p>d. The numbers in the line "IOF Window 2 Benefits (On-farm and Off-farm)" have been reduced by 50%, and others (line 35 and 46) by 30% and 20%. The reason for this adjustment should be explained – this is currently not clear.</p> <p>e. The benefit streams of this Tab have stabilised after 7<sup>th</sup> year for all the windows. This has limited the full benefit flow of the beneficiaries who will join in the 5<sup>th</sup> and 6<sup>th</sup> project years etc. to be accounted for. Full benefit flow for all the beneficiaries should be estimated and used for aggregation.</p> <p><b>Recommendation:</b> The issues listed above should be resolved and the method used for computations and assumptions such as 50%, 30% etc. as mentioned above should be elaborated in the EFA Annex.</p>	<p><b>Response to c:</b> The summation of benefits has been adjusted to reflect the total instead of the average.</p> <p><b>Response to d:</b> The aggregation of benefits has been adjusted accordingly.</p> <p><b>Response to e:</b> The benefits streams have been adjusted to accommodate the year 5 and year 6 beneficiaries.</p>
25.	<p><b>Timing of accessing financial products:</b> The Theory of Change well explained in the PDR presents the arguments that the current situation of access to rural finance for project beneficiaries is rather weak and the project will undertake various activities, including policy changes, to improve the access to rural finance. Although there are some budget provisions for CBF and IOF windows in the 2<sup>nd</sup> year onwards of the project, is it pragmatic to expect that the project beneficiaries will access credit from the project year 2, which is the current assumption in the gross margin models, or will it need at least one year of time lag (i.e. from 3<sup>rd</sup> year onwards) before</p>	<p>The phasing of benefits has been adjusted as recommended by the reviewer to reflect the actual period households will start to access financial services and when the project will start to generate benefits.</p>

	<p>start accessing loans and also getting reduced transaction cost benefits?</p> <p><b>Recommendation:</b> Reconsider an introduction of at least one-year time lag for activating access to rural finance (which is 3<sup>rd</sup> year of the project).</p>	
26.	<p><b>Other potential models:</b> The PDR (para 44) and Project Implementation Manuel (paras 127 &amp; 284) mention about innovative value chain (VC) finance arrangements such as warehouse receipt financing, invoice discounting, digitalization of payments, buyer, and supplier credit etc. These would be interesting models with some assumptions to include in the EFA.</p> <p><b>Recommendation:</b> Consider developing one or two VC finance models for improved representation of the project beneficiaries.</p>	A warehouse financing model has been developed.
27.	<p><b>Adoption rate:</b> The EFA Annex mentions incremental margin at 100% (para 21, 24 etc.). It is doubtful that this is the adoption rate of technology. The EFA excel sheet uses 75% as the adoption rate. The LF indicators have different rates: "CI 3.2.2. Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices" indicator mentions <b>18%</b>.</p> <p><b>Recommendation:</b> The adoption rate that was used for the EFA should be consistent with the rate used in the LF as one of the key LF indicators. Accordingly, the aggregation of benefits should be estimated.</p>	The EFA excel and annex has been aligned as appropriate and linked to the LF. An adoption rate of 80% has been used for the analysis. This rate is linked to the log-frame indicator "CI 1.2.5. Households reporting using financial services".
28.	<p><b>Pricing of maize (as an example) for processing:</b> The price paid for maize for processing is ZMW 4/kg (Tab - Maize Processing). However, selling price of maize was ZMW 6/kg (Tab - Maize Model - Solar Pump).</p> <p><b>Recommendation:</b> Given fact that the project areas and the type of beneficiaries are the same, the difference in the pricing should be explained. This explanation should be presented in the EFA Annex. If the same issue persists for other products, kindly address all the product prices.</p>	The farm gate price of maize has been consistently aligned in both gross margin models.

<b>DETAILED OBSERVATIONS</b>		
<b>A. Financial analysis/production models:</b>		
29.	<p>a. <b><u>WOP:</u></b> All production models have included a credible WOP scenario with costs and benefits. These estimates have been used to derive the incremental costs and benefits. The <b>Laundry Service Enterprise model is an exception</b> where a WOP scenario has not been assumed. It is recommended to use a portion of the labour cost as the opportunity cost to represent the WOP situation.</p> <p>b. <b><u>Family labour:</u></b> Labour use has been identified in each production/enterprise model and return to labour has been estimated.</p> <p>c. <b><u>Self-consumption:</u></b> An allowance of the crop production has correctly been assumed as the family consumption.</p> <p>d. <b><u>Profitability Indicators (NPV; IRR and B/C ratio):</u></b> <b>Financial analysis:</b> The EFA excel sheets have estimates for all three financial indicators (NPV, IRR, and B/C ratio) and presented in the EFA Annex.</p>	<p>The model has been adjusted as per the reviewer's recommendation. A proxy of labour which is the opportunity cost has been applied to represent the WOP situation as this investment is regarded to as a new enterprise in the project target areas.</p>
<b>B. Economic analysis/aggregation and profitability indicators</b>		
30.	<p>a. <b><u>LOGFRAME:</u></b> Revisions in the EFA are required to make the EFA and the LF consistent. The adoption rate used in the EFA has also to be in line with the LF indicators.</p> <p>b. <b><u>Aggregation (lack of HH focus):</u></b> The ENPV presented in the excel sheet and the EFA Annex is different and correct numbers should be presented. The individual gross margin models have financial IRRs which, for most of the models, are above 30% and some even have over 100% (Table 4 of the EFA Annex). The project level economic IRR (EIRR) is however <b>20%</b> (Table 12 of the Annex) and some of the sensitivity</p>	<p><b>Response to a:</b> The EFA has been aligned to the log-frame as mentioned in response 1 above.</p> <p><b>Response to b:</b> The aggregation of the overall cash-flow has been adjusted as recommended by the reviewer. The overall ERR is now estimated at 33% with NPV of US\$33.9 million. The detailed analysis is presented in the revised EFA worksheet and annex 4.</p>

<p>indicators are just above the opportunity cost of capital making the project highly sensitive for cost or benefit variations. The EIRR <b>is too low for a project of this nature</b> (comparing to other IFAD projects). It is possible that there are errors in aggregations at the project level cash flows when the individual models have IRRs above 30% and the project level EIRR to have 20% (the SCF is above 0.9, and as such the economic vales would not be so far from the financial values).</p> <p><b>Recommendation:</b> It is recommended to re-check the aggregation of cash flows, particularly paying attention to the point 2 (c and e) above and re-calculate the project level economic profitability indicators.</p> <p>c. <b><u>Discount rates:</u></b></p> <p>The financial discount rate that was used is significantly lower than the annual interest rates used for loans (8% and 40% respectively). The reasons for the difference were not presented. Usually, the financial discount rate should reflect the market interest rates of financial products. A justification for the use of rates should be presented and accordingly the EFA results should be revised. Use of 10% as the economic DR should also be justified in the EFA Annex.</p> <p>d. <b><u>Double counting of cost and budget allocation for the credit line:</u></b></p> <p>The budget amount for the credit line (total of USD 23 million) has been added to the project cost flow for the computation of economic viability indicators. This amount represents a transaction cost and provided to the banks for disbursing as credit. Transactions costs are not included in the project economic cost flow for the computation of the economic parameters. As such this should be removed from the cash flow. Any double counting of cost that are in the gross margin models and the project budget should also be removed.</p>	<p><b>Response to c:</b> The discount rate used for financial analysis is closer to saving products rather than loan products. It reflects the opportunity cost of investing rather than just keeping the funds in a savings/ deposit account. The discount rate used for economic analysis is 25.5%. The discount rate used for economic analysis is a 10-year Government bond yield in Zambia<sup>1</sup>.</p> <p><b>Response to d:</b> The transaction costs/line of credit have been removed from the overall cash-flow to avoid double counting. This is presented in overall economic analysis cash-flow table of the revised excel file attached to this report.</p>
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<sup>1</sup> [Zambia 10 Years Bond - Historical Data \(worldgovernmentbonds.com\)](http://worldgovernmentbonds.com)



	<p><b>Recommendation:</b> it is recommended to revise the deductions transparently and present it in the EAF Annex for clarity and recompute the EFA results accordingly.</p> <p>e. <b><u>Conversion factors and shadow prices:</u></b> Conversion factors have been computed for commodities and for labour using acceptable methodologies. The financial prices have been converted to economic prices appropriately using these conversion factors.</p> <p>f. <b><u>Sensitivity Analysis (SA):</u></b> A series of sensitivity analyses have been conducted and presented in the EFA Annex. The section 3.9 of the PDR (para 123 onwards) describes the risk factors in different risk categories. These risk factors should be linked up with the sensitivity analysis matrix (Table 13) of the EFA Annex. It is recommended to add a column to Table 13 and present risk factors that is addressed in the sensitivity analysis.</p>	<p><b>Response to e:</b> No action needed</p> <p><b>Response to f:</b> The sensitivity analysis has been linked to the risk factors presented in the IPRM. A summary table has been included in both the EFA section of the main PDR and annex 4. The excel based worksheet is available in the revised EFA file attached to this report.</p>
<b>Annex 3 review – Projects and Financing</b>		
<b>A. Cost Tables</b>		
31.	<p>a. The cost tables in the main document, and the detailed costabs in Annex 3 include US\$30m of IFAD financing, despite only US\$8.9m being available. This is probably because it was advised at OSCto build-in a financing gap on top of the current US\$8.9m available to them under IFAD12. However, this is not explained this in the package. The correct way to structure the cost tables of the project is therefore to include US\$8.9m of confirmed IFAD financing, and then a financing gap of US\$21.1m, which can be confirmed in the text that it is planned to fill this gap with IFAD13 financing. During IFAD13, an "Additional Financing for Financing Gap" request to approve the additional US\$21.1m would then need to be processed. (Refer to Annex IX of the Project Design guidelines). In addition, in the cost tables there is US\$300,000 included from "Strategic Partners". This should be explained in the text.</p>	<p>The costabs have been adjusted to reflect the available IFAD financing of US\$8.9 million and the financing gap of US\$21.1 million.</p>
<b>Annex 5 review - SECAP</b>		

32.	<b>Country Background Information:</b> is available in SECAP but not reported in the PDR. The sections detailing basic country information, including arable land and rural population, as well as international ranking criteria IDH, Gini <i>among others</i> are critical and should be summarized in the main report for the benefit of readers. This data provides essential context that supports the rationale and strategies of the project.	The data related to HDI, GINI has been added to PDR main text.
33.	<b>Cultural Heritage and Indigenous Chapters:</b> it is unusual to find these sections empty and marked as not applicable, given that every country has an history and distinct human groups. A more tactful approach should be considered to address these topics—either by integrating relevant information into other sections or removing the chapters if they cannot be substantively filled.	These sections have been revised. However, it is important to note that FIRIP’s interventions are not expected to alter, damage, or remove any tangible or intangible cultural heritage. Furthermore, FIRIP will ensure that its activities have no adverse impacts on the rights of indigenous peoples or the lands, territories, and resources they claim.
34.	<b>Land Tenure Issues:</b> the documentation on land tenure issues is comprehensive and should be succinctly synthesized into the main PDR text. This is a common issue across many countries, often involving government ownership of lands. IFAD offers interesting and effective solutions through land tenure activities, drawing on experiences from programs in Madagascar and other countries. Such references will enrich the PDR and offer proven strategies to address these challenges vs rural finance and need for collaterals.	Given the word limits for PDR, information related to land tenure related interventions are presented in the SECAP review note as well related sections in the PIM. Drawing upon lessons learned from RUFEP, FIRIP aims to explore the utilization of movable assets as collateral. This approach may contribute to bridging the access gap and enable a more diverse range of clients to secure the financial support they need. Through client-centric product design supported under the IOF, FIRIP intends to scale up warehouse receipts and collateral substitutes, such as joint liability groups (e.g., within VSLAs), personal guarantors, reputational capital (borrowers aiming to maintain creditworthiness with lenders), and track records with lenders (including past loans taken and repaid), as well as contracts and past product delivery with off-takers.
35.	<b>Paragraph 46</b> highlights the issues with unsuitable agricultural practices in regions that frequently experience drought. This is a widespread problem, similar to challenges faced in neighbouring Zimbabwe. During the 1980s, large-scale farms promoted maize cultivation models, which were then adopted by smaller communities lacking adequate land and specifically irrigation resources. This resulted in poor maize yields for small farmers (and 1 proper harvest every 4 years) confirming maize is not adapted to	This comment is noted. While FIRIP is a demand-driven project and the crops and value chains will be identified by the implementing partners, a significant portion of funding is likely to be allocated to horticulture, small livestock, and legume production, as well as related value chains. This is due to their substantial potential for bolstering local communities' resilience, which is further supported by complementary assistance from the GRZ. Horticulture, with its reliance on

	dry environment). In contrast, traditional crops like millet, sorghum, and sweet potatoes, which are often overlooked, offer considerable benefits and potential. These crops should be considered as key value chains in the upcoming project, providing a sustainable alternative that aligns better with local conditions and resources (search for neglected crops and seed projects in IFAD archives: Asia and Africa).	short cycle value chains and smaller plots, is particularly appealing to youth and women, who are actively engaged in cultivating a range of vegetables (e.g., carrots, onions, tomatoes, green peppers, eggplants, and butternut) and fruits (e.g., mangoes). Small livestock, such as broilers, also offer a viable economic entry point, as demonstrated by successful models like the Farm Depot in Copperbelt Province and discussions with savings groups.
36.	It is suggested that the assessment on enhancing smallholder agriculture in Zambia is improved in the effort to streamline rural finance programs and to emphasize straightforward technical components, such as micro-irrigation systems, agricultural tools, transformation tools, and facilitating land acquisition. Such targeted improvements are likely to have a direct and significant impact on productivity.	Indeed, various scales of irrigation equipment will be eligible for support under both Window 3 and the blended financing facility.
37.	<b>In paragraph 58</b> , which discusses adaptations in Zambian agriculture, it is surprising to note the absence of both infrastructure investment and irrigation support, in govt Programmes, particularly given the earlier discussions about drought challenges (and good to see that IFAD aims at developing a dedicated project on this topic in the future). Given that Zambia constitutes 35% of the watershed of the southern African region, as previously mentioned, the noticeable scarcity of investments in rural areas is particularly concerning (public infrastructures, irrigation, and micro-irrigation). Small farmers need support and current level of the national budget dedicated to agriculture is alarming (currently at 4%, far from international commitments Maputo/Malabo).	Given the project's focus on improving access to rural finance, infrastructure financing will not be addressed within the scope of this initiative. Infrastructure development will be considered for support in future projects. However, investments in improved water management through (drip) irrigation (especially solar-powered), water harvesting, as well as improved storage and processing facilities are eligible under the BFF (and relevant financial product design and outreach under the IOF).
38.	<b>The FIRIP description window 3</b> is an insightful document, offering detailed technical guidance for the project and methodologies for each sub-sector. It is advisable to incorporate this criteria table into the PDR, as this provides clear, structured technical options for energy, crops, and other project components, enhancing the project's strategic framework and execution clarity (how rural finance will support these technical sub-sectors).	This comment is acknowledged. Due to word count limitations, the PDR will incorporate cross-references to this document, which is already included in both the PIM and SECAP review note.
<b>Overall comments</b>		

39.	The project remains overly broad in its approach to financial products and services, lacking clear priorities or technical guidelines for agricultural improvement. Without these focused directions, there is a risk that the project could become diluted, adopting a blanket coverage approach that spreads efforts too thinly and results in minimal tangible outcomes and track records upon completion.	<p>This comment may apply more to RUFEP than to FIRIP. And RUFEP was rated as highly successful.</p> <p>Compared to RUFEP, FIRIP has a clearer focus to</p> <ul style="list-style-type: none"> <li>i) limiting the support for expansion of general formal financial access points (the main activity under RUFEP) to the remaining rural areas that un- or severely underserved by former financial service providers;</li> <li>ii) developing second-generation, client centric financial services for a) FIRIP target groups (especially, smallholders, rural micro-enterprises, women, and youth); b) agriculture and related value chain activities; c) climate smart and green technologies. It has also a much stronger focus on targeting youth and women (beyond mere access to financial services integrating household approaches in CBFi support.</li> </ul> <p>By its very nature as a demand-driven project fostering innovation, based on serious cost-sharing with private FSPs and other IPs, it is impossible to describe in detail the type of services that will be developed and how exactly the services will be used by beneficiaries. View also earlier responses. Given the dearth of client centric financial services, especially for agriculture and climate adaptation, the project will have an important impact on advancing these areas, especially by combining microlevel interventions with activities to strengthen the enabling environment at meso and macro levels.</p>
40.	The document lacks a detailed depiction of the structure and landscape of rural finance within the country; specifically, it does not name key financial institutions involved, only mentioning a few donor programs. This omission raises concerns about the robustness and breadth of rural finance institutions.	Given the size limitations of the new PDR template, a detailed description on the financial landscape including the main banks and NBFIs are provided in the PIM (Chapter 3, annex 1).
41.	Furthermore, the absence of a list of potential implementers, detailed financial products, specific fund allocations per beneficiary	Most of these questions have already been answered in earlier sections of this matrix. Potential implementation partners

<p>category, and defined regions of implementation prompts several questions:</p> <ul style="list-style-type: none"> <li>- Why aren't the potential implementers identified?</li> <li>- Why haven't the financial products been described in greater detail?</li> <li>- Why is the allocation of funds not more precisely defined for each category of beneficiaries?</li> <li>- Why haven't the regions of implementation been specified?</li> <li>- Why value chains to be funded are not yet identified?</li> </ul>	<p>have been identified, including specific ones in case of FSP and Strategic Partners. In other cases, these have been identified generically (e.g., CBF Promoters, Fintechs, etc), as there are potential actors that might apply. By the very nature of the demand driven project, implementing partners cannot be named and specified with precision at design stage.</p> <p>Regarding Value chain, the project will not be restricted to certain value chains, for several reasons: First, the majority of category 1 beneficiaries highly vulnerable and depend on various IGA, on and off farm. Reaching them exclusively through specific value chains may increase their vulnerability to market, price, pest/disease, weather, and other risks related to that value chain. Hence, strengthening resilience through broadening access to various financial services, and strengthening IGAs seems a more adequate strategy. This may include inclusive business models and value chain integration is specific local opportunities exist.</p> <p>Second, FSPs and other IPs are better positioned to identify suitable value chains for specific target groups and design financial and nonfinancial support around these.</p> <p>1. Despite these caveats, para 26 states the following: "Promising VCs include horticulture, small livestock, maize, soyabean and legumes production, given their potential for enhancing resilient livelihoods of local communities, and complementary assistance from the GRZ".</p>
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## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

### **Annex: Justification For Excluding Solid And Liquid Waste Management Plan**

Mission Dates: 03 – 21 June 2024  
Document Date: 28/10/2024  
Project No. 2000004924  
Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department



### **Justification for excluding a Solid and Liquid Waste Management Plan**

The justification for not including a solid and liquid waste management plan in this context is based on the understanding that FIRIP's primary focus lies in improving access to financial services for rural smallholders and MSMEs. While the SECAP screening did identify a moderate risk related to livestock rearing and animal products, the core activities of FIRIP revolve around risk management, increasing productivity, and promoting investments in green and climate-resilient technologies. Consequently, the specific solid and liquid waste management plan arising from the SECAP screening is not directly relevant to the main objectives and interventions of FIRIP.

However, it is important to note that environmental concerns have not been overlooked, as waste management measures have been incorporated into the broader framework of the project's interventions through the ESCMP. This approach ensures that environmental considerations are addressed without deviating from FIRIP's primary focus on financial services and support for rural smallholders and MSMEs.



## Zambia

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### **Financial Inclusion for Resilience and Innovation Project for Rural Zambia Project Design Report**

#### **Annex: 2000004924 Logframe 10**

Mission Dates: 03 – 21 June 2024

Document Date: 28/10/2024

Project No. 2000004924

Report No. 6949-ZM

East and Southern Africa Division  
Programme Management Department



Financial Inclusion for Resilience and Innovation Project for Rural Zambia

Logical Framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b>	1 Persons receiving services promoted or supported by the project				PFIs and CBFi promoters	Quarterly	M&E &KM team	"outreach assumption: •The average household size in rural areas is 5 persons per household (2022 census of population and housing). •Each beneficiary comes from a different household (CI 1.a = CI 1). If data becomes available on numbers of households that have multiple beneficiaries, this can be adjusted."
	Males (number)	0	88826	222066				
	Females (number)	0	59218	148044				
	Young (number)	0	44413	111033				
	Not Young (number)							
	Non-Indigenous people (number)							
	Total number of persons receiving services (number)	0	148044	370110				
	1.b Estimated corresponding total number of households members				PFIs and CBFi promoters	Quarterly	M&E &KM team	
	Household members (number)	0	740220	1850550				
	1.a Corresponding number of households reached				PFIs and CBFi promoters	Quarterly	M&E &KM team	
Households (number)	0	148044	370110					
<b>Project Goal</b> Improve rural livelihoods through increased resilience and inclusive sustainable growth	Change in household asset ownership				COI Survey (additional questions for PSIs)	Baseline, Mid-Term, and Completion	ME&KM team	"assumptions for sustainability: •Positive experiences with the impact of financial services will lead to a 'virtuous cycle' of using financial services; economic growth and strengthened resilience; and improved rural livelihoods."
	Households assets ownership index (%)	49	53	60				
	Rural households reporting an increase in savings				COI Survey (additional questions for PSIs)	Baseline, Mid-Term, and Completion	ME&KM team	
	Proportion of rural households (%)	0	28	70				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Development Objective</b> Improved access to and use of financial services to strengthen resilience and green growth of rural production systems, VCs and livelihoods of poor rural men, women and youth.	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				COI Survey (additional questions for PSIs)	Baseline, Mid-Term, and Completion	ME&KM team	"development objective to goal: •Economic empowerment of women and joint household decision making contributes to increased income being used to address household needs •Stable political and economic environment.
	Total number of household members (number)	0	167210	418020				
	Households (%)	0	23	23				
	Households (number)	0	33442	83604				
	2.2.1 Persons with new jobs/employment opportunities				COI Survey	Baseline, Mid-Term, and Completion	ME&KM team	
	Males (number)	0	34903	87258				
	Females (number)	0	23269	58172				
	Young (number)	0	17452	43629				
	Total number of persons with new jobs/employment opportunities (number)	0	58172	145430				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI Survey	Baseline, Mid-Term, and Completion	ME&KM team	
	Household members (number)	0	37010	185055				
	Non-indigenous households (number)							
	Non-women-headed households (number)							
	Households (%)	0	5	10				
	Households (number)	0	7402	37011				
	Persons reporting improved income from economic activities (agriculture/other IGAs)				COI Survey (additional questions for PSIs)	Baseline, Mid-Term, and Completion	ME&KM team	
	Males (number)	0	71061	177653				
	Females (number)	0	47374	118435				
	Young (number)	0	35531	88826				
	Cat 1 beneficiaries reporting improved income (number)	0	85273	213183				

Results Hierarchy	Indicators				Means of Verification			Assumptions			
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility				
	Cat 2 beneficiaries reporting improved income (number)	0	32333	80832							
	Beneficiaries using financial services in all categories reporting improved income (number) (number)	0	118435	296088							
	IE.2.1 Individuals demonstrating an improvement in empowerment								COI Survey	Baseline, Mid-Term, and Completion	ME&KM team
	Total persons (%)	0	19	38							
	Total persons (number)	0	28129	140642							
	Females (%)	0	25	50							
	Females (number)	0	14805	74022							
	Males (%)	0	15	30							
	Males (number)	0	13324	66620							

Results Hierarchy	Indicators			Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Source	Frequency		Responsibility
<b>Outcome</b> "Outcome 1 Improved availability of sustainable client-centric rural financial services for specific sectors and groups"	Number of new financial products, services and delivery mechanism deployed				IOF recipients	Semi-annual	ME&KM team	"outcome to development objective: • Beneficiaries make good use of financial services, for productive investment, adaptation and green technologies, or to cope with shocks affecting the household. •An enabling policy environment and corresponding incentives are in place, encouraging FSPs to offer financial services and products to rural communities at affordable rates. •Sufficient economic/investment opportunities and capacity of the target group to make use of those opportunities."
	Financial products and services (number)	0	12	24				
	Number of access points for formal financial services established with project support				IOF recipients	Semi-annual	ME&KM team	
	Access points (number)	0	11250	22500				
	1.2.6 Partner financial service providers with portfolio-at-risk ≥30 days below 5%				PFIs (banks, MFIs)	Annually	ME&KM team	
	Percentage (%)	57	59	62				
	1.2.7 Partner financial services providers with operational self- sufficiency above 100%				PFIs (banks, MFIs)	Annually	ME&KM team	
	Percentage (%)	57	59	62				
	Proportion of non-performing loans in the loan portfolio of banks (agriculture, small and emergent)				PFIs (banks, MFIs)	Annually	ME&KM team	
	agriculture - small and emerging farmers (%)	8.7	6	5				
MSMEs (%)	13.7	12.3	10					
<b>Output</b> "Output 1.1 Effective mechanism for the development of innovative rural financial products, services and delivery mechanisms"	1.1.6 Financial service providers supported in delivering outreach strategies, financial products and services to rural areas				PMU (contracts, MOUs)	Semi-annual	ME&KM team	FSPs demonstrate a willingness to participate in capacity-building initiatives. Adequate infrastructure exists to facilitate the rollout of innovative financial products and delivery mechanisms.
	Service providers (number)	0	29	57				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outcome</b> "Outcome 2 Increased uptake and use of more suitable and affordable sources of finance by the target group"	SF.2.1 Households satisfied with project-supported services				COI Survey	Baseline, Mid-Term, and Completion	ME&KM team	The financial services developed are responding to the needs of the rural communities and are affordable. The rural communities have capacity and interest to use the rural finance services.
	Household members (number)	0	518155	1480440				
	Non-indigenous households (number)							
	Non-women-headed households (number)							
	Households (%)	0	70	80				
	Households (number)	0	103631	296088				
	1.2.5 Households reporting using rural financial services				COI Survey	Baseline, Mid-Term, and Completion	ME&KM team	
	Total number of household members (number)	0	468293	1480440				
	Households (%)	55.9	66	80				
	Households (number)	0	97561	296088				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Output</b> "Output 2.1 Access to affordable loans and other financial services for agriculture and green investments enhanced"	1.1.5 Persons in rural areas accessing financial services				PFIs (banks, MFIs) and CBFi promoters	Quarterly	ME&KM team	"output to outcome: ▪Interest of beneficiaries to invest in climate-smart and green technologies. ▪Effective cooperation with complementary development initiatives. ▪A sufficient number of reliable suppliers of green technologies for production and household use. ▪Effective promotion of CSA and green technologies, and an increasing interest in green technologies as a results of factors such as the 2024 drought and load shedding.
	Total number of accesses to financial services (number)	0	183732	459332				
	Women in rural areas accessing financial services - savings (number)	0	35304	88260				
	Young people in rural areas accessing financial services - savings (number)	0	26478	66195				
	Men in rural areas accessing financial services - savings (number)	0	52956	132390				
	Men in rural areas accessing financial services - credit (number)	0	48996	122491				
	Women in rural areas accessing financial services - credit (number)	0	32664	81661				
	Young people in rural areas accessing financial services - credit (number)	0	24498	61246				
	Total persons accessing financial services - savings (number)	0	88260	220650				
	Total persons accessing financial services - credit (number)	0	81660	204152				
	Total persons accessing financial services - insurance (number)	0	13812	34530				
	Men in rural areas accessing financial services - insurance (number)	0	8287	20718				
	Women in rural areas accessing financial services - insurance (number)	0	5525	13812				
	Young people in rural areas accessing financial services - insurance (number)	0	4144	10359				
	1.1.5b Persons in rural areas accessing financial services							
Total persons accessing financial services (all services) (number)	0	126204	315511					



Results Hierarchy	Indicators				Means of Verification			Assumptions			
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility				
	Men in rural areas accessing financial services (all services) (number)	0	75723	189307							
	Women in rural areas accessing financial services (all services) (number)	0	50482	126204							
	Young people in rural areas accessing financial services (all services) (number)	0	37861	94653							
	Total persons accessing financial services (digital payment services) (number)	0	67200	168000							
	Men in rural areas accessing financial services (digital payment services) (number)	0	40320	100800							
	Women in rural areas accessing financial services (digital payment services) (number)	0	26880	67200							
	Young people in rural areas accessing financial services (digital payment services) (number)	0	20160	50400							
	Households accessing green technologies								IOF implementers; PMU	Semi-Annual	ME&KM team
	Households (number)	0	41802	104505							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Output</b> "Output 2.2Capacity of rural men, women, youths and MSMEs to obtain and effectively utilize financial services strengthened"	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services				IOF recipients	Quarterly	ME&KM team	"output to outcome: •Interest of beneficiaries to invest in climate-smart and green technologies. •Effective cooperation with complementary development initiatives. •Sufficient numbers of interested people in selected rural areas to make rollout of financial products/services worthwhile."
	Males (number)	0	36000	90000				
	Females (number)	0	24000	60000				
	Young (number)	0	18000	45000				
	Persons in rural areas trained in FL and/or use of FProd and Services (total) (number)	0	60000	150000				
	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks				IOF recipients	Quarterly	ME&KM team	
	Total size of groups (number)	0	20000	50000				
	Groups supported (number)	0	1000	2500				
	Males (number)	0	8000	20000				
	Females (number)	0	12000	30000				
Young (number)	0	6000	15000					
<b>Outcome</b> Outcome 3: Enhanced enabling environment for inclusive rural financial service provision	Change in volume to agriculture lending to smallholders				Bank of Zambia's Credit Market Survey	Semi-Annual	ME&KM team	"outcome 3 to outcome 1&2: •Private sector actors (FSPs, MNOs) are willing and able to respond to incentives and opportunities offered by a more conducive policy and regulatory framework."
	Annual disbursements to agriculture (small and emergent) (million USD) (number)	20.1	23.1	34.2				
	Formally financially included adults in rural areas				FinsScope; MOFNP	Baseline, Mid-Term, and Completion	PCU	
	Percentage of rural adults (%)	44	48	57				

Results Hierarchy	Indicators			Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	
<b>Output</b> "Output 3.1 Policies, laws, regulations and institutions supported to create an enabling environment for rural finance"	Strategic partnerships established to enhance policy review and coordination, and to support implementation			PCU (MOUs)	Semi-Annual	ME&KM team	"output to outcome: •Government will make creating an enabling environment for rural finance a priority. •The partners see value in the project and there is willingness to be part of its implementation. •There is buy-in from different stakeholders to participate in multi-stakeholders dialogues to address policy issues affecting rural finance."
	Partnerships (number)	0	6				
	Laws, regulations and policies supported by the project			National Government Records	Semi-Annual	ME&KM team	
	Number (number)	0	2	4			
	Policy 1 Policy-relevant knowledge products completed			National Government records	Semi-Annual	ME&KM team	
Number (number)	0	2	6				