UNCDF SPECIAL PROJECTS IMPLEMENTATION REVIEW EXERCISE – SPIRE –

MID TERM REVIEW
FINANCIAL INCLUSION MALAWI PROJECT (FIMA)

May 2011

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UNCDF Special Projects Implementation Review Exercise (SPIRE)
Mid Term Review: Financial Inclusion Malawi Project (FIMA)

Design: UNCDF Partnerships Unit

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BASIC GEOGRAPHIC AND DEMOGRAPHIC DATA

Country Area:	118,484 km^2
Country Population (2009)	15,447,500
Capital City:	Lilongwe
Languages:	English (official), Chichewa (Official), Chitumbuka (official).
Religion:	Christian 79.9%, Muslim 12.8%, other 3%, none 4.3% (1998 census)
Literacy:	58%
Population below the poverty line:	52%
GDP:	4 billion USD
GDP Per Capital:	USD 256
Project Location:	Program supports financial services providers with operations in all 13 districts
Source	*The World Fact book* *www.cia.gov*

Source: The World Factbook, *www.cia.gov*

ACRONYMS AND ABBREVIATIONS

AGFUND	Arab Gulf Program for Development
BAM	Banker's Association of Malawi
DfiD	Department for International Development, Government of the United Kingdom
CRB	Credit Reference Bureau
DMS	Deepening Microfinance Sector
ED	Executive Director
FCA	Financial Cooperative Act
FDS	Financial Sector Development Strategy
FIMA	Financial Inclusion Malawi Program
FIT	Financial Inclusion Taskforce
FSSA	Financial Services Sector Approach
GAs	Government Agents
GoM	Government of Malawi
IBIM	Institute of Bankers in Malawi
IC	Investment Committee (of FIMA)
IFC	International Finance Corporation
IF	Inclusive Finance sector
IFI	Inclusive Financial Institution
IMF	International Monetary Fund
MAMN	Malawi Microfinance Network
MIS	Management information systems
MoED	Ministry of Economic Development
MDGs	Millennium Development Goals
MF	Microfinance Forum
MFA	Microfinance Act
MFIA	Malawi Financial Inclusion Strategy
MoF	Ministry of Finance
MGDS	Malawi Growth Development Strategy
MIS	Management Information Systems
MNO	Mobile Network Operators
MNSFI	Malawi National Strategy for Financial Inclusion
MRFC	Malawi Rural Finance Company
MSB	Malawi Savings Bank
MTR	Mid term review
MUSCCO	Malawi Union of Savings and Credit Cooperatives
NBS	National Building Society (now know by acronym only)
NMF	National Microfinance Forum
NFIS	National Financial Inclusion Strategy
NTA	National Technical Advisor
PAR	Portfolio at Risk
PFI	Partner Financial Institution
PIFI	Partner Inclusive Financial Institution
POS	Point of Sale
RBM	Reserve Bank of Malawi
RFP	Request for Proposal
SACCO	Savings and Credit Cooperatives
RTA	Resident Technical Advisor
SME	Small and Medium sized enterprise
SPIRE	Special Projects Implementation Review Exercise
SSO	Sector Support Organization
TA	Technical Assistance
UNDAF	United Nations Development Assistance Framework
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Fund
UNICEF	United Nations Children's Fund

USAID	United States Agency for International Development
WB	World Bank

PROGRAM DATA SHEET

Countries:	Malawi
Program Title (long):	Financial Inclusion in Malawi
Program Title (short):	FIMA
Program no.:	00057581
Program ATLAS Code (by donor):	UNDP: Proj ID: 00057581; AWARD No. 00047744 UNCDF: PROJ No.00056846; AWARD ID: 00047356

Financial Breakdown

Total project Budget*	**USD 6, 233,827**	
Financial Breakdown (by donor) as of November 18, 2010		
Commitments:	Currency	
UNCDF	USD	2,000,000
UNDP	USD	2,000,000
CORDAID	USD	1,000,000
Total Commitments	**USD**	**5,000,000**
GAP	USD	1,233,827

* Government has committed a total of U$1.4 million in 2009 but the FIMA project is yet to tap into these resources due to procurement issues (i.e., the Government wants to limit its funding to activities that support general development of the inclusive finance sector and not a single organization or entity) Funding will be used in 2011.

Delivery to date (per donor) USD:

	2007	2008	2009	2010	Total to date
UNDP	7,749.63	259,431.80	662,617.89	235,115.67	1,164,914.99
UNCDF	100,000	338,534.14	640,073.54	284,276.54	1,362,884.22
CORDAID	0	0	351,438.00	470,000.00	821,438.00
Govt of Malawi	0	0	700,000.00	700,000.00	1,400,000[1]
Total to date	***107,749***	***597,965***	***2,354,129***	***1,689,392***	
GRAND TOTAL					**4,749,237**

Agency Information

Executing Agency:	MINISTRY OF FINANCE
Implementing Agency:	MINISTRY OF FINANCE
Approval Date of project:	19 June 2007
Project Duration:	5 YEARS: 2007 – 2011
Project Amendment:	None
Evaluation Date:	November – December 2010
Other current UNCDF projects in-country:	MALAWI LOCAL GOVERNMENT STRENGTHENING AND INVESTMENT PROGRAM
Previous UNCDF Projects:	1. Credit Guarantee for Micro enterprises (1997) 2. Sustainable Financial Services at District Level (2002)

[1] Confirmed but yet to be delivered.

Previous evaluations :	None

EXECUTIVE SUMMARY

PROGRAM PROFILE

i. The Financial Inclusion in Malawi Project (FIMA) is a USD 6.2M partnership program between UNCDF, UNDP, and the Government of Malawi (GoM). It was formulated in 2006 and has the overarching objective of supporting the development of inclusive finance sector (IF) to serve the poor. Given the relatively large number of poor living in rural areas and highly inequitable access to finance for women, FIMA pays particular attention to these groups, albeit not uniquely.

ii. FIMA's design takes a fairly standard UNCDF financial service sector approach (FSSA) to sector development and has programmatic outputs and activities at each of the micro, meso and macro levels.[2] Through a mix of grants for capacity development and innovation, grants/loans for on-lending, technical assistance (TA), training opportunities and networking/advocacy support FIMA was designed to achieve the goals and outcomes listed in Table 1.

Table 1: FIMA: Goal, Objective and Outputs

Goal	Contribute to the achievement of the Millennium Development Goals, mainly the goal number one of halving poverty in Malawi by 2015, and contribute to the goals of the Malawi Growth Development Strategy by increasing sustainable access to financial services to the poor and low income people.	
Outcome	Relevant indicators to increase number of savers and borrowers by 50% to 283k and 183K respectively, with 50% being women. Increase access in rural areas by 40%.	
Output 1	Appropriate technical working group established to promote an effective policy dialogue for the development of an inclusive financial sector.	Macro level sector interventions.
Output 2	Innovations in financial markets and investments in financial service providers promoted to expand sustainable access to financial services (savings, loans, payment services, money transfers or insurance) to low income groups, particularly women in rural markets.	Meso & Micro level sector interventions.
Output 3	Capacity of institutions operating in the financial sector strengthened to increase outreach and sustainability of the sector.	Micro level sector interventions.

iii. The development hypothesis of FIMA is that the promotion of an effective enabling environment supported by catalytic investments in financial service suppliers and financial sector businesses/institutions will enhance appropriate product/service innovation and the expansion of sustainable access to financial services for low income persons.

COUNTRY CONTEXT

iv. Malawi is a densely populated landlocked country of 14 million with a population growth of 2.6 per cent annually. The country has one of the lowest levels of per capita income in the world (USD 189) leaving over 40% living on less than USD 1 per day (2009) down from 52% in 2005. Overall well-being remains low but is improving and the country ranked 153 out of 182 on the United Nations (UN) Human Development Index in 2009, compared to 164 of 177 in 2007/08.

v. The Malawian economy has had five years of GDP growth over 7%. During this time the country has seen improved government finances, better management of public spending, and significant public/private sector reform. The agriculture dependent economy was supported by a strong tobacco

[2] The macro level refers regulatory and policy environment; meso to financial sector infrastructure such as credit rating agencies, credit bureaus, sector associations, financial consultants, auditors, etc.; micro to organizations providing financial services clients.

harvest in the 2007-2008, good weather and wide availability of fertilizer and seeds through government input subsidy programs. Malawi continues to face supply-side constraints such as rising energy costs and foreign exchange availability, and the economy remains vulnerable to terms of trade, weather and other exogenous shocks.[3]

vi. The government acknowledges that while MDG progress has been made, achieving universal primary education, gender equality and women's empowerment, and improving maternal health remains elusive.

THE PURPOSE OF THE EVALUATION

vii. The mid-term review (MTR) of FIMA is part of a broader UNCDF initiative: the *Special Projects Implementation Review Exercise* (SPIRE). SPIRE aims at combining two levels of analysis: (i) reviewing programs on the basis of their specific design and (ii) connecting them to the UNCDF corporate strategy as a basis for cross-country comparison.

viii. The approach to the MTR -- consistent with the SPIRE methodology – is to test the development theory underlying a program against evidence on its implementation performance.

ix. The review focuses on seven core evaluation questions based on the SPIRE inclusive finance (IF) evaluation matrix, including relevant sub-questions and indicators. The matrix is adjusted for each review in order to reflect the specificity of the program under review and to incorporate the issues included in the review terms of reference (ToR – See Annex 1). The full Evaluation Matrix is included as Annex 4.

x. The review was carried out in 3 phases:

- **A preparatory phase**, which provided a preliminary review and analysis of relevant documentation to be shared with the UNCDF/FIMA teams, to explain the review team's understanding of the program with the goal of ensuring the responsiveness of the evaluation questions (EQs) to the program's specificities and to the purposes of the final review.
- **A field phase**, i.e., an in-country mission in Malawi, which took place between November 22nd and December 8th , 2010, during which the team met with UNCDF and UNDP program staff, management, government officials, grantees, clients, donors and relevant stakeholders through individual or group interviews. Stakeholder surveys were given to a sample of national/regional stakeholders, grantees and IF service clients. The review held an introductory launching meeting aimed at introducing the objectives and the methodology of the review, and a 'debriefing' meeting presenting and discussing preliminary findings.
- **A reporting phase,** where findings are presented in formal report.

OVERVIEW OF PROGRAM IMPLEMENTATION STATUS

xi. FIMA was launched in April 2007 with a confirmed budget of USD 6.3M and financial commitments from UNCDF, UNDP and Cordaid of USD 5.0M, leaving UDS1.3M unfunded. The GoM committed to funding this gap in 2009. The program is housed within the Ministry of Finance (MoF) of the Government of Malawi (GoM) in Lilongwe, and has a management team composed of an international Country Technical Advisor (CTA), a national technical advisor, a finance and administrative officer and a clerk/driver. The CTA reports to the UNCDF regional technical advisor in South Africa, the head of Program Cluster UNDP in Malawi and the Director of the Directorate of Economic Affairs, MoF, GoM.

xii. FIMA was not fully operational until January 2009, 19 months after launch. The program has disbursed USD 3,019,275 in grants to 15 organizations and has spent approximately 77% of its scheduled budget. 57% of expenses have been made to support institutional capacity development at the macro, micro and meso levels; [4] 16% of funding supported Output 1 or macro level enabling environment advocacy interventions; and 9% goes toward supporting meso level Output 2 outputs focusing on financial sector infrastructure investments. FIMA operations consumed 19% of budgeted expenses.

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[3] Information in this paragraph is paraphrased from World Bank data found at: http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MALAWIEXTN/0,,menuPK:355882~pagePK:141132~piPK:141107~theSitePK:355870,00.html

[4] Due to data reporting from Atlas system PIFI grants for innovation are found in Output 1 data and not under Output 2.

xiii. Grants directly supporting PIFI management capacity development constituted 35% of all investments, whereas grants for PIFI innovation and outreach totalled 65%. The bulk of FIMA supported/sponsored training focused on supporting GoM and Reserve Bank of Malawi (RBM) capacity development and/or general training/information workshops for senior PIFIs management.

OUTCOMES

xiv. FIMA PIFI grantee outreach growth has already met the outcome target of serving 141,000 new clients primarily through growth of over 300,000 new savings clients, 250,000 of which came from institutions whose main business is not microfinance. New credit clients growth contracted by 72,000 primarily due to write-offs at the Malawi Rural Finance Company (MRFC), resulting in a loss of over 120,000 loan clients. Without these write-offs, new credit client growth would total 53,000 new clients. Of this, only 24,000 clients can be attributed to FIMA or 26% of its new loan client outreach target. The number of women served by loan products decreased from 55% to 48%, or 2% less than its targeted outcome of 50%.

xv. Contributing to these outcome achievements were activities reviewed here according to program outputs:

Output 1: Appropriate Technical Working Group established to promote an effective policy dialogue for the development of an inclusive financial sector (Policy)

xvi. The original output objective of FIMA supporting the National Microfinance Forum (NMF) via the MAMN was achieved but due to problems sourcing an appropriate Executive Director for MAMN and disinterest on the part of sector stakeholders in NMF it did not have the impact anticipated. Still, FIMA made many macro level gains. The program was able to promote an effective policy dialogue for the development of an inclusive financial sector via interactions and support for the RBM and the MoF. Specific outcomes include contributions to the advancement of the Microfinance Act (MFA), helping to produce the National Strategy for Financial Inclusion, helping to facilitate a no objection from the RBM for a mobile phone banking trial, and initial work on the creation of an inclusive financial institution (IFI) management training program. Regulatory and policy work has indirectly influenced the Bankers Association of Malawi (BAM) to support the commercial bank entry into the low income market and encouraged the GoM's recent entrance in financial literacy. Through this work, FIMA has also contributed to the growing recognition of the need for an appropriate IF sector enabling environment.

Output 2 - Innovations in financial markets and investments in financial service providers promoted to expand sustainable access to financial services (savings, loans, payment services, money transfers or insurance) to low income groups, particularly women in rural markets

xvii. FIMA has supported the creation of several new products, services and delivery channels that will increase outreach and reduce transaction cost to both IFIs and clients (e.g., biometric point of sales, truck banking, and cell phone banking). FIMA has supported new small business and micro women's loan products but had no impact on agricultural loans, and most PIFIs continue to offer "off-the-shelf" urban loan products. Support for a new microinsurance product may provide a replicable experience.

xviii. These innovations support greater access of lower income persons to financial services and help extend the reach of PIFIs into rural areas, even though support has yet to translate into significant growth of outreach particularly of credit products. Still, innovations provide demonstration effects of "what is possible." This is leading to increased interest in the low income market, particularly that of commercial banks, which now working through the BAM to enter the low income market.

Output 3 - Capacity of institutions operating in the financial sector strengthened to increase outreach and sustainability of the sector.

xix. FIMA has successfully supported capacity development at each level of the IF sector.

xx. At the macro level, the "no objection" response to mobile phone banking, drafting of the National Strategy for IF, and support for financial literacy the program is evidence of RBM's and the GoM's understanding of good practice regulation and policy development.

xxi. At the meso level, the program has helped reenergize the Malawi Microfinance Network (MAMN) through hiring a capable Executive Director, has initiated the development of a university-led IF management certificate program, and has provided occasional training opportunities. Capacity building has focused on senior management with few training opportunities for middle management. Women, who constitute less than 15% of senior management, have been largely left out of capacity building as a result. Talks to establish a credit reference bureau have not made significant advances

xxii. At the micro level, FIMA has supported the development of new IF products including a rural women's loan product, health coverage microinsurance, and a small business loan aimed at women. It is still too early to tell if these products will enhance the sustainability of institutions as PIFIs are for most part unsustainable. FIMA's support has had a modest impact on management capacity development as it concentrated more funding on innovation and outreach than on capacity building. Recent modest performance improvements indicate greater sustainability prospects in the near future. The cost and complexity of compliance with new RBM MFA guidelines, however, will stretch PIFI management and governance capacity.

Output 4: The Project is well monitored and its results are evaluated through an outcome evaluation.

xxiii. FIMA start up period of 19 months negatively affected program outcomes, contributed to partnership tensions, and complicated management prioritization and implementation. Despite these challenges, FIMA has completed 54% of its five year agenda and grantees express satisfaction with program grant and TA management, which have seen only minor grant funding delays. Substantive donor and stakeholder contribution such as participation in FIMA activities, committees, and project co-funding has been minimal. Relationships with program partners have been fair due to communication issues and management learning curves around partner needs, interests, procedures and protocols.

CONCLUSIONS AND RECOMMENDATIONS

xxiv. FIMA has accomplished a good deal of its mandate despite its compressed schedule. Launching the program without a management team in place had considerable negative impacts on stakeholders' perception of the program and did not allow sufficient time for strategic planning, prioritization and strategic decision making in response to ongoing events.

xxv. Lack of strategic oversight compounded this problem. A key functionality feature of many UNCDF programs, FIMA included, is strategic and managerial implementation flexibility. The success of this approach relies, however, on good program governance and in the absence of such, FIMA experienced three notable and likely avoidable issues:

xxvi. The first was to allow a demand-led proposal process to over-concentrate PIFI grants on innovation for outreach over capacity building at the expense of greater sustainability. Less a threat to immediate sustainability of institutions, over emphasis on outreach represents a lost opportunity to help PIFIs prepare to meet requirements of the Microfinance Act (MFA), which will be inevitably difficult and expensive. Performance trends have been modestly positive but PIFIs still show balance sheet weakness and are not financially self-sufficient. More and better market analytics going beyond demand numbers would have provided a clearer view of product demand. A challenge fund call for proposals approach based on a more nuanced demand analysis would retain the positive aspects of a demand driven proposal process, but one more focus on soliciting capacity building projects.

xxvii. The second issue was a failure to develop and implement a funding and communications strategy. In addition to simply providing greater and more precise knowledge about FIMA to a broader group of stakeholders, a communication program may have addressed three important emergent issues. The first was communicating to stakeholders legitimate reasons for start-up delays, particularly the challenge of sourcing the CTA candidate. The second was to ensure program management transparency, particularly related to GoM involvement in the program (see *xxviii*). Finally, better communications may have facilitated greater donor participation in the program including funding and co-funding of projects.

xxviii. The third issue to arise was that many stakeholders believed FIMA's relationship with the GoM was too close and that the government had too much influence on the program. While the review could find no evidence of overt influence, simply the perception of influence negatively affected stakeholders' opinion and action. Perception was reinforced by several incidences, the most sensitive of which being FIMA's management of the National Financial Inclusion Strategy development process which gave stakeholders less than 24 hours to verify the draft plan before its official launch. Better communications would have improved negative perceptions to some extent.

xxix. These issues aside, the confluence of improved government management and involvement in the economy, stable and good economic growth, financial sector reform and increased competition in the IF sector is propelling the sector on a positive trajectory. FIMA has played a solid if uneven role in the development of the sector by supporting innovations and capacity building, contributing to a better enabling environment and supporting financial sector infrastructure at the meso level. Given its short-time frame and lack of governance support, both the management and the programs Investment Committee (IC) should be commended for its accomplishments.

xxx. As FIMA will be wrapped up within a year, some of the recommendations listed below are general and can apply to any program and others relate specifically to the wind-up. The recommendations are listed in order of priority:

FIMA WIND-UP:

- Convene UNCDF and UNDP program meeting in first quarter 2011 to discuss and strategize wind-up and/or plan an extension.
- Should a second phase of FIMA be proposed:
    a. Consider focus on support to PIFIs transforming to formal financial institutions per the MFA; and
    b. Consider locating program outside of GoM.
- In the event of either wind-up *or* a second phase, collaborate with the new World Bank (WB) and Department for International Development (DifD of the United Kingdom) program to avoid overlap of interest, and allow transfer of knowledge and possible future collaboration;
- Greatly intensify work with MoF to build its IF sector development capacity and knowledge;
- Communicate and transfer knowledge to IF sector stakeholders prior to and during project wind-up;
- Work with the GoM to create functioning credit reference bureau serving the low income market;
- Work to strengthen MAMN's capacity to support sector training, network functions and funding base to ensure relevance and sustainability in the future; and
- Work with the GoM to phase out programs and ownership of market distorting IFIs.

PROGRAMMATIC RECOMMENDATIONS:

1. More market-based analytics beyond basic supply and demand numbers, particularly at the beginning of projects (pre project if possible) and consider challenge fund grant-making approach in future;

2. Program governance structures must provide a suitable forum for strategic decision-making and accountability oversight on strategic decisions and tasks. UNCDF and UNDP representatives must periodically assess the performance of governance structures and performance;

3. Develop standardized UNCDF IF project report templates and definition while maintaining flexibility for program specificity.

1. INTRODUCTION

1. This report presents the findings of the mid-term review of the *Financial Inclusion in Malawi Project (FIMA)*, implemented by UNCDF with UNDP in Malawi. The review was carried out by a team of two international experts and one national expert between October 2010 and January 2011. A field mission was carried out by the team between November 22nd and December 8th 2010.

2. The report is structured as follows:

- Chapter 2 presents the evaluation **approach and methodology** based on a declination of the general methodology adopted for the SPIRE according to the specificity of the FIMA program;

- Chapter 3 provides a synthetic description of the country **context**, including a description of the national social and economic development, the inclusive finance (IF) sector and the regulatory/policy environment for inclusive finance;

- Chapter 4 describes the **program profile**, including its objectives and results framework, the reconstructed development hypothesis and ensuing intervention logic. This is followed by the description of the status of program implementation – including detailed financial data - between 2009 and 2010;

- Chapter 5 presents the **findings** of the review and is structured along the seven core evaluation questions derived from the general IF SPIRE matrix. (See Table 2) Analysis in this section is complemented – where applicable - by references to the analysis of the implementation status of the program; and

- Finally, Chapter 6 sets out **conclusions and recommendations**, including an overall assessment of the program, specific conclusions on the main issues addressed through the seven evaluation questions, and recommendations articulated according to priorities related to the programs wind-up in 2011 and specific programmatic recommendations.

Annexes present detailed background information as well as further detail on the content of the exercise.

2. PURPOSE OF THE EVALUATION.

2.1 SCOPE AND OBJECTIVES OF THE MID-TERM REVIEW

3. The mid-term review (MTR) of the FIMA is part of a broader UNCDF initiative: the *Special Projects Implementation Review Exercise* (SPIRE). SPIRE has two key objectives:

- Ensure UNCDF compliance with the mandatory evaluation requirements specified in its evaluation policy for the period 2010-2011; and
- Ensure a quality check of the relevance, effectiveness, efficiency and 'evaluability' of a significant sample of UNCDF's programs.

4. The challenge presented by SPIRE is, therefore, to formulate an evaluation approach that allows it to assess country programs' against their specific design and to connect reviews with UNCDF's corporate strategy as a basis for cross-country comparisons and for the tracking of progress towards global objectives.

5. The purpose of the MTR is twofold:

- Assess the performance of the FIMA against its intended objectives and make recommendations to assist its implementation over the remainder of its term; and
- Assess the performance of the FIMA against the UNCDF's global corporate strategy objectives and draw lessons to inform UNCDF's future strategy debates.

6. The objectives of the mid-term review (MTR) are:

- To assist the recipient government, beneficiaries, and the concerned co-financing partners, to understand the efficiency, effectiveness, relevance, and likely sustainability of results;
- To assess the level of satisfaction of program stakeholders and beneficiaries with the results;
- To assess whether UNCDF and its partners are effectively positioned to achieve results;
- To contribute to UNCDF and partners' learning from program experience;
- To help program stakeholders assess the value and opportunity for broader replication of the program;
- To help program stakeholders determine the need for follow-up on the intervention, and general direction for the future course;
- To ensure accountability for results to the program's financial backers, stakeholders and beneficiaries;
- Comply with the requirement of the program document/funding agreement and UNCDF Evaluation Policy.

2.2 EVALUATION APPROACH AND METHODOLOGY

7. The approach to the MTR — developed consistently with the broader framework established under SPIRE — is to test the development theory underlying the program against implementation performance. Findings are built incrementally through pre-mission desk work followed by mission field work. The methodology is based on the following main steps, aimed at:

- Establishing the development hypothesis (or 'overall evaluation question') as unifying conceptual framework underlying the program, from which the specific intervention logic is derived as reflected in the Program's formulation documents.[5] The development hypothesis and the intervention logic serve as common thread guiding the review process;

- Adjusting and fine-tuning the SPIRE IF evaluation matrix (clustering questions, sub-questions and indicators) in order to suit the specificity of the program. The core evaluation questions are set out in

[5] Project Appraisal document…

Table 2; a detailed matrix including questions, sub-questions, main findings per indicator and source of evidence is presented in Annex 9.

- Presenting and discussing the conceptual framework and the evaluation questions with the main stakeholders in order to reach preliminary consensus and introduce further adjustments if needed. To this end, the team prepared a launch note prior to the start of the in-country mission. The note described the team's understanding of the program (development hypothesis), presented a first draft of the EQs and sub-EQs and was shared and discussed with UNCDF/FIMA staff upon arrival; and

- Testing and deepening the review team's understanding of the program design and its emerging findings and recommendations through a structured dialogue with the program stakeholders and the service users.

8. A key methodological issue concerned the adjustment and fine-tuning of the SPIRE evaluation matrix in order to align it with FIMA's Results and Resources Framework (RRF) and the original ToR of the Mid-Term Review. (See Annex 1) The fine-tuning of the evaluation matrix prior to the review did not raise particular problems as most issues resulting from the RRF and the ToR were covered by the original SPIRE matrix. Some additions and amendments were required, mostly at the level of sub-questions and indicators. Changes did not alter the overall orientation and relevance of the matrix as a guiding instrument and it proved a flexible checklist, framing interviews and the data collection process throughout the review.

Table 2: Summary of Core Evaluation Questions
1. To what extent is the program well designed and meets UNCDF's IF intervention logic and the needs of the partner country?
2. To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?
3. To what extent has the program contributed to increased Financial Service Providers/Sector Support Organizations /Government Agencies (FSPs/SSOs/GAs) Institutional capacity?
4. To what extent has the program contributed to improvement of access to appropriate low-income person's financial services and enhanced the market for IF services?
5. To what extent is the program likely to result in inclusive financial sector sustainability?
6. How effective has management of the IF program been?
7. How well have partnerships with donors and governments supported the program?

9. Data collection tools included:
- Documentary analysis (mainly program design documents, previous missions reports, annual and monitoring reports, investment project proposals; national and regional policies; other donors programs documents, etc.);
- Hard data analysis (quantitative figures from on six partner financial institutions, surveys from 75 clients and 9 PIFIs, from X interviews);
- Individual and group discussions with program staff at national and local levels;
- Stakeholders' interviews;
- Stakeholder surveys (see details in § 10); and
- Facilitated kick off and debriefing workshops;

No relevant baseline data for measuring the program's impacts were available.

10. As a complement to the above, and with the aim of 'testing' the relevance and applicability of an additional tool for possible more extensive use in upcoming SPIRE evaluations, the team distributed a written opinion survey at the program stakeholder, partner financial institution (PIFI) and client levels. (See Annex 10 – FIMA Surveys for a more detailed description and summary results). The surveys have the role of providing stakeholders with a confidential means to voice their opinions related to program outputs and management. The surveys are used in analysis primarily to support or challenge interview and/or management/reviewer opinions and are typically reported at the end of relevant sections.

11. The team acknowledges the cooperation by the FIMA Program staff in facilitating data and documents collection and in supporting the organisation of stakeholders' meetings and site visits.

12. Table 3 provides a summary of the work plan of the in-country mission.

Table 3: Summary Work-Plan

Period	Location	Activity
Nov 10-20	Home based	Preparation and preliminary sharing with program staff of a draft 'launch note' with the proposed intervention logic and evaluation matrix.
Nov 20-21	Lilongwe	Introductory meetings to program staff and direct counterparts (UNDP /UNCDF/GoM)
		Kick-off meetings at GoM and UNDP.
Nov 20-Dec 08	Lilongwe, Blantyre, Dedza	Interviews with main stakeholders (governments, donors, grantees at regional level).
		Visits to grantee offices.
Dec 09	Lilongwe	Preliminary elaboration of findings and debriefing workshop with local stakeholders.

3. COUNTRY CONTEXT

3.1 SOCIO-ECONOMIC CONTEXT

Table 4: Human Development Index 2010 Rankings

Countries	Ranking	HDI Value
Fiji	**86**	**0.669**
Cambodia	124	0.494
Pakistan	125	0.490
Madagascar	135	0.435
Papua New Guinea	**137**	**0.431**
Nepal	138	0.428
Togo	139	0.428
Gambia	151	0.390
Rwanda	152	0.385
Malawi	**153**	**0.385**
Sudan	154	0.379

Afghanistan	155	0.349

13. Malawi is a densely populated landlocked country of 14 million people in an area of 118,484 km^2, of which 24,000 km^2 is fresh water. Population growth is 2.6% per annum and the country has one of the lowest levels of per capita gross domestic product (GDP) in the world. Overall well-being remains low, but is improving, as measured by the United Nations (UN) Human Development Index (HDI) that ranked Malawi at 153 out of 182 countries in 2009, up from 164 out of 177 countries in 2007/08. [6]

14. Malawi continues to enjoy solid uninterrupted economic growth for the fifth year in a row backed by economic policy, increasingly in line with international good practice and a supportive donor environment. A stabilization policy introduced in 2004 and the debt relief program for Heavily Indebted Poor Countries (HIPC) have brought improved government finances, better management of public spending, and have created the fiscal space needed to generate the momentum for the of growth. Real GDP growth has averaged 7% in the last five years, peaking at 9.7% in 2008. This compares to 2% for the years prior to 2005. Growth was supported by strong tobacco harvests (USD 472 million in 2007-2008), good weather, and wide availability of fertilizer and seeds through the government's input subsidy programs. Growth is expected to slow to 6.5% in 2010 due to a projected decline in agricultural production, but growth is expected to recover to over 7% in 2011 as uranium production increases and the agriculture sector improves. Malawi continues to face numerous supply-side constraints, however, such as high energy costs, lack of foreign exchange, and an economy that remains vulnerable to terms of trade, weather and other exogenous shocks.[7]

15. As one of the least developed countries in the world, poverty remains a key challenge. Real per capita GDP at 2000 prices stood at USD 189 in 2009. Progress has been made tackling poverty and other social challenges in line with the Millennium Development Goals (MDGs) and within the framework of the Malawi Growth and Development Strategy (MGDS). Increased household food security and falling poverty have complemented strong macroeconomic performance. The Government of Malawi (GoM) reports that poverty has fallen from 52% in 2005 to 40% in 2009. The government acknowledges that while MDG progress has been made, achieving universal primary education, gender equality and women's empowerment, and improving maternal health remains elusive.[8]

3.2 POLICY AND INSTITUTIONAL ENVIRONMENT

16. Malawi has been a multiparty democracy since 1994. Financial and economic policy is driven by the Ministry of Development Planning and Cooperation and the Ministry of Finance (MoF) the principal ministries are the Ministry of Finance (MOF), the Ministry of Agriculture and Food Security, the Ministry of Local Government and Rural Development, and the Ministry of Irrigation and Water Development. These and other government ministries generally have limited capacity in policy, planning, implementation, monitoring and evaluation (M&E) due to budget shortfalls and shortages of qualified staff, exacerbated by high staff turnover. There is potential to build the capacity of these ministries, although their ability to retain quality staff remains a concern.[9]

17. Malawi's National Decentralization Policy was enacted in 1999, providing for the devolution of certain central government functions to 28 elected district assemblies. Below the district level there is a dualistic system of governance incorporating conventional and traditional authorities (e.g., elected village councils) which both are members of village development committees and area development committees.

18. Government policies favour mainstreaming donor-supported programs within government systems, phasing out parallel project implementation structures and adopting

Figure 1: Malawi Financial Sector Regulatory Activity

- Banking Act
- Bankruptcy Bill
- Companies Act
- Companies Bill
- Cooperative Societies Act
- Credit Reference Bureau Bill
- Financial Cooperative Act
- Financial Services Bill
- Insurance Bill
- Microfinance Act
- Payment, Clearing and Settlements Bill
  Reserve Bank of Malawi Bill
- Retirement Funds Bill
- Trustees Incorporations Act

[6] United Nations Development Programme (UNDP) Human Development Report 2009.
[7] Information in this paragraph is paraphrased from http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MALAWIEXTN/0,,menuPK:355882~pagePK:141132~piPK:141107~theSitePK:355870,00.html
[8] African Economic Outlook. http://www.africaneconomicoutlook.org
[9] IFAD, Country Strategic opportunities Programme, Republic of Malawi, November 2009.

sector-wide approaches on a wider basis. At the same time there is recognition by MoF and the sectoral ministries that these actions represent longer-term aspirations rather than short-term targets. Most ministries are severely under resourced and the situation at the district assembly level is even worse. Most district assemblies lack financial management capacity and there is a need for project appointed staff to undertake grass-roots activities at the district level and below. Similarly, the need for project facilitation/support units embedded in host ministries is acknowledged, as is the need for TA.

3.3 FINANCIAL AND INCLUSIVE FINANCE SECTOR

19. Over the last 20 years, the GoM has consistently and incrementally worked towards the creation of a commercially driven financial sector beginning with sector privatization, deregulation and liberalization and, more recently, by introducing a brace of regulatory and policy actions (Figure 1).

20. Demand for financial services in Malawi can be characterized as having a small number of large commercial clients, government, and a large number of mostly rural, mostly poor, small land smallholding or landless clients. Poor and inadequate economic, financial, and social infrastructure; low household incomes; uncertain and informal land tenure traditions complicating property rights and the use of land as collateral; and very low financial literacy weigh heavily on low income market demand. These conditions combine to create one key contextual condition and one key operating constraint to developing a more accessible financial sector:

- The level of participation in the financial sector is exceptionally low; less than 15%; and
- Transaction costs to conducting financial services in rural areas are so high that they not only preclude integration of the poor but the not so poor into financial system.

Commercial Banking

21. The commercial banking financial sector in Malawi is composed of 11 banks. The two largest banks are the National Bank of Malawi, which is 50% government-owned, and a subsidiary of a South African bank. Three banks, Opportunity International Bank of Malawi (OIBM), the MSB and NBS engage in inclusive financial activities.[10]

22. Commercial banks have seen steady growth correlated with the expansion of the Malawian economy (See § 14). In 2006, the sector had USD 0.46 billion in deposits doubling to USD 0.95 billion by 2008.[11] In 2008, the sector served 1.1 million clients, of which the low income-market-focused OIBM, NBS and MSB served 385,000. As a sector, banking has long been very profitable. Indeed, on a return on equity basis, Malawian banks are among the most profitable in Africa.

Table 5: Loans and Savings in Malawi, 2008 (UDS millions)

	Number of Providers	Loans	Savings
Bank	11	569	932.5
Cooperatives	71	11.3	11.7
Government IFI	3	26.5	4.2

[10] The MSB is formerly the Malawi Post Savings bank and operates under the commercial name of MSB and the NBS is formerly the National Building Society and operates under the commercial name of NBS.
[11] Amha, Wolday and Ezikiel Bernard Phiri (2010) UNDP Malawi and UNCDF.

NGO based IFI	18	4.5	1
Money Lenders	5	24.2	
Other		2.2	
Total	108	637.7	949.4
Total Clients		**600**	**800**
Source: **Microloan Foundation,** Financial Inclusion In Malawi (FIMA) Project, September 2010			

23. Primarily serving the higher income personal banking and the corporate markets, Malawian commercial banks have not traditionally been active lenders in the economy (save to larger corporate clients). Bank loans to commercial enterprise in 2008 totalled UDS 0.58 billion or less than half of combined banking sector deposits. The balance of lending goes to finance government subsidiaries and investments in GoM capital market instruments such as GoM treasury bills. A recent decline in state borrowing has led to greater competition among banks for commercial clients and growing interest in the low income and rural markets.

24. With only 295 branches, ATMs, and agency banking outlets located mostly in major population centres, Malawi has less than 0.01 banking outlets per capita. Save for OIBM, NBS and MSB, commercial banks have shown limited interest in lower income markets. Interest by the GoM, the enactment of new IF sector laws, and the emergence of transaction cost effective mobile banking solutions seem to have caught the banks' attention, however, and the Bankers Association of Malawi (BAM) has recently formed the Financial Inclusion Taskforce (FIT) to investigate potential market opportunities for member banks. Major challenges for banks downscaling to the low income market include fulfilling know-your-client rules (Malawi lacks a national identity card system), public relations issues around high interest rates, overcoming high transaction costs, and lack of management capacity.

The Inclusive Finance Sector

25. The predominance of agriculture in the Malawian economy, and the fact that over 85% of the population lives in rural areas, has a strong influence on the nature of IF services required in the country. Access to safe savings accounts is an important need among the poor, as families save for household investments, education, and for consumption. Most rural poor and not-so-poor simply do not have a trustworthy, secure and affordable place to save. There are very few affordable credit products designed for the income cycles of a predominantly agriculture based economy: that is, with payments tied to agricultural income flows. Women in particular are found outside the financial system as they typically have low or no financial literacy, have few ownership rights to assets, financial or otherwise, and are working in the informal sector outside the protection of the law.

26. Transaction costs for any financial service is a major barrier to serving rural areas. Low cost national and international transfers are a significant need for the poor in rural and urban areas alike where conventional transfer systems can cost up as much as 50% of the principle transferred (e.g., wire money transfer services, transportation cost of sending a family member to fetch cash, etc.) Transfers are important as remittances or inter-household transfers can constitute a significant portion of household income.

27. The IF sector rose to meet these needs during the mid to late 1990s but it was not until the early 2000s that the sector began in earnest with the formation of several new IFIs, including OIBM and Pride Malawi. There are now seventeen IFIs including six NGOs, five parastatals, OIBM (commercial bank) and five companies limited by guarantee and one with no formal registration. MSB and NSB also offer microfinance product services although this is not their unique focus. Over 70 Savings and Credit Cooperatives (SACCOs) offer a range of financial services, many to the low income market.

28. Today the IF sector accounts for approximately 5% of all loans in Malawi and holds about 2% of all deposits (voluntary savings usually held as collateral on loans). Major participants include:

Non Bank IFIs

29. Total clients among non-bank IFIs was estimated 150,000 in 2009 with a combined loan portfolio of USD 15M. Their performance has improved over the last several years but still only an estimated 20% of IFIs are sustainable (not including banks), the rest requiring financial support for operating and/or financing costs. Over 40% of institutions have portfolio at risk (PAR) over 30 days greater than 10% of outstanding loans due primarily

to low operating efficiencies, inadequate staff capacity, poor management information systems, and weak governance. Capital for portfolio use and expansion investments is also in chronically short supply.[12]

30. Credit products typically include simple group loans, village banks, and individual loans for productive or enterprise purposes. The majority of credit products are simple microcredit loans with short terms, small weekly payments and little or no security (basic "off the shelf" micro loan products normally used in urban markets) Interests charged on loans range from 30% to over 100% annually. No figures were made available for government IFIs but they are reported to be much lower than non-government institutions and somewhat lower than SACCOs.

31. IFIs cannot collect and intermediate savings, though most have some form of compulsory savings for use as loan guarantee. These savings are typically held in trust in the name of the inclusive financial institution (IFI) in a commercial banks or in the accounts bearing the name of credit groups. A few IFIs such as OIBM offer a broader range of products and services such as insurance, SME loans, national and international money transfer etc. Most IFIs have a small number of branches (some only have just one) and many use motor cycles or trucks/vans mobile branches to extend reach to rural areas. NSB uses mobile branch buildings. Non-governmental IFI clients either earn no interest or negative effective interest on savings.

Savings and Credit Cooperatives (SACCOs)

32. There are some 60 SACCOs associated with the Malawi Union of Savings and Credit Cooperatives (MUSCCO) with a combined membership of 90,000 members. Many SACCOs have community charters (i.e., any member of a specific community can join) and some are limited to specific employee groups. There are nine SACCOs with 1,000 members not part of MUSCCO. Most SACCOs attend to the lower-income market, though none exclusively; employee based SACCOs in particular serve the "middle class" market. SACCOs require each member buy capital shares in the form of savings (from as low as UDS 5) and can mobilize savings. Larger SACCOs offer a broad range of products and services, with a historic focus on individual credit products, though some offer group loan products. Interest rates on savings range as high as 10% and are under 30% for loans. Total loans reached USD 14M in 2009 and deposits equalled USD 13M.

33. Most SACCOs are financially viable, some in part due to volunteer inputs, others - such as FINCOOP - are relatively well run, offer a wide range of services. Main challenges for the SACCOs include accessing adequate equity, staff capacity, and institutional governance.

Money Lenders and Informal Lenders

34. There are four formal money lending companies targeting the lower income market. These mostly foreign-owned lenders are not generally considered to be part of the IF sector (either by themselves or by others). Loans are very high priced, often *well* over 100% annually. Growth of money lenders has been rapid since their entry into the Malawian market *circa* 2007 and they have a combined estimated portfolio of over USD 30M and more than 70,000 clients. In addition to formal money lenders, there are Katailas, or local informal lenders. These lenders charge 50% to 100% per month. Rotating Savings and Credit Associations (ROSCAS), by contrast, are a source of less expensive credit for the low income market. ROSCAS can be formally or informally constituted, with the former often founded with the support of community or religious groups, where members' savings are lent to other members. Interest rates range from 0% to 20% monthly.

Government

35. Despite the desire for a commercial IF sector, the government remains actively involved in the retail financial market through the ownership/sponsorship of seven financial institutions/organizations, including two relatively large institutions the Malawi Rural Finance Company (MRFC) and the Malawi Savings Bank (MSB - formerly the Malawi Post Office Savings Bank).

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[12] Stakeholder interviews with IFIs, commercial banks and Reserve Bank of Malawi representatives.

3.4 IF POLICY & INSTITUTIONAL ENVIRONMENT

36. In early 2010, the Malawian President, Dr. Ngwazi Bingu wa Mutharika, publically stated the government's commitment to the development of an inclusive finance sector.

37. This proclamation represented the culmination of a series of policy/regulatory developments beginning in 2002 with the Microfinance Policy (revised in 2006). This was followed by the creation of the National Microfinance Forum (NMF) in 2005, of which MAMN (formed 1998) was the Secretariat which had the objective of advocating for good practice IF sector development.

38. Neither body, however, proved to be as effective as initially hoped (although both are now redeveloping), but the work of the Deepening Microfinance Sector (DMS) and FIRST programs of the United States Agency for International Development (USAID) and World Bank respectively, continued to advance interest in IF, particularly around a broad range of financial sector reform policies and regulatory initiatives. The publication of the Malawi Growth Development Strategy (MDGS – 2006) cited the importance of IF, bolstering a process begun by the DMS, leading to the approval of the Microfinance Act (MFA) (June 2010), and the FCA (December 2010). These acts were strengthened by the FIMA and contributed to the process leading to the launch of the Malawi Financial Inclusion Strategy (MFIS – June 2010).

39. The MFA in particular will help redefine the nature of IF in the country. By law all IFIs offering credit or savings will come under the supervision of the Reserve Bank of Malawi (RBM). The details of the Act (to be published in the coming months) have yet to be made public but once so, will require IFIs to be registered with the reserve Bank of Malawi (RBM) within one year. IFIs will report to the RBM monthly and will be required to comply with a range of institutional and performance metrics. Importantly, the new law will require currently unregulated IFIs to choose between transformation into a credit, or credit and savings institution, with the latter having more demanding capital and reporting requirements.

40. The overall effect and intent of the law is to not only ensure a prudential regulatory regime and supervisory oversight of previously unregulated financial institutions, but to increase the strength and outreach of the sector through regulations that insist on good practice management. This will entail that IFIs meet minimum performance standards, minimum capital adequacy, and a host of other requirements. Putting these requirements in place will, as have similar initiatives in other countries, support greater investment in the sector through improved transparency and regulatory stability.

41. The President's recent statement had two other important messages. The first is that commercial banks are important to financial inclusion (directly leading to the Financial Inclusion Taskforce of the Bankers Association of Malawi –BAM- initiative). The second was the importance of improving financial literacy in the country as part and parcel of the expansion (number of clients) and deepening (number of product/services) of inclusive finance in the country.

4. PROGRAM PROFILE

4.1 PROGRAM DESCRIPTION

42. FIMA is a USD 6.2M partnership program between UNCDF, UNDP, and the GoM. Formulated in 2006, it has the broad objective of supporting the development of the inclusive finance sector to serve the poor, paying particular focus on the large number of rural poor and on inequitable access to finance for women. The overall program goal is to:

> *Contribute to the achievement of the Millennium Development Goals, mainly the goal number one of halving poverty by one half in Malawi by 2015 and to the goals of the Malawi Growth Development Strategy by increasing sustainable access to financial services to the poor and low income people.*

43. FIMA's design takes a fairly standard UNCDF financial service sector assessment (FSSA) approach to sector development and has programmatic outputs and activities at each of the micro, meso and macro levels. (See Table 6) Through a mix of grants/loans for on-lending, TA grants, training opportunities and networking/advocacy support, FIMA's was designed to support three objectives:

- Facilitation of an appropriate regulatory and policy environment;
- Innovative product and service development to overcome transaction costs of servicing low income and rural populations, and to better meet the financial needs of women; and
- IFI and Sector Service Organizations (SSO) capacity development.

44. To accomplish this FIMA was articulated in three components or outputs:

- Nurturing policy dialogue among stakeholders to support the development of an inclusive financial sector;
- Supporting innovations in financial markets that deepen and broaden access to services focusing on agricultural finance and mainly to women, savings services, and electronic banking applications; and
- Building the capacity of key institutions supporting micro, rural and agricultural finance including the RBM, the MAMN, the GoM and IFIs and other financial institutions, particularly in the areas of financial transparency, outreach, and sustainability.

45. Expected results include:

- Increase number of household savers by 50% or 141,000 to 426,000 (baseline 283,000);
- Increase number of household borrowers by 50% or 91,000 to 274,000 (baseline 183,000);
- Increase number of rural clients 40% from a base of 100,000;[13]
- Women should represent 50% of total clients; and
- New household clients (savings or credit) of 141,000.

46. The development hypothesis underlying FIMA is:

> *…that improvements in the enabling environment supported by catalytic investments in IFIs and supporting industry infrastructure will strengthen the micro-finance sector to the point where it is self-reliant and able to attract capital, deposits and loans that impel a sustainable growth process including ongoing product/service innovation to better serve an increasing number of more low-income persons.*

[13] No statistical basis for this baseline was given in the appraisal document: FIMA Building an Inclusive Financial Sector in Malawi (FIMA) 2007-2011, Project Document Finance Version May 2007, Results and Resources Table, page 39-43.

47. FIMA's goal, outcome and outputs are presented with an overview of accomplishments to date in Table 6; the review team's understanding of the program's intervention logic is illustrated in Figure 2 and flows from the development hypothesis.[14.]

Table 6: FIMA: Goal, Objective and Outputs		
Goal	Contribute to the achievement of the Millennium Development Goals, mainly the goal number one of halving poverty by one in Malawi by 2015 and to the goals of the Malawi Growth Development Strategy by increasing sustainable access to financial services to the poor and low income people.	
Outcome	Relevant Indicators to increase number of savers and borrowers by 50% to 283k and 183K respectively, with 50% being women. Increase access in rural areas by 40%.	
Output 1	Appropriate Technical Working Group established to promote an effective policy dialogue for the development of an inclusive financial sector (Policy).	
Output Targets		
1.1 Macro	Financial Sector Deepening Group Established within the Microfinance Forum: Year 1 Technical Working Group in place and operational; Year 1 Survey carried out; Year 1 Approval of draft NSFI and donor roundtable; and Year 2 and sq.: Implementation and monitoring of the Action Plan.	Working group is in place but only recently operationalized. No survey Draft NSFI presented and launched. No Action plan developed for group.
Output 2 –	Innovations in financial markets and investments in financial service providers promoted to expand sustainable access to financial services (savings, loans, payment services, money transfers or insurance) to low income groups, particularly women in rural markets.	
Output Targets		
2.1 Micro	Partnerships established with three institutions to develop financial market innovations.	Completed.
2.2 Micro	The number of savers in low income groups is expanded including 50% women.	Completed (48%)
2.3 Micro	Demand driven financial services available to agricultural markets (savings, loans and transfers) increase 10% in each of the first four years of the project.	One two products developed. Two other products at various stages of development.
Output 3	Capacity of institutions operating in the financial sector strengthened to increase outreach and sustainability of the sector.	
Output Targets		
3.1 Meso	The number of local service providers supporting microfinance markets increase from 3 to 6 by Year 3.	One fund supplier, no others found
3.2 Meso	Secretariat Resource Centre website established and financial transparency training (MIS etc.) carried out: Year 1: Secretariat; Year 2: Financial Transparency training carried out; Year 3: Resource Centre and website functioning; and	Limited training carried out. Resource centre available but no website developed. No credit reference bureau.

[14] Building an Inclusive Financial sector in Malawi (FIMA) 2007-2011.

	Year 4: Credit Reference Bureau.	
3.3 Micro	Management capacity of MFIs strengthened: Year 1: Network members with RBM participation agree on reporting requirements and standards; Year 2: Trainings and customized technical support provided by network and project; Year 3: Members of MAMN reporting according to internationally recognized standards;	Standards in development. No formal agreement on reporting standards. Limited technical training.
3.4 Macro	RBM capacity strengthened to effectively play its relevant role in financial sector development. Baseline: Year 1: Collaboration with RBM and other partners on evaluation of legal and regulatory framework including knowledge transfer and exposure visits; and Year 2: Key indicators for microfinance lines of business reporting agreed with practitioners.	Collaboration complete. Key indictors discussed.
3.5 Meso Micro	Technical support provided to MFIs sector wide and IT suppliers on effective management information systems to support financial transparency and innovation: Year 1: Assessment of MIS needs of MFI sector; Year 2: Training conducted through the Network and technical support for self assessment of IT systems; Year 3: 5 Key players have adequate MIS systems to support internationally recognized standards and electronic banking applications developed in the project; Year 4: 7 players have adequate MIS systems to support international recognized standards and electronic banking applications developed in the project; and Year 5: 7 (total) players have adequate MIS systems to support international recognized standards and electronic banking applications developed in the project.	No formal assessment of MIS needs. Limited IT training provided. 4 MFIs with adequate MIS
Output 4	The Project is well monitored and its results are evaluated through an outcome evaluation.	
Output Targets		
4.1	A RA is hired and the project implementation arrangement implemented: Year 1: a PBA Work plan approved implementation of the work plan.	Complete but 19 months after start up.
4.2	An accurate and timely reporting system in place in Year 1.	Completed mid-2009.
4.3	Appropriate backstop system in place.	Completed.
4.4	Annual audit.	One review completed by staff and one by UNCDF South Africa regional office.
4.5	Outcome evaluation (Year 3).	Completed.

Source: FIMA Building an Inclusive Financial Sector in Malawi (FIMA) 2007-2011, Project Document Finance Version May 2007, Results and Resources Table, page 39-43.

Figure 2: FIMA Intervention Logic

48. FIMA was designed to pursue its objectives at each of the three levels of the financial sector:

- **Macro (national regulatory, policy and program level)**
  At the macro level, the program works to ensure that policy makers and regulators have developed financial regulations and policies supporting good practice IF development and a supportive regulatory environment. This required, particularly, the passage of the MFA, the FCA, and the development of a national strategy for inclusive finance. FIMA was designed to work with various RBM and government agents, particularly in the MoF, to facilitate these goals and to maintain ongoing relations necessary to the finalization of the MFA and FCA. FIMA was to work directly with the RBM and other GoM officials providing capital grants, technical advisory, support via workshops, meetings and conferences,

participation in regional and national forums, and technical training support (e.g., training scholarships and exposure trips).

- **Meso (inclusive financial sector infrastructure needs: e.g., credit bureaus, sector associations, etc.)**
  The most important need at the meso level sector was to have a strong organizing body (ies) capable of fulfilling an IF sector association function on a sustainable basis. To do this FIMA was to focus primarily on strengthening the MAMN among other meso level activities including support for financial literacy, IF sector management education and credit reference bureaus (CRBs).

- **Micro (client or retail financial provision level)**
  FIMA was designed to provide PIFIs with performance based grants and loan capital to address capacity and growth challenges through management and staff training, capital investments supporting expansion, and innovative product and services development, particularly those that help overcome high transaction cost constraints. Initial project design focused significantly on support for more and better sector MIS.

49. The program was designed to be managed by a program management staff of four including an international Country Technical Advisor (CTA), a National Technical Advisor (NTA), a Finance and Administration Officer (FAO), and a Driver/Clerk. A Steering Committee (SC) composed of direct and indirect stakeholders is be responsible for program strategic direction and oversight, and an Investment Committee (IC) is composed of program investors and is responsible for approving and monitoring grants. (See Annex 11 for SC and IC membership)

4.2 PROGRAM IMPLEMENTATION STATUS

50. FIMA was launched in April 2007 with a confirmed budget of USD 6.3M and financial commitments from UNCDF, UNDP and Cordaid totalling USD 5.0M, leaving UDS1.3M unfunded.

51. The GoM committed to fund this gap in 2009. (See Table 7)

Table 7: FIMA Donor Contribution

	Budget
UNCDF	2,000,000
UNDP	2,000,000
Cordaid	1,000,000
GoM	1,400,000
Total	6.300,000

52. The MoF is the responsible executing agent for the programme but it is managed by a staff hired by UNCDF and UNDP. In the start up phase, the program was managed by a committee with the support of a UNDP program officer (approximately 20% time) until August 2008 when the NTA and the FAO were hired. The program established offices at the MoF in Lilongwe but these were not effectively secured until late September 2009, and not fully equipped until late October 2009. On December 25th, 2008 the CTA began work. As a result, the program was finally fully staffed 19 months after launch.

53. The CTA is the lead manager, who, with the support of the UNCDF officer located in the UNDP offices in Lilongwe, reports to the Head of Program Cluster, UNDP in Lilongwe (who in turn, reports to the Deputy Resident Representative, Programs). The CTA also reports to the Director of Economic Affairs of the MoF, of the GoM, and to the UNCDF Regional Technical Advisor based in Johannesburg, South Africa.

54. In its first two years (2007 – 2008), the program focused primarily on becoming operational and providing support to the government as it developed IF sector regulations. Grant making was minimal during this time and only two PIFI grants were made.

55. As of November 2010, FIMA had approved grants to 13 PIFIs and one each to the MAMN, the Banker's Association of Malawi (BAM), and the RBM. (See Table 8) The Pride Malawi grant was funded through a UNDP

and Arab Gulf Program for Development (AGFUND) based on an agreement made prior to FIMA (which serves as a funding agent).[15]

Table 8: FIMA Grants As of 11-20-2010			
Institution	**Type**	**Approved**	**Disbursed**
1. Pride Malawi[16]	Grant	150,000	75,000
	Grant	240,000	156,000
2. Malawi Rural Finance Company	Grant	200,000	200,000
3. Malawi Union Savings and Cooperative	Grant	185,350	185,350
	Loan	300,000	300,000
4. FINCA Malawi	Grant	199,904	199,904
	Loan	300,000	300,000
5. CUMO Microfinance Ltd.	Grant	133,000	133,000
6. NBS Bank Ltd.	Grant	199,976	199,976
7. Microloan Foundation	Grant	28,000	28,000
	Grant	163,091	163,091
8. ASAP Project	Grant	295,400	202,771
	Grant	115,732	25,000
9. Malawi Microfinance Network	Grant	102,876	102,876
	Grant	102,876	51,438
10. FinCOOP[17]	Grant	220,000	220,000
	Loan	250,000	250,000
11. Opportunity International Bank of Malawi	Grant	100,000	100,000
12. Alliance Capital Ltd	Grant	35,000	35,000
13. Zain Malawi	Grant	500	500
14. Bankers Association of Malawi	Grant	6,369	6,369
15. Reserve Bank of Malawi	Grant	125,000	85,000
Sub-Total, Loans		**3,455,6534**	**3,019,275**
% Total Disbursements		100%	87%
Source: FIMA project data from Atlas			

56. With regards to outputs, FIMA has achieved several advances: highlights by output include:

[15] Arab Gulf Program for Development (AGFUND) is a regional developmental funding organization based in Riyadh, Saudi Arabia. AGFUND was established in 1980 and works in the field of development at the international level through an effective partnership with UN, international, regional and national development organizations, public institutions, the private sector, and civil society organizations.

[16] The Pride Malawi grant was made prior to the conception of FIMA by UNDP with the support of the Fund. FIMA provided a funding vehicle for the grant but is not responsible for its approval. That is, the proposal was vetted by FIMA but was not an official funding decision made by the FIMA Investment Committee.

[17] Figures reported from Atlas do not correspond with figures supplied by Cordaid "Cordaid loan disbursement to FINCOOP at 20 November 2010 was only USD 125.000; grant disbursement at that time was 175,000".

Output 1: Appropriate Technical Working Group established to promote an effective policy dialogue for the development of an inclusive financial sector.

57. FIMA supported the MMAN and the Microfinance Forum, and has worked directly with the RBM to directly and indirectly contribute to three significant and pivotal advances supporting Output 1: facilitating the development of The Malawi National Strategy for Financial Inclusion (MNSFI), published January 2010; supporting the final stages of the MFA, including the development of directives resulting from the Act; and, helping to facilitate the "no objection" response to a mobile phone banking trial. Various trainings and activities (shown in Table 9) have helped to increase the capacity of the GoM and RBM and have contributed to the as of yet early but on-going migration of IF sector development responsibilities to the MoF.

58. The program has also engaged with the government to develop a national financial literacy program. FIMA and other sector stakeholders have begun talks on how to support/facilitate the development of a credit reference bureau.

Table 9: Human Resource Capacity Activities, 2008 - 2010

No. Attendees	Training Description & Location	General Training	Capacity Training	Partners/Stakeholders
11	Study Tour, Madagascar, 2008	X		Ministry of Economic Planning
		X		Ministry of Finance
		X		Ministry of Industry & Trade
		X		Reserve Bank of Malawi
		X		Malawi Rural Finance Corp
		X		UNDP, USAID
3	Attachment to Bank of Uganda, 2009	X		Reserve Bank of Malawi
2	Financial Planning and Projections, MICROFIN, 2009	X		FIMA Staffs
21	Round Table on Mobile Commerce Initiative with Airtel Mobile Company, Malawi , 2010	X		Malawi IFIs CEOs & other stakeholders
15	Workshop, Development of Financial Sector Charter, Malawi, 2010	X		Bankers Association & FIMA Task Force
16	Workshop & Orientation, Microinsurance, Malawi, 2010	X		IFI CEOs
18	Training Scholarships, Boulder Microfinance Training, Turin 2007, 2008 & 2009		X	Reserve Bank of Malawi
			X	Malawi Microfinance Network
			X	UNDP Malawi
			X	Ministry of Finance
			X	Ministry of Economic Planning
			X	Ministry of Industry and Trade
			X	FIMA Staff
50	Training-Workshop, Microfinance Transparency Pricing, Malawi 2010		X	FIMA Staff
			X	Ministry of Finance
				Key IFI stakeholders
			X	IFI CEOs
			X	Key market stakeholders
40	Orientation, Regulations and	X		IFI CEOs and key market stakeholders

	Directives for Microfinance Institutions, Malawi 2010			
	Total General and Capacity Building	**6**	**2**	
	Total PIFI Participation	**2**	**2**	
Source: FIMA documents and Atlas reports.				

Output 2. Innovations in financial markets and investments in financial service providers promoted to expand sustainable access to financial services (savings, loans, payment services, money transfers or insurance) to low income groups, particularly women in rural markets.

59. While not all FIMA supported PIFIs have developed innovative approaches to serving low income people with sustainable services, several have, including: rural mobile banking via motor vehicle with OIBM, biometric identification through the Malawi Rural Finance Company and microinsurance with CUMO. FIMA is also working with the GoM to develop a national financial literacy program critical to the broadening, deepening, and responsible use of financial services, particularly among the illiterate and innumerate poor.

Output 3 - Capacity of institutions operating in the financial sector strengthened to increase outreach and sustainability of the sector.

60. FIMA has supported the management capacity development and/or product/service development/innovation of 13 PIFIs (investing USD 1.56M grant support to PIFs and another USD 687K administering said support, or 40% and 17.4% of total budget respectively). To support these aims, FIMA has organized several training opportunities shown in Table 9 most of which have attracted mostly CEO level participation. More recently the program has begun work with several universities in Malawi, including the University of Malawi, to develop and offer advanced training in microfinance management.

Table 10: PIFI Outreach Performance

	Pre-FIMA	2010	Increment
New Loans	500,726	430,645	-72,091
New Loans % Growth			68%
New Savings	822,176	1,127,330	303,144
New Savings % Growth			204%
Net Growth Credit & Savings			231,000
Women % Loans	55%	48%	-12.70%
Women % Savings	N/A	N/A	n/a
Source: FIMA documents and Atlas Reports, loans and savings growth calculated from FIMA partner reports to FIMA and FIMA partner internal documents			

Outcomes to Date

61. Financial and outreach performance of PIFIs since 2008 has trended positive, resulting in a modest financial strengthening and improved outreach. Table 10 and Table 11 summarize FIMA PIFI grantee outreach growth compared to outcome targets, which show that FIMA has met its goal of PIFI serving 141,000 new savings clients. Few of these new savings clients can be attributed to FIMA support, however, as the PIFIs accounting for most of this growth, NBS and OIBM have grants that do not support savings (NBS) or have only recently put the grant funding in the field (OIBM). New credit clients growth has been negative, contracting 72,000 clients primarily due to write-offs at the Malawi Rural Finance Company (MRFC). Without MRFC write-offs, growth would have been positive at 53,000. Of this, 29,000 are from MUSCCO, whose portfolio growth attributable to FIMA is around 120 new clients. As a result, the review can attribute only 24,000 new loan clients to FIMA support of PIFI. This meets 26% of its credit client outreach target. The number of women served by loan products decreased from 55% to 48% or 2% less than its targeted outcome of 50%. There is no measure of rural clients available.

4.3 PROGRAM FINANCIAL DATA

62. The total five year budget for FIMA was USD 6.3M with original contributions of USD 2.0M from UNDP, USD 2M from UNCDF and USD 1M from Cordaid. Further funding of USD1.4 M was committed by the GoM in 2009, of which none has been disbursed. (See Table 7). Table 12 shows that total expenditures for the period 2007 to second quarter 2010 were USD 3.95M (See Annex 12 for more details).

63. 57% of FIMA expenses have been made to support PIFI innovation (Output 2) and PIFIP capacity development grants (Output 3) (See Figure 3 and Table 8), 16% of a variety of meso level innovations (Output 2), with another 9% supporting regulatory work objectives (Output 2). Operating FIMA consumed 19% of budgeted expenses.

64. Distribution of expenses by major type is found in Figure 4. Grants for innovation and outreach related investments (e.g., cars, furniture, motorcycles, leasehold or premise upgrades etc.) constituted 29% of grants. This was followed by loans for on-lending at 26%; minus the pre project approved loan to Pride Malawi, total lending constitutes 19% of total grant and loans. Market development and other outreach related investments add another 9% for total outreach support investments of 64% (See Figure 5). Management capacity development support equals 36% of investments and includes training (23%), MIS (10%) and TA (1%).

Figure 3: FIMA Expenditure by Output

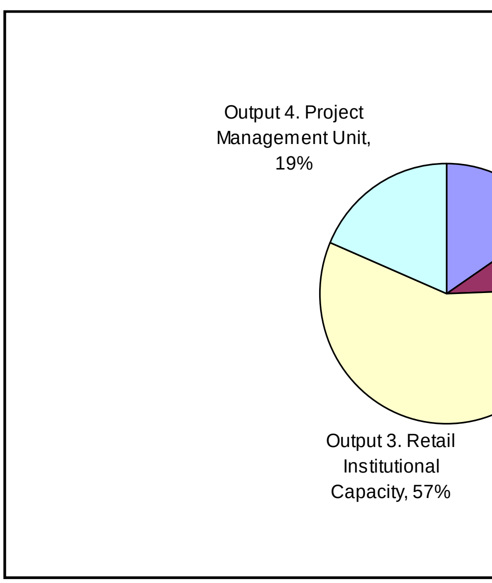

Table 11: PIFI Outreach Performance v. Outcome

Outcome Targets	
New Loans Target	91,000
PIFI Performance	-72,091
% Target Achieved	-1.79
New Savings Target	141,000
PIFI Performance	303,144
% Target Achieved	1.1
Rural Services	133.1
PIFI Performance	n/a
% Target Achieved	n//a
Net New Clients	**141,000**
PIFI Performance	**231,053**
% Target Achieved	**1.6**

Figure 4: FIMA Funding to PIFIs by Activity Type - Detailed

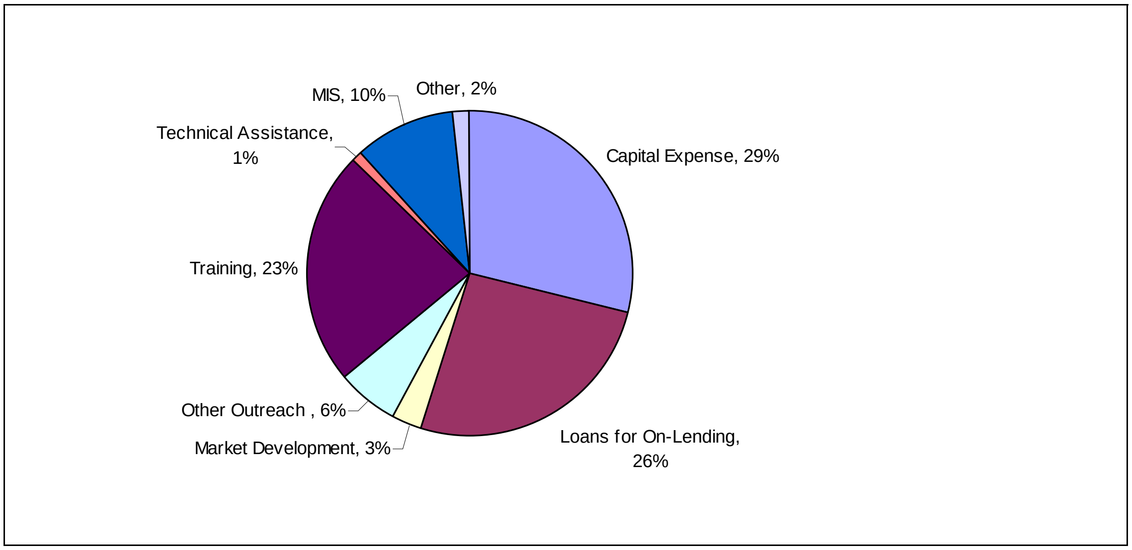

Figure 5: FIMA Funding to PIFIs by Type Summary

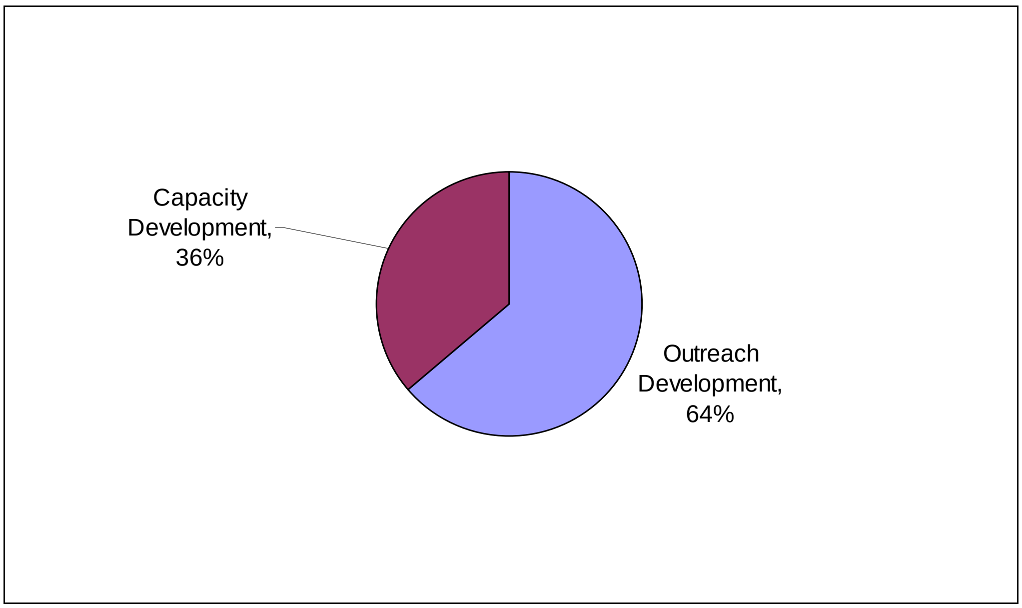

Table 12: Project Activities , Expenditures Actual Versus Budget, 2008 – 2010 (USD)

	ACTUAL					BUDGET	
	2007	2008	2009	2010	Total	Total	%
Output 1. Advocacy	3,990	154,279	196,292	138,481	493,042	615,194	80.10%
Output 2. Infrastructure Support	-	72,139	170,249	617	243,005	348,481	69.70%
Output 3. Retail Institutional Capacity	-	201,422	1,047,882	505,507	1,754,812	2,251,619	77.90%
Output 4. Project Management Unit	100,325	43,112	272,619	144,009	560,065	733,865	76.30%
Total	**104,315**	**470,952**	**1,687,043**	**788,614**	**3,050,924**	**3,949,159**	

5. EVALUATION FINDINGS

65. This chapter reviews findings from the seven evaluation matrix questions and sub-questions. (See Annex 4 for Evaluation Matrix Questions and Annex 9 for detailed responses to each Evaluation Question).[18]

5.1 THE PROGRAM DESIGN IS ALIGNED WITH THE NEEDS OF THE COUNTRY, THE FINANCIAL SECTOR AND IS CONSISTENT WITH UNCDF'S IF INTERVENTION LOGIC.

EQ1: To what extent does the program design meet UNCDF's IF intervention logic and the needs of the partner country?

FIMA's design meets the need of Malawi both generally and with regard to the financial sector. The program is consistent with the Malawi Growth Development Strategy (MDGS) goal of strengthening the private sector's contribution to sustainable economic growth and empowerment through increased access to financial services and markets. Design is consistent with UNCDF FSSA approach as it addresses key macro, meso and micro level IF sector issues. At the macro level, design seeks to help the government grow and consolidate the IF sector through regulatory and policy change, improved IFI management and governance, catalyzing electronic banking service, and encouraging commercial banks' participation in the sector. Meso level design focused on strengthening sector networking, advocacy and training as well as on the need for a credit reference bureau. At the micro level, product and services innovation and IFI capacity development were emphasized. Design did not prioritize capacity over innovation which, given the strength of anticipated PIFIs grantees, should have been the case. Design paid acceptable minimum attention to cross-cutting issues of gender and environment. Women client outcomes were targeted but not participation of women in leadership positions at any of the macro, meso and micro levels. Program outcomes are clear and optimistically achievable. Outputs are not always clearly articulated and not all achievements are measurable as a result.

5.1.1 THE PROGRAM SUPPORTS THE POVERTY ALLEVIATION GOALS OF THE GOM AS THEY RELATE TO FINANCIAL SECTOR DEVELOPMENT GENERALLY AND IF SECTOR SPECIFICALLY.

66. The program intervention logic is consistent with historic national support for inclusive finance and was first articulated in the 2000 Microfinance Policy and Action Plan (MPAP) developed by the Ministry of Industry, Trade and Private Sector Development, GoM. The policy was revised in 2006 and highlighted the need for a national inclusive finance strategy. In 2005, with the support of the Deepening Microfinance Sector (DMS - a five year USD 4.5M program to support the development of inclusive finance in Malawi), the GoM, with the support of the UNDP, the Department for International Development (DfiD) and key Malawian IF sector stakeholders established the Malawi Microfinance Network (MAMN) to help develop the sector.

67. There are five important documents aligning FIMA's design with the strategic objectives of the GoM interests in developing inclusive finance. The first is the Millennium Development Goals (MDGs), to which Malawi is a signatory, specifically as they relate to gender and poverty alleviation. The second is the Malawi Growth and Development Strategy (MDGS), which mentions the importance of increasing sustainable access to financial services to low-income people. Specifically, the program fits the MDGS priority Outcome 1 "By 2011 government polices and local institutions effectively support equitable economic growth and the achievement of food and

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[18] Due to the nature of the FIMA's outputs and related indicators, findings for each matrix question do not always correspond to a single output and for the most part each question addresses various aspects of each output (related output is indicated at the beginning of each question). The exceptions are Question 5.1, 5.6 and 5.7, which relate to FIMA design, management performance, and donor/partnership issues respectively. Similarly, matrix questions do not uniquely align specifically with the macro, meso, micro levels of the FSSA approach used by UNCDF. Important alignments with each of these levels are indicted in the text as necessary.

nutrition security." The third and fourth documents are drafts of the MFA and FCA. Finally, the project is aligned *post hoc* with the Deepening Financial Sector Strategy developed by the World Bank, DiFD, and the GoM which makes extensive note of the need to expand inclusive finance in Malawi.

68. The only evident non-alignment with FIMA's goal of promoting good practice inclusive finance is the existence of seven nationally owned/supported IFIs (or funds), including two large institutions Malawi Rural Finance Company (MRFC) and Malawi Savings Bank (MSB), that do not follow, in part or wholly, international good IF practice.[19]

5.1.2 PROGRAM IS FLEXIBLE AND CORRESPONDS WITH UNCDF IF INTERVENTION LOGIC.

69. Program design is consistent with the UNCDF's FSSA approach to identify and fill market constraining gaps at the micro, meso, macro level. Like most UNCDF programs, design also typically provides a degree of flexibility for management to develop annual strategic plans focusing on, or responding to, major constraints and significant market opportunities at each FSSA level as context demands. This gives program managers tactical flexibility to prioritize and address issues opportunistically as they arise within an overall strategic framework. Many FIMA output indicators were too specifically defined yet overall output goals were sufficiently flexible for management to "manage to meet" for overall outcomes. Design also insists on performance-driven grants, augmented by a range of information, technical advisory, and training support tools.

70. Consistent with UNCDF's competitive advantage, FIMA was designed to employ three elements of catalytic capital:

- Familiarity and knowledge of the GoM's needs and stakeholders generally;
- Use of grants, *TA*, and convening capacity to catalyze appropriate regulatory and policy change; and
- Use of grants, *TA*, and loans to encourage growth and innovation in the application of a sector development approach.

5.1.3 THE PROGRAM IS WELL INTEGRATED INTO THE COUNTRY PROGRAM ACTION PLAN (CPAP) AND UN DEVELOPMENT ASSISTANCE FRAMEWORK (UNDAF)

71. FIMA outputs and outcomes are linked to UNDAF (2008-2011), specifically to Outcome 3 "Strengthened private sector contribution to sustainable economic growth and empowerment" and to the Country Program Action Plan - Output iii "Increased access to financial services and markets." This is in addition to MDG-based national development strategies including preparation of national gender mainstreaming strategies, public sector reform, inclusive governance, national aid management, private sector development strategies and policies, and environmental management.

5.1.4 FIMA IS CLOSELY ALIGNED TO AND INVOLVED WITH EVOLVING GOVERNMENTAL FINANCIAL SECTOR DEVELOPMENT PLANS

72. FIMA has a strong degree of consistency with the GoM's financial sector development plans. Prior to the design phase of FIMA, there were no established, detailed, comprehensive national financial sector plans or strategies, generally, or related to inclusive finance. During the program formulation phase, however, the GoM was in the process of developing a number of significant financial sector regulatory reforms, each with direct or indirect implications for inclusive finance. (See Figure 6)

Figure 6: GoM Strategy and Activities Relevant to FIMA

- Microfinance Policy 2002
- Revised Microfinance Policy 2006
- National Microfinance Forum 2005
- Millennium Development Goals (MDGs)
- Malawi Growth Development Strategy (MDGS)
- Malawi Financial Inclusion Act (MFIA)
- Financial Cooperative Act
- Deepening Financial Sector Strategy

[19] MSB offers a range of banking services including micro savings and credit. See: Amha, Wolday and Ezikiel Bernard Phiri (2010) UNDP Malawi and UNDF.

73. Within this framework, program design at the macro level, as expressed by Output 1 was too specifically stated and significantly underrepresented the task of supporting an appropriate regulatory/policy environment. The output as initially foreseen would have been appropriate as a target indicator. Fortunately, output targets and program design allowed for sufficient program management flexibility to interpret and pursue this output more broadly and thereby support the GoM as it works to develop an appropriate IF regulatory environment.[20]

5.1.5 THE PROGRAM IS ALIGNED WITH RELEVANT GOVERNMENT AGENTS AND HAS SIGNIFICANT BUY IN FROM THE RBM AND GOM. OTHER STAKEHOLDERS, PARTICULARLY DONORS, HAVE A MORE MODEST BUY IN TO THE PROGRAM

Ownership of Project

74. Relevant government and sector stakeholders were consulted during the design of FIMA, and the GoM is a direct program partner. The RBM and the MoF were directly involved in the planning and implementation of the program. The design process sought extensive input from donors active in IF, including the African Development Bank (AfDB), USAID, the World Bank, the EU, UNDP, DfiD, among others. The program's SC and IC have sector-wide stakeholder participation and were designed to not only provide governance but also to act as mechanisms for enhancing stakeholder interaction/collaboration/harmonization. Initial optimism for significant donor involvement was reported by AfDB, USAID, and DifD. (See § 5.7 for more details on stakeholder/donor participation/relations)

5.1.6 THE PROGRAM DESIGN ADDRESSES FINANCE SECTOR CAPACITY AND INNOVATION DEVELOPMENT NEEDS AT THE MICRO LEVEL; SECTOR NETWORKING/ADVOCACY/TRAINING NEEDS AT THE MESO LEVEL; AND GOOD PRACTICE REGULATORY AND POLICY ENVIRONMENT DEVELOPMENT AT THE MACRO LEVEL.

75. Prior to FIMA, the IF sector in Malawi could be characterized as fairly well populated in terms of IFIs but with modest volumes of loans and savings accounts given size of demand. Despite the efforts and success of the USAID program DMS, the sector was not particularly well organized as evidenced by a small, understaffed, ineffective MAMN, a largely dormant NMF, and much unfinished GoM regulatory work. Key constraints to growth at the micro level included the depth and breadth of IFI management and staff capacity, both of which were being addressed by IFIs, the DMS and donors on an ad hoc basis (i.e., no systemic, well funded programmatic basis). In the absence of a fully resourced and functioning MAMN, sector stakeholder networking remained informal and did not present a collective voice. Government interest in the sector was solid and growing but without the knowledge required to develop an appropriate enabling environment on its own.

76. FIMA's design identified specific constraints to sector development at each level of the IF sector:

Macro (national regulatory, policy and program level – Outputs 1 & 3) At the macro level, the program was designed to develop and support formal and informal partnerships with and among key stakeholders (e.g., donors, government, and practitioners) with the objective of advancing/facilitating/advocating the development of an appropriate regulatory environment. Three general objectives were targeted:

- Consolidating the IF sector through the establishment and deployment of the Financial Sector Deepening Group with the Microfinance Forum (MF);
- Promote and enforce the revised Microfinance National Policy and Action Plan; and
- Build RBM capacity for it to effectively play its role in financial sector development.

Design had FIMA providing technical support to the MF, MAMN, RBM and others to achieve these goals (e.g., through TA, training, exposure support etc.).

Meso (inclusive financial sector infrastructure needs (e.g., credit bureaus, sector associations, etc. Output 2 and 3):

FIMA's meso level design focused on the strengthening of MAMN particularly in the areas of information and networking functions (establishing a resource centre and website), and financial transparency training.

[20] See D1, § 69 and Building an Inclusive Financial Sector in Malawi (FIMA) 2007-2011, Project Document Final Version May 2007.

Output 3 generally targets "local service providers supporting microfinance market increase" without designating any specific types other than information technology suppliers. (See Output 3.1, Table 6). It also targets the creation of a credit reference bureau (though no indicative targets were suggested) and increased use of Malswitch (a RBM owned electronic bank transaction and interoperability platform).

Micro (client or retail financial provision level – Output 2 and 3) At the micro level, project design anticipated the need to address IFI capacity issues. Output 2 was designed specifically to provide performance based grants to PIFIs, demonstrating the potential for demand driven, sustainable finance innovations particularly related to women and rural outreach. Anticipated support was to include grants for capacity building as well as some direct technical assistance.

5.1.7 DESIGN CONSIDERS GENDER ACCESS TO FINANCIAL SERVICES AND INCLUSION OF GENDER ISSUES IN PROJECT DESIGN/EXECUTION BUT DOES NOT ADDRESS INEQUALITY OF WOMEN IN DECISION MAKING POSITIONS WITHIN THE SECTOR; NO ENVIRONMENTAL CONSIDERATIONS ARE MADE.

77. FIMA's design highlights the need to address the special circumstance of women; to this end, 50% of new clients served – savings or credit -- by PIFI grantees should be women. Design insists that all interventions, as well as monitoring and evaluation activities, ensure that gender is mainstreamed, by assisting "institutions willing to explore and implement innovative methodologies that provide an increasing access to financial services rural poor women."

78. The program commits to measures of women saving/credit clients. Design does not consider the promotion of women in decision making positions within grantee organizations or, more generally, in the sector including the GoM; nor does it mention incidence of women as management/staff of PIFIs, or management at FIMA itself.

79. FIMA's design also makes no reference to specific environmental considerations (e.g., environmental portfolio risk management/screening or environmental operational performance of grantees).

80. Of the IFIs surveyed by the review, 56% and 44% rated the extent to which FIMA met the needs of the sector as good and very good, respectively. (See Financial Services/Financial Services Providers Survey, Annex 10, question 1).

5.2 FIMA SUPPORT SUBSTANTIALLY ADVANCED THE GOM'S EVOLVING INTERESTS IN CREATING AN APPROPRIATE IF SECTOR REGULATORY AND POLICY ENABLING ENVIRONMENT.

EQ2: To what extent were approaches conducive to IF regulatory/policy/ strategy developments?

Successful program networking, TA provisions and advisory services provided to the government have led to substantial advances towards a sound regulatory environment and growing appreciation of sound IF policy within the RBM, the MoF and to a lesser extent across other ministries. FIMA has been helpful in the implementation of the MFA and the Financial Cooperatives Acts both centre points to the GoM's IF development plans. FIMA contributed substantially to the **National Strategy for Financial Inclusion** ***and helped facilitate the approval of a mobile phone banking trial. Government lead IFI management training and financial literacy programs, both just recently initiated, should also improve sustainability and growth in the sector. The program lacks a communication strategy, which has limited external stakeholder knowledge of and participation in the program.***

81. This question relates to advances made towards meeting Output 1 and to a lesser extent Output 3.

5.2.1 FIMA CONTRIBUTED TO SEVERAL REGULATORY AND POLICY IMPROVEMENTS IN THE INCLUSIVE FINANCE SECTOR.

82. Through a variety of activities including a grant of USD 125,000 and advisory/TA support to the RBM, the program has increased the awareness and appreciation of national decision-makers and other key stakeholders of the need for a sound regulatory environment for inclusive finance and is laying the tracks for future developments. The program has had a role in four key regulatory and policy actions/activities:

Malawi Growth Development Strategy (MGDS)
The MGDS does not directly prioritize the goals of inclusive financial nor does it directly align with the content of the National Financial Inclusion Strategy (NFIS – see below). FIMA – though FIMA is working with stakeholders to reverse the lack of emphasis on financial inclusion in the document in the document's revision.

Microfinance Act and the Financial Cooperatives Act
FIMA has acted as a primary advisor to the MoF and the RBM on the development of directives and guidelines for the MFA, particularly, and to a lesser extent, on the FCA.[21] The program has coordinated and hosted stakeholders' meetings, provided input on good practice policy and regulations, as well as helped the MoF prepare the political ground work for the passage of the acts. FIMA financing of general good practice regulation training and exposure visits for GoM staff also contributed.

National Strategy for Financial Inclusion (NSFI)
FIMA worked closely with RBM and MoF officials, and had informal conversations with other sector stakeholders to develop the NSFI. The document sets out a "good practice" IF sector development agenda for the GoM at each of the micro, meso and macro levels. The NSFI provides a guide to the sector stakeholders and the GoM for good practice policy and regulation but, critically, it will help support the MoF as it assumes its responsibility for sector development.

83. FIMA has represented or advised the MoF on a number of financial sector issues as diverse as "know your client", anti money laundering, mobile phone banking regulation, consumer protection and financial literacy. FIMA has been responsible, in part, for motivating the GoM to place responsibility for sector development in the MoF leaving the RBM, which has been the *de facto* sector development agent within the government, to its oversight and supervision functions. This is a critical as the RBM transfers sector development responsibilities to the MoF and moves to a supervisory role.

84. The government continues to have a direct majority stake at seven established retail IF financial/funds in direct opposition to sector good practice embedded in the NSFI and MFA.[22] While FIMA has made note of this to the GoM, it is clear that these activities will not soon be brought to good practice standards, with the possible exception of the MRFC, whose shares may be majority owned by private interests in the near future. There is talk of creating a Malawian national development bank which would certainly impact the retail IF market.

85. 88% of the IFIs surveyed believe that FIMA has helped to embed the interest of the sector in the government institutions (see Annex 10, IFI Survey, and Question 2).

5.2.2 To what extent did policy improvements lead to growth and sustainability of the sector?

86. The package of policy and regulatory advances to which FIMA has contributed has led to a more strategic and coordinated GoM approach to sector development. Regulation and formalization of the IF sector will improve predictability of government involvement in the sector and IFI reporting/transparency standards. In other countries such as Uganda, new regulation has led to increased sector stability, sector rationalization (e.g., mergers and acquisitions) and improved investor confidence for long term IFI planning and investments.

[21] FIMA has supported the RBM in the development of specific guidelines and regulations which are "gazetted" or made into law as guide by and as part of the broader Microfinance Act.
[22] Some government inclusive finance activities are part of semi permanent and or time limited programmes.

Stability brought on by the new regulation has already increased competition. The GoM's commitment to the sector has encouraged commercial banks to enter the market. (See § 122) This in turn has heightened interest in creating a credit reference bureau and the development of other meso level institutions/activities (e.g., MAMN, management training courses, and financial literacy programs), which in turn will have positive impacts on sector development. Financial literacy and the Consumer Protection Act will help further develop and empower the low income market to make more informed financial decisions and to seek more financial products and services.

5.3 The program has contributed modestly to PIFI and Sector Service Organizations (SSOs) human resource capacity improvements and more significantly to the RBM.

EQ 3 To what extent has the program contributed to increased PIFI's, SSO's and GA's human resource and financial capacity?[23]

FIMA investments are consistent with its outputs but show a substantial concentration of funding for innovation and outreach despite the relatively modest financial performance of PIFIs and the need for greater management capacity. FIMA invested USD 900K or 36% of its grant budget on capacity building compared to 65% or USD 1.6M on outreach related innovations, while on-lending capital constituted 20%. Management and governance improvements at PIFIs level have focused on CEOs with few training opportunities for senior and middle management. Women typically constitute less than 15% of senior management and have been largely left out of capacity building efforts as a result. Training opportunities have been limited by delays getting MAMN operational; a yet to be developed university-based IFI management training course will help this situation. At the GoM level there has been limited focus on MoF capacity building, which is in the process of assuming IF sector development responsibility from the RBM

87. This question relates primarily to advances made by FIMA towards meeting all outputs but particularly Output 2 and 3 as institutional capacity development of PIFIs and SSOs contributes to the development of scalable, replicable and sustainable financial products and services.

5.3.1 Given the relatively low capacity of PIFIs, FIMA should have focused more on capacity development than on outreach funding.

88. Project design appropriately highlighted the need for management capacity development, innovation for greater outreach/access and capital for on lending (each is reviewed below). The dual needs for capacity development and improved outreach are typical of immature IF sectors where incrementally increased capacity leads to improved outreach leading to increased scale and greater sustainability. FIMA's capacity building, innovation and outreach and capital are reviewed in turn below.

Capacity Building

89. After ten years of moderate growth and modest to poor performance, the majority of established IFIs in Malawi continue to face significant management challenges, particularly related to general management capacity and institutional processes/systems. Most CEOs, for example, are capable but many are founding or long serving, and their rotation out is often a necessary condition for institutional development. Director level senor management (i.e., below CEO) is of mixed quality and experience. Below this level capacity is generally weak and not typically supported with consistently good practice training or processes/systems support.

90. Working to strengthen management capacity is no simple matter. It requires significant investments in human resources, competitive salaries, and opportunity for advancement. FIMA has supported some of these investments with capacity development grants of over USD 900K or 36% of all grant funding. Management

[23] For this section, some questions and sub-questions apply only to PIFIs, while others to SSOs and government agencies (GAs) and are marked such.

information systems (MIS) improvement grant capital (10%) are included in these 36% as they are part capital and part human resource investments (See Figure 5). Thus, only one quarter of grant investments focused on directly improving management capacity. Much of FIMA's other training support was of general nature and only CEOs participated and, as a result, the knowledge impact on other senior management was minimal. (See Table 9)

Innovation and Outreach

91. Project design identified the need for innovative approaches to reaching rural markets through agricultural related products and services. Most IF products and services are not genuinely suited for rural economic context and could benefit from basic modifications. While innovative technologies are contributing to the sector's ability to sustainably serve rural markets, there have been fewer low income agricultural credit and insurance product improvements. Advancing the former without the latter may weaken or at least delay the strengthening of IFIs. As such, outreach should be considered a second priority unless packaged with general human resource capacity development.

92. FIMA funded USD 1.6M outreach related investments or 64% of grant funding. This included some product and service delivery innovations (e.g., USD 80K to MUSCCO for product devolvement), but the majority of funds was destined to capital expenditures such as furniture, office improvements cars, motorcycles, etc. These investments are notable for their obvious outreach impact. Specific examples include: i) Malawi Rural Finance Company's (MRFC) UDS 200K purchase of hand-held point of sales wireless transaction units with biometric identification; ii) USD 35K to Alliance Capital that may provide an innovative means to finance IFIs through a capital market trust fund; iii) support (mostly advocacy to RBM) of Airtel, for advancing its mobile phone banking platform.

Capital for On-Lending

93. Capital for on-lending is relatively scarce in Malawi but given modest institutional capacity among IFIs lack of capital does not present overly pressing need.[24] Portfolio growth and related capital needs among IFIs will likely slow over the next two years as they prepare for transformation and compliance to the new MFA (though equity capital may be required). Once in compliance, institutions will either intermediate savings or, due to less institutional risk, should be able to raise capital from international and national sources. Organizations such as SACCOs and commercial banks can intermediate savings and government-owned institutions have access to ongoing government funding. FIMA's modest on-lending capital investments in PIFIs are appropriate (i.e., 20% of grant funding). (See Figure 4). The majority of on-lending capital was lent to the credit union apex institution MUSCCO to provide funding to test a new rural loan product for women its SACCO members.[25]

94. FIMA's investments are consistent with its output goals. Nevertheless, the review team believes that given the relatively low capacity of PIFIs more grant funding could have been focused on capacity development over outreach funding. As noted in § 0, FIMA's demand-driven proposal method may have been contributory to this focus. A challenge fund approach that attracted capacity development proposals may have encouraged IFIs to focus less on outreach.

95. Overall, 77% of IFIs surveyed rated FIMA's capacity to meet their needs as very good to excellent, with 22% rating it as good. (See Annex 10, PIFI, Question 3).

5.3.2 FIMA HAS CONTRIBUTED TO STRENGTHENED HUMAN RESOURCE & MANAGEMENT CAPACITY OF PFIs, SSOs, GOVERNMENT AGENCIES (GAs).

[24] This description oversimplifies the impact of a liquidity crisis or when an IFI does not have enough capital to on-lend. Lack of on-lending capital can cause considerable difficulties particularly loss of customer confidence leading to loss of clients. Lack of easily accessible capital, however, can regulate growth at a pace consistent with management capacity, which, in the case of weaker institutions, can be a positive as access to "easy" capital can lead to rapid loan portfolio growth without sufficient management capacity to support it sustainably.

[25] Subtracting the FinCoop loan that was negotiated pre FIMA, the total on lending investments equals only 18% of grant portfolio.

96. FIMA's design is generally similar to other UNCDF financial programs and has a mandated focus to support human capacity development of partner institutions.

Micro Level

97. There have been some improvements to management capacity made as a result of direct and indirect support from FIMA. Support for in-house and external trainings on various aspects of IFI management has been funded by FIMA. PIFIs report mixed management capacity improvements, with the greatest gains coming where FIMA funded new MIS systems. Most grants are too recent or too small relative to the size an institution for capacity development impacts to find their way into financial performance figures. Random checks of organizational charts, human resource manuals and explanations of decision making processes reflect minimum to average understanding of good practice management.

98. As noted, the review found that in most cases direct management training has been focused at the senior management level with the results not having trickled down to mid-management level where capacities are highly uneven (See Table 9). This affects women more than men as most women managers are at this level of management (e.g., Branch Managers).

99. Indirect positive impacts on PIFI management capacity revolved around FIMA's successful advocacy and promotion of good practice. The most tangible result has been improved PIFI reporting, both for internal management and external stakeholder purposes. While still lacking in terms of completeness, improved reporting functions and greater transparency are widely recognized by PIFIs and other stakeholders and will surely improve significantly as the new MFA comes into force.

100. According to the IFI survey, 13% and 37% of IFIs indicated that capacity development support was poor and good, respectively. 37% and 13% rated it as very good and excellent, respectively (See Annex 10, IFI Survey, Question 6)

Meso Level

101. FIMA's support for MAMN has significantly increased the institution's management capacity through funding for a new Executive Director (ED). The new ED has over 12 years in the IF sector, is well connected with government, and regulatory bodies and his presence has helped to reenergize the National Microfinance Forum (NMF). Due to delay in hiring (the first choice of the MAMN left before assuming the post), there is still no evidence of significant systems and process improvements at the institution. Several members of MAMN, however, report having more confidence in the institution, translating into more willingness to participate in the network's activities and, critically, share performance information on a timely basis. The plan for MAMN is that it will organize management capacity training in the future.

102. FIMA has begun work on a IF management diploma course to be offered by a number of universities and higher education organizations around the country, including the University of Malawi. This will provide deeper training capacity building, complementing the ongoing training MAMN is planning to provide.

Macro Level

103. FIMA provided USD135K in direct support to the RBM increasing its knowledge and understanding of IF, promotion of the sector and passage of the MFA. From numerous informal/technical advisory meetings to more formal venues at conferences, workshops, and via working groups, FIMA has substantially improved the soft and hard human resource capacity/skills at targeted government agencies, but particularly the RBM. Interviews with GoF and RBM officials provide clear evidence that both agencies have a sound understanding of good regulatory/policy practice. The RBM's non objection to a mobile phone banking trial is also evidence of a sound approach as it allows for controlled market experiments to guide regulation.

104. On the other hand, the MoF's capacity is still weak, due partly to the RBM's responsibility for IF sector development and partly to staff turnover. FIMA has consistently encouraged/supported a shift of responsibility

for the promotion of IF towards the MoF and away from the RBM. The building of MoF's capacity has just begun and the Director of the Directorate of Economic Affairs (MoF) has only just started to "populate" its finance team, including those responsible for IF. The review observes that much of the direct capacity building at GAs has also targeted senior management and that lower levels of management often responsible for project execution are not conversant with IF sector issues.

5.3.2 THE PROGRAM HAS NOT HAD A SIGNIFICANT IMPACT ON STRENGTHENING OF THE FINANCIAL CAPACITY OF GRANTEES.

105. As many IFIs cannot collect savings, FIMA design anticipated some demand for capital for on-lending. Only 18% of funding was used for this purpose (not including the Pride Malawi loan). MUSCCO funding, as noted, was specifically intended to fund demand for a new loan product for women. The loans as a result not only strengthened the individual SACCOs' capacity to roll out the product, but MUSCCO itself, which acts as a wholesale liquidity funder to the federation of credit unions. The loans are priced at 8% or 12% under commercial rates which could be considered a subsidy justified on the basis that FIMA's greater knowledge of sector mitigates a risk premium. The SACCOs receiving funding from MUSCCO are financially sustainable. Another loan of UDS 125K was made to FinCoop to support its new women's' SME loan product.

106. The overall impact on PIFI balance sheets is has been minimal and survey respondents believe that FIMA's impact on their financial capacity is mixed (with 38% rating it poor to good and 62% very good to excellent. (See Annex 10, IFI Survey, Question)

5.3.3 FIMA HAS HELPED CONTINUE GROWTH IN AWARENESS OF GENDER INEQUALITIES WITHIN THE SECTOR, PIFIS AND SECTOR SUPPORT ORGANIZATIONS

107. The program has had no direct impact on the number of women in Senior Management Positions or on the Board of Directors. Informal promotion of women in management and governance positions by FIMA, combined with that of other donors, has, however, successfully introduced the issue and managers are at least conversant on the topic and "agree" for the need to see change. Aggregating estimates by grantees, the review can report that women constitute between 0% and 15% of Senior Management and Board Members in most institutions. Typically around 20% of branch managers are women, though in one institution all branch managers were women. Few loan officers are women (for reasons of security).

108. FIMA fails itself to provide a model of gender equity different from that of its partners. Only 33% of its Steering Committee Members and 22% of its Investment Committee are women. None of its senior staff members are women.

5.3.4 THERE ARE NO SUBSTANTIAL EXISTING ENVIRONMENTAL FINANCE REGULATIONS (IF ANY), ENVIRONMENTAL RISKS AFFECTING PIFI PORTFOLIOS AND/OR SIGNIFICANT ENVIRONMENTAL IMPACTS DUE TO FINANCING ACTIVITIES.

109. There are no environmental regulations for PIFIs to comply with in Malawi that this review could find, either related to the provision of IF products or services. The program has had no reported impact on grantee environmental policies or performance M&E indicators. FIMA has, however, made mention among stakeholders of environmental issues and there is some basic understanding of financial impacts and/or of potential market opportunities. The only reported environmental finance consideration is that several PIFIs claim to not make loans to charcoal vendors (charcoal selling is against the law but publically tolerated as it is the primary source of cooking fuel in the country). The review was not able to verify written policies on such. OIBM reports interest in developing a loan product for solar energy systems.

5.4 THE PROGRAM HAS CONTRIBUTED TO BOTH PRO-POOR FINANCIAL SERVICE POINT OF ACCESS AND PRODUCT/SERVICE IMPROVEMENTS.

EQ 4: To what extent has the program contributed to improvement of access to appropriate pro-poor financial services?

While not particularly systematic and despite greater need for capacity building, FIMA has supported and / or facilitated the creation of several new products, services and service delivery channels. New savings products and mobile banking services have increased access and reduced bank transaction costs to both client and providers. Credit product development has been more limited. FIMA has supported women loan product for use among SACCOs, but for the most part PIFIs continue to offer "off-the-shelf" urban loan products which are only partially suited to the credit needs of an economy highly influenced by agriculture income flows (even in urban markets). There is a noticeable absence of FIMA support for pro-poor agricultural value chain lending. FIMA support for a microinsurance product may provide a replicable experience. New delivery systems, mobile phone and the expansion of biometric point of sales transaction technology will expand IF services to new markets, although currently PIFIs are mostly in-filling established markets. The Banker's Association of Malawi Financial Inclusion Charter, developed in part with modest FIMA support, will improve access and enhance competition in the IF sector if commercial banks deliver on their commitment to enter the market.

110. This question assesses how FIMA has helped grantees contribute to Output 2 and 3. In particular it assesses FIMA's impact on improved access on two counts: physical access and access to pro-poor appropriate services. Due to the start-up delays, FIMA support has not yet had strong measureable influence.

5.4.1 THE PRODUCTS AND SERVICES SUPPORTED BY FIMA GRANTEES ARE APPROPRIATE FOR THE LOW INCOME MARKET BUT OTHER PRODUCT INNOVATIONS ARE IN ORDER TO FULLY INTEGRATE THE POOR INTO THE FINANCIAL SYSTEM

111. Lack of basic and low income appropriate savings, credit and insurance products, lack of identification cards, and high transaction costs constraint integration of the poor into the financial sector in Malawi. In particular there is a need for safe savings, affordable credit products designed with agricultural income flows in mind and product/service delivery systems that reduce transaction costs to both the institution and clients.

112. For the most part, available credit products do not meet the needs of all poor, particularly those in rural areas. Loans products are mostly "off-the-shelf" micro credit products with short terms and weekly or biweekly repayments. This kind of loan is appropriate for urban economies where the poor are involved in rapid turnover commercial activities but are not particularly well suited to the rhythms of rural economies where income cycles are tied to agricultural production or short periods of high income and long periods of little or no income. While a fairly standard "microfinance" approach to lending is applicable and valued in urban and peri-urban settings, its efficacy in rural towns and areas is limited. Not surprising given the influence of agriculture on the Malawian economy, the agricultural income effect is also felt in mid-sized and even in larger urban areas.

113. FIMA supported products/services meet address access and product and service needs and are particularly supportive of improving access for low income persons. FIMA has directly supported the creation of four new products serving the needs of low income people:

- FinCoop on-lending capital and for funding new SME loan product development;
- MUSCCO supported development of a new rural women's loan product "Pantonto" to be made available to all members. Piloted in three SACCOs, Bvumbwe in Blantyre, Ulimi in Lilongwe and Rumphi in Rumphi. The product brings women together in groups of seven to fifteen to save and borrow from a local credit union. The loan features group (through peer pressure) and individual (via fines) guarantees and voluntary group "insurance" where members contribute small amounts to support other members when they fall ill or experience a death in the family. The three SACCOs originally piloted 8 groups between them with approximately 120 members; one of them, Bvumbwe, has since expanded the program to fund four additional groups with it on-lending capital.

- CUMO Microfinance Ltd. upgraded its Funeral Benefit Insurance to include Hospitalization Benefit Insurance. The FIMA grant supported field research, system developments, and staff training.
- Airtel's mobile phone based savings and funds transfer services has been piloted since early 2010 and has over 30,000 users. AirTel has over 180 point of sales where clients can put cash into the mobile savings system or take it out.[26] The service will help lower the cost of transfer services and savings (the cost of a single transfer to a client is USD 0.10).[27] As electronic interoperability (i.e., the ability to move money between banks and credit unions) improves, the system will allow for a range of other services (such as bank account balances from any bank, interbank transfers etc.). Currently, there is only direct connectivity with NBS ATMs.

114. These products and services are important and will increase access but do not address the full spectrum of need particularly on- and off-farm credit in rural areas (as per its output target 2.2: see Table 6) Admittedly there is still much to be learned about agricultural lending and few products in any country sufficiently addressed agricultural risk, particularly for small plot landholders. Even though there are few readily available models as a result, lack of agricultural lending project is a notable absence in the FIMA portfolio, particularly, value chain lending for the low income market. It is notable that commercial banks are already active in tobacco, cotton and sugar cane value chains even if they do not reach the lowest end of the market.

115. While the FIMA supported portfolios of products and services have yet to achieve significant outcomes and despite their limitations, they represent a good cross-section of products and services required for future "in-fill" of urban and outreach to rural markets. In aggregate, they both portend and contribute to the coming reorganization of the sector, which will see a more fluid continuum of service provision combining mobile network operators, commercial banks, conventional IFIs such as microfinance organizations, credit unions, and value chain operators (e.g., produce buyers and processors).

116. The IFI stakeholder surveys rates FIMA's performance in meeting the needs of low income clients as poor to good (55%) and good to excellent (45%). (See Annex 10, Financial Services/Financial Infrastructure Service Providers Survey, Question 11) Clients have a more negative perception, with 38% of them rating PIFIs services as not really meeting their needs and another 45% saying they mostly meet their needs. 16% believe that services entirely meet their needs. Follow-up focus group discussions found that clients did not like high interest rates and payment schedules geared to trade rather than agricultural income rhythms. (See Annex 10, User Survey, Question 2) Additionally, 18% of clients felt services were the same (after grants) and 39% found they were better, with 43% finding quality much better. (See Annex 10, User Survey Question 3)

5.4.2 SELECT PROGRAM SUPPORTED PRODUCTS AND SERVICES HAVE BEEN DESIGNED EXPRESSLY FOR THE NEEDS OF WOMEN, OTHERS ARE GENDER NEUTRAL BUT ACCESS MAY BE CONSTRAINED BY NON PRODUCT RELATED FACTORS.

117. All new/improved products and services are equally available to men and women – save MUSCCO's Pantonto and the FinCoop SME credit product, which are specifically tailored to meet the needs of poor rural women. Otherwise there is no specific structuring of products for one gender or another. It is not clear whether services will have equal access even if they are considered gender agnostic. This is the case, for example, with cell phone banking, the use of which is based on access to a cell phone, which rural women may have limited access to (no data is available to the review). Stakeholders report that the more "rural" a household is, the more likely any cell phone or cell phone use will be controlled by the male head of the family.

118. 66% of IFIs felt that products and services were very good or excellent for women; 12% believe they were poor and 22% good. (See Annex 10, Financial Service/Financial Infrastructure Service Providers Survey, Question 12). Clients concurred, with 32% of women noting PIFI services are excellent, 26% very good, 26 good, and only 16 poor to very poor. (See Annex 10, User Survey Question 8)

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[26] Savings are held in a trust account at NBS, the second largest commercial bank in Malawi. National and international transfers are possible.

[27] The service does not provide a "savings" account in the sense of a traditional bank; rather it provides a secure savings "storage" place in the form of credit much the same way a cellular phones systems save air time credits. Savings and credit units are one to one with the Malawian currency.

5.4.3 SOME NEW RURAL MARKETS ARE BEING SERVED ALTHOUGH THE MAJORITY OF NEW SERVICES ARE INFILLING EXISTING GEOGRAPHIC MARKETS.

119. Historically, the majority of clients served by the IF sector in Malawi reside in urban or peri-urban areas. Increased competition in these markets is pushing commercial banks and some dedicated IFIs to smaller towns, normally agricultural service centres. As FIMA has no formal definition of what is defined as rural, it is not possible to determine the extent to which rural areas are better served as the result of the program's interventions.

120. A FinScope survey of financial supply in Malawi indicates that the number of commercial bank branches in the country has increased from fewer than twenty in 2000 to 66 in 2010, not including the over 200 relatively new bank agents and ATMS. FinScope predicts that competition in urban and commercial bank markets will fan the flame outward from larger cities and towns.[28] According to BAM and other commercial bank stakeholders, innovation in mobile phone banking, movable (modular) branch premises, and truck banking will facilitate the penetration of lower density markets. Airtel confirms this trend, saying that while most of its 180 new point of sales agents are in major centres, many will be located in smaller towns as the company better understands agent cash liquidity needs.

121. 43% of clients surveyed found services to be closer to their homes, which speaks to some geographic expansion. (See Annex 10, User Survey Question 4). 87% of IFIs surveyed report geographic expansion has been very good to excellent. (See Annex 10, Financial Services/Financial Infrastructure Service Providers Survey, Question 9, a)

5.4.4 FIMA WORK SUPPORTING GRANTEES, ASSISTING THE RBM, AND OTHER STAKEHOLDERS HAS INCREASE BOTH EXISTING COMPETITION AND WILL ENCOURAGE GREATER COMPETITION IN THE FUTURE.

122. FIMA has helped to catalyze several factors that will improve competition in the low income market:

- First, as noted throughout this review, FIMA is helping the RBM to operationalize the MFA and FCA;
- Second, FIMA has encouraged and provided advisory to the BAM's effort to develop its Financial Inclusion Charter. The charter will set out a series of public IF sector market development commitment's and targets for commercial banks, beginning with savings, expanding to other products and services over time. According to commercial bank stakeholders, FIMA's participation in meetings and modest TA support to map commercial bank outlets and the geography of low income demand was instrumental in the BAM lead charter; and
- Third, FIMA's advisory to Airtel on mobile phone banking and help facilitates RBM approval of the company's pilot savings, and transfer service will lay the foundation for the provision of widely accessible and inexpensive mobile phone financial services. This has led to discussion among commercial bankers, the payment service clearing provider and IFIs on how to increase product offering and expand geographic access. Similarly, demonstration services such as the MRFC point of service biometric identification system and OIBM truck-based mobile banking have already stirred competitive innovations at commercial banks and dedicated IFIs.

123. 138% of FIMA PIFI stakeholders surveyed believe competition enhancement has been good and 62% feel is it very good. (See Annex 10, Financial Services/Financial Infrastructure Service Providers Survey, Question 10)

5.4.5 SOME MESO LEVEL ORGANIZATIONS ARE INVOLVED IN SECTOR DEVELOPMENT AND FIMA HAS PLAYED A KEY ROLE IN SUPPORTING THEM THOUGH OVERALL CAPACITY REMAINS LIMITED.

124. The program has set out a number of targeted meso level outputs including many aimed at supporting capacity development to MAMN. The target interventions found in Table 13 are fairly specific compared to other FIMA outputs and compared to other UNCDF programs (e.g., Pacific Financial Inclusion Program and Inclusive Finance for the Underserved Economy in Timor-Leste).

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[28] Interview with Lyness Mkungula, Executive Director of the Banker's Association of Malawi.

125. Of these targets, FIMA's greatest impact will be the support of MAMN, which, due to both the late start of the program and the networks inability to hire an experienced director, has yet to bear significant fruit. Delays notwithstanding, MAMN has acted as Secretariat to the Microfinance Forum and has contributed to the formulation of the National NFIS. The MAMN is, however, far from sustainable and has yet to assume the full role anticipated by the sector and anticipated in FIMA formulation. Some, though not all, of these roles are currently supported in full or in part by FIMA (e.g., training, advisory, and advocacy).

126. As noted, the BAM initiative is rapidly creating interest in the serving the low income market among commercial banks ,and FIMA, again, has had a modest direct advisory and funding role in fostering this interest. (See § 122)

Table 13 SSO Meso Level Indicators

SSO OR MESO LEVEL INTERVENTION TARGETS	ACHIEVEMENT
Financial sector deepening group established within the Microfinance Forum:	.
Establishment of the group.	Group reformed with MAMN as Secretariat Six different working groups established.
Conducting a (unspecified) survey.	Not completed
Approval of draft NSFI.	Achieved.
(Support a) donor round table	Not Achieved.
Implementation and monitoring of an implementation plan.	National Strategy approved October 2010.
Number of local service providers supporting microfinance markets increased.	No specific actions, not measured.
Microfinance Forum Secretariat resource centre website established and financial transparency training carried out.	Group established, no website or training carried out.
Trainings and customized technical support provided by network.	Limited training carried out by FIMA.
Credit reference bureau supported.	One proposal not approved.
Members of the microfinance network reporting according to internationally recognized standards.	Reporting not consistent or at international standards, signs of improvement however.
Technical support provided to MFI sector wide and IT suppliers on effective management information systems to support financial transparency and innovation	
Assessment of MIS needs of MFI sector	No formal assessment.
Training conducted through the network and technical support for the assessment of IT systems.	No trainings.
7 key players have adequate MIS systems to support international recognized standards and electronic banking applications developed in project.	4 with adequate MIS.

Source: FIMA Building an Inclusive Financial Sector in Malawi (FIMA) 2007-2011, Project Document Finance Version May 2007, Results and Resources Table, page 39-43.

5.4.6 SSOs Meet Many of the IFs Sector Needs but a Credit Bureau is Still Needed.

127. Stakeholders believe there is a relative abundance of some SSOs in the region (e.g., technical assistance providers, MIS providers, and other experts). Similarly, there are several regional MIS providers specializing in small banks and/or IFIs. There are several notable exceptions. There is a functioning credit reference bureau, the MAMN is still weak and not on a financially sustainable path, and the sector will need more interoperability if access is to increase via electronic platforms. FIMA is supporting two important other important gaps in the meso level:

- helping to organize a formal IF management degree or diploma course to be offered by several higher education institution; and
- working with the GoM to create a national financial literacy program to help clients use a greater number/volume of more appropriate financial products and service.

Both activities are still at relatively early stages of development.

128. The review finds that while design stressed meso level outputs, there is enough regional SSO support to meet demand in the medium term and that the quality and quantity of providers will evolve with the development of a larger and more sophisticated low-income market, particularly as commercial banks and mobile network operators enter the market.

129. PIFIs surveyed believe that FIMA's support for sector infrastructure has been poor to good (50% of respondents) and good (50% of respondents). (See Annex 10, Financial Services/Financial Infrastructure Service Providers Survey, Question 7)

5.5 PIFIs Have Seen Some Growth but Still Require Capacity Development to Reach Scale and Stability Required for Achieving Long-Term Sustainability without External Support.

EQ: 5 To what extent is the program likely to result in financially viable (i.e., sustainable) PIFIs in the longer-term, independent of external assistance of any kind?

FIMA PIFI performance has improved over the past two years though none - save commercial bank partners - are financially self-sufficient. A combination of slow growth and still relatively weak performance suggests that more capacity building is required. FIMA does not have a defined exit strategy despite some important outstanding regulatory, credit reference bureau, and financial literacy work outstanding. Fortunately, much of this will be assumed under a new World Bank and DifD program. FIMA should plan to discuss micro level interventions of the WB-DifD program to see whether there would be scope for a FIMA II focusing particularly on PIFI transformation.

130. Question 4.5 deals directly with FIMA Output 3 and tackles the issue of whether or not saleable, replicable and sustainable projects are being supported. The question also addresses the issue of sustainability at a broader level, which reflects, to a degree, on Outputs 1 and 3; that is, whether the sector momentum generated by FIMA will continue after the program is closed in 2011.

5.5.1 PIFIs have mixed financial performance and prospects for sustainability.

131. FIMA supported PIFIs shows modest financial performance improvements from the period immediately before the FIMA intervention (see Table 14) to date. As a group, PIFIs have negative but improving return on assets and equity of -6% and -13% respectively, both below East African counterpart benchmarks[29]. Similarly,

[29] See Micro Banking Bulletin at http://www.themix.org/microbanking-bulletin/microbanking-bulletin.

operational and financial self sufficiency are less than 100 indicating the FIMA PIFI portfolio is neither able to pay all their operating or capital costs. East African counterparts by contrast are operationally self sufficient and most are financially self sufficient.

Table 14 FIMA-Assisted MFI´s & Eastern African MFI Benchmarks

	FIMA-MFI		Eastern African
	2009	2010	2009
Total Assets (´000)	886,848	955,741	5,930,164
Total Portfolio Outstanding (´000)	553,992	591,480	3,133,538
Total Savings Balance (´000)	240,648	306,778	1,349,501
Savings to Loan Ratio	27%	52%	44%
Capital to Asset Ratio (Capital Adequacy)	46%	43%	25%
Portfolio To Assets Ratio	62%	62%	70%
Debt to Equity Ratio	1.17	1.37	2.4
Return on Assets	-23%	-6%	-2%
Return on Equity	-51%	-13%	-6%
Operational Self-Sufficiency	42%	88%	110%
Financial Self-Sufficiency	42%	72%	97%

Source: FIMA Grantee reports and Grantee financial statements.

132. In terms of fund source and utilization, FIMA PIFIs have slightly better performance than counterpart IFIs in the East Africa with a savings to loan ratio of 52% compared to a benchmark of 44%; and a capital adequacy ratio at 43% compared with the benchmark of 25%. This indicates a stronger liquidity position but may also suggest poor lending productivity.

133. PIFIs have slightly better lending efficiency measured by loans officer to loans managed with an average of 336 loans per loans officer. This compares to the East African benchmark of 260 per loan officer. FinCOOP has a dangerously high ratio of 1,400 to 1, much higher than the international good practice standard of 250 to 300.

Sustainability Potential

134. PIFIs' performance has improved over the last year though most institutions remain some ways from becoming financially self sufficient. Balancing growth and capacity is critical as covering operating and finance costs typically requires both increased lending and improved management capacity. PIFIs' modest growth and modest positive performance trends are encouraging, for too rapid of growth in the absence of capacity can harm long-term sustainability. As PIFIs prepare to transform into formal financial institutions, however, they will require more, not less support. Of the PIFIs surveyed, only 3 were viable prior to the program while 6 believe they will be financially viable not long after the end of the program's support; (See Annex 10, Financial Services/Financial Infrastructure Service Providers Survey, Question 14)

5.5.2 TO WHAT EXTENT IS PHASING OUT OF SECTOR SUPPORT INCORPORATED IN PROGRAM ANNUAL WORK PLANS?

135. Prior to FIMA, the USAID Deepening Microfinance Sector (DMS) program provided support to the IF sector and focused on the strengthening of specific IFIs with modest support to the Malawi Microfinance Network (MAMN) and to the advancement of appropriate regulatory environment. FIMA picked up and further developed much of DMS's work as well as supporting new areas, particularly in innovation. The cumulative effect and confluence of an appropriate regulatory environment, advances in mobile banking, an evolving and potentially significant interest by commercial banks in IF indicates inclusive finance is on a path towards

international good practice and, most probably, the rapid broadening and deepening of the sector in the coming years. It is within this context that the phasing out of FIMA must be considered.

136. There was no clear sustainability plan built into FIMA design or any of its annual work plans/strategies, this, despite a 2009 Technical Review recommendation to develop a concept note for the institutionalization of FIMA, (See § 154-155) There had been no notable actions being taken towards phasing out the program at the time of review.

137. Stakeholders do not seem overly concerned about the end of FIMA, however, for two reasons. The first is that the GoM is now staffing its new IF unit within the MoF. Second, the World Bank (WB) and DifD are finalizing a USD 34M program for financial sector development, of which up to USD 15M will focus on the IF sector employing a FSSA approach. Many of the most important meso and macro level challenges confronted by FIMA will be addressed by the new program but stakeholders indicate that many micro level gaps will not and that there may be a role for FIMA focusing on capacity building at the micro level.

5.6 FIMA HAS COMPLETED OVER 50% OF ITS PLANNED AGENDA DESPITE A LENGTHY START UP DELAY, POOR EXTERNAL COMMUNICATION, AND PERCEIVED STRONGER THAN DESIRABLE GOM INFLUENCE OVER THE PROGRAM.

EQ6: How effectively has management of the IF program been?

FIMA start-up took 19 months, much longer than most UNCDF programs. Delays and the resulting compressed schedule had significant implications for meeting program expectations, have created partnership tensions throughout the duration of the program, and have complicated management prioritization and implementation. Despite these challenges, FIMA has completed 54% of its five year agenda in a two year operational time frame. Grant and TA management has been good with only minor procurement and or funding delays. Donor and stakeholder management has been less successful. Poor attention to donor communications eroded initial interest in the program and has limited funding options. This was exacerbated by the view that FIMA's good working relationship with the GoM has been too close leading to undue influence on the program. A technical review by the UNCDF regional office in late 2009 recommended more and better communications but no formal actions were taken. Monitoring and evaluation tools initially lacked structure and clarity but improved by late 2009 early 2010. The governance structure of the program was not as effective as it might have been.

138. This question relates to Output 4, and more generally assesses the management of the program in supporting FIMA's three substantive Outputs.

5.6.1 PROGRAM STAFFING AND DECISION MAKING STRUCTURE ARE ADEQUATE

139. The design of FIMA management is well structured and is - at present - adequately staffed for the work load. The program has three staff: a Country Technical Advisor (CTA) who is the program manager and a primary technical advisor; the National Technical Advisor (NTA) who supports project management and has some management duties; and the Project Administrator who is primarily responsible for team administration and some aspects of program implementation.

140. The program governance structure has an Investment Committee (IC) and Steering Committee (SC). Each program partner (investor in the FIMA) has a seat on the IC. The IC's role is to assess the viability of grant proposals to determine if and how much of an investment should be made. They also monitor project performance after approval. The SC, by contrast, is responsible for program governance and providing oversight and strategic decision making. The SC is composed of a broad range of IF sector stakeholders and not just organizations investing in the program.

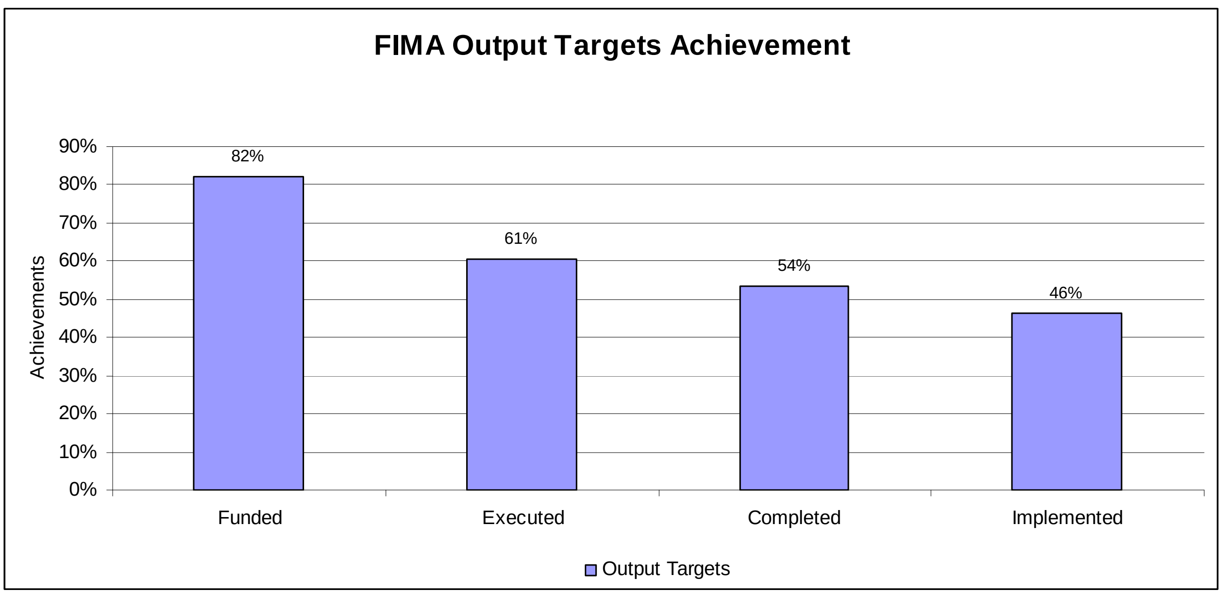
141. FIMA staff has satisfactory execution of responsibilities. Grantee and other sector stakeholders report that staff are both supportive and vigilant in their interactions. The Director of the Directorate of Economic Affairs, MoF, reports that FIMA has been invaluable in its support of his IF responsibilities, as do representatives of the RBM.

There is strong appreciation of the work of FIMA's CTA and NTA, and both are respected within the majority of stakeholder groups. FIMA management has qualified respect from some donors and stakeholder organizations, however, which express dissatisfaction with management of some process and protocol issues (see § 173) regarding NIFS validation process), lack of communications issues, and influence of government etc.). The review could not substantiate a factual basis for much of this dissatisfaction, but can report that opinions, while not dehabilitating to the program overall, were divisive and certainly contributed to less than ideal donor participation in FIMA.

5.6.2 FIMA HAS MANAGED TO ACHIEVE THE MAJORITY OF ITS ANNUAL WORK PLANS ON TIME AND BUDGET DESPITE A LATE START.

142. Overall, the program's achievements against annual work plans and related major targeted outputs have been good. An analysis of major activities budgeted for and approved in annual work plans shows that 83% of planned activities were funded, 61% of projects were executing plans, 54% of projects were completed and an estimated 46% are being implemented. (See Figure 7, Table 7)

Figure 7: FIMA Output Targets and Achievements*



143. Several significant output items have yet to be achieved including: i) work with the RBM on SACCO regulatory training, ii) concrete achievements of MAMN, particularly around member reporting and training; and iii) a planned gender study was not produced. (See also review of meso level tasks Table 13). Other significant works in progress are the financial literacy programs and the IFI management diploma courses.

144. A significant concern is the program's failure to develop a communication and resource mobilization strategy. Donors active in the sector cite poor communications around start-up delays leading to program credibility issues as a reason for not participating more intensely with FIMA, including financial contributions.

Many stakeholders also felt uncomfortable with the FIMA's close connection to the GoM and perceived influence.[30]

145. Again, FIMA's management record must be qualified by the fact that the program's initial schedule and annual work plans were approved contingent upon full staffing. In addition, the implementation of program activities is subject to the funding protocols and procedures of each partner institution adding to processing complications. The program also had difficulties scheduling SC meetings due to member scheduling challenges. Given these constraints and the aforementioned major issues, program managers' output accomplishments are commendable.

5.6.3 Once Fully Staffed the Program Funding Transfers were Subject to Delays Typical of Programs with Procedures Found in UNDF and UNCDF.

146. Because the FIMA fund is a virtual fund, each grant is funded according to the procedures/protocols of each program partner. This caused some frustration and delays as management had to learn and manage three different systems. In some cases, a grant would be funded by two different partners, further complicating disbursements. Of the PIFIs surveyed 33% thought fund transfers were excellent, 55% believed it was good to very good, and only 11% found it to be poor. (See Annex 10, Financial Services/Financial Infrastructure Service Providers Survey, Question 4)

5.6.4 Capital and TA Investments were Well Managed and were Effectively Delivered to PIFs and SSOs

147. Capital and TA investment management and delivery has been adequate. Calls for proposals from potential grantees are clear and the decision making process is transparent. Applicants understand the IC process and decision making cycle. Some funding delays have resulted from virtual fund structure where contracting and disbursement is the responsibility of individual donors. This combined with inconsistent grantee utilization rates (or the rate at which funding was put into the field) caused considerable delays in achieving results on the ground (e.g., MRFC government procurement process errors, MAMN failure to hire Executive Director etc.).

148. Project formulation reports prepared prior to the end of 2008 provide minimal due diligence performance data, particularly financial analysis of PIFIs and assessment of sustainability. Post 2008 formulations, while not entirely consistent in content, had clear structure with more robust PIFI analysis. Conclusions regarding potential

Figure 8: UNCDF Regional Office Review Recommendations (October 2009)

Macro

- Speed up process of National Strategy for Financial Inclusion (including recruitment of international consultant for support).
- Develop strategic plan for capacity building of the GoM including knowledge management and transfer.
- Develop concept note for the institutionalization of FIMA and FIMA fund.
- Increase interaction with the National Microfinance Forum.

Meso

- Finalize agreement with MAMN to enhance capacity
- Finalize 2010 Work plan and budget including strategic studies/surveys of existing financial services suppliers (interest and cost structure of existing IFI's prospects and challenges of commercial microfinance).
- Develop appropriate partnership with key stakeholders in the implementation of financial literacy and consumer education/protection.
- Conduct feasibility study of national credit reference bureau.

Micro

- Finalize CUMO and NBS grants.
- Review with IC FIMA fund IFI service provider performance and situation.
- Develop and publish data base for capturing industry evaluation and dynamics.

[30] It is generally understood that good practice inclusive finance requires government to support a sound regulatory and policy enabling environment. Beyond this, complications can arise if government becomes involved in sector support (e.g., government favoring one institution over another for political reasons, public policy aimed at supporting one region or another, undue interference with interest rates, fee structures, and rent seeking are all possible and common outcomes of undue proximity of government with private sector development, IF sector included).

sustainability are overly positive however, and more comprehensive performance analysis would have suggested increasing management capacity development funding in each contract. Contracts are performance driven and require a minimally sufficient amount of reporting requirements (balance sheet information not required in most cases – see critique § 160).

149. Post contract management includes quarterly reports and site visits. PIFI quarterly reports are, for the most part, submitted on time. Quarterly reports are not particularly detailed and while they comply with UNCDF data requirements, they do not include all data required to fully assess financial performance. (See Annex 14 for UNCDF PIFI Financial Analysis Template). Supplemental monitoring activities through, for example, PIFI annual reports analysis and site visits, complement quarterly reports. The review found some systemic errors in financial PIFIs reports and/or could not reconcile reports to FIMA with other internal or external reports, causing some credibility concerns.

150. Minor errors are not uncommon and in the case of ongoing monitoring by the same staff person pose little analytical risk to portfolio/PIFI analysis. Due to the small size of staff and related key person risk, however, more precise reporting is desirable.

151. 71% of PIFIs feel that FIMA services have been good to very good while 29% feel it has been poor. (See Annex 10, Financial Services/Financial Infrastructure Service Providers Survey, Question 5)

5.6.5 The Regional Office Offered Minimal Ongoing Oversight And Support To The Program But Provided A Substantial, Insightful, And Well-Timed Technical Review of FIMA In Late 2009.

152. The regional UNCDF office in Johannesburg has played a modest ongoing role in the program. Support at the beginning of operations was insufficient to ensure timely start-up. There was considerable confusion with the hiring of the CTA, which caused the majority of the delay: a process that usually takes between 6 to 8 months took 19 months. Internal project stakeholders expressed dissatisfaction with the participation of the regional office, claiming that meaningful interaction had “disappeared” for significant portions of time. The regional office visited the program three times since the beginning of FIMA operations, once to undertake a mid-term review. Regional staff responsibility for Malawi also changed twice during the program: once when the UNCDF Regional Office for Southern and Eastern Africa and Regional Technical Manager for Inclusive Finance was changed and again when a more junior officer was given responsibility for the country.

153. An October 2009 Technical Review (TR) of FIMA led by the UNCDF regional office provided important and incisive input/recommendations at program mid-course, some of which is consistent with findings from this review.[31] (See Figure 8) Issues related to sector development, specifically, enhancing MAMN and GoM capacity, were noted and acted upon, as was action to build partnerships for financial literacy work.

The TR also recommended a concept note for institutionalization of FIMA and that the FIMA Fund be undertaken. The review also noted that the program lacked a “systemized strategic approach” to fund raising and the need for a communication package, a market strategy to enhance FIMA image… with a view to retrieve and consolidate its technical and political leadership.” The note was not completed, nor was there a formal response or output to communications and marketing. Two other important recommendations were also not acted upon: strategic knowledge pieces related to IFI cost structures and interest rates, and a feasibility study of a national credit reference bureau.

154. Lack of attention to programmatic institutionalization was a lost opportunity for UNCDF and UNDP in terms of developing long term or sector leadership. More attention to communication may have avoided problems resulting in less than desirable donor participation in the program and poor perception of the GoM relations. A study of cost structures and interests rates may have had an impact on the nature of TA and granting

[31] The review was led by Mr. Makarimi Adechoubou, Head of UNCDF Regional Office for Southern and Eastern Africa and Regional Technical Manager for Inclusive Finance and Mr. Abdoul Anziz Said Attoumane, Portfolio Technical Manager. October 11-17, 2009.

as they would have shown considerable PIFI inefficiencies being masked by income from high interest rates. A study on a credit reference bureau would have pushed the issue to the front of the sector development agenda in advance of the impending changes being wrought by the MFA. That none of these were enacted upon or justifications for non action provided showed less than desirable management and SC attention to recommendations from formal review.

5.6.6 Ongoing Monitoring and Evaluation of Projects Was Good but the Program was Unable to Translate More General Assessments of the Program Management into Management and Strategic Course Corrections.

155. This question first assesses the quality of monitoring and evaluation tools and then relates findings to the needs of management.

Monitoring and Evaluation Reports

156. FIMA uses quarterly, annual and irregular reports as the main monitoring and evaluation tools. Quarterly reports are mostly made on time and provide satisfactory text updates.

157. Annual and quarterly reports do not provide updates on outputs and outcomes including systematic provision on PIFI outreach. Reports are not consistently structured for comparative purposes. The Annual Progress Report for 2009 provides information for the first three years of operation. It has adequate text review of progress particularly related to program management. As with quarterly reports, the Annual Progress Report for 2009 does not provide significant PIFI performance data and does not adequately explain attribution of outreach data.[32] The report does not disaggregate assistance to grantees, particularly PIFIs. This problem was highlighted in the October 2009 Technical Review of FIMA.

158. A Tripartite Review of FIMA in March 2010 by program staff indicated similarly weak PIFI outreach and sustainability reporting. The report did note, however, that while there was strong demand for project resources, only one of 21 IFIs in the review sample could "compete favourably with the industry best regionally leave alone internationally." It also noted that most conventional IFIs were far from having the capacity to scaling-up outreach or to meeting the requirements of the MFA. The report highlights the need to pay more attention to timely responses to the needs of all stakeholders, to resource mobilization, and to ensure greater cooperation and better donor coordination, again issues highlighted in the 2009 Technical Review.

159. It is notable too that the program employed indicators from UNCDF's data collection template inconsistently across reports, appraisals, and contracts. (See Annex 14 for UNCDF PIFI Financial Analysis Template) The template emphasizes outreach and income statement performance data and does not require much balance sheet data. [33] Balance sheets do not change as rapidly as income statements and are sometimes deemed less important to collect on a quarterly basis as a result. This review does not agree and recommends balance sheet information to be re-introduced into the UNCDF financial analysis template as PIFIs modest performance and impending MFA regulations will require strong balance sheets in the future.

160. Regarding data management, FIMA staff reported a high degree of satisfaction with the Atlas and were able to provide substantial data for this review from the system related to project expenditures. Data provided in

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[32] Over-stated attribution and impact is pervasive in IF programmes generally as donors seek to report on as large a number as possible of poor impacted. Clear and credible outreach reporting is critical including comparison against reliable baseline data. Both date funds were actually put to use and an attribution ratio should be established to time and then measure the influence of programmatic intervention and to accurately assess attribution. An example attribution ratio: size of funding to size of retained earning compared to outcomes/outputs qualified by utilization rate.
See *Impact of Support to intermediaries*, Financial Inclusion in Malawi (FIMA) Project Annual Progress Report, 31 December 2009, page 11.

[33] The UNCDF financial analysis template was recently changed and balance sheet items were removed. See Annex 14 for comparative analysis.

the 2009 Annual Progress Report reflects FIMA management use of Atlas, particularly related to disbursements and expenses.

Management Employing Monitoring and Evaluation

161. Monitoring and evaluation tools were found wanting in terms of structure, regularity and data. Two weaknesses are most troublesome. And while the review team can only speculate, more follow-up may have avoided some problems encountered by FIMA. Ultimately, the combined effectiveness of monitoring and reporting tools is deemed inadequate to serve the full needs of FIMA. Project management was adequate but management of information for strategic program purposes was not. Governance was also in inadequate as the SC did not ensure program staff substantively address/follow up the stakeholder and donor concerns set out in the Technical Review.

5.6.7 FIMA Staff has Managed the Program to Ensure it is Aligned with the Evolving Needs and Objectives of Relevant Government Departments, Ministries and the RBM.

162. FIMA is the MoF *de facto* staff capacity for GoM IF sector development and has the only significant capacity for the implementation of the financial inclusion activities within the government,

163. The program has facilitated closer coordination, co-operation and interaction with the relevant government agencies/offices by ensuring that all offices were represented in the FIMA Steering Committee and in the National Financial Inclusion Strategy Technical Working Group. Furthermore, FIMA has been assisting in the institutional strengthening and capacity building of the several government offices, the MoF and RBM in particular, paving the way for an organized and synergistic approach to the pursuit of the national IF objectives. Program staff have represented the Ministry on several occasions at intra-governmental and donor forums, conferences, and meetings. FIMA has also supported the MoF's goal of taking the lead for IF sector development in 2011 as the RBM moves to a supervisory role.

164. FIMA has not had in-depth conversations with the various sponsors within the GoM on the existence of seven government owned/sponsored IF retail programs, all of which are, to various degrees, in contrary to good practice IF sector development.

5.6.8 FIMA has Struggled to Balance a Close Relationship with GoM and Satisfying Donor and Other Stakeholder.

165. Situating FIMA within the MoF provides extra challenges, some real and some perceived. FIMA must apply complicated government procurement rules, which can cause programmatic delays and GoM funding is limited primarily to general sector building activities as opposed to direct funding of a private sector or non-governmental organizational entity. More significantly, FIMA is challenged by stakeholder perception that it is too close to the GoM. Discontent with the NSFI validation process was cited as an example of where stakeholders felt that there was political pressure to bypass external validation of the strategy paper. (See § 173 regarding NIFS validation process) It was not clear to the review what happened in this instance; however, there was no obvious and or significant evidence to substantiate any claim that the GoM had been unduly influential. Still, the process was not in the best interest of the GoM or the program. More active program oversight and involvement from the SC may have gone some way to inform stakeholder perception and guide management on stakeholder interaction strategies (e.g., more proactive and formal communications). This may have helped to avoid/address the validation process question specifically and the reputation of the program more generally.

5.7 FIMA DID NOT TRANSLATE INITIAL STAKEHOLDER ENTHUSIASM INTO SIGNIFICANT STAKEHOLDER PARTICIPATION OR FINANCING OF THE PROGRAM OR ITS PROJECTS. FIMA DID ENJOY SUBSTANTIAL SUPPORT FROM THE GOM.

This question relates primarily to output 1 and examines the extent to which FIMA has been able to promote good practice IF sector development among donors and the GoM.

EQ7 - How well have partnerships with donors and governments supported the program?

Despite ongoing communications challenges, UNCDF, UNDP and Cordaid partnership retains good reputational standing among key stakeholders and the GoM. The relationship between UNDP and UNCDF has not been consistently smooth, however. In addition, to minor issues typical of partnerships (procurement delays, meeting scheduling, partner feedback etc.), the program partnership was affected by more significant tensions created through start-up delays and delays resulting from poor/unfortunate institutional cycle synchronization, management learning curves, and unavoidable bureaucratic systems. FIMA did not have success attracting significant formal participation from other donors for program funding or consistently active participation. FIMA's greatest partnership success was with the GoM, which provided USD 1.4M to close the program budget gap. Positioning the program within the GoM was questioned by many stakeholders and diminished interest in formal participation in the program.

5.7.1 THE PARTNERSHIP HAS MOBILIZED ADDITIONAL RESOURCES FROM THE GOM BUT NOT FROM OTHER DONORS OR STAKEHOLDERS.

166. FIMA began with USD 2M commitments from UNCDF and UNDP respectively. They were joined by Cordaid's commitment of UDS 1M prior to start up. In 2009, the GoM committed a further USD 1.4M, thus meeting the program's five year operating budget of USD 6.3M. (See Table 7)[34] This funding does not include cash or in-kind contributions on the part of grantees. There have been no significant co-funding arrangements either with FIMA directly or via specific projects.

5.7.2 PROGRAM IS RECOGNIZED AS A CATALYTIC AGENT FOR SECTOR CHANGE BUT COMMUNICATION ISSUES HAVE NEGATIVELY AFFECTED DONOR AND OTHER STAKEHOLDER RELATIONSHIPS.

UNDP UNCDF Relationship

167. The partnership between UNDP and UNCDF has not been consistently smooth. The project experienced unavoidable challenges typical of partnerships of this type, including procurement delays, meeting scheduling, partner feedback etc. Some of these delays resulted from poor/unfortunate institutional cycle synchronization and some from FIMA staff learning to manage procurement and institutional intricacies of the four partner organizations (and their inevitable/unavoidable bureaucratic issues).

168. Delays around start up particularly frustrated program partners. Launching the program in mid 2007 prior to the near-term prospect of hiring management created significant and unnecessary stress on the partnership. Stakeholders comment that this decision and the then extended program start-up caused credibility issues that made donors reconsider participation in the program.

GoM Partnership

169. FIMA's partnership within the government yielded better results. Because the GoM essentially delegated responsibility for IF sector development to FIMA, the program was less a partnership than a "quasi" unit of the

[34] Government has committed a total of U$1.4 million in 2009 but the FIMA project is yet to tap into these resources due to procurement issues (i.e., the Government wants to limit its funding to activities that support general development of the inclusive finance sector and not a single organization or entity). Funding will be used in 2011.

government: quasi in the sense that FIMA did the bidding of the government on many internal IF matters, including supporting and advising the MoF and the RBM, the program had the operating freedom accorded by its formulation documents and annual plans.

170. Positioning of the program within the GoM was questioned by most stakeholders. Many viewed the partnership as being too close to avoid undue influence of the government. Again, while the review could find no significant evidence of undue government influence, the perception of influence was a critical element shaping donor participation perception and action.

Donors and Other Stakeholders

171. Despite having a broad range of donor representatives on the SC and IC, there has been little cross fertilization of programmatic/project interests.

172. Due to a lack of effective coordination and communications most major donors were not well versed on the program and its results and, many, fairly or not, had resulting strong critiques on various aspects of the program (e.g., influence of government on the program). Both symptomatic and contributory to donor understanding of the program is donors' irregular and limited participation in FIMA activities, including those with participation on SC and IC. Some donors blame institutional politics and/or management cycles for lack of interest and participation.

173. As noted, the lack of a well-defined process to validate the NSFI is an example of a significant negative outcome stemming from poor communications. Stakeholders uniformly questioned the FIMA-led validation process, which gave them less than 24 hours to comment on the document prior to it being launched by the GoM. FIMA contends that it received stakeholders' input through regular and ongoing interactions, as opposed to a formal process; stakeholders do not consider this as a valid input process and contend that the current document is a draft. The process caused more than a considerable number of questions about FIMA's credibility and its relationship with GoM.

174. There is recognition by key IF stakeholders, however, that FIMA has supported important advances in the regulatory environment and sector innovation. Actors such as the BAM and AirTel also express appreciation for direct support of their interests and needs. FIMA staff have also provided input to various projects and programs in an advisory capacity (e.g., to the DifD sponsored FinScope Malawi IF supply side study and the WB and DifD developed sector program). Though support of MAMN as Secretariat of the Microfinance Forum, FIMA has brought key stakeholders together to discuss common vision to IF sector development, although NIFS process issue has distracted the Microfinance Forum from its mission of late.

175. Despite these challenges and issues, FIMA has maintained a satisfactory institutional recognition for the program with fairly positive brand recognition among IF stakeholders. The program is regarded as *de facto* the IF leader in the country and is recognized by all stakeholders as a UN program generally, and the UNDP, specifically. Fewer stakeholders recognize UNCDF's participation in the program (informally estimated at 30%).

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 OVERALL ASSESSMENT

176. The FIMA program design met the needs of the country, and targeted important gaps at the micro, meso and macro levels. Some outputs were overly prescriptive and there was a lack of attention to women as decision makers. Design allowed sufficient flexibility to respond to changing sector context and the program was able to accomplished a good deal of its targeted outcomes and has made solid advances towards meeting the terms of all its outputs. FIMA's accomplishments suggest that the underlying development hypothesis of the program is correct even if the program has not maximized its overall impact.

Outcomes
177. FIMA PIFI grantee savings growth has increased over 330,000, well in excess of the 141,000 outcome target. Few of these new clients can be attributed to FIMA, however, but the finding does speaks of the program's success at selecting improving institutions. By contrast, new credit client growth has been negative, contracting 72,000 clients. Without the 120,000 MRFC, write-offs growth was 53,000, of which an estimated 24,000 or 26% of its outreach target are attributable to FIMA support. The number of women served by loan products decreased from 55% to 48%, i.e. 2% less than its targeted outcome of 50%. There is no measure of rural clients available.

Output One
178. The original output objective of FIMA supporting the National Microfinance Forum (NMF) via the MAMN was not achieved due to problems sourcing an appropriate Executive Director for MAMN and disinterest on the part of sector stakeholders. FIMA was able to promote an effective policy dialogue with the RBM and to a lesser extent the MoF. It also contributed to growth of understanding of good practice IF enabling environment, which contributed to the "no objection" response from the RBM on mobile phone financial trial services. Regulatory and policy work also influenced the Bankers Association of Malawi to support the commercial bank entry into the low income market and encouraged the GoM's recent entrance in financial literacy. The GoM still has various subsidized IF initiatives however.

Output Two
179. FIMA helped support, to various degrees, the introduction/use of several innovative product and service developments including: mobile point of transaction devices, mobile phone banking services, truck mobile banking, two new women's loan products, and a microinsurance product. Products are new and impacts have not yet been translated into significant outreach growth, but they provide a good demonstration of "what is possible", particularly for commercial banks.

Output Three
180. It is still too early to tell if the new products and services will enhance the sustainability of institutions as PIFIs remain for the most part unsustainable. Recent modest performance improvements indicate greater sustainability prospects in the near future; however, the cost and complexity of complying with new RBM guidelines will stretch PIFI management and governance capacity. Performance and a focus on growth suggest that IFIs are not well prepared for this transformation phase and that increased capacity development support is required.

Output Four
181. FIMA management of grants has been good despite the need to comply with four different funding processes. The program has managed to keep the program aligned with GoM interests and needs but was not able to catalyze much other stakeholder interest. Overall, management succeeded in maintaining a fair reputation for UNCDF and UNDP.

6.2 CONCLUSIONS

GENERAL CONCLUSIONS

182. Despite having a compressed schedule, FIMA has accomplished a good deal of its mandate including meeting its new client outreach goals for savings, had substantial and positive impact on RBM and the GoM, and supporting replicable innovation in the marketplace.

183. Two issues of note detracted from FIMA's overall performance. The first was to allow a demand-led proposal process to over-concentrate PIFI grants on innovation for outreach over capacity building. Less a threat to immediate PIFI sustainability, over emphasis on innovation represented a lost opportunity to help prepare institutions for the coming MFA and the inevitably difficult and expensive transition to becoming formal financial institutions. Performance trends have been modestly good but PIFIs still show significant management weaknesses and most are not financially self-sufficient. More and better market analytics going beyond simple demand numbers may have provided a clearer strategic focus for granting.

184. The second issue was a failure to develop and implement a funding and communications strategy. In addition to simply providing greater and more precise knowledge about FIMA to a broader group of stakeholders, a communication program may have addressed three important emergent issues. The first was communicating to stakeholders legitimate reasons for start-up delays, particularly the challenge of sourcing the CTA candidate. The second was to ensure program management transparency, particularly related to GoM involvement in the program (see *xxviii*). Finally, better communications may have facilitated greater donor participation in the program including funding and co-funding of projects

185. Launching the program without a management team in place and not maintaining effective communications also had considerable negative impacts on stakeholder perception that the programe was too close to the GoM. Poor oversight and strategic direction compounded the problem.

186. Fortunately for the sector, the confluence of improved government management and involvement in the economy, stable economic growth, financial sector reform and increased competition in the IF sector should induce improved capacity in the sector. FIMA has undoubtedly supported good projects and has contributed to PIFI sustainability. A more informed and disciplined strategy bringing to bear the interests of a broader range of donors and a focus on capacity building, however, may have maximized the program's impact. Given its short-time frame and lack of governance support, both the management and IC should be commended for its accomplishments.

CONCLUSIONS PER EVALUATION QUESTION

1. To what extent is the program well designed and meets the UNCDF's IF intervention logic and the needs of the partner country?

187. FIMA's design is appropriately aligned with the Malawi Growth Development Strategy and the country's pursuit of the MDGs. Design is consistent with the FSSA approach and addressed key IF sector gaps. At the macro level, design seeks to help government support good practice IF sector growth through regulatory and policy change. Meso design focused on strengthening sector networking, advocacy and training functions and the need for a credit reference bureau. At the micro level, innovation and IFI capacity development were emphasized but did not adequately prioritize the need capacity building given the relatively weak performance of IFIs. Design outcomes were as a result overly optimistic at least on the credit side. Participation of women in leadership positions should have been expressed in the design and definitions of rural and low income should have been made clearer.

2. To what extent were approaches conducive to IF regulatory/policy/ strategy developments?

188. FIMA has been influential at the RBM and GoM and has been able to bring them some ways towards understanding good practice IF sector development, leading to several important regulatory developments and a commitment to financial literacy. A lack of effective communication strategy limited relationship development

with other stakeholders and donors. Stakeholder input to key GoM initiatives could have been better served through FIMA, in particular the National Strategy for Financial Inclusion.

3. To what extent has the program contributed to increased institutional capacity of PIFI's, SSO's and GA's human resource and financial capacity?

189. FIMA supported PIFIs have shown modest performance improvements, which reflects less on FIMA support than on the selection of partners. Despite continued need for capacity development, particularly with the spectre of transformation, FIMA concentrated 65% of its grant budget on innovation, compared to 35% on capacity building. Given the context and performance of PIFIs this emphasis should have been the reverse. FIMA sponsored training focused more on CEOs and innovation than on management/process issues and line managers. Contribution to capacity development is minimal and, because few women are in senior management, does not contribute to gender equality. At the GoM level, FIMA has made some - but not significant - impacts on MoF capacity building, which is particularly important to focus on now that the RBM is moving to a supervisory role.

4. To what extent has the program contributed to improvement of access to appropriate low-income person's financial services and enhanced the market for IF services?

190. While not particularly systematic and despite greater need for capacity building, FIMA has supported and / or facilitated the creation of several new products, services and service delivery channels. These new products and services are replicable and have caught the interest of commercial banks, which, along with mobile phone services offer the greatest potential for growth of the sector. Products and services are mostly appropriate for low income markets though credit products predominately designed for urban markets could be better adapted to the rhythms of a predominately agricultural economy and value chains. Stimulating the interest and / or supporting the Bankers Association and Airtel have been the most effective and cost efficient interventions made by FIMA and will lead to greater competition within the sector and will certainly lead to interesting strategic alliances between current sector stakeholders and new market entrants such as merchants, retailers, and agro-industry.

5. To what extent is the program likely to result in inclusive financial sector sustainability?

191. Even though most FIMA supported PIFI are not currently sustainable, it is unlikely that in the short term any would fail, given the substantial external donation support. That performance has improved modestly is promising. However, the confluence of new regulation, new service delivery mechanisms, new product developments, and potential new market entrants have significant implications on sector dynamics. FIMA support has contributed more to the advancement towards this new dynamic than it has prepared PIFIs for impending change. More capacity building is required.

6. How effective has management of the IF program been?

192. The quality of FIMA management has been mixed. The extremely late start-up of the program caused considerable alienation among donors and stakeholders eroding initial interest in the program and limiting funding contributions. This was compounded throughout the duration of the program by poor attention to donor communications. Perceptions that FIMA's was "too close" to the GoM were unfounded but contributed to donors distancing themselves from the program. Better program governance guidance may have helped FIMA avoid this result.

193. Working with a compressed schedule FIMA has managed to complete 54% of its agenda. Grant and TA management has been good with only minor procurement and or funding delays. Monitoring and evaluation tools initially lacked structure and clarity but had improved by late 2009 early 2010.

7. How well have partnerships with donors and governments supported the program?

UNCDF and UNDP retain fair reputational standing among most key stakeholders and the GoM despite communication problems and the fact that the UNDP and UNCDF partnership has not been consistently smooth. As noted, underdeveloped donor/stakeholder relationships represent an opportunity cost more than a negative impact on the program. There was no donor investment in FIMA, little project co-funding, and less than optimal sector input to major GoM initiatives, which, in addition to impacting FIMA and the sector currently, has implications for sector development in the future.

6.3 RECOMMENDATIONS

194. As FIMA will be wrapped up within a year, some of the recommendations listed below are general and can apply to any program and others relate to the wind-up. The recommendations are listed in order of priority:

FIMA wind-up:

1. Convene UNCDF and UNDP program meeting in first quarter 2011 to discuss and strategize wind-up and/or plan an extension.
2. Should a second phase of FIMA be proposed:
    a. Consider focus on support to PIFIs transforming to formal financial institutions per the MFA; and
    b. Consider locating program outside of the GoM and/or greatly improved, more frequent and more transparent stakeholder communications.
3. In the event of either wind-up *or* a second phase, collaborate with the new World Bank (WB) and Department for International Development (DifD of the United Kingdom) program to avoid overlap of interest, and allow transfer of knowledge and possible future collaboration;
4. Greatly intensify work with MoF to build its IF sector development capacity and knowledge as it takes on more responsibility for IF sector development;
5. Communicate and transfer knowledge to IF sector stakeholders prior to and during project wind-up;
6. Work with the GoM to create functioning credit reference bureau serving the low income market;
7. Work to strengthen MAMN's capacity to support sector training, network functions and funding base to ensure relevance and sustainability in the future; and
8. Phasing out GoM retail inclusive finance activities where appropriate and possible.

Programmatic recommendations:

9. UNCDF should undertake more market-based analytics beyond basic supply and demand numbers are needed, particularly at appraisal at the beginning of projects and should consider challenge fund grant making approach in future;
10. Program governance structures must provide a suitable forum for strategic decision making and accountability oversight on strategic decisions and tasks. UNCDF and UNDP representatives must periodically assess the performance of governance structures and performance;
11. Develop standardized UNCDF IF project report templates and definition while maintaining flexibility for program specificity. This will help consistency in reporting facilitating common understanding of outcome and performance achievements.

ANNEX 1: TERMS OF REFERENCE

UNITED NATIONS CAPITAL DEVELOPMENT FUND	FONDS D'EQUIPEMENT DES NATIONS UNIES

SPECIAL PROGRAM IMPLEMENTATION REVIEW (SPIRE)

GUIDANCE ON FORMULATION OF TERMS OF REFERENCE

1. 'SPIRE' stands for a **Special Project Implementation Review Exercise**, which was formulated to provide a common framework for project assessments across both of UNCDF's specialized practice areas of inclusive finance and local development.

   The SPIRE initiative has three purposes:
   - To ensure UNCDF's compliance with the mandatory requirements specified in its evaluation policy for the period 2010 to 2011;
   - To develop and experiment with cost-effective and rapid mid-term and final evaluations which yield credible, effective, independent assessment and evaluations.
   - To connect country program evaluations with UNCDF'S corporate strategy thereby enabling cross-country comparison and the tracking of progress towards global objectives.

2. Attached is an annotated generic template for use by Program Officers as they formulate the first draft of the Terms of Reference (TOR). These TOR should be shared with UNCDF partners, the Government and other key stakeholders in draft form with the request for comment and feedback. Where feasible, the Program Officer should organize a country-level advisory group to support the review process and act as a sounding board for the TOR and meet with the team during the in-country phase.

3. The completed draft Terms of Reference should be forwarded to the UNCDF Evaluation Adviser to be shared with the outsourced consultants selected to assist with implementing SPIRE. These TOR will then be discussed with the team leader selected for the Evaluation Mission. The final version will be circulated to the PO and other concerned stakeholders.

GENERIC TEMPLATE FOR SPIRE TERMS OF REFERENCE

PROGRAM DATA SHEET

Country:	Malawi
Program Title (long)	Financial Inclusion in Malawi project
Program Title (short)	FIMA
Program Number	
Program Atlas Code (by donor)	UNDP: Proj ID: 00057581; AWARD No. 00047744 UNCDF: PROJ No.00056846; AWARD ID: 00047356

Financial Breakdown (by donor)

Commitments:	Currency	Amount
UNCDF **UNDP**	USD USD	2m 2m
CORDAID	USD	1m
GAP	USD	1,233,827

Delivery to date (per donor)

	2007	**2008**	**2009**	**2010**
UNDP	U$ 7749.63	U$ 259,431.80	U$ 662,617.89	U$235,115.67
UNCDF	U$ 100,000	U$ 338,534.14	U$ 640,073.54	U$284,276.54
CORDAID	U$ 0	U$ 0	U$351,438.00	U$ 470,000.00
Govt of Malawi			U$ 700,000	U$700,000
Total project budget:				**6,233,827**

NB. Government has provided a total of U$1.4 since 2009. However, the FIMA project is yet to tap into these resources due to some logistical problems encountered. Hopefully the resources can be utilized in 2011.

Executing Agency	MINISTRY OF FINANCE
Implementing Agency	MINISTRY OF FINANCE
Approval Date of Project	19 JUNE 2007
Project Duration	5 YEARS: 2007 –2011
Project Amendment	NONE
Evaluation Date	25 OCTOBER –10 NOVEMBER 2010

Other current UNCDF projects in-country	MALAWI LOCAL GOVERNMENT STRENGTHENING AND INVESTMENT PROGRAM
Previous UNCDF projects (if relevant)	1. Credit Guarantee for Micro enterprises (1997) 2. Sustainable Financial Services at District Level (2002)
Previous evaluations (if relevant)	
Dates of audits	June 2010

Evaluation Date: October – November 2010

Composition of Evaluation Team:

Team Leader – International: Marc de Sousa Shields

Team Members – *still to be confirmed*

A. Purpose and Timing of the Implementation Review

a) Purpose

The **objectives of the SPIRE review** are:

- ✓ To assist the recipient Government, beneficiaries, and the concerned co-financing partners, to understand the **efficiency, effectiveness, relevance,** and likely **sustainability of results;**
- ✓ To assess the level of **satisfaction of program stakeholders** and beneficiaries with the results;
- ✓ To assess whether UNCDF and its partners are **effectively positioned** to achieve results;
- ✓ To contribute to UNCDF and partners' **learning** from program experience;
- ✓ To help program stakeholders assess the value and opportunity for broader **replication** of the program;
- ✓ To help program stakeholders determine the need for **follow-up** on the intervention, and general direction for the future course;
- ✓ To ensure **accountability** for results to the program's financial backers, stakeholders and beneficiaries;
- ✓ Comply with the requirement of the program document/funding agreement and UNCDF Evaluation Policy.

b) Timing

- ✓ UNCDF in-country Program Officer to indicate why the review is being conducted at this point in time, and what specific assessment and decision-making processes it will feed into.

The review is a mid-term evaluation of FIMA. Apart from looking at the efficiency, effectiveness, relevance and sustainability of the project, the review is expected to provide UNDP and UNCDF with information necessary for repositioning. The World Bank, USAID and DFID have come into the scene with collaboration—a technical assistance project—aimed at developing the financial sector. The project is expected to start in 2011.

- ✓ Provide tentative timing (note the SPIRE approach involves a field mission of approximately 14 – 16 days in the field with the exact number of days depending on in-country travel times, modes of travel, security clearance etc**)**
- ✓ Describe planned collaboration with partner/donor in the evaluation (as appropriate*)*
- ✓ The Review is expected to fully involve UNCDF and UNDP Country Office and the Ministry of Finance. Substantive inputs will be sought from key players including the Reserve Bank of Malawi, the Malawi Microfinance Network (Secretariat and individual Microfinance Services Providers), and the Ministry of Industry and Trade. CORDAID, AfDB, USAID, DFID and the World Bank will also be involved.

B. Program profile (to be completed by PO)

a) Country context/status of the inclusive finance sector at the macro, meso and micro-levels in Malawi in terms of strategy, policy and implementation

ISTITUATIONAL ANALYSIS

Malawi's financial system has evolved rapidly since the country de-regulated interest rates and liberalized the financial market in 1989. Although still shallow in terms of depth relative to the GDP, the financial system has become both stable and one of the most profitable in Sub-Saharan Africa—with spreads that are as high as 23 percent35.

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[35] See FSAP 2008.

For instance, while there were just five banks, about 50 Savings and Credit and Cooperative Societies, and just four micro-credit non-government organizations (NGOs) as at December 1998 at the start of the reforms, today Malawi has 11 banks and nearly 100 financial cooperatives and microfinance institutions. Similar growth has been achieved in the volume of deposits and outstanding loan portfolio. By December 2008, the combined banking and microfinance savings customer base was 1,727,123 accounts, i.e., 13 percent of the country's population, whereas the total national deposit and loan portfolio volume was MK 133.9 billion (or USD 949, 479,524) and MK 90.1 billion (or approximately USD 638, 303,471)36, respectively. Of the same date the insurance sector's total assets had increased to 2.1 percent of GDP from just 0.8 at the start of financial sector reforms.

Despite this impressive growth, however, access to finance remains extremely limited. The most recent survey37 indicates that 89 percent of the adult population has no bank account while slightly more than a half of the population38 is totally financially excluded. Key sectors of the economy, e.g., agriculture, which provides the primary livelihood for 85 percent of the population, contributes to 35 percent of the GDP, and generates 80 percent of exports, are amongst the least served sectors of the economy , e.g., receiving just 8.5 percent of the total financial sector lending in 2008, in spite of their strategic importance. Similarly, the country's informal economy that provides jobs to more than two million people as recently as three years ago report slightly less than 6 percent of the entrepreneurs as receiving credit in the same period.

Limited availability and narrow range of financial products is one of the major factors that continue to limit access in Malawi, especially in the rural areas where financial institutions do not have a significant presence. Other obstacles include lack of demand-driven and client-centered financial products as well as limited innovation in potentially cost-reducing technologies. At the target client level, lack of financial literacy is real impediment to increasing access to finance; as high as 46 percent of Malawi's adult population39 have no confidence in banks, and just 16 percent would approach one for credit if they really wanted to start a small business. Even among the few that already have a bank account, just 8 percent would have the confidence to seek other financial services from a banking institution.
Aside from their limited knowledge of financial products and their benefits, poor customer service, cumbersome or too complicated paperwork, and high bank charges are all factors that strongly discourage and prevent the population from greater access and usage of available financial products and services in Malawi.

POSITIONING

Within the Malawi National Strategy for Financial Inclusion (2011- 2014), the priority actions to build upon in improving and deepening access should include the following:

1. Encouraging and supporting the Government of Malawi in implementing relevant policies, e.g., development of credit referencing, branchless agent banking, micro leasing, legislation that allows linkages and strategic alliances between commercial banks, insurance companies, and microfinance institutions, etc.

2. Promoting innovation in the financial sector, i.e. supporting the development of new products and improving the quality of existing financial services.

3. Support investments in technologies and products that reduce costs and facilitating the provision of financial literacy, both which remove physical and knowledge barriers to serving the poor and rural communities.

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[36] As at June 2010, for instance, MFIs had a combined total customer base of nearly 900,000; about five years ago, the sector's outreach was 300,000 people.
[37] See 2009 Gallup survey of access to finance in 31 Sub-Saharan African countries.
[38] See 2009 FinScope Demand survey.
[3939] Gallup 2009 survey, ibid.

4. Strengthening the managerial, financial, and institutional capacity of service providers targeting the poor to increase outreach. Many will have to meet new licensing and regulatory requirements, and some may need to transform or merge, etc.

5. Encouraging and supporting the development and strengthening of business support services/providers to the microfinance sector.

b) Program summary:

This section should contain a concise description of the following:

- ✓ How long has UNCDF been operational in the country
- ✓ UNCDF and UNDP have been involved in microfinance in Malawi since the mid-90s when the two agencies supported the DEMAT project which attempted to increase access to financial services by providing lines of credit and partial guarantees to banks interested in providing loans to microenterprises and small businesses. Later, from 2000, UNDP and UNCDF in partnership with the Ministry of Industry and Trade financed the establishment of PRIDE Malawi—an MFI dedicated to the delivery of financial services through a national network to low income households. In 2002, USAID collaborated to undertake a scoping mission of the financial sector. UNCDF followed this up with a report on "Expanding Access to Financial Services in Malawi" The two initiatives subsequently formed the basis of the FIMA project document. Kindel Burrit and Fode Ndiaye led the design of the initial document which went through a number of revisions before it was signed on 19th June 2007. For original hypothesis, scope and intervention strategy, refer to FIMA PSD. FIMA is a demand driven, nation-wide program.
- ✓ Background information on the program/project in question.
- ✓ Is it a continuation of previous UNCDF support – if so how provide brief details and reference to previous reviews, evaluation reports (if available)
- ✓ Who formulated it and when (name of designer)? Who are the program partners?
- ✓ Original hypothesis, scope and intervention strategy to achieve the intended results as set out in the Project Document or other related documents.
- ✓ Location of the program.

c) Program expected results:

As set out in the results and resources framework of the original project document, the expected results of the program are as follows:

<table>
<tr><td colspan="3">Intended outcome (as stated in the Country Program Results and Resources Framework): poverty reduction and private sector development

Outcome indicator: Contribute to the achievement of the MDGs, in particular Goal 1 of halving poverty by 2015</td></tr>
<tr><td>Output 1 (Policy): Appropriate Technical Working Group established to promote an effective policy dialogue for the development of an inclusive financial sector</td><td>Output 2: Innovations in financial markets and investments in financial service providers promoted to expand sustainable access to financial services (savings, loans, payment services, money transfers or insurance) to low income groups, particularly women in rural markets</td><td>Output 3: Capacity of institutions operating in the financial sector strengthened to increase outreach and sustainability of the sector</td></tr>
</table>

d) Program status:

PO to note:

- ✓ Any major strategic changes adopted during implementation? NONE
- ✓ Any significant issues that have arisen during implementation:
- ✓ The development of the World Bank and IMF led Financial Sector Development Strategy at the same time the UNDP and UNCDF led National Strategy on financial inclusion was being developed necessitated a great deal of dialogue and coordination to ensure that the two documents were harmonized.
- ✓
- ✓ The World Bank is currently developing a Technical Assistance Project which among other things will support the establishment of the Financial Sector Deepening Trust Fund, support the creation of a dedicated unit at the Ministry of Finance to coordinate financial sector development in the country, and support the implementation of a Consumer Education and Financial Literacy Program. All these are strategic areas likely to influence the future direction and scope of FIMA.
- ✓ Any significant project revisions in terms of scope, direction and budget allocations? No major change in direction, except that UNDP has shown tremendous interest in implementation of a consumer education and financial literacy component of the FIMA program.

Outputs	Output Targets	Summary Project Status
Intended Output 1:		
Policy) Appropriate Technical Working Group established to promote an effective dialogue for the development of an inclusive financial sector	1.1 Financial Sector Deepening Group established within the Microfinance Forum	Financial Inclusion Technical Working Group established and operational
	Year 1: Technical Working Group in place and operational	Various technical working groups within the Microfinance forum contributed to the development of the National Strategy on Financial Inclusion
	Year 2: Implementation and monitoring of the Action Plan	National Strategy for Financial Inclusion launched in October 2010; Implementation from 2011 to 2015
	2.1 Partnerships established with three institutions to develop financial market innovations	Done
Intended Output 2:		
Innovations in financial markets and investments in Financial Service Providers promoted to expand sustainable access to financial services (savings, loans, payment services, money transfers or insurance) to low-income groups, primarily women in rural markets	2.2 Number of savers in low income groups is expanded	Needs thorough analysis and probably a small survey
	2.3 Demand-driven financial services available to agricultural markets increase	Done: Extent of this will need to be established
	2.4 The number of transactions switched through Malswitch linked to low-income clients increased	Not done
Intended Output 3:		
Capacity of institutions operating in the financial sector strengthened to increase the outreach and sustainability of the sector	1.1 The number of local service providers supporting microfinance markets increases	FIMA Project currently in partnership with11 Financial Service Providers.
	1.2 The Secretariat, Resource Centre, website established and financial transparency trainings carried out	FIMA Secretariat established, transparency trainings conducted; Resource centre and website established at Malawi Microfinance Network
	1.3 Management capacity of micro-finance institutions strengthened	Done: Done through the Malawi Microfinance network
	1.4 RBM capacity strengthened to effectively play its relevant role in financial sector development	Done 5 senior staff at RBM have been provided with Training and 3 members with attachments
	3.5 Technical Support provided to MFIs sector-wide and IT suppliers on effective Management Information Systems to support financial transparency and innovation.	Not done

C. SPIRE Framework, methodology and tools

a) The SPIRE approach in a nutshell

The methodology used for this mid-term assessment of the Financial Inclusion in Malawi project (FIMA) is based on an approach developed within the SPIRE initiative. The SPIRE approach involves testing the intervention logic/development hypothesis underlying a program against evidence on its implementation performance. Two main tools have been developed for this purpose:

(1) Intervention Logic Diagrams for the Local Development and Inclusive Finance areas (which are further detailed in an Effects Diagram for each practice area):
(2) An Assessment Matrix, which contains 8 key review questions that are used in all SPIRE exercises.

The findings are built incrementally through pre-mission deskwork resulting in the formulation of an Inception Report by the review team leader (which, inter alia, reviews the relevance of the overall Intervention Logic and makes a judgment whether there will be a need to adjust the Assessment Matrix to the particular country context).

This deskwork phase is followed by mission assessments at the country level. The team's understanding of the program design, and its emerging findings and recommendations are deepened through review and analysis of data and information, dialogue with the program stakeholders and the service users in a series of interviews, focus group discussions and facilitated kick off and debriefing workshops.

The SPIRE approach concludes with a final report, which then leads to the formulation of a Management Response involving the relevant stakeholders. The final review report and the Management Response are then uploaded into the UNDP Evaluation Resource Centre Database which is a public website.

b) Intervention Logic/Development hypothesis for the inclusive finance sector in UNCDF

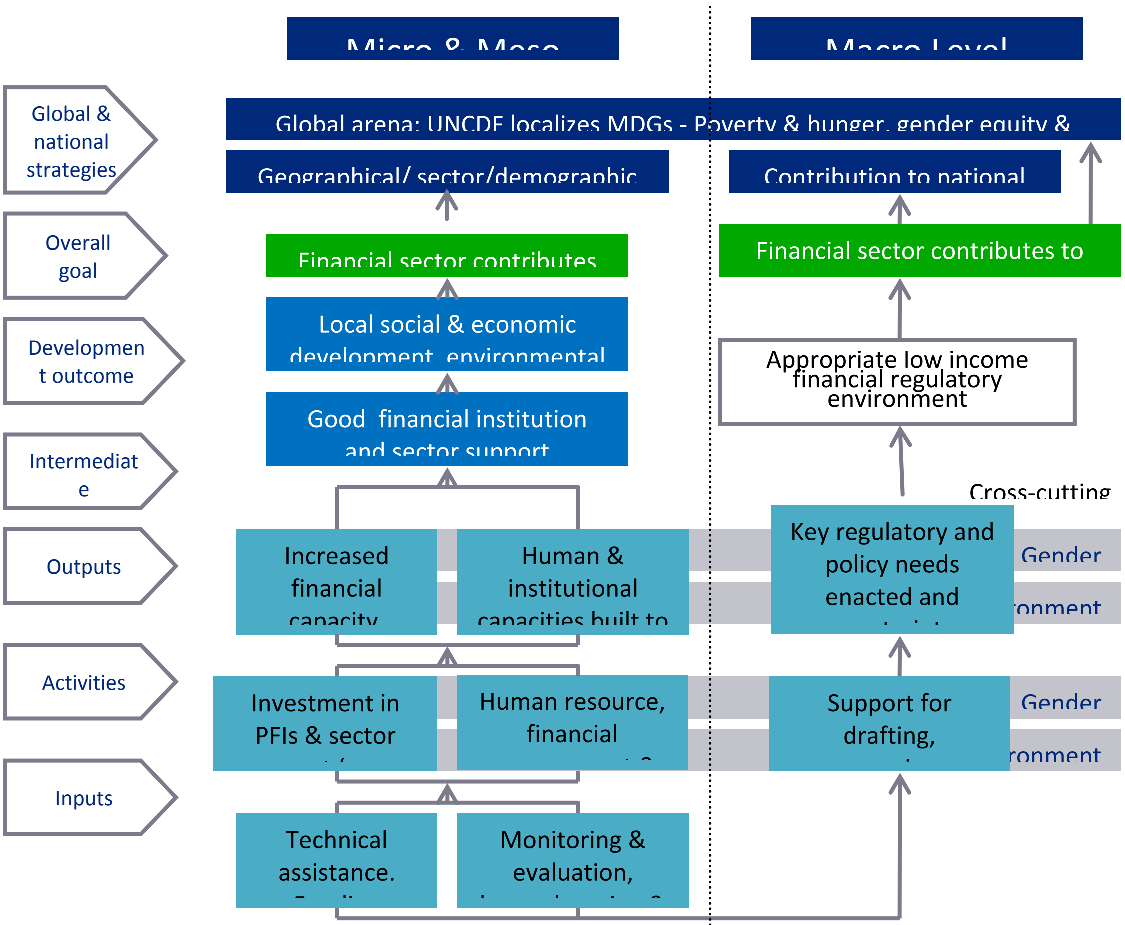
UNCDF takes a sector development approach to micro finance that supports governments and stakeholders in building a common vision for the development of the industry.[40] An early step is to conduct an assessment of the financial services' sector and identify the impediments or gaps at various levels, including: legal, regulatory or policy ("macro" level), financial infrastructure and support services ("meso" level), the retail financial service providers ("micro" level), and the quality and nature of the need and demand for financial services ("client" level). In some cases, IF programs work with government and other stakeholders to form a national policy or strategy for financial inclusion, so that it may guide stakeholders' work, including UNCDF's. At its core, UNCDF's primary focus is to build the retail capacity in–country, in order to broaden and deepen financial service providers' outreach. Its primary tool is catalytic investment (grants, loans or loan guarantees) to MFIs and other FSPs that serve low income households. UNCDF's goals for all of its financial service partners are to mature, and become self–reliant while offering appropriate and affordable products to low income households. Relative to other donors, UNCDF puts a greater emphasis on institutions in the start-up and growth phase where it believes that its investments can have a greater impact. The intention is that thereafter, the growth dynamic within the micro finance is consolidated and integrated into the mainstream financial sector.

The intervention logic/development hypothesis underlying UNDCF's approach is that improvements in the enabling environment for inclusive finance, supported by catalytic investments in Financial Service Providers and supporting industry infrastructure, will strengthen the micro-finance sector to the point where it is self-reliant and able to attract deposits and loans that impel a sustainable growth process in the industry.

The intervention logic for the inclusive finance sector is illustrated in the figure below.

[40] UNCDF (2009) Corporate Management Plan 2010-2013. Pp. 7-8.

Figure 1: The IF intervention logic



Technical and financial **inputs** from UNCDF and other donors support program activities. These program **activities** include supporting the development of the microfinance (and to some extent microenterprise) sector at the micro, macro and meso levels, albeit to different degrees depending on projects.

At the **micro level**, capacity building and sometimes loan capital is offered to FSPs based on performance - FSPs are required to meet clear targets and performance standards to maintain UNCDF support. At the **meso level**, programs seek to identify and, if possible, support financial sector infrastructure that assists in the strengthening of the microfinance sector. This can include sector associations, business development initiatives, credit bureaus, consumer finance education and protection agencies/initiatives etc. At the **macro level**, interventions include working with government and regulators to ensure that laws, regulations and policies are inclusive, or, at a minimum, do not reinforce exclusive financial practices and that they support and encourage the sector to expand into low income markets according to principles of transparency and fair/free market mechanisms (e.g., absence of interest rate caps, no undue taxation etc.).

IF program activities result in a number of **outputs:** these take the form of improvements to the health and economic potential of FSPs, and sector service organizations (SSOs) at the meso level. The **intermediate outcome** flowing from these outputs is stronger, more stable IF sector and related meso level sector support organizations and enabling inclusive finance policy and regulatory environment supporting the sustainable provision of financial service to low income households. As with Local Development Programs, the pursuit of these goals contributes to the achievement of the MDGs within a country and thus, to UNCDF's **global strategy** of localising the MDGs.

c) SPIRE Framework

The review framework is based on the intervention logic described above. It sets out the chain of anticipated effects brought about by the program's intervention. The SPIRE framework traces the effects of the intervention from inputs to outputs, through outcomes and impacts, distinguishing the different areas of capacity building and service delivery. It traces how experience gained in the local arena informs replication, policy reform and national roll-out of the program. It also shows how experience in the country relates to UNDP and UNCDF's country and global objectives and informs future strategy debate.

It is important to note that the while the SPIRE framework lays out the overall intervention logic, the SPIRE reviews do not have the ambition to assess whether projects have achieved outcomes or impacts. The SPIRE methodology confines itself to responding to efficiency, effectiveness and relevance and likely sustainability concerns, as defined in the SPIRE Assessment Matrix.

d) Assessment matrix

The SPIRE matrix for inclusive finance is based on the intervention logic described above. The questions posed in the matrix seek to establish whether the anticipated effects illustrated in the SPIRE framework have actually been achieved. The matrix relates each question to indicators, tools and sources of information. The tools used by the team are documentary and data review, key stakeholder interviews, facilitated kick off and debriefing workshops, focus group discussions, community meetings and site visits.

The assessment matrix is presented in Annex 3 in its general formulation, descending from the general SPIRE framework and therefore applicable to different country programs. As described above with reference to the SPIRE framework, the general matrix shall serve as reference tool and guidance in tailoring and applying question on the basis of the specificity of each program.

D. Contents and Scope of the SPIRE exercise

*Taking into account the implementation status of the program and the resource disbursements made to date, the assessment team will assess the performance of the project in terms of the eight questions included in the SPIRE matrix for inclusive finance (**attached in Annex 4**) and reproduced below:*

SPIRE Questions for Inclusive Finance	*Corresponding UN Evaluation Criteria*
Question 1: To what extent does the program design meet UNCDF's Inclusive Finance intervention logic and meet the needs of the partner country?	*Relevance*
Question 2: To what extent has the program contributed to increase Financial Service Providers/Sector Support Organizations/Government Agencies institutional capacity?	*Efficiency and Effectiveness*
Question 3: To what extent has the program contributed to improved access to appropriate low income person's financial services?	*Effectiveness*
Question 4: To what extent has the program enhanced the market for IF services?	*Effectiveness*
Question 5: To what extent is the program likely to result in financially viable (i.e. sustainable) FSPs/SSOs in the longer-term, independent of external assistance of any kind?	*Sustainability*
Question 6: How effective has the management of the IF program been?	*Efficiency*
Question 7: How well have partnerships with donors and governments supported the program?	*Efficiency and Effectiveness*
Question 8: To what extent were piloted approaches conducive to regulatory/policy/strategy developments in the Inclusive Finance area	*Effectiveness*

These eight questions have been drawn up with a view to focusing the evaluators' attention on the main results of project implementation to date, as well as important factors affecting project results such as project relevance and quality of design, project management, and the positioning of UNCDF with regard to other actors in the area of inclusive finance in Malawi.

*Each of the 8 questions includes sub-questions (**see Annex 4**), which guide evaluators in what aspects of project performance they should be focusing on during their work. These sub-questions also include indicators, data collection methods and information sources, which should be used as a means to answer the overall review question.*

The eight SPIRE questions will remain the same for other inclusive finance evaluations in order to ensure comparability of results over a sample of different projects.

That said, the review team should feel free to propose alternative sub-questions, indicators and data collection methods to fit the project in question. In choosing these sub-questions and indicators, the team should feel free to refer, where appropriate, to the indicators included in the Results and Resources Framework.

These changes should be presented as part of the Inception Report and agreed by the Evaluation managers before the start of the in-country phase.

E. SPIRE Steps and Sequence

The SPIRE exercise will comprise the following steps after the Terms of Reference is concluded: the Inception Phase, In-Country Phase, the Report Writing Phase and the Management Response phase.

Inception Phase

- <u>Partners' consultations and briefing:</u> The outsourced consultant manager and lead consultant will be briefed prior to the fieldwork by the Evaluation Unit.
- <u>Desk review of relevant documentation:</u> A list of key reference documents and people to be interviewed is provided in **Annex 2.**
- <u>Inception Report:</u> the team leader will produce a brief report which outlines the intervention logic relevant to the country project/program being assessed within the context of the overall development hypothesis set out for SPIRE, any modifications to the sub-questions contained in the Assessment Matrix and preliminary conclusions reached from the review of documentation. Updated timeline for deliverables will also be included.

In–country phase

- <u>Hypothesis workshop</u> conducted by the team leader with the rest of the team to ensure common approach to the review process.
- <u>Finalization of work plan:</u> the team will review the draft work plan (**Annex 1**) with the Program Officer/in-country review support team and make any adjustments they see fit, taking into account practical and logistical considerations.
- <u>In-country briefing:</u> The Team will be briefed on the first day of the mission by program stakeholders. Where feasible, the team should meet with the Advisory Group that has been set up to support the review process.
- <u>Fieldwork:</u> Conducted in the capital and locations where supported MFIs are based. As far as possible, the Review Team should discuss findings with beneficiaries and stakeholders at each stage of the review and obtain their feedback.
- Findings are shared with the in-country UNCDF and UNDP teams prior to the national debriefing.
- <u>Preparation for National debriefing -Aide Mémoire/Power Point presentation:</u> On the basis of its findings, the Review Team will prepare an *aide mémoire*, which will be shared, through the in-country review focal point, with all key stakeholders as a basis for discussion.

Debriefing

- National Debriefing: At the meeting, the team will present their key findings and recommendations to key stakeholders for discussion. The minutes of the meeting will be taken by the Program Officer/in-country support team submitted promptly to the UNCDF Evaluation Unit, and all key stakeholders, and also to the manager of the SPIRE contract and review team, for their consideration in drafting the final report.
- Draft report and Summary: The manager of the SPIRE subcontract will submit a Draft review report and Evaluation Summary to the UNCDF Evaluation Unit, which will circulate the draft to all key stakeholders for written comment
- Global Debriefing: A final debriefing at HQ via teleconference will be provided by the lead consultant. The debriefing will be chaired by the Executive Secretary of UNCDF and the UNDP Regional Bureaux and other stakeholders will also be invited to attend. The Evaluation Unit will be responsible minutes of the debriefing, which will be submitted promptly to the manager of the SPIRE subcontract for consideration in finalizing the evaluation report and summary.

Report Finalization Phase

- The Final SPIRE Report will be submitted by manager of the SPIRE subcontract to the UNCDF Evaluation Adviser, who will disseminate it to all key stakeholders. This final report will include an Annex in which the Evaluation Team will present the findings, recommendations and issues for consideration and response by the program managers. The standard Management Response template, available on the UNDP Evaluation Resource Centre (ERC) database, will be used for this purpose.

Management Response Phase

Management Response: the Director of the practice area will be responsible for facilitating the formulation of a Management Response to the findings and recommendations by relevant stakeholders **within 30 working days** of receiving the final report from the Evaluation Unit. The Management Response will be submitted to the Deputy Executive secretary for clearance and then noted by the Executive Secretary. The completed Management Response will be uploaded into the UNDP ERC database by the UNCDF Evaluation Unit, together with the completed report. Progress in terms of implementing action agreed to in the Management Response is the responsibility of the Directors of the practice areas.

Deliverables

The Manager of the SPIRE contract, in consultation with the lead consultant, is responsible for preparing and submitting the following deliverables:

- An **Inception report** is prepared and shared with the Evaluation Unit and other key stakeholders in the prior the fieldwork
- ***Aide Mémoire*/Power Point Presentation**: A summary of key evaluation findings and recommendations prepared towards the end of the evaluation and submitted to the project secretariat and the UNCDF Evaluation Unit before the Evaluation Consultation Meeting.
- **Draft Evaluation Report**: The lead consultant is responsible for consolidating the inputs of team members, and taking into consideration comments received at the in-country evaluation consultation meeting, to produce a coherent Draft Evaluation Report and Evaluation Summary, according to the format in **Annex 3**.
- **Final Evaluation Report and Management Response**: Based on comments received on the Draft Evaluation Report, and at the UNCDF evaluation debriefing, the Manager of the SPIRE contract and lead consultant will finalise the evaluation and summary, with input from other evaluation team members, as required, and submit the Final Evaluation Report and Summary to the UNCDF Evaluation Advisor within five days of the receipt of the minutes of the UNCDF evaluation debriefing, or by the agreed date.
- **Evaluation Summary:** as described in Annex 5

The Evaluation Team's contractual obligations are complete once the UNCDF Evaluation Advisor has reviewed and approved the Final Evaluation Report for quality and completeness as per the TOR.

F. Composition of Evaluation team

1. Consultant profiles and responsibilities

The Final Evaluation is to be conducted by a team of 3 or 4 consultants, headed by Marc de Sousa Shields, who will be the Team Leader.

Profile specifications for Evaluation Team Leaders

- Experience leading evaluations of Micro-finance programs, including experience using a range of qualitative and quantitative evaluation methodologies to assess program results at individual/household, institutional, sector and policy level.
- Minimum of ten years accumulated experience in microfinance
- A minimum of five years of microfinance management and/or consulting experience
- Must have evaluation experience in microfinance
- Extensive microfinance training and technical assistance experience
- Comprehensive knowledge of CGAP benchmarks and industry best practices
- Advanced report writing skills
- Experience at the country wide sector level/understanding of building inclusive financial sectors, preferably in Africa

Responsibilities

- Documentation review
- Leading the evaluation team in planning, conducting and reporting on the evaluation.
- Deciding on division of labour within the evaluation team
- Use of best practice evaluation methodologies in conducting the evaluation
- Leading presentation of the draft evaluation findings and recommendations in-country
- Conducting the debriefing for UNCDF HQ and regional staff
- Leading the drafting and finalization of the evaluation report

Profile specifications for Evaluation Team members:

- A minimum of three years of management experience with an MFI or related technical service institution.
- Microfinance training and technical experience
- Knowledge of CGAP benchmarks and industry best practices

Responsibilities

- Documentation review
- Contributing to the development of the evaluation plan and methodology
- Conducting those elements of the evaluation determined by the lead consultant
- Contributing to presentation of the evaluation findings and recommendations at the evaluation wrap-up meeting
- Contributing to the drafting and finalization of the evaluation report.

G. Workplan for the Evaluation mission [to be provided by the PO]

POs are requested to provide a tentative work plan using the format provided in Annex 2. This will be finalized during discussions with the outsourced company and the team leader/members.

H. Mission Costs and Financing [to be provided by the PO]

UNCDF has made available in the 2010 FIMA budget, some $99,603 to cater for SPIRE.

POs should indicate the amount of funds that are available for this evaluation from the relevant project budget.

ANNEXES:

Indicative Documentation List
Malawi Development and Growth Strategy (MDGS)
Malawi Growth Roadmap, 2009
Financial Sector Development Strategy, 2009
Financial Sector Technical Assistance Program (FSTAP)
National Strategy on Financial Inclusion, 2009
Malawi Microfinance Sector Assessment, 2009
Financial Sector Assessment Program (FSAP), 2007
FinScope Demand Side Survey Report, 2008
FinScope Supply Side Survey Report, 2009
FIMA Investment Manual
Annual Progress Reports, 2009, 2010
Tripartite Project Review (TPR) report and minutes, 2009
FIMA Technical Review Report
Assessment of SME Sector, 2007
Expanding access to financial services in Malawi

ANNEX 2: TEMPLATE FOR WORK PLAN PREPARATION - DRAFT TO BE PREPARED BY PO

Activity	Responsibility	Work days	Schedule
CAPITAL	**Team/UNCDF etc**	**Number**	**Date**
▪ Team Leader arrive		Arrive am	Thu 25 Jan
▪ Preparation for evaluation: Internal meeting of evaluation team to: ▪ Review documentation ▪ Refine and agree evaluation methodology, ▪ Discuss division of labour, etc			
▪ Final planning meeting of evaluation team ▪ Briefing meeting with Program Officer / program staff ▪ Security Briefing			
Meetings	Venue		
Briefing meeting with UNDP Malawi	Lilongwe, UNDP Offices		22 November 2010
Briefing meeting with GoM	Lilongwe, Ministry of Finance		22 November 2010
Meeting with FIMA PMU	Lilongwe, Ministry of Finance		22 November 2010
Meeting with Director of Economic Affairs in Ministry of Finance in his capacity as Coordinator	Lilongwe, Ministry of Finance		23 November 2010
Meeting with Secretary to Treasury	Lilongwe, Ministry of Finance		23 November 2010
Meeting with Ministry of Industry and Trade	Lilongwe, Ministry of Industry and Trade		23 November 2010
Meeting with Malawi Microfinance Network (MAMN)	Lilongwe, MAMN Offices		24 November 2010
Meeting with Governor of Reserve Bank of Malawi	Lilongwe, RBM Offices		24 November 2010
Meeting with MUSCCO	Lilongwe, MUSCCO Offices		24 November 2010
Meeting with MRFC	Lilongwe, MRFC Offices		25 November 2010
Meeting with OIBM	Lilongwe, OIBM Offices		25 November 2010
Meeting with FINCOOP	Lilongwe, FINCOOP Offices		25 November 2010
Meeting with Microloan Foundation (MLF)	Kasungu,MLF Offices		26 November 2010
Meeting with Reserve Bank of Malawi -Director Microfinance and Capital Markets	Blantyre, RBM Offices		29 November 2010
Meeting with NBS Bank	Blantyre, NBS HQ Offices		29 November 2010
Meeting with FINCA Malawi	Blantyre, FINCA Offices		30 November 2010
Meeting with Pride Malawi	Blantyre, Pride Offices		30 November 2010
Meeting with ASAP	Blantyre , ASAP offices		1 December 2010
Meeting with Bankers Association	Blantyre		1 December 2010
Meeting with Standard Bank	Blantyre		2 December 2010
Meeting with Alliance Capital	Blantyre		2 December 2010
Meeting with CUMO Microfinance	Dedza		3 December 2010
Meeting with DFID	Lilongwe		6 December 2010
Meeting with AfDB	Lilongwe		6 December 2010
Meeting with USAID	Lilongwe		6 December 2010
Meeting with World Bank	Lilongwe		6 December 2010
Briefing meeting with GoM	Lilongwe		7 December 2010
Briefing meeting with UNDP Malawi	Lilongwe		7 December 2010

ANNEX 3: FORMAT FOR FINAL EVALUATION REPORT

Length: To better support use of the evaluation, the report should not exceed 40 pages, plus annexes.

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Basic Geographic and Demographic Data

Program Data Sheet

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    Scope and Objectives of the Evaluation
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3. **Country Context**
4. **Program Profile**

    - **Program Description**

    - **Program Status**
        i. **Implementation**
        ii. **Financial Data**
5. **Evaluation Findings as per the 8 evaluation questions**
6. **Conclusions and Recommendations**

Conclusion 1
Recommendation 1

Conclusion 2
Recommendation 2

Annex 1: Terms of Reference
Annex 2: Bibliography
Annex 3: List of Persons Met/Interviewed
Annex 4: Final Mission Plan
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Annex 6: Management Response Matrix
Annex 7: Evaluation Matrix filled out with analysis from evaluation mission

ANNEX 4: SPIRE EVALUATION MATRIX FOR THE INCLUSIVE FINANCE SECTOR

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE		To what extent does the program design meet UNCDF's IF intervention logic and meet the needs of the partner country?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
1.1	To what extent does the program meet the needs of the partner country?	▪ Consistency between the goals, intervention logic and principles of the program and those of the recipient country's relevant national strategy document ▪ Degree of embedment of program into existing national framework / no evidence of a parallel program structure ▪ Degree to which program addresses gaps not filled by others	▪ Document analysis ▪ Interviews	• National Government, Policy documents, , other strategy document
1.2	To what extent is the program aligned with government financial sector development plans?	▪ Degree of consistency between the program's interventions and national legislation and strategy for financial inclusion ▪ Program design has taken into account sector's development/ absorption capacity and context	▪ Document analysis ▪ Interviews	▪ Financial Sector law and regulations ▪ Superintendency of Banks and or Central Bank ▪ Ministry of Finance/Planning ▪ IF sector associations & institutions ▪ Donors
1.3	To what extent does the program meet the needs of the finance sector (e.g., fill gaps and overcome constraints for growth given the national/market context)?	▪ Micro level – FSP & client level needs ▪ Meso level – inclusive financial sector infrastructure needs (e.g., credit bureaus, sector associations, etc.) ▪ Macro level – national regulatory, policy and program level.	▪ Document analysis ▪ Interviews	▪ National financial Law and regulations ▪ Ministry Finance (or responsible ministry) ▪ Superintendency of Banks and or Central Bank ▪ IF sector associations & institutions ▪ Donors
1.4	How well is the program integrated into the Country Program Action Plan (CPAP) and UN Development Assistance Framework (UNDAF)?	▪ Degree of explicit/implicit integration of UNCDF's development-related projects within CCA/UNDAF	▪ Document analysis ▪ Interviews	▪ UNCDF documents and guidelines ▪ UNCDF staff and government officials, and representatives of other UN agencies
1.5	How does the program design correspond to UNCDF's IF intervention logic?	▪ Consistency between program design and UNCDF's standard IF program ▪ Degree to which UNCDF intervention provides additionality to sector development ▪ Degree to which intervention logic employs UNCDF's competitive advantage (i.e., catalytic capital)	▪ Document analysis ▪ Interviews	▪ UNCDF documents and guidelines ▪ UNCDF staff and government officials, and representatives of other UN agencies ▪ Other partner donors

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE		To what extent does the program design meet UNCDF's IF intervention logic and meet the needs of the partner country?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
1.6	How well has the program integrated cross cutting issues given program objectives?	▪ Evidence that the program docs address the issues of participation of institutions and promotion of gender ▪ Evidence that the program docs makes consideration of environment themes	▪ Document analysis ▪ Interviews	▪ Relevant beneficiary FSPs, and government institutions
1.7	To what extent is the program owned (buy-in) by the government and/or Central Bank and/or Bank Superintendence?	▪ Degree of involvement of the government and/or Central Bank and/or Bank Superintendence in program design, and implementation. ▪ Level of HR and Institutional Capacity	▪ Interviews ▪ Document analysis	▪ PSU ▪ FSPs/SSOs
1.8	To what extent is the program owned (buy-in) at FSP/SSO level (e.g., sector associations, credit bureaus, information providers, consultancies etc.)?	▪ Degree of participation of appropriate FSPs/ SSOs	▪ Interviews ▪ Document analysis	▪ PSU ▪ FSPs/SSOs

EVALUATION QUESTION No. 2: CAPACITY BUILDING	To what extent has the program contributed to increase Financial Service Providers/Sector Support Organizations /Government Agencies (FSPs/SSOs/GAs) Institutional capacity?[41]			
Sub-questions		Indicators	Data Collection Methods	Information Sources
2.1	**To what extent has the program contributed to increased Human Resource (Management) capacity at FSPs, SSOs, Government Agencies?**			
2.1.1	How well has the IF program strengthened human resource management capacities of FSPs/ SSOs/Government Agencies (GAs)s[42]	▪ Organisation chart ▪ Clear division of roles (human resources, well written job descriptions,) ▪ Human resource manuals / procedures / tools in place and their quality ▪ Decision-making processes and procedures established and accepted ▪ Regularity of report-back meetings ▪ Regularity and quality of written reports ▪ CGAP Appraisal and /or CAMEL management indicators	▪ CGAP Appraisal (light version of sample FSPs/SSOs institutions) ▪ Analysis of FSP data collected by project ▪ Interviews ▪ Analysis of PSU records	▪ Organisation charts, manuals, procedures ▪ Reports to Board of Directors ▪ Strategic planning documents ▪ Management progress reports (monthly, quarterly, annual) ▪ Records from PMU
2.1.2	To what extent has the program contributed to the strengthening of the financial capacity at FSPs/SSOs?	▪ Capital adequacy & liquidity ratios ▪ Diversification of funding sources ▪ Cost of capital ▪ Financial management capacity (e.g., number of dedicated financial management personal etc)	▪ CGAP Appraisal (light version of sample FSPs institutions) ▪ Analysis of FSP/SSO data collected by project ▪ Analysis of SSO financial strength ▪ Interviews of staff	▪ FSP/SSO financial data (audited/unaudited) ▪ PSM collected FSP/SSO data ▪ Government collected FSP/SSO data (if available)
2.13	To what extent has the program contributed to increased institutional capacity at FSP/SSO governance level?	▪ Composition of Board Directors ▪ Governance manuals in place ▪ Training for Board of Directors	▪ Interviews ▪ Manuals	▪ Board and Management Interviews ▪ Governance Manuals
2.1.4	To what extent are the FSPs providing appropriate services and opportunities to women?	▪ Percent Women Active Clients ▪ Products are appropriate for Women ▪ Women in Senior Management Positions, including Board ▪ Percent Women of FSP staff	▪ Interviews ▪ Document analysis	▪ FSP/SSO Board and Management ▪ FSP indicators on women clients
2.1.5	To what extent are FSPs/SSOs aware of existing environmental finance regulations (if any), environmental risks to portfolio and/or significant environmental impacts due to financing activities?	▪ Degree to which environmental factors apply ▪ Policies in place ▪ Performance M&E indicators in place at SSO/FSPs	▪ Interviews ▪ Documents	▪ FSP/SSO records ▪ Board and Management Interviews ▪ GA records and interviews

[41] For this section, some questions and sub questions apply only to FSPs, while others to SSOs and government agencies (GAs) and are marked as such. Not all programs will have significant GA or SSO activities.

[42] Sector Support Organizations are those found at the meso level or between financial institutions and national financial regulators. They provide invaluable infrastructure for the viable functioning of a sound financial sector, generally, and an inclusive financial sector, specifically. Example SSOs include credit bureaus, microfinance sector associations, consumer finance education organizations, consumer finance protection organizations, tax and legal firms specializing or with specialization in inclusive finance, information technology firms, consultants, etc.

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?			
Sub-questions		Indicators	Data Collection Methods	Information Sources
3.1	How effectively have funds from the program been transferred to FSPs and SSOs?	▪ Timely and transparent information on available funds ▪ Timely disbursement ▪ Correspondence between information on funds, released and received amounts	▪ Track studies ▪ Interviews ▪ Document analysis	▪ UNCDF ▪ FSPs/SSOs
3.2	How effectively have *TA* (TA) services been delivered to FSPs and SSOs?	▪ Timeliness of services ▪ Meeting needs of FSP business plans ▪ Quality of services ▪ Quality of the TSP if applicable	• PSU Document analysis • Interviews • TSP document analysis • Review of TA service contracts and CVs • Review of FSP and SSO business plans • Interviews with FSP.SSO, PSU	▪ FSP/SSO business plans ▪ Interviews with managers ▪ Interviews with PSU ▪ PSU service supplier contracts/CVs ▪ TA selection decision making process guidelines ▪ PSU project statistics
3.3	How effectively have capital and TA investments been managed by the responsible unit (e.g., PSU or third party contractor)?	▪ Detailed and transparent grant/loan application processes ▪ Implementation of projects on time (according to budget) ▪ Existence of investment implementation plan ▪ Detailed best practice due diligence guidelines ▪ Regular inspections of FSP/SSOs business plan progress	▪ Analysis of funding process ▪ Analysis of application process guidelines and records ▪ Analysis of due diligence processes, guidelines and records ▪ Analysis of funding documentation ▪ Analysis of funding monitoring ▪ Interviews with body responsible for funding, FSPs and SSOs	▪ PSU ▪ FSPs and SSOs
3.4	Do implemented investments correspond to FSPs/SSOs priorities and needs?	▪ Degree of correspondence between FSP/SSO business (development) plan, budget and actual investments (TA and Capital)	▪ Business plan reviews ▪ Interviews	▪ Program strategy documents ▪ Program start up documents ▪ Program reporting documents ▪ FSPs ▪ SSOs
3.5	**To what extent has the program enhanced the market for IF services**			
3.5.1	To what extent has FSPs product and service offering improved?	• Existence of new FSP products and services • Improvements in FSP products and services • Improved access by women/minorities to FSP products and services (is design appropriate for needs) • SSO service offering's usefulness / quality to support the Inclusive Finance Sector	• Interviews • Document analysis	▪ PSU data ▪ Quarterly Outreach and Performance Reports ▪ FSP/SSO product and client data (sample FSP/SSOs service offerings) ▪ FSP/SSO interviews

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?			
Sub-questions		Indicators	Data Collection Methods	Information Sources
3..5.2	To what extent do services meet the needs of low-income clients?	▪ Increase in number of low-income clients (the demand for services) ▪ Product design appropriate to the needs of the poor • Low balance/credit limits • Terms & conditions conducive to income cycles? • Clear & transparent pricing • Geographically accessible ▪ SSO service offering, usefulness, quality to supporting FSPs	• Interviews • Document/data analysis	▪ Quarterly Outreach and Performance Reports ▪ FSP/SSO interviews, ▪ FSP/SSO product and client data (sample FSP/SSOs service offerings) ▪ PSU data ▪ Client interviews ▪ Government data
3..5.3	Are new market areas being served?	▪ Extent to which current markets are being served (i.e., market penetration rates) ▪ Growth of outreach / (increase in the number of new poor markets (urban and rural) being developed ▪ Size of overall market being targeted and extent to which the program is meeting its penetration targets?	▪ Market penetration estimates ▪ Sample FSP service offerings on geographic basis (i.e., specific areas covered, number of clients by product type)	▪ FSP/SSO interviews ▪ FSP/SSO product and client data ▪ PSU data ▪ Government data ▪ Sector data (CGAP, MIX, etc)
3.5.4	Is there greater competition for the low-income market?	▪ Number of FSPs in low-income markets. ▪ Variety of competing products ▪ Variety of markets serviced by multiple FSPs (market overlap)	▪ Number of FSPs ▪ Number of FSP branches by relevant geographic areas ▪ Number of products offered	▪ PSU data ▪ Sample of FSPs ▪ Government
3.5.5	Are sector SSOs providers being established / supported (e.g. FSP auditors, credit bureaus, FSP associations etc. – if applicable)?	▪ Number of SSOs supported ▪ Mechanisms of support	▪ Data analysis. ▪ Program reports ▪ Interviews	▪ PSU data ▪ Government ▪ Sample SSOs
3.5.6	Do SSOs meet the needs of FSPs?	▪ Quality of products & services provided	▪ Interviews ▪ Product/service quality assessments	▪ SSOs ▪ PSU ▪ FSPs ▪ Regulators

EVALUATION QUESTION No. 4: SUSTAINABILITY	To what extent is the program likely to result in financially viable (i.e., sustainable) FSPs/SSOs in the longer-term, independent of external assistance of any kind?			
Sub-questions		Indicators	Data Collection Methods	Information Sources
4.1	**To what extent are FSPs/SSOs Agencies preparing the phasing out following the exit of UNCDF?**			

EVALUATION QUESTION No. 4: SUSTAINABILITY		**To what extent is the program likely to result in financially viable (i.e., sustainable) FSPs/SSOs in the longer-term, independent of external assistance of any kind?**		
Sub-questions		**Indicators**	**Data Collection Methods**	**Information Sources**
4.1.1	Is there evidence that FSPs/ SSOs maintain **financially viable** operations after completion of the intervention (or improving trends towards financial viability)?	▪ Market outlook and projections ▪ Number of operationally self sufficient FSPs ▪ Number of financially self sufficient FSPs ▪ FSP access to diverse capital sources, including mobilizing domestic savings	▪ Assess FSP/SSO reports (annual and internal quarterly/monthly) ▪ Assess business plans ▪ Assess reports to bank regulator (if applicable) ▪ Assess benchmark information on MixMarket	▪ PSU data ▪ Sample FSP/SSOs data ▪ Government ▪ MixMarket data base
4.1.2	To what extent has the program improved long-term planning, management, and governance processes at FSP/SSO level?	▪ CGAP Appraisal and /or CAMEL management indicators ▪ Governance improvements (see 2.1.5 above)	▪ Management interviews ▪ Planning method reviews (e.g., business plans/pro forma projections)	▪ Sample FSP/SSOs ▪ PSU data
4.2	To what extent was a phasing out strategy incorporated in program design?			
4.2.1	Was **sustainability designed** in the formulation process?	▪ Number of indicators in the original logical framework ▪ FSPs/SSOs were involved upstream in the drawing up of UNCDF's program, its implementation and its evaluation ▪ PSU arrangements to steer FSPs/SSOs towards sustainability	▪ Analysis of FSP/SSO business plans and reports ▪ Management & PSU interviews ▪ Projected indicators	▪ Management and PSU interviews ▪ FSP/SSO business plans and reports
4.2.2	Does the intervention design articulate a clear and workable exit strategy for UNCDF?	▪ Mechanisms in place to replace UNCDF	▪ Analysis of FSP/SSO business plans and reports ▪ Management & PSU interviews ▪ Projected indicators	▪ Management and PSU interviews ▪ Sector Associations ▪ FSPs
EVALUATION QUESTION No. 5: PROGRAM MANAGEMENT		**How effective has management of the IF program been?**		
Sub-questions		**Indicators**	**Data Collection Methods**	**Information Sources**
5.1	How well are IF sector interests embedded in government institutions (if applicable)	▪ Management arrangements, appointments/secondments	▪ Documentary ▪ Direct and indirect project stakeholder Interviews	▪ Program reports, interviews ▪ Central Bank ▪ Bank Supervisor ▪ Governments ▪ PSU ▪ FSPs ▪ SSOs ▪ Other sector stakeholders

EVALUATION QUESTION No. 4: SUSTAINABILITY		To what extent is the program likely to result in financially viable (i.e., sustainable) FSPs/SSOs in the longer-term, independent of external assistance of any kind?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
5.2	How effectively have program managers delivered on the annual work plans?	▪ Achievements against targets	▪ Document analysis ▪ Interviews	▪ Program reports, ▪ Work plans ▪ PSU staff
5.3	How effectively have program managers managed the interests of all partners (if joint program is applicable)	▪ Workload sharing proportional to investment ▪ Clear roles defined and maintained ▪ Efficient joint management and decision making ▪ Satisfactory execution of responsibilities ▪ Satisfactory institutional recognition	▪ Program documents ▪ Interviews with program stakeholders	▪ Program documents and reports ▪ UNCDF government and other relevant donors' staff ▪ Donors' programs documents and reports ▪ FSPs and SSOs and PSU.
5.3	To what extent has the regional office ensured oversight and guidance functions?	▪ Number of visits ▪ Existence of clear mechanisms / instruments to share information and provide feedback ▪ Sharing of lessons learnt ▪ Responsiveness to requests for TA	▪ Document analysis ▪ Interviews	▪ Program reports, ▪ PSU staff, Regional office staff
5.4	How well has program helped align objectives of government departments/ ministries, Central Banks and/or Superintendencies?	▪ Complementary IF policies ▪ Complementary IF projects	▪ Government Documents ▪ Interviews	▪ Government ▪ PSU ▪ Sector Association ▪ FSPs ▪ SSOs
5.5	How well is monitoring and evaluation linked into the needs of the management?	▪ Up to date indicators of project progress, regular and informative reports	▪ Project Documents ▪ Project meeting records	▪ Data sources of M&E unit ▪ Project reports ▪ M&E staff and PSU staff
5.6	Is M&E data and reporting being used to make strategic decisions about service delivery and for purposes of drawing lessons from experience?	▪ Use of data from M&E to make strategic investment decisions ▪ Use of data from M&E to make *TA* and capital investments. ▪ Use of data and reports to transmit lessons to local and national policy-makers	▪ Documents ▪ Interviews	▪ Data system used by PSU and by M&E unit ▪ M&E reports, interviews with M&E and PSU staff

EVALUATION QUESTION No. 6: PARTNERSHIP AND COORDINATION	How well have partnerships with donors and governments supported the program?		
Sub-questions	Indicators	Data Collection Methods	Information Sources

EVALUATION QUESTION No. 6: PARTNERSHIP AND COORDINATION		How well have partnerships with donors and governments supported the program?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
6.1.	Has the partnership mobilized additional resources for program implementation / replication?	▪ Evidence of synergies with other programs as a result of UNCDF's intervention / complementary efforts with relevant initiatives in the sector (related to specific geographic markets or nationally). ▪ Establishment of new donor/government/ private sector partnerships established with local market and/or national actors ▪ Leveraging of additional investment funds into the sector (Additional donors' resources ratio to UNCDF; Additional private sector investments in sector traceable to program; Increased IF sector savings ▪ Up-scaling and replication (Increased client outreach - see measures above 3.7; Number of FSPs in new market areas; Number of FSP products being copied / replicated; Number of SSO copied / replicated)	▪ Document analysis ▪ Interviews ▪ Sample FSP/SSOs ▪ PSU data	▪ Program documents and reports: PSU reports / Quarterly Outreach and Performance Reports ▪ ▪ UNCDF and other relevant donors' staff ▪ Donors' program documents and reports ▪ FSPs and SSOs ▪ PSU ▪ Donors ▪ UNCDF / UNDP
6.2	Has the partnership favoured the harmonization of donor's interests?	▪ Evidence of coordination and partnership arrangements ▪ Pooled funding mechanisms ▪ Sectoral/thematic platforms ▪ Joint national/global initiatives ▪ Evidence of cross-fertilization among programs	▪ Document analysis ▪ Interviews	▪ UNCDF and UNDP staff ▪ PSU ▪ Donors representatives ▪ Donors' programs documents and reports ▪ Government officials
6.3	Has the partnership enhanced UNCDF positioning and catalytic function?	▪ Effective partnership with UNDP and other key actors in place [e.g. Awareness/appreciation by staff and key stakeholders; evidence/ recognition of value-adding synergies and joint implementation mechanisms] ▪ Effective advocacy mechanisms in place [e.g. degree of generation/diffusion of innovative knowledge; Effective strategic alliances at the corporate level in place] ▪ Degree of recognition of UNCDF's approach and role among partners [Standing of UNCDF within donors community/appreciation by key SH; Alignment/ involvement in implementation of national/ donors strategies/priorities; Opportunities for further engagement/ strategic partnership]	▪ Document analysis ▪ Interviews	▪ UNCDF and UNDP staff ▪ Other donors' /partners representatives ▪ Donors' program documents and reports ▪ Governments officials

EVALUATION QUESTION No. 7: **POLICY AND STRATEGY**		**To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?**		
Sub-questions		**Indicators**	**Data Collection Methods**	**Information Sources**
7.1	Did programs induce policy improvements in the inclusive finance sector? (if relevant/applicable)	▪ Awareness/appreciation of national decision-makers and other key stakeholders ▪ Sectoral reforms initiated/completed ▪ New IF sector appropriate regulations enacted ▪ IF sector appropriate norms and procedures applied	▪ Document analysis ▪ Interviews	▪ PSU ▪ SSOs/FSPs ▪ National government, policy documents ▪ Ministry of Ministry of Finance, other relevant ministries and departments ▪ Policy/legal documents ▪ IF regulatory research documents (e.g., from Microfinance Gate Way, etc.)
7.2	To what extent did policy improvements lead to growth or sustainability of the sector?	▪ Clear and efficient regulations ▪ Clear and applicable enforcing mechanisms and rules ▪ Complementary initiatives, i.e. appropriate low-income economic support programs	▪ Document analysis ▪ Interviews	▪ National government representatives (e.g., Ministry of Economic Development, Ministry of Agriculture etc.) ▪ Policy /legal documents, manuals/regulations ▪ Donors and partners representatives ▪ Key sector stakeholders (e.g., academics, investors etc.) ▪ FSPs/SSOs
7.3	Did programs foster governments' commitment towards pursuing the MDGs?	• National strategies/strategic partnerships. • Public commitments to IF as part of MDG strategies. • IF sector development linked to other government initiatives	▪ Document analysis ▪ Interviews	▪ Government strategic documents and plans ▪ Government officials ▪ Donors' representatives
7.4	To what extent were desired regulatory changes achieved? (if applicable)	▪ Existence of new/addition to existing low-income financial regulatory regime ▪ Quality of low-income regulatory change	▪ Government documents ▪ International low-income regulation benchmarking	▪ Government ▪ IF regulatory research documents (e.g., from Microfinance Gate Way etc.)
7.5	Are the project's results known and **influential** among key IF sector stakeholders in the country?	▪ FSPs/SSO organizations opinion ▪ Citations in new standards and guidelines for FSP/SSO management among sample FSPs ▪ Question key stakeholder or decision-makers in the field of IF	▪ Interviews ▪ Document analysis	▪ Central Government ▪ Main donors

ANNEX 5: FORMAT FOR THE EVALUATION SUMMARY

This is a 4-5-page summary of the Evaluation Report. This is distinct from the Executive Summary, and should serve as a self-contained summary that may be read without reference to the main report. The Evaluation Summary should follow this outline:

1. Project data sheet
2. Background to the project
3. Description of the project
4. Purpose of the evaluation
5. Key findings of the evaluation mission
6. Lessons learned
7. Recommendations of the mission
8. Evaluation team composition

UNCDF Evaluation Unit
October 2010

ANNEX 6: LIST OF REFERENCES

Alliance Capital Limited, Financial Inclusion in Malawi (FIMA) Project, February 2010.

CHF International, Community Economic Development October 2010.

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Ministry of Finance Financial Sector Development Unit, Economic Affairs Division, January 2010.

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UNDP, Financial Inclusion in Malawi (FIMA) Project, July 2007.

UNDP/UNCDF/, Building an Inclusive Financial Sector in Malawi (FIMA), May 2007.

ANNEX 7: LIST OF INTERVEIWS

Adechoubou, Makarimi, Head of UNCDF Regional Office for Southern and Eastern Africa and Regional Technical Manager for Inclusive Finance

Banda, Martin, Program Development Specialist, USAID / Malawi.

Barden, Andrew, Accounting Malawi Rural Finance Company

Baxton, S, Director Finance, Malawi Rural Finance Company

Chanza, Bill, Program Officer, UNDP.

Chibwana, Christopher, Enterprise Development Specialist, USAID.

Chilumpha, Fletcher, Project Manager, FIMA PMU.

Daniel, Tom, Chairperson, Alliance Capital.

Dictus, Richard, Resident Representative, UNDP.

Green, Tim, Economic Advisor, Department for International Development (DfID).

Jali, L, Head of Information Technology, Malawi Rural Finance Company

Kadango, Enwell Marketing Director, Airtel

Kadzola, Sylvester, Executive Director, MUSCCO

Kalanda, Alexandr, Chief Executive Officer, OIBM.

Kaliu, Davie, Member Services Bvumbwe SACCO

Kalizang'oma, Mayamiko, SME Business Development Manager, NBS Bank.

Katchinka-Jere, Victor, Country Director, ASAP.

Kondowe, Stewart, Executive Director, Malawi Microfinance Network (MAMN).

Kufakwandi, Frank, Resident Representative, AfDB.

Kusani, Weston, Director of Operations, MRFC.

Masanjala, Winford, Directro Economic Affairs, Ministry of Finance, Government of Malawi

Majawa, Cornelius, General Manager, Pride Malawi Limited.

Makolona, Bigboy, M-Commerc Manager Airtel

Mayayenda, Joeseph, Manager, Bvumbwe SACCO

Mbowe, Appolenia, Senior Country Economist, World Bank.

Mkungula, Lyness, Executive Director, Bankers Association.

Mlelemba, Eldin, Director Microfinance and Capital Markets, Reserve Bank of Malawi

Mpepo, Vincent, Head of Finance, Pride Malawi

Mpsyangalumo, Pilirani, Head Accountant, Bvumbwe, SACCO

Mtonya, Brian, The Alliance Group Malawi.

Mudiwa, Charles, Managing Director, Standard Bank.

Mulewa , Kingsley, Head of Operations, MUSCCO

Ndyabahika, Ponsiano, Country Director, FINCA Malawi.

Nyangulu, Fumbani, Head Accountant. MUSCCO

Oloo Oketch, Henry, Regional Technical Advisor, FIMA

Parker, Kizza Chris, CFO, Finca Malawi

Shawa, Nelli, Product Development, Malawi Rural Finance Company

Eirc Siles UNCDF South Africa

Sindya, Lanjes, Chief Examiner, Microfinance, Reserve Bank of Malawi

ANNEX 8: MISSION PLAN

November	22	FIMA Staff Orientation	FIMA	Lilongwe
	23	Ram Shanka	UNDP Deputy Resident Representative	Lilongwe
	23	Alesksandar Alain Kalanda	OIBM	Lilongwe
	23	Sylvester Kadzola, MUSCCO	MUSCCO	Lilongwe
	23	Fumbani Nyangulu	MUSCCO	Lilongwe
	23	Kingsley Mulewa	MUSCCO	Lilongwe
	25	FIMA Staff	FIMA	Lilongwe
	25	Stewart Kondowe	MAMN	Lilongwe
	25	Weston Knsani	Malawi Rural Finance Company	Lilongwe
	25	Nelli Shawa	Malawi Rural Finance Company	Lilongwe
	25	Andrew Barden	Malawi Rural Finance Company	Lilongwe
	25	L. Jali	Malawi Rural Finance Company	Lilongwe
	26	Fletcher Chilumpha	FIMA	Lilongwe
	27	Review Team Meetings	Review Team	Lilongwe
	28	Review Team Meetings	Review Team	Lilongwe
	29	Winford Masanjala	GoM	Lilongwe
	30	Ponsiano Ndyababika	Finca Malawi	Blantyre
	30	Kizza Chris Parker	Finca Malawi	Blantyre
	30	Pilirani Mpsyangalumo	Bvumbwe SACCO	Blantyre
	30	Davie Kaliu	Bvumbwe SACCO	Blantyre
	30	Joseph Manage	Bvumbwe SACCO	Blantyre
	30	Client Surveys	Bvumbwe SACCO	Blantyre
December	1	Cornielius Majawa	Pride Malawi	Blantyre
	1	Vincent Mpepo	Pride Malawi	Blantyre
	1	Tom Daniel/ Brian Mtonya	Alliance Capital.	Blantyre
	1	Victor Katchinka-Jere	ASAP	Blantyre
	1	Mayamiko Kalizang'oma	NBS	Blantyre
	1	Client Surveys	Finca Malawi	Blantyre
	21	Debrief Client Surveys	Review Team	Blantyre
	2	Lyness Nkungula	Banker's Association of Malawi	Lilongwe
	1		CUMO	Dedza
	3	Eldin Mlelemba	Reserve Bank of Malawi	Lilongwe
	3	Lanjes Sindya	Reserve Bank of Malawi	Lilongwe
	4	Review Team Meetings	Review Team	Lilongwe
	5	Review Team Meetings	Review Team	Lilongwe
	6	Henry Oloo Oketch	FIMA	Lilongwe
	6	Makeremi Adechoubou/ Eirc Siles	UNCDF South Africa	Telephone
	7	Appolenia Mbowe	World Bank	Lilongwe
	7	Enwell Kadango	Airtel	Lilongwe
	7	Bigboy Makolona	Airtel	Lilongwe
	8	Charles Mudiwa	Standard Charter Bank	Lilongwe
	8	Bill Chanza	UNDP	Lilongwe
	8	Martin Banda/ Christopher Chibwana	USAID	
	8	Tim Green	DifD	Lilongwe
	8	Frank Kufakwand	African Development Bank	
	8	Richard Ditus	UNDP	
	9	Review Debrief	FIMA stakeholders	Lilongwe

ANNEX 9: EVALUATION MATRIX

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the program design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
Q 1.1. To what extent does the program meet the needs of the partner country? ▪ Consistency between the goals, intervention logic and principles of the program and those of the recipient country's relevant national strategy document ▪ Degree of embedment of program into existing national framework / no evidence of a parallel program structure ▪ Degree to which program addresses gaps not filled by others	The program intervention logic is consistent with historic national support in Malawi for inclusive finance first articulated in the 2000 Microfinance Policy and Action Plan (MPAP) developed by the Ministry of Industry, Trade and Private Sector Development, GoM. The policy was revised in 2006 and highlighted the need for a national inclusive finance strategy. In 2005, with the support of the Deepening Microfinance Sector (DMS - a five year USD 4.5M program to support the development of inclusive finance in Malawi), the UNDP, DfiD, the GoM, and key Malawian IF sector stakeholders established the MAMN. The MAMN subsequently formed the National Microfinance Forum, chaired by the Ministry of Industry and Trade with the aim of conducting constructive dialogue within and coordination of the IF sector, establishing six technical groups to pursue said aim (rural agricultural finance; resource mobilization; capacity building; legal and regulatory framework, supervision and best practice; environment management and social issues). There are five important documents aligning FIMA's design with the strategic objectives of the GoM interests in developing inclusive finance: 1. the Millennium Development Goals (MDGs) specifically as they relate to gender and poverty alleviation. 2. the Malawi Growth and Development Strategy (MDGS) 3. The Microfinance Act 4. The Financial Cooperative Act 5. the Deepening Financial Sector Strategy developed by the World Bank and the GoM The only evident non alignment with FIMA goal of promoting good practice inclusive finance is the existence of seven nationally owned/supported IFIs (or funds) including two large institutions Malawi Rural Finance Company (MRFC)and Malawi Savings Bank (MSB) that do not follow, in part or wholly, international good IF practice.43 financial sector development strategies. Sources of information: ▪ Document analysis, Interviews • National Government, Policy documents, other strategy document
EQ 1.2 To what extent is the program aligned with government financial sector development plans. ▪ Degree of consistency between the program's interventions and national	Program design is consistent with the UNCDF's FSSA—micros, meso, macro level —approach. UNCDF program design also typically provides some degree of flexibility for management to develop annual strategic plans focusing, or responding to, on major constraints and significant market opportunities at each of these levels as context demands. This gives program managers tactical flexibility to prioritize and address issues opportunistically as they arise within an overall strategic framework. Outputs are sufficiently defined not to disrupt this flexibility yet target measurable outcomes. Design also insists on performance-driven grants, augmented by a range of information, technical advisory,

[43] Malawi Savings Bank, formally the post savings bank, offers a range of banking services including micro savings and credit. See: Amha, Wolday and Ezikiel Bernard Phiri (2010) UNDP Malawi and UNDF.

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the program design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
legislation and strategy for financial inclusion ▪ Program design has taken into account sector's development/ absorption capacity and context	and training support tools. Similar to many countries, the Malawi IF sector had a significant growth beginning in the late 1990s, only to see early modest outreach gains plateau in the early part of this decade. The provision of financial services to the un-banked and under-served sector of the population was the objective of NGO and government projects. Commitment to sustainability, affordability and broad-based accessibility was relatively strong, however, capacity and professionalization of institutions was chronically wanting as was capital for on lending (although capital without capacity is a non sequitur). The sector also demonstrated a paucity of products and services with the resulting lack of innovation inhibiting overall market development, particularly in rural outreach and outreach to women. FIMA provides additionally to the development path of the sector through provision of grants and loans to support innovation (Output 2) and capacity development (Output 3) both with the objective of growth of outreach. FIMA continues the work of DMS and complements investments being made by individual donors to individual IFIs or sector institutions (e.g., Hivos Foundation to MAMN). FIMA's more comprehensive approach, however, designed a more strategic approach to FSSA (i.e., sector advancing strategy).44 FIMA was to also provide capital for on- lending which at the time of design was (and remains) in short supply even to those few institutions with the financial performance sufficient to carry related financial costs. Through Output 1 and consistent with FSSA, FIMA will help facilitate the creation of a stable regulatory and policy environment. This in turn will encourage good practice with resulting investments in new services and markets. At the time of design, USAID's DMS was the only similar program (the entry of FIMA was intended to replace this program). FIMA was also designed to continue the regulatory work of the DMS which was supporting the efforts of the GoM and sector stakeholders to define and implement an appropriate IF regulatory/policy environment. 66. Consistent with UNCDF's competitive advantage, FIMA was designed to employ three elements of catalytic capital: • Familiarity and knowledge of GoM needs and actors generally; • Use of grants, TA, and convening capacity to catalyze appropriate regulatory and policy change; and • Use of grants, TA, and loans to encourage growth and innovation in the application of a sector development approach. <u>Source of information</u> • Document analysis, Interviews ▪ Financial Sector law and regulations ▪ Superintendence of Banks and or Central Bank ▪ Ministry of Finance/Planning ▪ IF sector associations & institutions

44 Amha, Wolday and Ezikiel Bernard Phiri (2010) UNDP Malawi and UNDF.

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the program design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
	▪ Donors ▪ PIFI and Stakeholder surveys
EQ 1.3 To what extent does the program meet the needs of the finance sector (e.g., fill gaps and overcome constraints for growth given the national/market context)? ▪ Micro level – IFI & client level needs ▪ Meso level – inclusive financial sector infrastructure needs (e.g., credit bureaus, sector associations, etc.) ▪ Macro level – national regulatory, policy and program level.	Prior to FIMA, the IF sector in Malawi could be characterized as: • fairly well populated in terms of IFIs (only one medium-sized conventional IFI) • modest volumes of outstanding loans and savings given size of demand. • sector was not particularly well organized as evidenced by: • a small, understaffed, ineffective MAMN • a largely dormant NMF • much unfinished GoM regulatory work. • no systemic, well funded sector development program Key constraints to growth at the micro level included: • depth and breadth of IFI management and staff capacity • little product and service innovation • informal sector stakeholder networking. FIMA design identified specific constraints to sector development were identified at each level of the IF sector: • Macro (national regulatory, policy and program level – Output 1 & 3) At the macro level, program was designed to develop and support formal and informal partnerships with and among key stakeholders (e.g., donors, government, and practitioners) to support the MF objective of advancing/facilitating/advocating the development of an appropriate regulatory environment. Three general objectives were targeted: • Consolidating the IF sector the through the establishment and deployment of the Financial Sector Deepening Group with the Microfinance Forum (MF); • Promote and enforcement of the revised Microfinance National Policy and Action Plan; • Build RBM capacity to effectively play its role in financial sector development. • Meso (inclusive financial sector infrastructure needs: e.g., credit bureaus, sector associations, etc. Output 3) FIMA meso level design focused on the strengthening of MAMN particularly in the areas of information and networking functions (establishing a resource centre and website) and financial transparency training. To do this FIMA targeted provision of resources for the development of a business plan, funding to increase MAMN management capacity, the creation of IFI capacity development programs, including training of trainers. Output 3 generally targets "local service providers supporting microfinance market increase" without designating any specific

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the program design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
	types, other than information technology suppliers (see Output 3.1, Table 6, page 24). It also targets the creation of a Credit Reference Bureau (though no indicative targets were suggested) and increased use of Malswitch (a RBM owned electronic bank transaction and interoperability platform). • Micro (client or retail financial provision level – Output 3) – At the micro level, project design anticipated the need to address IFI capacity issues. Output 2 was designed specifically to provide performance based grants to PIFIs demonstrating the potential for demand driven, sustainable finance innovations particularly related to women and rural outreach. Anticipated resources included capacity building, grants, funding for innovation, and TA. Output 3 focuses on PIFI capacity development through improved reporting (via MAMN) particularly as it relates to MIS. Source of information • Document analysis, Interviews ▪ Financial Sector law and regulations ▪ National financial Law and regulations ▪ Ministry Finance (or responsible ministry) ▪ Superintendence of Banks and or Central Bank ▪ IF sector associations & institutions ▪ Donors ▪ PIFI and Stakeholder surveys
EQ 1.4 How well is the program integrated into the Country Program Action Plan (CPAP) and UN Development Assistance Framework (UNDAF)? Degree of explicit/implicit integration of UNCDF's development-related projects within CCA/UNDAF	FIMA outputs and outcomes are linked to UNDAF (2008-2011), specifically to Outcome 3 "Strengthened private sector contribution to sustainable economic growth and empowerment" and Country Program Action Plan Output iii "Increased access to financial services and markets." This is in addition to MDG-based national development strategies; preparation of national gender mainstreaming strategies; public sector reform; inclusive governance; national aid management; private sector development strategies and policies; and environmental management. Source of information ▪ Document analysis ▪ Interviews ▪ UNCDF documents and guidelines ▪ UNCDF staff and government officials, and representatives of other UN agencies
EQ 1.5 How does the program design correspond to UNCDF's IF intervention logic? ▪ Consistency between program design and UNCDF's standard IF program ▪ Degree to which UNCDF intervention	Consistency between program design and UNCDF's "standard IF program". Program design is consistent with the UNCDF's FSSA—micros, meso, macro level —approach. UNCDF program design also typically provides some degree of flexibility for management to develop annual strategic plans focusing, or responding to, on major constraints and significant market opportunities at each of these levels as context demands. This gives program managers tactical flexibility to prioritize and address issues opportunistically as they arise within an overall strategic framework. Outputs are sufficiently defined not to disrupt this flexibility yet

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the program design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
provides additionality to sector development ▪ Degree to which intervention logic employs UNCDF's competitive advantage (i.e., catalytic capital)	target measurable outcomes. Design also insists on performance-driven grants, augmented by a range of information, technical advisory, and training support tools. FIMA provides additionally to the development path of the sector through provision of grants and loans to support innovation (Output 2) and capacity development (Output 3) both with the objective of growth of outreach. FIMA continues the work of DMS and complements investments being made by individual donors to individual IFIs or sector institutions (e.g., Hivos Foundation to MAMN). FIMA's more comprehensive approach, however, designed a more strategic approach to FSSA (i.e., sector advancing strategy). FIMA was to also provide capital for on- lending which at the time of design was (and remains) in short supply even to those few institutions with the financial performance sufficient to carry related financial costs. Through Output 1 and consistent with FSSA, FIMA will help facilitate the creation of a stable regulatory and policy environment. This in turn will encourage good practice with resulting investments in new services and markets. At the time of design, USAID's DMS was the only similar program (the entry of FIMA was intended to replace this program). FIMA was also designed to continue the regulatory work of the DMS which was supporting the efforts of the GoM and sector stakeholders to define and implement an appropriate IF regulatory/policy environment. Consistent with UNCDF's competitive advantage, FIMA was designed to employ three elements of catalytic capital: • Familiarity and knowledge of GoM needs and actors generally; • Use of grants, TA, and convening capacity to catalyze appropriate regulatory and policy change; and • Use of grants, TA, and loans to encourage growth and innovation in the application of a sector development approach. Source of information ▪ Document analysis ▪ Interviews ▪ UNCDF documents and guidelines ▪ UNCDF staff and government officials, and representatives of other UN agencies ▪ Other partner donors

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	**To what extent does the program design meet UNCDF's IF intervention logic and meet the needs of the partner country?**
Sub-questions & Indicators	**Findings and sources of information**
EQ. 1.6 How well has the program integrated cross cutting issues given program objectives? ▪ Evidence that the program docs address the issues of participation of institutions and promotion of gender ▪ Evidence that the program docs makes consideration of environment themes	**Gender**. FIMA design highlights the need to address the special circumstance of women; to this end: • Fifty percent of new clients served – savings or credit -- by PIFI grantees should be women. • Design insists all interventions, monitoring and evaluation ensure gender is mainstreamed, by assisting "institutions willing to explore and implement innovative methodologies that provide an increasing access to financial services rural poor women." Design omits consideration of women in decision making positions within grantee organizations or, more generally, in the sector including the GoM; nor does it mention incidence of women as management/staff of PIFIs, or management at FIMA itself. **Environment** FIMA design does not make reference to any specific environmental considerations (e.g., environmental portfolio risk management/screening or environmental operational performance of grantees). <u>Source of information</u> ▪ Document analysis ▪ Interviews ▪ Relevant beneficiary IFIs, and government institutions
EQ 1.7 To what extent is the program owned (buy-in) by the government and/or Central Bank and/or Bank Superintendence? ▪ Degree of involvement of the government and/or Central Bank and/or Bank Superintendence in program design, and implementation. ▪ Level of HR and Institutional Capacity	.Relevant government and sector stakeholders were consulted in the design of FIMA and the GoM is a direct project partner. The design process had extensive input from donors active in IF, including the African Development Bank (AfDB), USAID, the World Bank, the EU, UNDP, DfiD, among others The RBM and the MoF are directly involved in the planning and implementation of the program.. The program's multi-donor SC and IC were designed to provide a mechanism for substantive collaboration/harmonization and a mechanism for pooled investments among donors. <u>Source of information</u> ▪ Interviews ▪ Document analysis ▪ PSU, IFIs/SSOs
EQ 1.8 To what extent is the program owned (buy-in) at FSP/SSO level (e.g., sector associations, credit bureaus, information	See above 1.7

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the program design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
providers, consultancies etc.)? ▪ Degree of participation of appropriate FSPs/ SSOs	

EVALUATION QUESTION No. 2: CAPACITY BUILDING	To what extent has the program contributed to increase Financial Service Providers/Sector Support Organizations /Government Agencies (FSPs/SSOs/GAs) Institutional capacity?[45]
Sub-questions & Indicators	**Findings and sources of information**
EQ 2.1 How well has the IF program strengthened human resource management capacities of FSPs/ SS0s/Government Agencies (GAs)s[46] ▪ Organisation chart ▪ Clear division of roles (human resources, well written job descriptions,) ▪ Human resource manuals / procedures / tools in place and their quality ▪ Decision-making processes and procedures established and accepted ▪ Regularity of report-back meetings ▪ Regularity and quality of written reports ▪ CGAP Appraisal and /or CAMEL management indicators	**Micro Level** There have been some improvements to management capacity made as a result of direct and indirect support from FIMA both through project grants and external trainings on various aspects of IFI management. Most grants are too recent or too small relative to the size an institution for capacity development to be found in financial performance. Random checks of organizational charts, human resource manuals and explanations of decision making processes reflect minimum to average understanding of good practice management. Modest performance improvements recorded between 2007 and 2010 as a result are not directly attributable to FIMA funding. PIFIs themselves report mixed management capacity improvements, with the greatest gains coming where FIMA funded new MIS systems. Most direct management training has been focused at the senior management level with the results not having trickled down to mid-management level where capacities are highly uneven. (See Figure 9, page 33) This affects women more than men as most women managers are at this level of management (e.g., Branch Managers). According to the FIMA IFI survey, 13% and 37% of IFIs indicated that capacity development support was poor and good respectively. Some 37% and 13% rated it very good and excellent respectively (See Annex 3, IFI Survey, Question 6) Mixed results possibly reflect the focus on outreach over capacity building. **Meso Level** FIMA's support for MAMN has significantly increased the institution's management capacity through funding for a new Executive Director (ED). The new ED has over 12 years in the IF sector and is well connected government and regulatory bodies. The presence of

[45] For this section, some questions and sub questions apply only to FSPs, while others to SSOs and government agencies (GAs) and are marked as such. Not all programs will have significant GA or SSO activities.

[46] Sector Support Organizations are those found at the meso level or between financial institutions and national financial regulators. They provide invaluable infrastructure for the viable functioning of a sound financial sector, generally, and an inclusive financial sector, specifically. Example SSOs include credit bureaus, microfinance sector associations, consumer finance education organizations, consumer finance protection organizations, tax and legal firms specializing or with specialization in inclusive finance, information technology firms, consultants, etc.

EVALUATION QUESTION No. 2: CAPACITY BUILDING	**To what extent has the program contributed to increase Financial Service Providers/Sector Support Organizations /Government Agencies (FSPs/SSOs/GAs) Institutional capacity?[45]**
Sub-questions & Indicators	**Findings and sources of information**
	the new ED has also helped to reenergize the NMF. FIMA has begun work on IF management diploma course to be offered by a number of universities and higher education organizations around the country, including the University of Malawi. **Macro Level** FIMA provided USD135K support to the RBM for IF strategy development and increasing knowledge and understanding of IF via informal/technical advisory meetings. formal trainings at conferences, workshops, and via working groups. Improved knowledge has led to no objection to mobile phone banking services, the National Financial Inclusion Strategy, and support of MAMN by the RB all in accordance with sound approach to creating an appropriate enabling environment. The MoF capacity is still very weak, due in part to the RBM's sponsorship of IF sector development and to staff turnover FIMA has encouraged/supported a shift of responsibility for the promotion of IF to the MoF. Building of MoF capacity has only just begun and FIMA is involved with the development of its IF team. The review observes that much of the direct capacity building at GAs has also targeted senior management and that lower levels of management are not conversant with IF sector issues. Source of information: ▪ CGAP Appraisal (light version of sample IFIs institutions) ▪ Analysis of IFI/SSO data collected by project ▪ Analysis of SSO financial strength ▪ Interviews of staff ▪ IFI/SSO financial data (audited/unaudited) ▪ PSM collected IFI/SSO data Government collected IFI/SSO data (if available)
EQ 2.2 To what extent has the program contributed to the strengthening of the financial capacity at IFIs/SSOs? ▪ Capital adequacy & liquidity ratios ▪ Diversification of funding sources ▪ Cost of capital ▪ Financial management capacity (e.g., number of dedicated financial management personal etc)	Only three IFIs in the FIMA portfolio can collect savings, those who can not collect can face capital shortages. FIMA loans provided capital to: • Pride Malawi for onlending purposes • MUSCCO to fund demand for a new rural loan product for women. • FinCoop for a women's SME loan. The loans strengthened PIFIs balance sheet by adding assets and decreased cost of capital (loans were 12% under commercial bank rates, a rate justified by FIMA's greater appreciation of market risk).

EVALUATION QUESTION No. 2: CAPACITY BUILDING	**To what extent has the program contributed to increase Financial Service Providers/Sector Support Organizations /Government Agencies (FSPs/SSOs/GAs) Institutional capacity?[45]**
Sub-questions & Indicators	**Findings and sources of information**
	Source of information ▪ CGAP Appraisal (light version of sample IFIs institutions) ▪ Analysis of IFI/SSO data collected by project ▪ Analysis of SSO financial strength ▪ Interviews of staff ▪ IFI/SSO financial data (audited/unaudited) ▪ PSM collected IFI/SSO data ▪ Government collected IFI/SSO data (if available)
EQ 1.3 To what extent has the program contributed to increased institutional capacity at IFI/SSO governance level? ▪ Composition of Board Directors ▪ Governance manuals in place ▪ Training for Board of Directors	There have been no reported changes of governance structure, composition or quality as a result of FIMA, although, when questioned, PIFI's are aware of the importance of an empowered, independent board with significant business, finance, legal, and government relations experience. The review observed that while there is this understanding, high caliber board members are difficult to recruit and by PIFIs' own admission, boards often have the required mix of professional backgrounds and depth of capacity. Source of information ▪ Interviews ▪ Manuals ▪ Board and Management Interviews ▪ Governance Manuals
EQ 2.4 To what extent are the IFIs providing appropriate services and opportunities to women? ▪ Percent Women Active Clients ▪ Products are appropriate for Women ▪ Women in Senior Management Positions, including Board ▪ Percent Women of IFI staff	**Products, Services and Service Delivery** Performance based contracts for all grantees include a target of 50% of all clients being women. Two products are specifically designed for women: • MUSCCO's Panatoto which uses group and individual loan guarantees and a type of group health/death in family insurance; and • FinCoop's SME loan for women. The rest of the products, sevices, and service delivery innovations do not specifically take into account the needs of women. Use and applicability to the needs of women vary as a result. Access via the mobile phone service of Airtel may be limited by women's access to cell phones particularly in rural areas. **Women in the Sector** The program has had no direct current impact on the number of women in Senior Management Positions or on the Board of Directors no do any project or trainings deal with such. Informal promotion of women in management and governance positions by FIMA, combined with that of other donors, has, however, successfully introduced the issue and PIFI managers are at least conversant on the topic and "agree" for the need to see change.

EVALUATION QUESTION No. 2: CAPACITY BUILDING	To what extent has the program contributed to increase Financial Service Providers/Sector Support Organizations /Government Agencies (FSPs/SSOs/GAs) Institutional capacity?[45]
Sub-questions & Indicators	**Findings and sources of information**
	Aggregating estimates by grantees the review can report that women constitute between 0% to 15% of Senior Management and Board Members in most institutions. Typically around 20% of branch manager are women, though in one institution all branch managers are women. Few loans officers are women. Source of information ▪ Interviews ▪ Document analysis ▪ IFI/SSO Board and Management ▪ IFI indicators on women clients
EQ 2.5 To what extent are IFIs/SSOs aware of existing environmental finance regulations (if any), environmental risks to portfolio and/or significant environmental impacts due to financing activities? ▪ Degree to which environmental factors apply ▪ Policies in place ▪ Performance M&E indicators in place at SSO/IFIs	There are no environmental regulations for PIFIs to comply in Malawi that this review could find, either related to the provision or expansion of IF products or services. The program has had no reported impact on grantee environmental policies or performance M&E indicators. FIMA has, however, made mention among stakeholders of environmental issues and there is some basic understanding of impacts and/or of potential market opportunities. The only reported environmental finance consideration is that several PIFIs claim to not make loans to charcoal venders (charcoal selling is against the law but publically tolerated as it is the primary source of cooking fuel in the country). The review was not able to verify written policies on such. OIBM reports interest in developing a loan product for solar energy systems. Source of information ▪ Interviews ▪ Documents ▪ IFI/SSO records ▪ Board and Management Interviews ▪ GA records and interviews

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
EQ 3.1 How effectively have funds from the program been transferred to IFIs and SSOs? ▪ Timely and transparent information on available funds ▪ Timely disbursement ▪ Correspondence between information on funds, released and received amounts	Because the FIMA fund is a virtual fund, each grant is funded according to the procedures/protocols of each program partner. This caused some frustration and delays as management had to learn and manage three different systems. In some cases, a grant would be funded by two different partners further complicating disbursements. Of the PIFIs surveyed 33% thought fund transfers were excellent, 55% believed it was good to very good, and only 11% found it to be poor. (See Annex 3, Financial Services/Financial Infrastructure Service Providers Survey, Question 4) Source of information ▪ Interviews ▪ Document analysis ▪ UNCDF ▪ IFIs/SSOs
EQ 3.2 How effectively have technical assistance (TA) services been delivered to IFIs and SSOs? ▪ Timeliness of services ▪ Meeting needs of IFI business plans ▪ Quality of services ▪ Quality of the TSP if applicable	Capital and TA investment management and delivery has been adequate. The proposal proccess is reported to have: • a clear and simple to follow instructions; • a transparent structure; • a clear decision making cycle. Some funding delays have resulted from virtual fund structure where contracting and disbursement is the responsibility of individual donors. This combined with inconsistent grantee utilization rates (or the rate at which funding was put into the field) caused considerable delays in achieving results on the ground (e.g., MRFC government procurement process errors, MAMN failure to hire Executive Director etc.). Project formulation reports prepared prior to the end of 2008 provide minimal due diligence performance data, particularly financial analysis of PIFIs and assessment of sustainability. Post 2008, formulations while not entirely consistent in content had clear structure with more robust PIFI analysis. Conclusions regarding potential sustainability are overly positive however, and more comprehensive performance analysis would have suggested increasing management capacity development funding in each contract. Contracts are performance driven and require a minimally sufficient amount of reporting requirements (balance sheet information not required in most cases) Post contracting management include: **Quarterly reports** Quarterly reports are, for the most part, submitted on time. Quarterly reports are not particularly detailed and while they comply with UNCDF data requirements, they do not include all data required to fully assess financial performance. (See Annex 8 for UNCDF PIFI Financial Analysis Template) Supplemental monitoring activities through, for example, PIFI annual reports analysis and site visits, complement quarterly reports. The review found some systemic errors in financial PIFIs reports and/or could not reconciled reports to

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	FIMA with other internal or external reports, causing some credibility concerns. The review team could not reconcile all PIFI reported data with all FIMA performance data reports. **Site visits** FIMA staff made an average of 3 site visits per PIFI and more in the case of RBM, MAMN, and BAM. 71% of PIFIs feel that FIMA services have been good to very good while 29% feel it has been poor. (See Annex 3, Financial Services/Financial Infrastructure Service Providers Survey, Question 5) Source of information • Quarterly and annual reports • Interviews • Review of IFI and SSO business plans • Interviews with IFI.SSO ▪ IFI/SSO business plans ▪ Interviews with managers ▪ Interviews with FIMA staff ▪ TA selection decision making process guidelines • FIMA project statistics
EQ 3.3 How effectively have capital and TA investments been managed by the responsible unit (e.g., PSU or third party contractor)? ▪ Detailed and transparent grant/loan application processes ▪ Implementation of projects on time (according to budget) ▪ Existence of investment implementation plan ▪ Detailed best practice due diligence guidelines ▪ Regular inspections of IFI/SSOs business plan progress	See 3.2 Two FIMA loans went to the most stable financial institution in its portfolio, MUSCCO and FinCoop. A third loan went to Pride Malawi was approved by UNCDF prior to FIMA and while vetted by the FIMA IC was not approved as such by the program. Loans are approximately 12% below commercial market pricing based on FIMAs better understanding of market risk and as such constitute only a mild subsidy. Neither the subsidy nor volume are sufficient to distort the IF sector market.
EQ 3.4 Do implemented investments correspond to IFIs/SSOs priorities and needs? ▪ Degree of correspondence between IFI/SSO business (development) plan, budget and	Project design appropriately highlighted the need for: • management capacity development. • Innovation to spur access and outreach

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
actual investments (TA and Capital)	These needs are typical of immature IF sectors, where enhanced capacity ideally leads to improved outreach leading to increased scale and greater sustainability. Capacity building in this sense should lead outreach development (and subsequent demand for on-lending capital). Capacity building, innovation and outreach and capital are reviewed in turn below and then compared to grant uses. Capacity Building After ten years of moderate growth and modest to poor performance, the majority of established IFIs in Malawi continue to face significant management challenges, particularly related to general management capacity and institutional processes/systems. PIFI are not currently sustainable, have negative returns on assets and equity and are modestly productive. Senior management is of mixed quality and experience, many CEOs need rotation out of institutions, Management at any level is generally weak and not typically supported with consistently good practice training or processes/systems support. FIMA has supported some of these investments with management capacity development supporting grants of over USD 900K or 36% of all grant funding. MIS systems improvement grant capital (10%) are included in this 36% as they are part capital and part human resource investments (e.g., improve capacity to manage – See Figure 6, page 31). Thus only one quarter of grant investments focused on directly improving management capacity. Much of FIMA other training support was of general nature and only CEOs participated, thus impact on other senior management was minimal. Innovation and Outreach Project design identified the need for innovative approaches to reaching rural markets through agricultural related products and services. Most IF products and services are not genuinely suited for rural economic context and could benefit from basic modifications. While innovative technologies are contributing substantially the sector's ability to sustainably serve rural markets there have been fewer low income agricultural credit and insurance product improvements. Advancing the former without the latter may serve to weaken or at least delay the strengthening of IFIs. As such, outreach should be considered a second priority; particularly given urban markets are not yet even fully served. 95. FIMA funded USD 1.6M outreach related investments or 64% of grant funding. This included some product and service delivery innovations (e.g., USD 80K to MUSCCO for product devolvement), but the most was for capital expenditures such as furniture, office improvements cars, motorcycles, etc. most of which was related to outreach improvements. These investments are notable for their obvious outreach potential. MRFC UDS 200K purchase of hand held point of sales wireless transaction units with biometric identification (resolving some know your client and transaction cost challenges). Modest support of USD 35K to Alliance Capital may provide an innovative means to finance IFIs through a capital market trust fund. Even more modest support (mostly advocacy to RBM) of Airtel, the largest mobile phone operator in Malawi, has dramatically advanced the creation of a mobile phone banking platform.

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	Capital for On-Lending 96. Capital for on-lending is relatively scarce in Malawi but given modest institutional capacity among IFIs lack of capital does not present overly pressing need.47 Portfolio growth among conventional IFIs should slow over the next two years as they prepare for transformation and compliance to the new MFA (though equity capital may be required). Once in compliance, institutions will either intermediate savings or, due to less institutional risk, should be able to raise capital from international and national sources. Organizations such as SACCOs and commercial banks can intermediate savings and government owned institutions have access to ongoing government funding. FIMA's modest overall on-lending capital investments in PIFIs are therefore quite appropriate (i.e., 18% of grant funding). (See Figure 5, page 30). The majority of on-lending capital was lent to the credit union apex institution MUSCCO to provide funding to test a new rural loan product for women its SACCO members. **CLEARLY FIMA INVESTMENTS ARE CONSISTENT WITH ITS OPERATING MANDATE. THIS REVIEW BELIEVES HOWEVER GIVEN THE RELATIVELY LOW CAPACITY OF PIFIS** **MORE GRANT FUNDING COULD HAVE BEEN FOCUSED ON CAPACITY DEVELOPMENT OVER OUTREACH FUNDING. AS NOTED IN ¶ 23, FIMA'S HAS A DEMAND** **DRIVEN PROPOSAL METHOD MAY HAVE BEEN CONTRIBUTORY TO THIS FOCUS. LIMITED TIME AVAILABLE TO INSTITUTIONS AND THE FIMA TEAM MAY ALSO HAVE** **CONTRIBUTED. A CHALLENGE FUND APPROACH WHICH ENCOURAGED CAPACITY DEVELOPMENT PROPOSALS MAY HAVE ENCOURAGED IFIS TO FOCUS LESS ON** **OUTREACH.** 98. Overall, 77% of IFIs survey believed rates FIMA's meeting their needs as very good to excellent, with 22% rating it as goo. (See Annex 3, PIFI, Question 3). Source of information ▪ Business plan reviews

[47] This is an oversimplification for a liquidity crisis (when a IFI does not have enough capital to on-lend) can cause considerable difficulties. Lack of capital can also cause a loss of client confidence and client loss. This occurred in at least one IFI interviewed. Lack of easily accessible capital however regulates growth which, in the case of weaker institutions, is not necessarily negative as access to easy capital can led to rapid growth without sufficient management capacity to support it affecting sustainability.

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	▪ Interviews ▪ Program strategy documents ▪ Program start up documents ▪ Program reporting documents ▪ IFIs, SSOs ▪ Client, PIFI and Stakeholder surveys
EQ 3.5 To what extent has the program enhanced the market for IF services	
3.5.1 To what extent has FSPs product and service offering improved? • Existence of new FSP products and services • Improvements in FSP products and services • Improved access by women/minorities to FSP products and services (is design appropriate for needs) • SSO service offering's usefulness / quality to support the Inclusive Finance Sector	While the portfolio of new products and services supported by FIMA have yet to have achieved significant outcomes they represent a good cross section of products and service required for future "in-fill" of urban and outreach to rural markets. In aggregate they both portend and contribute to the coming reorganization of the sector which will see a more fluid continuum of service provision combining mobile network operators, commercial banks, conventional IFIs such as microfinance organizations, credit unions, and value chain operators (e.g., produce buyers and processors). FIMA has directly supported the creation to four new products and the strengthening of two others. On-lending capital to FinCoop and MUSCCO helped to fund newly created products. The MUSCCO product Pantonto - or the "place of pounding" named after the common area where women pound corn to flour, was piloted in three SACCOs, Bvumbwe, Ulimi and Rumphi, and was designed specifically for the needs of poor rural women (women in groups of seven to fifteen save in and borrow from a local credit union). The group (peer pressure) and individual guarantees (via fines) and group "insurance" where members contribute small amounts to support other members when they fall ill or experience a death in the family. SACCOs originally piloted 8 groups between them with approximately 100 members. Bvumbwe SACCO has expanded from its original four groups to fund 4 groups more using its own on-lending capital. FIMA also supported CUMO Microfinance Limited's development to upgrade its Hospitalization Benefit Insurance micro insurance product which complements its exiting Funeral Benefit Insurance (one of the first in the market). The grant supported field research, system developments, and staff training. FIMA has supported Airtel, one of two mobile network operators (MNO) in Malawi, in its bid to receive RMB permission to pilot a mobile phone based savings and funds transfer services. The service has been piloted since early 2010 and has over 30,000 users. AirTel has over 180 point of sales where clients can put cash onto the mobile savings system or take it out, including some ATMs. Savings are held in a trust account at NBS, the second largest commercial bank in Malawi. National and international transfers are also possible. FIMA supported the trial service by facilitating permission from the RBM for the pilot. This including convening meetings and helping RBM understand the regulatory implications/ experiences with mobile phone banking. The service will help to lower the cost of financial transfer services and savings. As electronic interoperability (i.e., the ability to move money between banks and credit union) improves the system will allow for a range of other services (such as bank account balances from any bank, interbank transfers etc.) Currently, there is only direct connectivity with NBS ATMs. Mobile phone banking will significantly expand both the outreach of banking services while reducing transaction costs to the banks and clients. The cost of a single transfer to a

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	client is USD 0.10. Even though the service is not intended as a "savings" account, they system does provide secure savings "storage". These basic services are important, but as in other countries does not satisfy broader financial needs of the poor, particularly credit provision, the granting of which requires personal attention from a financial institution. The review survey of clients found 18% felt services were the same (after grants) and 39% found they were better. 43% found quality much better. (See Annex 3, User Survey Question 3) Source of information ▪ Business plan reviews ▪ Interviews ▪ Program strategy documents ▪ Program start up documents ▪ Program reporting documents ▪ IFIs, SSOs ▪ Client, PIFI and Stakeholder surveys ▪
3.5.2 To what extent do services meet the needs of low-income clients? ▪ Increase in number of low-income clients (the demand for services) ▪ Product design appropriate to the needs of the poor • Low balance/credit limits • Terms & conditions conducive to income cycles? • Clear & transparent pricing • Geographically accessible • SSO service offering, usefulness, quality to supporting FSPs	Service and product needs include • basic and low income appropriate savings, credit and insurance products, • need for affordable credit products designed with agricultural income flows in mind • and product/service delivery systems that reduce transaction costs to both the institution and clients. • alternative identification system For the most part, available credit products do not meet the needs of all poor, particularly those in rural areas. Loans products are mostly "off-the-shelf" micro credit products with short terms and weekly or biweekly repayments. This kind of loan is appropriate for urban economies where the poor are involved in rapid turnover commercial activities but are not particularly well suited to the rhythms of rural economies where income cycles are tied to agricultural production or short periods of high income and long periods of little or no income. While a fairly standard "microfinance" approach to lending is applicable and valued in urban and peri-urban settings, its efficacy in rural towns and areas is limited. Not surprising given the influence of agriculture on the Malawian economy, the agricultural income effect is also felt in mid-sized and even in larger urban areas. FIMA supported products/services meet address access and product and service needs and are particularly supportive of improving access for low income persons. FIMA has directly supported the creation of four new products serving the needs of low income people: • FinCoop on-lending capital and for funding new SME loan product development; • MUSCCO supported development of a new rural womens' loan product "Pantonto" to be made available to all members. Piloted

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	in three SACCOs, , Bvumbwe, Ulimi and Rumphi. The product was brings women together in groups of seven to fifteen to save and borrow from a local credit union. The loan features group (through peer pressure) and individual (via fines) guarantees and voluntary group "insurance" where members contribute small amounts to support other members when they fall ill or experience a death in the family. The two SACCOs originally piloted 8 groups between them with approximately 120 members; one of them, Bvumbwe, since expanded the program to fund four additional groups with it on-lending capital. • CUMO Microfinance Ltd. upgraded its Funeral Benefit Insurance to include Hospitalization Benefit Insurance. The FIMA grant supported field research, system developments, and staff training. • Airtel's mobile phone based savings and funds transfer services has been piloted since early 2010 and has over 30,000 users. AirTel has over 180 point of sales where clients can put cash into the mobile savings system or take it out.48 The service will help lower the cost of transfer services and savings (the cost of a single transfer to a client is USD 0.10).49 As electronic interoperability (i.e., the ability to move money between banks and credit unions) improves, the system will allow for a range of other services (such as bank account balances from any bank, interbank transfers etc.). Currently, there is only direct connectivity with NBS ATMs. These products and services are important but do not address the full spectrum of need particularly on- and off-farm credit in rural area and they are a notable absence in the FIMA portfolio, particularly, value chain lending for the low income market. The FIMA supported portfolio of products and services represent a good cross-section of products and services required for "in-fill" of urban and some outreach to rural markets. In aggregate, they both portend and contribute to the coming reorganization of the sector which will see a more fluid continuum of service provision combining mobile network operators, commercial banks, conventional IFIs such as microfinance organizations, credit unions, and value chain operators (e.g., produce buyers and processors). The IFI stakeholder surveys rates FIMA's performance in meeting the needs of low income clients as poor to good (55%) and good to excellent (45%). (See Annex 3, Financial Services/Financial Infrastructure Service Providers Survey, Question 11) Clients have a more negative perception with 38% of them rating PIFIs services as not really meeting their needs and another 45% saying they mostly meet their needs. 16% believe that services entirely meet their needs. Follow-up focus group discussions and found clients did not like high interest rates and payment schedules geared to trade rather than agricultural income rhythms. (See Annex 3, User Survey, Question 2) Additionally, 185 of clients felt services were the same (after grants) and 39% found they were better with 43% finding quality much better. (See Annex 3, User Survey Question 3) Source of information ▪ Business plan reviews ▪ Interviews

[48] Savings are held in a trust account at NBS, the second largest commercial bank in Malawi. National and international transfers are possible.
[49] The service does not provide a "savings" account in the sense of a traditional bank; rather it provides a secure savings "storage" place in the form of credit much the same way a cellular phones systems save air time credits. Savings and credit units are one to one with the Malawian currency.

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	▪ Program strategy documents ▪ Program start up documents ▪ Program reporting documents ▪ IFIs, SSOs ▪ Client, PIFI and Stakeholder surveys
3.5.3 Are new market areas being served? ▪ Extent to which current markets are being served (i.e., market penetration rates) ▪ Growth of outreach / (increase in the number of new poor markets (urban and rural) being developed Size of overall market being targeted and extent to which the program is meeting its penetration targets?	Historically, the majority of clients served by the IF sector in Malawi reside in urban or peri-urban areas. Increased competition in these markets is pushing commercial banks and some dedicated IFIs to smaller towns, normally agricultural service centres. As FIMA has no formal definition of what constitutes rural, it is not possible to determine the extent to which rural areas are better served as the result of the program's interventions. A FinScope survey of financial supply in Malawi that the number of commercial bank branches in the country had increased from fewer than twenty in 2000 to 66 in 2010 not including the over 200 relatively new bank agents and ATMS. FinScope predicts that competition in urban and commercial bank markets will fan the flame outward from larger cities and towns.50 According to BAM and other commercial bank stakeholders, innovation in mobile phone banking, movable (modular) branch premises, and truck banking will facilitate the penetration of lower density markets. Airtel confirms this trend, saying that while most of its 180 new point of sales agents are in major centres many will be located in smaller towns as the company better understands agent cash liquidity needs. Exogenous factors contributing to new market development interest include less government financing needs and hence greater need to source private sector loans, large commercial client market saturation, better understanding of the potential of smaller rural markets, growth of agriculture. Growth of savings by over 300,000 clients is indicative of new market development. 43% of clients surveyed found services to be closer to their homes which speak to some geographic expansion. (See Annex 3, User Survey Question 4). 87% of IFIs surveyed report geographic expansion has been very good to excellent. (See Annex 3, Financial Services/Financial Infrastructure Service Providers Survey, Question 9, a) Source of information ▪ Interviews ▪ Program strategy documents ▪ Program reporting documents ▪ IFIs, SSOs ▪ Client, PIFI and Stakeholder surveys

[50] Interview with Lyness Mkungula, Executive Director of the Banker's Association of Malawi.

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
3.5.4 Is there greater competition for the low-income market? ▪ Number of FSPs in low-income markets. ▪ Variety of competing products Variety of markets serviced by multiple FSPs (market overlap)	Due to low penetration rates and modest supply, stakeholders report no heavy competition in the low income market. This is changing however as the commercial banks become more interested in the markets and conventional IFIs develop outreach capacity. FIMA has helped to catalyze several factors that will improve competition in the low income market: • FIMA is helping the RBM to operationalize the MFA and FCA; • FIMA has encouraged and provided advisory to the BAM's effort to develop its Financial Inclusion Charter. The charter will set out a series of public IF sector market development commitment's and targets for commercial banks, beginning with savings, expanding to other products and services over time. According to commercial bank stakeholders, FIMA's participation in meetings and modest TA support to map commercial bank outlets and the geography of low income demand was instrumental in the BAM lead charter; and • Third, FIMA's advisory to Airtel on mobile phone banking and help facilitate RBM approval of the company's pilot savings and transfer service will lay the foundation for the provision of widely accessible and inexpensive mobile phone financial services. This has led to discussion among commercial bankers, the payment service clearing provider, and IFIs on how to increase product offering and expand geographic access. Similarly, demonstration services such as the MRFC point of service biometric identification system and OIBM truck-based mobile banking have already stirred competitive innovations at commercial banks and dedicated IFIs. 144. 38% of FIMA PIFI stakeholders surveyed believe competition enhancement has been good and 62% feel is it very good. (See Annex 3, Financial Services/Financial Infrastructure Service Providers Survey, Question 10) Source of information ▪ Business plan reviews ▪ Interviews ▪ Program strategy documents ▪ Program start up documents ▪ Program reporting documents ▪ PIFI surveys

3.5.5 Are sector SSOs providers being established / supported (e.g. FSP auditors, credit bureaus, FSP associations etc. – if applicable)?
 	
▪ Number of SSOs supported
Mechanisms of support
	The program has set out a number of targeted meso level outputs including many aimed at supporting capacity development to MAMN. The target interventions are fairly specific compared to other FIMA outputs' and compared to other UNCDF projects (e.g., Pacific Financial Inclusion Program and Inclusive Finance for the Underserved Economy in Timor-Leste) and include support for:
	
	• **Financial sector deepening group established within the Microfinance Forum**:
	  • Establishment of the group – done with limited results but growing meaningful participation
	  • Conducting a (unspecified) survey – no survey done

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	• Approval of draft NSFI(Support a) donor round table Implementation and monitoring of an implementation plan - done but with process issues causing stakeholder critiques. • **Number of local service providers supporting microfinance markets increased – not measured but according to stakeholders not a large concern for there are many suppliers of various technical capacities in region.** • **Microfinance Forum Secretariat resource centre website established and financial transparency training carried out –** non from MANM but several supported by FIMA • **Trainings and customized technical support provided by network** • **Credit Reference Bureau supported –** ongoing mostly informal discussions, FIMA entertained one proposals but IC did not approve due to sponsors lack of credibility and capacity. • **Members of the microfinance network reporting according to internationally recognized standards –** reporting standards evolving, financial institutions still reluctant to report and or reports inconsistent. • **Technical support provided to MFI sector wide and IT suppliers on effective Management Information Systems to support financial transparency and innovation:** • Assessment of MIS needs of MFI sector – not done. • Training conducted through the network and technical support for the assessment of IT systems 7 key players have adequate MIS systems to support international recognized standards and electronic banking applications developed in project – 4 MIS systems supported. Of these targets, FIMAs greatest impact will be the support of MAMN, which due to both the late start of the program and the networks inability to hire an experienced director has yet to bear significant fruit. Delays notwithstanding, MAMN has: • acted as Secretariat to the Microfinance Forum • contributed to the formulation of the National NFIS. The MAMN is, however, far from sustainable and has yet to assume the full role anticipated by the sector and anticipated in FIMA formulation. Some, though not all, of these roles are currently supported in full or in part by FIMA (e.g., training, advisory, and advocacy). BAM has initiated initiative to support commercial banks entry into and FIMA, again, has had a modest direct advisory and funding role in fostering this interest. FIMA is also helping to develop a management training course for IF sector executives through universities in Malawi and working with the GoM to develop a national financial literacy program; both will be meso level legacy initiatives of FIMA. Source of information ▪ Business plan reviews ▪ Interviews

<table>
<tr><th><u>EVALUATION QUESTION No. 3</u>
DELIVERY</th><th>To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?</th></tr>
<tr><th>Sub-questions & Indicators</th><th>Findings and sources of information</th></tr>
<tr><td></td><td>▪ Program strategy documents
▪ Program start up documents
▪ Program reporting documents
▪ IFIs, SSOs</td></tr>
<tr><td>3.5.6 Do SSOs meet the needs of FSPs?

• Quality of products & services provided</td><td>Stakeholders believe there is a relative abundance of some SSOs in the region (e.g., technical assistance providers, MIS providers, and other experts). Similarly, there are several regional MIS providers specializing in small banks and/or IFIs. There are several notable exceptions. There is functioning credit reference bureau, the MAMN is still weak and not on a financially sustainable path, and the sector will need more interoperability if access is to increase via electronic platformes. FIMA is supporting two important other important gaps in the meso level:

• helping to organize a formal IF management degree or diploma course to be offered by several higher education institution; and

• working with the GoM to create a national financial literacy program to help clients use a greater number/volume of more appropriate financial products and service.

Both activities are still at relatively early stages of development.

Lack of a credit reference bureau will become increasingly important as competition develops and the potential for over indebtedness rises.

MAMN remains weak and is not likely to be on a financially sustainable path for some time. The need for a vibrant advocacy, networking and training opportunity provision organization is critical.

The review finds that while design stressed meso level outputs, there is enough regional SSO support to meet demand in the medium term and that the quality and quantity of providers will evolve with the development of a larger and more sophisticated low-income market, particularly as commercial banks and mobile network operators enter the market.

PIFIs surveyed believe that FIMA FIMA's support for sector infrastructure has been 50% poor to good and 50% good. (See Annex 3, Financial Services/Financial Infrastructure Service Providers Survey, Question 7)

<u>Source of information</u>
▪ Interviews
▪ Program strategy documents
▪ Program reporting documents
▪ IFIs, SSOs</td></tr>
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EVALUATION QUESTION No. 3 **DELIVERY**	**To what extent has the program contributed to improvement of access to appropriate low-income person's financial services?**
Sub-questions & Indicators	**Findings and sources of information**
	▪ PIFI and Stakeholder surveys.

EVALUATION QUESTION No. 4: **SUSTAINABILITY**	**To what extent is the program likely to result in financially viable (i.e., sustainable) IFIs/SSOs in the longer-term, independent of external assistance of any kind?**
Sub-questions & Indicators	**Findings and sources of information**
4.1 To what extent are FSPs/SSOs Agencies preparing the phasing out following the exit of UNCDF?	
4.1.1 Is there evidence that FSPs/ SSOs maintain **financially viable** operations after completion of the intervention (or improving trends towards financial viability)? ▪ Market outlook and projections ▪ Number of operationally self sufficient FSPs ▪ Number of financially self sufficient FSPs FSP access to diverse capital sources, including mobilizing domestic savings	From June 2009 to December 2010, the FIMA project had provided financial and TA to seven (7) local microfinance institutions and two (2) commercial banks engaged in micro lending. These are in the form of grants and/or loans. FIMA supported PIFIs shows modest financial performance improvements from the period immediately before the FIMA intervention (see Table 14 below) to date. As a group, PIFIs have negative but improving return on assets and equity of -6% and -13% respectively, both below East African counterpart benchmarks. 51 Similarly, operational and financial self sufficiency are less than 100 indicating the FIMA PIFI portfolio is neither able to pay all their operating or capital costs. East African counterparts by contrast are operationally self sufficient and most are financially self sufficient.

FIMA-Assisted MFI´s & Eastern African MFI Benchmarks

	In Median Figures		
	FIMA-MFI		Eastern African
	2009	2010	2009
Total Assets (´000)	886,848	955,741	5,930,164
Total Portfolio Outstanding (´000)	553,992	591,480	3,133,538
Total Savings Balance (´000)	240,648	306,778	1,349,501
Savings to Loan Ratio	27%	52%	44%
Capital to Asset Ratio (Capital Adequacy)	46%	43%	25%
Portfolio To Assets Ratio	62%	62%	70%
Debt to Equity Ratio	1.17	1.37	2.4
Return on Assets	-23%	-6%	-2%

[51] See Micro Banking Bulletin at http://www.themix.org/microbanking-bulletin/microbanking-bulletin.

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<tr><th><u>EVALUATION QUESTION No. 4: SUSTAINABILITY</u></th><th>To what extent is the program likely to result in financially viable (i.e., sustainable) IFIs/SSOs in the longer-term, independent of external assistance of any kind?</th></tr>
<tr><th>Sub-questions & Indicators</th><th>Findings and sources of information</th></tr>
<tr><td></td><td>
<table>
<tr><td>Return on Equity</td><td>-51%</td><td>-13%</td><td>-6%</td></tr>
<tr><td>Operational Self-Sufficiency</td><td>42%</td><td>88%</td><td>110%</td></tr>
<tr><td>Financial Self-Sufficiency</td><td>42%</td><td>72%</td><td>97%</td></tr>
<tr><td colspan="4">Source: FIMA Grantee reports and Grantee financial statements.</td></tr>
</table>
In terms of fund source and utilization, FIMA PIFIs have slightly better performance than counterpart IFIs in the East Africa with a savings to loan ratio of 52% compared to a benchmark of 44%; and a capital adequacy ratio at 43% compared with the benchmark of 25%. This indicates a stronger liquidity position but may also suggest poor lending productivity. PIFIs remain dependent on retained earnings and external sources of funding (e.g, donor or government) for ongoing access to on lending capital.

PIFIs have slightly better lending efficiency measured by loans officer to loans managed with an average of 336 loans per loans officer compared to the East African benchmark of 260.
Sustainability Potential
PIFIs' performance has improved over the last year though most institutions remain some ways from becoming financially self sufficient. Balancing growth and capacity is critical as covering operating and finance costs typically requires both increased lending and improved management capacity. PIFIs' modest growth and modest positive performance trends are encouraging, for too rapid of growth in the absence of capacity can harm long-term sustainability. As PIFIs prepare to transform into formal financial institutions, however, they will require more, not less support. Of the PIFIs surveyed:

o 3 were viable prior to the program
o 6 believe they will be financially viable not long after the end of the program's
</td></tr>
<tr><td>4.1.2 To what extent was a phasing out strategy incorporated in program design?

▪ CGAP Appraisal and /or CAMEL management indicators
▪ Governance improvements (see 2.1.5 above)</td><td>FIMA grants to PIFIs were for discrete projects and do not require long term support nor were they intended to support improved overall management or governance. There are no phasing out issues as a result.</td></tr>
<tr><td colspan="2">4.2 To what extent was a phasing out strategy incorporated in program design?</td></tr>
<tr><td>4.2.1Was sustainability designed in the formulation process?

▪ Number of indicators in the original logical framework
▪ FSPs/SSOs were involved upstream in the drawing up of UNCDF's program, its implementation and its evaluation</td><td>FIMA is the defacto IF sector leader in Malawi yet it has no clear sustainability plan built into FIMA design or any of its annual work plans/strategies, this, despite a 2009 Technical Review recommendation to develop a concept note for the institutionalization of FIMA, and there has been no notable actions being taken towards phasing out the program at the time of review. In fact, staff contracting difficulties jeapordize a systemic wind down altogether.

Stakeholders are not overly concerned about the end of FIMA, however, for two reasons.

o the GoM is now staffing its new IF unit within the MoF.</td></tr>
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EVALUATION QUESTION No. 4: SUSTAINABILITY	To what extent is the program likely to result in financially viable (i.e., sustainable) IFIs/SSOs in the longer-term, independent of external assistance of any kind?
Sub-questions & Indicators	**Findings and sources of information**
▪ PSU arrangements to steer FSPs/SS0s towards sustainability	o the World Bank (WB) and DifD are finalizing a USD 34M program for financial sector development, of which up to USD 15M will focus on the IF sector employing a FSSA approach. The WB DifD program will focus more on meso and macro level activities however and may leave a gap at the micro capacity development level leaving a potential role for a future FIMA project.
4.2.2 Does the intervention design articulate a clear and workable exit strategy for UNCDF? • Mechanisms in place to replace UNCDF	FIMA has not made formal provisions for transferring its accumulated experience and knowledge. It is assumed that the World Bank (WB) and DifD financial sector deepening program will take over for FIMA. See 4.2.1

EVALUATION QUESTION No. 5: PROGRAM MANAGEMENT	How effective has management of the IF program been?
Sub-questions & Indicators	**Findings and sources of information**
EQ 5.1 How well are IF sector interests embedded in government institutions (if applicable) ▪ Management arrangements, appointments/secondments	.Source of information ▪ Documentary ▪ Direct and indirect project stakeholder Interviews ▪ Program reports, interviews ▪ Central Bank ▪ Bank Supervisor ▪ Governments ▪ PSU ▪ IFIs ▪ SSOs Other sector stakeholders

EVALUATION QUESTION No. 5: PROGRAM MANAGEMENT	How effective has management of the IF program been?
Sub-questions & Indicators	**Findings and sources of information**
EQ 5.2 How effectively have program managers delivered on the annual work plans? ▪ Achievements against targets	Overall, the program's achievements against annual work plans and related major targeted outputs have been good. A late start complicated the completion of many annual agenda items leading to noticeable delays, omissions and reprioritizations affecting the program's overall effectiveness. . An analysis of major activities budgeted for and approved in annual work plans shows o 83% of planned activities were funded o 61% projects are executing plans, o 54% of projects have been completed o 46% of resulting products, services, or acquired knowledge/skills are being implemented/used. Several significant output items have yet to be achieved including work with the RBM on SACCO regulatory training, concrete achievements of MAMN, particularly around member reporting and organization of training opportunities and a planned gender study was not produced. Other significant works in progress are the financial literacy programs and the IFI management diploma courses. FIMA staff has satisfactory execution of responsibilities. Grantee and other sector stakeholders report that staff is both supportive and vigilant in their interactions. The Director of the Directorate of Economic Affairs, MoF, reports that FIMA has been invaluable in its support of his IF responsibilities, as do representatives of the RBM. There is strong appreciation of the work of FIMA's CTA and NTA, and both are respected within the majority of stakeholder groups. FIMA management has qualified respect from some donors and stakeholders organizations however who express dissatisfaction with management of some process and protocol issues (see paragraph 169 regarding NIFS validation, lack of communications issues, and influence of government etc.) The review could not substantiate a factual basis for much of this dissatisfaction, but can report that opinions, while not dehabilitating to the program overall, were divisive and certainly contributed to less than ideal donor participation in FIMA. <u>Source of information</u> ▪ Document analysis ▪ Interviews ▪ Program reports, ▪ Work plans ▪ FIMA staff
EQ 5.3 How effectively have program managers managed the interests of all partners (if joint program is applicable) ▪ Workload sharing proportional to investment ▪ Clear roles defined and maintained ▪ Efficient joint management and decision making	The MoF is the executing agency for FIMA and the FIMA staff is responsible for all work related to IF sector development. There are no workload sharing expectations with the GoM, however, MoF and RBM staff are expected to participate in FIMA sponsored events and meetings in the development of capacity and regulatory enabling environment. The UNCDF Project officer representative sitting in the UNDP offices managed the program during start up and provides ongoing support to FIMA staff on procurement issues etc. The program facilitated closer coordination, co-operation and interaction with the relevant government agencies/offices by ensuring that all offices were represented in the FIMA Steering Committee and in the National Financial Inclusion Strategy Technical Working Group. FIMA has assisted in the institutional strengthening and capacity building of the several government offices, the MoF and RBM in

EVALUATION QUESTION No. 5: PROGRAM MANAGEMENT	How effective has management of the IF program been?
Sub-questions & Indicators	**Findings and sources of information**
▪ Satisfactory execution of responsibilities ▪ Satisfactory institutional recognition	particular, paving the way for an organized and synergistic approach to the pursuit of the national IF objectives. Program staff have represented the Ministry on several occasions at intra-governmental and donor forums, conferences, and meetings. FIMA has also supported the MoF goal of taking the lead for IF sector development in 2011 as the RBM moves to a supervisory role. More active SC involvement and oversight may have gone some way to dispel this perception that FIMA is overly influenced by the GoM. **Clear roles** All PFIP staff has clearly defined roles and responsibilities: **Resident Technical Advisor** (CTA): provides direct TA and training to partners; responsible for developing FIMA annual work plans and program protocols and procedures, as well as business planning, budgeting, fundraising, staff management, and reporting. The CTA also represents FIMA and the MoF at internal and external events and meetings. **National Technical Advisor**: supports all aspects of project management, including quarterly reporting, representing FIMA and the MoF at internal and external events and meetings. **Project Administrator**: primarily responsible for team administration and implementation of program delivery to the FIMA team; provides support and assistance to the management of the team's initiatives, including some aspects of program implementation. **Efficient joint management and decision making** The FIMA CTA s responsible for program execution and all day-to-day management decisions. Grants are reviewed and approved by the IC. Each of the program partners has a seat on the IC. The SC is responsible for all governance, oversight and strategic decisions **Source of information** ▪ Interviews with program stakeholders ▪ Program documents and reports ▪ UNCDF government and other relevant donors' staff ▪ Donors' programs documents and reports ▪ IFIs and SSOs and PSU ▪ Program documents
EQ 5.4 To what extent has the regional office ensured oversight and guidance functions? ▪ Number of visits ▪ Existence of clear mechanisms / instruments to share information and provide feedback	The regional UNCDF office in Johannesburg has played a modest ongoing role in the program. Support at the beginning of operations was insufficient and led to: • considerable confusion with the hiring of the CTA which caused the majority of the delay: a process which normally takes between 6 to 8 months took 19 months, contributing external stakeholder dissatisfaction; • dissatisfaction among internal stakeholder who claiming meaningful interaction "disappeared" for significant portions of time.

EVALUATION QUESTION No. 5: PROGRAM MANAGEMENT	How effective has management of the IF program been?
Sub-questions & Indicators	**Findings and sources of information**
▪ Sharing of lessons learnt ▪ Responsiveness to requests for TA	The regional office visited the program three times since the beginning of FIMA operations and staff responsibility for Malawi also changed twice during the program once when the UNCDF Regional Office for Southern and Eastern Africa and Regional Technical Manager for Inclusive Finance and again when a more junior officer was given responsibility for the country. The regional office had significant input to the program when it undertook a Technical Review (TR) of FIMA in 2009 which made several insightful recommendations: 1. a concept note for institutionalization of FIMA; 2. systemized strategic approach" to fund raising; 3. communications package, a market strategy to enhance FIMA image; 4. strategic knowledge pieces related to IFI cost structures and interest rates; 5. more robust understanding of PIFI capacity; 6. feasibility study of a national credit reference bureau; 7. enhancing MAMN and GoM capacity; and 8. build partnerships for financial literacy work. Only recommendations 6 and 7 were acted on substantially. . Lack of attention to programmatic institutionalization, communications and fund raising represent a lost opportunity for UNCDF and UNDP in terms developing long term of sector leadership and advancing sector needs. More attention to communication may have avoided problems resulting in less than desirable donor participation in the program and poor perception of the GoM relations, two critical issues constraining FIMA impact. A study of cost structures and interests rates may have had an impact on the nature of TA and granting as they would have shown considerable PIFI inefficiencies being masked by income from high interest rates. A study on a credit reference bureau would have pushed the issue to the front of the sector development agenda in advance of the impending changes being wrought by the MFA. Several of these issues were mentioned in a staff led Triparte Review of FIMA. The report noted for example: 1. only one of 21 IFIs in the review's sample could "compete favourably with the industry best regionally leave alone internationally"; 2. most conventional IFIs were far from having the capacity to scaling-up outreach or for meeting the requirements of the MFA; 3. the need to pay more attention to timely responses to the needs of all stakeholders; 4. the need to pay more attention to resource mobilization; and 5. to ensure greater cooperation and better donor coordination. That none of these were enacted upon or justifications for non action provided showed less than desirable management and Steering

EVALUATION QUESTION No. 5: PROGRAM MANAGEMENT	How effective has management of the IF program been?
Sub-questions & Indicators	**Findings and sources of information**
	Committee attention to recommendations from formal review. <u>Source of information</u> ▪ Document analysis ▪ Interviews ▪ Program reports, ▪ FIMA staff ▪ Regional office staff
EQ 5.5 How well has program helped align objectives of government departments/ ministries, Central Banks and/or Superintendencies? ▪ Complementary IF policies ▪ Complementary IF projects	See EQ 5.3.
EQ 5.6 How well is monitoring and evaluation linked into the needs of the management? ▪ Up to date indicators of project progress, regular and informative reports	FIMA uses quarterly, annual and irregular reports as the main monitoring and evaluation tools. Contents of the reports are adequate but inconsistent. Reports for the first two years were of minimal quality, however, once the CTA joined the staff reports improved considerably. To varying degrees annual and quarterly reports lack: • updates on outputs and outcomes; • systematic coverage on PIFI outreach; • consistent structure for comparative purposes; • longitudinal program data related to program management; • long term PIFI data; • inconsistent key term definition (e.g., rural clients, new products, etc.) • Inconsistent use of UNCDF PIFI performance indicators; • PIFI performance and outreach attribution rationales; • Disaggregated grantee data These types of problem were highlighted in the October 2009 Technical Review of FIMA and by staff in their Tripartite Review of FIMA in March 2010. A specific critique is a lack of balance sheet data on the standar UNCDF financial reporting template which emphasizes outreach and income statement performance data. PIFIs modest performance, reliance on external capital and impending MFA regulations require strong balance sheet analysis. These problems are apparent across all reports, appraisals, and contracts.

EVALUATION QUESTION No. 5: PROGRAM MANAGEMENT	**How effective has management of the IF program been?**
Sub-questions & Indicators	**Findings and sources of information**
	Regarding data management, FIMA staff reported a high degree of satisfaction with the Atlas and was able to provide substantial data for this review from the system related to project expenditures. Data provided in the 2009 Annual Progress Report reflects FIMA management use of Atlas particularly related to disbursements and expenses. Source of information ▪ Project Documents ▪ Project reports ▪ Meeting notes ▪ M&E data ▪ Project reports ▪ M&E documents ▪ FIMA staff ▪ Regional staff
EQ 5.7 Is M&E data and reporting being used to make strategic decisions about service delivery and for purposes of drawing lessons from experience ▪ Use of data from M&E to make strategic investment decisions ▪ Use of data from M&E to make technical assistance and capital investments. ▪ Use of data and reports to transmit lessons to local and national policy-makers	Monitoring and evaluation tools were found wanting in terms of structure, regularity and data. (See 5.6) And while the review team can only speculate, more follow up may have avoided some problems encountered by FIMA. Ultimately, the combined effectiveness of monitoring and reporting tools is deemed inadequate to serve the full needs of FIMA. Project management was adequate but management of information for strategic program purposes was not. Governance was also in inadequate as the SC did not ensure program staff substantively address/follow up the stakeholder and donor concerns set out in the TR. Source of information ▪ Interviews ▪ M&E reports ▪ FIMA staff ▪ Regional staff ▪ IC and SC members

EVALUATION QUESTION No. 6: PARTNERSHIP AND COORDINATION	**How well have partnerships with donors and governments supported the program?**
Sub-questions & Indicators	**Findings and sources of information**
EQ 6.1 Has the partnership mobilized additional resources for program implementation / replication? ▪ Evidence of synergies with other programs as a	FIMA began with USD 2M commitments from UNCDF and UNDP respectively. They were joined by Cordaid's commitment of UDS 1M prior to start up. In 2009, the GoM committed a further USD 1.4M, meeting the programs five year operating budget of USD 6.3M. This funding does not include cash or in-kind contributions on the part of grantees (no estimate available). There have been no significant co-funding arrangements either with FIMA directly or via specific projects. Neither has there been

EVALUATION QUESTION No. 6: PARTNERSHIP AND COORDINATION	**How well have partnerships with donors and governments supported the program?**
Sub-questions & Indicators	**Findings and sources of information**
result of UNCDF's intervention / complementary efforts with relevant initiatives in the sector (related to specific geographic markets or nationally). ▪ Establishment of new donor/government/ private sector partnerships established with local market and/or national actors ▪ Leveraging of additional investment funds into the sector (Additional donors' resources ratio to UNCDF; Additional private sector investments in sector traceable to program; Increased IF sector savings ▪ Up-scaling and replication (Increased client outreach - see measures above 3.7; Number of IFIs in new market areas; Number of IFI products being copied / replicated; Number of SSO copied / replicated)	significant cross fertilization with other IF programs or projects (there are no major IF programs being supported by other donors or government agencies). FIMA staff did provide input to and advisory support for the DifD sponsored FinScope Malawi IF supply side study. There were early talk of financial participation of AfDB and USAID but FIMA start up delays and changing institutional interests eroded interest. Source of information ▪ Interviews ▪ FIMA data ▪ Program documents and reports
EQ 6.2 Has the partnership favoured the harmonization of donor's interests? ▪ Evidence of coordination and partnership arrangements ▪ Pooled funding mechanisms ▪ Sectoral/thematic platforms ▪ Joint national/global initiatives ▪ Evidence of cross-fertilization among programs	FIMA has been the only structured IF sector support program in Malawi since the end of DMS in mid 2009. In the interim, FIMA has unsuccessfully reached out to other donors both for financial and sector coordination support. Donors do participate on FIMA SC and IC, though participation is irregular and/or staffed by junior staff. FIMA provided feedback on the upcoming WB and DifD developed sector development program but there was no structured coordination on same. FIMA's support to the MAMN has attracted increased stakeholder participation in recent months ameliorating discontent with the National Financial Inclusion Strategy process. (See EQ 6.3 for more details) Source of information ▪ Document analysis ▪ Stakeholder Interviews ▪ UNCDF and UNDP staff ▪ FIMA staff ▪ Donors representatives
EQ 6.3 Has the partnership enhanced UNCDF positioning and catalytic function? ▪ Effective partnership with UNDP and other key actors in place [e.g. Awareness/appreciation by staff and key stakeholders; evidence/ recognition of value-adding synergies and joint	The partnership between UNDP and UNCDF has not been consistently smooth. The project experienced unavoidable challenges typical of partnerships of this type, including procurement delays, meeting scheduling, partner feedback etc. Some of these delays resulted from poor/unfortunate institutional cycle synchronization and some from FIMA staff learning to manage procurement and institutional intricacies of the four partner organizations (and their inevitable/unavoidable bureaucratic issues). Delays around start up particularly frustrated program partners. Launching the program in mid 2007 prior to the near-term prospect of hiring management created significant and unnecessary stress on the partnership. Stakeholders comment that this decision and the then extended program start up caused credibility issues that made donors to reconsider participation in the program.

EVALUATION QUESTION No. 6: PARTNERSHIP AND COORDINATION	How well have partnerships with donors and governments supported the program?
Sub-questions & Indicators	**Findings and sources of information**
implementation mechanisms] ▪ Effective advocacy mechanisms in place [e.g. degree of generation/diffusion of innovative knowledge; Effective strategic alliances at the corporate level in place] ▪ Degree of recognition of UNCDF's approach and role among partners [Standing of UNCDF within donors community/appreciation by key SH; Alignment/ involvement in implementation of national/ donors strategies/priorities; Opportunities for further engagement/ strategic partnership]	**GoM Partnership** FIMA's partnership within the government yielded better results. Because the GoM essentially delegated responsibility for IF sector development to FIMA, the program was less a partnership than a "quasi" unit of the government: quasi in the sense that FIMA did the bidding of the government on many internal IF matters, including supporting and advising the MoF and the RBM, the program had the operating freedom accorded by its formulation documents and annual plans. Positioning of the program within the GoM was questioned by most stakeholders. Many viewed the partnership as being too close to avoid undue influence of the government. While the review could find no significant evidence of undue government influence, the perception of influence was a critical element shaping donor participation perception and action. **Donors and Other Stakeholders** Despite having a broad range of donor representatives on the SC and IC, there has been little cross fertilization of programmatic/project interests. Despite this participation and due to a lack of effective coordination and communications, major donors were not well versed on the program and its results and, many, fairly or not, had resulting strong critiques on various aspects of the program (e.g., influence of government on the program). Both symptomatic and contributory to donor understanding of the program is donors irregular and limited participation in FIMA activities, including those with participation on SC and IC. Some donors blame institutional politics and or management cycles for lack of interest and participation. Lack of a well-defined process to validate the **NSFI is an example of a significant negative outcomes stemming from poor communications**. Stakeholders uniformly questioned the FIMA led validation process which gave them less than 24 hours to comment on the document prior to it being launched by the GoM. FIMA contends that it received stakeholder input through regular and ongoing interactions, as opposed to a formal process; stakeholders do not consider this as a valid input process and contend the current document is a draft. The process caused more than a considerable number of questions about FIMA's credibility and its relationship with GoM. There is recognition by key IF stakeholders, however, that FIMA has supported important advances in the regulatory environment and sector innovation. Actors such as the BAM and AirTel also express appreciation for direct support of their interests and needs. FIMA staff has also provided input to various projects and programs in an advisory capacity (e.g., to the DifD sponsored FinScope Malawi IF supply side study and the WB and DifD developed sector program). Though support of MAMN as Secretariat of the Microfinance Forum, FIMA has brought key stakeholders together to discuss common vision to IF sector development, although NIFS process issue has distracted the Microfinance Fourm from its mission of late. Despite these challenges and issues, FIMA has maintained a satisfactory institutional recognition for the program with fairly positive brand recognition among IF stakeholders. The program is regarded as de facto the IF leader in the country and is recognized by all stakeholders as a UN program generally, and the UNDP, specifically. Fewer stakeholders recognize UNCDF's participation in the program (informally estimated at 30%).

EVALUATION QUESTION No. 6: PARTNERSHIP AND COORDINATION	**How well have partnerships with donors and governments supported the program?**
Sub-questions & Indicators	**Findings and sources of information**
	Source of information ▪ Document analysis ▪ Stakeholder Interviews ▪ UNCDF and UNDP staff ▪ FIMA staff ▪ Donors representatives

EVALUATION QUESTION No. 7: POLICY AND STRATEGY	**To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?**
Sub-questions & Indicators	**Findings and sources of information**
EQ 7.1 Did programs induce policy improvements in the inclusive finance sector? (if relevant/applicable) ▪ Awareness/appreciation of national decision-makers and other key stakeholders ▪ Sectoral reforms initiated/completed ▪ New IF sector appropriate regulations enacted ▪ IF sector appropriate norms and procedures applied	Through a variety of activities including a grant of USD 125,000 and advisory/TA support to the RBM, the program has increased the awareness and appreciation of national decision-makers and other key stakeholders of the need for a sound regulatory environment for inclusive finance and is laying the tracks for future developments. The program has had a role in four key regulatory and policy actions/activities: **Malawi Growth Development Strategy (MGDS)** The MGDS does not directly prioritize the goals of inclusive financial nor does it directly align with the content of the National Financial Inclusion Strategy (NFIS – see below). FIMA – through FIMA is working with stakeholders to reverse the lack of emphasis on financial inclusion in the document in the document's revision. **Microfinance Act and the Financial Cooperatives Act** FIMA has acted as a primary advisor to the MoF and the RBM on the development of directives and guidelines for the MFA particularly, and to a lesser extent on the FCA.52 The program has coordinated and hosted stakeholders meetings, provided input on good practice policy and regulations, as well as helping the MoF prepare the political ground work for the passage of the acts. FIMA financing of general good practice regulation training and exposure visits for GoM staff also contributed. **National Strategy for Financial Inclusion (NSFI)** FIMA worked closely with RBM and MoF officials, and had informal conversations with other sector stakeholders to develop the NSFI. The document sets out a "good practice" IF sector development agenda for the GoM at each of the micro, meso and macro levels. The NSFI provides a guide to the sector stakeholders and the GoM for good practice policy and regulation but critically it will help support the MoF as it assumes its responsibility for sector development. FIMA has represented or advised the MoF on a number of financial sector issues as diverse as:

[52] FIMA has supported the RBM in the development of specific guidelines and regulations which are "gazetted" or made into law as guide by and as part of the broader Microfinance Act.

EVALUATION QUESTION No. 7: POLICY AND STRATEGY	To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?
Sub-questions & Indicators	**Findings and sources of information**
	• "know your client"; • anti money laundering; • mobile phone banking regulation; • consumer protection; and • financial literacy. FIMA has been responsible, in part, for motivating the GoM to place responsibility for sector development in the MoF leaving the RBM, which has been the de facto sector development agent within the government, to oversight and supervision functions. This is a critical as the RBM transfers sector development responsibilities to the MoF and moves to a supervisory role. The government continues to have a direct majority stake at seven established retail IF financial/funds in direct opposition to sector good practice embedded in the NSFI and MFA. While FIMA has made note of this to the GoM is clear that that these activities will not soon be brought to good practice standards, with the possible exception of the MRFC whose shares may be majority owned by private interests in the near future. There is talk of creating a Malawian national development bank which would certainly impact the retail IF market. 88% of the IFIs surveyed believe that FIMA has helped to embed the interest of the sector in the government institutions (see Annex 3, IFI Survey, and Question 2). Source of information ▪ Document analysis ▪ Interviews ▪ Government strategic documents and plans ▪ Government officials ▪ IFI survey ▪ FIMA Staff ▪

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<tr><th><u>EVALUATION QUESTION No. 7</u>:
POLICY AND STRATEGY</th><th>To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?</th></tr>
<tr><td>Sub-questions & Indicators</td><td>Findings and sources of information</td></tr>
<tr><td>EQ 7.2 To what extent did policy improvements lead to growth or sustainability of the sector?

▪ Clear and efficient regulations
▪ Clear and applicable enforcing mechanisms and rules
▪ Complementary initiatives, i.e. appropriate low-income economic support programs</td><td>The package of policy and regulatory advances to which FIMA has contributed has led to a more strategic and coordinated GoM approach to sector development. Specifically, FIMA continues to contributed the development of:

The Microfinance Act;
Financial Cooperatives Act;
National Financial Inclusion Strategy; and
Financial literacy programs.

<u>Source of information</u>
▪ Document analysis
▪ Interviews
▪ Government strategic documents and plans
▪ Government officials
▪ FIMA Staff</td></tr>
<tr><td>EQ 7.3 Did programs foster governments' commitment towards pursuing the MDGs?

• National strategies/strategic partnerships.
• Public commitments to IF as part of MDG strategies.
• IF sector development linked to other government initiatives</td><td>The program contributed to the GoM's poverty alleviation and gender goals of the MDGs. The program suppoted these goals through support of PIFIs and via contribution:

Malawi Development Growth Strategy;
National Financial Inclusion Strategy;
The Microfinance Act;
Financial Cooperatives Act;
National Financial Inclusion Strategy; and
Financial literacy programs.

<u>Source of information</u>
▪ Document analysis
▪ Interviews
▪ Government strategic documents and plans
▪ Government officials
▪ FIMA Staff</td></tr>
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EVALUATION QUESTION No. 7: POLICY AND STRATEGY	To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?
Sub-questions & Indicators	**Findings and sources of information**
EQ 7.4 To what extent were desired regulatory changes achieved? (if applicable) ▪ Existence of new/addition to existing low-income financial regulatory regime Quality of low-income regulatory change	See 7.1-7.3
EQ 7.5 Are the project's results known and **influential** among key IF sector stakeholders in the region? ▪ IFIs/SSO organizations opinion ▪ Citations in new standards and guidelines for IFI/SSO management among sample IFIs ▪ Question key stakeholder or decision-makers in the field of IF	FIMA's results are well known to its project partners the GoM, UNDP, UNDP and Cordaid. Within the GoM, the RBM is well informed, whereas within the MoF knowledge of the program is mixed, good at very senior levels but not as well distributed at mid management levels. Other Ministries involved in inclusive finance, such as the Ministry of Agriculture, are not as well apprised of FIMA as other GoM stakeholders. Mixed knowledge of the program within the GoM has not however affected its effectiveness as the main source of IF experience and knowledge within the government nor its influence as a facilitator or good practice regulation. Primary program stakeholders, such as grantees, have good knowledge of FIMA as it relates to their specific interests and of its role related to regulation, but have mixed knowledge of other progamme objectives and accomplishments. There is some confusion, particularly, around ownership of the project and who is responsible for programmatic achievements. Lack of formal communication materials/vehicles (especially a program website or newsletter) and the compressed and intense duration of the project have lead to less than precise information on the program and have affected, to some degree, relationships with other donors/stakeholder. Annual work plans and internal program reviews both directed program managers to improve communications. PIFI opinion of FIMA was generally good, with minor issue related to funding delays and reporting. Source of information ▪ Interviews ▪ Document analysis ▪ Central Government ▪ Main donors

ANNEX 10: FIMA SURVEY RESULTS

	FIMA – Financial Services/Financial Infrastructure Service Providers Survey	1*	2	3	4	5	%				
1	Rate the extend to which the program meets the needs of the inclusive finance sector.	0	0	5	4	0	0	0	56	44	0
2	Rate the extent to which the program helps to embed inclusive financial sector interests in government institutions.	0	1	3	2	0	0	17	50	33	0
3	Rate the extent to which program investments correspond to your FSP's or SSO's priorities and needs.	0	0	2	3	4	0	0	22	33	44
4	Rate the extent to which funds/services from the program have been effectively transferred to your FSO or SSO.	0	1	4	1	3	0	11	44	11	33
5	Rate the extent to which *TA* (TA) or other services have been effectively delivered to your FSP or SSO.	0	2	4	1	0	0	29	57	14	0
6	Rate the extent to which the program has improved the long-term planning, management and governance processes at your FSP or SSO.	0	1	3	3	1	0	13	37	37	13
7	Rate the extent to which the program has supported the development of needed inclusive financial sector infrastructure developments.	0	1	1	2	0	0	25	25	50	0
8	Has the program support helped to mobilize additional resources for FPSs and SSOs beyond those of programmed funding?	0	2	1	4	1	0	25	12.5	50	12.5
9	Rate the extent to which inclusive financial sector market areas are being served as a result of the project:						0				
	a. New geographic markets; and	0	0	1	4	3	0	0	12.5	50	37.5
	b. New FSP/Service type markets (savings, credit, insurance, etc.).	0	1	3	1	2	0	14	43	14	28
10	Rate the extent to which there is greater competition in the inclusive financial sector.	0	0	3	5	0	0	0	38	62	0
11	Rate the extent to which current inclusive finance sector services meet the needs of low-income clients.	0	2	3	1	3	0	22	33	12	33
12	Rate the extent to which FSPs/SSOs provide appropriate products & services to women.	0	1	2	3	3	0	12	22	33	33
13	Rate the extent to which FSPs/SSOs are aware of existing environmental finance regulations, environmental risks to portfolio and/or significant environmental impacts due to lending activities.	0	3	2	2	2	0	33	22	22	22
	Total	**0**	**15**	**37**	**36**	**22**					
14	Were/Will your inclusive financial sector business activities be:		Yes		No						
	a. financially viable before participation in the program?;		5		3						
	b. reach/maintain financially viability after the completion of the program?; and		6		2						
	c. be financially viable not long after the completion of the program?		1		6						

*** 1 = very poor 2 = poor 3 = good 4 = very good 5 = excellent**

	Stakeholder - Program Stakeholders Survey	1*	2	3	4	5	%				
1	Rate the consistency of the program design with Asia Pacific regional and country specific national poverty reduction priorities.	0	0	1	0	1	0	0	50	0	50
2	Rate the extent to which the program design is aligned with government(s) financial sector development plans/strategy.	0	0	0	0	2	0	0	0	0	10
3	Rate the extent to which the program meets the needs of the finance sector.	0	0	1	1	0	0	0	50	50	0
4	Rate the extent to which the following actors are engaged in the program:										
	a. Government and/or Central Bank and/or Bank Superintendence;	0	0	0	0	1	0	0	0	0	100
	b. Private Sector (non finance) ;	0	0	1	0	0	0	0	100	0	0
	c. Inclusive finance sector business; and	0	0	0	0	1	0	0	0	0	100
	d. Non-governmental organizations/associations.	0	0	1	0	1	0	0	50	0	50
5	Rate how well the program has strengthened the capacities of the following actors in the inclusive financial sector:										
	a. Financial Service providers;	0	0	0	1	1	0	0	0	50	50
	b. Government agencies;	0	0	0	0	2	0	0	0	0	100
	c. Central Bank/Bank Supervisor;	0	0	1	0	1	0	0	50	0	50
	d. Donors (not including UNDP/UNCDF); and	0	0	0	0	0	0	0	0	0	0
	e. Donors (not including UNDP/UNCDF).	1	0	0	0	0	100	0	0	0	0
6	Rate how effectively funds from the program have been transferred to financial service providers and/or other project partners.	0	0	0	0	0	0	0	0	0	0
7	Rate how effectively program services/support has been delivered to the financial service provision partners and or other project partners.	0	0	0	0	0	0	0	0	0	0
8	Rate the extent to which the program has enhanced the market for inclusive financial services.	0	0	0	2	0	0	0	0	100	0
9	Rate the extent to which the program supported the development of financially viable financial service providers.	0	0	0	0	1	0	0	0	0	100
10	Rate the extent to which financial services offered by financial service providers participating in the program meet the needs of low-income clients.	0	0	1	1	0	0	0	50	50	0
11	Rate the performance of the program's partnership.	0	0	0	0	2	0	0	0	0	100
12	Rate the extent to which the program supported appropriate inclusive finance sector regulatory/policy/strategy developments.	0	0	0	0	2	0	0	0	0	100
13	Rate the extent to which financial service providers met the needs of women.	0	2	0	0	0	0	100	0	0	0
14	Rate the extent to which financial service providers are aware of existing environmental finance regulations, environmental risks to portfolio and/or significant environmental impacts due to financing activities.	0	0	0	1	1	0	0	0	50	50

*** 1 = very poor 2 = poor 3 = good 4 = very good 5 = excellent**

	Service User Survey	a	b	c	d	e	f		%					
1	How long have you used the services from this MFI?	30	25	20					40	33	27			
	a. Less than 1 year													
	b. 1 to 3 years													
	c. More than 3 years													
2	Do the financial services you use meet your needs?	26	31	11	1				38	45	16	1		
	a. Not really													
	b. Mostly													
	c. Entirely													
	d. No opinion													
3	Have the financial services been getting better since you began using them?	10	21	23	0				18	39	43	0		
	a. They are the same													
	b. They are better													
	c. They are much improved quality													
	d. No opinion													
4	Are services closer to your home than the ones you used before?	24	7	23					44	13	43			
	a. Yes													
	b. No													
	c. Did not use others before													
5	Are the services provided by your MFI less expensive than those services you used before?	22	19	3	0	12			39	34	5	0	22	
	a. Did not use others before													
	b. Yes													
	c. No													
	d. About the same													
	e. Don't know													
6	How would you compare the services of the MFI with other providers you know of or may have used? (banks, credit unions, etc.)	13	3	29	8	3			23	5	52	15	5	
	a. Have not used other services before													
	b. They are the same													

	c. They are better													
	d. They are much better													
	e. No opinion													
7	Does the information you get from your MFI explain services in a clear and understandable way?													
	a. Information is not readily available													
	b. No													
	c. Sometimes	2	4	4	10	35	1		4	7	7	18	62	2
	d. Most of the time													
	e. Always													
	f. No opinion													
8	If you are a woman, do you feel the services you get from your MFI meet your needs?													
	a. Don't know													
	b. No													
	c. Sometimes	1	7	13	13	16			2	14	26	26	32	
	d. Most of the time													
	e. Always													

*** 1 = very poor 2 = poor 3 = good 4 = very good 5 = excellent**

Annex 11: FIMA Steering Committee and Investment Committee Membership

LIST OF IC MEMBERS (2 female 22%; 6 male 66%)

1) UNDP – Chair (F)
2) UNDCF (M)
3) CORDAID (F)
4) African Development Bank (AfDB) (M)
5) USAID – (M)
6) Reserve Bank of Malawi (RBM) – Director of Microfinance and Capital Markets (M)
7) Malawi Microfinance Network (MAMN) – Executive Director (M)
8) Ministry of Finance - Director of Economic Affairs (M)
9) Ministry of Industry and Trade – Director (M)

LIST OF SC MEMBERS (3 female 33%; 6 male 66%)

1) Ministry of Finance – Secretary to the Treasury, Chair (M)
2) UNDP – Deputy Resident Representative, Co Chair (F)
3) Ministry of Industry and Trade – Principal Secretary (M)
4) Ministry of Agriculture - Principal Secretary (M)
5) Ministry of Justice - Principal Secretary (M)
6) The Malawi Microfinance Network - Principal Secretary (M & F)
7) The Bankers Association - Principal Secretary (F)
8) The Reserve Bank of Malawi – Director of Microfinance and Capital Markets (M)
9) UNCDF (M)

ANNEX 12: FIMA FINANCIAL ACCOUNTS 2008-2010 (Q2)

Table1: Project Activities , Expenditures Actual Versus Budget, 2008 - 2010-ALL FUNDS

	ACTUAL					BUDGET	
Output 1. Advocay	**2007**	**2008**	**2009**	**2010**	**Total**	**Total**	**%**
Capital grants to RBM-Microfinance Unit	-	85,000	-	-	85,000	85,000	100%
Share to Cost of FIMA	-	18,120	175,588	129,473	323,181	341,999	94%
Cost of Local Consultants	-	19,289	-	-	19,289	19,289	100%
Travel Expenses	3,990	25,735	15,228	1,459	46,412	56,540	82%
Operations and Admin Costs		6,134	5,476	7,549	19,160	112,366	17%
Sub-Total, Advocacy	3,990	154,279	196,292	138,481	493,042	615,194	80%
Output 2. Infrastructure Support							
Capital Grants to the Malawi MF Network	-	-	161,414	-	161,414	213,976	75%
Share to Costs of FIMA	-	4,400	-	-	4,400	4,700	94%
Cost of International Consultants	-	-	-	617	617	1,000	62%
Travel Expenses	-	48,097	7,090	-	55,187	61,726	89%
Operations and Admin Costs	-	19,642	1,745	-	21,388	67,079	32%
Sub-Total, Infrastructure Support	-	72,139	170,249	617	243,005	348,481	70%
Output 3. Retail Institutional Capacity							
Capital Grants to Financial Service Providers	-	201,422	711,130	321,500	1,234,052	1,564,731	79%
Loans	-	-	300,000	125,000	425,000	550,000	77%
Salary Costs	-	-	-	27,600	27,600	49,600	56%
Travel Expenses	-	-	35,482	23,596	59,079	66,711	89%
Operations and Admin Costs	-	-	1,270	7,811	9,081	20,576	44%
Sub-Total, Retail Institutional Capacity	-	201,422	1,047,882	505,507	1,754,812	2,251,619	78%
Output 4. Project Management Unit							
Salary Costs of FIMA	-	34,549	75,956	72,872	183,377	170,000	108%
Cost of International Consultants	-	-	23,668	4,044	27,712	137,670	20%
Cost of Local Consultants	-	-	-	5,530	5,530	5,500	101%
Travel Expenses	-	-	63,810	51,634	115,445	129,726	89%
Operations and Admin Costs	100,325	8,563	109,184	9,929	228,002	290,969	78%
Sub-Total, PMU	100,325	43,112	272,619	144,009	560,065	733,865	76%
GRAND TOTALS	**104,315**	**470,952**	**1,687,043**	**788,614**	**3,050,924**	**3,949,159**	**77%**

Table 2: Project Activities , Expenditures Actual Versus Budget, 2008 - 2010-UNCDF FUNDS					
	ACTUAL				
Output 1. Advocay	**2007**	**2008**	**2009**	**2010**	**Total**
Capital grants to RBM-Microfinance Unit	-	85,000.00	-	-	85,000.00
Share to Cost of FIMA	-	17,029.58	175,588.10	129,473.18	322,090.86
Cost of Local Consultants	-	-	-	-	-
Travel Expenses	-	19,254.63	5,669.30	1,458.69	26,382.62
Operations and Admin Costs	-	2,128.00	-	-	2,128.00
Sub-Total, Advocacy	-	123,412.21	181,257.40	130,931.87	435,601.48
Output 2. Infrastructure Support					
Capital Grants to the Malawi MF Network	-	-	109,976.00	-	109,976.00
Share to Costs of FIMA	-	4,400.00	-	-	4,400.00
Cost of International Consultants	-	-	-	-	-
Travel Expenses	-	1,059.78	-	-	1,059.78
Operations and Admin Costs		-	-	-	-
Sub-Total, Infrastructure Support	-	5,459.78	109,976.00	-	115,435.78
Output 3. Retail Institutional Capacity					
Capital Grants to Financial Service Providers	-	201,422.48	325,876.00	-	527,298.48
Loans	-	-	-		-
Salary Costs	-	-	-	27,600.00	27,600.00
Travel Expenses	-	-	9,391.08	4,390.00	13,781.08
Operations and Admin Costs	-	-	-	189.39	189.39
Sub-Total, Retail Institutional Capacity	-	201,422.48	335,267.08	32,179.39	568,868.95
Output 4. Project Management Unit					
Salary Costs of FIMA	-	-	-	-	-
Cost of International Consultants	-	-	-	-	-
Cost of Local Consultants	-	-	-	-	-
Travel Expenses	-	-	-	-	-
Operations and Admin Costs	100,000.00	8,132.00	-	-	108,132.00
Sub-Total, PMU	100,000.00	8,132.00	-	-	108,132.00
GRAND TOTALS	**100,000.00**	**338,426.47**	**626,500.48**	**163,111.26**	**1,228,038.21**

Table. Project Activities , Expenditures Actual Versus Budget, 2008 - 2010-UNDP FUNDS					
	ACTUAL				
Output 1. Advocay	**2007**	**2008**	**2009**	**2010**	**Total**
Capital grants to RBM-Microfinance Unit	-	-	-	-	-
Share to Cost of FIMA	-	1,090.54	-	-	1,090.54
Cost of Local Consultants	-	19,289.48	-	-	19,289.48
Travel Expenses	3,989.92	6,480.05	9,559.15	-	20,029.12
Operations and Admin Costs	-	4,006.42	5,475.94	7,549.48	17,031.84
Sub-Total, Advocacy	3,989.92	30,866.49	15,035.09	7,549.48	57,440.98
Output 2. Infrastructure Support					
Capital Grants to the Malawi MF Network	-	-	-	-	-
Share to Costs of FIMA	-	-	-	-	-
Cost of International Consultants	-	-	-	616.52	616.52
Travel Expenses	-	47,036.92	7,090.03	-	54,126.95
Operations and Admin Costs	-	19,642.34	1,745.28	-	21,387.62
Sub-Total, Infrastructure Support	-	66,679.26	8,835.31	616.52	76,131.09
Output 3. Retail Institutional Capacity					
Capital Grants to Financial Service Providers	-	-	385,254.00	141,000.00	526,254.00
Loans	-	-	-	-	-
Salary Costs	-	-	-	-	-
Travel Expenses	-	-	26,091.19	19,206.33	45,297.52
Operations and Admin Costs	-	-	1,270.05	7,621.13	8,891.18
Sub-Total, Retail Institutional Capacity	-	-	412,615.24	167,827.46	580,442.70
Output 4. Project Management Unit					
Salary Costs of FIMA	-	34,548.74	75,956.20	72,872.23	183,377.17
Cost of International Consultants	-	-	23,668.07	4,043.60	27,711.67
Cost of Local Consultants	-	-	-	5,530.19	5,530.19
Travel Expenses	-	-	63,810.15	51,634.38	115,444.53
Operations and Admin Costs	325.19	431.36	109,184.11	9,928.86	119,869.52
Sub-Total, PMU	325.19	34,980.10	272,618.53	144,009.26	451,933.08
GRAND TOTALS	**4,315.11**	**132,525.85**	**709,104.17**	**320,002.72**	**1,165,947.85**

Table. Project Activities , Expenditures Actual Versus Budget, 2008 - 2010-OTHER DONORS (CORDAID ONLY)					
	ACTUAL				
Output 1. Advocay	**2007**	**2008**	**2009**	**2010**	**Total**
Capital grants to RBM-Microfinance Unit	-	-	-	-	-
Share to Cost of FIMA	-	-	-	-	-
Cost of Local Consultants	-	-	-	-	-
Travel Expenses	-	-	-	-	-
Operations and Admin Costs	-	-	-	-	-
Sub-Total, Advocacy	-	-	-	-	-
Output 2. Infrastructure Support					
Capital Grants to the Malawi MF Network	-	-	51,438.00	-	51,438.00
Share to Costs of FIMA	-	-	-	-	-
Cost of International Consultants	-	-	-	-	-
Travel Expenses	-	-	-	-	-
Operations and Admin Costs	-	-	-	-	-
Sub-Total, Infrastructure Support	-	-	51,438.00	-	51,438.00
Output 3. Retail Institutional Capacity					
Capital Grants to Financial Service Providers	-	-	-	180,500.00	180,500.00
Loans	-	-	300,000.00	125,000.00	425,000.00
Salary Costs	-	-	-	-	-
Travel Expenses	-	-	-	-	-
Operations and Admin Costs	-	-	-	-	-
Sub-Total, Retail Institutional Capacity	-	-	300,000.00	305,500.00	605,500.00
Output 4. Project Management Unit					
Salary Costs of FIMA	-	-	-	-	-
Cost of International Consultants	-	-	-	-	-
Cost of Local Consultants	-	-	-	-	-
Travel Expenses	-	-	-	-	-
Operations and Admin Costs	-	-	-	-	-
Sub-Total, PMU	-	-			
Grand Totals			351,438.00	305,500.00	656,938.00

Annex 13: Grantee Financial Performance Overviews

TABLE: COMPARATIVE OPERATIONS AND FINANCIAL								
All Funded MFIs, Year 2010 Figures	**PRIDE**	**MICROLOAN**	**FINCOOP**	**CUMO**	***MUSCCO***	**MRFC**		**Median MBB**
	2010	**2010**	**2010**	**2010**	**2010**	**2010**	**Median**	**East Africa**
Institutional Characteristics								
Age	10	20				18		9
Average Number of Loan Officers	34	119	14			276		103
Financing Structure & Finance Indicators								
Total Assets ('000)	298,690	260,703	1,321,668	448,920	642,967	2,761,497	955,741	5,930,164
Total Equity ('000)	(202,537)	217,068	1,052,646	428,732	202,410	742,414	406,789	
Total Liabilities ('000)	501,228	43,635	269,022	60,187	440,556	2,019,083	555,619	
Total Portfolio Outstanding ('000)	207,791	193,284	543,712	196,072	289,012	2,119,007	591,480	3,133,538
Total Savings Balance ('000)	66,828	-	514,003	35,943	458,559	458,559	306,778	1,349,501
Total Gross Revenues from Loans('000)	118,923	111,836	49,350	70,955	34,520	597,182	163,794	
Total Net Revenues After Financial Costs ('000)	108,352	111,836	39,599	70,955	25,472	447,052	133,878	
Total Operating Expenses ('000)	123,893	152,275	48,303	79,706	110,293	607,879	187,058	
Net Operating Income ('000)	(15,541)	(40,439)	(8,704)	(8,751)	(84,821)	(160,827)	(53,181)	
Savings to Loan Ratio ('000)	32%	0%	95%	18%	159%	22%	52%	44%
Capital to Asset Ratio (Capital Adequacy)	-68%	83%	80%	96%	31%	27%	43%	25%
Portfolio To Assets Ratio	70%	74%	41%	44%	45%	77%	62%	70%
Debt to Equity Ratio (x)	(2.5)	0.2	0.3	0.1	2.2	2.7	1.4	2.4
Return on Assets	-5%	-16%	-1%	-2%	-13%	-6%	-6%	-2%
Return on Equity	-8%	-19%	-1%	-2%	-42%	-22%	-13%	-6%
Operational Self-Sufficiency	96%	73%	102%	89%	31%	98%	88%	110%
Financial Self-Sufficiency	87%	73%	82%	89%	23%	74%	72%	97%
Outreach Indicators								
Number of Active Borrowers	8,337	23,300	20,175	42,443	113,108	95,354	50,453	14,473

Number of Women Borrowers	4,835	23,300	12,306	35,395	32,277	36,234	24,058	7,960
% Women Borrowers	58%	100%	61%	83%	29%	38%	48%	55%
Average Loan Balance Per Borrower ('000)	24.92	8.30	26.95	4.62	2.56	22.22	11.72	216.00
Number of Savers	7,054	21,930	35,451	50,390	113,108	-	45,587	19,903
Average Savings/Client ('000)	9.47	-	14.50	0.71	4.05	-	7.19	59.00
Poductivity and Efficiency								
Borrowers/Loan Officer	245	196	1,441	-	-	345	557	263
Cost/Value Loan	60%	79%	9%	41%	38%	29%	32%	28%

Source: Audited Financial Statements and FIMA Monitoring Reports
Source: CGAP/Mix Market Micro Banking Bulletin, 2009

ANNEX 14: UNCDF FINANCIAL ANALYSIS TEMPLATE

Item	Mid Term Review	UNCDF CURRENT	UNDP OLD
INSTITUTIONAL PROFILE			
Age of Institution	x		x
Number of Branches	x		x
Number of Staffs	x		x
Number of Management Staffs	x		
Number of Loans Officer	x		x
Number of Support Staffs	x		
OPERATIONS DATA			
Total Active Borrowers	x	x	x
Total Men	x		
Total Women	x	x	x
Total Active Savers	x	x	x
Total Men	x		
Total Women	x	x	x
Total Savings Deposit Balances	x	x	x
Voluntary	x	x	x
Compulsory	x	x	x
INCOME STATEMENT			
Total Revenues/Income - Loans	x	x	x
Total Revenues/Income-Others	x	x	x
Total Revenues/Income All Sources	x	x	x
Total Operating Costs	x	x	x
Net Operating Income	x	x	x
Financial Expenses-Interests on Funds	x	x	x
Bad Debt Expense (Loss Loan Provision)	x	x	x
Net Income After Interests	x	x	x
Donations & Other Non-Operating Income	x	x	x
Net Funds Before Taxes	x	x	x
Taxes Paid	x	x	x
Net Funds	x	x	x
BALANCE SHEET			
Total Current Assets	x		
Total Fixed Assets	x		
Total Assets	x		x
Total Current Liabilities	x		
Total Long Term Liabilities	x		
Total Liabilities	x		x
Total Equity	x		x
PORTFOLIO QUALITY			
Total Portfolio Outstanding	x	x	x
Total Portfolio At Risk (PAR)	x	x	x
31 - 60	x	x	x
61-90	x	x	x
91-180	x	x	x
Over 180	x	x	x

Annex 15: CGAP Appraisal Light

Given that the application of this modified CGAP Lite Analysis is usually applied over a very short period of time and that often times not all information is available, the purpose is not necessarily to offer an exhaustive analysis. Rather, the spreadsheets act as a guide for the evaluator to assess where information is available and time permits major elements of an IFIs performance. As a result, final analysis spreadsheets can look quite different from the sheets below. This version is not accredited or sanctioned by CGAP and is a product of ES Global Consulting. Time and data limitations are most often found around management performance.

PFI Performance & Outreach									**Page 1**
	ANSWER FOR ALL PFIS	**Period -- or "P" usually expressed in years**							
Age (in years)									
Project start date	month/year								
Project close date	month/year								
Institutional Type									
No Status	If this is status indicate with a "1"								
Self Help (including ROSCAs)									
NGO rotating credit (not a formal MFI)									
Financial Cooperative (savings)									
Non Financial Cooperative (no savings)									
Credit Union									
Non Bank Financial Institution									
Commercial Bank Government Owned									
Commercial Bank Private									
Development Bank (non agricultural)									
Development Bank (agricultural)									
Specialized MFI(government owned)									
Specialized MFI (non governmental)									
Community Group									
Local Government									
Wholesale fund (government)									
Wholesale Fund (private)									
Other									
Micro Product Offering									

Credit	Indicate incidence with a 1								
Individual									
Group									
Consumption Lending									
In-Kind Lending									
Individual									
Group									
Savings									
Voluntary									
Demand									
Term									
Bonds									
Obligatory									
Other Products									
Remittances									
Insurance									
Project Type									
Financial Stand Alone									
Mixed Financial and Non Financial									

PFI Performance & Outreach

	ANSWER FOR ALL PFIs - INFORMATION TO COME FROM QUESTIONAIRES								
Performance & Outreach		PFI 1			PFI 2			PFI 3	
	Answer guide	T 1	T 2	T 3	T 1	T 2	T 3	T 1	T 2
Client Information									
Number of active borrowers (active loans as of date of information)	#								
Percentage of borrowers that are women	%								
Number of active voluntary savers (where savings are not tied to disbursement)	#								
Percentage of savers who are women	%								
Credit Data									
Average Loan Size (outstanding)									
Product One									
Product Two									
Savings Data									
Value of voluntary savings balance (does not include forced savings or cash collateral)	$								
Average savings balance	$								
Portfolio Data									
Value of loan portfolio (current not cumulative, lent to clients and not yet repaid)	$								
Portfolio at Risk (30 days: if not available state period)	%								
If PAR is not available report other indicators used (e.g., arrears rate, repayment rate)									
Indicator 1	%								
Indicator 2	%								
Average Outstanding Loan Size	$								
Average Outstanding Balance/GNI per Capita	$								
Profitability									
Operational Self Sustainability Ratio (see def below)	%								

FSS Ratio (if data is available)	%								
Efficiency and Productivity									
Administrative Efficiency (administrative costs excluding financial costs as % of avg. net portfolio)	%								
Number of active loans per loan officer (end of period)	#								
Outstanding portfolio per loan officer (end of period)	$								
Savings Balance per staff member	$								
Yield Gap (Actual Yield as a percent of portfolio) / (Expected Yield as a percent of portfolio)	%								
Liquidity									
Non-earning liquid assets/Total Assets	%								
Cash as a percent of total savings	%								
Capital Adequacy									
Equity as a percent of Total Assets	%								
Liabilities									
Total Liabilities	$								
Total Commercial Liabilities	$								
Net Commercial Liabilities as a percent of Total Assets	%								

PFI Performance & Outreach									Page 3
	Answer guide	**PFI 1**	**PFI 2**	**PFI 3**					
Product or Service	Describe new product, product methodology or service introduced as a result of UNCDF project (e.g. individual lending, remittances, etc.)								
Technology	Describe new technology introduced as a result of the UNCDF project (e.g. mobile banking, cell phones, hand-held technology, etc.)								
Other	Describe								
Reports									
Annual Financial Reports	Specify if financial activities are separated or part of a multi-sector program.								
Audited Financial Statements	Note if audited or unaudited								
Rating	Specify if the rater is a commercial or microfinance-specific rater								
Government Involvement									
Level of government involvement	No government involvement, local government, regional/state/provincial government, national government, via development bank								
Attribution Indicators									
Total UNCDF Financing % Funding	$ financing (i.e., not grant funds)								
Total UNCDF Grant Contribution % of Total Funding	%								
IFADs Contribution as a % of total non savings Funding	%								
Technical Service Provision By IFAD	Indicate selection with a 1								
None									
Some (1-4 weeks/year)									
Moderate (<4 > 12 weeks/year)									
Significant (<12 weeks/year)									

Technical Service Provision By Other Source	Indicate selection with a 1								
None									
Some (1-4 weeks/year)									
Moderate (<4 > 12 weeks/year)									
Significant (<12 weeks/year)									
UNCDF Presence	Indicate selection with a 1								
Local Representative (non FI)									
Local Representative (FI experience)									
CPM with no FI experience									
CPM with FI experience									
Grant Use	Indicate selection with a 1								
Technical Services									
Non Financial Assets									
Financial Assets									
Operational Losses									

	ANSWER FOR MISSION COUNTRY PFIS ONLY								
CGAP Lite	**Answer guide**	**PFI 1**	**PFI 2**	**PFI 3**					
Governance and ownership;	Licensed and regulated								
	Board members represent shareholders								
	Board meets as least three times per year								
	Board reviews financial performance								
Mission;	Mission covers key elements of what, where and for whom								
	Mission known to all management								
	Mission understood by all staff								
	Mission reflected in business plan								
	Mission in line with best practice MF								
Organizational structure;	Organizational chart clear and logical								
	Job descriptions in line with organizational chart								
	Institutional practice reflected by organizational chart								
Human resource management;	Existence and implementation of a human resource manual								
	Clear staff recruitment, performance, disciplinary, promotion and termination policies								
	Staff incentive system encouraging quality and quantity								
	Staff training and promotion practices encouraging high levels of staff performance								
Planning processes of the MFI;	Existence of a business plan								
	Evidence of use and updating of the business plan								
	Business plan is realistic and demonstrates significant growth								
	Evidence that staff were involved and informed about planning process								
Products and Lending Methodology;	Does the lending methodology have in-built incentives for repayment?								

	Is loan classification undertaken, loans diligently followed-up accordingly?								
	Is the product mix right for the growth stage of the organization?								
	Are products demand driven?								
	Does the MFI have a seemingly sustainable competitive advantage?								
Financial Management;	Accurate financial statements produced each month								
	Financial statement used by management and board for decision making								
	Ratio analysis undertaken and used								
	Diversification of funding sources								
MIS systems; and	System able to produce daily data on portfolio and arrears by product and loan officer								
	System has various levels of authorization depending on responsibilities of position								

PFI Performance & Outreach									Page 5
	ANSWER FOR MISSION COUNTRY PFIS ONLY								
CGAP Lite (continued)	**Answer guide**	**PFI 1**	**PFI 2**	**PFI 3**					
	System able to produce reports from previous time periods with accuracy								
	Portfolio balance reconciled regularly with accounting system								
Internal control and audit	Existence of internal audit function, reporting to the board								
	Basic reconciliations in place of portfolio, loan balance, cash, bank accounts and insurance balances								
	Basic cash handling policies in place and implemented, including cash counts, loan officers not handling cash and double signature on check								
	Evidence that fraud is dealt with in a timely and appropriate manner								

Client Impact

Target Clients	**PFI 1**	**PFI 2**	**PFI 3**	
Describe Project's Target Clients	**Use comment feature**			
Credit Products (all project products)	**PFI 1**	**PFI 2**	**PFI 3**	
Percentage Poor Clients	%	%	%	
Percentage of borrowers that are women	%	%	%	
Average Loan Size	$US	$US	$US	
Average Loan/GNI per capita	%	%	%	
Savings Products (all project products)	**PFI 1**	**PFI 2**	**PFI 3**	
Percentage of savers who are women	%	%	%	
Average savings size	$US	$US	$US	
Other Indicators	**PFI 1**	**PFI 2**	**PFI 3**	
Client Asset Growth Impact	0 to 5	0 to 5	0 to 5	Note: subjective indicators based on RES and CE evaluation
Client Income Growth Impact	0 to 5	0 to 5	0 to 5	Note: subjective indicators based on RES and CE evaluation
Client Health Impact	0 to 5	0 to 5	0 to 5	Note: subjective indicators based on RES and CE evaluation
Client Education Impact	0 to 5	0 to 5	0 to 5	Note: subjective indicators based on RES and CE evaluation

Other Indicator Index

0 = not enough information to make and informed observation

1 = Low & 5 = High

Lessons Learned

Please note that the following list is representative and not comprehensive.
Please add ideas and items as they occur.

Stakeholder Participation	
Processes for involving poor	
Processes for decision making	
Representing the poor	
Differentiated Financial System	
Institutional Level	
Legal & Regulatory Level	
Supporting PFI Performance	
Internal tools or techniques	
External tools or techniques	
Innovations	
Product	
Service	
Marketing	
Management	
Technology	
Credit Methodology	
Project Management	
Process	
Tools	

ANNEX 16: MANAGEMENT RESPONSE MATRIX

- **The Evaluation Team Leader** will use this Evaluation Follow-up Matrix to summarise the key findings and recommendations of the evaluation, and propose responsibilities and timeline for follow up.
- **The Portfolio Manager** will subsequently discuss the recommendations and proposed follow-up responsibility and timeline with program stakeholders and record agreed follow-up actions, responsibilities and timelines in this matrix, and use it monitor their implementation.
- **The Director of Practice Division** is responsible for oversight, to ensure timely implementation of agreed follow up actions.
- **The Evaluation Unit** will periodically report to UNCDF Senior Management and the Executive Board on progress in implementing agreed follow up to evaluations, as part of its accountability function.

UNCDF Management Response Template
[Name of the Evaluation] Date: February 2011

Prepared by: Marc de Sousa Shields	Position: Team Leader	Unit/Bureau: ES Global
Cleared by:	Position:	Unit/Bureau:
Input into and update in ERC:	Position:	Unit/Bureau:

Overall comments: The Programme is relevant and targets important gaps at the micro, meso and macro levels of the inclusive finance sector. Some outputs were overly prescriptive and there was a lack of attention to women as decision makers. Design allowed, sufficient flexibility to respond to changing sector context and the programme was able to accomplished a good deal of its targeted outcomes and has made solid advances towards meeting the terms of all its outputs. Management of FIMA was hampered by a late start, poor attention to stakeholder communications, and the perception that it was too close the Government of Malawi. Most of its partner financial institutions are stable though few are sustainable, and FIMA's support for innovation and capacity building, while squewed to the former at the expense of the latter, will help increase outreach and sustainability in the future. The programme's accomplishments suggest that the underlying development hypothesis of the programme is correct even if the programme has not maximizing its overall impact.

1. Evaluation Recommendation 1: Develop an Wind-Up Strategy Convene UNCDF and UNDP program meeting in first quarter 2011 to discuss and strategize wind-up and/or plan an extension				
Management Response:				
Key Action(s) proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking***	
			Status	**Comments**
1.1 Stakeholder interviews to identify critical tasks to be accomplished	Q1 2011			
1.2 Assess feasibility/viability of FIMA closure, Discuss closure/extension with key stakeholder, particularly World Bank and DifD. If decision is not to close go to recommendation 2.				
1.3 Draft exit wind-up plan. (See also recommendation 3)	Q1 2011			
2. Evaluation Recommendation 2: Consider Second Phase of FIMA Program Develop plan for extension of FIMA or a second phase.				
Management Response:				
Key Actions proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking**	
			Status	**Comments**
2.1. Develop FIMA Appraisal plan and hire consultant to write plan.	Q2 - 2011			
2.1 Consider focus on support to PIFIs transforming to formal financial institutions per the MFA.	Q2 - 2011			
2.3 Consider locating program outside of GoM.	Q2 - 2011			
3. Evaluation Recommendation 3: Collaborate with World Bank and DifD program. In the event of either wind-up or a second phase, collaborate with the new World Bank DifD program to avoid overlap of interest, transfer of knowledge and possible future collaboration.				
Management Response:				
Key Actions proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking**	
			Status	**Comments**
3.1 Define transfer of knowledge and key activities to other programs or organizations.	Q2 2011			
3.2 Work with organizations to transfer knowledge and networks	Q2 – Q4 2011			

4. Evaluation Recommendation 4: Intensify Support MoF Greatly intensify work with MoF to build its IF sector development capacity and knowledge as it takes on more responsibility for IF sector development.				
Management Response:				
Key Actions proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking**	
			Status	**Comments**
4.1 Develop plan of action for populating MoF with IF experts/staff	Q2 2011			
4.2 Develop IF sector development action plan for MoF.	Q2 2011			
4.3 Support initial implementation of action plan.	Q2-4 2011			
5. Evaluation Recommendation 5: Work with Stakeholders to transfer knowledge. Communicate and transfer knowledge to IF sector stakeholders prior to and during project wind-up or during development of second phase.				
Management Response:	**Time Frame**	**Responsible Unit(s)**		
Key Actions proposed by the evaluation team			**Tracking**	
			Status	**Comments**
5.1. Develop communications strategy for wind-up/second phase development; ensure appropriate stakeholder input throughout.	Q1 2011			
5.2 Work to transfer program knowledge and networks to key stakeholders.	Q1 2011			
6. Evaluation Recommendation 6: Intensify work to develop a credit reference bureau. Work with GoM to create functioning credit reference bureau serving the low income market.				
Management Response:	**Time Frame**	**Responsible Unit(s)**		
Key Actions proposed by the evaluation team			**Tracking**	**Tracking**
			Status	**Status**
6.1 Bring together group of stakeholder with greatest need for and interest in a credit reference bureau (CRB) , including GoM.	Q2 2011			
6.2 Develop plan for establishment of CRB within the year.	Q2 2011			
63. Provide resources and expertise to execute CRB plan.	Q3 and Q4 2011			

7. Evaluation Recommendation 7: Intensify support to strengthen the MAMN. Work to strengthen MAMN's capacity to support sector training, network functions and funding base to ensure relevance and sustainability in the future.				
Management Response:				
Some Key Actions proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking**	
			Status	**Comments**
7.1 Work with MAMN to develop medium term strategic plan.	Q2 2011			
7.2 Provide resources and expertise to execute MAMN plan.	Q2 2011			
8. Evaluation Recommendation 8: Phasing out GoM retail inclusive finance activities where appropriate and possible. Where appropriate and possible work with GoM to phase out its retail level inclusive finance activities.				
Management Response:	**Time Frame**	**Responsible Unit(s)**		
Key Actions proposed by the evaluation team			**Tracking**	
			Status	**Comments**
8.1. Convene meeting with relevant GoM representatitves to discuss the impact, need, and efficacy of government owned/sponsored financial institutions in the inclusive finance sector.	Q2 2011			
8.2 Develop timetable and process for wind-up and transfer of assets/activities to private sector institutions	Q2 2011			
8.3 Resource the creation of an action plan for wind-up/transfer	Q2 2011			
Programmatic Recommendation 1: More market based product, service, and service delivery research. Undertake more market-based analytics beyond basic supply and demand numbers, particularly at the beginning of projects (pre project if possible) and consider challenge fund grant making approach in future.				
Management Response:	**Time Frame**	**Responsible Unit(s)**		
Key Actions proposed by the evaluation team			**Tracking**	**Tracking**
			Status	**Status**
1.1 Undertake market analysis during appraisal which identifies product, service, and service delivery needs				
1.2 Undertake robust financial service provider analysis during appraisal that clearly identifies strengths, weakness and needs of potential partner				

insitutitons.				
1.3 Integrate findings from 1.1 and 1.2 into a challenge fund approach designed to retain the benefits of demand driven proposals guided by research findings.				
Programmatic Recommendation 2: Improve governance structures Program governance structures must provide a suitable forum for strategic decision making and accountability oversight on strategic decisions and tasks. UNCDF and UNDP representatives must periodically assess the performance of governance structures and performance				
Management Response:	**Time Frame**	**Responsible Unit(s)**		
Key Actions proposed by the evaluation team			**Tracking**	**Tracking**
			Status	**Status**
1.1 Define ideal governance structure based on previous UNCDF experience				
1.2 Develop standard approach plan with flexibility to accommodate local context.				
1.3 Provide ongoing performance reviews of governance structures.				
Programmatic Recommendation 3: Improve governance structures Develop standardized UNCDF IF project report templates and definition while maintaining flexibility for program specificity				
Management Response:	**Time Frame**	**Responsible Unit(s)**		
Key Actions proposed by the evaluation team			**Tracking**	**Tracking**
			Status	**Status**
3.1 Revisit standard IF project reporting templates and definitions.				
3.2 Employ standard templates and definitions across program reports, contracts and appraisals.				