الاستثمار في السكان الريفيين

لجنة التقييم
الدورة الرابعة والعشرون بعد المائة
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تقييم لمجموعة مشروعات تتناول التمويل الريفي في إقليم أفريقيا الشرقية والجنوبية

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الإجراء: لجنة التقييم مدعوة إلى استعراض التقييم لمجموعة مشروعات تتناول التمويل الريفي في إقليم أفريقيا الشرقية والجنوبية.

الأسئلة التقنية:

Indran A. Naidoo
مدير
مكتب التقييم المستقل في الصندوق
البريد الإلكتروني: i.naidoo@ifad.org

Mikal Khan
موظف التقييم
مكتب التقييم المستقل في الصندوق
البريد الإلكتروني: mi.khan@ifad.org

المحتويات

شكر وتقدير

أدار تقييم مجموعة المشروعات Mikal Khan، موظف التقييم، مكتب التقييم المستقل في الصندوق، مع مدخلات من مستشاري مكتب التقييم المستقل Jan Kerer، وOscar Atiim Anaadumba، وRose Mwaniki، وAnthony Ngwira. وقادت Johanna Pennarz، موظفة التقييم الرئيسية، مكتب التقييم المستقل، المراحل التحضيرية للتقييم وقدمت توجيهات جوهرية طوال العملية. واستفاد الفريق من دعم الترجمة الفورية الذي قدمه Mohammed Kedir في إثيوبيا وDalitso Mark Tembo في زامبيا. وقدم Fabrizio Felloni، نائب مدير مكتب التقييم المستقل؛ وJohanna Pennarz، موظفة التقييم الرئيسية، مكتب التقييم المستقل؛ وFumiko Nakai، كبيرة موظفي التقييم، مكتب التقييم المستقل؛ وEnala Mumba، موظفة التقييم، مكتب التقييم المستقل؛ و Genny Bonomi، كبيرة موظفي التقييم، مكتب التقييم المستقل، تعليقات على مسودة التقرير. وقدمت Christiane Kuhn، معاونة التقييم، الدعم الإداري. ويعرب مكتب التقييم المستقل عن امتنانه لشعبة أفريقيا الشرقية والجنوبية في الصندوق، ولموظفي مكاتبه القطرية، ولحكومات جمهورية إثيوبيا الديمقراطية الاتحادية وجمهورية كينيا وجمهورية زامبيا على مساهماتها الثاقبة في مختلف مراحل عملية التقييم والدعم الذي قدمته لفريق التقييم. وكان المراجع الخارجي المستقل لهذا التقييم هو Calvin Miller، كبير خبراء التمويل الزراعي السابق في منظمة الأغذية والزراعة للأمم المتحدة، الذي استعرض التقرير النهائي.

موجز تنفيذي

ألف- الخلفية

1- هذا التقييم هو التقييم الثاني من نوعه، حيث إن تقييم مجموعة المشروعات منتج تقييم جديد نسبيا لمكتب التقييم المستقل ويجمع بين تقييم العديد من المشروعات في نفس المجال المواضيعي ويهدف إلى توليف النتائج من خلال تحليل مقارن. ويتمثل الهدف في توليد دروس تعزز السياسات ومجموعات الأدوات القائمة وترشد تصميم وتنفيذ المشروعات المستقبلية في المجال المواضيعي. ويعد موضوع التمويل الريفي ذا أهمية كبيرة في حافظة الصندوق، بالنظر إلى أن الصندوق استثمر أكثر من 3 مليارات دولار أمريكي في نظم التمويل الريفي على مدى العقود الأربعة الماضية. والتركيز على إقليم واحد، وهو إقليم أفريقيا الشرقية والجنوبية، يجعل المقارنة بين المشروعات المختلفة أكثر فائدة، نظرا لأن العديد من البلدان في الإقليم تواجه تحديات مماثلة تتعلق بتوسيع أسواق التمويل الريفي.

2- **نطاق التقييم ونهجه.** تناول تقييم مجموعة المشروعات تحليل ثلاثة مشروعات تركز على التمويل الريفي في إقليم أفريقيا الشرقية والجنوبية، حيث غطى جميع الأنشطة المنفذة في إطار هذه المشروعات. واختار مكتب التقييم المستقل المشروعات الثلاثة على أساس معايير مثل أنه جرى إنجازها في الفترة الأخيرة، وأن الحد الأدنى لمدتها يبلغ 6.5 سنوات وأن يكون تاريخ البدء بعد إدخال سياسة التمويل الريفي في الصندوق لعام 2009. وأعطيت الأفضلية للمشروعات ذات التدخلات على مستويات مختلفة من القطاع المالي، أي المستوى المؤسسي (البالغ الصغر)، ومستوى البنية التحتية المالية (المتوسط)، ومستوى السياسات والتنظيم (الكلي). كما أُعطيت الأولوية للمشروعات التي تضم مجموعة واسعة من الشركاء، التي تتراوح من المنظمات المالية القروية إلى المصارف التجارية. واختار مكتب التقييم المستقل المشروعات الثلاثة التالية لتقييم مجموعة المشروعات ووافقت عليها شعبة أفريقيا الشرقية والجنوبية: برنامج الوساطة المالية الريفية - المرحلة الثانية في إثيوبيا؛ وبرنامج التغطية الريفية للابتكارات والتكنولوجيات المالية في كينيا؛ وبرنامج توسيع التمويل الريفي في زامبيا. وطبق التقييم نهجا مختلط الطرائق، وقام بتثليث الأدلة من مصادر وطرائق مختلفة، للإجابة على الأسئلة بما يتماشى مع إطار التقييم. وجرى التركيز على التحليل المقارن بين المشروعات لاستخلاص الدروس المشتركة. ولم يعين التقييم تصنيفات للمشروعات، بما يتماشى مع إرشادات دليل التقييم لعام 2022 الخاصة بتقييمات مجموعة المشروعات.

باء- النتائج الرئيسية

3- **الملاءمة.** كانت المشروعات الثلاثة جميعها ملائمة لاحتياجات المجموعات المستهدفة لأنها عالجت ضعف المواءمة بين قطاعات التمويل الريفي في البلدان وأولويات الحكومات. وتشترك هذه المشروعات في هدف زيادة العرض من الخدمات المالية في المناطق الريفية، على الرغم من اختلافها في نهج التدخل الخاص بها. وتشتمل جميع المشروعات على عنصر تعزيز قدرات الأعمال لمقدمي الخدمات المالية، مثل مصارف التمويل البالغ الصغر والمصارف التجارية والمؤسسات المالية المجتمعية. ولم ينفذ سوى مشروعين فقط من المشروعات الثلاثة خط ائتمان يوفر التمويل المدعوم لمقدمي الخدمات المالية. واختلفت المشروعات من حيث شمولها على آليات أكثر تطورا، مثل نظم ضمان الائتمان، والتي تؤدي، على الرغم من أهميتها، إلى زيادة تعقيد التصميم وأدت إلى تأخيرات في التنفيذ. وفيما يتعلق بالاستهداف، كشفت جميع المشروعات عن نقاط ضعف في تحديد المستفيدين النهائيين بشكل صحيح واعتمدت على قاعدة عملاء مقدمي الخدمات المالية، دون آليات واضحة بما فيه الكفاية لضمان إدراج المجموعات المستهدفة مثل النساء والشباب. وقد جرى تخفيف ذلك إلى حد ما من خلال استخدام المشروعات لمجموعة واسعة من مقدمي الخدمات المالية.

-4 **الفعالية.** حققت جميع المشروعات أهدافها، وإن كانت هناك تأخيرات. وفي حالة برنامج التغطية الريفية للابتكارات والتكنولوجيات المالية (كينيا)، أدى ذلك إلى تصنيفه مؤقتا على أنه مشروع يواجه مشاكل. وتتمثل الإنجازات الرئيسية في زيادة عدد الأفراد المستفيدين من الحصول على الخدمات المالية نتيجة للقدرات القوية لمقدمي الخدمات المالية؛ وفي كينيا وإثيوبيا، زيادة العرض من الائتمان من خلال خطوط الائتمان. والأعداد المبلغ عنها للمستفيدين الذين وصلت إليهم المشروعات هي:091 441 في كينيا؛ و645 202 14 في إثيوبيا؛ و449 643 في زامبيا. وفي حين أن مقدمي الخدمات المالية الذين اختارتهم المشروعات أفضوا إلى تحقيق هذه الإنجازات، فإن الفوائد على مستوى مقدمي الخدمات المالية لم تُمرر بشكل كاف إلى العملاء. واستفاد مقدمو الخدمات المالية من الائتمان المدعوم في إثيوبيا وكينيا، ومن تنمية القدرات بشكل كبير في زامبيا. وقد مكّنهم ذلك من الوصول إلى المزيد من العملاء؛ ومع ذلك، لم يؤد ذلك إلى ظروف أو خدمات أكثر مواتية للعملاء مثل أسعار فائدة أقل أو رسوم مخفضة للقروض.

-5 **الكفاءة.** كان للمشروعات الثلاثة نُهج وأدوات تدخل مختلفة للوصول إلى أهداف مماثلة. وتوضح مقارنة هذه النُهج أن التدخلات التقليدية، مثل تقديم خطوط ائتمان لمقدمي الخدمات المالية، لا تزال ذات صلة بالنظر إلى ارتفاع الطلب على الائتمان في المناطق الريفية. وفي الوقت نفسه، توفر الأدوات الأكثر تطورا، مثل ضمانات الائتمان والمنح المطابقة من أجل الابتكار، فرصا لتحقيق قدر أكبر من الكفاءة حيث يمكنها الاستفادة من الموارد من القطاع الخاص. وفي جميع المشروعات، واجهت أنشطة تدريب المدربين تحديات في تنفيذها، مما قلل الرغبة في اتباع هذا النهج.

-6 **الأثر.** لم تكن بيانات الأثر متاحة إلا للمشروعين المنفذين في كينيا وإثيوبيا حيث لم يجر برنامج توسيع التمويل الريفي (زامبيا) تقييما للأثر حتى الآن. وتشير تقييمات الأثر إلى أن آثار المشروعين شملت تراكم الأصول وتحسين الأمن الغذائي والحد من الفقر. وعلى سبيل المثال، زادت ملكية الأصول بنسبة 54 في المائة في كينيا و56 في المائة في إثيوبيا. وقد تحققت هذه الزيادات بفضل زيادة دخل المزارعين نتيجة لارتفاع الغلال الزراعية، والذي أصبح ممكنا نتيجة توسيع نطاق الحصول على الائتمان. وفي كينيا، أبلغ 53 في المائة من الأسر عن زيادة الغلال الزراعية بنسبة 49 في المائة في المتوسط، بينما أدى ارتفاع الغلال في إثيوبيا إلى زيادة دخل الأسرة بمقدار ثمانية أضعاف في المتوسط.

-7 **الاستدامة.** كانت استدامة النتائج مختلطة. فالاستدامة قد تكون نتيجة دعم المشروعات الثلاثة للمنظمات المجتمعية، والتي لها تأثير إيجابي على ثقافة الادخار. ومن ناحية أخرى، فإن اعتماد مقدمي الخدمات المالية على التمويل المدعوم، وضعف القدرات، واستمرار التصور السائد على نطاق واسع بوجود مخاطر عالية عند تقديم خدمات إلى المزارعين أصحاب الحيازات الصغيرة، سيحد من استدامة نتائج المشروعات. وعلى الرغم أن المشروعات لم تتبع بشكل متسق مؤشرات الأداء المالي لمقدمي الخدمات المالية، مما جعل من الصعب تقييم استدامتها المالية، فإن هناك مؤشرات واعدة من معظم مقدمي الخدمات المالية. ففي إثيوبيا، ارتفعت نسبة الاكتفاء الذاتي التشغيلي لمؤسسات التمويل البالغ الصغر من 1.71 إلى 2.26، مما يشير إلى تعزيز الوضع المالي. وانخفض الاكتفاء الذاتي التشغيلي لتعاونيات الادخار والائتمان الريفية من 5.51 في عام 2015 إلى 3.38 في عام 2018، ولكنها لا تزال نسبة مرضية لضمان استدامة المؤسسات. غير أنه مما يثير القلق هو أن النفقات زادت خلال الفترة قيد الملاحظة بمعدل أعلى من الإيرادات. ويشير ذلك إلى أن المساعدة التقنية من المشروع لم تكن كافية لتحسين الكفاءة الداخلية في قطاع تعاونيات الادخار والائتمان الريفية وستكون هناك حاجة إلى مزيد من المساعدة التقنية في المستقبل. وفي كينيا، تظل تعاونيات الادخار والائتمان المشاركة في المشروع في وضع مالي قوي، حيث بلغ العائد على الأصول 1.05 في المائة وبلغت نسبة نفقات التشغيل إلى الدخل المالي 19 في المائة. ومع ذلك، أظهر القطاع المصرفي للتمويل البالغ الصغر نقاط ضعف كبيرة وأبلغ عن خسائر في الفترة من عام 2015 إلى عام 2021، مما يشكل مخاطر على الاستدامة الكلية.

8- **المنظور الجنساني.** افتقرت المشروعات إلى استراتيجية واضحة لضمان إشراك المجموعات المهمشة، بما في ذلك النساء والشباب، وعملت في ظل افتراض متفائل مفاده أن مقدمي الخدمات المالية سيدرجون هذه المجموعات في خدماتهم. وفي نهاية المطاف، كانت هناك مشاركة متساوية للنساء والرجال في خدمات المشروعات، ولكن لا يوجد دليل على أن ذلك أدى إلى مزيد من المساواة بين الجنسين أو تمكين المرأة.

جيم- الاستنتاجات

9- **لا يزال غياب التقسيم المتعمق للمجموعات المستهدفة والافتقار إلى استراتيجيات استهداف واضحة من نقاط الضعف الرئيسية في جميع المشروعات.** فقد جرى تعريف المجموعات المستهدفة على نطاق واسع للغاية ولم يجر تقسيمها حسب احتياج المجموعات المختلفة في المجتمعات المحلية الريفية إلى الخدمات المالية.[1] وبالإضافة إلى ذلك، لم تكن الترتيبات بين المشروعات ومقدمي الخدمات المالية كافية لضمان الوصول إلى المجموعات المستهدفة. ففي كينيا، كانت أنشطة مثل التخرج المالي فعالة في الوصول إلى أفقر شرائح السكان وفي مساعدتهم على تطوير الأنشطة الإنتاجية. وبخلاف ذلك، يبدو أن المشروعات فوضت جهود الاستهداف لمقدمي الخدمات المالية عن طريق توفير مبادئ توجيهية وتدريب على الوصول إلى المجموعات الضعيفة والمهمشة، والتي لا تتماشى، مع ذلك، في كثير من الأحيان مع احتياجات الأعمال لمقدمي الخدمات المالية والتي لا تزال تتطلب ضمانات وأشكال أخرى من الضمانات التي ليست لدى المجموعات المهمشة.

10- **ولا يزال تحديد مقدمي الخدمات المالية وإشراكهم وتنمية قدراتهم ورصدهم أمرا بالغ الأهمية للتنفيذ الفعال، ولا يزال يتطلب جهودا من الصندوق لتحقيقه بالكامل.** فقد أجرى كل مشروع تقييما قبل التصميم لمشهد التمويل الريفي في بلده لتحديد نقاط القوة والضعف لمقدمي الخدمات المالية المحتملين. وأسفر ذلك عن نهج مناسب لإشراكهم وبناء قدراتهم. وتضمنت هذه التقييمات تحليلا قيّما للعوامل الاقتصادية الكلية والبيئة التنظيمية، وهيكل السوق والبنية التحتية، والمؤسسات المالية، وعوامل المخاطر، والتكنولوجيا، والابتكار في تلك البلدان. وفي حين كانت مجالات التحليل هذه مهمة في مرحلة التصميم، فإن الجانب الأكثر أهمية في تقييمات ما قبل التصميم كان استعراض قدرة مقدمي الخدمات المالية على الوصول إلى الفئة المستهدفة المقصودة، مثلا، عن طريق النظر في مجموعة منتجاتهم، وأحكامهم وشروطهم، وشبكتهم من الفروع واستراتيجيتهم بشأن الوصول. وعلى الرغم من هذه التقييمات، فإن اتفاقيات الرصد اللاحقة المبرمة مع مقدمي الخدمات المالية، وأنشطة بناء القدرات التي جرى تنفيذها، لم تكن كافية لضمان قيامهم بالإبلاغ عن المستفيدين النهائيين واستخدام الخدمات المالية، ولا سيما القروض. وكانت مشاركة المشروعات مع مؤسسات التمويل بالوساطة مناسبة أيضا لضمان التواصل مع مقدمي الخدمات المالية، إلا أن تحديات التنفيذ المختلفة لم تسمح بتقديم المساعدة التقنية لمقدمي الخدمات المالية بالكامل.

11- **ولا تزال التكلفة التشغيلية المرتفعة سببا رئيسيا لعدم كفاية العرض من الخدمات المالية الريفية؛ وهناك حاجة إلى تقدم تكنولوجي ونُهج مبتكرة لخفض هذه التكلفة.** ويعتبر خفض تكلفة الوصول إلى العملاء المحتملين باستخدام التكنولوجيا واجتياز "الميل الأخير" من خلال نُهج فعالة من حيث التكلفة أساسيا لجعل التمويل الريفي أكثر شمولا. ومن أجل زيادة الشمول المالي في المناطق الريفية بشكل فعال، من الضروري تشجيع استخدام قنوات التسليم البديلة، مثل التكنولوجيا الرقمية والوكلاء، بدلا من الاعتماد فقط على الوجود الفعلي لمقدمي الخدمات المالية. ومن الممكن أن يكون هذا النهج ناجحا إذا توفرت البنية التحتية اللازمة لدعم هذه الابتكارات. غير أنه تجدر الإشارة إلى أن استخدام التكنولوجيا أو النماذج المبتكرة، في المشروعات التي

[1] كمثال، غالبا ما يتم جمع الائتمان للإنتاج الزراعي والتجهيز والتسويق معا؛ ولكن خلال المقابلات الميدانية، أصبح من الواضح أن المجموعة الأخيرة - المسوقين الزراعيين - لا تواجه صعوبة كبيرة في الحصول على القروض حتى من مقدمي الخدمات المالية غير المرتبطين بمشروعات الصندوق. وبالمثل، لم يجر التمييز بين شرائح حجم القروض التي تعاني من أكبر نقص في التمويل وما يمكن القيام به لاستهداف شرائح القروض هذه من خلال تدخلات الصندوق.

جرى تقييمها، مثل البنك الوكيل، أدى أساسا إلى زيادة الخدمات، مثل المدخرات والتحويلات؛ ولا يزال الائتمان الريفي يعتمد إلى حد كبير على الاتصال الفعلي بين موظفي مقدمي الخدمات المالية وعملائهم.

-12 **ولا يزال ضعف القدرات المؤسسية لمقدمي الخدمات المالية يمثل تحديا أساسيا للقطاع.** وكثيرا ما تأخرت المساعدة التقنية أو كانت ذات نوعية غير كافية لتوسيع نطاق قدرات مقدمي الخدمات المالية بشكل كبير وبطريقة مستدامة. وعلى هذا النحو، يظل مقدمو الخدمات المالية معرضين للاعتماد على التمويل المدعوم، والصدمات الخارجية، واحتمال انحراف المهمة، حيث قد يتحولون بعيدا عن الزراعة. ولم تكن المشروعات ناجحة تماما في تخفيف هذه المخاطر.

-13 **ولا يزال الطلب المستمر على الخدمات المالية من المجموعات المستهدفة أمرا واعدا نظرا لأن المزارعين أثبتوا قدرتهم على جني فوائد الخدمات المالية.** وتوضح التجارب المستمدة من المشروعات الثلاثة أن التقييم الأولي للطلب المرتفع على الخدمات المالية والنمو المحتمل المرتفع من جانب المزارعين كان صحيحا، وأن زيادة العرض من هذه الخدمات من خلال النُهج المتنوعة للمشروعات قد حققت نتائج. وعلاوة على ذلك، أدى العمل مع المجتمعات المحلية إلى زيادة واضحة في ثقافة الادخار، والمرجح أن تستمر في تحقيق فائدة للأسر المعيشية بعد انتهاء المشروعات.

-14 **ولا يزال تصور المخاطر العالية للزراعة سببا يدفع بعض مقدمي الخدمات المالية إلى تجنب التمويل الريفي.** ويحدث ذلك على الرغم من الأدلة التي تثبت أن الإقراض الزراعي يمكن أن يكون عملا مربحا، شريطة أن يتمكن مقدمو الخدمات المالية من الوصول إلى إعادة التمويل الكافي، وأن يمتلكوا المهارات اللازمة لتقييم التدفق النقدي للأعمال الزراعية ومخاطرها، وأن تكون لديهم منتجات مالية مصممة بما يناسب احتياجات المؤسسات الريفية - على سبيل المثال، فيما يتعلق بجداول السداد. وفاتت على المشروعات الثلاثة فرصة تجميع هذه المجموعة من الأدلة، التي تثبت أن جدوى التمويل الزراعي أعلى مما يتصوره معظم مقدمي الخدمات المالية. وتتمتع هذه المشروعات بوضع جيد لتوصيل هذه النتائج بشكل أفضل والمساهمة في تشكيل سرد جديد حول التمويل الزراعي. وفي هذا السياق، من المهم أن نلاحظ أن مخاطر الإقراض الزراعي مبالغ فيها جزئيا من خلال قياسات جودة الحوافظ المشتركة، مثل القروض المتعثرة. وعلى سبيل المثال، خلص تقييم لجودة الحافظة، في كينيا، أجري في عام 2020 إلى أن القروض المتعثرة في حافظة القروض الزراعية أعلى من بقية الحافظة بما يتراوح بين 50 و100 في المائة.[2] غير أنه خلال المقابلات التي أجراها فريق بعثة تقييم مجموعة المشروعات، ذكر مقدمو الخدمات المالية الذين جرت مقابلتهم أن شطب القروض الزراعية حدث بمعدل مماثل لبقية الحافظة. وكثيرا ما تخلف المزارعون الذين عانوا من خسائر الحصاد عن سداد مدفوعاتهم (مما أدى إلى ارتفاع القروض المتعثرة)، ولكن معظمهم سددوها خلال مواسم الحصاد اللاحقة بعد إعادة الجدولة. ولذلك، قد يشير ارتفاع القروض المتعثرة في بعض الأحيان مجرد إلى أن منتجات القروض لا تتناسب مع التدفقات النقدية للمزارعين (على سبيل المثال، إتاحة فترات سماح أطول).

-15 **وتحتاج المشروعات إلى استراتيجيات للمساواة بين الجنسين لضمان مشاركة المرأة وتمكينها.** وهذا يعني تخصيص الموارد المالية والبشرية لوضع وتنفيذ الأنشطة المراعية للمنظور الجنساني وتصميم نظم رصد وتقييم قادرة على الحصول على بيانات مراعية للمنظور الجنساني، بخلاف البيانات المصنفة حسب الجنس للمؤشرات الأساسية (مثل عدد العملاء). وعلى الرغم من الإنجازات النهائية المتمثلة في المشاركة المتساوية للنساء والرجال، لم تكن هناك استراتيجية لضمان أن يؤدي ذلك إلى مزيد من التمكين والمساواة. وعملت المشروعات على افتراض ضمني مفاده أنه ستكون للنساء فرص متساوية في الحصول على الخدمات المالية، ولا سيما عند العمل مع مقدمي الخدمات المالية المجتمعيين، ويستخدمن تكنولوجيات الإقراض الجماعي التي تميل إلى تشجيع مشاركة المرأة. غير أنه لم تكن هناك جهود مكرسة لزيادة مشاركة المرأة، بخلاف وضع الأهداف وتقديم التوجيهات لمقدمي الخدمات المالية للإبلاغ عن البيانات المصنفة حسب الجنس. وكان بناء

[2] .Mercy Corps, 2021

قدرات الشركاء المنفذين والمؤسسات الحكومية لخلق الوعي بالخدمات المالية المتاحة، ولا سيما بين النساء، وتحسين التصنيفات الجنسانية لحافظة القروض والمنح ناقصا أو غير كاف لإحداث أثر ملحوظ.

16- **وكان تصميم نظم الرصد والتقييم يمثل مشكلة عبر جميع المشروعات التي جرت ملاحظتها.** وكانت هناك في كثير من الأحيان توقعات خاطئة بشأن ما يمكن أن يقدمه الشركاء المنفذون، ولا سيما مقدمو الخدمات المالية. وعادة ما لا يقوم مقدمو الخدمات المالية بتتبع إلا المعلومات المهمة بالنسبة لهم لتسيير أعمالهم، مثل بيانات الصرف. ولا تكون لديهم، في معظم الأحيان، القدرة أو الموارد اللازمة لتتبع كيفية استخدام قروضهم فعليا أو ما هو أثر القرض. ولم تعترف المشروعات بشكل كاف بحدود مقدمي الخدمات المالية، ولم تكن أنشطة تنمية القدرات كافية لضمان قدرة مقدمي الخدمات المالية على دعم نظم الرصد والتقييم الخاصة بالمشروعات بشكل مناسب. ولذلك كان أداء الرصد والتقييم مختلطا في المشروعات الثلاثة، وكان أداء زامبيا أفضل إلى حد ما.

دال- الدروس المستفادة

17- **يبين هذا التقييم أنه لا يوجد حل واحد يناسب جميع الحالات فيما يتعلق بالتمويل الريفي نظرا لأن المشروعات اتبعت نُهجا متنوعة في تحقيق نتائجها.** وتبين التجربة في إقليم أفريقيا الشرقية والجنوبية أن النُهج المختلفة للمشروعات يمكن أن تكون ناجحة إذا أخذت في الاعتبار بشكل كاف خصوصيات كل بلد شريك. وحسب أهداف المشروع وتعريف الفئة المستهدفة، قد يكون العمل مع المصارف التجارية مجديا في نهج المشروع مثل العمل مع المؤسسات المالية الأصغر حجما أو حتى المنظمات المجتمعية. ويمكن أن تكون المشروعات التي تعمل فقط على المستوى البالغ الصغر أو تلك التي تتصدى للتحديات على مستويات مختلفة من القطاع المالي كلها ناجحة: ويعتمد كل ذلك على تحليل سليم للاختناقات الرئيسية التي يواجهها التمويل الريفي في كل بلد وأي أنشطة مع أي شركاء تعتبر ضرورية لإطلاق عنان إمكانات التمويل الريفي.

18- **ولا تزال مشاركة المؤسسات المالية المجتمعية، بما في ذلك تعاونيات الادخار والائتمان الريفية، تؤدي دورا مهما للغاية للوصول إلى المزارعين أصحاب الحيازات الصغيرة.** وقد عززت المشروعات الثلاثة صلة نهجها من خلال العمل من خلال مجموعة واسعة من مقدمي الخدمات المالية، والتي أثبتت أنها استراتيجية فعالة لضمان انتشار واسع والمساهمة في استدامة النتائج. ولا يزال مقدمو الخدمات المالية الرسميون غير متاحين على نطاق واسع في المناطق الريفية؛ ولذلك، فإن استمرار مشاركة وتعزيز المؤسسات المالية المجتمعية أمر أساسي لتحسين الشمول المالي في هذه المناطق. وبالإضافة إلى ذلك، من المهم تشجيع الصلة بين مقدمي الخدمات المالية الرسميين والمؤسسات المالية المجتمعية لتوفير الشمول المالي الرسمي وقروض أكبر حجما لأعضاء المؤسسات المالية المجتمعية وتيسير إعادة تمويلهم.

19- **ولا يزال خط الائتمان المقدم لمقدمي الخدمات المالية أداة التمويل الأكثر شعبية في تدخلات التمويل الريفي للصندوق لأنه سهل التنفيذ نسبيا.** ومما لا شك فيه أن محدودية إمكانية حصول مقدمي الخدمات المالية على إعادة التمويل هي أحد الأسباب وراء محدودية تدفقات الاستثمار في المناطق الريفية. ولذلك، كان خط الائتمان الذي توفره مشروعات الصندوق خيارا مناسبا كأداة للتمويل.

20- **ويمكن أن يكون ضمان الائتمان أداة مالية فعالة لزيادة الأموال دون المساس بجودة حافظة القروض الزراعية الأساسية.** وإحدى الحجج الشائعة ضد أدوات ضمان الائتمان هي أن مقدمي الخدمات المالية قد يميلون إلى خفض معاييرهم الخاصة بإجراءات تقدير الائتمان للقروض المضمونة. غير أن التجربة في كينيا تظهر أن هذا ليس هو الحال بالضرورة، ولا سيما عند العمل مع مؤسسات مالية مهنية للغاية تشارك في النظام مثل المصرف التجاري.

21- **وتشير المقارنة بين المشروعات الثلاثة إلى أن أحد عوامل النجاح الرئيسية هو التطابق الجيد بين تعقيد نهج المشروع، وإدارة المشروع، وجودة إشراف الصندوق.** وتتطلب المشاكل المعقدة والمتشابكة في كثير من الأحيان في التمويل الريفي مشروعات مصممة للتصدي للتحديات على مستويات مختلفة من السوق إما في وقت واحد أو بطريقة متسلسلة. غير أن ذلك يتطلب استثمارا كبيرا في القدرة على إدارة المشروعات، بدءا من وحدات الإدارة ونظم الرصد والتقييم ذات العدد الكافي من الموظفين.

22- **وهناك حاجة إلى تعزيز التركيز على حماية المستهلك، مثلا فيما يتعلق بالشفافية بشأن أسعار الفائدة والرسوم المطبقة مقابل الخدمات المالية.** وهناك تركيز أقوى بكثير على زيادة الحصول على التمويل الريفي مقارنة بضمان توفير الحماية الكافية للعملاء. ولا تزال هناك ممارسات شائعة من جانب المؤسسات المالية الريفية تشكل مخاطر على عملائها؛ وعلى سبيل المثال، غالبا ما لا يجري توضيح هياكل أسعار الفائدة والرسوم للمزارعين. وغالبا ما يجري عرض التكلفة الكاملة للقروض بصورة خاطئة لأنه يجري ذكر أسعار الفائدة أحيانا بمعدلات سنوية وشهرية، أو بمعدلات موحدة أو برصيد متناقص، وما إلى ذلك. وعلاوة على ذلك، لا تُدرج رسوم التجهيز والرسوم الإدارية الأخرى في المواد الإعلامية للعملاء، على الرغم من أن هذه التكاليف الإضافية يمكن أن تكون كبيرة. وتحمل بعض المنتجات، مثل القروض الطارئة المشهورة جدا للهواتف المتنقلة، أسعار فائدة مرتفعة جدا؛ وفي كينيا، قد تحمل هذه القروض أسعار فائدة سنوية تزيد عن 100 في المائة.

23- **ومن أجل جذب الشباب إلى الزراعة، يجب إيلاء اهتمام خاص لتطوير المنتجات المالية التي تتناسب مع المشروعات الزراعية وعوامل الإنتاج المتاحة للشباب.** ويعد جذب الشباب إلى القطاع الزراعي أمرا مهما لتحويل الاقتصاد الريفي؛ ويمكن للتمويل الريفي أن يدعم هذه العملية من خلال توفير المنتجات المالية الضرورية التي تناسب أعمال رواد الأعمال الزراعيين الشباب. وغالبا ما لا تكون الأعمال الزراعية التقليدية جذابة لجيل الشباب. ومع ذلك، هناك اهتمام من الشباب بالزراعة والأعمال المتعلقة بالزراعة، على سبيل المثال، إذا جرى استخدام الميكنة أو نماذج الأعمال الزراعية المبتكرة التي تستخدم الرقمنة. ويجب إيلاء اهتمام خاص للمنتجات المالية التي تناسب احتياجات الشباب، وتراعي قيودهم (مثل عدم امتلاكهم لسندات ملكية الأراضي) وتأخذ في الاعتبار المشروعات التجارية التي ينفذها الشباب في مجال الزراعة.

24- **ويؤدي الإلمام بالأمور المالية دورا مهما في تحسين الشمول المالي في المناطق الريفية وحماية العملاء.** ومن المرجح أن يستخدم الأشخاص الذين لديهم إلمام بالأمور المالية الخدمات والمنتجات المالية ويشعرون بالثقة عند التفاعل مع مقدمي الخدمات المالية. ولذلك، من المهم زيادة التدريب على الإلمام بالأمور المالية في المناطق الريفية من خلال الهياكل المجتمعية القائمة، مثل التعاونيات ومجموعات الادخار؛ وضمان قدرة الأسر المعيشية الريفية على اتخاذ قرارات مستنيرة بشأن الخدمات المالية التي تحتاج إليها ومعرفة تكاليف الحصول على تلك الخدمات.

هاء - التوصيات

25- يقدم التقييم خمس توصيات إلى الفريق الإقليمي للصندوق في أفريقيا الشرقية والجنوبية وإلى الأفرقة القطرية في إثيوبيا وكينيا وزامبيا. والمسائل الرئيسية التي تسعى التوصيات إلى معالجتها هي: (1) عدم تمرير الفوائد التي يحصل عليها مقدمو الخدمات المالية من خلال خط ائتمان مدعوم من المشروع بشكل كاف إلى عملاء مقدمي الخدمات المالية؛ (2) الحاجة إلى أن يكون لدى مقدمي الخدمات المالية متطلبات واضحة من المشروع بشأن الاستهداف، والإبلاغ عن الوصول مع العملاء، والإبلاغ عن أدائهم المالي كآلية لإرشاد إدارة المشروع؛ (3) الحاجة إلى أن يبذل الصندوق جهودا أكبر لتوفير التوجيهات التقنية بشأن الاستهداف والمنظور الجنساني والرصد.

26- **التوصية 1: وضع آليات في مرحلة التصميم لضمان أن يستخدم مقدمو الخدمات المالية الفوائد التي حصلوا عليها لزيادة القيمة للعملاء ضمن المجموعات المستهدفة.** ففي العديد من الحالات، توفر المشروعات التي يدعمها الصندوق التمويل بأسعار مواتية لمقدمي الخدمات المالية. وينبغي تمرير فوائد هذا التمويل المدعوم إلى العملاء، مثلا عن طريق خفض أسعار الفائدة أو عن طريق وضع أحكام وشروط أكثر فائدة للجمهور المستهدف (مثل حيازات القروض وفترات السماح). وفي الحالات التي توجد فيها شواغل جدية من أن تقديم الائتمان المدعوم للفئات المستهدفة قد يكون له أثر سلبي على تنمية السوق على المدى الطويل، ينبغي مطالبة مقدمي الخدمات المالية بتقديم فوائد ملموسة للمشروعات من أجل أن يحصلوا على امتياز الوصول إلى إعادة التمويل المدعوم. ويمكن أن تأخذ هذه الفوائد، على سبيل المثال، شكل ضمان بذل المزيد من الجهود بشأن الوصول لخدمة الفئات النائية أو المهمشة.

27- **التوصية 2: ينبغي أن يطلب الصندوق من وحدات إدارة المشروعات إجراء تقييمات شاملة لقدرات مقدمي الخدمات المالية وأن يقدم لها توجيهات، وأن يضع توقعات واضحة بشكل متبادل بشأن متطلبات التنفيذ والاستهداف والإبلاغ.** وبالنظر إلى أهمية إدارة المشروع القائمة على الأدلة، من المهم أن تؤخذ في الاعتبار قدرة الرصد والتقييم لأي شريك محتمل للمشروع أثناء عملية الاختيار. وهذا لا يعني أنه ينبغي النظر فقط في مقدمي الخدمات المالية الذين لديهم بالفعل قدرة كافية على الرصد والتقييم، ولكن يجب أيضا النظر في مقدمي الخدمات المالية الذين يُظهرون القدرة على وضع نظام للرصد والتقييم لرصد المشروع والالتزام بذلك. ويجب أن تجرى تنمية قدرات مقدمي الخدمات المالية في الوقت المناسب وأن تحدث قبل تقديم أي دعم آخر لمقدم الخدمات المالية، وذلك لضمان حصوله على المهارات اللازمة ليكون شريكا فعالا للمشروع. وفي حين أن الاستثمار في رصد الأداء الاجتماعي يأتي بتكلفة على مقدمي الخدمات المالية، فإن مثل هذا الاستثمار ينبغي أن يتجاوزه بسهولة الفوائد التي يحصلون عليها من المشاركة في تدخلات الصندوق، على سبيل المثال، من خلال الحصول على الأموال المدعومة.

28- **التوصية 3: اشتراط أن تجمع عملية تصميم المشروع ونظم الرصد والتقييم بيانات خاصة بالقطاع المالي وأن تقوم بعدّ أكثر دقة للمستفيدين، لإرشاد إدارة المشروع.** فمن المهم أن يوفر مقدمو الخدمات المالية المزيد من البيانات الخاصة بالتمويل الريفي في تقاريرهم المقدمة إلى الصندوق. وفي الوقت الحالي، لا تقدم تقارير الإشراف والتقارير الأخرى سوى القليل جدا من المعلومات عن الجوانب المالية والمعدلات الخاصة بمقدمي الخدمات المالية، مثل أسعار الفائدة ومعدلات التخلف عن السداد. وتعد هذه المعلومات أساسية للسماح لخبراء التمويل الريفي بتقييم حالة المشروعات وتقديم توصيات بشأن كيفية مواصلة تحسينها. كما ينبغي للصندوق أن يقدم توجيهات تقنية وأن يشترط أن تكون نظم رصد مشروعات التمويل الريفي قادرة على التمييز بين العملاء الجدد والعملاء المتكررين لمقدمي الخدمات المالية لتقييم العدد الفعلي للمستفيدين الذين جرى الوصول إليهم. وللحصول على فهم أفضل لفعالية المشروع وكيف يؤثر تدخل الصندوق على الشمول المالي الريفي، من المهم فهم عدد الأسر المعيشية في المناطق الريفية التي جرى تقديم الخدمات لها فعليا. ولذلك، ينبغي أن يحتوي التقرير على معلومات عن عدد القروض التي صُرفت وحجمها (كمقياس للزيادة في الاستثمار الريفي) وكذلك عن عدد الأسر المعيشية التي جرى تقديم الخدمة لها، وبالتالي استبعاد العملاء المتكررين (كمقياس للمساهمة في الشمول المالي).

29- **التوصية 4: تقديم المزيد من التوجيهات التقنية الجوهرية بشأن المساواة بين الجنسين وتمكين المرأة في مرحلتي تصميم المشروع وتنفيذه.** فمشروعات التمويل الريفي الحالية والمستقبلية التي ينفذها الصندوق ووكالاته المنفذة تحتاج إلى استراتيجيات للمساواة بين الجنسين واضحة المعالم؛ وموارد بشرية ومالية كافية لتنفيذ هذه الاستراتيجيات؛ ووضع أهداف واقعية لمشاركة المرأة في أنشطة المشروع بدعم كاف من نظام للرصد والتقييم يراعي المنظور الجنساني. ويجب متابعة هذه الأمور بعد ذلك خلال مراحل التنفيذ المبكرة للتأكد من أن وحدات إدارة المشروع والشركاء المنفذين على علم بأهميتها.

30- **التوصية 5: تقديم المزيد من التوجيهات التقنية بشأن استراتيجيات الاستهداف التي تهدف إلى تلبية احتياجات المجموعات المحرومة، مثل الشباب.** ويجب أن تأخذ المشروعات في الاعتبار احتياجات الشباب لتقييم مقدمي الخدمات المالية الذين هم في وضع أفضل لخدمة هذه الفئة المستهدفة وما هي المنتجات والخدمات المالية التي تشتد الحاجة إليها. ويحتاج الصندوق وشركاؤه إلى تخصيص موارد بشرية ومالية كافية لتنفيذ مثل هذه الاستراتيجيات التي تركز على الشباب. ولضمان قدرة وحدة توجيه المشروع على تلبية احتياجات الشباب، يجب اتخاذ ترتيبات الرصد والتقييم المناسبة.

رد إدارة الصندوق[3]

ألف- مقدمة

1- ترحب الإدارة بتقييم مجموعة المشروعات هذا الذي أعده مكتب التقييم المستقل في الصندوق. ويأتي هذا التقييم في وقت مهم يوسع فيه الصندوق، بما في ذلك شعبة أفريقيا الشرقية والجنوبية، استثماراته لتحسين الوصول إلى التمويل الريفي، من خلال العمليات السيادية وغير السيادية. ويعود هذا التركيز المتزايد على التمويل الريفي إلى الاعتراف المتزايد بدور التمويل الريفي في تسريع تحول النظم الغذائية، فضلا عن زيادة تركيز الصندوق على مشاركة القطاع الخاص في مسارات التحول المستدامة والقادرة على الصمود. وتتناول سياسة التمويل الريفي الشمولي[4] لعام 2021 العديد من المسائل الرئيسية التي جرى تسليط الضوء عليها في تقييم مجموعة المشروعات وستعمل بمثابة الإطار التوجيهي الأساسي لمعالجة توصيات تقييم مجموعة المشروعات في المستقبل.

2- وترحب الإدارة أيضا بالدروس المستخلصة من تقييم مجموعة المشروعات، والتي ستصب في المراحل التالية من مشروعات دراسات الحالة في إثيوبيا وكينيا، وكذلك في المشروعات الأخرى الجارية والمقبلة التي تركز على التمويل الريفي في الحافظة. وهي تشمل: مشروع دعم الشمول المالي الزراعي والريفي في بوروندي؛ ومشروع الإدماج المالي وتنمية التجمعات في إسواتيني؛ وبرنامج الوصول المالي لصالح الأسواق وأصحاب الحيازات الصغيرة والمشروعات في المناطق الريفية في ملاوي؛ ومشروع تمويل المشروعات الريفية في موزامبيق. كما ستُرشد الدروس المستخلصة من تقييم مجموعة المشروعات حافظة الاستثمارات غير السيادية في الإقليم، والتي تعد حاليا الأكبر في الصندوق. وعلاوة على ذلك، ستكون التوصيات أساسية لإرشاد التصاميم الجارية، بما في ذلك مبادرة التمويل الأخضر الإقليمية الكبيرة القادمة مع الصندوق الأخضر للمناخ، واستثمارات العمليات غير السيادية في مؤسسات التمويل البالغ الصغر.

3- وأخيرا، ترحب الإدارة بالنهج التشاركي الذي يتبعه مكتب التقييم المستقل في اختيار البلدان المستهدفة، بإجراء دراسات حالة ودمج تعليقات شعبة أفريقيا الشرقية والجنوبية في مسودة التقرير. ويسمح اختيار المشروعات الثلاثة بتحليل مجموعة من السياقات والأدوات ونطاقات المشروعات. وعلى وجه الخصوص، ساعد اختيار مشروعين بمرحلة إضافية قيد التنفيذ على توسيع نطاق دمج الدروس والتوصيات في البرمجة الجارية. وتقدر الإدارة التحذير الوارد في التقرير والذي يفيد بأن بعض الأفكار قد تكون خاصة بالمشروع، وبالتالي قد لا تكون قابلة للتعميم على نطاق الإقليم أو على المستوى العالمي.

باء- منظور الإدارة بشأن توصيات تقييم مجموعة المشروعات

4- تتفق الإدارة مع التوصيات الخمس الرئيسية الصادرة عن تقييم مجموعة المشروعات. ويقدم القسم التالي أفكارا بشأن كل توصية، ويشير إلى كيف تعتزم الإدارة دمجها في الحافظة الجارية.

التوصية 1: وضع آليات في مرحلة التصميم لضمان أن يستخدم مقدمو الخدمات المالية الفوائد التي حصلوا عليها لزيادة القيمة للعملاء ضمن المجموعات المستهدفة

5- **موافقة.** ستقوم شعبة أفريقيا الشرقية والجنوبية بدمج هذه التوصية في عملية تصميم المشروعات الجديدة. وستحدد التصميمات الجديدة آليات مناسبة لتمرير الفوائد من خلال مقدمي الخدمات المالية الشركاء إلى المستفيدين من المشروعات، إما في شكل أحكام وشروط مفيدة أو في شكل خدمات إضافية والوصول لخدمة المجموعات النائية والمهمشة. ويعتبر الاستعداد والقدرة على تنفيذ مثل هذه الآليات أحد الاعتبارات الرئيسية في اختيار مقدمي الخدمات المالية. وستأخذ مجموعة من الحوافز والمثبطات المحددة سياقيا في الاعتبار

[3] أرسلت دائرة إدارة البرامج رد الإدارة النهائي إلى مكتب التقييم المستقل في الصندوق في 24 يوليو/تموز 2023.
[4] EB 2021/133/R.6.

تقييمات طلب أصحاب الحيازات الصغيرة (الاحتياجات والمصالح والقدرة على السداد) وكذلك العناصر المهمة وهي الوصول والتكاليف وكفاءة مقدمي الخدمات المالية، لسد الفجوة بين العرض والطلب في سوق التمويل الريفي. وسيقوم الصندوق أيضا بتعديل الأنشطة قيد التنفيذ في مشروعات التمويل الريفي الجارية. وللقيام بذلك، يجري الصندوق استقصاء للسوق الإقليمية لتسعير أسعار الفائدة في التمويل الريفي، وسيطلب بعد ذلك من مقدمي الخدمات المالية الشركاء في المشروعات متابعة أسعار السوق المنخفضة باستخدام موارد يدعمها الصندوق. وستواصل الإدارة استكشاف آليات إضافية محددة السياق أثناء تصميم المشروعات وتنفيذها لتحفيز زيادة القيمة للعملاء. ولا يشمل ذلك أسعار الفائدة فحسب، بل يشمل أيضا جداول السداد ومتطلبات الضمانات وقنوات تنفيذ يسهل الوصول إليها ومنتجات قروض مناسبة للفئات المستهدفة الاستراتيجية، بما فيها الشباب والنساء.

-6 ومن الأمور الأساسية للاستجابة لهذه التوصية سيكون التعاون المستمر بين الأفرقة القطرية في إقليم أفريقيا الشرقية والجنوبية وشعبة الإنتاج المستدام والأسواق والمؤسسات، والتي تعمل على تعزيز توجيهاتها لأفرقة تنفيذ المشروعات. كما ستكون الإدارة الفعالة للمعرفة المؤسسية مهمة، مع تقاسم أمثلة على الآليات الفعالة عبر الأفرقة القطرية.

التوصية 2: ينبغي أن يطلب الصندوق من وحدات إدارة المشروعات إجراء تقييمات شاملة لقدرات مقدمي الخدمات المالية وأن يقدم لها توجيهات، وأن يضع توقعات واضحة بشكل متبادل بشأن متطلبات التنفيذ والاستهداف والإبلاغ

-7 **موافقة.** هذه توصية رئيسية، ولا سيما مع زيادة تركيز شعبة أفريقيا الشرقية والجنوبية على التمويل الأخضر، والذي يتطلب مستوى أكبر من التنفيذ والاستهداف والقدرة على الإبلاغ. وكما هو الحال في التوصية 1، ستعمل شعبة أفريقيا الشرقية والجنوبية بشكل وثيق مع شعبة الإنتاج المستدام والأسواق والمؤسسات لضمان حصول وحدات إدارة المشروعات على توجيهات واضحة بشأن كيفية إجراء تقييمات القدرات ووضع توقعات واضحة. ولن يقتصر التركيز على القدرات الحالية فحسب، بل أيضا على إمكانات واستعداد مقدمي الخدمات المالية المرشحين لإدخال آليات التنفيذ والإبلاغ المطلوبة التي تمتثل لمعايير الصندوق. ويشمل ذلك الاستهداف، وإجراءات الإدارة البيئية والاجتماعية، وآليات الرصد والتقييم المناسبة، ونظم الإبلاغ المنهجي، قبل اختيارهم كمؤسسات مالية شريكة في المشروع.

-8 وبالنسبة لاستثمارات العمليات غير السيادية الجارية والقادمة، يقوم متخصصو الصندوق في وحدة استشارات وتنفيذ عمليات القطاع الخاص في شعبة الإنتاج المستدام والأسواق والمؤسسات باختيار المؤسسات المالية الشريكة في إقليم أفريقيا الشرقية والجنوبية. وستعمل التجربة في مجال العمليات غير السيادية على إرشاد التوجيهات المقدمة لموظفي وحدة إدارة المشروعات في العمليات السيادية، الذين يختارون المؤسسات المالية الشريكة في المشروع بالنيابة عن الحكومات، ويقدمون الدعم لتنمية قدراتهم. وتشير الإدارة إلى أن تشخيصات و/أو تقييمات جودة مقدمي الخدمات المالية قد تتطلب مستوى من الموارد غير متوفر حاليا في وحدات إدارة المشروعات.

التوصية 3: اشتراط أن تجمع عملية تصميم المشروع ونظم الرصد والتقييم بيانات خاصة بالقطاع المالي وأن تقوم بعدّ أكثر دقة للمستفيدين، لإرشاد إدارة المشروع

-9 **موافقة.** يبدأ تنفيذ هذه التوصية باختيار مقدمي الخدمات المالية المناسبين كمؤسسات مالية شريكة، بما يتماشى مع التوصية 2. وسيكون من المهم أيضا ضمان أن تشترط تصميمات المشروعات واتفاقيات مشاركة المؤسسات المالية توفير بيانات وتقارير محددة مسبقا كشرط مسبق للصرف. وستتضمن التقارير المطلوبة المتكررة معلومات مالية قياسية شاملة مثل: المبالغ المصروفة التراكمية والمدفوعات؛ وقيمة الحافظة القائمة والأعداد حسب نوع العملاء؛ وعدد العملاء المتكررين والجدد؛ ومتوسط أسعار الفائدة ومعدلات التخلف عن

السداد، بما في ذلك المقاييس القياسية للحافظة المعرضة للمخاطر؛ وتطوير منتجات التمويل الريفي وتوسيع نطاق استخدامها. وعلاوة على ذلك، ستتطلب الاتفاقيات، بوتيرة أقل، تقارير الرصد والتقييم المتعلقة بخصائص العملاء النهائيين، ووصف لكيفية استخدام القروض، والتعاون بشأن تقييمات أثر المشروعات من خلال تبادل المعلومات وإتاحة الوصول إلى العملاء النهائيين الذي جرت مقابلتهم. وحيثما يكون ذلك مناسبا، سيجري إدراج هذه المؤشرات في الأطر المنطقية للمشروعات. ويجب بعد ذلك أن ترشد هذه البيانات عملية صنع القرار، وأن تعمل بعثات الإشراف السنوية على المشروع كنقطة رئيسية لتقييم الأداء مقابل هذه المؤشرات واقتراح تصحيحات المسار.

10- وبالإضافة إلى المتطلبات المناسبة في اتفاقيات المشاركة المبرمة مع المؤسسات المالية، سيكون بناء القدرات الفعال أمرا أساسيا لضمان التنفيذ الناجح لهذه التوصية. وعلى سبيل المثال، يجري الصندوق حاليا مناقشات متقدمة للحصول على تمويل في شكل المنح لتقديم مساعدة تقنية لهيئات التمويل بالوساطة وتعاونيات الادخار والائتمان الريفية في إثيوبيا. ويرتبط ذلك بالمرحلة الثالثة من برنامج الوساطة المالية الريفية وسيعمل على تحسين قدرة الشركاء على تتبع الوصول واستخدام القروض والإبلاغ عنها، وخاصة بالنسبة للنساء. وسيجري أيضا دمج حلول تكنولوجية جديدة لجمع البيانات وإدارتها حيثما أمكن، بما في ذلك لوحات المعلومات الرقمية، التي يجري تطويرها حاليا بشكل تجريبي في حافظة الصندوق.

التوصية 4: تقديم المزيد من التوجيهات التقنية الجوهرية بشأن المساواة بين الجنسين وتمكين المرأة في مرحلتي تصميم المشروع وتنفيذه

11- **موافقة.** موقف الإدارة هو أن مجرد تحقيق وصول قوي للنساء، وهو أمر مباشر إلى حد ما نظرا للمشاركة الملحوظة للمرأة في مؤسسات التمويل الريفي المحلية، لا يكفي لتحقيق أهداف ونتائج تمكين المرأة. فهناك حاجة إلى خدمات مالية مبتكرة ومصممة خصيصا للمرأة الريفية. وسيواصل الصندوق تقديم الدعم الإضافي المناسب من خلال المشروعات لاستكمال تحسين حصول المرأة على الخدمات المالية. وعلى وجه التحديد، سيقدم الصندوق الدعم التقني إلى المؤسسات المالية لتصميم وتكييف استراتيجياتها لعملائها الريفيين من خلال فهم للتحديات المرتبطة بالقطاع الريفي والزراعي، والأهم من ذلك، ديناميات المنظور الجنساني. وسيبحث الصندوق أيضا عن فرص لتقديم حوافز مالية مثل نسبة أعلى من المنح المطابقة للنساء ومنح التحدي لتصميم المنتجات المالية المبتكرة وتنفيذها. وينبغي أن يجري تنفيذ جميع استراتيجيات الوصول والتسويق بطريقة تراعي المنظور الجنساني، وينبغي وضع مؤشرات نتائج محددة من هذا القبيل.

12- ومن خلال القيام بذلك، سيواصل الصندوق دمج الدروس المستفادة، بما في ذلك فعالية نُهج الإقراض البديل والجماعي للنساء. وتشير الأدلة إلى أن النُهج الجماعية تعمل بشكل أفضل في المناطق الريفية لأن الشبكات الاجتماعية أقوى في تلك المناطق. وحيثما كان ذلك مناسبا، سيستكشف الصندوق آليات التنفيذ المبتكرة (بما في ذلك نُهج تمويل سلسلة القيمة)، واستخدام قنوات تكنولوجيا المعلومات والاتصالات وزيادة البنوك الوكيلة لزيادة الوصول للنساء. وتسمح الهواتف المتنقلة للنساء بتسديد أقساط القروض وتحويل الأموال دون الحاجة إلى السفر لمسافات طويلة، مما يعالج مشاكل تنقلهن. وحيثما كان ذلك مناسبا، ستستكشف مشروعات الصندوق أيضا سبل دمج عنصر المشاركة في السياسات لدعم السياسات الحكومية والأطر القانونية التي تعالج القيود وتكيف السياسات وفق السياق الريفي، وتكون مواتية للعملاء المستبعدين تقليديا مثل النساء.

13- وتمشيا مع التوصية 3، سيكون من المهم جمع بيانات عن الوصول للنساء، فضلا عن استخدام القروض، ومؤشرات جودة الحافظة، وغيرها من المعلومات الأكثر دقة طوال فترة المشروع، لتمكين تصحيحات المسار التي تخفف أي آثار سلبية غير مقصودة. ويشمل ذلك زيادة العنف المنزلي وأعباء العمل الملقاة على عاتق المرأة، وهو ما تشير الأدلة إلى أنه يمكن أن يرتفع جنبا إلى جنب مع تحسن حصول المرأة على الخدمات المالية.

التوصية 5: تقديم المزيد من التوجيهات التقنية بشأن استراتيجيات الاستهداف التي تهدف إلى تلبية احتياجات المجموعات المحرومة، مثل الشباب

14- **موافقة.** ستقدم الأفرقة القطرية للصندوق وشعبة الإنتاج المستدام والأسواق والمؤسسات توجيهات تقنية عند كل من التصميم والتنفيذ. وعند التصميم، سيُطلب من المشروعات التي تشتمل على عنصر تمويل ريفي أن تتضمن استراتيجيات لاستهداف المجموعات المحرومة، بما في ذلك الشباب والنساء، بدعم من شعبة الإنتاج المستدام والأسواق والمؤسسات. ويتضمن حصول الشباب على التمويل عددا قليلا من الشروط المحددة. أولا، فإنه يدعو إلى تعزيز الروابط بين رواد الأعمال الشباب في الزراعة والمؤسسات المالية الرسمية من خلال تحسين إلمام الشباب بالأمور المالية ومعرفتهم بمهارات الأعمال وقدرة المؤسسات على تقييم الفرص المتاحة للشباب في القطاع الزراعي. وثانيا، فإنه يتطلب الاستثمار في مقاييس أفضل لتوجيه سياسات أفضل. ويعد الحصول على إحصاءات موثوقة بشأن توظيف الشباب في الزراعة وشمولهم المالي ضروريا. وثالثا، فإنه يتضمن دعم الضمانات البديلة لرواد الأعمال الزراعيين الشباب، وهو ما قد يكون مفيدا في تخفيف المخاطر المتصورة المتمثلة في تمويل المشروعات البادئة بعدد قليل من الضمانات القوية. ويشمل ذلك: الزراعة التعاقدية، والتأجير، وتمويل إيصالات المستودعات، والتخصيم. ومن المهم أيضا تشجيع أشكال التمويل المختلفة من خلال نظم المزج والضمان، وإعطاء الأفضلية لرواد الأعمال الشباب. ورابعا وأخيرا، سيكون من الضروري تعزيز الاستثمارات من خلال مراكز الأعمال الزراعية الشبابية والمنصات المحفزة التي توفر الفرص للشباب (بما في ذلك خدمات التوجيه التي تقدمها). وسيكون ذلك بالغ الأهمية لتوسيع نطاق التمكين الاقتصادي. وأثناء التنفيذ، سيقوم الصندوق برصد كيف تُطبق وحدات إدارة المشروعات هذه الاستراتيجيات ويقدم التوجيهات التقنية حسب الحاجة من خلال بعثات الإشراف ودعم التنفيذ، التي تسترشد ببيانات الرصد الأكثر دقة.

15- وعند تنفيذ هذه التوصية، ستعتمد الإدارة على العديد من الموارد المتاحة، بما في ذلك سياسة استهداف الفقر في الصندوق لعام 2023،[5] ومجموعة أدوات الاستهداف التي تحتوي على قسم مخصص بشأن استهداف التمويل الريفي. وستظل الإدارة الفعالة للمعرفة عبر البلدان والشعب بشأن نُهج الاستهداف الفعالة أساسية أيضا. وأخيرا، يقوم فريق شعبة أفريقيا الشرقية والجنوبية بوضع اللمسات الأخيرة على شراكة مع إحدى الدول الأعضاء لتنفيذ مشروع مساعدة تقنية مدته أربع سنوات في كينيا، يركز بشكل كامل على حصول الشباب على التمويل الأخضر من خلال المؤسسات المالية، والذي سيوفر الحلول التقنية وأفضل الممارسات لتنفيذ التوصية 5.

[5] EB 2023/138/R.3.

Main Report

Contents

Annexes

Currency equivalent, weights and measures

Currency equivalent

Currency unit	=	Zambian Kwacha (ZMW)
US$1.0	=	ZMW 5.300
Currency unit	=	Kenya Shillings (KES)
US$1.0	=	74 KES
Currency unit	=	Ethiopian Birr (ETB)
US$1.0	=	16.5 ETB

Weights and measures

1 kilogram = 1,000 g
1 000 kg = 2.204 lb.
1 kilometre (km) = 0.62 mile
1 metre = 1.09 yards
1 square metre = 10.76 square feet
1 acre = 0.405 hectare
1 hectare = 2.47 acres

Abbreviations and acronyms

AEMFI	Association of Ethiopian Microfinance Institutions
AFC	Agricultural Finance Corporation
AGRA	Alliance for a Green Revolution in Africa
ASAL	Arid and semi-arid lands
BSS	Business support services
CCIA	Co-op Consultancy & Bancassurance Intermediary Limited
CF	Credit Facility
CGS	Credit Guarantee Scheme
CSPE	Country strategy and programme evaluation
DBE	Development Bank of Ethiopia
DFI	Development financial institution
ESA	Eastern and Southern Africa
FCA	Federal Cooperative Agency
FG	Financial graduation
FGD	Focus group discussion
FSP	Financial service provider
IOE	Independent Office of Evaluation of IFAD
IOF	Innovation and Outreach Facility
KWFT	Kenya Women Finance Trust
MFB	Microfinance bank
MFI	Microfinance institution
MSME	Micro, small and medium-sized enterprise
NPL	Non-performing loan
PCE	Project cluster evaluation
PCR	Project completion report
PCU	Programme coordination unit
PROFIT	Programme for Rural Outreach of Financial Innovations and
RUFEP	Rural Finance Expansion Programme, Zambia
RUFIP II	Rural Finance Intermediation Programme II, Ethiopia
RSF	Risk Sharing Facility

RuSACCO	Rural savings and credit cooperative
TA	Technical assistance
TSP	Technical service provider
SACCO	Savings and credit cooperative organizations
SME	Small and medium-sized enterprise
SMEP	Small and Medium-sized Enterprise Programme
VSLA	Village savings and loan association

Maps of the project areas

Federal Democratic Republic of Ethiopia

Rural Financial Intermediation Programme II (Rural Financial Prog II)

Project performance evaluation

IFAD

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 | 21-06-2023

Republic of Kenya

Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)

Project performance evaluation

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IFAD *Map compiled by IFAD* | 21-06-2023

Republic of Zambia

Rural Finance Expansion Programme (RUFEP)

Project performance evaluation

IFAD

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Map compiled by IFAD | 21-06-2023

Project Cluster Evaluation on Rural Finance in the Eastern and Southern Africa Region

I. Introduction

A. Background

1. As per the Independent Office of Evaluation's (IOE) results-based work programme and budget for 2022 and indicative plan for 2023-2024 EC (2021/115/W.P.2), approved by the IFAD Evaluation Committee in its 115th session in October 2021, IOE undertook a project cluster evaluation (PCE) on rural finance in the Eastern and Southern Africa (ESA) Region from September 2022 to January 2023. This evaluation is the second of its kind (the first PCE was on rural enterprise development), as PCE is a relatively new evaluation product of IOE that combines the assessment of several projects in the same thematic area and aims to synthesize results through a comparative analysis. The objective is to generate learnings that strengthen existing policies and toolkits and inform the design and implementation of future projects in the thematic area.

2. Rural finance is a highly relevant portion of the IFAD portfolio, considering that the Fund has invested over US$3 billion in rural finance systems over the past four decades. The focus on one region, namely ESA, makes a comparison between different projects more meaningful, as many countries in the region face similar challenges in relation to expansion of rural finance markets.

B. Structure of the Report

3. Section 2 discusses the concept of rural finance and its intended contribution to poverty reduction in rural areas, and analyses IFAD's approach towards rural finance and its importance in IFAD's global and ESA portfolios. The section then describes the evaluation's approach and methodology. Section 3 provides a description for each of the assessed projects. Section 4 assesses key design aspects of the projects that are unique to rural finance projects and compares how these design choices have impacted project implementation. Section 5 then presents an assessment and comparison of the performance of the projects based on standard IFAD evaluation criteria. Finally, section 6 discusses key conclusions and recommendations.

II. PCE scope, approach, and methodology

A. Rural finance: definition principles

4. Rural finance is defined as financial transactions relating to both agricultural and non-agricultural activities that take place among people in rural areas and institutions.[6] The rural finance policy guides IFAD's rural finance development operations. It is complemented by the guidance document, *IFAD Decision Tools for Rural Finance*,[7] as well as technical notes and knowledge materials on technical concerns. IFAD has a decentralized inclusive rural finance (IRF) team covering sovereign investment, non-investment activities and partnerships. It also has a dedicated unit covering non-sovereign private sector IRF activities (IFAD, 2021).

5. **Three IFAD policies on rural finance.** While IFAD has engaged with the financial sector since its inception, it did not begin to clarify its comprehensive approach to rural finance until 2000, when it adopted its first Rural Finance Policy (2000) strategy. According to the strategy, two thirds of the Fund's projects at that time had a rural finance component, with rural finance accounting for roughly 21 per

[6] Aligned to the international discussions in the early 2000s, IFAD's definition of rural finance has evolved from a microfinance-centric approach to a more holistic definition of financial services, for example, including remittances, insurance, etc. This inclusive rural finance approach attempts to address the different needs of beneficiary segments in a more demand-oriented manner.

[7] IFAD. (2010). IFAD Decision Tools for Rural Finance. Rome: IFAD.

cent of the Fund's resources. IFAD support had then shifted to rural finance systems development, institutional diversity and sustainable access of the rural poor to financial services. Hence, a second, updated policy was developed and in force from 2009 to 2021. After a review of this policy in 2018, a third policy, the new Inclusive Rural Finance Policy, was developed in 2021 taking into account recent developments in rural finance and lessons learned from the implementation of the policy in IFAD projects. The second and third policies put emphasis on agriculture and social development and are committed to facilitating rural financial intermediation by supporting bottom-up, demand-driven, micro and rural finance schemes aimed at assisting the poor and vulnerable groups of society.

Table 1:
IFAD Rural Finance Policies 2000, 2009 and 2021

Policy	*Focus*
IFAD Rural Finance Policy 2000	Strengthening the capacity of rural finance institutions to mobilize savings, cover their costs, collect loans, and make a profit in order to increase their sustainability and outreach. Three major areas of work were mentioned in the 2000 policy: a. To assure the participation of all stakeholders for effective project planning and implementation; b. To build differentiated rural financial infrastructure; and c. To foster conducive policy and regulatory environments.
IFAD Rural Finance Policy 2009	Same focus as the 2000 policy plus emphasizes market orientation and business approach to support the expansion of rural financial services. It focuses on meeting the demand of poor rural women and men with a diverse range of responsive and relevant financial services. It also introduces a distinction of three intervention levels: (i) **Micro level**: retail rural finance institutions and the ultimate beneficiaries of IFAD-supported projects and programmes, including poor rural households, women, young people and indigenous peoples; (ii) **Meso level**: financial infrastructure, including second-tier institutions and technical service providers; and (iii) **Macro level**: policy, legislative, regulatory and supervisory framework.
Inclusive Rural Finance Policy 2021[8]	The 2009 policy remains relevant, however, the 2021 policy places greater focus on: (i) Expanding the variety of accessible, useful, innovative and affordable financial products and services; (ii) Increasing the effectiveness of IRF integration into other programming; (iii) Increasing the adaptability, flexibility and innovation of IRF; (iv) Improving the use of subsidies to foster long-term sustainable outcomes of IRF activities and attract investment capital; (v) Improving market intelligence for design and implementation; and (vi) Building IFAD's programme management capacity to support IRF goals, including through knowledge- and information-sharing, and partnerships.

Source: IFAD Policy documents

6. Beyond IFAD's policies, projects are designed and implemented making use of different toolkits and guidelines. For rural finance, the most important document is *IFAD Decision Tools for Rural Finance* (IFAD, 2010). The document operationalizes the policies and provides practical guidance for design and implementation of rural finance interventions.

[8] IFAD. (2021). Inclusive Rural Finance Policy 2021. Rome: IFAD.

Box 1:
Guiding principles for IFAD Rural Finance

IFAD applies six guiding principles in its rural finance interventions:
1. Support access to a variety of financial services;
2. Promote a wide range of financial institutions, models and delivery channels;
3. Support demand-driven and innovative approaches;
4. Encourage—in collaboration with private-sector partners—market-based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD's resources;
5. Develop and support long-term strategies focusing on sustainability and poverty outreach; and
6. Participate in policy dialogues that promote an enabling environment for rural finance.

Source: IFAD Decision Tools for Rural Finance, 2010

7. Since 2001 to date, there has been a decline in the number of IFAD-approved loans and grants for rural finance, although investment amounts vary. The highest aggregate investment across projects was recorded in 2017 (US$241 million) and the lowest in 2016 (US$55 million).

8. From 2017 to 2022 the total IFAD investment in rural finance was US$764 million. The Asia and Pacific division had the highest share of ongoing rural finance projects (36% of total investment), followed by the East and Southern Africa division (24%), and then the Near East, North Africa, Europe, and Central Asia division (20%), the West and Central Africa division (15%), and Latin America and the Caribbean division (5%).

B. Evaluation objectives and scope

9. The project cluster evaluation (PCE) has the following objectives:
   1. Assess the performance of selected rural finance projects.
   2. Draw out common findings and lessons to inform ongoing and future rural finance projects in ESA.
   3. Provide lessons on rural finance to be shared in IFAD.

10. The PCE aimed at generating learnings at three levels. Firstly, the PCE assessed individual projects, therefore, even though the evaluation team will use the same evaluation approach and the same overarching evaluation questions for all selected projects, some findings may be project specific. Secondly, the PCE aimed at synthesizing lessons and recommendations which are common among all projects and are applicable to all the countries covered. Lastly, the PCE aimed at generating relevant lessons for the upcoming design of rural finance projects in ESA.

11. The PCE analysed three projects focused on rural finance in the ESA Region, covering all activities implemented under these projects. In addition, for two of the three selected countries (Kenya and Ethiopia), the evaluation will cover the initial stages of follow-up projects.

12. The three projects were selected by IOE from a total of 24 rural finance projects in ESA. IOE analysed the rural finance project portfolio and produced a shortlist of five projects, which was then discussed with ESA to arrive at the final selection of three projects. The shortlist of five projects was obtained by selecting those that were completed in the past three years, had a minimum duration of 6.5 years and had started after the introduction of the IFAD Rural Finance Policy of 2009. Preference was given to projects with interventions at different levels of the financial sector, i.e. institutional level (micro), financial infrastructure (meso) and policy and regulatory level (macro). Priority was given to projects with a wider array of partners, ranging from village-based financial organizations to commercial banks. In addition, the range of financial instruments used in the projects served

as a criterion, aiming to include instruments ranging from lines of credit to risk sharing facilities, and to matching grants.

13. Through this process, the following three projects were selected for the PCE by IOE and approved by ESA:

    1. Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) in Kenya
    2. Rural Finance Expansion Programme (RUFEP) in Zambia
    3. Rural Financial Intermediation Programme II (RUFIP II) in Ethiopia.

14. These three projects also represent different levels of IFAD commitments: ranging from earmarked IFAD funding of US$8.4 million for RUFEP in Zambia to US$29.9 million for PROFIT in Kenya to US$100 million for RUFIP II in Ethiopia. The PCE also aimed to assess how much the level of financial commitment influenced IFAD's ability to implement complex rural finance approaches.

15. For two of the three assessed countries, there are currently new IRF projects being implemented, namely RUFIP III in Ethiopia, and Rural Kenya Financial Inclusion Facility in Kenya. The evaluation team reviewed the project documents of the new projects and assessed how they have taken learning experience from previous projects into account. Furthermore, based on the PCE results, the team aimed to provide recommendations for further implementation of those two projects.

C. Methodology

16. The PCE was newly introduced in 2021, following the IOE's note on revised evaluation products (IFAD 2020b), and was undertaken in line with IFAD's Evaluation Policy (IFAD 2021a). The methodological approach for this evaluation took into consideration the existing guidance on project cluster evaluations in IOE's Evaluation Manual (third edition, 2022). The emphasis of the evaluation is on the learning aspect through comparative analyses of multiple projects, with no project specific ratings assigned by the evaluation. The manual allows PCE flexibility in the inclusion of some of the evaluation criteria, however, this evaluation covered all evaluation criteria. The project-level assessment aimed at identifying common issues specifically around rural finance, with necessary tailoring to specific cases to facilitate comparative analyses and the synthesis of project-level findings. Based on these, an evaluation framework was developed, with key questions and sub-questions, which was applied to all three projects.

17. From an analysis of the relevant IFAD rural finance policies and the corresponding theory of change (see annex V), as well as the *IFAD Decision Tools for Rural Finance* (IFAD, 2010), the PCE team assessed what the major design choices are that are specific and unique for rural finance projects. They considered, for example, the depth of the intervention approach in the financial sector, and the selection of financial intermediaries. The PCE extracted five key issues that all projects need to address in project design and implementation.

18. These five key issues—which are presented in the box below—were assessed for each of the three selected projects. The PCE team assessed the contribution of each issue on project performance and their impact on the main IFAD evaluation criteria (relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender equality and women's empowerment, and partner performance). Annex I presents the list of questions for each key issue organized by evaluation criteria.

Box 2:
Five key issues of rural finance

Intervention approach and strategy to generate impact at target group level: IFAD interventions are designed to tackle development challenges that prevent rural poor from accessing suitable financial services. While the focus is on generating impact at the target group level (through support to financial service providers (FSPs) that are serving those target groups), there are often shortcomings at the levels of the supporting financial infrastructure (meso level), or the policy and regulatory framework (macro level). Often these challenges at different levels of the financial sector are interlinked. Therefore, choosing the right intervention approach, and depth and breadth of activities is key. Some projects attempt to tackle different challenges simultaneously on the micro, meso, and macro levels of the rural finance sector, however, such a holistic approach also poses a management and resource challenge. Other projects are focused on interventions on the micro level only; however, this strategy may not lead to the desired impact at the target group level if deficiencies at the meso and macro levels persist.

Use of intermediaries: IFAD aims to increase the use of rural financial products and services by rural poor people. Depending on the specific country context, IFAD is working with different types of FSPs (and, sometimes, other service providers) to cater to the financial needs of different segments of the intended target group. The selection of the right type of FSP is a challenge. Factors to consider include, for example, whether it is preferable to work with village-based organizations that are closer to the target group but have weaker institutional capacity or to work with more formalized institutions like microfinance institutions and commercial banks that are further away from clients but typically have more institutional and financial capacity. In addition, working with different types of FSPs also increases coordination and communication needs within projects which may reduce effectiveness of an intervention.

Use of financial instruments (at intermediary level): IFAD's rural finance interventions have used a broad range of instruments, such as line of credits, matching grants, and risk sharing facilities. Each instrument has its unique advantages and disadvantages, for example, in terms of efficiency or impact. Therefore, it is key to analyse in what circumstances a particular instrument (or mix of instruments) generates the most desired project outcomes. In addition, it is important to assess whether a very complex project approach using multiple instruments is beneficial, considering the coordination efforts and unlikelihood of project staff to be knowledgeable about many different instruments.

Financial products and services for target group: IFAD interventions aim to increase the use of beneficial and affordable rural finance products and services by rural poor. Traditionally, there has been a stronger focus on loan products, partly because the impact of loans is often more visible and easier to measure. However, other financial products, from savings to remittances and insurance, are also important for the development of rural areas. The PCE looks at the different financial products and services applied within each product and how well those products cater to the most important needs of the target group.

Linkages to non-financial services: Development challenges in rural areas are manifold. Rural finance projects often face the difficulty that the effective use of financial services and products by the target group also depends on real sector factors such as access to markets, farming knowledge, and access to production inputs. Therefore, rural finance projects sometimes include interventions related to non-financial services; by doing so, however, projects risk becoming too broad. On the other hand, projects may link to other development interventions but without having much influence on the implementation of such non-financial services.

Source: PCE 2023

19. **Evaluation process**. IOE finalized the approach paper in October 2022, which included consultations with IFAD staff in ESA and government counterparts in Kenya, Ethiopia and Zambia, as well as an internal IOE peer review. In addition to virtual meetings, in-country missions with field visits were conducted between October and December 2022. In the case of Ethiopia, the evaluation mission took

place at the same time as the country strategy and programme evaluation (CSPE) mission organized by IOE, which allowed for some efficiency gains as one of the CSPE team members was covering rural finance. In each country, debriefing meetings were organized to share preliminary findings with IFAD and country stakeholders. After the field missions, the evaluation team conducted additional virtual meetings and obtained further analysis of primary and secondary data, and prepared written inputs, which were then synthesized in an overall PCE draft report with comparative analyses around the common evaluation questions. After the peer review within IOE, the draft was shared with concerned IFAD staff and governments. The comments received have been taken into account in the final report.

20. **Qualifications and limitations.** The projects selected are not intended to be representative of the whole IFAD portfolio in rural finance in the ESA region, and the evaluation does not claim to provide findings that can be generalized for all IFAD operations in this thematic area. Rather, by looking at projects with similar objectives and comparable sets of interventions in different contexts based on common questions, the focus is on providing some insights on key design and implementation issues.

21. Across all three projects, obtaining detailed M&E data was a challenge, mostly because the monitoring systems had major design flaws. In each project the unavailability of comprehensive monitoring data on beneficiaries and from the operations of financial service providers limited the evaluation team’s creation of a robust sampling frame based on which to plan its field visits. The projects could not provide detailed beneficiary numbers, key data on loan amount, utilization nor household composition. The team tried to mitigate this through extensive discussions and documentation requests to the project management units (PMUs), which allowed the team some mapping of activities and subsequent planning of field visits. Furthermore, in the case of RUFEP (Zambia), the evaluation was conducted when the project was in its final implementation stage, meaning the project completion report was not yet available. In addition, the planned impact assessment had been delayed, and could not be made available to the evaluation team. The impact assessment of RUFIP II (Ethiopia) was conducted with a reconstructed baseline, therefore relying on recall data which limits the accuracy of the data.

III. Project descriptions

22. This section provides summary project descriptions for the three selected projects.

Table 2:
Overview of key project data

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Project title	Programme for Rural Outreach of Financial Innovations and Technologies	Rural Financial Intermediation Programme II	Rural Finance Expansion Programme
Co-financiers	Government of Kenya	-	Government of Zambia Spanish Fund
Start date	22 Dec 2010	12 Jun 2012	22 Jul 2014
Completion date	30 Jun 2019	31 Dec 2020	30 Sep 2022
Years	8.5	9.0	8.0
Actual expenditure (Millions of United States dollars)	91.0	169.5	26.3
Target number of beneficiaries at design	814,509 (revised to 287,750)	6,900,000	500,000
Reported number of beneficiaries (% female)	441,091 (53%)	14,202,645 (45%)	643,449 (57%)

Source: ORMS and IFAD completion reports

A. Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) Kenya

23. PROFIT Kenya was a rural finance programme which was implemented from 2010 to 2019 in Kenya at a total cost of US$91 million (with IFAD financing of US$26 million).

24. In Kenya, a broad variety of institutions are active in rural finance, ranging from CBFIs (such as SACCOs and microfinance institutions [MFIs]), to microfinance banks (MFBs), commercial banks and development financial institutions (DFIs). Still, at project inception financial exclusion was significantly higher in rural areas (14 percentage points), as well as for women and youth by seven percentage points and more than ten percentage points, respectively (Central Bank of Kenya, 2019).[9] Banks were not sufficiently engaged in agriculture due to perceived high risk of agriculture and higher profitability ranges in urban lending. MFBs, MFIs and SACCOs were not able to fund portfolio expansion purely from savings mobilization. In addition, financial institutions struggled to identify and approach new agricultural clients and well-organized value chains.[10]

25. To address these challenges, PROFIT was implemented through three programme components: (1) rural finance outreach and innovation, with its associated subcomponents of Risk Sharing Facility (RSF) and Credit Facility (CF); (2) technical support services, with its associated subcomponents of business support services

[9] And even today, despite agriculture being the mainstay of the Kenyan economy, formal access to households engaged in agriculture remains low with an exclusion of 12.6 per cent.
[10] For a more in-depth analysis of the rural finance sector in Kenya refer to annex III.

(BSS) and financial graduation (FG) for ultra-poor[11] in arid and semi-arid lands (ASAL); and (3) programme management. An additional subcomponent, an Innovation Facility, was cancelled after the midterm review in 2014 due to delayed roll-out. However, innovation was integrated in the other components during the redesign of the project in 2015/2016. Innovative and appropriate wholesale and retail financial products were developed and implemented by partner financial institutions; adoption of the anchor model enabled banks to disburse smaller loans to borrowers in remote rural areas. The FG pilot introduced new and innovative delivery systems and financial products, both savings and credit for the ultra-poor that have outlived project implementation. In addition, the capacity-building of FIs, MFBs and SACCOs encouraged them to adopt financial products and delivery systems that enable them to reach a larger number of clients in the agriculture sector.

26. PROFIT was of a national scope. It was designed for rural areas of Kenya with a special focus on areas with agricultural potential, areas of high poverty incidence, and the arid and semi-arid lands region. The geographical coverage of PROFIT concentrated on the Central, Rift Valley, Upper and Lower Eastern parts of Coast Region and Nyanza. The main target groups were: (i) stakeholders at the "lower value chains links" (such as rural smallholders, agropastoralists, pastoralists, artisanal fishers and women); (ii) the market intermediaries at the middle-higher tier (such as agro-input suppliers, agrotraders, agroprocessors, wholesalers and transporters); and (iii) landless labourers and youth. Through the FG subcomponent, the programme piloted a strategy to graduate the poorest into sustainable sources of livelihood in two ASAL counties, Kitui and Samburu.

27. The lead implementing agency was the National Treasury, and its microfinance unit was responsible for PROFIT's day-to-day management. A programme coordination unit (PCU)was established within the microfinance unit to oversee implementation. Implementation arrangements involved several key partners, including the Alliance for a Green Revolution in Africa (AGRA). PROFIT worked with a range of FSPs: one DFI (Agricultural Finance Corporation [AFC]) and one commercial bank (Barclays Bank, now ABSA) for the RSF; and four deposit-taking microfinance banks for the CF, namely Kenya Women's Finance Trust (KWFT), FAULU, the Small and Medium-sized Enterprise Programme (SMEP), and RAFIKI. For the BSS component, PROFIT worked with a range of technical service providers—both specialists for FSP support as well as for small and medium-sized enterprises (SMEs) and smallholder farmer trainings.

B. Rural Financial Intermediation Programme – Phase II (RUFIP II) Ethiopia

28. RUFIP II was a rural finance programme which was implemented from 2012 to 2020 in Ethiopia at a total cost US$248 million (with IFAD financing of US$100 million). Part of the planned funds from the Commercial Bank of Ethiopia (ETB 1,337.8 million) were not available, therefore, the actual total cost of the project was US$169.51 million.

29. At project inception (and still, today) rural savings and credit cooperatives (RuSACCOs and MFIs were the only two major sources of rural finance in Ethiopia, with roughly two thirds of their loan portfolio devoted to the agricultural sector. While they have established a strong presence in rural areas, they face limitations in accessing credit and operated with limited capacities. The weak institutional capacity coupled with restricted access to refinance made access to finance difficult

[11] All IFAD Rural Finance have a pro-poor approach. The term "ultra-poor" is used in this report only to differentiate the target groups within the Kenya PROFIT project. The FG component targeted vulnerable households in arid and semi-arid lands that had not accumulated any productive assets, were severely food insecure, and had not had any economic activities before. The other components targeted poor rural households across the country that already engaged in some economic (mostly farming) activity.

for farmers: whereas agriculture provided about 41 per cent of the total gross domestic product (GDP) at the inception of RUFIP II, the sector's share of total lending was only approximately 14 per cent.[12]

30. RUFIP II was implemented through three programme components: (1) institutional development and capacity-building, with its associated subcomponents on establishing and supporting MFIs and RuSACCOs, and developing their management information systems and staff skills; (2) enhancing regulatory and supervisory capacity of National Bank of Ethiopia (NBE) and the Federal Cooperative Agency (FCA), with its associated subcomponents on training staff of these institutions, and various aspects of institutional support; (3) increasing the number and type of loan and savings products of MFIs and RuSACCOs; and (4) programme management and coordination.

31. The programme's target group comprised of Ethiopia's rural population in all regions, living below the poverty line. These groups include women-headed households, landless and land-deficit rural poor people, unemployed youth, and ex-pastoralists. However, there was no specific targeting criteria or strategy, and the project's targeting efforts were limited to working through rural financial institutions, with the implicit assumption they would then target the intended groups.

32. The lead implementation agency was the Development Bank of Ethiopia (DBE), which hosted the project management unit, and coordinated the other main implementation agencies which included the Association of Ethiopian Microfinance Institutions (AEMFI), FCA and NBE.

C. Rural Finance Expansion Programme (RUFEP) Zambia

33. The Rural Finance Expansion Programme (RUFEP) project in Zambia was implemented from 2014 to 2022 at a total cost of US$26.3 million, with financing from IFAD totalling US$8.4 million, financing from Spanish Fund totalling US$11.98 million, and domestic financing totalling US$5.91 million. The project has been granted a one-year no-cost extension; hence, it is scheduled to be completed in September 2023.[13]

34. At project inception, Zambia's financial sector was dominated by the banking sector, which accounted for nearly 70 per cent of the financial industry's assets. However, the main area of operation for banks were urban areas. High operational cost and lack of access points were key factors for the high financial exclusion in rural areas of 65.6 per cent (FinMark Trust, 2010). Overall, there was a 7.6 percentage point gap in access between urban and rural areas as well as 6.9 percentage point gap between men and women in terms of financial inclusion.[14]

35. The project consisted of three components (at design):

i) Strategic partnership (US$11.1 million, 42.1 per cent of total project cost), which related mainly to outcome one (enhanced capacity of FSPs to deliver demand driven services in rural areas). This component had five outputs: introducing a new framework for regulating and supervising agency/mobile banking; providing licensed MFIs with access to a line of credit; creating new CBFIs and strengthening of existing ones; strengthening institutional frameworks at the meso level to support FSPs to deliver services to rural

[12] For a more in-depth overview of the rural finance sector in Ethiopia refer to annex III.
[13] At the time of the evaluation, no impact assessment survey has been conducted. The PCE mission has been informed that the terms of reference for the recruitment of a firm to conduct the survey have been established and the recruitment process is expected to be finished by the end of February 2023. Therefore, the analysis for this evaluation report has primarily been based on desk research, virtual and in-person interviews, and field trips by the IOE team. Some impact results have also been confirmed through PCE field visits.
[14] For a more detailed overview of the rural finance sector in Zambia refer to annex III.

areas; and training of staff of FSPs, apex institutions, and other relevant institutions in agricultural and rural finance.

ii) Innovation and outreach facility (US$9.1 million, 34.4% of total project cost), which related mainly to outcome two (improved efficiency and sustainability of rural financial services). Two outputs under this component looked at financial services and products targeting the rural clients were developed, tested and scaled up; as well as developing and testing effective delivery mechanisms of innovative financial products and services for the agriculture and rural areas. The three grant windows focused on providing access to and promoting the use of financial services, such as CBFIs, agency/mobile banking, and rural equity innovations.

iii) Knowledge management and program implementation (US$6.2 million, 23.5 per cent of total project cost), which provides cross-cutting services for the other two components. The main activities were collecting and analysing the learning from components one and two.

36. The programme coverage of RUFEP was nationwide in scope. RUFEP's regional focus was determined by the scope of its partner financial institutions and service providers. Specific criteria were built into the design to prioritise the extension and intensification of financial services in unserved or underserved regions. The primary target population comprises the rural poor, mainly economically engaged micro and small-scale enterprises and smallholder farmers, focusing on women and youth.[15] RUFEP targets up to 140,000 rural families (including men, women, and children), revised to 500,000 at midterm review. RUFEP's design anticipated that a high share of beneficiaries would be women and adolescents. The target group included savers in the formal financial sector; members of CBFIs; members of farmer groups; individuals with mobile phones interested in making payments; micro, small and medium-sized enterprise (MSME) borrowers; and other potential beneficiaries with similar characteristics.

37. RUFEP aimed to deliver its mandate at the macro, meso, and micro levels, which are all pillars of the programme's implementation strategy. In accordance with the Rural Finance Policy of IFAD and the Rural Finance Policy and Strategy (Zambia), institutional improvement was targeted at all three levels of the financial sector. At the micro level RUFEP aimed to improve demand-driven products and services to boost the productivity and economic potential of poor rural women, men and youth. At the meso level the programme aimed to strengthen financial infrastructure through capacity-building at the human and institutional levels. At the macro level RUFEP worked to create favourable policies, legislative frameworks, and regulatory and supervisory frameworks by collaborating with policymakers, regulators, and other authorities, such as the Ministry of Finance/Rural Finance Unit, the Bank of Zambia, the Patents and Companies Registration Agency, and the Competition and Consumer Protection Commission.

IV. Comparative analysis of key project features

38. This section presents a summary of the comparative analysis of the key project features identified in the Approach Paper. These features were identified as valuable learning areas for IFAD as they relate to the most critical issues in the design and implementation of rural finance projects. The key features are: (i) intervention approach and strategy to generate impact at target group level; (ii) involvement of (financial) intermediaries; (iii) use of financial instruments to support (financial) intermediaries; (iv) financial products and services for target group; and (v) linkages to non-financial services.

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

A. Intervention approach and strategy to generate impact at target group level

39. **The projects had similar target groups and objectives, and a national scope, resulting in greater outreach and less depth of impact**. PROFIT Kenya used a broad definition of its target group to include smallholder farmers, artisanal fishers, pastoralists, women, landless labourers and youth. Its geographical coverage included mutually exclusive areas with agricultural potential and areas with high poverty incidence.[16] This target group definition allowed the project to implement an approach using different types of FSPs and several financial instruments. This approach achieves more widespread impact but also reduces the visibility of each project intervention (as resources are spread more thinly across activities). Similarly, RUFIP II in Ethiopia, had a very broad geographical scope—covering the entire country, and a general definition of the target group as poor rural households, but without specific targeting strategy. As such, RUFIP II worked through all the registered MFIs operating in Ethiopia and around 5,500 RuSACCOs. As in PROFIT, this broad approach led to a wide distribution of financial resources across many FSPs, with more limited depth and impact. RUFEP Zambia was designed as a programme with national coverage and the rural poor were the target demographic, particularly economically active micro- and small-scale enterprises and smallholder farmers, with a focus on women and youth. Similar to the interventions in Kenya, the targeting approach used in the second component of the RUFEP produced a wider impact while reducing the visibility of each project intervention.

40. Table 3 below provides the definition of target groups for each programme. The definition of the target group is wide in all three programmes. While this provided the programmes with flexibility in their implementation, it also resulted in a lack of depth of impacts. Another implication is that during implementation, time had to be allocated to further define and segment target groups, for example, the prioritization of specific value chains and the actors involved across those value chains.

Table 3:
Target group definition

	Target group definition
PROFIT Kenya	Stakeholders at the lower value chain links: rural smallholders, agropastoralists, pastoralists and artisanal fishers, and market intermediaries: agro-input suppliers, agro-traders, agroprocessors, wholesalers, and transporters. Areas with agricultural potential, high poverty incidence, the ASAL (arid/semi-arid) region
RUFIP II Ethiopia	Ethiopia's rural population in all regions, living below the poverty line. These groups include women-headed households, landless and land-deficit rural poor people, unemployed youth, and ex-pastoralists.
RUFEP Zambia	Stakeholders at rural areas nationwide: The main and ultimate target group is the rural poor, in particular the economically active microenterprises and small businesses and smallholder farmers with a particular attention to women and youth. The interventions of the RUFEP towards target groups have been at diverse range of groups and people in rural areas. For instance, SGs, CBFIs members, smallholder farmers, mobile network provider agents, members of farmer groups, and owners of mobile phones interested to make payments, micro, small and medium-sized enterprises (MSMEs) borrowers and other similar potential beneficiaries.

Source: Project design documents

41. **The impact pathways differed across the projects but there is still a heavy reliance on providing subsidized refinance; other important avenues for impact are reducing risk exposures, fostering innovation in rural finance and strengthening capacity on both demand and supply sides.** One key

[16] Kenya's high rainfall areas constitute about 10 per cent of Kenya's arable land and produce 70 per cent of its national commercial agricultural output. Farmers in semi-arid regions produce about 20 per cent of the output while the arid regions account for the remaining 10 per cent of the output.

difference across the projects relates to the mechanism through which potential FSP clients would obtain greater access to financial services. In Kenya and Ethiopia, a major share of project resources was devoted to providing financing directly to FSPs through a line of credit, which would increase the loanable capital of FSPs, enabling them to increase the supply of credit to rural households. Zambia adopted a different approach: rather than providing a line of credit, investments were made to build capacities, products and assets of FSPs (e.g. developing mobile banking solutions, opening new branches, product development) which would enable them to improve their services to rural areas. Overall, PROFIT applied the most complex approach as it included several interventions beyond the provision of refinance, most notably these included an RSF, a financial graduation component which targeted the ultra-poor, and extensive provision of trainings to both supply- and demand-side actors (i.e. FSP, as well as farmer groups and rural SMEs). This complexity is one of the reasons for the delayed implementation of PROFIT, however, both approaches proved to be relevant and effective, as will be explained in chapter 4. The difference in design approaches can be attributed primarily to the existence of predecessor projects which had adopted similar approaches and were assessed as effective.

42. Table 4, below, provides an analysis of the key pathways to generate impact at the target group level. Detailed theories of change of each project are available in annex V.

Table 4:
Impact pathways covered in projects (more tick marks indicate a greater emphasis, based on the evaluation's assessment)

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Reduce default risk of agricultural credit to increase lending to agriculture	✓✓✓		
Provide access to (subsidized) refinance for agricultural credit to increase lending to agriculture	✓✓✓	✓✓✓	
Strengthen capacity of FSP related to product development to broaden supply of agricultural finance	✓	✓✓	✓✓
Strengthen capacity of FSP related to technology and innovation to reduce operational cost to reach target beneficiaries			✓✓✓
Strengthen capacity of SME (e.g. business development) to reduce risk of business failures and loan defaults	✓		✓
Strengthen capacity of farmers/farmer groups (e.g. market linkages) to reduce risk of business failures and loan defaults	✓		✓✓
Start-up grants to kick-start agricultural investment for ultra-poor	✓		✓

Source: PCE assessment based on project documents and field interviews

43. All projects primarily focused on the micro level, directly supporting rural finance institutions, FSPs and rural households. They all also included attempt to influence the meso level (market infrastructure), which includes apex financial institutions and industry bodies. In the case of Zambia and Ethiopia, the projects also aimed at results at the macro (policy and regulatory) level, targeting national- level institutions and national policies frameworks.

44. PROFIT provided an RSF of US$6.9 million comprising US$3.2 million for ABSA and US$3.7 million for AFC for three financial years (2016/2017, 2017/2018 and 2018/2019). Both banks were able to leverage US$32.2 million in lending, equivalent to a leverage ratio of 4.8. The goal of the RSF was to assist the banks to

expand their lending to rural areas and specifically support agricultural value chains actors including, smallholder farmers, farmer producer groups, small farmer cooperatives, agro-input suppliers, agro-traders and processors, wholesalers and transporters, etc. In addition, PROFIT's RSF has contributed to the policy dialogue in Kenya which resulted in the establishment of the Credit Guarantee Scheme (CGS) to support MSMEs on 8 December 2020.

45. Unlike PROFIT, RUFIP II did not implement an RSF, however this is being considered as part of RUFIP phase III. RUFIP II aimed at strengthening the regulatory frameworks and supervision capacities for the main bodies overseeing MFIs and RuSACCOs, respectively NBE and FCA. These activities amounted to US$8.5 million (3.4 per cent of the programme costs), and specifically consisted of: (i) training of NBE and FCA supervisory staff, and establishing a separate department for rural financial cooperatives; (ii) implementing a micro insurance policy and regulatory/supervisory framework; (iii) implementing an adequate statutory audit framework for MFIs; (iv) implementing a separate legal code for rural financial cooperatives; and (v) updating supervision and promotion manuals.

46. At the macro level, RUFEP intervened at the policy and regulatory levels, based on the lessons learned during its implementation and facilitating a consultative process with ten partners which resulted in the development of the national rural finance policy, "Money Lenders, and Pawn Brokers Bill, 2022" and its related draft "Operational Framework and Regulations," and development of the "Framework for Fintech Regulatory Sandbox Guidelines." At the meso level, the programme developed support infrastructure for the financial sector by building both human and institutional capacity, similarly to RUFIP II. Apex organizations and macro-level institutions were strengthened to provide effective support to microfinance institutions and CBFIs, mainly through trainings in their strategic areas, financial education, consumer awareness in cybersecurity, digital finance services and consumer protection.

47. Table 5, below, provides an analysis of the intervention levels of the projects.

Table 5:
Intervention levels of the projects

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Micro level	Supply-side support (credit guarantee, Credit Facility, TA) and demand side (TA, graduation facility)	Supply-side support (Credit Facility and TA)	Improve demand-driven products and services in order to boost the productivity and economic potential of poor rural women, men and youth
Meso (market infrastructure) level	Limited support for establishment of national Credit Guarantee Scheme (CGS)	Limited support for apex institutions	Strengthen financial infrastructure through capacity-building at the human and institutional levels
Macro level	-	TA for national institutions, new regulatory and supervisions frameworks for MFIs and audit for RuSACCOs	Support for developing favourable policies, legislative frameworks, and regulatory and supervisory frameworks

Source: PCE assessment based on project documents and field interviews

B. Involvement of financial intermediaries

48. **The projects worked through a broad range of FSPs that were relevant in the local rural finance context in order to achieve a broad-based geographical outreach**. In all projects a pre-design assessment was conducted to map the FSPs in the country, particularly those active in the rural areas, in order to identify the projects' engagement strategy. For instance, in Kenya, the assessment found that the commercial banks had liquidity but lacked risk appetite to venture into the agricultural sector or rural small enterprises due to climatic and economic risks. Incorporation of risk sharing arrangements was therefore introduced into the

design to encourage banks to leverage commercial funds and increase funding to rural and agricultural clients. As a results, PROFIT worked with commercial banks, microfinance banks and SACCOs, as each of these had a different level of potential and challenges in reaching rural households. In Ethiopia, the choice of FSPs was more limited as only two groups of institutions were active in rural areas: 30 microfinance institutions and an estimated 11,000 RuSACCOs (of which around 4,500 RuSACCOs were targeted by RUFIP II). RUFIP II therefore worked with both institution types and engaged all existing FSPs in rural areas. In Zambia, the pre-design assessment found similar situation as Kenya in terms of the type, risk-appetite and comparative advantages of different FSPs, with the difference that Zambia's financial sector is more dominated by commercial banks and a smaller presence of microfinance and community-based institutions. As a result, RUFEP worked with banks to mitigate their risks and promote their outreach to rural areas, as well as through MFIs to strengthen their capacities.

Table 6:
Involvement of financial intermediaries

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Commercial banks	✓✓✓		✓✓
Development finance institutions (DFIs)	✓✓✓	✓✓	✓
Deposit-taking MFIs	✓✓✓	✓✓✓	✓✓✓
Non-deposit-taking MFIs	✓✓		✓✓
Savings and credit cooperatives (SACCOs)	✓✓	✓✓✓	✓✓✓
Village savings and loans associations (VSLA)	✓		✓✓✓
Digital finance providers			✓✓✓
Other FSPs			

Source: PCE assessment based on project documents and field interviews

49. **Technical assistance to FSPs was a key element of all rural finance projects to achieve results and increase sustainability**. In all the projects' theories of change, the increased capacities of FSPs were a critical step in increasing the supply of financial services to rural areas. Pre-design assessments across countries found very varied levels of capacities and assets of FSPs. In Kenya and Ethiopia, the technical assistance to FSPs was planned to go hand in hand with the financing provided by the projects, in order to maximize the impact on their operations. In all countries this component faced major delays, mainly due to poor project management and delays in procurement. This resulted in the financing and technical assistance being implemented at different times, limiting their effectiveness. In addition, in Ethiopia, part of the funds devoted to technical assistance were diverted to the line of credit component due to the delays. The limitations on travel due to the COVID-19 pandemic also resulted in delay or a shift to online modality of many of these activities.

Table 7:

Technical assistance to FSPs

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Agricultural finance business strategy development	✓✓		
Agricultural finance product development	✓✓	✓	
Agricultural credit appraisal	✓	✓	
Risk management & insurance	✓		
Digital solutions to reach beneficiaries			✓✓✓
MIS		✓✓	
Governance		✓	
Impact monitoring/social performance assessment			

Source: PCE assessment based on project documents and field interviews

50. High operational cost of FSPs in rural areas is a key reason for low access of rural financial services. In both Kenya and Ethiopia, the projects made use of the existing network of MFIs and rural SACCOs. This strategy was useful in serving the community in the direct vicinity of the FSPs' location but did not result in any increase in geographical outreach beyond that as the cost to expand using physical branches is high for these types of FSPs. In Kenya, the project also worked with an "anchor farmer" model, whereby FSPs would extend loans to rural SMEs and traders who, in turn, would refinance small-scale farmers. However, although there is anecdotal evidence that the anchor model enhanced outreach, the performance reports by the FSPs did not include sufficient evidence of how many indirect beneficiaries were reached by the anchor farmers. Another low-cost outreach model in Kenya was linking VSLAs to local FSPs, such as SACCOs. This model was successful in the FG component. However, while this approach is cost-efficient for FSPs, it usually requires significant investment in building the capacity of VSLAs. Therefore, this outreach method, overall, does still involve considerable cost if VSLA investment is included. The project in Zambia made a concerted effort in trying to reduce operations cost to reach rural clients by fostering innovations in the digital technology and mobile banking space. This approach led to a significant increase in outreach and made an impact in terms of financial inclusion. Table 8 provides an overview of the projects' attempts to bridge the gap between FSPs' outlets and farmers' homes.

Table 8:
Strategies to bridge the "last mile"

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Channelling credit through SACCOs and other village based FSPs	✓✓	✓✓✓	✓
Channelling credit through SMEs/processors	✓✓		
Channelling credit through traders	✓✓		
Agent banking			✓✓
Mobile banking			✓✓
Linking VSLAs to FSPs	✓		✓✓

Source: PCE assessment based on project documents and field interviews

C. Use of financial instruments to support financial intermediaries

51. **The projects applied a variety of financial instruments available to IFAD, ranging from credit refinance and credit guarantees to innovation and incubation grants, depending on the project's intervention strategy**. In Kenya, PROFIT used three different financial instruments as part of the project's aim to test different approaches to tackle different market constraints, ranging from a low availability and high cost of refinance for MFIs to high risk aversity for rural finance by commercial banks. By contrast, in Zambia and Ethiopia, the projects focused their approach (and, thus, the use of financial instruments) on one key challenge, i.e. the lack of sufficient refinance for rural finance expansion in Ethiopia, and the lack of cost-efficient and inclusive rural finance products in Zambia.

Kenya

52. The financial instruments of PROFIT included: (i) a Risk Sharing Facility; (ii) a Credit Facility at a subsidized interest rate; and (iii) small business incubation grants to ultra-poor members of VSLAs under the FG subcomponent. The risk sharing or credit guarantee financial instrument aimed to catalyze and give comfort to financial institutions to venture into the agricultural sector, especially credit to smallholder farmers, who were traditionally considered high risk. Two financial institutions (ABSA and AFC) were selected following a competitive process. PROFIT provided an RSF of US$6.9 million comprising US$3.2 million for ABSA and US$3.7 million for AFC for three financial years (2016/2017, 2017/2018 and 2018/2019). The CF was the second financial instrument provided by PROFIT to four MFBs (KWFT, FAULU, SMEP and RAFIKI) that were also picked competitively. The CF enhanced the financial position and lending capacity of these FSPs and proved to be a sound financial instrument. The VSLAs were implemented under the FG subcomponent, whereby PROFIT provided investment grants to 2,506 ultra-poor beneficiaries. With these investments, the beneficiaries set up enterprises including livestock and non-livestock businesses (e.g. running kiosks, bead making, grain trade, water vending, salon and barbershop businesses) resulting in increased income levels.

Ethiopia

53. In RUFIP II the only financial instrument applied was a line of credit to FSPs at subsidized interest rate. Project funds were channelled through the DBE which would then provide subsidized loans to MFIs and RuSACCOs. DBE's usual lending rate to such institutions was 9 per cent, while RUFIP II funds were being loaned at 8 per cent. Following the same model as RUFIP I, DBE set out eligibility criteria and minimum performance standards for MFIs and RuSACCOs to access the financing. Among the conditions of the loan agreements between DBE and FSPs, were a repayment period of twelve years for MFIs and five years for RuSACCOs, allowing FSPs to plan for the longer term. The agreement also included a commitment by FSPs to better target lower-end rural poor households, however there were no specific instruments (e.g. credit guarantees, insurance) or adjustments to FSP policies (e.g. collateral policies) that would facilitate this, as well as no reporting mechanism to monitor this target group. Loan sizes from DBE to FSPs varied depending on their existing loan portfolio. In order to avoid over-indebtedness and sustainability risk, FSPs were allowed to borrow funds not exceeding 35 to 50 per cent of their existing loan portfolio.

Zambia

54. RUFEP's financial instruments consisted of matching grants to a broad range of FSPs and other private sector actors, such as operators in the electronic payment and transfer industry, and organizations that engage with CBFIs. Matching grants were given to implementation partners to develop new and innovative services and

products for the rural finance sector. Matching grants to each of them ranged from US$25,000 to US$200,000. Grants below US$100,000 were usually for one year or less, whereas grants between US$100,000 and US$200,000 were for a period of no more than two years. The primary activities supported included visiting other organizations for learning and inspiration, procuring and experimenting with new technology, educating staff, testing the technology in parallel to existing systems, obtaining legal advice, and evaluating the feasibility of proposed plans. As a result, there has been an increase in financial inclusion, particularly in the growth of mobile money services. Through the matching grant structure the project was able to achieve buy-in from partners and to leverage significant private sector resources, particularly in the Innovation and Outreach Facility (IOF) window for agency and mobile banking where partner contributions amounted to a minimum of 40 per cent.[17] For the two other windows, on CBFIs linkage and on rural finance equity and innovations, the financial contributions by partners were 10 per cent.

55. The table below presents the main financial instruments used to support FSPs.

Table 9:
Financial instruments

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Credit guarantee (at market rates)			
Credit guarantee (subsidized)	✓✓✓		
Line of credit (at market rates)			
Line of credit (subsidized)	✓✓✓	✓✓✓	
Subordinated loans (quasi-capital)			
Equity funding			
Innovation grants (to FSPs)			✓✓✓
Investment grants (to SME or farmers)	✓[18]		

Source: PCE assessment based on project documents and field interviews

D. Financial products and services for target group

56. All projects aimed at increasing FSP's range of financial products and services, in order to better cater to the needs of agricultural households. A key part of the projects' theories of change was to ensure that the services provided by FSPs are aligned to the specific needs of rural households, whose need for financing is linked to the seasonality of their production and marketing processes. All projects included strategies to influence FSPs in this regard. In Zambia this was done through a combination of BSS and grants to FSPs, while in Ethiopia and Kenya it was a combination of BSS and loans through the projects' CF components.

Zambia

57. In Zambia, under the IOF RUFEP partnered with FSPs, NGOs and other rural finance promoters/actors to provide a range of financial products and services. RUFEP mainly provided technical and financial capacity as well as BSS to project partners. In this case they reached 48 partners and implemented 55 projects in all the 10 provinces of Zambia. RUFEP piloted 25 new financial products, services, and delivery models against an end target of seven. Out of these, 17 targeted rural people. For example, World Vision Zambia and Atlas Mara implemented the Digital Savings for Transformation project, which aimed to improve financial service delivery for rural savers by digitizing cash boxes and promoting mobile money uptake using mobile phone technologies.

[17] Which is, however, slightly below the target of 50 per cent matching grant contributions.
[18] Within the FG component

Ethiopia

58. In Ethiopia RUFIP II aimed at increasing the types of products offered by FSPs, particularly by tailoring products to the specific needs of agricultural households, but achieved only limited success with expanding the range of financial products provided by FSPs to their clients.[19] Evidence from monitoring visits and by the evaluation team noted that there has been some instances of adjustments to FSP products, however these have been adapted to various types of non-agricultural clients needing short-term credit, such as civil servants and business people, who can utilize their salaries as collateral. The evaluation also found that FSPs already had products that were generally well tailored to agricultural households. For instance, they all provided group and individual loans, and they established repayment schemes aligned to the farming season. Nevertheless, FSPs still provide only a limited range of financial services, mainly focused on loans and savings, and the project did not manage to expand the range of services. There is strong recognition that innovative initiatives, such as digital finance/mobile banking can transform the financial inclusion landscape,[20] but only six MFIs are already offering mobile money products (IFAD, 2019). Given the strong competition between FSPs for new clients, any product innovation introduced by the project is likely to have a marginal effect on the overall offer of FSPs in rural areas.

Kenya

59. In Kenya, BSS was offered by seven competitively recruited technical service providers (TSPs). The TSPs offered BSS to all types of financial institutions involved in the project (e.g. MFIs, SACCOs). The TSPs were contracted and supervised by AGRA. The BSSs built the capacity of financial institutions and helped them streamline their management and governance systems and adopt more innovative financial products to reach a larger number of clients in the agricultural sector. This had positive results as it led to institutions developing innovative agriculture sector wholesale financing models including the use of chain anchor agribusinesses, SACCOs and MFIs, alternative use of collateral (produce), digital finance, affirmative financing model and long-term financing to stimulate mechanization. However, the delay in implementing the BSS in the last 24 months of the project resulted in a rush to meet targets, in many cases at the cost of depth and building sustainable cost-effective financial services.

60. The table below presents key financial products and services that were directly supported through the projects.[21]

Table 10:
Project support for financial products and services for the target group

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Agricultural short-term credit (input loans)	✓✓	✓✓	✓✓
Short- and medium-term loans for agricultural marketing and trading	✓✓✓	✓✓	✓✓
Medium-term loans for agricultural machinery	✓		
Medium-term loans for establishment of perennial crops & plantations	✓		

[19] The project did not report figures on number of loans, loan size and loan utilization by the FSPS, which was a major deficiency of the M&E system, especially because FSPs collect this information as part of their routing operations and could have been reported to the project with little additional effort.
[20] Ethiopia has around 41.1 million mobile subscribers as of 2018 (Ethio-telecom data). But only 0.3 per cent of adults had a mobile money account in the same year, according to Findex.
[21] Not counted in this list are financial products and services that are offered by FSPs beyond products and services that were directly supported by the project (even though an argument could be made that without project's support, the FSPs would not have been in a position to also offer those other financial services).

	PROFIT Kenya	RUFIP II Ethiopia	RUFEP Zambia
Long-term loans for agricultural processing	✓✓		
Short-term (digital) emergency loans			✓✓
Savings mobilization	✓[22]	✓✓	✓✓✓
Money transfer (mobile banking)			
Agricultural insurance		✓	
Other types of insurance (health, death, etc.)[23]	✓	✓	✓✓

Source: PCE assessment based on project documents and field interviews

E. Linkages to non-financial services

61. **The three projects differed in their approach to technical assistance to beneficiaries and linkages to non-financial services**. Farmers and agro-enterprises often lack the required agronomic, business, or other skills to successfully develop their business and to apply for funding. However, rural finance projects are not able to provide large-scale trainings to farmers (outside of financial education) or to strengthen entire value chains. Faced with this dilemma, PROFIT in Kenya tried to find a balanced approach to include some training to beneficiaries, as did RUFEP, while RUFIP II focused only on training of FSPs. The experience of PROFIT shows that combining financial services with capacity-building of farmers is a relevant approach, and the evaluation team noted some positive examples during its visits. However, in large parts the implementation of farmer trainings was delayed which decreased the effectiveness of technical assistance for beneficiaries. A key for success is appropriate timing of technical assistance to farmers and agro-enterprises, meaning that beneficiaries should receive training at the same time they access financial services.[24] In Zambia and Ethiopia, where such trainings were not envisaged in the project, there is a case for them to be either directly included in future projects or farmers can be facilitated in linking to government extension services. In fact, the impact evaluation report of PROFIT suggests that rather than work with private service providers only, the design of similar rural finance projects should embrace county agricultural extension officers, or support the village-based advisor model being promoted by AGRA. Secondly, county government officers dealing with agriculture and related sectors (e.g. trade, cooperatives, livestock) should be actively involved. This concept should extend to the social services to support a scaled-up FG.[25] These government officials at national and county levels can provide tailored technical and value chain-related trainings on a permanent basis, as well as ensure sustainable market and other linkages beyond future rural finance projects.

[22] Only in FG component, the creation of VSLAs and savings mobilization was part of project activities.
[23] In the microfinance sphere, death insurance for loan takers is common. Many FSPs automatically add between 1 and 2 per cent insurance premium to loan interest rate. However, these products are mostly intended to ensure the loan amount and, therefore, are rather a protection mechanism for the FSP rather than the client. This type of insurance is not included in this category on purpose.
[24] The highest impact can be achieved if farmers and agro-enterprises receive training either shortly before applying for credit (to help them prepare their business strategy and necessary documentation for loan applications) or shortly after they have secured funding to ensure an efficient implementation of their business ideas.
[25] PROFIT Impact Evaluation project report pg.80

Table 11:
Technical assistance to SMEs and farmers/farmer groups

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Business development	✓		
Market linkages	✓		
Linkages to FSPs	✓		
Financial education and literacy	✓		✓
Risk management and insurance	✓		
Governance	✓		

Source: PCE assessment based on project documents and field interviews

Key points

- All projects had similar target groups objectives and a national scope, resulting in greater outreach and less depth of impact.
- The impact pathways identified by each project had some commonalities and differences, mainly determined by models established by previous projects and by the diversity in the national rural finance contexts. PROFIT (Kenya) and RUFIP II (Ethiopia) were similar in that the majority of funds were devoted to lines of credit to FSPs, while RUFEP (Zambia) focused more on building capacities of FSPs.
- All projects worked through a broad range of FSPs, reflecting the rural finance context, and resulting in broad geographical outreach. PROFIT worked with commercial banks, microfinance banks and savings and credit cooperatives; RUFIP II worked with microfinance institutions and rural savings and credit cooperatives; RUFEP (worked with commercial banks, community-based financial institutions, and other private providers, for instance for digital banking.
- Technical assistance to FSPs was a key element of all three rural finance projects to achieve results and increase sustainability but faced several implementation challenges.
- Bringing financial services closer to the target group and to bridging the "last mile" remains a key challenge for all projects. In Zambia and Ethiopia, this outreach was essentially delegated to the FSPs, while in Kenya the project included some attempts to reach farmers who were traditionally excluded from financial services.
- The financial instruments used by the three projects differed significantly depending on the project's intervention strategy. In Kenya, PROFIT used the broadest range of financial instruments to test different approaches, ranging from credit guarantees to a line of credit, to incubation grants. In Zambia and Ethiopia, the projects focused on a single financial instrument, i.e. a line of subsidized credit in Ethiopia, and matching grants for innovation in Zambia.
- All projects aimed at increasing FSPs' range of financial products and services to better cater to the needs of agricultural households. In Zambia this was done through a combination of BSS and grants to FSPs, while in Ethiopia and Kenya it was a combination of BSS and loans through the projects' CF components.
- The projects differed in their inclusion of technical assistance to beneficiaries and links to non-financial services. It remains a challenge for rural finance projects to define the right level of technical assistance to beneficiaries.

V. Assessment and comparison of projects' performance

62. In this section, the main findings across the three projects are presented. The findings are based on comparative analysis of the projects in line with the evaluation questions and are organized by evaluation criteria (relevance, effectiveness, efficiency, impact, sustainability, gender equality and women's empowerment, and partner performance). The section focuses on key issues identified from reviewing the different projects (designs and implementation experiences), and their similarities and/or differences rather than presenting the findings on each project separately.

A. Relevance

63. This subsection first discusses the relevance of overall project strategies aimed at ultimately impacting on the rural poor through rural finance. This includes the clarity and coherence of project objectives, and the relevance of the target groups, overall strategies, and theories of change. This is followed by a discussion on the relevance of more specific interventions approaches to achieving improved access to non-financial and financial services.

A.1 Relevance of overall project design

64. **All three projects were relevant to the target groups' needs as they targeted weak areas of the countries' rural finance sector, while also aligning with government priorities**. All projects also strove to improve capacities in the financial sector, both in oversight government agencies and in the FSPs.

65. In the case of PROFIT, key bottlenecks in rural finance in Kenya were addressed by the project: a lack of affordable refinancing for FSPs; perceived high risk of agricultural lending;[26] and lack of capacities on both demand and supply sides. By tackling these issues, the project contributed to the Governments' objective to increase investment in agriculture.

66. In Zambia, RUFEP was designed to support the implementation of the sixth and seventh National Development Plan (6 and 7NDP). Of relevance for the programme are the National Financial Inclusion Strategy (NFIS) 2017–2022 and the National Financial Sector Development Policy. The programme aims to increase access and utilization of financial services and products through an innovative approach that addresses challenges at the macro, meso, and micro levels. RUFEP is aligned with the 2011 country strategic opportunities programmes' strategic objective on rural finance for IFAD and builds on the achievements of the previous rural finance programme (RFP). Its targeting approach has effectively reached remote areas and promoted inclusiveness among rural smallholder farmers.

67. In Ethiopia, RUFIP II had clear and relevant objectives which met the needs of the country and the target groups, and a reasonable theory of change. RUFIP II was the second phase of a previous rural finance project in Ethiopia, RUFIP I, and at the time of the evaluation, a third phase (RUFIP III) was in its inception stages. Through these projects, IFAD has accumulated strong experiences in rural finance and has aligned its interventions to the national priorities, specifically those outlined in Ethiopia's second Growth and Transformation Plan (GTP II). The evaluation found that the project design was internally coherent with a realistic theory of change, which aimed at addressing the challenges of the rural financial sector. The project correctly identified capacity limitations faced by RuSACCOs and MFIs and aimed to address them, while also increasing the supply of financial services in rural areas to meet the high demand. The intended time-sequencing of activities sought to ensure that RuSACCOs and MFIs receive the capacity development, including the establishment of management information systems, prior to receiving funds to disburse loans, as this would ensure that loans are better managed and the institutions are more sustainable. However, this often did not materialize as the disbursement of funds often preceded the capacity development activities. This was because procurement process of the capacity development services was slower than disbursement of funds and the project did not ensure the proper sequencing to maintain the pace of implementation and

[26] The perceived risk with agricultural lending does not necessarily translate into higher actual losses for FSPs compared to their normal lending portfolio. As an example, the risk sharing facility for the commercial bank involved in PROFIT Kenya was not called upon during project implementation, indicating that agricultural lending can be done without write-offs. Similarly, FSPs that were interviewed during the PCE's field visit generally indicated that write-off rates for agricultural loans were comparable to other business lines. Farmers sometimes had difficulties paying on time (leading to higher NPL ratios), but generally still repaid their loans, often during the subsequent harvest.

disbursement. In addition, funds originally allocated for capacity development were redirected to the line of credit component.

68. **Project design took into account lessons learned from previous interventions**. In Ethiopia and Zambia, the projects built on earlier rural finance projects, respectively RUFIP I and RFP, and the new projects adopted a similar approach and theory of change. In Kenya, there was not a dedicated rural finance project, but several projects with rural finance components, which informed the design of PROFIT. As a result, the designs of the different projects were well-suited to the national context and attempted to tackle the key challenges relevant at the time of inception.

69. **The complexity of project design, particularly in Kenya and Ethiopia, provided a major challenge for (PMUs) and resulted in delays in the start of project activities.** Interlinking various project components increased the relevance of projects, but also increased project management complexity, particularly related to sequencing of activities. For instance, PROFIT Kenya provided a credit guarantee to a DFI which provided wholesale lending to SACCOs; at the same time, technical assistance (TA) was provided to SACCOs for product development and TA was also provided to potential clients of these SACCOs in the cereals, dairy, livestock, and horticulture sectors. Unfortunately, due lack of efficient project management at the early stages of the project and subsequent delays in project implementation, the envisioned synergies between different project activities only materialized in a few cases.[27] This includes the lack of, for instance, existing guidelines and capacities within host institutions of the credit guarantee instrument. In the case of Zambia, the envisaged wholesale lending in partnership with the Development Bank of Zambia remains a pilot programme at the time of the evaluation and is intended to be realized after RUFEP's closure.

70. In Ethiopia, RUFIP II's approach, with multiple levels of intervention and several national institutions involved, led to several delays which limited some effectiveness aspects of the project, especially the capacity development activities. For instance, the improvement of management information systems in FSPs faced major delays due to confusion on roles and responsibilities and difficulties in procurement, which led to extending this activity for the entire project duration rather than being completed in year one as planned.

71. A major design challenge for PROFIT in Kenya was to set the boundaries for non-financial services for beneficiaries, as it was the only project which attempted direct engagement with beneficiary capacity development. A few key reasons farmers face difficulty to access finance are that they often are not well organized, lack knowledge on good agricultural practices, and are not well connected to markets. Rural finance projects often lack resources and the implementation structures to support farmers to overcome those difficulties in a significant way. The interventions planned for strengthening farmer groups within PROFIT at project start were limited to financial education and linkages to FSPs. However, during project implementation, the project partners realized that knowledge on agricultural practices and linkages to markets were indispensable to making farmers bankable. The TA package was changed to integrate those skill sets but because the activities had not been included during project planning, resources were limited.

72. **Climate finance has not featured prominently in the three projects but there is a clear need to incorporate this in future interventions**. Environmental and climate aspects did not feature prominently in the IFAD Rural

[27] For example, in some cases SACCOs had received product development training without having access to refinancing. Loans for value chain finance that were developed often required grace periods of several months to match the liquidity flows of the targeted value chain. However, without the access to refinance, SACCOs were not able to offer those credit products due to their limited liquidity, particularly for longer loan tenures and for loans with grace periods.

Finance Policy 2009; hence, projects did not include activities to develop and promote climate finance products. The focus across countries was rather on financial inclusion.

A.2 Relevance of the targeting strategies

73. **While relevance of the three projects was overall positive, targeting was a weak point in Kenya and Ethiopia as the projects did not make sufficient provisions to define targeting strategies and ensure monitoring of outreach.** Only the project in Zambia had a well-defined targeting approach and set measures in place to ensure that the target group would be reached by project services.[28] RUFEP integrated the targeting approach into partner selection. For the selection of strategic partnerships in component 1 a higher score was assigned if the partner operated in rural areas and prioritized the financial inclusion of women and youth. Furthermore, under component 2 (IOF), institutional partners were selected according to their rural outreach capacity (to ensure that all 10 provinces were covered in the project), and self-targeting was embedded in the grant proposal approval process where institutional partners had to provide details on how, and to what extent, they planned to engage with the communities in awareness, consultations and needs identification.

74. By contrast, RUFIP II in Ethiopia lacked a robust targeting strategy, as the project delegated the selection of beneficiaries to implementing FSPs, with limited guidance and monitoring of their outreach. The evaluation found no evidence of deliberate and systemized targeting as the selection of beneficiaries was delegated to implementing partners, who did not alter their usual business practices to reach the project's intended target group. However, the evaluation also noted that most of the MFIs and RuSACCOs already focused on small-scale agricultural household as their primary target group, therefore the project was able to reach small-scale farmers, but with no specific poverty focus. This is also evidenced by the fact that the average household income of MFI and RuSACCO clients was ETB 9,133, which was higher than the 2011 poverty line of ETB 3,781. On average, MFIs served a poorer segment of the population, with the average income of clients of US$1,062 compared to an average income of RuSACCO members of US$1,723 (IFAD, 2020). The project reported that women borrowers were around 45.9 per cent of total borrowers (just below the 50 per cent target), however this was mostly driven by the pre-existing outreach approach of MFIs, who already deliberately focused on women. The intended inclusion of women as FSP clients was not accompanied by deliberate efforts. Also, the project's midterm review report notes that women's participation is uneven across regions, again pointing to a limited targeting effort by the project.

75. In Kenya, PROFIT's project documents treat access to agricultural finance (or lack thereof) as a uniform challenge to rural actors, irrespective of loan purposes and loan tenures. However, agricultural traders had less difficulty to access short-term working capital loans[29] than farmers who needed short-term input loans or medium-term loans to establish plantations. This distinction in targeting (related to prioritizing those actors in value chains that had most difficulty accessing loans) was not made within the PROFIT-supported lines of credit. Thus, a clearer focus on disadvantaged groups in the agricultural sector may further improve relevance of projects (either defined by value chains, loan purposes or loan tenure). In Ethiopia, segmentation was relevant but to a lesser extent than in Kenya, as the types of agricultural activities were more uniform based on geographic areas—meaning that FSPs had better-suited products based on the needs of clients.

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[28] These findings are in line with the findings from the IOE Evaluation Synthesis Note on Targeting in IFAD-supported projects (IFAD, 2017).
[29] During the field mission, two interviewed traders indicated that they already had access to loans before the project had started and that they also continued to use other FSPs outside of the project to finance working capital needs.

76. **The lack of a well-articulated targeting approach in Ethiopia and Kenya was partially mitigated by the projects' use of a wide range of FSPs to target different segments of the rural population**. RUFIP II engaged with all of the 30 MFIs operating in Ethiopia[30], as well as with RuSACCOs as these provided the entry point to rural areas and links to smallholder farmers. PROFIT Kenya used a wide target group definition. To reach such a wide range of stakeholders in agricultural value chains, from primary producers to traders and to agroprocessors, it was necessary to work with different FSPs, for example, with commercial banks and MFBs to reach larger traders; and SMEs, MFIs and SACCOs to reach farmers and smaller traders. In addition, it is critical to use village-based semi-formal structures, such as village loans and savings associations to reach the ultra-poor (as witnessed within the FG component). Similarly, even though RUFEP also targeted a wide range of stakeholders nationwide, the specific geographical area reached depended on the outreach of the financial institutions and service providers utilized. RUFEP worked with 48 implementing partners and signed 55 grant agreements for project interventions: 14 under the CBFIs linkages; 28 under agency and mobile banking; and 13 under rural finance equity and innovation.

Key points

- All three projects were relevant to the target groups' needs as they targeted weak areas of the countries' rural finance sector, while also aligning with government priorities. These included the capacity constraints of several financial service providers and their lack of affordable financing, as well as sustained demand for financial services in rural areas.
- The complexity of project design, particularly in Kenya and Ethiopia, provided a major challenge for PMUs and resulted in delays to the start of project activities. The difficulty was that these projects aimed to include multiple government agencies, private sector actors and community organization, with different interlinked activities.
- PROFIT, in Kenya, was the only project that attempted direct engagement with beneficiary capacity development, which proved relevant but challenging in its implementation.
- Only the project in Zambia had a well-defined targeting approach and integrated targeting as a key component in the partner selection process to ensure that the target group would be reached by project services. In Kenya and Ethiopia, the lack of a clear targeting approach was partially mitigated by the projects' use of a wide range of FSPs to attempt to target different segments of the rural population.

B. Effectiveness

B.1 Effectiveness on institutional development at micro level (FSPs)

77. This section will present the key results of each project, first at micro level followed by meso and macro levels.

78. The overall effectiveness of the three projects was positive as most of the targets were achieved and there are clear results in terms of increased access to financial services and, to an extent, better capacities in the financial sector. The MFIs and RuSACCOs have expanded their client base, thereby increasing the supply of credit to rural households. Significant results were also achieved in the regulatory and policy domains.

Table 12:
Overview of key project achievements

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Project title	Programme for Rural Outreach of Financial Innovations and Technologies	Rural Financial Intermediation Programme II	Rural Finance Expansion Programme

[30] The project engaged with all MFIs, even though ultimately a working partnership was established with only 19 of those MFIs.

	PROFIT Kenya	*RUFIP II Ethiopia*	*RUFEP Zambia*
Years	8.5	9.0	8.0
Actual expenditure (United States dollars in millions)	91.0	169.5	26.3
Reported number of beneficiaries (% female)	*441,091 (53%)*	*14,202,645 (45%)*	*643,449 (54.7%)*
Micro level			
Risk Sharing Facility	Provided credit guarantees to two commercial banks, leveraging 4.8 times the investment, for on lending to microfinance banks and SACCOs	Not present	Not present
Credit Facility	Provided US$6 million in credit to microfinance banks for on lending to clients	Provided US$35 million to microfinance institutions and RuSACCOs for on lending to clients	Not present
Financial graduation and Beneficiary training	Reached 2,506 ultra-poor households with financial Training, promotion of savings and business support services 24,942 farmers trained on horticulture and dairy value chains	Not present	Not present
Technical assistance to FSPs	Trainings to 283 small and medium-sized enterprises, 24,942 farmers, and 50 SACCOs	Trainings to 3,261 FSP staff, of which 441 were RuSACCO staff	Provided matching grants, combined with technical assistance to 48 implementing partners, with an ultimate outreach of 643,449 beneficiaries (54.7% women)
Grants to FSPs	Not present	Not present	
Meso and macro levels			
Policy and regulatory support	Not present	Several new policies and strategies within the National Bank of Ethiopia. Strengthening of the Federal Cooperatives Agency resulting in higher audit coverage of RuSACCOs	Several policy and regulatory documents produced, including on financial education and regulation of fintechs.

Source: Project reports and evaluation interviews

79. **The assessment of the actual number of beneficiaries reached is hampered by a lack of differentiation in FSP data between new clients and returning clients.** In the monitoring systems of the assessed projects, each service provided—e.g. each loan disbursed—was counted as reaching one new beneficiary. However, over the course of the multi-year projects it is highly likely that the same beneficiary accessed the same service multiple times, for example, by taking a crop loan at the beginning of each season. This implies that the actual number of beneficiaries would be smaller than what has been recorded in the projects' monitoring systems as it treated repeat beneficiaries as new beneficiaries.

Kenya

80. **PROFIT had a difficult inception phase, was classified as a problem project, and took around six years to become fully operational. Following this phase and revised targets, the project managed to meet most of its targets.** At the initial design in 2010, PROFIT was expected to reach over 800,000 beneficiaries. The project was, however, temporarily stopped in 2015 and classified

as a problem project. In 2016, following an agreement between the Government of Kenya and IFAD, the project restarted and extended to 2019. The targets were revised downwards to 287,750 beneficiaries but the same target groups were retained. At project closure in 2019, most of the revised outputs of the subcomponents had been achieved. Considering that some project activities, such as the RSF, were new concepts for a collaboration between IFAD and the National Treasury, a more conservative target may have been more appropriate. In addition, within its CF component the project had allocated US$7.5 million to reach 135,000 beneficiaries. Assuming average loan sizes of several hundred United States dollars per farmer, it is not clear how such a number could have been reached through a non-revolving credit facility.[31] Furthermore, due to design flaws and implementation challenges, PROFIT Kenya implemented each of its different components (RSF, CF, TA for MFBs, TA for SACCOs and TA for farmers) in isolation. Therefore, while the project was able to achieve (or partly achieve) its objectives within each component,[32] the project was not able to track how strongly the results from the different components were interlinked. For example, two TSPs provided trainings to a total of 24,942 smallholder farmers (75 per cent of the targeted 33,350 farmers) but there are no records of how many of these farmers benefited from other project activities, such as the RSF or the CF.[33] However, evidence collected by the PCE mission team suggests that in a majority of cases no cross-linkages exist.[34]

Box 3
PROFIT Risk Sharing and Credit Facilities

Under the Risk Sharing Facility, PROFIT provided credit guarantees to two banks, AFC and ABSA, against which they leveraged 4.8 times almost meeting the targeted leverage ratio of 5.0. The AFC leverage ratio (6.4) was higher than that of ABSA (2.9). The AFC disbursed loans under the RSF to two MFBs and four SACCOs to the benefit of 32,159 borrowers and 14,900 borrowers, respectively. Moreover, 1,023 small and medium-sized enterprises (Anchors) conducted business with 64,504 smallholder farmers. ABSA disbursed loans to medium-sized (68 per cent) and large (32 per cent) businesses with an outreach to 41,631 indirect beneficiaries.35 AFC's Portfolio at Risk was reported to be within the project target at 9 per cent, while Barclays Bank of Kenya reported maintaining its Portfolio at Risk of 0 per cent.36

Under the CF, PROFIT provided US$6 million in credit to four MFBs (KWFT, FAULU, SMEP and RAFIKI) against which each of the banks was to leverage a ratio of 5.0. The CF leverage ratio by end of project was 5.1 with KWFT at (13.3), FAULU (1.7) and SMEP and RAFIKI at (0.2), respectively. The number of clients reached under the CF was 272,346 smallholder farmers and agricultural enterprises of which 164,449 were direct FSP clients (64 per cent) and 107,897 indirect beneficiaries (36 per cent) against the revised target of 135,000 beneficiaries.37

81. **In PROFIT, technical assistance to FSPs and beneficiaries was a key element to achieve results and increase sustainability.** PROFIT's design and implementation included technical support services with two subcomponents: (i) business support services with an allocation of US$5.439 million; and (ii) financial graduation, with an allocation of US$5.439 million, including an IFAD grant of US$557,000. The BSS activities were implemented by contracted and competitively

[31] One of the interviewed MFB indicated the range of loans from US$250 to US$815 with an average of US$550. For the banking sector, loan sizes to agriculture were significantly higher: more than US$5,000 in 2010 at the start of the project (according to Central Bank of Kenya).
[32] This refers to the project targets that were revised during the midterm review in 2014.
[33] The original project concept was that farmers who benefitted from trainings would be able to access financial services from project supported FSPs.
[34] On one hand, clients from SACCOs or MFBs indicated that they had received no training from the project. On the other hand, farmers that had received training from the project had not been able to develop their businesses into creditworthy projects that applied for funding from project-supported FSPs.
[35] Impact Assessment of the Government of Kenya/IFAD PROFIT
[36] Impact Assessment of the Government of Kenya/IFAD PROFIT
[37] PROFIT PCR Report

selected service providers, each of them allocated different regions of the country and specific partners to support. Within the BSS component, four TSPs were contracted to support capacity development of participating financial service providers to increase the flow of funds to the agriculture sector, including: Fineline Systems (Barclays bank and SMEP); BDO East Africa (AFC, FAULU MFB); Deloitte (RAFIKI); and CNANEE/Metropol (KWFT MFB). In addition, five TSPs were contracted to build the capacity of beneficiaries: Fineline Systems (SMEs in Western Kenya); Deloitte: (SMEs in Eastern, Central and Western Kenya); LDA (smallholder dairy and horticulture producers); SNV (smallholder livestock producers); and CCIA (SACCOs). The implementation of BSS was, however, delayed by six years and came at the tail end— two years before the project closed. However, in spite of this delay, Deloitte and Fineline supported 283 SMEs (94 per cent of the targeted 300 SMEs), and LDA and SNV reached 24,942 (75 per cent of the targeted 33,350 smallholder farmers).

82. The FG was pilot-tested under subcomponent 2:2 in two counties and managed by BRAC-USA. The two implementing agencies were CARE and BOMA in Kitui and Samburu counties respectively. The target group for the FG was the ultra-poor (vulnerable women and youth) in both locations. The FG support was a mix of small business start-up grants, technical assistance for the formation and support of VSLA, and mentorship to graduate the participants out of poverty. The FG component resulted in 2,506 ultra-poor beneficiaries graduating. About 72 per cent of the beneficiaries (68 per cent BOMA; 79 per cent CARE) started a livestock business, whereas 28 per cent (32 per cent BOMA; 21 per cent CARE) engaged in non-livestock businesses, including running kiosks, bead making, grain trade, water vending, salon and barbershop. The project completion report (PCR) field visits, however, noted that a few of the BOMA beneficiaries engaged in bar/alcohol sales and petrol sales in jerrycans which did not fit well in PROFIT’s choice of enterprises as primary businesses.[38]

Ethiopia

83. **RUFIP II was successful to reduce the cost of funding for FSPs, while increasing their access to refinance and, to a lesser extent, to strengthen capacities and efficiency of FSPs and national institutions.** MFIs and RuSACCOs are the two formal institutions in the Ethiopian rural finance sector providing financial services to the rural areas and were, therefore, identified as the channels through which RUFIP II would reach clients, following the same approach as RUFIP I. The credit line activities (component 3 – incremental credit) accounted for 87 per cent of total programme cost, the majority of which was for MFIs. The target was to increase MFIs’ savings to ETB 18.9 billion (US$352 million) and loan portfolio to ETB 30.9 billion (US$576 million). This was overachieved as the savings volume reached 317 per cent of the target and the loan portfolio reached 151 per cent of the target. With RuSACCOs, the component planned to increase the savings and loan portfolio of cooperatives to ETB 2.2 billion and ETB 2.7 billion, respectively. These targets were also overachieved as the savings and loan portfolios of RuSACCOs overshot their target by 178 per cent for savings and 293 per cent for the loan portfolio.

84. RUFIP II’s strategy was built on the same model as the project’s first phase and based on continued unmet demand for financial services in rural areas and the agricultural potential of smallholder farmers. These funds were provided at below-market interest rates, with no specific requirements on the loan conditions that FSPs should apply to clients, resulting in them charging market interest rates to clients. Disbursement of credit line funds exceeded its targets, confirming the capacity of FSPs to absorb and distribute credit; however, the project had limited targeting leverage over the FSPs and very limited monitoring arrangements on key

[38] PROFIT PCR Report Para 22, pg.43

indicators, such as the number of clients, loan sizes, loan performance and loan utilization.

85. At the time of RUFIP II design there were 30 active MFIs in Ethiopia, which had over 90 per cent market share for loan services in rural areas, with average loan size of ETB 2,165 (around US$40) in 2009. MFIs reported there was demand for larger loan sizes, but the limited funds and ambitions for a larger consumer base kept loan size small. MFIs also had a high rate of operational self-sufficiency (23 out of 30 had over 100 per cent operational self-sufficiency, while for others, data was lacking), and loan loss ratio of less than 1 per cent. As such, MFIs were identified as the channel with greater capacity to absorb and disburse credit to rural areas, hence the project has invested around 86 per cent of its credit line component to them. In this regard, the project achieved its goals in expanding the scale of MFI services. RuSACCOs are smaller than MFIs and are rooted in specific communities or districts. There were an estimated 4,500 RuSACCOs at project design, serving an estimated 320,000 individual members with savings schemes and an average loan size of ETB 1,581 (US$30).

86. **In RUFIP II technical assistance was generally effective but did not sufficiently tailor the training content based on capacities of trainees.** In RUFIP II, the technical assistance for FSPs was divided into two streams, one for MFIs, for which the main partner was the Association of Ethiopian Microfinance Institutions (AEMFI) and one for RuSACCOs, for which the main partner was the FCA. The start of the training was delayed, initially due to misunderstandings around the role of the apex institution—AEMFI, which had, both, the role of a service provider for the trainings and assessor of bids for other trainings providers. Following recommendations from supervision missions and clarifications with the PMU, the mandate for trainings was clarified and AEMFI was given the sole role to provide trainings to MFIs, while FCA would cover RuSACCOs. Following this, the procurement for consultants to deliver individual trainings also was delayed by a misunderstanding between PMU and IFAD regarding procurement leading to lengthy no-objection processes. Monitoring data on the trainings is not well compiled and disaggregated, and limited triangulation was possible by the evaluation. The project reports that 3,261 people were trained, of which FCA trained 441 RuSACCO staff, including board members, bookkeepers and promoters. The trainings were perceived by evaluation interviewees as useful, despite the delays. However, they reported that it was mainly tailored to the needs of new staff rather than more experienced staff.

Zambia

87. **In Zambia, RUFEP's approach of fostering innovation was effective in reaching out to a large number of rural households**. Under the Innovation Outreach Facility, RUFEP provided matching grants to 48 implementing partners through three windows: (1) CBFI linkages; (2) agency and mobile banking; and (3) rural finance equity and innovations. The most popular window was agency and mobile banking with 51 per cent of all financed projects; CBFI linkages and finance equity and innovation windows had 25 per cent and 23 per cent, respectively. The projects were being implemented in all 10 provinces of Zambia. Through the IOF, 643,449 rural clients (54.7 per cent women and 45.3 per cent men) had received access to finance through RUFEP initiatives against a revised end target of 500,000.

88. **Technical assistance was a vital component of RUFEP's approach to strengthen the financial sector at large.** At project design it was planned that it shall only be procured on a needs basis using competitive selection and contracting. TA was deployed to strengthen partner institutions' capacity to enhance their contributions to the framework conditions for rural financial sector growth and outreach. The program required a variety of TA, some of which were not locally available and, hence, were procured internationally. At a later stage local

TA was obtained. In order not to slow down the implementation, a pre-qualification system was deployed.

89. Implementing partners were providing technical support to the CBFIs by using their own technical expertise or engaging consultants. However, as required digital technology skills were scarce locally, they relied on international consultants. Due to the COVID-19 pandemic such consultants could not travel to Zambia, hence delayed implementation of activities. TA was also sought in agriculture value chain investment, strategies design, market assessments, and product development, as well as other technical assistance required to improve wholesale lending.

90. **In RUFEP, developing a pipeline for grant investments for innovations at the micro level was a time-consuming process.** In Zambia the implementation of the IOF began slowly, but picked up speed towards the end of the project (with its peak by the end of 2018). By the midterm review, RUFEP had only signed 29 grant agreements with implementing partners. However, during the PCE mission, the team observed that the number of grants signed had increased to almost 48. While this showed progress, it was significantly lower than the expected number of 72 grants signed. The main reason for this was that overall timeframe for agreeing on MoUs was underestimated and it took longer than expected to reach agreements with implementing partners. Also, the upper ceiling for grant amount was increased during implementation, thereby reducing the number of implementing partners who were able to access grant funding.

91. **In all projects the selection of appropriate implementing partners and FSPs impacted positively on achievement of results.** For example, in Ethiopia the selection of the main implementing partners and FSPs by the project was appropriate, given their focus on development objectives and their established operations. The main implementing partners (DBE, NBE, AEMFI, FCA) are the major players in their respective domains within the financial sector and were the natural choice for IFAD to partner with. At downstream level, the selection of MFIs and RuSACCOs was also highly appropriate, as they had already established a network of operations in rural areas and, in most cases, a development and inclusive approach to their operations. This selection was key to the overall effectiveness of the project. The project did not make any attempt to use fintech or other digital banking tools, due to the limited capacity and digitalization of the existing FSPs.

92. In Kenya, PROFIT identified MFBs as institutions with good presence in rural areas but lacked access to sustainable funding. Provision of a credit facility and further creation of linkages and partnerships between MFIs and banks could increase the flow of wholesale funds to the agricultural sector and rural areas. SACCOs on the other hand serve large numbers of people in the high and medium-potential areas of rural Kenya. However, their organizational and governance structures were yet to be modernized. PROFIT identified the need for technical support to help strengthen selected rural SACCOs in key areas of governance, management and business development capacity to support smallholder farmers in agriculture value chain financing. PROFIT worked through a broad range of these three types of FSPs, but with different levels of intensity. The main intervention approach was to support extension of agricultural credit, both through a credit guarantee for one commercial bank (ABSA) and one agricultural development bank (AFC), and a CF for four MFBs (KWFT, FAULU, SMEP and RAFIKI). The FSPs involved in the Credit Guarantee Scheme provided financial products either directly to traders and SMEs that purchased agricultural produce from smallholder farmers and/or farmer groups; or indirectly to other FSPs, such as MFIs and SACCOs, that on-lent the funds to smallholder farmers.

93. In Zambia, micro-level institutions have been very effective in testing and rolling out financial products/services, and delivery mechanisms for rural areas and

agriculture. For example, RUFEP reached a total of 612,325 individuals,[39] largely due to the IOF. The first grant window focused on CBFIs with formal financial institutions and exceeded its contract target by 37 per cent. Although the matching grants provided to CBFIs have helped to strengthen these institutions and link them to financial services, there is still room for improvement in terms of ensuring total linkages. The project has been successful in increasing the number of people in rural areas accessing financial services, with 79 per cent of CBFIs being linked to FSPs. However, the goal of fully achieving this has not yet been reached. The number of CBFIs that have started using at least one new financial product or service have also increased, and new financial products, services, and delivery models have been piloted and tested. These innovations, specifically targeted at rural clients, have been rolled out or expanded as part of the project's efforts to improve financial inclusion in these areas.

94. **In all projects there was a much stronger emphasis on quantitative outreach than on quality of services**. Across the projects, increasing the number of rural households that were able to access rural financial services was the key metric for assessing effectiveness. However, the quality of services and consumer protection aspects did not feature prominently in monitoring and reporting. For example, the full cost of loans is often misrepresented because interest rates are sometimes stated in yearly and monthly rates, flat or reducing balance, etc.[40], making it difficult for farmers to make an informed decision about which rural financial services to access (and to choose between competitors). Some products, such as the currently very popular mobile phone emergency loans, carry very high interest rates; for example, in Kenya such loans may carry annualized interest rates of over 100 per cent. In Zambia, a limited focus on and attention to the necessary attitudinal changes limited the programme's effectiveness. This is a significant weakness as attitudinal change is often a key factor for successful adoption and use of financial services. The PCE team observed that agent banking has not been as effective as anticipated. While agents have been placed in rural areas by FSPs and mobile network operators, and 10,438 new accounts have been opened,[41] most of them are experiencing low customers traffic.

95. **In Kenya and Ethiopia, benefits at the level of FSPs were not passed on sufficiently to clients**. In Kenya, MFBs received a line of credit at 5 per cent interest rate; their lending rates are between 14 and 23 per cent flat (which corresponds to 25 to 40 per cent on reducing balance).[42] Even when considering that other sources of funds, in particular time deposits, were significantly costlier than project funds, the net interest rate margin was still very beneficial to MFBs. If some of that interest rate margin had been used for the benefit of farmers, the impact of the project would have been higher; for example, FSPs could have reduced interest rates or provided additional services to farmers (e.g. access to advisory services or similar). Similarly, in Ethiopia, FSPs were receiving project funds through DBE at 8 per cent interest rate, with lending rates for clients ranging between 15 and 24 per cent. The FSPs claimed that these high margins were due to the high transaction and monitoring costs associated with small loan size, physical distance of clients and significant time spent informing and explaining products to clients. In addition, the farmers interviewed by the evaluation team did not perceive interest rates as too high and did not complain about their ability to

[39] At the design stage, it was estimated that up to 140,000 households would benefit from one or more initiatives. As the project had significantly over-achieved its targets, the targets were first revised to 300,000 and subsequently to 500,000 households.

[40] Furthermore, processing and other administrative fees are not included in information materials for clients, even though this additional cost can be significant.

[41] The target of 100,000 accounts has not been reached (actual number is only 10.5% of target figure). The low number of accounts from branches and agents is compensated by a high number of mobile money users (396,962) which is 126% of the target figure.

[42] These are just the interest rates. Often a processing fee of 1% is added as well as credit-life insurance of 1 to 2% is added to the interest rate, making loans even more expensive.

repay; rather, they lamented the restrictions that FSPs were placing on loan sizes. Most farmers noted the potential to borrow and repay larger amounts, but this was not possible given the FSPs policies.

B.2 Effectiveness at meso and macro levels: financial infrastructure (meso), and policy and regulatory levels (macro).

Ethiopia

96. **At the meso and macro levels, RUFIP II made several contributions to the regulatory framework and enabling environment for MFIs.** As reported by the PCR, RUFIP II contributed to the following products within the National Bank of Ethiopia: i) a new merger, acquisition and liquidation policy guidelines and manuals issued by NBE; ii) a microinsurance directive for MFIs; iii) revised Proclamation No. 626/2009 on Banking Supervision to incorporate elements specific for diaspora inclusion, application of Islamic banking and consumer protection; and iv) financial inclusion strategy and the directive on lease financing. The evaluation noted that the risk-based supervision approach and the offsite surveillance system were particularly useful for NBE to manage and monitor; and to increase the number of MFIs with limited human resources, contributing to increased financial sector stability. NBE also noted that the World Bank is an active player in several policy areas and many IFAD activities were complementary.

97. **RUFIP II made significant contributions to rural cooperatives' enabling and regulatory environment.** During RUFIP II a separate code for rural financial cooperatives including an audit framework was implemented during the project. This has led to an increase in the number of audited RuSACCOs, however, there are still inadequacies with the number of auditors. For instance, the project aimed at increasing FCA's audit coverage of RuSACCOs to 5,500 per year, however, in 2019 this remained at 58.3 per cent. Nevertheless, the increase in audits contributes to more stability of the RuSACCO sector. Also developed with support of RUFIP II is a manual on Islamic Banking, which is being piloted in Oromia region. If the pilot is successful, the manual will be used to develop a proclamation. In addition, several cooperative directives were reviewed, and these are being implemented by different types of cooperatives (there are over 20 types of cooperatives in Ethiopia including RuSACCOs).

Zambia

98. **In Zambia, RUFEP assisted macro-level partners to create an enabling policy environment for improving financial inclusion in rural areas**. For instance, the rural finance unit worked on updating the policy framework for the Rural Finance Policy and Strategy in 2021 and collaborated with the Ministry of Finance and National Planning's Financial Sector Policies and Management Unit to develop financial education materials (covering primary grades 1 to 7; junior secondary grades 8 to 9; and secondary grades 10 to 12). In 2022, the rural finance unit held stakeholder consultative meetings in Eastern, North-Western and Southern Provinces to review the Rural Finance Policy and Strategy RFPS. Two times it also held a National Consultative Meeting on Rural Finance and engaged with various stakeholders to promote financial inclusion in rural areas.[43] In addition, the unit conducted pre-testing of national financial education materials in North-Western Province to embed financial education in students' curriculum. Lastly, the introduction of the quarterly financial inclusion survey is another notable achievement by the rural finance unit as this has enabled the frequent collection of statistics related to financial inclusion which are used for M&E purposes and to inform the Government's policy decisions. The results that have so far been obtained from the survey depict an upward trend in the rate of rural financial

[43] Second National Consultative Meeting on Rural Finance from 24th–25th November 2021, under the theme: "Making Markets Work for Rural and Agricultural Finance in the Wake of the COVID-19 Pandemic." The meeting brought together key stakeholders in the rural and agricultural finance subsector to discuss ways to make financing to this sector more effective and resilient to help uplift the economic well-being of the rural people in Zambia, amidst the COVID-19 pandemic.

inclusion and this can be partly attributed to the work being done by the rural finance unit.

99. **At the regulatory level, Bank of Zambia developed Regulatory Sandbox Guidelines for fintechs and issued a regulatory sandbox approach to guide the assessment of new and existing innovations**. These regulations helped to ensure that stakeholders were able to develop and introduce innovations, for example, in mobile banking. Also, as a result of its strategic partnership with RUFEP, Bank of Zambia has issued Agent Banking Directives[44] which provide clear regulatory guidelines for 5,188 mobile and bank agents that have been supported through RUFEP's IOF. [45]

100. **Many meso-level institutions faced challenges in achieving financial inclusion outcomes in Zambia**. SaveNet, Association of Microfinance Institutions of Zambia (AMIZ), and Development Bank of Zambia (DBZ) all faced challenges that hindered their effectiveness, particularly in rural areas. AMIZ has been unsuccessful and is likely not to fulfil all deliverables in the MoU due to a number of reasons, including low institutional capacity (skills, systems), high operating costs, high default rates, high cost of funds, and an unstable economic environment. Related to this, financial contributions by member MFIs to AMIZ have not been sufficient to sustain the association, hence it has depended on donor funding. SaveNet was unable to effectively achieve its objectives due to several issues, including structural failure, and understaffing and inadequate resources. DBZ had yet to implement a wholesale lending/value chain financing product for MFIs and FSPs. These challenges hindered the institutions' ability to effectively contribute to the goal of improving financial inclusion in Zambia.

101. On a more positive note, at the meso level, the Patents and Companies Registration Agency (PACRA) provided support for the registration of CBFIs through its centralized structure. This registration facilitated the opening of bank accounts by CBFIs in districts where bank linkage is being promoted. Field trips conducted by the IOE mission team found that many groups in the field had obtained PACRA registration due to its proximity and cost-effectiveness.

102. **Only the project in Zambia focused on fostering innovative products and outreach strategies, while the two other projects chose rather traditional approaches for the provision of rural financial services.** In Zambia, the key strategic element of the project was the IOF, which provided assistance to FSPs to develop and test innovative approaches for financial inclusion. Different outreach models—such as agent banking, mobile banking, or linkage banking—were applied by RUFEP-supported FSPs. The total outreach of 595,750 households showcased the efficiency and impact on financial inclusion that can be achieved through such innovative approaches. In Kenya, the project had originally foreseen a rural finance outreach and innovation subcomponent; however, it was never implemented. Therefore, the project mostly worked based on well-known approaches in rural finance. Some of the participating FSPs piloted innovative outreach approaches—such as agent or mobile banking—during project implementation based on their own initiative, not with the support of PROFIT. PROFIT assisted FSPs through technical assistance to develop new financial products; however, they were mainly agricultural loans for specific value chains that factored in cropping cycles, etc. of those value chains but they had very few innovative elements. Similarly, RUFIP II in Ethiopia built the capacity of MFIs and RuSACCOs to develop financial services, particularly by tailoring products to the specific needs of agricultural households (for examples, with repayment schedules that are aligned to the seasonality of different agricultural practices). However, no innovations were introduced that

[44] Directives, Gazette Notice No.1476 of 2022 under the Banking and Financial Services Act of 2017 and the National Payment Systems Act, 2007.
[45] The regulation, obviously, apply to all mobile money agents in Zambia which currently number over 100,000.

could help to overcome some of the pertinent challenges of rural finance, for example, the high cost of FSPs operating in rural areas.

Key points

- All projects achieved most of the targets, although with delays, and in the case of PROFIT, temporarily marked as a problem project.
- The main achievements are the increased number of individuals benefiting from access to financial services as a result of stronger capacities of FSPs, and, in Kenya and Ethiopia, a greater supply of credit.
- The choice of FSPs by the projects was conducive to their achievements.
- Benefits at the level of FSPs were not sufficiently passed on to clients. FSPs benefited from subsidized credit in Ethiopia and Kenya, and significant capacity development in Zambia. While this has enabled them to reach more clients, it has not resulted in more favourable interest rates for clients.

C. Efficiency

103. This section presents key findings on efficiency by analysing the projects' different strategies to transform inputs into increased access to financial services. The projects adopted different strategies and approaches, and while there is no consistent metric to compare these, and an overall assessment is difficult, the evaluation noted some of the advantages and disadvantages of each. For instance, approaches such as credit guarantees implemented in Kenya are an efficient way to use project funds to leverage private funds from FSPs to increase the supply of credit. On the other hand, approaches, such as FG, which target the ultra-poor are inefficient in terms of input-output but can be highly impactful.

104. **Credit guarantees (implemented only in Kenya PROFIT) were an efficient financial instrument to attract FSPs to agricultural lending in general or to specific subsegments in the agricultural sector.** The RSF managed to leverage US$32.9 million with an investment of US$6.9 million (IFAD, 2020). The achieved leverage effect of 4.7 was an efficient use of resources. One commercial bank used the RSF to enter agricultural lending. A development finance institution which had already been active in agricultural lending was able to expand its product range by introducing refinancing lines for MFIs and SACCOs. In both cases, the RSF was an important element to convince senior management of those institutions to expand their footprint in rural areas.

105. **In Kenya, both MFBs and SACCOs were efficient channels to increase access to finance by rural households.** During the initial project stage when the CF component was implemented, MFBs—which were the only type of institution involved in the CF—had a competitive edge over SACCOs; the average operational efficiency ratio in the MFB sector stood at 0.25 which is considered good in international benchmarking (King'ori, Kioko, & Shikumo, 2017). Since the implementation of the RSF component in 2016[46], SACCOs' portfolios grew at a much faster pace compared to those of MFBs (Tiriongo, 2019); the operating expense to total assets ratio for SACCOs was 5.44 per cent and further improved to 4.75 per cent in 2019, according to the SACCO Societies Regulatory Authority. Both MFBs and SACCOs have demonstrated their ability to serve customers in rural areas efficiently. It is beneficial to have both types of institutions in rural areas. SACCOs tend to be the preferred source of credit (according to the 2015/16 Kenya Integrated Household Budget Survey), due to lower interest rates as well as easier procedures. MFBs have a competitive edge for larger loan tickets and for their broader spectrum of financial services.

106. **Providing finance to agroprocessors was a more efficient way to benefit smallholder farmers compared to finance for marketing.** In Kenya,

[46] Implementation of the RSF began in 2016. AFC channelled parts of the RSF through SACCOs. SACCOs were also recipients of technical assistance during the later stages of PROFIT.

processors in agricultural value chains that were supported by the project, had an intrinsic motivation to ensure that farmers delivered quality produce on time (to ensure optimal use of their facilities). Therefore, they often provide services to farmers, such as input credit, access to quality inputs, and access to technical advice. Furthermore, some SMEs have a significant outreach: for example, one macadamia factory had linkages to over 10,000 smallholder farmers. On the other hand, while traders are important stakeholders in many value chains and they buy produce from many farmers, they do not obtain additional services from them and primarily aim to buy from farmers at the lowest possible price.[47] In addition, during interviews with the PCE mission, agricultural traders indicated that they were generally not credit-constrained as they were able to secure multiple loans from different financial institutions; even without PROFIT interventions, these traders would have been able to secure external funding.

107. **Provision of technical assistance (TA) to farmers and agri-business require significant investment but, if done right, is instrumental in achieving results**. In Kenya, US$6.1 million was spent to reach 25,000 beneficiaries at an average cost of US$244 per farmer (National Treasury, 2020). As mentioned earlier in this report, there were a number of cases where TA to agricultural enterprises was not interlinked to other components of the project and impact was rather limited. However, there were also positive examples in which TA was interlinked to other (financial) components. One such example is that of a bean processor who received six months of advisory support for business development which enabled the business to grow from 3,000 suppliers of beans and other product to over 30,000 farmers.

108. **The Financial Graduation component of PROFIT Kenya which worked with ultra-poor beneficiaries had a comparatively high cost per beneficiary, but more indirect approaches would not have achieved the same results.** Beneficiaries reached through the FG component were not reached by any financial institution prior to project implementation, not even community-based organizations. The project provided sustained capacity-building, support for village loans and savings associations formation, and start-up grants to enable beneficiaries to participate in rural economic activities. An indirect approach, for example, through credit lines at a local SACCO, would not have benefitted the ultra-poor target group as they had been economically and financially excluded. Therefore, a comparatively high investment was justified (US$6.1 million to reach 2,600 beneficiary households at an average cost of US$2,346) because there was a clear pro-poor focus within the FG component of the project.

109. **Training of trainers was common across projects but had mixed results in reaching large number of beneficiaries with financial and non-financial services.** In Kenya, PROFIT reached 25,000 beneficiaries through its various trainings. Reaching so many beneficiaries was possible through a training of trainers multiplication effect, whereby the project trained lead farmers or heads of farmer groups which, in turn, provided trainings to other farmers. However, the depth of the trainings provided (or the knowledge that reached farmers through farmer-trainers) remained limited in cases observed by the PCE mission team. The PROFIT Completion Report also indicates that some beneficiaries had received just one training day to cover six subject matters related to financial planning and management, human resources and marketing. Projects face a key challenge in deciding whether to attempt to reach large number of farmers with limited trainings or working with smaller number of farmers in a more in depth and sustained way. In Ethiopia, there are no reported figures on the full outreach of trainer of trainers, however the delays in implementing trainings and their limited diversification based on the skill level of trainees, is likely to have resulted in limited impact. In Zambia, despite effectively organizing training for agents, some

[47] Without any value addition, traders' profit margins derive from the difference of farmgate prices and prices at the market.

financial service providers were unable to fully equip programme beneficiaries with basic financial education, as observed by the mission team. Financial agents were not in all cases well-suited to pass on financial education to beneficiaries, for example, because they lacked literacy skills themselves. Other issues related to the procurement of the capacity-building initiatives, due to poor communication and misunderstandings in Ethiopia between the PMU and AEMFI, and also due to lengthy "no objection" approvals between the PMU and IFAD.

110. **Innovation facilities are efficient instruments to both leverage private sector funds and to foster new approaches that can reach large numbers of rural clients.** Unfortunately, the planned innovation facility in PROFIT Kenya never materialized.[48] However, the IOF example from Zambia shows that with an investment of US$9 million a large number of innovation projects can be financed, and significant private sector money can be mobilized (up to 40 per cent cost participation by implementing partners). Innovations supported by the project led to an increase of 10,438 in accounts with banks and their agents, while registered mobile money users increased by 396,962. This puts the acquisition cost for each new client at only US$22.

Key points

- The three projects had very different intervention approaches and tools to reach similar objectives. Activities introduced by PROFIT in Kenya, such as credit guarantees, non-financial services, and targeting of the ultra-poor can provide relevant models, if implemented effectively.
- Approaches beyond the provision of lines of credit/refinance, such as credit guarantees or matching grants for innovation, offer opportunities to leverage project funds and an efficient use of available financial resources.
- In all projects Training of Trainers activities faced challenges in their implementation, making them a less desirable approach.

D. Impact

111. **Overall impact of the three projects is positive, however data was only available for two of the projects**. At the time of the evaluation, impact assessments were only available for the projects in Kenya and Ethiopia, not for Zambia. Where impact data was available, programmes showed significant impact on poverty alleviation, asset accumulation, and food security. Based on the impact assessment in Ethiopia[49], the evaluation found that RUFIP II resulted in poverty alleviation. This finding was based on indicators of household assets (e.g. land and livestock), expenditures, access to financial services (e.g. savings and loans) and food security (e.g. dietary diversity). For instance, the assessment found that the beneficiaries under RUFIP II had accumulated more non-farm assets amounting to ETB 12,017 (US$224), which was 56 per cent more than beneficiaries under the control group (households who were not clients of the sampled MFIs and RuSACCOs). There was a marginal difference in the increase in livestock owned by the two groups; the project beneficiaries had an increase of 17 per cent while the control group had an increase of 15.4 per cent over the project period. This means increased access to finances, in part, enabled the beneficiaries to invest more in non-farm assets which include improved housing, mobile phones, televisions, bicycles and motor vehicles.

[48] Fostering innovations was supported in Kenya through the TA component.
[49] The assessment was conducted with a quasi-experimental approach, after the project completion and without comparable baseline indicators, and therefore relied extensively on recall data.

Table 1:
Overview of project impacts

	PROFIT Kenya	*RUFIP II Ethiopia*
Rural poverty impact	Rural poverty 35.8 per cent at project start, 32 per cent at project end[50]	Rural poverty 30 per cent in 2011 decreased to 26 per cent in 2016
Food security	92.8 per cent of smallholder households had two meals per day and 79.8 per cent felt fully food secure[51]	14 per cent of households reported food shortages in 2019 compared to 16 per cent in 2012
Income/productivity/yield increase	53 per cent of households reported an increase in yields between 2017 and 2019 with average yield increase of 49 per cent[52]	The average household income increased eightfold The productivity of several crops was between 2.9 per cent and 8 per cent higher compared to the control group
Asset accumulation	Smallholder households increased the average value of their household and farm assets by approximately 54 per cent[53]	56 per cent higher ownership of assets compared to the control group Increase in livestock ownership of 17 per cent

Source: Project reports and evaluation interviews

112. In Kenya, PROFIT's impact was most visible for activities with ultra-poor households in Kitui and Samburu districts because those farmers had not been supported by any other project and had not been integrated in the local economy before PROFIT. Therefore, it is possible to attribute positive changes in their lives to their participation in PROFIT: during interviews, almost half of farmers indicated that they were able to improve sanitary facilities, 70 per cent improved housing, and almost 90 per cent were able to finance school fees from income activities supported by the project. Income levels of beneficiaries increased from US$45 to US$80 in Samburu district and from US$35 to US$50 in Kitui district (National Treasury, 2020).

113. **In Zambia a number of surveys and studies have been conducted, such as gender and livelihoods studies, and provide a positive preliminary picture of project impacts.** These studies show that target households are more food secure (61 per cent against 47 per cent end target), and some of their assets have increased, particularly for livestock. FINSCOPE survey (2015–2020) revealed that financial inclusion in rural areas increased from 50.1 per cent in 2015 to 56.9 per cent in 2020 while the overall level of financial inclusion had increased from 59.3 per cent in 2015 to 69.4 per cent in 2020. These results show that Zambia is on track to achieving its target of 82 per cent of adult population being financially included by 2024 as stipulated in the National Strategy for Financial Education for Zambia (2019–2024). Financial inclusion of women increased from 57.4 per cent in 2015 to 67.9 per cent in 2020 but is still below the rate of financial inclusion for men (72.1 per cent in 2020). However, the full extent of RUFEP's actual contribution towards these achievements may only be determined through the impact studies which shall be done as part of the final program evaluation survey.

114. **Even without broad-based impact data, there are many strong indications that the projects had a noticeable impact on the target group.** In Kenya, all FSPs engaged in PROFIT Kenya are still active in the agricultural sector ten years after the project started. This indicates that farmers were able to repay their loans,

[50] According to census data from Kenya National Bureau of Statistic in March 2018.
[51] Data from the PROFIT Impact Assessment Report 2020. It has to be noted, however, that Kenya's food security figures have severely deteriorated in recent years due to the ongoing rainfall deficit. During the PCE mission, beneficiaries in Kitui county indicated that food security was a major concern.
[52] 87% of respondents attributed yield increases to PROFIT interventions or interventions by PROFIT combined with other government programs as well as their own initiative (PROFIT Impact Assessment Report 2020)
[53] PROFIT Impact Assessment Report 2020

which points to a productive use of the credit accessed through these FSPs.[54] This perception was also confirmed during FSP client interviews where farmers reported economic growth during their period of participation in the project. During field visits the PCE mission team took note of improved housing and purchased assets, such as livestock. In Zambia, for example, beneficiaries under the CBFIs linkages window had guaranteed access to finances throughout 2021, which enabled them to embark on other income-generating activities apart from agriculture. This helped to improve household incomes and overall economic stability. Additionally, increased access to finances by members of the CBFIs resulted in increased agricultural productivity.

115. **Rural finance also had a significant impact on savings mobilization which was not captured and recognized in the impact assessments and monitoring systems**. In Kenya, PROFIT worked with MFB, SACCOs and MFIs. Most of these entities apply group lending and encourage savings. Clients of MFBs reported significant accumulation of savings over the years, since many of the client groups have been banking with the MFB for ten years or more.[55] Particularly in the FG component, savings was a key financial service that allowed farmers to accumulate funds for investment and to absorb shocks: all village loans and savings associations were still active and saved between US$1,600 to US$2,400 per year (a minimum of US$120 per member). Similarly, during the field visits in Ethiopia, the evaluation also noted in many instances that the project had contributed to a stronger savings culture and financial awareness among communities. Many of the beneficiaries visited reported a small initial amount of savings, limited to the compulsory amount to access credit, but over time the savings amounts grew and allowed to progressively access larger loans. In addition, the evaluation noted a strong network effect with beneficiaries attracting new clients (e.g. neighbours and family members) through their positive experience. This was also evident from the strong growth in savings reported by MFIs and RuSACCOs and indicates that rural areas are high potential areas for FSPs.

116. **Too little attention was given to increasing youth participation in projects.** In all projects little emphasis was paid to increasing youth engagement in savings organizations, village savings and loans, and community banks, particularly in regions visited by the IOE missions. Hence, only a few youths were seen engaging in the various beneficiary groups that were visited. Although PROFIT aimed to target youth, the design did not include targeting mechanisms to reach them, other than a quota for youth representation among target clients. The design also lacked specific operational measures or data collection and reporting on youth. Only within the RSF component a dedicated guarantee line for youth was designed, the Youth Affirmative Access Window. However, the product was never implemented.

[54] For example, one client of a MFB had started with a loan of US$80, and increased loan amounts over time US$160, US$320, and then, finally, US$800. Several other MFB clients reported similar progressions.
[55]

Key points

- Impact data, where available, showed positive impact on food security, assets and savings among beneficiaries.
- In Zambia, an impact assessment was not available, but other studies point to improved food security and assets, particularly livestock.
- Other impacts observed by the evaluation, but not fully captured by assessments, include the continued activity of project-supported FSPs several years after the project's closure and the projects' positive influence on a savings culture in communities.

E. Sustainability

117. This section examines the extent to which rural financial services and benefits supported by the projects are likely to remain in operation.

118. Overall, sustainability is mixed as different mechanisms established by the project produce different levels of sustainability of results. For instance, the engagement with communities and the establishment and support of rural savings organizations are likely to continue generating results after project closures thanks to established structures, although to a lesser extent as they cannot benefit from the additional credit. However, there are several factors that reduce sustainability of results, such as low financial literacy, external shock factors (e.g. droughts, inflation).

119. **Strengthening groups at beneficiary level was instrumental for ensuring sustainability of project outcomes.** In Kenya, many FSPs work through group lending technology. These groups have been active throughout the project duration and were an important platform for members, mostly women, to exchange ideas, encourage savings mobilization and raise their voice. In the FG component, the PCE mission team visited four village savings and loans associations formed by the project that were still very active and continued savings mobilization and other activities. One village savings and loans association had recently accessed a loan from a SACCO, showing that financial graduation is a time-consuming but ultimately successful process. A similar pattern is noticed amongst the groups that the team visited in Zambia. The beneficiaries expressed interest in receiving more trainings in financial literacy, among other things, to enable them to continue after the project had been closed. A continued common interest is key for the sustainability of groups; when the common interest disappears the groups dissolve. This was noticeable in Kenya with farmer groups that no longer pursued the business ideas that were supported by the project: due to COVID-19 pandemic some business ventures, for example, in the honey or pig value chains, were no longer viable. The farmer groups associated with those value chains showed low levels of activity and cohesion.

120. **The majority of FSPs in the projects are financially stable and show capacity to operate sustainably in the future**. In Ethiopia, the operational self-sufficiency ratio of MFIs increased from 1.71 to 2.26, signalling a strengthened financial position. The operational self-sufficiency of RuSACCOs declined from 5.51 in 2015 to 3.38 in 2018 but is still a satisfactory level to ensure sustainability of the institutions. It is, however, of concern that during the observed period, expenditure increased at a higher rate than revenues. This indicates that TA from the project did not seem sufficient to improve internal efficiency in the RuSACCO sector and further TA is required in the future. In Kenya, both, banks involved in the RSF as well as SACCOs refinanced through the RSF, remain in strong financial positions.[56] The MFB sector, however, showed significant weaknesses with the sector reporting

[56] At the end of the project, SACCO Societies Regulatory Authority (SASRA) reported that supervised SACCOS has a Return on Assets (ROA) 1.05% with a ratio of operating expenses to financial income of 19.23%.

losses from 2015 to 2021.[57] This poses a threat to the sustainability of the CF component of the project.

121. **In Zambia, the continued use of digital financial services (DSF) promoted by RUFEP, is likely to be sustained due to the expected implementation of regulations, training for key stakeholders, education of the public on safe usage, and incorporation of DFS activities into strategic planning and partnerships.** The Collaborative Framework for the regulation of DFS is expected to improve the oversight and reliability of DFS services, promoting its adoption and usage. Training police officers and mobile money agents will impact the safe usage of DFS, and the trained individuals will act as trainers to spread the acquired knowledge. Community groups were educated on the safe usage of DFS, and cooperatives and associations were targeted in trainings to disseminate this information to their societal groupings. The Government of Zambia has a strategic plan covering 2022–2024 which includes activities related to DFS and will continue to engage partners interested in supporting DFS in the country to sustain the benefits of the RUFEP project.

122. **Providing financial assistance without matching technical support reduced the sustainability of projects.** In Kenya, one MFB received a line of credit of over US$1 million and disbursed those funds to the agricultural sector over a six-month period. When the PCE mission team visited the MFB, the agricultural portfolio was less than US$500,000. There were several reasons for the drop in portfolio, including high staff turnover in the agricultural credit department, and a lack of sufficient skills and external technical support. PROFIT Kenya did not provide TA at the early stage of the project which would have been instrumental in building and growing the agricultural finance portfolio. Similarly, in Ethiopia, most of the FSPs had received financing with limited or no TA. In fact, the sustainability of TA measures depended strongly on the capacity of the FSP to implement changes. TA measures were most successful where the FSP did not simply take results from TA and roll them out as activities (for example, a new agricultural loan product developed in a workshop), but rather where the FSP internalized the methodology: in Kenya, one of the SACCOs visited by the PCE mission team had learned about participatory product development practices which involved interactions with farmers. Since the training, the SACCO had developed three such interactions where new products were developed. On the flipside, the success of TA measures also depends on the overall strength of the FSP. For example, one SACCO visited by the PCE mission team had received training on product development. However, that SACCO did not get access to refinance from the project and did not have the financial means to expand its loan portfolio with the new products. In such a case, TA measures do not have an impact on the FSP or the target group.

123. **The RSF introduced in PROFIT was not sufficiently institutionalized with a clear exit strategy to ensure the sustainability of the benefits it provides.** The RSF was established as a temporary facility at the PCU. From a conceptual point of view, it makes sense to establish a credit guarantee for an FSP for a limited period only (three to five years) because the basic concept is to provide a safety net to help them overcome their risk perception of a sector, such as agriculture. The safety net should be removed once the FSP has gained experience and is able to run the loan business profitably in the agricultural sector. However, it may make sense to establish a credit guarantee as a permanent facility to entice other FSPs to enter agricultural lending. In the case of PROFIT, the institutionalization of the RSF was in the project design which reduces the impact and sustainability of this component. However, learnings from the RSF fed into the policymaking process to establish the Kenya Credit Guarantee Scheme (CGS) and

[57] Some of the MFBs involved in the project, however, continue to perform sustainably in the market.

informed the design of a rural credit guarantee scheme in the new Rural Kenya Financial Inclusion Facility Project (RK-FINFA).

124. **Providing external funding at subsidized rates is detrimental to sustainability as FSPs might expect similar financing conditions also in the future and might not be willing to seek additional sources of funding at market rates.** For example, in Ethiopia the sustainability and scalability of the credit line is likely to be low, without external funding. The credit line has clearly supported expansion of services to rural areas, however, many institutions expressed the expectation that such a tool would continue with subsequent phases of the project, or new projects. This leads to limited re-investment into increasing liquidity or increasing loan size and outreach. At the central level, DBE foresees that reflows of RUFIP I and II will generate sufficient capital to continue its credit line activities. This is expected by DBE to be combined with an increase in commercial bank capital to the rural sector based on the track records that MFIs and RuSACCOs are building.

125. **Low financial literacy threatens the sustainability of the interventions at the beneficiary level, despite the project's successes.** For instance, in Zambia, the low levels of financial literacy in rural areas contribute to the low levels of financial inclusion in these areas, as individuals may lack the knowledge or confidence to engage with FSPs or make informed decisions about financial products and services. Despite the successes identified by the field mission, further investigation through interactions and questioning revealed that the beneficiaries and agents participating in the programme still had significant gaps in financial literacy, despite receiving training from the programme. This suggests that there may be a need for additional efforts to improve financial literacy in these areas in order to increase financial inclusion and ensure the sustainability of the program's interventions.

126. **In all projects, sustainability of results is threatened by external factors which affect the business sustainability of the FSPs, such as governance and management issues, economic shocks and climatic shocks.** In Kenya, farmers interviewed by the PCE mission team reported suffering significant income losses since the project ended due to, both, COVID-19 and droughts since 2020. Input prices have increased, and profit margins became increasingly thin. Some of the activities promoted by the project have been discontinued or suspended by beneficiaries as the local markets, for example, for honey and pork, collapsed. In the FG component, almost all beneficiaries continue with business activities although some have switched to other undertakings, for example, from shopkeeping to goat rearing. Despite the success with initiating business activities, the ultra-poor have been hit hard by the ongoing drought and the beneficiaries report that food intake is still only twice a day. In Ethiopia, the institutions visited by the evaluation team noted that during periods of drought virtually all their clients faced major challenges to repay their seasonal loans, due to their reliance on rainfed agriculture. This mostly resulted in refinancing of loans and some losses by the institution. With such events predicted to become more frequent and intense, this can have substantial implications for the sustainability of the institutions. Climate insurance is by far not a common practice among smallholder farmers due to its high cost, and at the time of the evaluation there is no indication of an expansion of its use.

127. **In Ethiopia, although it is too early to tell, there is a risk of mission drift for MFIs, in that their growth may lead them to seek more profitable and lower risk clients, thereby moving away from small-scale farmers.** For instance, Sinquee Bank, one of the FSPs of the project, transformed from an MFI to a commercial bank in 2021, shortly after project completion. While diversifying their clientele and growing their overall size may be a positive trend for MFIs, their clients interviewed by the evaluation team expressed concern that they will not

remain the bank's primary focus. According to Sinquee, they will retain their rural focus and will not lose their original clients at this point; it is too early to tell whether this risk will significantly materialize or not. To a lesser extent, the same risk exists for RuSACCOs as the evaluation team observed that some are investing their profits in non-agricultural activities (e.g. construction) with higher profit margins rather than increasing their loanable capital. These risks are somewhat mitigated by the persistent high demand for credit by small-scale farmers and their ability to repay, which strengthens the business case for MFIs and RuSACCO to continue serving them.

Key points

- Factors positively affecting sustainability are the projects' engagement with communities, developing capacities and promoting savings culture, as well as the prospect of a better enabling environment for rural finance in Zambia.
- Factors negatively affecting sustainability include low financial literacy, the lack of institutionalization of activities such as the RSF in Kenya, the reliance of FSPs on subsidized financing and the low capacity of FSPs. Other external factors with significant risk are economic and climatic shocks.

F. Gender equality and women's empowerment

128. **Overall, the projects should have better addressed the integration of gender equality and women's empowerment.** There were positive aspects, such as the equal participation in project activities, however, gender strategies were not sufficiently articulated at the design stage and there were limited efforts to address some of the underlying causes of inequality in accessing financial services.

129. Rather than having a dedicated gender strategy, projects worked on the implicit assumption that women would have equal access to financial services when working with community-based FSPs, such as MFIs or SACCOs. Across the three countries, many MFIs and SACCOs, particularly those with group lending arrangements, focus on women. In Kenya, for the CF component that worked with MFB 53 per cent of the 260,449 clients were women. During focus group discussions, a few women indicated that all or parts of the loan were actually used for their husband's business as well. While PROFIT aimed to target women, the design did not include targeting mechanisms to reach them, although it had a quota for women representation among target clients. Only within the RSF component was a dedicated guarantee line for women designed, the Women Affirmative Access Window. However, the product was never implemented. Similarly, RUFIP II in Ethiopia did not have a clear strategy to ensure participation and empowerment of women. Due to the composition of the clients of MFIs and RuSACCOs, women accounted for around 45 per cent of active borrowers (against a target of 50 per cent), however this occurred by default by not design as the project did not make dedicated efforts to increase the participation of women other than setting targets and providing directives for the FSPs. In Zambia, RUFEP programme design did not include guidelines for effective gender mainstreaming, resulting in an absence of a framework for gender analysis to guide the development of a gender action plan with clear gender outcomes for effective gender mainstreaming. Despite this, the project met or exceeded its targets for equal participation of women and men in project activities.

130. **For larger loan sizes, women were underrepresented**. In Kenya, within the RSF with one commercial bank, only one of 19 clients was female (5 per cent). The bank's focus was on SMEs with an average loan size of US$482,000. Within the RSF for one DFI, the majority of clients (78 per cent) were also male. Key reasons for the low number of female clients were the minimum loan size of US$1,630 and the reliance on hard collateral (mainly land titles). The DFI had designed a Women Affirmative Access Window, but no loans were given under this facility (IFAD,

2020). Not enough attention was paid to develop loan products that were suited to female borrowers (e.g. through more emphasis on soft collateral, female-dominated value chains in loan product development). It is not sufficient to set gender ratio targets if there are no concrete activities carried out to reach those targets.

131. **Creating access to financial services for women individually, not just jointly with their husbands, led to increased economic participation of women.** In Ethiopia and Zambia, women also accessed financial services without a male intermediary, which ensured they could equally benefit from project activities as men. In fact, the impact study of Ethiopia's RUFIP II indicates that about 84.4 per cent of the women respondents were of the view that their participation in economic activities had improved and that they had access to extra income and could contribute to family expenses.

132. **Approaches that involve forming groups and creating social cohesion, are beneficial for attracting stronger participation from women**. Physical access to rural finance service points is often less accommodating for women than for men, for example, due to lower time availability because of heavy workload and household chores, or security concern during travel. Therefore, designing access points that better accommodate women, for example, through groups, is key to increasing women's financial inclusion. In Zambia, according to the women questioned during the field mission, the investments made with project-supported loans benefited solidarity groups (e.g. widows and HIV victims), savings and loan groups, and community banking groups. The PCE mission visited several of these groups whose members were predominantly women. Through the programme, individuals have accessed resources and services, and had an opportunity to build skills and expertise. According to their comments, through participation in RUFEP, several interviewees indicated that they had become more economically independent and empowered in decision-making processes in the family. In the FG component of PROFIT Kenya, more than 90 per cent of group members were women. Social factors—such as having a safe place and purpose for regular meetings—were key in attracting mostly women to participate. Women's well-being—as measured through increased income and an increase in assets, for example, toilet facilities—has greatly improved due to their participation in groups and access to support from FSPs.

133. **Investing in food processing capacity had positive impact on female rural employment.** In Kenya, several processing facilities were financed through the RSF. Employment in food processing provides working opportunities for many women. For example, in one macadamia factory visited by the PCE mission team, an overwhelming majority of the 400 employees were women.

134. **There were instances when women's empowerment activities led to unforeseen negative consequences.** Empowering women is an important development goal. But it has to be acknowledged that understanding the gender context is important in order to identify and address potential negative consequences that may arise for some. For example, within the FG component of PROFIT, local project staff and government officials estimated that up to 10 per cent of female beneficiaries experienced household conflicts, such as over assets like goats that female beneficiaries bought as an income-generating activity with project funds and, thus, were not allowed to sell during project implementation. In a few cases brought to the attention of the evaluation team during field visits, husbands had asked their wives to sell assets and became angry when their wives refused. In very rare cases this even led to divorces. While the extent of this phenomenon is not clear, projects should attempt to minimize such risks through transparent procedures and educational measures.

135. **There is limited data evidence to show widespread changes in women's empowerment.** There are anecdotal cases described in the impact assessments and observed by the evaluation team of women reporting a sense of greater recognition and acceptance in community and household decision-making processes, resulting from their greater economic strength gained through the projects. However, there is no systematic data to confirm this was occurring at scale.

Key points

- The projects lacked a clear strategy to ensure the engagement of marginalized groups, including women and youth, and operated under the unrealistic assumption that FSPs would include such groups in their services.
- Ultimately, there was equal participation of women and men in project services, however there is no evidence this has led to greater gender equality or women's empowerment.

G. Partners performance

136. Overall partner performance should have been strengthened in some areas, such as IFAD's technical supervision in the early stages of PROFIT, and project management arrangements should have been better adapted to match the complexity of project design. M&E had some critical weaknesses in all projects as key performance indicators of FSPs were not tracked, not allowing for an assessment of their performance and sustainability, which, in turn, should inform project management.

G.1 IFAD Performance

137. In Zambia and Ethiopia IFAD has invested sufficient resources to ensure that programmes were implemented successfully. In Kenya, the early supervision missions did not sufficiently support the project in overcoming its challenges.

138. The evaluation team observed that in-country support and supervision missions were carried out and implementation challenges were discussed with project partners. Despite these efforts, however, all projects suffered from some design flaws or delays due to lack of implementation arrangements. In Kenya, where it took six years to finalize arrangements for the PCU and for some components to start, IFAD did not prevent or sufficiently address these issues due to weak supervision. Problems of supervision included high turnover in the supervision team and the lack of a rural finance specialist on the team for the first six supervision missions. Over time, IFAD improved its follow-up and was instrumental in helping the projects overcome such challenges together with its partners. Over the course of the project, IFAD conducted 14 supervision and implementation support missions.

139. In Zambia, RUFEP was developed through consultation with local stakeholders and partners and, in most cases, have ensured government participation and ownership. IFAD has improved the design of RUFEP compared to the previous rural finance project financed by IFAD in Zambia. However, there are issues related to high staff turnover within Zambia, which has greatly impacted IFAD Country Office's performance in terms of support and issuing no objections on time.

140. In Ethiopia, IFAD has been strongly engaged in supporting the monitoring and implementation of the project—conducting annual supervision missions, implementation support missions and a midterm review, totalling seven missions from 2013 to 2019. The recommendations of the missions were addressed in subsequent implementation stages and generally helped address most of the challenges faced by the project.

141. **IFAD missed the opportunity to promote learning across rural finance projects in the region, which would likely have helped address some of**

their challenges. Given the major investments by IFAD in rural finance projects in East and Southern Africa, the projects would have benefited from cross-learning, especially between Kenya and Ethiopia which had more similar activities.

G.2 Government Performance

142. **IFAD's government partners showed high ownership and commitment across all countries.** In Kenya, PROFIT suffered significant delays at programme startup, which was partly due to lack of dedicated staff for the PMU. However, once the PMU was fully staffed implementation picked up speed after 2016 and was able to accomplish significant results in a comparatively short time (within three years until programme completion). This shows the importance of having strong ownership and commitment during the entire programme implementation period.

143. In Ethiopia, the Government demonstrated ownership and commitment to achieving RUFIP II's goals. The PMU—hosted within the Development Bank of Ethiopia—took over a year to be established, which delayed the start of activities. Once established, it has proven effective in overall project management, with some weaknesses in M&E. M&E arrangements have been weak throughout the project, as extensively described in project reports. This was partially due to limited capacities at the decentralized level (at regional and woredas levels) and provided low quality data in a non-timely manner. Based on the supervision reports, the Programme Coordination and Management Unit undertook planning and budgeting appropriately, but submissions were not always on time, and this led to a delay in implementation of some activities.

144. The Zambian Government has demonstrated high ownership of RUFEP. There has also been strong oversight from the Government and active participation in formulating and approving different policies to ensure that meso- and micro-level institutions are able to satisfy the smallholder farmers. Also, the Government has always taken part in supervision missions. However, there have been some delays in their contribution of counterpart funds. Additionally, there has been high staff turnover in the decentralized provinces and districts, which has affected the institutional memory of some of the interventions that were closed way before the IOE mission.

145. The PMU in Ethiopia and the PCO in Zambia were more effective, especially in the early implementation stages as they followed predecessor projects; whereas, in Kenya, the PMU faced major challenges during early implementation phase. RUFEP's Programme Steering Committee has provided effective guidance and oversight for the implementation of activities. The arrangements made at project design to have an in-house grant making process has improved the delivery of RUFEP activities. The in-house grant making team, which includes the Internal Review Committee, External Reviewers, Programme Vetting Committee and Programme Steering Committee has served the programme well. However, the increase of grant requests in the last 18 months before midterm review stretched the limited capacities of the Programme Coordination Office in terms of due diligence and risk management. On the other hand, PROFIT had a complex approach but, initially, did not have sufficient human resources within the PCU to manage all its different components. The project was temporarily stopped in 2015 and classified as a problem project. In 2016, following an agreement between the Government of Kenya and IFAD, the project restarted and was extended to 2019. The PCU was housed within the National Treasury, with the initial objective that it would be mostly staffed by existing Treasury staff, however, this never materialized as there were not clear incentive for staff to join the PCU. Only in 2016, six years after the project started, a decision was made to recruit external PCU staff, which was then fully in place only in 2018.

146. **While government involvement at the national level was good, involvement of local government was not in all cases evident.** Rural finance

projects often work with financial apex institutions that disburse funds to local FSPs. This often leads to a situation where local government, for example, departments in charge of agriculture or cooperatives, has no strong engagement with the programme. However, such engagement is desirable for sustainability and scalability of results. For instance, in Kenya the local government played a support role only in the FG component; as a result, the VSLAs that were initiated by PROFIT were still very active and benefitted from interactions with the local government. In the other components, the involvement of local government was lacking. To increase the potential multiplicator effect through local government, more TA for government employees at the local level is required. Similarly, in Zambia the implementation of RUFEP was impacted by high staff turnover among the implementing partners and delays in the implementation of activities due to MoU discussions. These issues all contributed to a lack of efficiency and made it more difficult for some of the implementing partners to achieve their goals in a timely manner. The 15-month delay to the start of the project was a major issue, and the delays in disbursements until after 2017 only added to the problem.

147. **M&E was a key challenge for government partners in Kenya and Ethiopia but performed better in Zambia.** In Kenya, there was a challenge of designing an M&E system suitable to capture all the components of the programme. In particular, there was very limited segmented and in-depth data (beyond disbursement data) that was collected from the CF which had been established in 2012 already. In Ethiopia, one of the specific weaknesses of the M&E system was that it did not include clear provisions for tracking key beneficiary/client information from FSPs. For instance, the project did not track the number and size of loans disbursed by FSPs from its line of credit, nor did it monitor performance of the loans and the purpose of the loan. This information is a key part of the project's approach and would have been useful for project management to make any necessary adjustments to targeting of the line of credit component to influence effectiveness. The MFIs and RuSACCOs visited by the evaluation team reported that they keep records of such data, although each with a different categorization, therefore with the appropriate efforts the project could have included this in its M&E system. In Zambia, the Programme Coordinating Office demonstrated a stronger M&E performance, which helped ensure that the project was on track and making progress towards its goals. However, as in the other countries, the M&E system was not set up to consistently track the ultimate beneficiaries of the project.

148. **The counting of clients/beneficiaries reached by the projects did not sufficiently consider the issue of attribution, resulting in overcounting project beneficiaries.** For example, in Ethiopia, the project clearly had a role in supporting capacities of the implementing partners (MFIs and RuSACCOs), and injecting capital into their portfolios, however, these institutions had their own client base and financing sources and were growing independently of the project's intervention. Therefore, not all of the clients of these institutions can be attributed to the project's intervention and considered beneficiaries. The project's monitoring system did not distinguish between clients reached as a result of the project's additional support, and clients who were being served anyway. The institutions met by the evaluation team noted that internally they keep distinct records of clients, based on the funding source, therefore it would have been possible for the project to distinguish its direct beneficiaries from the other clients of the institutions. However, the project's M&E system was not designed to do this, resulting in an overcounting of project beneficiaries, whose scale is not possible to determine.

Key points

- The differences in the level of IFAD supervision across the three projects, including the devoted technical expertise on rural finance, demonstrate the importance of close follow-up by IFAD to ensure effective implementation.
- All projects suffered, to different degrees, from design flaws, which impacted their performance.
- Government performance has generally been sufficient to ensure implementation, but with critical weaknesses in monitoring and evaluation.
- The counting of clients/beneficiaries reached by the project did not sufficiently consider the issue of attribution, resulting in an overcounting of project beneficiaries.

VI. Conclusions, lessons, and recommendations

A. Conclusions

149. The following subsection provides conclusions and lessons learned from the assessed projects. The conclusions and lessons learned have been clustered according to the five key issues identified for rural finance projects.

A.1 Intervention approach and strategy to generate impact at beneficiary level

150. **The absence of in-depth target group segmentation and the lack of clear targeting strategies remain major weaknesses across the projects.** The target groups were too broadly defined and not segmented according to the need for financial services by different groups in the rural community.[58] In addition, the arrangements between the projects and the FSPs were insufficient to ensure that the target groups would be reached. In Kenya, activities, such as the financial graduation, were effective in reaching the poorest segments of the population and in bringing them into productive activities. Aside from this, projects appear to have delegated targeting efforts to FSPs by providing guidelines and training on reaching vulnerable and marginalized groups, which often counters the business needs of FSPs as they still require collateral and other forms of guarantees that marginalized groups do not have.

151. **There was insufficient institutionalization and exit strategies.** The projects were mostly successful in ensuring the sustainability of participating FSPs. However, there were also components that lacked such efforts, for example, the RSF in Kenya. Considering the efforts it takes to establish such financing vehicles and the ongoing need for their services, more should have been done to institutionalize the facility. This was partially mitigated in the final implementation stages with the new project, Rural Kenya Financial Inclusion Facility Project, institutionalizing the credit guarantee facility.

152. **The design of M&E systems was a problem across all three projects**. There were often wrong expectations on what implementing partners, in particular FSPs, could provide. FSPs generally only track information that is important for them to conduct their business, such as disbursement data. Most of the time, they do not have the capacity nor resources to track how their loans were effectively used nor what were the impact of the loans.[59] The projects have not sufficiently recognized the limitations of FSPs, and the capacity development activities were not sufficient to ensure FSPs were able to appropriately support the projects' M&E systems. The performance of M&E was, therefore, mixed in the three projects, with Zambia performing rather better.

A.2 Involvement of financial intermediaries

153. **The identification, engagement, capacity development and monitoring of FSPs remain critical for effective implementation and still require efforts by IFAD to be fully realized**. All projects conducted pre-design assessment of the rural finance landscape in their countries, looking at the strengths and weaknesses of potential FSPs. This resulted in a relevant approach to engage them and build their capacity. These assessments also included valuable analysis around the countries' macroeconomic factors and regulatory environment, market structure and infrastructure, financial institutions, risk factors, technology and innovation. While these areas of analysis were important at the design phase, the

[58] As an example, credit for agricultural production, processing and marketing is often lumped together. During field interviews, however, it became apparent that the latter group, agricultural marketers, had little difficulty in accessing loans even from FSPs that were not associated with IFAD projects. Similarly, no distinctions were made on what loan size brackets were most underfunded and what could be done to target those loan brackets through IFAD interventions.

[59] Furthermore, it was not possible to distinguish between recurrent and new clients. Therefore, there is a risk that the actual number of beneficiaries is over-estimated as the same client might have taken several loans over the course of the project.

most important aspect of the pre-design assessments was a review of FSPs' capacity to reach out to the intended target groups, for example, by looking at their product range, terms and conditions, branch network and outreach strategy. Despite these assessments, the subsequent monitoring agreements made with FSPs, and the capacity-building activities were insufficient to ensure their reporting on the ultimate beneficiaries and the utilization of financial services, especially loans. Also, although the projects' engagement with apex institutions was appropriate to ensure outreach to FSPs, various implementation challenges did not allow the technical assistance to FSPs to be fully realized.

154. **High operational cost is still a major reason for insufficient supply of rural financial services; technological advancements and innovative approaches are needed to reduce such cost.** Reducing the cost to reach out to potential clients through the use of technology and bridging the "last mile" through cost-effective approaches is key to making rural finance more inclusive. To effectively increase financial inclusion in rural areas, it is necessary to promote the use of alternative delivery channels, such as digital technology and agents, rather than relying solely on the physical presence of FSPs. This approach can be successful if the necessary infrastructure is in place to support these innovations. It must be noted, however, that in the assessed projects the use of technology or of innovative models, such as agent banking, have led mainly to an increase in services, such as savings and transfers; rural credit still largely relies on physical contact between FSP staff and clients.

155. **Weak institutional capacity remains a core challenge of the sector**. The technical assistance was often delayed or of insufficient quality to substantially expand the capacities of FSPs in a sustainable way. As such, FSPs remain vulnerable to dependence on subsidized finance, external shocks and a potential mission drift as they may shift away from agriculture. The projects were not entirely successful in mitigating these risks.

A.3 Use of financial instruments to support financial intermediaries

156. **Innovation facilities are an interesting option as financing instruments because they encourage private sector buy-in and leverage local knowledge.** Innovation facilities are comparatively low-cost financial instruments as their main aim is to provide seed capital for FSPs to build innovative business cases. For an international financial institution, such as IFAD, innovation facilities present a challenge from project steering perspective since, as can be expected with innovation facilities, a certain number of projects will never take off.

A.4 Financial products and services for target group

157. **Continued demand for financial services at the target group level is promising, as farmers have proven able to reap the benefits of financial services.** Experiences from all three projects illustrate that the initial assessment of high demand for financial services and high potential growth by farmers was correct, and the increased supply of such services through the projects' diverse approaches has yielded results. Furthermore, the engagement with communities has visibly increased a culture of savings, which is likely to continue benefiting households after the projects' end.

158. **High risk perception of agriculture remains a reason for some FSPs to avoid rural finance.** This occurs despite evidence showing that agricultural lending can be profitable provided FSPs have access to adequate refinancing, possess the skills to assess cash flow and risks of agricultural businesses, and have financial products that are tailored to the needs of rural enterprises, for example, with regards to repayment schedules. The three projects missed an opportunity to compile this body of evidence which demonstrates that the viability of agricultural finance is higher than most FSPs perceive. The projects were well positioned to better communicate such findings and could have contributed to shaping a new

narrative around agricultural finance. In this context, it is important to note that the riskiness of agricultural lending is partly overstated through common portfolio quality measurements, such as non-performing loan (NPL). For example, in Kenya an assessment of portfolio quality in 2020 concluded that portfolio NPLs for agricultural lending were anywhere from 50 to 100 per cent higher than the rest of the portfolio (Mercy Corps, 2021). However, during interviews with the PCE mission team, FSPs stated that write-offs of agricultural loans occurred at a similar rate to the rest of the portfolio. Farmers who suffered harvest losses often missed payments (thus, leading to higher NPLs) but mostly still repaid during subsequent harvests after rescheduling. Therefore, high NPL may sometimes simply indicate that loan products are not suited to the cash flows of farmers (e.g. allowing for longer grace periods).

159. **In the context of climate change and an increase in natural disasters, the promotion of rural financial services that increase farmers' resilience is gaining more importance.** Inclusive rural finance is about all financial services and products that rural households need. Due to IFAD's structure as a development finance institution and its longstanding tradition of establishing lines of credit, across the assessed projects there was a strong emphasis on rural credit, with the exception of Zambia (RUFEP) which did not have a line of credit component. However, making farmers more resilient—by building their asset base through savings mobilization and by protecting their assets and crop production through insurance—becomes more and more important.

160. **Projects need dedicated gender strategies to ensure participation and empowerment of women**. This implies earmarking financial and human resources to develop and implement gender-sensitive activities and designing M&E systems that are able to capture gender-sensitive data, aside from sex-disaggregated data for basic indicators (e.g. number of clients). Despite the overall positive final achievements of equal participation of women and men, there was not a strategy to ensure this would lead to greater empowerment and equality. The projects worked on the implicit assumption that women would have equal access to financial services, particularly when working with community-based FSPs and use group lending technologies that tend to encourage women's participation. However, there were no dedicated efforts to increase the participation of women, other than setting targets and providing directives to FPSs to report on gender disaggregated data. Capacity-building of implementing partners and government institutions to create awareness and improve their gender ratings for loan and grant portfolio was lacking or insufficient to make a noticeable impact.

B. Lessons

B.1 Intervention approach and strategy to generate impact at beneficiary level

161. **This evaluation shows there is no one-size-fits-all solution for rural finance, as projects had diverse approaches in achieving their results**. IFAD has accumulated substantial experience in rural finance projects, using different approaches and tools in different contexts. As such, it remains well positioned to play a role in supporting countries to strengthen access to financial services for rural areas. The experience in the ESA region shows that different project approaches can be successful if they sufficiently factor in the particularities of each partner country. Depending on the project objectives and the target group definition, working with commercial banks may be as viable of a project approach as working with smaller financial institutions or even community-level organizations. Projects working only on the micro level or those that tackle challenges at different levels of the financial sector may all be successful: it all depends on a sound analysis of the key bottlenecks of rural finance in each country and which activities with which partners are essential to unlock the potential of rural finance.

162. **A key success factor is a good match between the complexity of the project approach, the project management, and the quality of IFAD supervision.** The complex and often intertwined problems in rural finance require projects that are designed to address challenges at different levels of the market either simultaneously or in a sequenced manner. This, however, requires significant investment in project management capacity, starting from sufficiently and adequately staffed management units and M&E systems.

B.2 Involvement of financial intermediaries

163. **The involvement of community-based financial institutions, including RuSACCOs continue to play a very important role to reach out to smallholder farmers.** All three projects strengthened the relevance of their approach by working through a broad range of FSPs, which proved an effective strategy to ensure broader outreach and contribute to sustainability of results. As formal FSPs are still not widely available in rural areas, the continued involvement and strengthening of CBFIs are key to improved financial inclusion in these areas by bringing financial services and products closer to the people. In addition, it is important to encourage the connection between formal FSPs and CBFIs, to provide formal financial inclusion and larger loan sizes for the members of CBFIs and to facilitate their refinancing.

B.3 Use of financial instruments to support financial intermediaries

164. **Lines of credit to FSPs are still the most popular financing instruments in IFADs rural finance interventions because they are comparatively easy to implement**. Limited access to refinance for FSPs, in particular for MFIs and CBFIs, is undoubtedly one reason for limited flows of investment in rural areas. Therefore, lines of credit provided by IFAD projects were an appropriate choice of financing instrument. However, the decision of interest rates and other parameters seemed mainly to stem from political considerations and not an in-depth assessment of prevailing market rates, the analysis of cost of funding and margins, nor the impact of subsidized credit lines on other market players (and, thus, potential crowding out effects). In Kenya, for example, the setting of an interest rate of 5 per cent essentially meant that FSPs had reduced cost of funding but because they were not required to pass on part of these benefits to their clients, there was no incentive for the FSPs to reduce their operational cost.

165. **Credit guarantees can be an effective financial instrument to leverage funds without compromising portfolio quality of underlying agricultural loans.** One common argument against credit guarantee instruments is that FSPs may be tempted to lower their standards for credit appraisal procedures for guaranteed loans. However, the experience in Kenya shows that this is not necessarily the case, particularly when working with highly professional financial institutions, such as the commercial bank involved in the scheme.

166. **When employing financial instruments that are channelled through apex institutions to FSPs, special attention has to be given to avoiding unfair competition between apex institution and FSP.** For example, PROFIT provided credit guarantees for a DFI to refinance MFIs and SACCOs. The FSPs used the DFI's funds to lend to farmers and agri-businesses. However, at the same time, the DFI also directly lends to rural SMEs creating a risk that good clients are poached from MFIs or SACCOs which impacts negatively on their portfolio and profitability. The DFI will generally be able to offer more favourable terms than MFIs and SACCOs, which need to add their margins to the cost of borrowing money from the DFI.[60]

[60] The reason interest rates from FSPs are higher is their higher operational cost with branches and field staff which is needed to identify and approach potential clients. The apex institutions would have never been able to identify those clients without the support of the FSP.

B.4 Financial products and services for target group

167. **There is a need to put a stronger emphasis on consumer protection aspects, for example, related to transparency on interest rates and applicable fees for financial services.** There is a much stronger emphasis on increasing access to rural finance, than on ensuring that clients are sufficiently protected. Within the reviewed projects, the main focus was on increasing the number of rural households that are able to access rural financial services, however, in Zambia there were awareness raising activities for consumer protection. There are still common practices by rural financial institutions that pose risks to their clients, for example, interest rate and fee structures are often not made clear to farmers. The full cost of loans is often misrepresented because interest rates are sometimes stated in yearly and monthly rates, flat or reducing balance, etc. Furthermore, processing fees and other administrative fees are not included in information materials for clients, even though these additional costs can be significant. Some products, such as the very popular mobile phone emergency loans, carry very high interest rates. For example, in Kenya such loans may carry annualized interest rates of over 100 per cent. Consumer protection aspects should be emphasized more in rural finance projects.

168. **In order to attract young people to agriculture, special attention must be given to developing financial products that suit the agricultural ventures and production factors available to youth.** Attracting youth to the agricultural sector is important for the transformation of the rural economy; rural finance can support this process by providing the necessary financial products that suit the business of young agri-entrepreneurs. Traditional farming businesses are often not attractive for the younger generation. Still, there is interest in agriculture and agriculture-related business by young people if, for example, mechanization is involved or more innovative agricultural business models that use digitization. Special attention must be given to financial products that suit the needs of young people, factor in their limitations (e.g. lack of land titles) and understanding the business ventures in agriculture that young people pursue.

169. **Financial literacy plays an important role in improving financial inclusion in rural areas and protecting clients.** People who are financially literate are more likely to use financial services and products and feel confident interacting with FSPs. To address this issue, it is important to increase financial literacy training in rural areas through existing community structures, such as cooperatives and savings groups. This is important to ensure that rural households can make informed decisions about which financial services they need and what the cost is for accessing those services.

B.5 Linkages to non-financial services

170. **Based on the assessed projects, projects can be successful both with and without the provision of non-financial services for farmers**. Ultimately, the success of rural finance projects depends on the profitability of the financed (agricultural) activities.[61] One critical pre-condition for successful agricultural finance is an FSP’s ability to assess farming businesses and whether they can manage their risks to be able to repay loans. But beyond support on the supply side of rural finance, there is also often a need to strengthen the demand side. In Kenya, there are a number of examples that show how helping farmers to organize themselves, linking them to markets, and connecting them to FSPs generates impact. However, there were also other cases where support to FSPs and to farmers were not linked to each other and, thus, failed to produce impact. Therefore, projects need to carefully assess the challenges within the value chains that require financing and determine whether the project has the capacity and

[61] This is evident in the assessed projects where COVID and prolonged droughts in Ethiopia and Kenya have negatively impacted on farmers’ welfare. Despite the successes of the rural finance interventions, farmers cannot improve their livelihood if the framework conditions for agriculture are unfavorable.

knowhow to strengthen those value chains or whether there are opportunities to cooperate with other agricultural sector programmes.

C. Recommendations

171. The evaluation makes five recommendations to the IFAD regional team in East and Southern Africa and country teams in Ethiopia, Kenya and Zambia. These recommendations are informed by the evaluation findings and conclusions. The key issues that the recommendations seek to address are: i) benefits obtained by FSPs through a subsidized line of credit from the project are not being sufficiently passed on to FSP clients; ii) the need for FSPs to have clear requirements by the project around targeting, reporting on client outreach, and reporting on their financial performance as a mechanism to inform project management; and iii) the need for greater efforts by IFAD to provide technical guidance on targeting, gender and monitoring.

Recommendation 1: Develop mechanisms at the design stage to ensure that FSPs use the benefits they received to increase customer value for the target groups. In many instances, IFAD-supported projects provide financing at favourable rates to FSPs. The benefits of such subsidized financing should be passed down to clients in some form, for example, by reducing interest rates or by making terms and conditions more beneficial to the target audience (e.g. loan tenures, grace periods). In instances where there are serious concerns that offering subsidized credit at target group level may have negative impact on long-term market development, FSPs should be required to provide tangible benefits to the projects for their privilege to access subsidized refinance. For example, FSPs could provide their clients with additional services by ensuring greater outreach efforts to serve remote or marginalized groups.

Recommendation 2: IFAD should require and provide guidance to PMUs to conduct thorough assessments of the capacities of FSPs, and to set mutually clear expectations of the implementation, targeting and reporting requirements. Considering the importance of evidence-based project management, it is key that the M&E capacity of any potential project partner is taken into account during the selection process. This does not mean that only FSPs that already have sufficient M&E capacity should be considered, but also those that show the potential and commitment to develop an M&E system for project monitoring. Capacity development of FSPs needs to be timely and occur before any other support is provided to the FSP, to ensure it has the necessary skills in place to be an effective partner of the project. While investing in social performance monitoring comes at a cost for FSPs, such an investment should easily be outweighed by the benefits that they receive from participating in IFAD interventions, for example, by accessing subsidized funds.

Recommendation 3: Require that project design and M&E systems collect financial sector-specific data and provide for a more accurate counting of beneficiaries, to inform project management. It is important that FSPs provide more rural finance-specific data in their reports to IFAD. Currently, supervision and other reports offer very little insight on financial aspects and ratios of FSPs, such as interest rates or default rates. Such information is key to allowing rural finance experts to assess the status of projects and provide recommendations on how to further improve. Also, IFAD should provide technical guidance and require that monitoring systems of rural finance projects are able to differentiate between new clients and recurrent clients of FSPs to assess the actual number of beneficiaries reached. To have a better understanding of a project’s effectiveness and on how an IFAD intervention impacts rural financial inclusion, it is key to understand how many households in rural areas were effectively served. The reporting should, therefore, contain information on the number of loans and volumes disbursed (as a measurement of the increase in rural investment), as well as on the number of households served, thus excluding recurrent clients (as a measurement of the contribution to financial inclusion).

172. **Recommendation 4: Provide more substantial technical guidance on gender equality and women's empowerment at project design and implementation stages**. Ongoing and future IFAD rural finance projects and their implementing agencies need to have well-articulated gender strategies; adequate human and financial resources to implement such strategies; and develop realistic targets for women's participation in project activities adequately supported by a gender sensitize monitoring and evaluation system. These need to then be followed up on during the early implementation stages to ensure PMUs and implementing partners are aware of their importance.

173. **Recommendation 5: Provide greater technical guidance on targeting strategies that aim to address the needs of disadvantaged groups, such as youth**. Projects must factor in the needs of young people to assess which FSPs are in the best position to serve this target group and what financial products and services are most needed. IFAD and its partners need to allocate sufficient human and financial resources to implement such youth-centric strategies. To ensure that projects can address the needs of youth, appropriate monitoring and evaluation arrangements have to be made.

Evaluation questions organized according to IFAD evaluation criteria

1	*Relevance of the projects' rural finance intervention design*
1.1	To what extent were the rural finance interventions consistent to the needs of the target groups, institutional priorities and project partner policies?
1.1.1	Was the project design internally coherent whereby the outputs, the outcomes and the intended impact of the project were logically linked to one another? Were project interventions at different levels sufficiently interlinked and mutually supported project outcomes? Was the sequencing of interventions for different output and outcome areas (and at different levels of the rural finance sector) adequate to ensure that project objectives were achieved?
1.1.2	How well were the interventions, particularly at the meso and macro levels, suited in ensuring that project benefits and impact reach, directly or indirectly, the intended target group?
1.1.3	Has the integration of non-financial services increased or decreased relevance of the project?
1.2	How well were the targeting strategies defined and implemented to capture the needs of poor and vulnerable groups and support the relevant FSPs?
1.2.1	Have the target groups' needs been sufficiently captured by the financial products and services offered?
1.2.2	How well were the participating FSPs suited to reach the intended target groups? Did the selection of FSP support the targeting approach well?
2	*Effectiveness of the projects' development interventions in rural finance*
2.1	What approaches were most successful in achieving institutional development objectives at the micro level (demand and supply side)?
2.1.1	How effective was the project at reaching its intended objectives? What influence did the complexity of the intervention approach have on the project's effectiveness?
2.1.2	What influence on the effectiveness had the selection of FSPs?
2.1.3	What role played rural finance innovations in the project? Has the involvement of more innovative FSPs and fintechs had a positive impact on achieving the intended development objectives? Have innovative FSP approaches managed to reach the intended target group?
2.1.4	How well were different financial instruments (at the intermediary level) linked to each other and what was the contribution to achieving the projects objectives?
2.2	To what extent were the meso and macro level interventions effective? How did the IFAD partnership with other organizations affect achieving the project results?
2.2.1	How well was the project able to achieve the intended results, particularly at the meso and macro level, including policy engagement?
3	*Efficiency of the projects' Rural Finance interventions*
3.1	Which approaches demonstrated efficient use of economic resources/inputs (funds, expertise, time, etc.) in achieving the results?
3.1.1	Was the breadth of the project (range of different activity areas) beneficial in terms of efficiency of project resources?
3.1.2	Was the mix of selected partners and FSP optimal to reach the project objectives? Was the coordination and communication efforts required to manage a complex partner structure justified (in terms of efficiency of the project)?
3.1.3	How much was the contribution to achieving the development objectives for each of the financial instruments used in the project?
3.1.4	Was the breadth of the project activities (range of different output/outcomes, activities at different levels of the financial sector) beneficial in terms of efficiency of project resources?

4	*Sustainability of the results*
4.1	Which interventions (models and approaches) demonstrated high likelihood of continuation of their net benefits beyond the phase of external funding support? To what extent the actual and anticipated results will be resilient to risks beyond the projects' life?
4.1.1	Was the capacity developed and the solutions provided for FSPs through the project sustainable? Were those developed capacities sufficiently institutionalized?
4.1.2	Was the pricing of products (in particular, interest rates for loans) in line with market conditions? What effect has the pricing of products on the sustainability of the intervention?
4.1.3	How has climate change been incorporated in the financial products and services? What impact has climate change on the sustainability of the project?
5	*Rural poverty impact of the RF interventions*
5.1	To what extent the projects' RF interventions contributed to the changes that have occurred or are expected to occur in the lives of the rural poor?
5.1.1	Was there an adequate balance between the needs of the target group versus the institutional objectives of the selected FSPs (e.g. generating profit)? Was there any conflict of objectives between impact (for the target group) and sustainability (for the FSP)?
5.1.2	How did the mix of financial instruments contribute to impact at the beneficiary level?
5.1.3	What effect on impact had the integration of non-financial services (or the lack thereof)?
6	*Gender equality and women's empowerment*
6.1	How well were the project interventions designed and implemented to take into account the rural finance needs of women?
6.1.1	How has the FSP and partner structure impacted on gender equality and women's empowerment?
6.1.2	How well was the project able to capture the different needs of the various target group segments, for example, related to women's empowerment?
7	*Partners performance*
7.1	How can IFAD's performance be assessed?
7.1.1	Were the IFAD project design, implementation and coordination capacities sufficient to adequately cover all different output and outcome areas (and at different levels of the rural finance sector)?
7.1.2	Were the IFAD project design and implementation capacities sufficient to cover a broader range of financial instruments?
7.1.3	Were the IFAD project design and implementation capacities sufficient to cover non-financial services?
7.2	How successful was the partner government's contribution for achieving the projects' objectives?
7.2.1	Was there sufficient ownership by partners and mandate for the IFAD projects for all different output and outcome areas?
7.2.2	Was the M&E system adequate to capture impact at the beneficiary level?
7.2.3	How well was the impact monitoring suited to data collection capacities of FSPs?

Methodology for project-specific field visits

For the selected projects, the project-specific assessments were conducted based on a combination of a desk review, interviews (remote and in-person), focus group discussions and field visits.

PROFIT Kenya

Sampling of sites for field visits Sampling Frame and Methodology

The evaluation team visited project locations in the counties: Meru, Embu, Kirinyaga, Mwingi and Kitui. The team also held meetings in the capital, Nairobi. These locations were selected by the evaluation team based on clusters of project activities under different components, aiming to have direct observation of a diverse set of activities. The selection was done based on consultation with project management unit and implementing partners, although the ultimate decisions were made by the evaluation team.

Data collection tools

The evaluation team used the evaluation frameworks, with its questions and sub-questions, to develop interview guides to be used during key informant interviews and focus group discussions. The team used a standardized set of tools across the three countries to ensure comparability of findings, while also allowing enquiry into any country specific assessments.

Data analysis

Data from secondary and primary sources were all summarized in tables and organized according to the evaluation criteria. A first debriefing was presented to the government a few days after data collection.

RUFIP II Ethiopia

Sampling of sites for field visits Sampling Frame and Methodology

The evaluation team visited project locations in the southern Oromia region, including Ziway, Dugda Bora, Arsi Negele, Shashemene and Hawassa. The team also held meetings in the capital, Addis-Ababa. These locations were selected by the evaluation team based on clusters of project activities under different components, aiming to have direct observation of a diverse set of activities. The selection was done based on consultation with project management unit and implementing partners, although the ultimate decisions were made by the evaluation team.

Data collection tools

The evaluation team used the evaluation frameworks, with its questions and sub-questions, to develop interview guides to be used during key informant interviews and focus group discussions. The team used a standardized set of tools across the three countries to ensure comparability of findings, while also allowing enquiry into any country specific assessments.

Data analysis

Data from secondary and primary sources were all summarized in tables and organized according to the evaluation criteria. A first debriefing was presented to the government a few days after data collection.

RUFEP Zambia

Sampling of sites for field visits Sampling Frame and Methodology

The evaluation team visited project locations in Chipata (Eastern Province), Kasama (Northern Province), Mansa (Luapula Province), Kabwe and Chimbombo (Central Province). The team also held meetings in the capital, Lusaka. These locations were selected by the evaluation team based on clusters of project activities under different components, aiming to have direct observation of a diverse set of activities. The selection was done based on consultation with project management unit and implementing partners, although the ultimate decisions were made by the evaluation team.

Data collection tools
The evaluation team used the evaluation frameworks, with its questions and sub-questions, to develop interview guides to be used during key informant interviews and focus group discussions. The team used a standardized set of tools across the three countries to ensure comparability of findings, while also allowing enquiry into any country specific assessments.

Data analysis
Data from secondary and primary sources were all summarized in tables and organized according to the evaluation criteria. A first debriefing was presented to the government a few days after data collection.

Possible limitations
RUFEP is still ongoing, hence, its PCR and impact assessment survey are not yet available. In addition, recent events, such as the COVID-19 pandemic, hindered some project interventions.

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Contextual information on the rural finance sector in selected countries

1. **Zambia** is a large, landlocked, resource-rich country with sparsely populated land in the center of Southern Africa. It shares its border with eight countries[62] that serve as an expanded market for its goods. The country has a large demographic shift and is one of the world's youngest countries by median age. Its population, much of it urban, is estimated at about 17.9 million and is growing rapidly at 2.8 per cent per year, partly because of high fertility, resulting in the population doubling close to every 25 years. This trend is expected to continue as the large youth population enters reproductive age, which will put even more pressure on the demand for jobs, health care, and other social services.[63]

2. **Financial sector in Zambia:** Zambia's financial landscape is dominated by the banking sector, although, it also includes a variety of other financial organizations. Nearly 70 per cent of the financial industry's assets are held by the banking sector, with over 80 per cent held by subsidiaries of predominantly foreign-owned banks. Pension funds, microfinance firms, insurance companies, and building societies are other significant financial sector entities. Four of the eighteen licensed commercial banks are government-owned. Other financial organizations include 75 currency exchange firms, 11 savings and credit cooperatives, 19 general insurers, 10 long-term insurers, and two public insurers; three public pension funds and 245 private schemes; two payment system operators, 42 payment service providers (including three mobile network operators), and one credit reference bureau. In addition, the combined market capitalization of the debt and equity capital markets was Kwacha 56.8 billion (about US$4.19 billion).

Table 1:
Distribution of financial sector assets, (September 2019)

Sector	Number of Financial institutions (FIs)	Percentage share of total assets	Value of assets (Millions of Kwacha)
Banking Sector	18	73.3	88 047
Pension Funds	245	16.6	19 985
Microfinance Institutions	34	5.3	6 336
Insurance	29	2.0	2 460
Building Societies	1	1.0	1 170
Leasing and Financial Businesses	7	0.3	372
Development Banks	1	1.0	1 146
Savings and Credit Institutions (NatSave)	1	0.4	468
Other	75	0.1	87
Total	**411**	**100**	**120 071**

Source: Bank of Zambia (2019)

3. The financial system in Zambia is overseen by three key authorities. The Bank of Zambia regulates and oversees both banks and non-bank financial entities. The Pensions and Insurance Authority regulates insurers and pension funds, while the Securities and Exchange Commission oversees the stock market. The Bank of Zambia has distinct divisions for monitoring banks and non-bank financial entities. These departments conduct routine off-site and on-site inspections of the organizations they oversee.

4. Zambia's financial inclusion has improved since 2009. According to Finscope surveys, the proportion of adults having access to the formal financial sector increased from 23.1 per cent in 2009 to 38.2 per cent in 2015, and to 61.3 per

[62] Angola, Botswana, Democratic Republic of Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe
[63] World Bank.

cent in 2020. However, there is a significant and growing gap in access between urban and rural areas (20.1 percentage points in 2015 and 29 percentage points in 2020), as well as a significant gender gap of around 10 percentage points between men and women's formal access levels, which decreased from 10 percentage points in 2015 to six percentage points in 2020). According to the 2017 Global Findex Survey, the adult population having access to the formal financial sector has improved to 46 per cent. This rise seems to be driven by the quick expansion of mobile money access, which increased from roughly 12 per cent in 2014 to 28 per cent in 2017.

5. In addition, Zambia's National Financial Sector Development Policy and National Financial Inclusion Strategy (NFIS), both of which were implemented in 2017, provide policy objectives and targets for the financial sector. The policy and strategy are based on the previous Financial Sector Development Plans (FSDPs). The NFIS's major purpose is to "promote universal access to and use of a diverse variety of high-quality, low-cost financial services that fulfil the requirements of people and businesses." In 2022 the NFIs aimed to have 80 per cent of the population financially involved (formally and/or informally) and 70 per cent of the adult population officially financially included. The approach, among other things, is designed to assist and integrate unbanked and underserved groups into the formal financial system by using technology improvements that offered potential for increasing access to and use of financial services.

6. **Ethiopia**. Over the past 15 years, Ethiopia's economy has been among the fastest growing in the world (at an average of 9.5 per cent per year). Among other factors, growth was led by capital accumulation and through public infrastructure investments. Ethiopia's real GDP growth slowed down in FY2019/20 and further in FY2020/21 due to the COVID-19 pandemic, with growth in industry and services easing to single digits. However, agriculture, where over 70 per cent of the population are employed, was not significantly affected by the COVID-19 pandemic and its contribution to growth slightly improved in FY2020/21 compared to the previous year. The consistently high economic growth over the last decade resulted in positive trends in poverty reduction in both urban and rural areas. The share of the population living below the national poverty line decreased from 30 per cent in 2011 to 24 per cent in 2016 and human development indicators improved as well over time. However, gains are modest when compared to other countries that saw fast growth, and inequality has increased in recent years.[64]

7. Ethiopia is Africa's second-most populated country (115 million), behind Nigeria, and has the region's fastest expanding economy (6.3 per cent growth in FY2020/21). Per capita gross national income is $890. Ethiopia wants lower-middle-income status by 2025.

8. **Financial Sector in Ethiopia**. Financial services are a critical enabler for sustainable economic growth, poverty reduction and food security. Financial cooperatives and microfinance institutions (MFIs) are the only two major sources of rural finance in Ethiopia, with roughly two thirds of their loan portfolio devoted to the agricultural sector. Whereas MFIs are relatively recent, financial cooperatives have existed for centuries in various forms in the country. Overall, the institutional strength of many institutions is limited and there have been cases of default that necessitated repayment out of the regional state budgets as well as these intermediary institutions. The weak institutional capacity coupled with restricted access to refinance makes access to finance difficult for farmers: whereas agriculture provided about 41 per cent of the total GDP at the inception of RUFIP II, the sector's share of total lending was only about 14 percent.

9. The National Financial Inclusion Strategy recognizes the role of access to finance in contributing to rapid economic growth and poverty reduction. With the support of

[64] World Bank. Ethiopia Country Profile (2022). Available at: https://www.worldbank.org/en/country/ethiopia/overview

the World Bank, a five-year plan (2014–2020) was developed with the vision of "achieving universal access to and use of a range of affordable and high-quality financial products and services by 2025." The four strategies are: 1) strengthen financial and other infrastructure; 2) ensure supply of a range of suitable products, services and access points; 3) build a strong financial consumer protection framework; and 4) improve financial capability of clients.

10. **Kenya.** In the past decade, Kenya's economy has expanded rapidly. The average GDP growth rate between 2010 and 2019 was 5.85 per cent, driven by a business-friendly atmosphere, robust governmental infrastructure expenditure, and increasing regional commerce. In Kenya, it is difficult to sustain the achieved growth levels (even without the COVID-19 pandemic). In fact, even though the economy has typically done well due to substantial government contributions, the public debt has swiftly expanded and now exceeds the conventional danger thresholds. Since early 2020, the COVID-19 pandemic has had a severe impact on Kenya's economy, since containment efforts and behavioral reactions have slowed economic activity. The fact that a large section of the population is not expected to be vaccinated until 2024 shows that the economic and social effects of the pandemic will persist throughout the medium and perhaps long term.

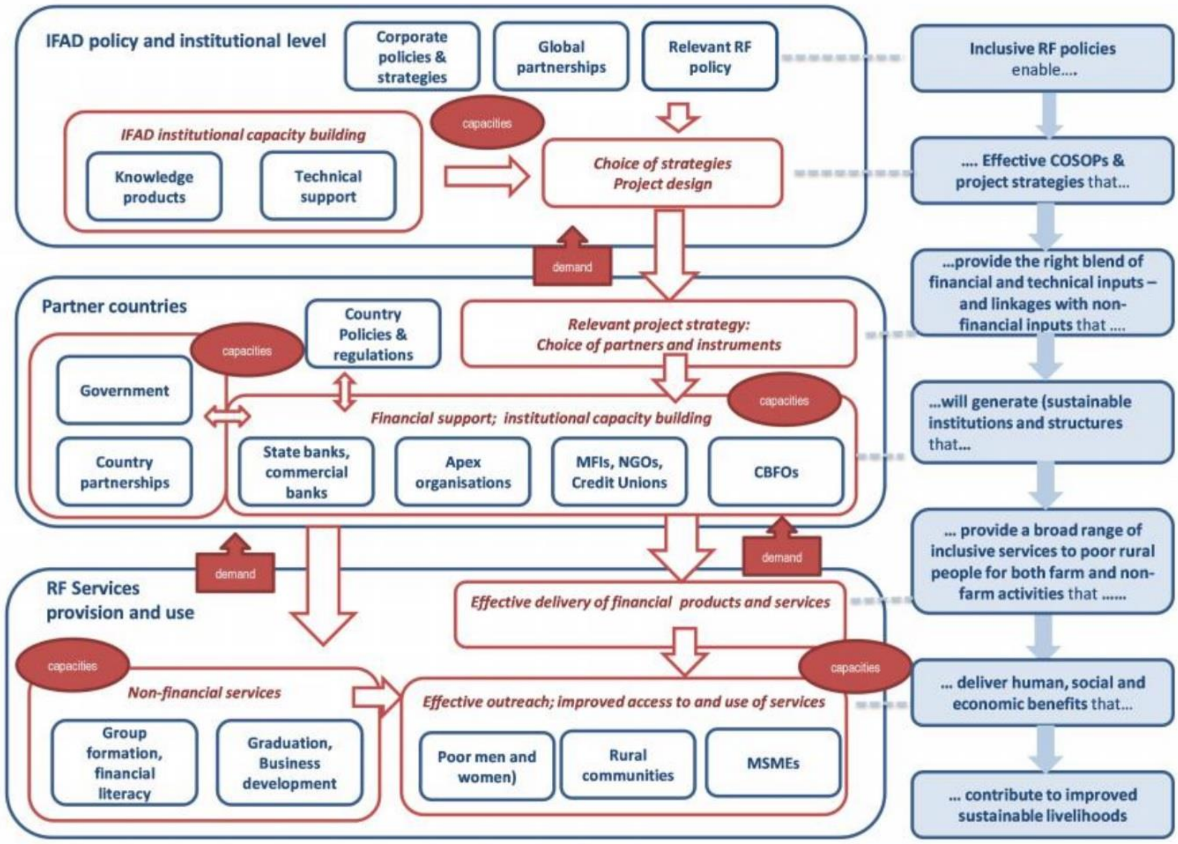
11. **Financial Sector in Kenya**. Kenya's financial sector is the third biggest in Sub-Saharan Africa in terms of total assets and has substantially contributed to the country's economic development over the last few decades. Since 2006, Kenya's financial inclusion landscape has seen a significant transition, with formal financial inclusion increasing from 26.7 per cent in 2006 to 82.9 per cent in 2019. However, this major transformation is predominantly driven by information and communications technology, particularly the fast growth of mobile money services, and has yet to result in improved livelihoods, particularly for the rural poor. The increased access to finance has mainly focused on the use of mobile payments and money transfer services, while similar positive trends have not emerged in credit services for productive purposes—which, in most cases, still require direct contact to financial institutions.

12. The COVID-19 pandemic has had a negative impact on the operations of SACCOs, microfinance banks, and other small financial operators, particularly those engaged in service industries and export-oriented agribusinesses. As members' incomes have decreased and grown more unpredictable, low-income families have reduced their savings and postponed loan repayments by rescheduling. Additionally, many banks avoid lending to SACCOs and MFIs due to the perceived and actual elevated risks. Consequently, many SACCOs and most MFIs are now confronted with severe liquidity limitations that drastically limit their capacity to issue fresh credits to assist the recovery efforts of their members or consumers.

13. In Kenya, the need for rural and agricultural financing is not adequately satisfied. Despite the agricultural industry's significant contribution to GDP, agriculture sector investments comprise just 4 per cent of the entire financial sector portfolio, compared to the government's aim of 10 per cent. In the framework of building back better and contributing to Kenya's green economic development, there is also room for financial institutions to offer more green finance. The need for these services is obvious in banks' portfolios and their stated intent to grow these portfolios.

Corporate and project-level theories of change

Theory of Change of the Rural Finance Policy 2009



Theory of Change of the Inclusive Rural Finance Policy 2021.

Impact

Improved livelihoods and strengthened resilience of rural poor people enabled by IRF solutions and interventions.

Outcomes

- Greater use of useful and affordable IRF products and solutions by rural poor people, rural MSMEs and smallholders to strengthen resilience to climate change and other shocks.
- Increased investment by rural poor people, rural MSMEs and smallholders in their households, farms and non-farm opportunities that translate into increased income and benefits from markets.

Key outputs

- Rural poor people, rural MSMEs and smallholders have greater awareness, capacity and protection in using IRF products and services.
- An expanded range of accessible, affordable and useful IRF products and services is offered to rural poor people, rural MSMEs and smallholders by conventional and non-conventional FSPs.
- The policy and institutional environment for the delivery of IRF products and services is more enabling, stronger and better coordinated.

Action areas and inputs

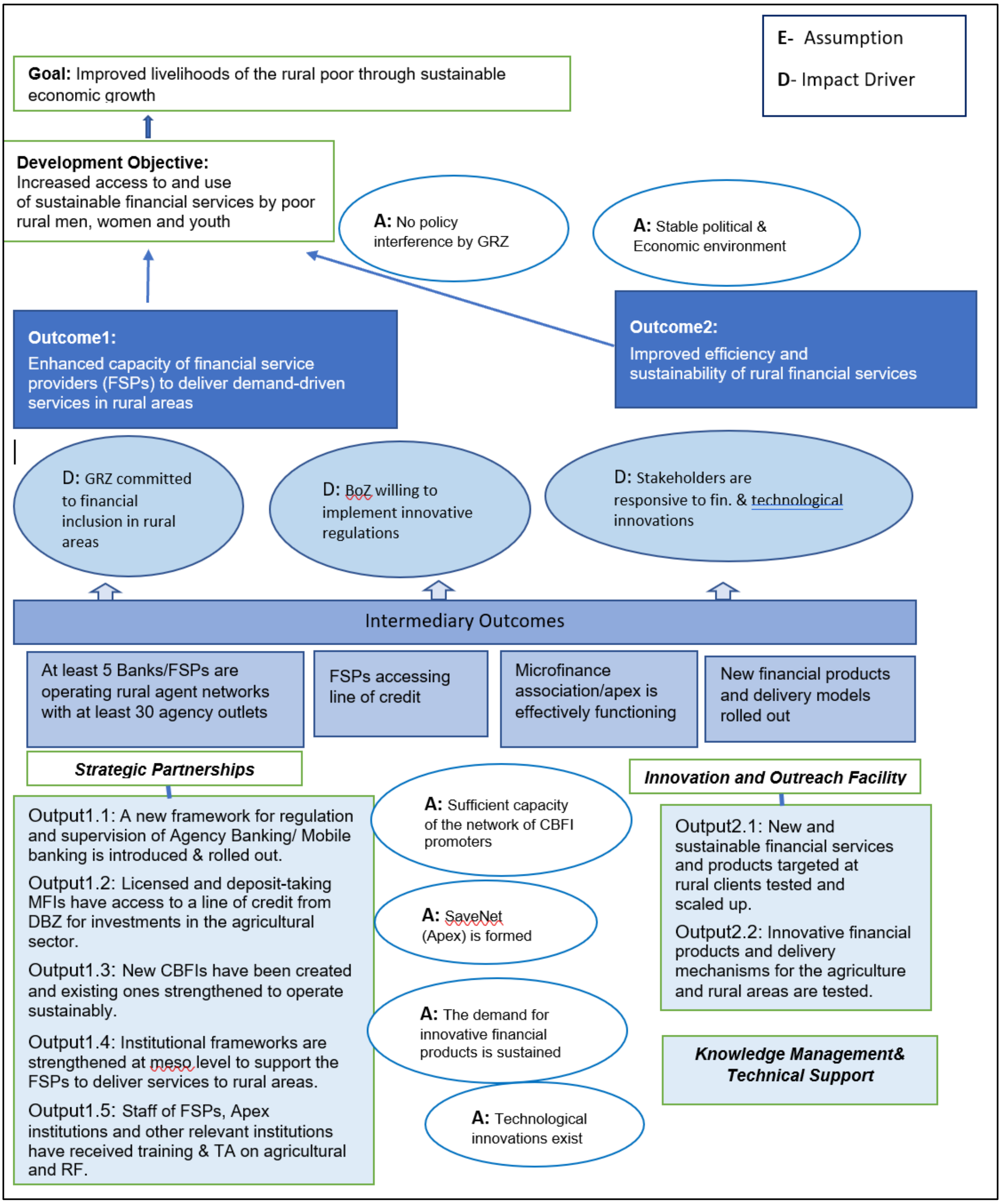
- Promote differentiated IRF interventions that address demand-side constraints and reflect the diversity of beneficiary populations and needs.
- Deliver impact-driven market-building interventions that utilize both catalytic financial instruments and non-financial capacity development to conventional and innovative FSPs.
- Catalyze and strengthen enabling environments for IRF.

Development challenges

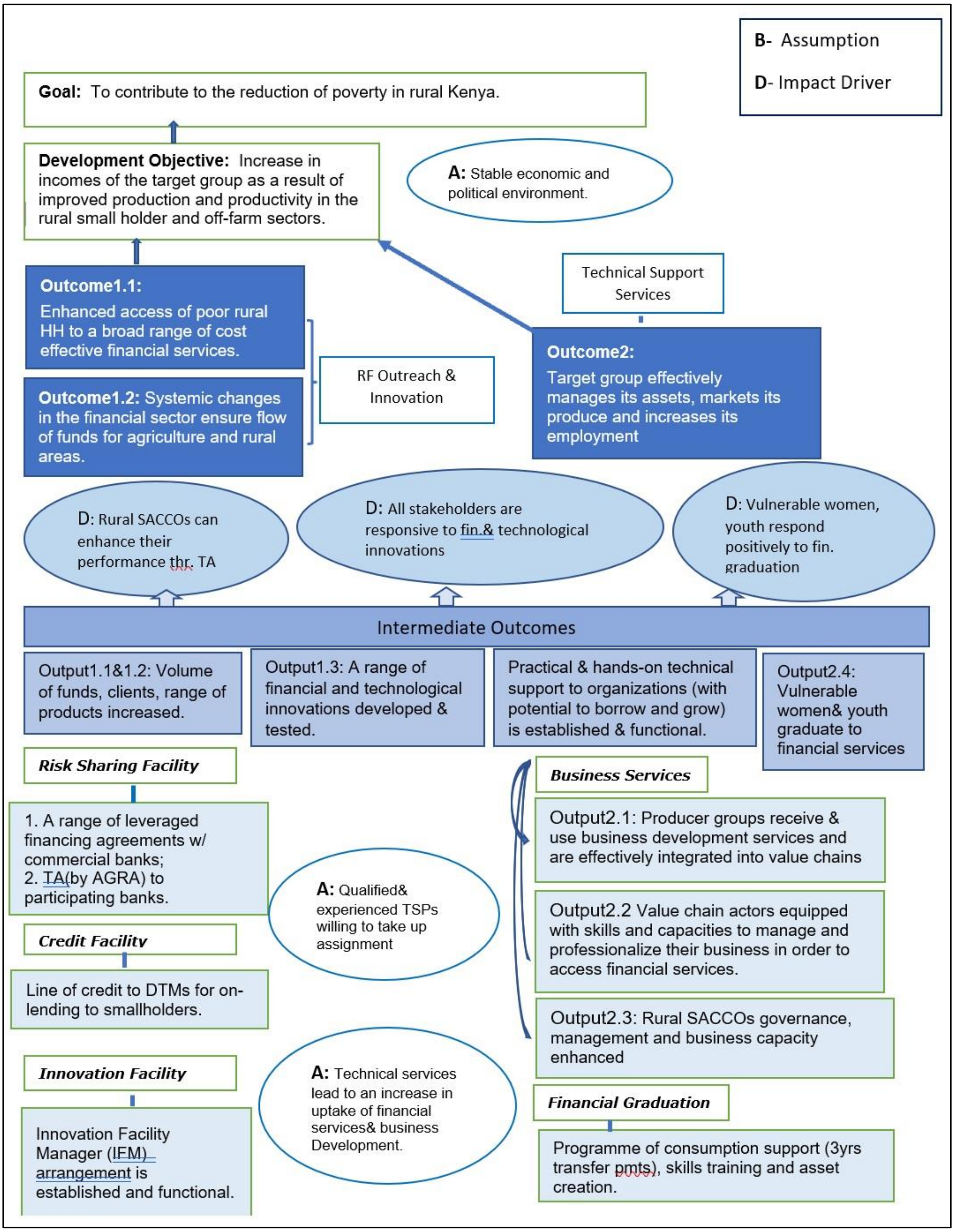
Rural poor people, rural MSMEs and smallholders are unable to take advantage of opportunities within food systems to improve their livelihoods and strengthen their resilience because of a lack of affordable and useful IRF products and services.

Source: (IFAD, 2021)

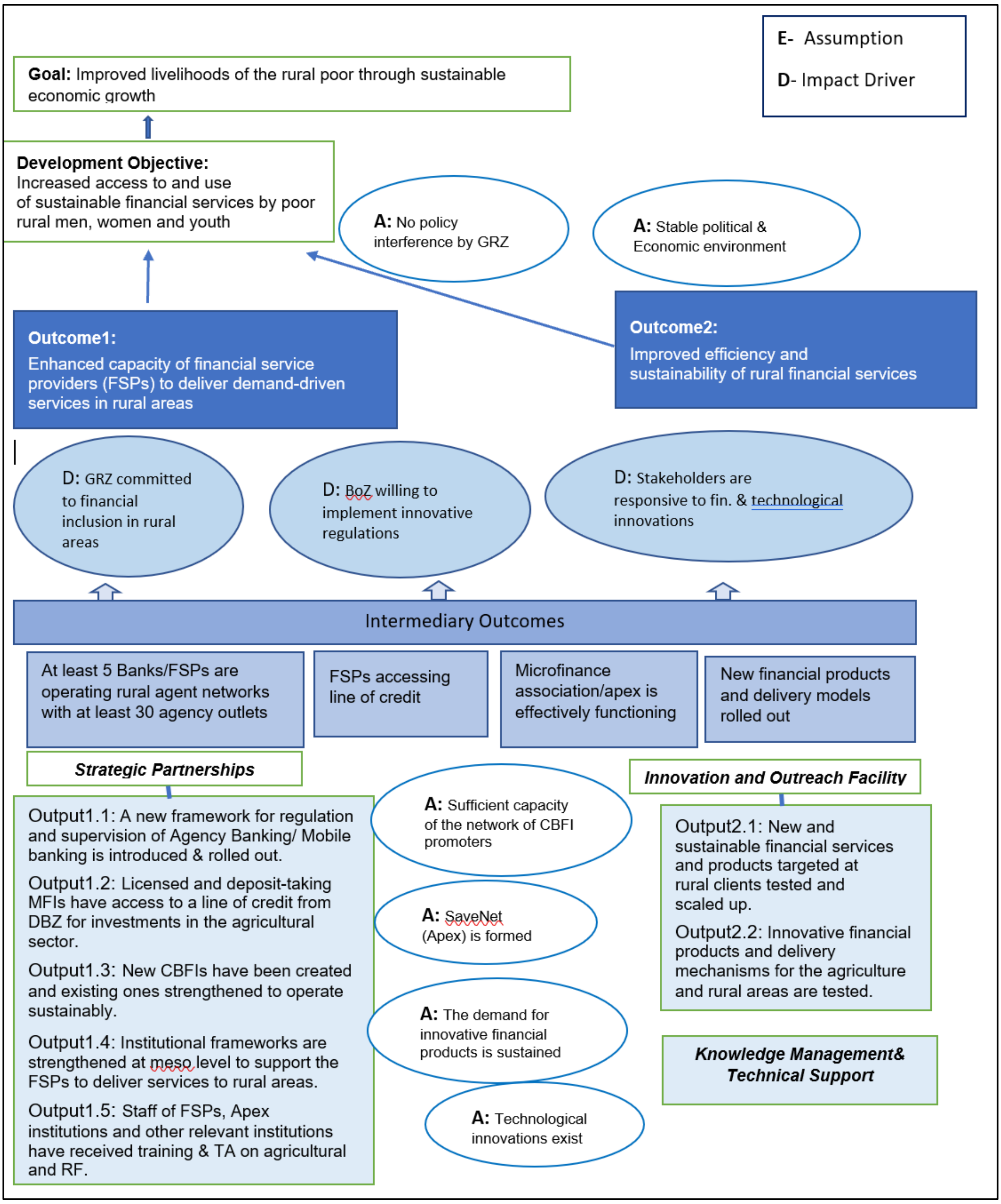
RUFIP II (Ethiopia)



PROFIT (Kenya)



RUFEP (Zambia)



Report of the external independent reviewer[65]

IOE's project cluster evaluation (PCE) on rural finance in East and Southern Africa (ESA) provides a solid assessment and comparison of the performance of selected rural finance projects in the ESA region, each with its different country context, project design and implementation approach. The PCE helps to draw out common findings and lessons, as well as compare the effects of their diverse financial products, services and innovations on addressing the financing needs and improving the livelihoods of the intended target group of poor rural women, men, and youth.

Programme fit for IFAD's RF policy framework and governments priorities

The three projects assessed by the PCE, PROFIT (Kenya), RUFIP II (Ethiopia) and RUFEP (Zambia), aimed to strengthen the capacity of rural finance institutions to mobilize savings, cover their costs, increase their loans, while making a profit and increasing their sustainability and outreach. In accordance with the IFAD's Rural Finance Policy, they worked with diverse partners and products with actions at the micro, meso and macro level, although they differed in their intervention approaches as not all projects involved the same activities.

The three programs were relevant to the target groups' needs as they targeted weak areas of the countries' rural finance sector, while also aligning with government priorities. They programs attempted, and for the most part achieved, participation of all relevant stakeholders in their respective country contexts for project planning and implementation. The three programs operated through diverse partner arrangements including, banks, Saving and Credit Cooperatives (SACCOs), village and regional-based Financial Service Providers (FSPs), traders, and agents, as well as governmental agencies. As summarized in Table 9 of the PCE, these contextualized programme approaches for each country led to differentiated products, approaches and partners in addition to many common features and operational modalities typical of IFAD programs around the world. In two projects (PROFIT and RUFIP II) the overall largest amount of funding went toward subsidized lines of credit to FSPs, with additional subsidization of credit guarantees in Kenya. Matching grants (MGs) to FSPs for innovations were important in Zambia, and planned but not implemented in Kenya, although the programme provided MGs to some farmer groups and key value chain SMEs as incentives to foment small farmer investment and innovation, especially for last mile outreach.

Effectiveness and efficiency

Table 10 of the PCE succinctly compares the uses of the financing stimulated by the three programs. Short-term agricultural credit and short and medium-term were the main uses, with the differential being that in the case of Zambia, RUFEP stimulated the FSPs to lend using their own capital, rather than drawing on an IFAD line of credit. The digital innovations of those FSPs also served for their financing of emergency loans, albeit at a high cost to the customer. Savings mobilization was a common focus and wisely linked to existing community level organizations and SACCOS. The presence of subsidized funding to FSPs in Kenya and Ethiopia increased rural finance outreach services, but overall was likely a disincentive for them to mobilize savings from their clients. The subsidized lines of credit have not resulted in more favorable conditions or services for clients, such as lower interest rates and reduced loan fees. This is not uncommon but was not the desired outcome from the low rates.

RUFIP II in Ethiopia was a less complex technical design, but its large scope across the country was challenging. A more complex design, such as with PROFIT, could have made it an administrative burden for IFAD and the government's implementation. Nevertheless, it could be argued from a technical perspective that RUFIP II the least effective of the three programs in terms of promoting new advances of products,

[65] The senior independent advisor for this evaluation synthesis was Calvin Miller, former Senior Agricultural Finance Expert at the Food and Agriculture Organization of the United Nations.

approaches and technologies. Simply adding a subsidized credit line primarily used for short-term agricultural loans into the large rural economy of the country, is not the most effective mechanism for change.

PROFIT, in Kenya was designed as a somewhat "complete package" with both supply and demand side interventions of risk sharing, farmer group and value chain capacity building, as well as a financing line. It was much more costly per project beneficiary and initially struggled with complexity for implementation and the proposed Innovation Fund could not be implemented. Like RUFIP II, the programme offered a subsidized credit line as a main ingredient, but it did channel a portion of those funds to medium and long-term investments, helped in part by the project's support of a risk sharing facility for credit guarantees and demand side support. Unfortunately, with insufficient M&E system data, the PCE was not able to sufficiently assess the demand side benefits.

The project in Zambia made a concerted effort in trying to reduce operation cost to reach rural clients by fostering innovations in the digital technology and mobile banking space. This approach led to a significant increase in outreach and made an impact in terms of financial inclusion and at a much lower cost per project beneficiary. Notably, sufficient liquidity in the financial system of Zambia was important for the RUFEP programme to succeed.

Impact and sustainability

Impact and sustainability are hard to assess both due to limitations of the M&E information captured by the projects and the effects of COVID on the economies. Without the high margins between the subsidized credit lines and client interest rates, future outreach may contract in last-mile areas, but the digitalization innovations and capacity building done by the projects will help toward long-term sustainability of serving these areas, although with relatively high costs. The PCE showed a weakening of Rural Savings and Credit Cooperatives (RuSACCOs) in Ethiopia and strengthening of SACCOs in Kenya. In any case, better monitoring and support are needed.

Gender, youth and climate adaptation

The PCE aptly noted that the projects had no dedicated efforts to increase the participation of women in the financial services on the implicit assumption that women would have equal access to financial services, particularly when working with community based FSPs and group lending that tends to encourage women participation. However, realistically, gender development, as well as youth development are much broader than can be addressed by rural finance alone. Targeted rural finance products and technologies can support gender and youth programs, but accompanying emphasis is needed on building the entrepreneurship demand and capacity. In similar manner, financing for climate adaptation, which was not included in the projects' focus, needs awareness and capacity building, well-designed incentives and risk sharing in order to succeed.

Key issues for consideration

- There is no one-fits-all solution for rural finance, as correctly noted by the PCE. Sufficient time and expertise are needed in the design to determine the root causes of a lack of financial services to low-income, rural farmers and households. For implementation, IFAD also needs to consider the sufficient level of technical capacity needed to implement a project since this also depends on the complexity of the design.[66]
- A critical issue for consideration of IFAD programme financing is that of liquidity of the financial system of the country. Is a credit line really needed, versus, is the bottleneck for funding due to risk or costs of services?
- Combining financial services with capacity building and demand-side interventions of farmers and youth is positive. Provision of beneficiary capacity development in Kenya

[66] AFI, Enhancing Financial Inclusion in Rural Areas, https://www.afi-global.org/wp-content/uploads/2022/04/GN-50_Enhancing-Financial-Inclusion-in-Rural-Areas.pdf

and Zambia proved useful. Having or building partner capacity to do it can be challenging, as evidenced in Kenya.

- PROFIT in Kenya, NIRSAL in Nigeria, GIRSAL in Ghana, and RARSFF in Rwanda have somewhat similar designs as "full-package" financial approaches. Ongoing comparisons and learnings are needed for continued refining of the products and services.
- Credit guarantee facilities can be useful, and do not have to be time-limited, especially for agri-SMEs that can benefit from individual credit guarantees as collateral "top-ups" to access sufficient financing, and these types of guarantees can be self-sustainable.[67]
- Investment in innovation and outreach facilities are appropriate for promoting new tools and approaches, as well as supporting national and global learning. Adequate M&E and impact evaluation is needed to gauge results and share information.
- The PCE and the project documents say little on FSP's internal assessment processes, risk management and efficiency. For agricultural lending, especially medium to longer-term lending, more emphasis is needed to support development of loan assessment and planning software that can improve loan processing and store the data for comparative assessments over time and across sectors. For smaller SACCOs, this can be developed at the federation/union level and made available to SACCO members.
- In order to attract young people to agriculture or other rural SME activities, special attention has to be given to developing financial products that suit the agricultural ventures and production factors and/or other rural entrepreneurship ventures.
- Climate change has emerged as an important risk and opportunity and future IFAD projects will need to incorporate appropriate strategies according to the context and target group.

[67] Credit Guarantee Systems for Agriculture and Rural Enterprise Development, https://www.rfilc.org/library/credit-guarantee-systems-for-agriculture-and-rural-enterprise-development/

List of key persons met

IFAD Kenya

Ms Mariatu Kamara, Country Director, IFAD

Mr Sauli Hurri, Senior Regional Technical Specialist, Rural Finance, Markets and Value Chain, IFAD

Mr Ronal Adjengo, Country Programme Officer, IFAD

Ms Agnes Kiragu, Country Programme Analyst, IFAD

Project Team of Implementing Organization

Mr John Kabutha, Project Coordinator - PROFIT and RK-FINFA, Project PMU

Mr Philip Musyoka, M&E Officer - PROFIT and RK-FINFA, Project PMU

Mr Njeru Michael, Financial Controller, PROFIT and RK-FINFA

Government Agencies

Mr Hezbourn MacObongo, Directorate of Budget, Fiscal and Economic Affairs, The National Treasury and Planning

Mr Jackson Echoka, Chief Officer, Risk and Compliance Agricultural Finance Corporation (AFC)

Ms Sarah Wachekeh, Head of Risk, Risk and Compliance, Agricultural Finance Corporation (AFC)

Mr Simon Kinuthia, Head of Agribusiness, Business Banking Absa Bank Kenya PLC

Ms Mercy Ngacha, Senior Economist, Directorate of Budget, Fiscal and Economic Affairs, The National Treasury

Mr Justus Bundi, Senior Economist, Directorate of Budget, Fiscal and Economic Affairs, The National Treasury

Ms Josphine Kulundu, Senior Economist, Directorate of Budget, Fiscal and Economic Affairs, The National Treasury

Financial institutions

Mr Micah Momanyi Maranga, Agribusiness Specialist, Kenya Women Microfinance Bank (formerly Kenya Women Finance Trust KWFT)

Mr Alex Karimi, Relationship Manager – Agribusiness, FAULU Microfinance Bank

Times U Sacco

Catherine Mwamba – CEO

Moses Gikunda – Internal Audit Manager

Alfred Mutethia – ICT Manager

Juliet Muia, Branch Manager, UTS SACCO – Embu Branch

KWFT MFB – Mt. Kenya East Region

Antony Kanjau – Regional Manager

Micah Momanyi – Agribusiness Manager

Elsie Njeru – SPM Manager

John Muchori Nga’ng’a – Branch Manager, Embu

Purity Makau – Branch Manager, Runyenjes

Ann Makena Njeru – Business Development Officer, Runyenjes

Co-op Consultancy & Bancassurance Intermediary (CCBI) Ltd Partner

NAWIRI SACCO – Head Office, Embu

Rose Waithaka – HR & Personnel Manager

John Muriithi – Marketing Manager

Biashara Tosha SACCO – Head Office - Manyatta, Embu

Caroline Wawira Nderi – Chief Executive Officer

Kitui Teachers SACCO

Daniel Musembei – Chief Manager – Business Development

Mercy Mutie – Branch Manager, Kitui

Jance Muitwa – ICT, Head

UTS SACCO

Dominic Mutunga – Chief Executive Officer

Co-op Consultancy & Bancassurance Intermediary (CCBI)

Nicholas Kamonye – Head, CCIA – 254-722672970

Carol Mburu – Head, Agribusiness

SMEP MFB

Symon Kamore – Chief Executive Officer

Rafiki MFB

Paul Kagiri – Head, Agribusiness

Development Agencies and Others

Care International (Financial Graduation)

Esther Muyok1 - Care International Trainer (FGD Organizer)

Saul Makari – Kyuso Ward Administrator

David Marua – Kyuso Assistant Chief

Christine Kimathi – Village Administrator

Smart Logistics

Michael Mwalali – Business Development & Strategies (BDS)

BOMA – Financial Graduation – Samburu

Paul Bolo

Sam Owily

Beneficiaries

Green Valley Farmers Self Help Group:

John Riungu – Chairperson

Lawrence Mugo – Member

Rosemary Kendi – Treasurer

Veronich Kendi – Committee Member

Misheck Muthomi – Coordinator

Generald Muriithi – Member

Ruth Kinya – Member

Justus Mwangi – Member

Shera Wanjugu – Member

Nancy Kiende – Member

Stephen Muriuki – Member

Josphine Kuri – Committee Member

Joseph Murauki – Member

Julius Maingi – Member

Samuel Wanjohi – Member

PENTAFAM Meru CBO

Joyce Kimathi – Chairperson

Samson Rimbere – Vice Chairperson

Janet Nteere – Secretary

Charity Kirimi – Treasurer

Erastus Kimathi – Project Strategic Planning

Benjamin Mugambi – Chairperson Procurement Committee

Erastus Mariene – Chairperson Marketing Coordinator

Elizabeth Obonyo, Chicken value chain, SMEP MFB Anchor Client

UTS SACCO – Anchor Client

Rita Viola Mukundi – Operations Director

Kelvin Muhia – Head of Finance

Ndunduini Gukinyukia Goat Rearing group

Grace Waiganjo – Chairperson

Maina Kibene – Secretary

Silas Kinogu – Member

KWFT MFB – Mt. Kenya East Region (Embu)

Elizabeth Muikamba

Eunice Mwobe

Pauline Wamunyu Muthike

Irene Wawira Micheni

Faith Wawira

Purity Bancy Igoki

Susan Kagendo Nyaga

Margaret Nceri Munya

Rita Kambura Ng’ang’a

Rose Murugi

Pamela Mutegi

Lucy Kariuki

Susan Wawira

Lucy Njeri

Susan Mukami Njiru

Esther Warue Ireri

Rosa Wawira

Mary Muthoni

Lydia Muthoni

Esther Njoki Njiru

Judith Mwende

Lydia Karimi

<u>UTS Sacco Anchor Client, NAWIRI SACCO – Head Office, Embu</u>

Diana Marigu, Manager Kirimiri

<u>Kyuso FGD Participant list - Our Vision Group</u>

Dominic Musila

Jackline Muthami

Kyambi Musila

Mulekye Kamangu

Christine Kasyoki

Miriam Mutua

Angelina Andrew

Peninah Mutemi

Miriam Musira

Kiluti Musyoka

Malwa Musya

Muli Matiti

<u>Kyuso FGD Participant list - Tumaini Group</u>

Scholasticah Nzongoni

Agness Paul

Regina Mwangangi

Kaluki Kova

Kyambi Ukulo

Teresia Munyi

Syombua Kyema

Martha Musili

Kasyoka Mukungi

<u>Kyuso FGD Participant list - Wendo wa Ililu Group</u>

Stella Mumbe

Mutemi Kavindu

Kalimi Munyoki

Kalunge Kyalo

Ngina Mutemi

Wanza Kilonzi

Mwende Mwendwa

Agnes Kivevenze

Kasangi Kyalo

Kyuso FGD Participant list - Wikwatyo wa Gai Group

Kasyoka Kinyaru

Naomi Peter

Jeru Mwendwa

Katui Syengo

Kanyiva Mutuku

Mbau Mutisya

Munyoki Mutemi

IFAD Ethiopia

Mr Mawira Chitima, Regional Hub Director, IFAD

Project Team of Implementing Organization

Mr Tefera Befekadu, Ad interim Director and Project Coordinator, RUFIP PCMU / DBE

Mr Samson Alemayehu, Finance Team Manager, RUFIP PCMU / DBE

Mr Misgana Lema, Sr. Social Performance and External Linkage Officer, RUFIP PCMU / DBE

Mr Fitsum Haile, Sr. Social & Environmental Officer, RUFIP PCMU / DBE

Mr Melese Taye, M&E Officer, RUFIP PCMU / DBE

Government Agencies

Mr Merga Wakweya, Director, NBE

Mr Teshome Kebede, CEO, AEMFI

Mr Birhanu Dufera, Director - RuSACCOs, ECC

Mr Danbalo Dangso, Directorate, Sidama Region

Financial institutions

Mr Soresa Fikadu, Manager, Awash SACCO Union

Mr Taso Bulcha, Chairperson, Burka RUSACCO

Mr Tulu Dabale, Member, Burka RUSACCO

Mr Taso Tadese, Cashier, Burka RUSACCO
Mr Gemechu Alemu, Accountant, Burka RUSACCO
Mr Bora Albula, Branch Manger, Sinke Bank/MFI/
Mr Faji Girma, Regional Coordinator, Busa Gonofa MFI
Mr Kuma Gabayo, Manager, Buro shalla SACCO UNION
Mr Abraham Anbese, General Manager, Kendil MFI
Mr Adane Wosene, Operation Officer, Kendil MFI
Mr Gamada Farda, Branch Manager, Kendil MFI
Mr Hasan Ibrahim, Loan Officer, Kendil MFI
Mr Debeko Dangura, Manager, Sidama Chalala SACCO Union
Mr Mirga Shilo , Secretary, RuSACCO
Ms Belaynesh Dae Board chairperson, RuSACCO
Mr Tongola Torba Board member, RuSACCO
Mr Samuel Tekala Board V.Chair, RuSACCO

Beneficiaries
Focus group discussion with beneficiaries of Kendil MFI (21 women, 44 men)
Mr Legeese Balcha, Beneficiary, Sinke Bank/MFI/
Mr H/Mikael Girma, Beneficiary, Sinke Bank/MFI/
Mr Kacha Bula, Beneficiary, Sinke Bank/MFI/
Ms Zinash Amare, Beneficiary, Sinke Bank/MFI/
Ms Workuwa Teshome, Beneficiary, Sinke Bank/MFI/
Mr Gude Kondala, Beneficiary, Sinke Bank/MFI/
Mr Getu Legese, Beneficiary, Sinke Bank/MFI/
Mr Wedaj Durso, Beneficiary, Sinke Bank/MFI/

IFAD Zambia
Mr Brian Kapotwe, Country Programme Officer, IFAD

Project Team of Implementing Organization
Mr Michael Mbulo, Programme coordinator
Mr Caiaphas Habasonda, National Technical Advisor
Mr Cephas Moonga, Knowledge Management and Communications specialist
Ms. Womba Kawanu Phiri, Monitoring and Evaluation Specialist
Ms Christor Sinyangwe, Financial Controller
Mr John Loongo, Procurement Specialist
Mr Habeenzu Simamba, Programme Support Officer

Government Agencies
Mr Derrick Simukoko, Assistant Director, Rural Finance Unit (RFU)

Mr Eric Nsofu, Principal Economist, Rural Finance Unit (RFU)

Mr Regan, Mansa Branch Manager, Zambia National Building Society (ZNBS)

Mr Hamilton Nkhoma, SANAMA Contractors

Mr Edgar Mlauzi, Zambia Information and Communications Technology Authority

Ms Vivian Nsokwa, External debt department

Financial institutions

Mr Jack Ngoma, Chief Executive Officer, Microloan Foundation Zambia

Ms Tola Adebayo, Head, Digital Banking Sales, United Bank for Africa – Zambia

Ms Charity Mwanza, Chief Executive Officer, Digital Shared Services Limited

Ms Chido Nkama, Digital Shared Services Limited

Ms Charity Chitalu Mwanza, Digital Shared Services Limited

Mr Febian Machla, Chibombo Branch Manager, Agora Microfinance Zambia

Mr Christopher Kaninza, Chipata Branch Manager, ZANACO

Mr Gaston Nyongani, Chipata Agency Banking Supervisor, ZANACO

Mr Beriwick Mungabo, National Coordinator, Savings Led Microfinance Network (SaveNet)

Bobbline Cheembela, Acting Managing Director, Atlas Mara

Mr Justin Mponela, Atlas Mara

Mr Konde Phiri, Chipata Branch Manager, Microloan Foundation

Development Agencies and Others

Mr Simon Ziba, Chief Executive Officer, Vision Fund Zambia

Ms Lilliane Chabuka, Chief Executive Officer, Widenergy Africa Limited

Mr Bright Moloka, Family Strengthening Coordinator, SOS, Chipata SOS Children's Village

Mr Chisomo Mbewe – Social Worker, SOS Chipata, SOS, Chipata SOS Children's Village

Mr Bright Moloka, Family Strengthening Coordinator, SOS, Chipata SOS Children's Village

Ms Natasha Mumba – Accountant, Chipata SOS Children's Village

Mr Wasswa Kinuka Kimbugwe, Chief Executive Officer, Pearl Systems Zambia Limited

Mr John Malama Mulenga, Finance and Admin Manager, Kasama Christian Community Care

Mr Peter Mumba – Programs Manager, Kasama Christian Community Care (KCCC)

Mr Derick Bwalya – Private Service Provider (PSP) under KCCC in Mungwi

Ms Agnes Moyo - Private Service Provider (PSP) under KCCC in Mbala

Sister Exildah Kabaso, Director, Catholic Diocese of Mansa

Ms Purity Sibanda, Accountant, Catholic Diocese of Mansa

Mr. Morris Mwale – Field Supervisor, Catholic Diocese of Mansa

Mr Abel Chungu – Private Service Provider (PSP) under Catholic Diocese of Mansa

Mr Chiilewe Siakasiya, Senior Programme Officer, Microfinance, Churches Health Association of Zambia, (CHAZ)

Mr Francis Zulu – Coordinator, Minga Mission Hospital, Petauke

Sister Donatila Shayo, Minga Mission Hospital Accountant

Mr Victor Phiri, Minga Mission HR

Mr Mattias Ohlson, Chief Executive Officer, Emerging Cooking Solutions (SupaMoto)

Ms Marian Ohlson, Emerging Cooking Solutions (SupaMoto)

Ms Ethel L. Mulenga, Savings Group specialist, World vision

Beneficiaries

Microloan foundation

17 members of the Taonga Group in Chipata

17 members of the Chisomo Savings group in Chipata

Churches Health Association of Zambia, CHAZ

26 members of Chikulo Women's Savings group in Petauke

13 members of Zambwela group in Petauke

13 members of Hospice group in Petauke

Kasama Christian Community Centre, KCCC

25 members from different groups in Mbala

13 members from Mungwi District

Mansa Catholic Diocese

7 members from Mansa (Ebenezer, Twesheko, Tumvelane, and Tuitungilile)

Agora Microfinance Zambia

36 members from Chibombo (Chikunkuluka and Kaswende)

Beneficiaries Agents met

Mr Richard Tembo – CHAZ Field Agent

Ms Betina Phiri – CHAZ Field Agent

Ms Ruth Phiri – Digital Share Petauke Branch FISP agent for PayGo

Ms Theressa Banda- Digital Share, Petauke Branch FISP agent for PayGo

Mr Hamilton Nkhoma, Owner, SANAMA Contractors (Agent for ZANACO, ZNBS & all 3 Zambian MNO's in Kapiri)

Mr Albert Kambita, Airtel & MTN MNO, and Zanaco Agent, Chibombo

Mr Falstone Muziya, Airtel, Zamtel & MTN MNO Agent, Chibombo

Ms Esther Ganizani, Airtel & MTN MNO Agent, Chibombo

Ms Ored Mwinga, MTN & Airtel MNO Agent, Chibombo

Ms Mambo, Zamtel, Airtel & MTN MNO Agent, Chibombo

Ms Alice Zulu, FINCA, Chibombo

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