Independent Office of Evaluation

IFAD
Investing in rural people

Kingdom of Eswatini

Rural Finance and Enterprise Development Programme

PROJECT PERFORMANCE EVALUATION

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Project Performance Evaluation

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Photos of activities supported by the Rural Finance and Enterprise Development Programme

Front cover: A woman trained by the programme in horticulture, with her produce in the field.

Back cover: A worker of Bulembu Honey Company processing honey sourced from local producers trained by the programme. The company was assisted by the programme to enhance its production and storage capacity (left); A man trained in apiculture with his honeycombs. His honey is bought by Bulembu Honey Company, which was assisted by the programme.

Preface

This report presents the findings of the project performance evaluation of the Rural Finance and Enterprise Development Programme (RFEDP) in Eswatini, undertaken by the Independent Office of Evaluation of IFAD (IOE). The programme was implemented between 2010 and 2017.

The national context is affected by institutional and structural constraints such as the lack of both strong financial institutions and of an enabling policy environment. The existing financial institutions are weak and lack the capacity and policy support to provide incentives to deepen their outreach to rural areas. As a result, lack of access to finance is a major constraint for many rural enterprises. RFEDP worked at the macro, meso and micro levels to tackle the multi-dimensional challenges in the country. At the macro level, the programme supported policy formulation and coordination between stakeholders, while at the meso level it supported financial institutions to strengthen their capacity. At the micro level, the programme supported enterprise development training and rural finance.

In the absence of an enabling policy and institutional environment, RFEDP worked intensively at the policy level to coordinate with and backstop numerous policymakers and institutions in the country in preparing policies to fill this gap. Some of the policies supported include: (i) the Consumer Credit Policy 2013; (ii) the Consumer Credit Act 2016; (iii) the Microfinance Policy Framework 2018; and (iv) the National Financial Inclusion Strategy 2018.

On the other hand, the programme results at the meso and micro levels were not satisfactory. The programme's rural finance activities lacked a suitable strategy to engage poorer segments of the intended target groups, referred to as "survivalists" in the programme documents. RFEDP attempted to engage the poorer segments through banks and microfinance institutions which lacked the interest and the capacity to engage with these target groups. In terms of enterprise development, most of the trainings were one-off and enterprises did not benefit from follow-up training, mentoring or coaching. In addition, there was a lack of integration between enterprise development and rural finance activities at the micro level.

The evaluation recommends that future rural finance projects in Eswatini focus on savings and credit groups so as to better target survivalists and also to better operate in an environment lacking an enabling policy and with weak institutions. Enterprise development activities should also entail substantial mentoring, coaching and follow-up, and be better integrated with access to finance.

This project performance evaluation was conducted by Prashanth Kotturi, Evaluation Analyst, IOE, with contributions from Rose Mwaniki, IOE senior consultant. Fabrizio Felloni, Deputy Director, IOE, and Simona Somma, Evaluation Officer, IOE, provided comments on the draft report. Cristina Spagnolo, Evaluation Assistant, IOE, provided administrative support.

IOE is grateful to IFAD's East and Southern Africa Division and the Government of Eswatini, in particular the Ministry of Finance and the Centre for Financial Inclusion, for their insightful inputs at various stages of the evaluation process and the support they provided to the mission. I hope the results generated will help improve IFAD's operations in Eswatini.

Oscar A. Garcia
Director
Independent Office of Evaluation of IFAD

Beehives supplied by the programme to beneficiaries after they had received training in apiculture.

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Currency equivalent

Currency equivalent

Currency unit = Swaziland Lilangeni/Emalangeni (SZL)
US$1.00 = SZL 12.37 (May 2018)

Abbreviations and acronyms

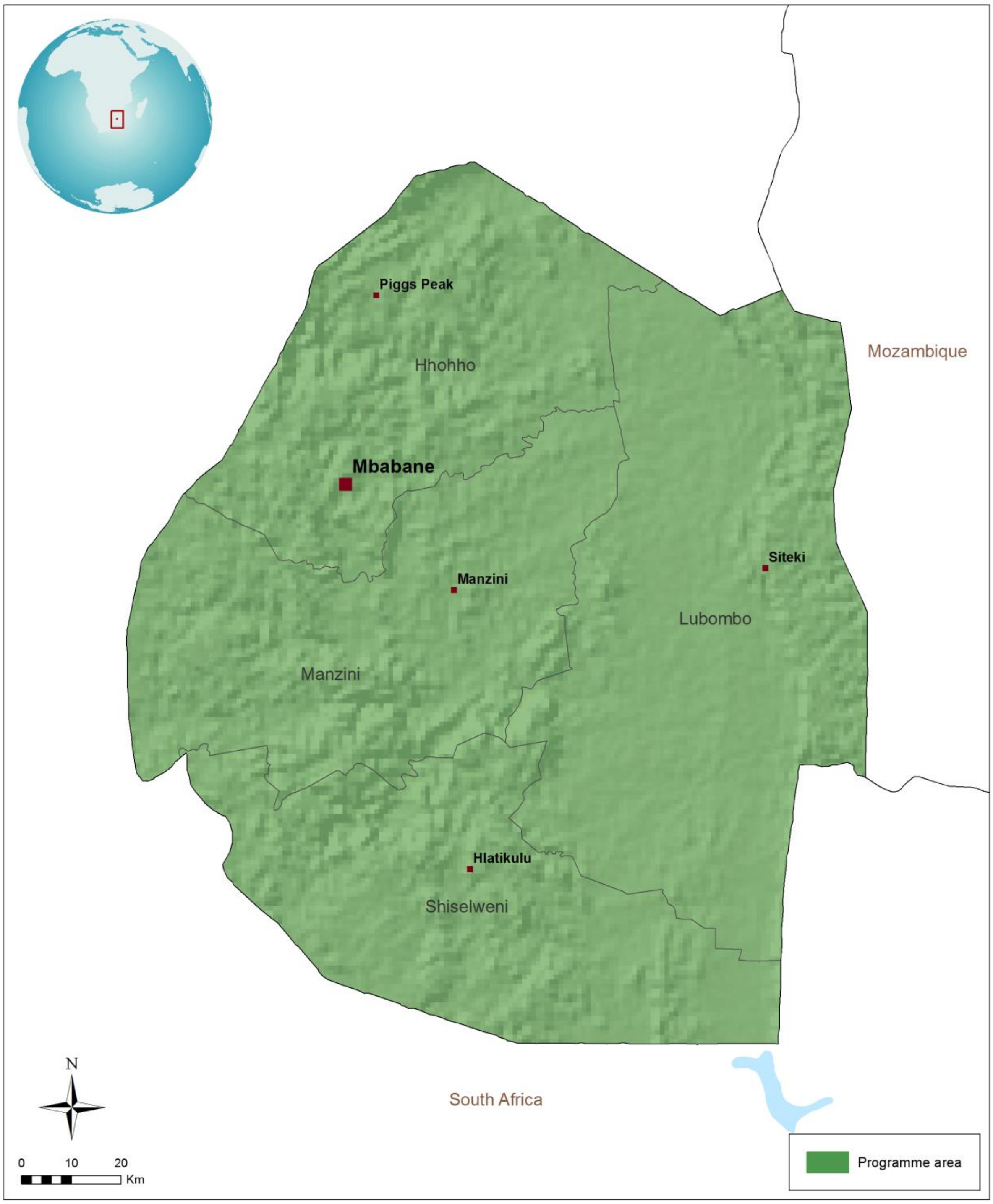
BDS	business development service
CFI	Centre for Financial Inclusion
FINCLUDE	Financial Inclusion and Cluster Development Project
IOE	Independent Office of Evaluation of IFAD
IRR	internal rate of return
M&E	monitoring and evaluation
MFI	microfinance institution
MFU	Microfinance Unit (Ministry of Finance)
MSME	micro, small and medium enterprise
PAR	portfolio at risk
PCR	project completion report
PPE	project performance evaluation
RFEDP	Rural Finance and Enterprise Development Programme
SACCO	savings and credit cooperative
SEDCO	Small Enterprise Development Company
SME	small and medium enterprise
SNL	Swazi Nation Land
SWEET	Swaziland Women's Economic Empowerment Trust
ToC	theory of change

Map of the programme area

Eswatini

Rural Finance and Enterprise Development Programme (RFEDP)

Project performance evaluation



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

Map compiled by IFAD | 22-10-2018

Executive summary

I. Introduction

1. The Independent Office of Evaluation of IFAD (IOE) undertook a project performance evaluation (PPE) of the Rural Finance and Enterprise Development Programme (RFEDP) in the Kingdom of Eswatini.[1] The main objectives of the evaluation were to: (i) assess the results of the programme; (ii) generate findings and recommendations for the design and implementation of future operations in Eswatini; and (iii) identify issues of corporate, operational or strategic interest that merit further evaluative work.

2. The evaluation took a mixed-methods approach. In addition to the desk review, the methods used to conduct the evaluation consisted of individual and group interviews with programme stakeholders, beneficiaries, former programme staff, and local and national government authorities, as well as direct observations in the field. Where applicable, the PPE also made use of additional data available through the programme's monitoring and evaluation (M&E) system and impact survey. Triangulation was applied to verify findings emerging from different information sources.

II. Programme and country context

3. **Country context.** Typically, a financial system in a country consists of a variety of formal, semi-formal and informal institutions at different levels, and policies that regulate them. Institutions may include regulators, commercial banks, non-bank financial institutions, and cooperatives. In Eswatini, legislation has not existed until recently for regulating lenders outside banking such as savings and credit groups and microfinance institutions (MFIs). The non-banking financial sector regulator Finance Sector Regulatory Authority has only recently been formed and is still in the process of building up capacity and settling the ambit of its regulation. There is a distinct lack of commercial interaction and integration between different kinds of institutions in the country. Grassroots institutions are found to be largely missing or weak in Eswatini.

4. At the institutional level, there are limited capacities, incentives and scale among institutions such as banks, and savings and credit cooperatives (SACCOs). Intermediary institutions such as MFIs and SACCOs have limited sources of capitalization. This is due to the lack of integration between institutions and the difficulty of managing commercially viable operations. In summary, there are **broad structural issues** in the financial sector in Eswatini, which require concerted efforts at various levels. It is for this reason that the assessment of the PPE is divided into three levels: macro, meso and micro.

5. **Programme objectives.** The RFEDP objectives were to: (i) provide the rural poor with access to efficient and effective financial services on a sustainable basis; (ii) develop an enabling and enhanced environment for business development in rural areas; and (iii) establish/develop micro- and small-scale enterprises (on- and off-farm) as well as business services in rural areas. The programme was implemented through a dedicated programme management unit known as Microfinance Unit (MFU), with a reporting line to the Ministry of Finance. The project did not have an explicit theory of change (ToC), and the PPE report has reconstructed the ToC based on the document review and the interviews with various stakeholders during field visits.

6. **Theory of change.** The RFEDP ToC contains three pathways from programme components to the overall goal. The ToC is based on the original design and logframe. It includes the objectives, outcomes, outputs and components set out in

[1] Following an official proclamation on 19 April 2018, the Kingdom of Swaziland was renamed the Kingdom of Eswatini.

the original and the evolving design, in addition to some of the elements reflected in the evolving design of the project. The outcomes of the programme were foreseen at micro, meso and macro levels. At the micro level, RFEDP was to improve the livelihood prospects of the target groups through enterprise development activities and access to rural finance. At the meso level, institutional capacity development of MFIs, SACCOs and banks was to be undertaken. At the macro level, the programme was to support the Government's policy work pertaining to rural finance.

III. Main findings

7. **Relevance.** RFEDP's objectives are relevant to the country context given the structural and operational constraints in the rural finance and enterprise development field. However, the programme's original design did not take sufficient stock of the context and did not provide for necessary interventions, structures and capacities to incorporate the contextual factors into the design. This is despite the pre-design study laying out the institutional and policy constraints. The programme's original design was made based on assumptions that were not realistic, with an overarching assumption being the presence of an enabling policy and institutional environment. It also assumed that suitable financial institutions as well as banks were willing and able to work with RFEDP's target groups, which was not the case.

8. The targeting mechanism of using banks in the rural finance component and general business management training in the enterprise development component were not ideal for targeting "survivalists" at the micro level. In addition, the programme's evolving design followed a disjointed targeting strategy between the rural finance and enterprise development strategies. Most of the beneficiaries of the enterprise development activities were survivalists, while the rural finance component focused predominantly on banks and to some extent on MFIs, which were not suited towards survivalists. However, RFEDP worked extensively at the policy level to address the structural constraints pertaining to the policy and regulatory environment, which was highly relevant to the country and programme context.

9. **Effectiveness.** The programme's performance varies between the macro, meso and micro levels. Some of the stronger results can be seen at the macro level, where the programme influenced policies pertaining to rural finance and small and medium enterprises, as noted under rural poverty impact section below. However, the programme's results from its work at the meso and micro levels were not as successful. While outputs were achieved, outcomes were hindered due to factors which were both within and outside the programme's immediate area of influence. These include the constraint elaborated in the programme context section. In addition, the choice of institutions to enable access to finance (banks and MFIs) meant that there was no integration between enterprise development activities.

10. In enterprise development, there was no coaching and mentoring for programme beneficiaries who, among other challenges, could not consistently access finance for their enterprise activities. Such lack of finance could have been addressed to some extent if the programme had selected more realistic entry points into the rural finance space in the form of institutions such as savings and credit groups. These institutions are better suited to the needs of target groups, especially survivalists, and the contextual constraints such as lack of interest and capacity among mainstream institutions such as banks and MFIs. In addition, a more consistent approach to mentoring and follow-up in enterprise development activities could have enabled the beneficiaries to submit more robust business plans to financial institutions in order to access finance.

11. **Efficiency.** RFEDP's efficiency is affected by its high programme management costs, at 46.7 per cent of the total programme financing. At the design stage, the

ex-ante estimation of internal rate of return (discounted over a ten-year period) was about 27 per cent. The PPE finds that most of the output targets assumed at design to calculate internal rate of return were not reached at the end of the programme, or the targets were revised downwards. Thus, in all likelihood the internal rate of return at the end of the project was much lower than the target at design.

12. **Rural poverty impact.** At the micro level, the programme's impact on incomes and household assets is unclear. The one-off nature of enterprise training activities combined with difficulties in integrating them with access to rural finance do not lend themselves to substantive increases in income attributable to the programme. At the meso level, the project faced larger structural issues, explained in the programme context, which hindered progress on institutional capacity building of MFIs and SACCOs. Similarly, the programme's impact on human and social capital and empowerment and food security and agricultural productivity remains marginal. On the contrary, the programme had substantial impact at the macro level, on the institutional and policy environment. To that end, the programme supported the review and completion of four pieces of policy/legislation: the Consumer Credit Policy 2013; Consumer Credit Act 2016; the Microfinance Policy Framework 2018; and the National Financial Inclusion Strategy 2018. The MFU transitioned into the Centre for Financial Inclusion (CFI), a semi-autonomous unit under the Ministry of Finance. The CFI's new mandate includes being the country’s knowledge hub for the small and medium enterprises (SME) and financial sector-related issues.

13. **Sustainability of benefits**. The benefits of RFEDP’s policy level work are expected to be carried into the future given the government ownership of the policy work of RFEDP as demonstrated through its creation of the CFI as a semi-autonomous body under the Ministry of Finance. At the meso level, the CFI can continue to render services and capacity-building support to financial institutions with funding from the Government, with the caveat that institutions may be constrained to use such support. However, the sustainability of benefits at the micro level is found to be weak and will possibly not accrue to the beneficiaries and institutions involved after the closure of the project. This is due to the lack of follow-up in enterprise trainings and the inability to link entrepreneurs to financial resources.

14. **Innovation.** RFEDP supported MTN mobile in its efforts to spread the use of mobile money in the country. The programme also attempted to push the use of mobile money among the SACCOs and savings groups to cut their transaction costs.

15. **Scaling up**. The Government has scaled up the role of the CFI as compared to that of the MFU. The CFI is also working as a data and knowledge hub for financial inclusion and SME-related issues in the country. The micro- and meso-level interventions did not produce any results which could be deemed to be successful for scaling up.

16. **Gender equality and women’s empowerment**. Women’s participation in RFEDP exceeded the target. About 50 per cent of the programme beneficiaries were women, compared to a target of 30 per cent. However, the programme did not set targets for women's empowerment beyond the number of women to be targeted. There was no analysis of rights, rewards and responsibilities accrued to women in rural enterprises undertaken during the programme implementation.

IV. Recommendations

17. **Recommendation 1.** Future rural finance and/or enterprise development projects in Eswatini should be designed taking into account a detailed diagnostic assessment of the institutional structure in the financial and SME sectors. Such project(s) should formulate designs based on the specific constraints in the context

and incorporate interventions which can be realistically undertaken within the rubric of those constraints to ensure that projects can be implemented without the need for substantial adjustment and redesign during implementation, as happened in RFEDP.

18. **Recommendation 2.** Future projects should exert more direct control over the quality of all aspects of project implementation. This includes M&E, coherence of implementation, and strategic direction of the project, among others. This may take the form of building capacity in the project implementation units and providing dedicated, ongoing technical support. This will enable the implementation team(s) to better set the direction of the project and reach target populations without depending on partners and other implementing agencies to do so, as witnessed in implementation partnership model adopted by RFEDP.

19. **Recommendation 3.** Future rural finance projects should consider appropriate mechanisms and institutions to engage target groups, especially survivalists. More specifically, savings and credit groups should be given due consideration as one of the main entry points into the rural finance sector interventions. Such emphasis is especially important given the lack of an enabling environment and institutional matrix in the country and the resultant “missing middle”. These groups also have potential for aggregation at various levels in the form of apexes and as future entry points to engage other financial institutions in Eswatini.

20. **Recommendation 4.** Enterprise development activities should be seen as a continuous and iterative process, with ongoing mentoring and coaching being an integral part of trainings. Emphasis in the trainings should be placed on integrating them with rural finance activities. Such integration is important to ensure that project achievements go beyond the output level and result in substantial outcomes and impacts for the target groups.

IFAD Management's response[1]

1. Management welcomes the Project Performance Evaluation (PPE) of the Rural Finance and Enterprise Development Programme (RFEDP) in the Kingdom of Eswatini, and wishes to express its appreciation to IOE for the overall high-quality report.

2. Overall, Management agrees with the IOE's assessment of the programme's performance. It notes that the PPE recognizes the important results of RFEDP at the policy level and the achievement of RFEDP becoming a Centre for Financial Inclusion (CFI) - a widely accepted interlocutor on microfinance in Eswatini.

3. Management appreciates the PPE recommendations which are generally already being acted upon particularly in the recently approved Financial Inclusion and Cluster Development Project (FINCLUDE). Management's detailed view on the proposed recommendations are presented below:

   - ***Recommendation 1.*** *Future rural finance and/or enterprise development projects in Eswatini should be designed taking into account detailed diagnostic assessment of the institutional structure in the financial and SME sector. Such project(s) should formulate designs based on the specific constraints in the context and incorporate interventions which can be realistically undertaken within the rubric of existing constraints to ensure that projects can be implemented without need for substantial adjustment and redesign during implementation, as happened in RFEDP.*

   Response from Management: Agreed. A detailed diagnostic assessment of the institutional structures, including constraints, is crucial for any project, and particularly in the financial and SME sector where the institutional setting is key. The design of the recently approved FINCLUDE project has benefitted from such an assessment and has also built on the learning generated through the implementation of RFEDP. At the outset, FINCLUDE is more context-specific and therefore is not expected to face the challenges during implementation that PPE mentions.

   - ***Recommendation 2.*** *Future projects should exert more direct control over the quality of all aspects of project implementation. This includes, inter alia, M&E, coherence of implementation, strategic direction of the project. This may take the form of providing more capacity in the project implementation units and dedicated, ongoing technical support. This will enable the implementation team(s) to better set the direction for the project and reach target populations without depending on partners and other implementing agencies to do so, as witnessed in implementation partnership model adopted by RFEDP.*

   Response from Management: Agreed. RFEDP initially suffered from a weak M&E system and it did not always function as a management tool to provide strategic direction for implementation. The system gradually improved and ended up providing useful detailed data base of beneficiaries, mapping of programme interventions, useful lessons learned and success stories. Full clarity on the M&E from the beginning, as well as a shared understanding of targeting and desired results among the Project and its implementing partners, would greatly benefit the implementation of any new project. To facilitate a strong focus on managing for results in FINCLUDE, during the first year of implementation key performance targets from the log frame will be disaggregated and assigned by commodity by year based on the results of the cluster mapping exercise to be completed at the start of the project.

[1] The Programme Management Department sent the final Management's response to the Independent Office of Evaluation of IFAD on 01 February 2019.

- ***Recommendation 3.*** *Future rural finance projects should consider appropriate mechanisms and institutions to engage target groups, especially survivalists. More specifically, savings and credit groups should be given due consideration as one of the main entry points into the rural finance sector interventions. Such emphasis is especially important given the lack of an enabling environment and institutional matrix in the country and the resultant 'missing middle'. These groups also have potential for aggregation at various levels in form of apexes and as future entry points to engage other financial institutions in Eswatini.*

Response from Management: Agreed. We fully agree that targeting strategies should be developed with differentiated approaches, instruments and suitable institutions. We also agree that savings and credit groups (SCGs) play an important role and the recently approved FINCLUDE will as a starting point, among others, establish a comprehensive record of all SCGs (registered and unregistered).

- ***Recommendation 4.*** *Enterprise development activities should be seen as a continuous and iterative process with continuous mentoring and coaching being an integral part of such trainings. In addition, in the course of such trainings, emphasis should be placed on integrating them with rural finance activities. Such integration is important to ensure that project achievements go beyond output level and result in substantial outcomes and impacts for target groups.*

Response from Management: Agreed. The recently approved FINCLUDE will provide continuous targeted mentoring and coaching. Rural finance demand and supply side constraints will be addressed by supporting the development of credible rural business proposals of sufficient size to interest the financial sector and by encouraging the financial institutions to expand their offerings and actively participate in rural business development.

Bulembu Honey's processing plant. The company was assisted by the programme to enhance its production and storage capacity.

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Republic of Eswatini
Rural Finance and Enterprise Development Programme
Project Performance Evaluation

I. Evaluation objectives, methodology and process

1. **Background.** Project performance evaluations (PPEs), involving country visits, are undertaken on selected projects for which project completion report validations have been conducted and/or project completion reports (PCRs) are available. The Rural Finance and Enterprise Development Programme (RFEDP) was selected for a PPE and is the first evaluation to be conducted in Eswatini.[1] The PPE's lessons will also potentially feed into future IFAD operations in Eswatini.

2. **Objectives.** The main objectives of PPEs are to: (i) assess the results of the programme; (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in the country; and (iii) identify issues of corporate, operational or strategic interest that merit further evaluative work.

3. **Scope.** The PPE took into account the preliminary findings from the desk review of the PCR and other key programme documents and interviews at IFAD headquarters. During the PPE mission, additional evidence and data were collected to verify available information and reach an independent assessment of performance and results.

4. **Methodology and process.** The PPE assessed RFEDP's performance based on the evaluation criteria set out in the second edition of the Independent Office of Evaluation of IFAD (IOE) Evaluation Manual,[2] as mentioned in the approach paper (annex IV) and annex II of this report. In line with the practice adopted in many other international financial institutions, IOE has used a six-point rating system where 6 is the highest score (highly satisfactory) and 1 is the lowest score (highly unsatisfactory).

5. In addition to the desk review, the methods deployed consisted of direct obsergations and individual and group interviews with programme stakeholders, beneficiaries, former programmet staff, and local and national government authorities. The PPE also made use – where applicable – of additional data available through the programme's monitoring and evaluation (M&E) system and impact surveys. The impact survey conducted in 2017 serves as an important source of primary data. Triangulation was applied to verify findings emerging from different information sources.

6. Data availability and limitations. Generally, PPEs do not collect their own quantitative data. Instead, they review the programme's own M&E system and conduct spot checks in the field. However, this programme's M&E system is found to be weak and lacking at the outcome level. In addition, the impact survey does not establish attribution or contribution, and the difference between test and control groups, where noted, does not elaborate on the statistical significance between them. Most M&E data in the programme documents were at the output level. The PPE has attempted to overcome this constraint by reconstructing the theory of change (ToC) of the programme and rigorously testing the causal chains, impact drivers and assumptions which are needed to move along the impact pathways – from outputs to intermediate outcomes to impact. Towards this end, the PPE has taken account of the approaches undertaken by the programme and the fulfilment of the impact drivers, within the control of the programme, when assessing the programme.

[1] Following an official proclamation on 19 April 2018, the Kingdom of Swaziland was renamed the Kingdom of Eswatini.
[2] Second edition of IOE Evaluation Manual: https://www.ifad.org/documents/10180/bfec198c-62fd-46ff-abae-285d0e0709d6.

II. The programme

A. Country and programme context

7. **Introduction.** The Kingdom of Eswatini is a small landlocked country of 17,364 square kilometres situated between South Africa and Mozambique. Its administrative set-up comprises four regions. Eswatini has a Human Development Index of 0.531 and is ranked 150 out of 188 countries and territories, putting the country in the low human development category. Eswatini has a population of 1.3 million people and a population density of 75 inhabitants per square kilometre. The country's population is mostly rural (78.7 per cent) and lives off agriculture-related activities. Seventy-five per cent of the country's urban population lives in Mbabane, the administrative capital, Manzini, the commercial hub, and the corridor between them.

8. **Economy.** With GDP of US$4.06 billion and a GDP per capita of US$3,070, Eswatini is classified as a lower middle income country. Despite its relatively high GDP, the World Bank estimates that 63 per cent of the population lives below the poverty line, and 29 per cent in extreme poverty. This economic inequality is also reflected by a high Gini coefficient of 49.5. The economy is dominated by the manufacturing sector, which accounts for 47.5 per cent of the GDP, while agriculture, forestry, fishing and hunting only accounts for 7 per cent (2014), employing 29 per cent of the total labour force. Eswatini's economy is very closely linked to South Africa, which accounts for 85 per cent of imports and 60 per cent of exports.

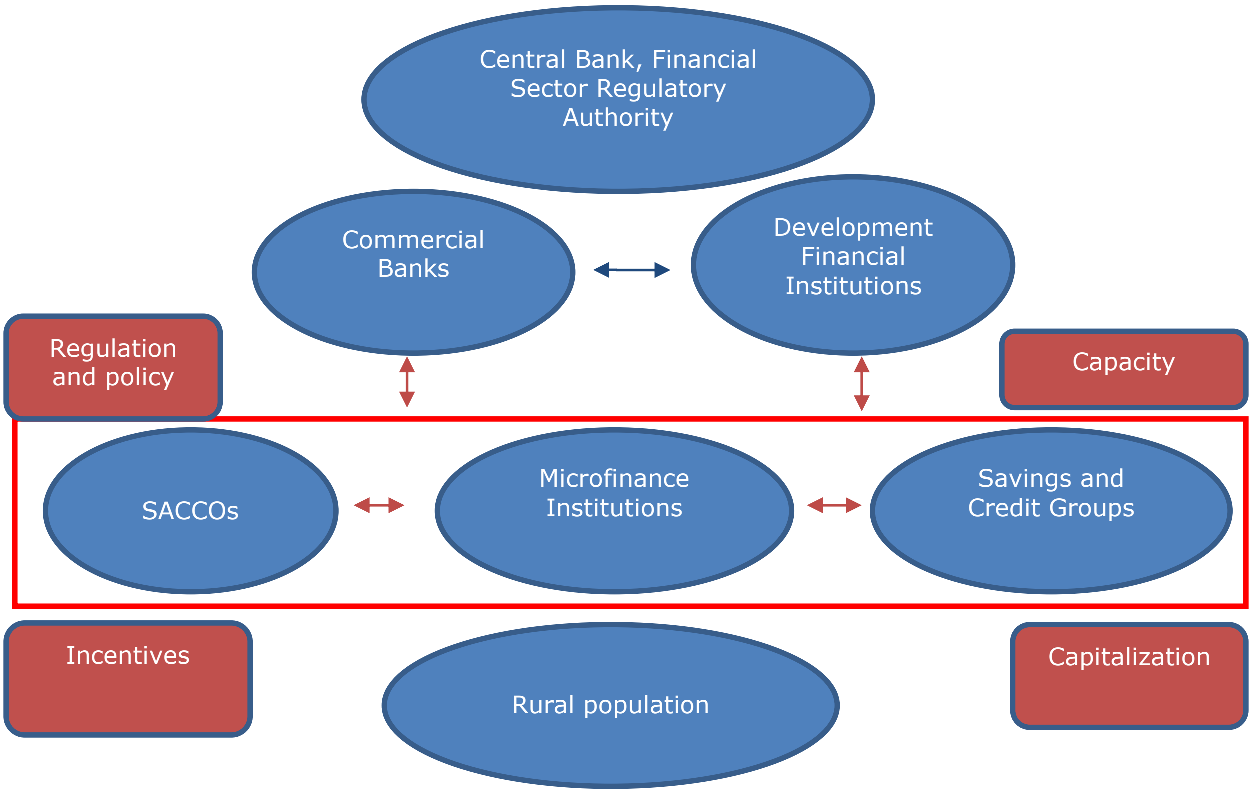
9. The country has two basic forms of land tenure: freehold, known as title deed land, and representing around 40 per cent of the land; and Swazi Nation Land (SNL), which is held in trust by the King of Eswatini and represents 60 per cent of the land. Title deed land is mainly used for commercial farming, with significant areas under irrigation, while SNL is mainly for rain-fed cropping and grazing. SNL crop lands are allocated by the chiefs to individual households and SNL grazing lands are communal.

10. **Enterprise development and rural finance context.** A micro, small and medium enterprise (MSME) census, conducted by the Government of Eswatini in 2010, revealed that the number of MSMEs operating in Eswatini was 4,926, with 35 per cent concentrated in Manzini region. In terms of the ownership structure, about 93 per cent of MSMEs were sole proprietors. A study by the Microfinance Unit (MFU) of the Ministry of Finance identified four major challenges for developing MSMEs in Eswatini: (a) access to credit or financing; (b) access to markets; (c) regulatory compliance requirements; and (d) unclear policies and legislation. In 2017, 92,600 people were said to be working in MSMEs, of whom 44,250 were individual entreprenuers while the balance[3] were employed in enterprises.[4]

11. Typically, a financial system in a country consists of a variety of formal, semi-formal and informal institutions at different levels. They may include regulators, commercial banks, non-bank financial institutions and cooperatives. In Eswatini, the system can be envisioned as having three tiers, with regulators at the top followed by banks and development financial institutions such as FINCORP a tier below, followed by grassroots institutions directly serving the population such as savings and credit cooperatives (SACCOs), microfinance institutions (MFIs) and savings and credit groups.

[3] These individuals are employed by 15,000 business owners who are not accounted for in the figure of 92,600.
[4] Finscope MSME Survey 2017: http://www.finmark.org.za/wp-content/uploads/2017/08/finscope-swaziland-pocket-guide_en.pdf.

Figure 1
Institutional framework in the financial sector in Eswatini



Source: PPE team elaboration.

12. **First tier – Regulation and policy framework.** In Eswatini, legislation did not until recently for regulating lenders outside banking such as savings and credit groups and MFIs. While SACCOs come under the cooperative development department and the respective policy, the regulation is not specific to the financial nature of these institutions. The non-banking financial sector regulator, the Finance Sector Regulatory Authority, has only recently formed and is still in the process of building up capacity and settling the ambit of its regulation. Several policies and implementing procedures relevant to the regulation of the sector were elaborated by the MFU during RFEDP and the Centre for Financial Inclusion (CFI) later on and are at different stages of approval process. Thus, in the Swazi context, the policy and institutional framework is evolving, with many necessary policies still under formulation and enforcing regulators such as the Finance Sector Regulatory Authority in their early stage.

13. **Second tier – Inter-institutional interaction.** Eswatini has four main commercial banks: Swazi National Bank, First National Bank, Nedbank and Standard Bank. Three out of four are under foreign ownership. Typically, in many countries, there is a certain level of commercial integration in the operations of various institutions. One form of integration may be that many grassroots and semi-formal institutions borrow from the commercial banks and other commercial financial institutions. Similarly, grassroots organizations such as SACCOs and MFIs also act as correspondent institutions for banks and other financial institutions. In Eswatini, such integration exists only between development financial institutions and banks, as the blue arrows indicate in figure 1. Other than that, as the red arrows in the figure depict, there is no or minimal interaction between institutions across the vertical and the horizontal spectrum at the second and third levels. Different institutions largely work in silos in Eswatini. During the field interaction this lack of integration was pinned to two main factors: (i) lack of clarity on the policy framework surrounding flow of credit between institutions; and (ii) perceived

lack of incentives among institutions such as banks, SACCOs and MFIs to expand beyond their core base.[5]

14. **Third tier – Missing middle.** The third tier of grassroots institutions is found to be largely missing or weak in Eswatini. This is attributed to several reasons. There is a limited capacity and scale among institutions to manage their operations in a commercially sustainable manner. This is especially true of the microfinance sector, wherein the institutions were historically backed by donors and run as non-profit organizations. SACCOs in turn have their operations limited by the size of the professional guild they serve. Savings and credit groups, by their nature, are of limited size and there has been insufficient focus on "graduating" savings groups among the institutions that do work with them. The absence of a strong intermediary institutional environment is a situation witnessed in countries with small geographic area, such as Eswatini and Lesotho.[6] Intermediary institutions lack sources of capitalization. This is due to the lack of integration between institutions and the lack of capacity to manage commercially viable operations, as covered earlier. The above narrative points to broader structural issues in the financial sector in Eswatini, which requires concerted efforts at all levels.[7]

15. **Newer distribution channels.** Mobile money has emerged as a new channel for the distribution and exchange of money. This is pioneered by the emergence of MTN mobile money. Eswatini is a predominantly cash-based society.. Mobile money presents an opportunity to get around the transaction costs of handling cash. About 41 per cent of agents are distributed in rural areas, thus providing outreach in unbanked geographic regions as well. Monthly caps apply for transfer of funds.

B. Programme implementation

16. **Programme area.** The programme was national in its scope, with all areas of the country eligible for targeting of RFEDP's activities. To that end, the programme's target area was the area of operation of its implementation partners (more on this under "implementation arrangements"), which were spread across the country.

17. **Programme objectives and outcomes.** The RFEDP objectives were to: (i) provide the rural poor with access to efficient and effective financial services on a sustainable basis; (ii) develop an enabling and enhanced environment for business development in rural areas; and (iii) establish/develop micro- and small-scale enterprises (on- and off-farm) as well as business services in rural areas.

18. **Target group and targeting approach.** The target categories for RFEDP were: (i) **Survivalists**:**[8]** HIV/AIDS-affected households, orphans, child-headed households, and subsistence producers; (ii) **Emerging entrepreneurs**: Active poor households that can seize income-generating opportunities if they receive well-focused and orchestrated support and mentoring; and (iii) **Aim high**: Small enterprises in rural areas with potential to grow. No objective definition was available for the above categories throughout the implementation of the programme.

19. At design, the targeting strategy was stated to be flexible and that it would be developed at the time of implementation, depending on the results of the pilot phase in the first two years of programme implementation (2010-2012). During

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[5] In Eswatini, the SACCOs are largely urban-, profession- and payroll-based institutions. They lend against the salary of civil servants and deduct instalments against the salary payments routed through them. They do not assume much risk in the process of lending. According to the financial stability report 2017 published by the Central Bank of Eswatini, the top five SACCOs are all public sector employee-based and they control 95 per cent of the assets in the SACCO sector. Nearly all MFIs in the past were run as non-commercial and charitable institutions with backing from major donors. Banks are mostly foreign-owned with highly restrictive lending policies and procedures. Most of the capital is deployed in the banks' home countries and among the relatively big local industries, thus leaving little incentive for banks to lend to local small and medium enterprises and populations. In addition, banks are disincentivized to lend to riskier clients due to interest rate caps imposed by the Consumer Credit Bill.

[6] Project Performance Evaluation of the Rural Financial Intermediation Programme, Lesotho.

[7] Swaziland (now Eswatini) Financial Inclusion Country Report 2014, UNDP and IOE Evaluation team elaboration.

[8] This is the terminology used in the programme documents.

implementation, the programme developed partnerships with numerous institutions under its implementation partnership model.[9] This model meant that the programme targeted the beneficiary groups and customers of the partner institutions, and the targeting strategy of the partner institutions was also the targeting strategy of RFEDP.

20. **Programme components**. The programme had three components:

(i) **Building entrepreneurial capacity in the rural economy** had three sub-components: (i) policy support; (ii) institutional development and capacity building; and (iii) small and medium enterprise linkages to the formal banking sector.

(ii) **Credit**: **deepening the financial sector** also had three sub-components: (i) policy support; (ii) institutional development and capacity building; and (iii) develop and pilot appropriate financial products and innovative technology.

(iii) **Programme management**: Responsibility for this component rested with the MFU as the line ministry. As the name suggests, the unit was mandated to coordinate all microfinance-related activities in the country. It had the responsibility for annual work plans and budgets, targeting, contracting, and technical back-stopping of partner institutions.

21. **Theory of change.** The ToC of RFEDP has been elaborated in detail in annex VI and contains three pathways from programme components to the overall goal. The ToC is based on the original design and the logframe of the programme and the objectives, outcomes, components set out therein, in addition to some of the additional elements reflected in the evolving design of the programme. The outputs of the programme were foreseen at micro, meso and macro levels. At the micro level RFEDP was to improve the livelihood prospects of the target groups through enterprise development activities and access to rural finance. At the meso level, institutional capacity development of MFIs was to be undertaken. At the macro level, the programme was to support policy work of the Government. Pathway 1 is determined by the intermediate state "Provide the rural poor with access to efficient and effective financial services on a sustainable basis". This pathway rests on outcome 1, "Reliable financial services developed for rural poor". Pathway 2 is determined by the intermediate state "Establish and develop micro and small-scale rural enterprises as well as business services in rural areas". This pathway rests on outcome 2, "Rural poor enabled to develop viable and sustainable micro and small businesses". Pathway 3 is determined by the intermediate state "Create an enabling policy, regulatory and operational environment". Creation of an enabling environment through policy support did not figure as an objective during design as it was made to be an explicit assumption during design, albeit an unrealistic one. Hence, while it is treated as an assumption in the ToC figure given that it is a necessary precondition to achieve pathways 1 and 2, it was de facto a separate outcome pursued by RFEDP during its implementation and hence has been dealt with as one of the pathways.

22. **Project financing and timeframe.** The total programme cost was estimated to be US$9.21 million at design, with RFEDP utilizing US$8.7 million, or 94 per cent, of the total programme costs. Table 1 shows that programme budget utilization varied by component: 65 per cent for component 1; 99 per cent for component 2; and 126 per cent for component 3. It also shows that the programme spent more than planned on subcomponents 1.1, 1.3 and 2.1, Policy Support, (255 per cent, 199 per cent and 173 per cent respectively), and underspent by 46 per cent on subcomponent 2.3, Develop and Pilot Appropriate Financial Products and Innovation Technology.

[9] RFEDP worked with 'partner institutions' to leverage on their existing set of activities and provide limited and specific backstopping. For private players such as Business Development Service providers this meant working on output based contracts, e.g. number of trainings provided.

Table 1
RFEDP financing – at appraisal and actual

Component	*Appraisal (US$ '000)*	*Actual (US$ '000)*	*Per cent*
Building entrepreneurial capacity in the rural economy			
1.1 Policy support	156	399	255%
1.2 Institutional development and capacity building	3 029	941	31%
1.3 Technical support	537	1 070	199%
Sub-total	*3 723*	*2 410*	*65%*
Developing the finance sector			
2.1 Policy support	287	497	173%
2.2 Institutional development and capacity building in financial sector institutions	1 287	1 422	110%
2.3 Develop and pilot appropriate financial products and innovation technology	682	315	46%
Sub-total	*2 257*	*2 235*	*99%*
Project management			
3.1 Programme management	2 496	3 754	150%
3.2 Programme coordination	75	27	37%
3.3 Support to MEPD Poverty Union	396	274	69%
4. Monitoring, evaluation and impact assessment	261	-	0%
Sub-total	*3 229*	*4 057*	*126%*
TOTAL COST	9 210	8 703.6	94%

Source: PCR.

23. **Implementation arrangements**. As per the design, the Ministry of Finance was designated as the Executing Agency, on behalf of the Kingdom of Eswatini, responsible for the receipt, disbursement (to the Implementing Agency) and accounting of external loan funds received. The MFU was the main programme Implementing Agency, charged with responsibility for ensuring that all aspects of implementation were carried out in accordance with the agreed programme plan and for coordination of the institutional partners.

24. The MFU reported to the Ministry of Finance and had the dedicated mandate to implement RFEDP's activities. Initially, at design, three staff positions were sanctioned to work in the MFU, which was increased to six as of the time of closing. The programme partnered with/contracted numerous organizations such as Small Enterprise Development Company (SEDCO), Swazi Commercial Amadoda, NEDBank, Imbita microfinance, Inhlanyelo microfinance, Swaziland Women's Economic Empowerment Trust (SWEET), University of Eswatini,[10] and private business development service (BDS) providers. As the PCR states, there were a total of 26 partners as of the time of implementation.

25. **Supervision arrangements.** The programme was directly supervised by IFAD. In the course of programme implementation, nine supervision missions, two implementation support missions, two interphase reviews and a completion mission were conducted.

[10] When the evaluation team met with the University of Eswatini, it was known as University of Swaziland. Given the change in the name of the country, this PPE now refers to it with the new country name, although the website of the University still refers to the old name, as of the time of writing this report.

26. **Review of outputs.** The evaluation findings on the achievement of the programme outputs are summarized in tables 2 and 3 below. However, the PPE advises caution on three fronts: (i) There are discrepancies between the figures quoted in the PCR and the impact survey, e.g. the impact survey quotes those who trained in entrepreneurship and business management at 1,503, while the output table 2 drawn from PCR quotes it at 2,678. Similarly, in table 2 drawn from the PCR, the number of voluntary savers is quoted as being 1,160. However, the impact survey quotes the number of people targeted through savings groups and SACCOs at 369 and 304, respectively; (ii) Some of the quoted indicators can be deemed to be outcomes, e.g. the eighth indicator on adoption of products by financial sector in table 3; and (iii) The outputs to be measured and their indicators were revised downwards at the time of interphase review 2014.

27. Table 3 presents outputs achieved by RFEDP for component 2. Results show that for the six output indicators included in the phase II review logframe, all targets have been surpassed. In total, 1,098 microentrepreneurs have been trained in post-crop production and marketing (275 per cent of target); 2,678 rural poor, including microentrepreneurs, have been trained on entrepreneurship (176 per cent of the appraisal target); 2,155 rural poor, including microentrepreneurs, have accessed facilitated non-financial services (132 per cent of target); and 640 beneficiaries have participated in policy/regulatory interventions (128 per cent of target).

Table 2
Achievement rates for component 1

Key performance indicators	*Planned*	*Actual achievement*	*% of Appraisal target*
Stakeholders and beneficiaries participate in policies and legislation processes	500	640	128%
Capacity of >10 non-financial services is improved	10	10	100%
Rural poor, including micro-entrepreneurs, accessing facilitated non-financial services	1 600	2 115	132%
Rural poor, including micro-entrepreneurs, trained in entrepreneurship	1 600	2 678	167%
Microentrepreneurs trained in technical skills in relation to their chosen income-generating activities	1 000	1 123	112%
Microentrepreneurs trained in post -crop production and marketing	400	1 098	275%

Source: PCR.

28. Table 3 shows component 2 outputs. In terms of capacity-building, RFEDP trained 836 financial institution staff, representing 348 per cent of the target at appraisal. The programme reviewed three financial sector policies/regulations, and six new rural financial service products were adopted with the support of the programme (with none yet commercialized). While there are no M&E data available to estimate the number of financial institutions supported with portfolio at risk (PAR) less than 20 per cent, only one of the three MFIs was lending throughout the programme, with another managing initial, limited lending by 2016. The MFI which had been lending throughout the programme, Inhlanyelo Fund, reported a PAR of 15 per cent. The output targets under component 2 have been achieved and exceeded in most cases.

Table 3
Achievement rates for component 2

Key performance indicator	*Phase II review target*	*Actual achievement*	*Appraisal percentage*
600 voluntary savers	600	1160	193%
20% of people trained in business entrepreneurship access financial services in rural areas	20	9	45%
80 SACCOs, multipurpose cooperatives, community groups, and farmer groups trained (minimum 20 per category)	80	224	280%
120 enterprises accessing facilitated financial services	120	432	407%
Rural finance policies reviewed	3	3	100%
Staff of > 5 financial institutions trained – including Banks, Development Financial Institutions and Microfinance institutions	240	836	348%
90% supported microfinance institutions with PAR < 20%[11]	<20%	NA	NA
6 new financial service products adopted by the financial sector	6	6	100%
200 community-based savings and credit groups formed/strengthened	200	174	87%

Source: PCR.

[11] None of the MFIs could report on any of the financial performance indicators, including PAR. Only one ratio level performance data for a single MFI was reported during the life of the programme found in the State of the Microfinance Sector in Eswatini, August 2016 (Portfolio Yield and Expense Structure for Inhlanyelo MFI).

III. Main evaluation findings

A. Programme performance and rural poverty impact

Relevance

29. **Relevance of the objectives of the programme to the national policies, IFAD strategies and beneficiary needs.** The RFEDP objectives aligned with the National Development Strategy (1997-2022). The objectives were in line with the second macroeconomic strategic area of "economic empowerment". Under this area, the Strategy narrative lays out the need for: active promotion of local entrepreneurs to start their own business or grow in their existing business or enter into mainstream business operations through share purchases on a willing-buyer and willing-seller basis; and orderly promotion of informal sector activities. The objectives also directly feed into the second country strategic opportunity programme's objective of "Establishing access to finance and marketing services to enable rural poor to establish new, and develop further, micro, small and medium enterprises that are sustainable". The programme's objectives on enabling access to finance were found to be in line with the requirements of the poor rural entrepreneurs, as this was observed to be a frequently quoted hindrance for microenterprises during field missions.

30. **Relevance of design to the attainment of the objectives.** This PPE refers to both the design at appraisal as well as the evolving design as the implementation progressed, and the same will be specifically mentioned when required. As mentioned earlier in this report, the PPE team has reconstructed the ToC of the programme, contained in annex VI.

31. As can be seen from the ToC, the programme intended to work at the macro, meso and micro levels. The design had numerous strands of interventions with complex interactions at multiple levels. The programme's original design also envisaged piloting a digital cashless payment system for the target rural population. There were three main issues with the design at appraisal stage. **First**, such an ambitious design required robust and substantial implementation capacity and an implementation period spread over a long period of time. At the start of the programme, only three staff were foreseen for the MFU – Project Director, Programme Manager and Finance Officer – with no provision for an M&E Officer. This is more so the case given the structural hindrances highlighted in the programme context section wherein concerted action at all levels is required while the time period provided is only seven years.

32. **Second**, while the ambitious design set out what it wanted it do, it remained vague on the modalities of operationalization. As an example, the design states that the programme will create linkages between banks and semi-formal/informal institutions but does not elaborate on how it will go about doing so. Similarly, as pertains to the enterprise development component, the programme design does not elaborate on the broad guidance for beneficiary trainings. Such lack of guidance is a significant gap, given that RFEDP is the first sectoral rural finance programme in the country and the experience and knowledge in the sector within the country were scant.

33. **Third**, some of the fundamental assumptions made implicitly and explicitly by the programme design, as laid out in the ToC , were found to be unrealistic, namely: "integration between commercial banks and MFIs and other pro-poor financial institutions", "ready availability of viable partners with capacity to deliver to the target groups", and "an enabling policy, regulatory and operational environment". As an example, the programme design was preceded by a design study in 2008 which partially identified some of the structural problems, especially those pertaining to financial institutions' capacities, that this PPE identified (refer to "programme context" section). However, the design report did not account for these hindrances. More specifically, one of the assumptions was that suitable

financial institutions as well as banks were willing and able to work with RFEDP's target groups, in spite of the design study indicating otherwise. A quantitative elaboration of the lack of congruence between the interests and priorities of the formal banking and non-banking sector and rural populations is seen in table 4 below.[12]

34. Table 4 shows that nearly 83 per cent of the banked adults in 2011 used banks for savings purposes, while only 9 per cent of the adults were able to use banks to access credit. In 2014, 54 per cent of the banked adults used banks for savings purposes and 12 per cent used them to access credit. This should be seen against the needs of the informal sector where, in 2011, about half of the adults accessed credit while 64 per cent of the adults in the informal sector used savings products. The low composition of credit usage even among banked adults demonstrates a highly conservative lending strategy, to a lesser extent among non-bank formal institutions.[13] This is validated by detailed interviews with various stakeholders by the evaluation team in Eswatini. Thus, there is lack of congruence between the high demand for credit in the informal sector[14] and the low appetite for the same among banks.

Table 4
Percentage of adults accessing savings or credit products in different categories[15]

	Savings		*Credit*		*Transactional*	
	2011	2014	2011	2014	2011	2014
What drives banking usage?	82.7%	54%	9%	12%	85.7%	100%
What drives non-bank formal product usage?	85.3%	49%	8.6%	39%	-	-
What drives informal sector activities?	64.7%	68%	50.4%	51%	-	-

Source: Finscope 2011 and 2014.

35. Similarly, a key assumption made in the design report was that an enabling policy and institutional environment was largely present, which was not the case. For example, the legislation regulating lending by non-bank institutions came into being only as late as 2013, while no legislation existed until late into the programme implementation to regulate non-bank institutions such as MFIs and savings and credit cooperatives. That being said, the lack of an enabling policy and legislative framework and the need to address were reflected and incorporated in the evolving design as the programme undertook support for policy and legislative work, predominantly pertaining to finance sector, which in turn was highly relevant. The MFU's reporting line to the Ministry of Finance also meant that RFEDP was able to influence the policies (refer to pathway 3 under “effectiveness”) under the purview of the Ministry and also had the convening authority to work with numerous stakeholders in the finance and small and medium enterprise sector.

36. The initial lack of human capacity, mentioned in paragraph 31, was partially addressed in the supervision mission of 2012 when additional positions in the MFU were agreed upon and sanctioned. However, such additions were deemed to be insufficient for the scope of the programme. The task of implementing such an ambitious design with limited capacity was quoted as a justification to use an

[12] The FinScope survey was developed by FinMark Trust and was first piloted in 2002 in South Africa. The survey was conducted in many other countries with the main objective to measure and profile the levels of access to and uptake of financial products/services (both formal and informal) in a particular country, across income ranges and other demographics.
[13] Finscope Consumer Survey, 2011: http://www.finmark.org.za/wp-content/uploads/2016/02/FSRep_Swaziland_13_09_20124.pdf.
[14] The project's target beneficiaries work in the informal sector.
[15] This table shows the percentage of adults who access services through formal banking or non-bank formal institutions. The methodology underwent a change in 2014, partially explaining the drastic change in numbers.

institutional partnership model,[16] a part of the evolving design. At the micro level, the model implied that institutions rather than communities were used as an entry point. In practical terms this manifested itself in the form of RFEDP undertaking/ financing individual activities with the existing target communities of partner institutions. These activities were part of a sequential flow of activities carried out by the partners. This had four significant effects on the programme's performance, the third and fourth being organically related.

37. **First**, there was a lack of reliable M&E data from the field operations, even at the output level.[17] The performance of the M&E function was affected by the initial lack of capacity in the programme team as well as the institutional partnership model. It was observed that the many partnerships were ad hoc and transactional, with no formalized relationship in the form of a memorandum of understanding in most cases (except SEDCO and the University of Eswatini). Such partners were not always willing or able to share the progress and impact of interventions.

38. **Second**, the programme's targeting was largely the targeting strategy or business priorities of the partner institutions.[18] The programme did not proactively engage its target population, especially the survivalists. This was because partner institutions did not necessarily have survivalists as their default target groups.

39. **Third**, the partnership model implied that an integrated delivery of outputs for enterprise development and rural finance at the beneficiary level was not always possible. This is due to partners possessing varying capacities, mandates, and geographic and business priorities were tasked with implementing different activities. As an example, a beneficiary who is trained by SEDCO in enterprise development might not have access to finance to implement the training due to lack of presence of partner MFIs in the particular district. This integration is, in fact, one of the impact drivers recognized in the ToC and has not been achieved during RFEDP due to the nature of the implementation partnership model.

40. **Fourth**, as the PCR states, RFEDP worked with 26 partners until the time of its closure. The evolving design, which involved working with such wide variety of partners, precluded a systematic, integrated and focused approach to activities at the meso and micro levels. This meant that while outputs were achieved, the same was not true of substantive outcomes, as covered under assessment of pathway 1 in "effectiveness". This lack of focus and the involvement in a discrete set of interventions was also highlighted in the interphase review (2014) and the PCR.

41. **In summary**, RFEDP's objectives are relevant to the Swazi context given the structural and operational constraints in the rural finance and enterprise development field. However, the programme's original design did not take sufficient stock of the context and provide for necessary interventions, structures and capacities to incorporate the contextual factors into the design. This is despite the design study indicating such a need. Instead, the programme's original design was made based on assumptions that were not realistic. The unrealistic assumptions combined with the original capacity envisaged in programme management meant that RFEDP used the institutional partnership model to implement the micro-level activities, which was not ideal for targeting and for outcomes and impact at the micro level. However, the evolving design accounted for structural shortfalls to some extent, and RFEDP worked extensively at the policy

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[16] RFEDP worked with partner institutions to leverage their existing set of activities and provide limited and specific backstopping. For private players such as BDS providers, this meant working on output-based contracts, e.g. number of trainings provided.

[17] As an example, the beneficiary outreach is reported differently in different documents: 1,776 in the impact survey; 1,822 in the PCR. Similarly, the number of savings and credit groups supported by RFEDP is reported as 175 in the PCR but 40 in the impact survey.

[18] As an example, the programme worked with the One Household One Product programme of SEDCO in the Shiselweni region. The programme financed the trainings on business management, recordkeeping and honey production for the beneficiaries selected by SEDCO.

level to address the structural constraints pertaining to policy and regulatory environment.

42. In light of the assessment, this PPE rates relevance as **moderately unsatisfactory (3)**.

Effectiveness

43. Effectiveness assesses the extent to which the programme's objectives were achieved as at the end of the programme. The assessment of the effectiveness of RFEDP is conducted per pathway and is based on the performance in terms of most significant changes along each of the pathways as defined during design in the logframe and in the reconstructed ToC. However, evaluation of the achievement of objectives is challenged by conflicting and overall poor-quality data emanating from an M&E system that was weak throughout programme implementation. This section uses output-level data where outcome and impact data are not available.

44. The evaluation has also triangulated the results, relying on programme documentation and the findings from the field mission. The programme has three objectives: (i) to provide the rural poor with access to efficient and effective financial services on a sustainable basis; (ii) to develop an enabling and enhanced environment for business development in rural areas; and (iii) to establish/develop micro- and small-scale enterprises (on- and off-farm) as well as business services in rural areas. The ToC laid out in annex VI elaborates on the pathways envisaged.

45. ***Pathway 1: Establish/develop micro- and small-scale enterprises as well as business services in rural areas****.* The effectiveness along this pathway is evaluated in terms of the two parts of the intermediate states: how the programme supported the rural poor to develop viable and sustainable micro- and small-scale businesses; and support to other business support entities in the rural areas. Given the integrated nature of the outcomes, the analysis will make reference to the pathway on access to financial services.

46. **Improving individual business capacities and capabilities.** RFEDP focused on business and entrepreneurship skills training directed towards business support entities and rural entrepreneurs and in some cases trainings pertaining to specific vocations such as chicken-rearing and apiculture. The impact survey 2017 reports that 1,721 individual beneficiaries benefited from 1,977 training courses conducted during the programme. This exceeds the target in logframe (revised) set at 1,600. Most trainings (76 per cent) pertained to business management which, included training on bookkeeping, accounting and business management skills. Selected private BDS providers and existing parastatals (SEDCO) provided these trainings under contractual arrangement with the MFU. Typically, such trainings ranged from three to five days.

47. The trainings were largely dispersed and one-off activities with no structured follow-up to assess the level of adoption of skills gained on the enterprise. As an example, considering the numbers quoted in the previous paragraph, in the best-case scenario, only 256 individuals have received follow-on trainings. Such lack of follow-on training does not lend itself to substantive impact on enterprise development, as it is an iterative and continuous engagement that requires tailored mentoring and coaching for beneficiaries. The same emerges from interviews with stakeholders in the impact survey.[19] Another issue with the trainings pertained to their rather homogeneous nature, with no substantial attention paid to specific needs of specific target groups. This is to say that nearly all the groups targeted for business management trainings received a uniform training which, by the PCR's assessment as well, was too deep and specialized for survivalists and emerging entrepreneur target groups.

[19] Under the "challenges experienced" section, page 99.

48. In terms of outcomes of business performance, the beneficiaries' businesses were characterized by healthy gross profit margins but low net profit margins (76 per cent of businesses have between 0 and 50 per cent of net profit margin). Such an interval is too broad to be meaningful. However, the narrative of the impact survey describes the profit margins as low. This is reinforced by the fact that 46 per cent of the business owners described their enterprise as struggling or in a bad state. It was also noted in the impact survey that 54 per cent of the businesses found training useful but had not yet applied it or had not seen results out of the application. This may be due to lack of follow-up training and mentoring.

49. **Improving rural entrepreneurs' opportunities through a value chain approach**. Capacity-building in selected value chains, including indigenous chicken, sweet potatoes and honey, was provided as part of improving rural enterprises. At the output level, the programme provided training to 107 poultry producers, 84 sweet potato farmers and 150 beekeepers (60 in 2013 and 90 in 2016), respectively in business management, recordkeeping and product-specific technical training areas including husbandry practices, disease management and processing. These beekeepers were then linked to a local honey producer, Bulembu Honey Company, which was still observed to be collecting honey from the producers to process, package and market.

50. At the outcome level, however, the evaluation mission found the value chain activities to lack scale and depth. There were two major factors contributing to this. First, lack of access to finance, especially in the sweet potato and indigenous chicken value chain, limits how much could be done by producers. Second, partners handling these value chains were found to lack capacity to take forward their activities in their respective value chains. The Swazi Honey Council collapsed in the course of the programme implementation. The Ministry of Agriculture could not follow up systematically on chicken and sweet potato value chains due to lack of capacity.

51. Lack of follow-up, mentoring and coaching was a hindrance towards the improvement of business opportunities among the trained rural entrepreneurs. RFEDP did not systematically follow up with partners to see value chains through to their completion, and lack of systematic involvement of private sector actors such as traders, processors and retailers, especially in chicken and sweet potato value chains, also remained a significant hindrance. Lack of capacity and inadequate resources to facilitate follow-up was cited as the major barrier by the different implementing partners including, the Ministry of Agriculture, Directorate of Cooperatives, SEDCO, African Cooperatives Action Trust, and farmer organizations such as the Swaziland National Agricultural Union. The ready availability of partners with capacity was an assumption made by the actual and evolving design, as is reflected in the ToC.

52. **Linkage of BDS with financial access.** Beneficiaries of the business management trainings were ultimately to be linked to implementing financial service providers within the programme. However, the programme did not define and promote the strategy on how the linkage of BDS with financial services would be operationalized. There is little evidence of any integration of BDS trainings with access to finance on a sustainable basis. Based on the extrapolated estimations made by the impact survey 2017, 26 per cent of the beneficiaries of trainings accessed financing of some kind. However, there are issues regarding attribution, covered in the assessment of the next pathway.

53. As covered under relevance and as displayed in the theory of change, at the institutional level, unrealistic assumptions were made that banks and existing institutions would be able to finance rural populations through bank-MFI-beneficiary and/or bank-beneficiary linkages. The programme did not build any linkages between commercial banks and MFIs to facilitate institutional development and capitalization of the MFIs to enable them to advance credit to BDS

beneficiaries. Thus, the institutional capacity constraints presented meso-level constraints to integration between rural finance and enterprise development.

54. The institutional partnership model also did not lend itself to integration at the micro level, as covered under relevance. The memorandum of understanding(s)/contracts of the implementing partners and BDS providers were not performance-based and hence the delivery responsibility ended once the stated training would be carried out and there was no systematic effort to ensure outcomes from the trainings, which were one largely one-off in any case.

55. ***Pathway 2: Provide the rural poor with access to efficient and effective financial services***. The effectiveness along this pathway is evaluated in terms of how RFEDP supported the rural poor to access sustainable financial services (savings, credit, transfers) in a pro-poor enabling environment.

56. **Capacity-building of selected financial institutions serving rural poor**. The programme sought to reinforce the microfinance institutional capacities through institutional diagnostic studies, business plan development, training and technical assistance. Inhlanyelo and Imbita Women's Finance Trust were trained on effective credit operations delivery; Imbita and SWEET were supported to develop medium-term business plans; and Inhlanyelo was assisted to acquire a new loan-tracking system and a technical expert contracted to assist with its installation. Inhlanyelo's Executive Director was sponsored to participate in Boulder microfinance training in Italy. The PCR reports that a total of 836 staff (334 males and 502 females) of financial institutions were trained against a target of 240. However, such numbers should be taken with caution against the numbers reported in the impact survey, which were substantially lower.

57. The evaluation team analysis shows that this objective had only limited success. RFEDP partnered with a mix of financial service providers, including commercial banks, SACCOs and MFIs, to expand credit to the rural poor. As has been covered under relevance, the design did not include a realistic assessment of the sector. The structural issues precluded any gains from capacity-building. Each of these institutions was faced with significant challenges in regard to incentives, institutional capacity and lack of capital, with MFIs such as Imbita and SWEET being nearly insolvent, dormant and operationally unsustainable. The programme context covers the structural problems that the financial sector faces in Eswatini.

58. However, an aspect within the immediate control of the programme was the choice of institutions to be targeted for capacity-building and operations during implementation itself. The focus during implementation remained on MFIs and banks, with marginal and intermittent attention to SACCOs. As has been covered under relevance, 50.4 per cent and 51 per cent of the informal financial sector operations is driven by credit. As a more specific elaboration of the above, the impact survey 2017 reports that 43 per cent of the respondents (RFEDP target groups) source their loans from savings and credit groups, 21 per cent from microfinanciers, and only 18 per cent from banks. To that end, while one of the most-used institutions for access to finance were the savings and credit groups, RFEDP's focus remained on MFIs and banks throughout. Thus, there was a mismatch between the interest and capacity of the institutions targeted and the needs of the target groups, an issue which has also been brought up in the relevance section.

59. On the above note, the attention to savings and credit groups remained minimal. The programme only intermittently engaged the savings and credit groups, financing trainings of groups engaged by the non-governmental organization Hand-in-Hand, in the process reaching nearly 40 such groups comprising 369 beneficiaries. Savings groups are delinked from the structural constraints highlighted earlier, community-based and highly informal, and their performance could have been more directly driven by the programme's interventions. Interphase Review Report (2014) and the PCR have stated that RFEDP could have

invested in the promotion of community-based savings and credit groups to boost savings mobilization and credit access among the survivalists and other entrepreneurs in need of credit. This PPE concurs with such assertion.

60. **Design of appropriate financial products and adoption of innovative technology**. The programme was to support the design and pilot-testing of appropriate electronic technology-based financial products for rural beneficiaries. The programme results were minimal, with six products designed over the entire programme period but only one – a cattle feedlot loan product by Nedbank in collaboration with the Eswatini Water and Agricultural Development Enterprise and International Livestock Research Institute – reached pilot stage. The other five were in various stages of development and had been shelved by the end of the programme.

61. The implicit assumption made at design was that the commercial banks would develop appropriate products without consideration of credit risk coverage. Commercial banks' liquidity was assumed to be the key indicator for their interest in engaging in small- and medium-sized enterprise-lending, such as emerging entrepreneurs and aim high programme target beneficiaries. This assumption did not hold, as demonstrated by Nedbank decline the request to advance loans to 60 well trained honey producers without collateral in the form of guaranteed buyer contracts (invoice credit/factoring).

62. The programme was to deliver the newly designed financial products through electronic banking. The MFIs did not have capacity to participate in the development of rural electronic banking. According to the PCR, MFIs' financial capacities were inadequate for their own core financial services, let alone for integrating advanced electronic banking into their operations. In the end, technology is a medium to carry the monetary value to beneficiaries and the issues of access to finance were of structural nature.

63. **Supporting financial institutions to advance loans for on- and off-farm activities.** The programme was largely unable to link entrepreneurs to financial resources. According to the impact survey 2017, out of 319 households surveyed, only 84 (26 per cent) had obtained a loan from banks and/or informal institutions. The PCR reports that of the 1,812 entrepreneurs trained by the programme, only an estimated 556 enterprises, approximately 30 per cent of trainees, accessed credit through the programme. In the impact survey it is estimated that 43 per cent of the loans were taken from savings and credit groups, followed by 21 per cent taken from microfinance lenders and 18 per cent from banks. It is difficult to attribute this outcome to RFEDP or even attributed a substantial contribution of RFEDP to such an outcome. There are two observations by the PPE team on the issue of attribution: (i) supervision documents have consistently highlighted the lack of access to finance by target groups, including banks and MFIs;[20] and (ii) institutions such as savings and credit groups were intermittently targeted by RFEDP and the support eventually ceased, as covered under human and social capital and empowerment sub-criteria. However, the above figure does reinforce the importance of savings and credit groups and the missed opportunity and entry point for RFEDP into operational activities.

64. ***Pathway 3: Creation of enabling regulatory, policy and operational environment*.** The effectiveness along this pathway is evaluated in terms of how RFEDP supported the creation of an enabling environment for pro-poor financial policy reform and legislation and how it supported efficient coordination structures. The specific interventions under this component were: (i) support the MFU to refine policies, strategies and legislation for pro-poor financial services/financial policy

[20] With the exception of 80 loans provided by Swazi National Bank to beneficiaries working with Swazi Commercial Amadoda, no other loans by banks to RFEDP beneficiaries were recorded. Similarly, Inhlanyelo Fund was the only MFI to be operational throughout the programme's implementation, and interviews with Fund staff reveal no substantial engagement with RFEDP beneficiaries.

reform and legislation; and (ii) support the creation of efficient coordination structures sustainable beyond the programme's life.

65. **Support the MFU to refine policies, strategies and legislation for financial reform.** The programme supported the development of an enabling environment of the MSME and rural finance sector through new and existing legislative laws reviews. As recognized in the programme context section, the policy framework remained largely weak at the time of approval of RFEDP and required substantial strengthening, which the programme contributed towards. In output terms, such support involved provision and financing of technical assistance, organization and coordination of stakeholder meetings, exchange visits, and process coordination. The programme supported the review and completion of four pieces of policy/legislation: the Consumer credit policy 2013; the Consumer Credit Act 2016; the Microfinance Policy Framework 2018; and the National financial inclusion strategy 2018. Other completed regulations that were awaiting Cabinet approval at the completion of the programme included: the Reform of the Small-Scale Credit Guarantee 2015; the Savings and Credit Cooperatives Bill; and the Reform of the Community Poverty Reduction Fund 2014.

66. **Support the creation of efficient and sustainable coordination structures.** The MFU played the role of the RFEDP programme management unit. Its initial mandate was to oversee the coordination of RFEDP's activities. The programme's involvement in convening and country-level financial policy and legislation reforms provided a transition from programme management to championing financial inclusion. The CFI is now attempting to become a knowledge and data hub for small and medium enterprises (SMEs) and financial inclusion through periodic surveys and information platform(s). During the mission it was clear that the MFU/CFI had been successful in bringing financial inclusion onto national agenda and follow-up on policy dialogue in the financial sector.

67. The MFU turned into the CFI, whose mandate includes taking forward the policy work started under RFEDP. The following legislative actions were ongoing at the end of the programme: SME Policy 2005 Review and Reform; the SME Development Roadmap, which will form the Master Plan for the development of the SME sector; the SACCO Policy; and the SACCO Bill. RFEDP also catalyzed the implementation of the Review & Reform of the Co-operative Policy 2003. Therefore, the programme and the CFI after the closure have made substantial contributions to various policies and legislation reforms, essential for a strong framework for the financial sector. The regulations for operationalizing these policies need future support to adequately complete the reform process. Overall, such policy work addresses the lack of an enabling environment in Eswatini, a fundamental assumption on which the programme was designed.

68. **In summary**, the programme's performance varies between the macro, meso and micro levels. Some of the most positive results can be seen at the macro level, where the programme influenced policies pertaining to rural finance and SMEs. However, the programme's results from its work at the meso and micro levels were not as successful. While outputs were achieved, outcomes were hindered due to factors which were both within and outside the programme's immediate area of influence. The structural issues in the rural finance and enterprise development sector meant that the integration between the rural finance and enterprise development activities was not successful and programme beneficiaries could not consistently access finance for their enterprises. Lack of finance could have been addressed to some extent if the programme had engaged in a more systematic manner and over a longer term with the target beneficiaries through coaching and mentoring services. In addition, the programme could have selected more realistic entry points into the rural finance space in the form of institutions which are better suited to the needs of the target groups and the contextual constraints highlighted earlier.

69. In light of the above, this PPE rates the effectiveness of RFEDP as **moderately unsatisfactory (3)**.

Efficiency

70. **Process efficiency.** The programme was approved in December 2008 and became effective in September 2010. The 21-month lag is the same as the approval-to-effectiveness lag for previous three projects in Eswatini but much higher compared to the average of 12.3 months for all projects approved in the East and Southern Africa region until 2008. In terms of implementation, the programme lasted for seven years as planned, with significant time lost at the start of the programme due to significant gaps in design.

71. **Cost efficiency.** The programme had stated management costs to the tune of US$3.2 million, or roughly 35 per cent of the total programme costs at approval. However, the supervision reports of 2012 and 2013 had foreseen an increase in allocation of funds to the programme management component to account for an increase in staff complement, including an M&E officer, and an increase in salary scales to attract qualified staff. At closure, the programme had spent US$4.05 million, accounting for 46.7 per cent of the total costs. Approximately US$1.9 million[21] was spent on staff salaries, accounting for less than half the programme management costs. As per the information provided by the MFU, some of the expenses normally accounted for under other components (such as fuel expenditure for travelling to the field) were also accounted for under component 3.

72. **Internal rate of return.** At its closure, the programme did not calculate an internal rate of return (IRR). At the design stage, the ex-ante estimation of IRR (discounted over a ten-year period) was about 27 per cent, on the assumption that the 2,850 entrepreneurs, 160 savings groups, and cooperatives, would be reached and that they would only access 50 per cent of the required credit, and 20 MFI loans would be advanced annually. The PCR covers the unrealistic assumptions made in the calculation of the IRR at design, and the PPE concurs with most of the PCR’s narrative. This PPE finds that while the design report terms its assumptions conservative, most of the output targets stated at design were not reached at the end of the programme.

73. In addition, in qualitative terms, the integration between the enterprise development component and finance was found to be absent, with only one fourth of the enterprise development beneficiaries having access to finance of some kind, and, even then, with lack of evidence of attribution to the programme's activities. In addition, the programme's enterprise development activities foresaw consistent mentoring and follow-up, which were not followed through during implementation. Hence, while outputs were achieved, even if at a lower level compared to those foreseen at design, the outcomes did not materialize. In summary, some of the major assumptions underpinning the IRR were found to be misplaced.

74. On the other hand, the programme undertook significant policy work, with support to legislation and a policy framework that hitherto did not exist. This PPE concurs with the PCR's assertion that the benefits of the policy work are significant. However, the substantive benefits of such policy work will accrue in the coming years. For instance, the first legislative work supported by the programme, the Consumer Credit Policy 2013, had its operating procedures come into force only in 2016 and its implementation is only just beginning.

75. In light of the above, the efficiency of RFEDP is rated as **moderately unsatisfactory (3)**.

Rural poverty impact

[21] The MFU provided the evaluation team with a detailed expense account. The term “staff salaries” includes salaries, national pension fund contribution, pension/gratuity, health insurance and car allowance.

76. The analysis in this section uses quantitative data from the impact survey 2017. However, this PPE report notes that the survey does not capture the counterfactual data for important indicators such as net income. The statistical significance of the differences between baseline and post programme figures for various indicators is unclear.

Household incomes and net assets

77. The impact survey indicates that the average monthly income increased from SZL 993 in 2014 to SZL 2700 in 2017. However, expenses also increased considerably (baseline not provided), with average expenditure at SZL 2500 thus resulting in net savings of only SZL 200. This is further reinforced by the low profitability of the targeted enterprises, as noted in effectiveness. Three-Fourths of the enterprises reported net profit between 0 and 50 per cent. While the stated interval in the impact survey when reporting on profitability is wide and could have been smaller for a more nuanced understanding, the profit level is considered low by the impact survey and the PCR. In the field visits, low profitability was also a consistent observation, for example, with women growing vegetables on the farm selling them at predetermined prices to national agricultural marketing board and paid for the same after months. This is reinforced by the fact that 46 per cent of the business owners described their enterprise as struggling or in a bad state.

78. The programme household beneficiaries have reported improved quality of household assets. About 84 per cent of the households report to have walls with bricks and plaster in 2016 as opposed to 56 per cent in 2014. Nearly 72 per cent of the households surveyed had access to electricity in 2016 as compared to 65 per cent in Baseline survey of 2014. Similarly, ownership rates of assets such as television (41 per cent vs. 66 per cent), refrigerator (40 per cent vs. 67 per cent) and stove (25.6 per cent vs. 50 per cent) have increased.

Human and social capital and empowerment

79. The human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grassroots organizations and institutions, the poor’s individual and collective capacity.

80. **Communities and their institutions.** RFEDP did not have communities as its entry point. Collective organizations were sporadically targeted through the implementing partners, even when the scope for working with them directly existed, particularly the savings and credit groups. As per the impact survey, annex 5, only 369 individuals as part of the savings groups were targeted. It is difficult to assess the quality of these grassroots organizations, as they were not direct beneficiaries of RFEDP. RFEDP partner 'Hand-in-Hand', which was working with the savings groups, collapsed due to cessation of donor funding and there is no evidence that savings groups were systematically targeted after that. In the field visits it was confirmed that there was no follow up of the savings and credit groups and the few that existed have been dysfunctional due to lack of a systematic approach to graduation.

81. **Building project beneficiaries’ capabilities through enterprise training.** According to the impact survey 2017, a total of 1,721 individual beneficiaries benefited from 1,977 training courses conducted during the programme. The majority of the project beneficiaries (1,503) were trained in business management. Other training courses facilitated by RFEDP included agriculture, beekeeping, sweet potato production and poultry keeping. As can be deduced from the output numbers above and confirmed during field visits, most of the trainings were one-off and typically lasted three to five days. Even at the outcome level, as noted by the impact survey, only 35 per cent of the beneficiaries indicated that they had applied knowledge and skills gained, with resultant growth in their businesses, while 54 per cent of respondents found the training useful but had either not yet applied

their new skills and knowledge in the business (or had applied the new skills and knowledge but had not yet seen the positive impact on the business).

Institutions and policies

82. This criterion is designed to assess the changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.

83. **Pro-poor policy review and development.** As has been highlighted in relevance and the programme context, the programme was faced with a lack of a functional and enabling policy environment. To that end, at the macro level, the programme supported the development of an enabling environment of the SME sector through new and existing policy support and dialogue to fill voids in the policy matrix within the country. Qualitative data collected by the evaluation team during the field visits confirmed that the programme supported the review and completion of four pieces of policy/legislation: the Consumer credit policy 2013; Consumer Credit Act 2016; the Microfinance policy framework 2018; and the National Financial Inclusion Strategy 2018. Other completed regulations that were awaiting Cabinet approval at the completion of the programme included: the Consumer Credit Act 2016; the Reform of the Small-Scale Credit Guarantee; and the Reform of the Community Poverty Reduction Fund 2014. The programme supported the Financial Sector Regulatory Authority, Swaziland Association for Savings and Cooperatives, and the Cooperatives Development Department to develop and finalize the SACCO policy and SACCO Bill, which is making its way through government processes. RFEDP also catalysed the implementation of the Review & Reform of the Cooperative Policy 2003.

84. **Institutions.** The MFU – the RFEDP executing agency – was established and operated as the programme management unit. The unit turned into the CFI, a semi-autonomous unit under the Ministry of Finance. CFI's new mandate includes being the country’s knowledge hub for SME and financial sector-related issues. It has convening power among relevant stakeholders and capacity to bring financial inclusion onto the national agenda. At of the time of writing this PPE, the CFI was providing support for ongoing policy reform. In addition, the CFI was starting to collect data on the state of the SME sector in the country.

85. One of the programme's approaches to broadening financial inclusion in rural areas was through institutional capacity-building of selected financial institutions. As mentioned previously, three MFIs were provided with capacity-building through institutional diagnostic studies, business plan development, training and technical assistance. Inhlanyelo and Imbita Women’s Finance Trust were trained on effective credit operations delivery; Imbita and SWEET were supported to develop medium-term business plans; Inahlanyelo was assisted to acquire a new loan-tracking system and a technical expert contracted to assist with its installation. These capacity-building inputs for MFIs did not contribute meaningfully to programme outcomes, due to structural factors highlighted upfront in the programme context.

Food security and agricultural productivity

86. Eswatini experienced droughts between 2014 and 2016. The impact survey states that 38 per cent of the surveyed beneficiaries had experienced a first hunger season in the preceding 12 months of the survey, while 11 per cent of the respondents had experienced a second hunger season. The baseline figures (2012) stood at 35 per cent and 12 per cent, respectively. At the micro level, the programme did work with enterprises which pertained to agriculture. Some of the trainings imparted to beneficiaries included those pertaining to vegetable production and beekeeping. However, as the impact survey demonstrates, those numbers were small within the total number of trainings imparted.

87. In summary, at the micro level, the programme's impact on incomes and household assets is unclear. The nature of activities of RFEDP combined with their

implementation difficulties (such as lack of integration) do not lend themselves to substantive increases in income attributable to the programme. At the meso level, the programme faced larger structural issues which hindered progress on institutional capacity-building of MFIs. Similarly, the programme's impact on human and social capital and empowerment and food security and agricultural productivity remains marginal. On the contrary, the programme had substantial impact at the macro level, on the institutional and policy environment, with most implications for the long term. In light of the above, the PPE rates the programme’s rural poverty impact as **moderately satisfactory (4)**.

Sustainability of benefits

88. RFEDP was a complex and multi-faceted rural finance programme with interventions at different levels: policy and legislation (macro); implementing partners, including financial institutions, BDS providers and community/grassroots institutions development (meso); and individual entrepreneurs/beneficiaries (micro). This analysis looks at sustainability along these three levels.

Macro level

89. **MFU-CFI:** RFEDP activities, including financial sector reforms, are expected to continue and be further developed at the macro level. The programme management (MFU) has successfully transitioned into the CFI and secured funding from the Government of Eswatini to the tune of US$670,000 (SZL 9M) annually for a period of three years. In addition, IFAD has mobilized US$8.9 million and designed a new inclusive finance programme (Financial Inclusion and Cluster Development - FINCLUDE) to supplement the Government’s funding and assist in consolidating the outcomes of RFEDP. The combined government and IFAD financial support moves the CFI towards a financial sector focus, including BDS enterprise support. CFI also has the institutional memory, as the team has remained intact since the programme closed. This bodes well for the continuation of the policy work undertaken so far and its inherent benefits.

90. The outstanding policy framework for creation of an enabling environment, such as the follow-up on policy/legislation awaiting Cabinet approval (Consumer Credit Act 2016, the Reform of the Small-Scale Credit Guarantee 2015 and the Reform of the Community Poverty Reduction Fund 2014), will be followed up by CFI through the Government's support. Follow-up of other reforms that were ongoing at the end of the programme (the SME Policy 2005, the SME Development Roadmap, the SACCO Policy and the SACCO Bill) will also fall under the mandate of the new institution.

Meso level

91. One of the impacts of the effects of the institutional partnership model is the dependence on institutional partners to engage target beneficiaries and reliance on them to ensure mechanisms for continuity of benefits or to continue rendering services to target groups to ensure continuity of benefits. Hence, a cursory assessment of the capacities of the institutions involved is important when assessing the sustainability of benefits of RFEDP at the meso level.

92. **Financial institutions.** A big challenge to sustainability of benefits to RFEDP beneficiaries is sustainable financial access due to constraints related to the structure of the financial sector in Eswatini, as covered under programme context. The programme made attempts to build the capacity of three MFIs – Inhlanyelo, Imbita and SWEET – but with little success. Only Inhlanyelo Fund functioned at some scale throughout the programme implementation. Imbita Women’s Finance Trust and SWEET were largely dormant throughout the programme implementation. Sustainability of benefits of the programme's capacity-building interventions was threatened by the poor state of the supported MFIs and the industry in general.

93. **BDS providers and implementing partners.** The sustainability of RFEDP enterprise development trainings is challenged by lack of capacity among partners.

RFEDP worked through implementing partners including the Ministry of Agriculture, SEDCO, Cooperative Directorate and Africa Co-operative Action Trust, among others for operational sustainability of programme outcomes. During field missions, it was noted that most institutions did not or could not engage with or set up mechanisms for sustainability of benefits. Partners such as SEDCO and Ministry of Agriculture lacked capacity to follow up beyond initial trainings and activities financed by RFEDP. In some cases, it was also due to lack of mandate beyond the contractual or partnership agreement(s).[22] There was no systematic follow-up from MFU or partners to create mechanisms for sustainability of benefits. Such a lack of institutional capacities and RFEDP's inability to change the situation had an effect on operations at the grassroots level, discussed in the next paragraph.

Micro level

94. At the micro level, sustainability of benefits to RFEDP beneficiaries is challenged by three factors. **First** was the lack of follow-up trainings. The programme provided one-time short-term training of three to five days with no follow-up mentoring or coaching to build on the initial training inputs. Business clinics have now been set up with Swazi Government funding through which the RFEDP beneficiaries could be supported. However, the clinics were not operating at scale to reach out to programme beneficiaries.

95. **Second** was lack of access to finance for trained beneficiaries. The programme was largely unable to link entrepreneurs to financial resources. Only an estimated 26 per cent of the trained beneficiaries accessed credit, and even then it is difficult to attribute this outcome to the programme and participating financial institutions. From visits to the beneficiaries of the indigenous chicken, sweet potato and honey value chains, it was evident that the lack of access to finance by trained beneficiaries precludes the benefits of trainings and any sustainability therein.

96. **Third** was the lack of a clear exit strategy. The programme exit strategy for the ground-level activities was not properly defined and executed with the relevant implementing partners. The evaluation mission noticed gaps in institutions' understanding of their respective roles and responsibilities as implementing partners after the programme closure. As discussed under the meso-level section, the implementing partners lack both capacity and financial/human resources to provide sustainable services or build mechanisms to ensure sustainability of benefits to programme beneficiaries.

97. **In summary,** the benefits of RFEDP's policy level work are expected to be carried into the future given the Government ownership of the policy work under RFEDP and its support for CFI. However, the sustainability of benefits at the meso and micro levels was found to be weak and will possibly not accrue to the beneficiaries and institutions involved after the closure of the programme. The lack of sustainability at the meso and micro levels has to do with factors within and outside the control of RFEDP.

98. In light of the above, this PPE rates the sustainability of benefits as **moderately satisfactory (4)**.

B. Other performance criteria

Innovation

99. The programme tried to take on the development of a digital payments system early in its implementation phase. As a part of these efforts, RFEDP supported MTN mobile in its efforts to spread the use of mobile money in the country through funding of mobile sales kiosks. The programme also attempted to push the use of mobile money among the SACCOs and savings groups to cut their transaction costs. It should be noted that MTN had already introduced the mobile money

[22] This is especially true of private BDS providers such as Altersol and Lulote. Their contracts were output-based and they were expected to deliver trainings with no mechanisms for follow-up.

product in Eswatini and RFEDP financed the setting-up of some kiosks for promotion. To that end, the programme encouraged an upcoming innovation rather than introduced it.

100. Another innovation of the programme was the institutional partnership model, notwithstanding the due reservations expressed by the PPE under relevance and elsewhere. The programme worked with a variety of institutions to dovetail their activities. This was justified by the programme management team citing the lack of sufficient implementation capacity in the MFU to implement the ambitious agenda at design. In spite of the noted pitfalls of the partnership model brought forward in relevance, the model had the effect of providing the MFU with the option to work across a wide spectrum of partners and thus increase its visibility and its role as the convening interlocutor in Eswatini in the area of SMEs and financial inclusion.

101. Value chain approaches were relatively new to the country as of the time of RFEDP. A previous IFAD programme, the Lower Usuthu Smallholder Irrigation Project, had elements of value chain weaved into it but with irrigation as an entry point. RFEDP, on the other hand, directly intervened in three value chains – sweet potatoes, honey and livestock. It organized a national workshop on value chains and financing value chains for a wide range of stakeholders in the country, including the Ministry of Agriculture.

102. In light of the above, innovation is rated as **moderately satisfactory (4)**.

Scaling up

103. The programme operations at the grassroots level were marginal both in terms of outputs and outcomes. The **micro and meso** level interventions did not produce any results which could be deemed to be successful for scaling up. However, the programme interventions in enterprise development were seen as a learning experience. The new centre for financial inclusion is using government funding to carry out business clinics for mentoring and follow up trainings for selected businesses, using funding from the government of Eswatini. While the numbers are not available, it has been indicated that such operations are not happening at a scale.

104. At the **macro level**, the programme interventions at the policy level have been continued through the CFI, using funding from the Government. The Government has scaled up the role of the CFI as compared to that of the MFU. Beyond the policy remit of the MFU, the CFI is also working on its entrusted role as a data and knowledge hub for financial inclusion and SME-related issues in the country. As of the time of writing this report, the CFI had begun data collection exercises to map the demand side of SME space. This stems from the MFU's lessons in the course of its work with RFEDP where, in the process of policy inputs, the lack of data was found to be a significant hindrance. Thus, MFU and, by function, its role as the policy interlocutor has been mainstreamed into the policy and legislative processes in the form of the CFI.

105. In light of the above, the PPE rates scaling up as **moderately satisfactory (4).**

Gender equality and women's empowerment

106. The programme’s achievement on gender equality and women’s empowerment was originally to be assessed only through the number of women beneficiaries participating in programme activities. In order to ensure gender balance, a target of 30 per cent of beneficiaries was to be women. RFEDP did not set targets for the empowerment of women beyond the number of female beneficiaries. The programme monitored gender-disaggregated outputs but only at the level of number of women participating and not on outcomes. The IFAD Gender Policy lays out three strategic objectives of economic empowerment, equitable distribution of workloads, and enabling participation in rural organizations for women.

107. According to the impact survey 2017, the share of women in programme outputs was 50 per cent, disaggregated as follows; people accessing facilitated non-financial services 679 (240 women, 439 men); people trained in business and entrepreneurship skills 1,881 (988 women, 893 men); people trained in technical skills in relation to their chosen income-generating activities 855 (533 women, 322 men); and people trained in post-crop production and marketing 879 (398 women, 481 men). There was no structured measurement of the extent to which the above trainings helped improve women-owned enterprises. In addition, during field visits, it was observed there were no gender-specific or -sensitive elements in the trainings nor an analysis of specific social and economic constraints that women-run enterprises face. Thus, women-specific social and economic constraints were not addressed.

108. Both RFEDP’s design and implementation lacked a valid gender mainstreaming strategy, plan, budget or resource person to address the transformative potential of the programme. A gender policy for both the Lower Usuthu Smallholder Irrigation Project and RFEDP was designed at the start of the programme (August 2011) and synchronized with the Eswatini National Gender Policy. However, the RFEDP management team and key implementing partner staff were trained on gender mainstreaming in the last year of the programme implementation (March 2016), limiting its impact on both operations and beneficiaries of RFEDP. The evaluation team observed that most enterprises pertained to agriculture, where lands were owned by men and the work on the farm was done by women. In that regard, there was no systematic focus on altering the distribution of rights, rewards and responsibilities in these enterprises.[23]

109. The supervision mission (May 2016) reported that RFEDP organized two learning and exchange programmes to Limpopo, South Africa for ten women who excelled in the annual national competition organized by the Women Farmer Foundation (January 2016); another 13 members of the National Network for Women Living with Disability participated in the Global Art & Craft Expo in Botswana (2015).

110. Overall, women’s participation in RFEDP exceeded the target. A total of 50 per cent of the programme beneficiaries were women compared to a target of 30 per cent. However, the programme did not set targets for women's empowerment beyond the number of women to be targeted. There was no analysis of rights, rewards and responsibilities accrued to women in rural enterprises undertaken during the programme implementation.

111. Based on the above, gender equality and women’s empowerment is rated as **moderately unsatisfactory (3).**

Environment and natural resources management

112. The programme had no foreseen objective nor supporting activities pertaining to the environment or natural resources management. The PPE notes that most of the rural enterprises in Eswatini pertain to agriculture. However, the programme's

[23] As in many other countries, land is often owned by men but most of the work on the agriculture fields is observed to be done by women.

focus was towards capacity-building and rural finance, and any emphasis on the environment, while desirable, would have been tangential to the already ambitious agenda of the programme. Thus, this PPE has scant evidence to assess the programme on this criterion and will not assess or assign a rating.

Adaptation to climate change

113. As with the previous criterion, the programme did not have any implicit or explicit objective on climate change adaptation. Thus, this PPE has scant evidence to assess the programme on this criterion and will not assess or assign a rating.

C. Overall project achievement

114. Overall, the assessment of the programme's achievement can be seen at three levels – macro, meso and micro – given the spectrum of activities that the programme undertook. At the macro level, the programme supported the Government's efforts to strengthen the policy and legislative framework that hitherto had significant gaps. The MFU made notable efforts to coordinate between different stakeholders in Eswatini and this has contributed to its role as a significant interlocutor in the country in the area of financial inclusion. It is expected to continue this role given its Government-mandated role as the CFI.

115. The same does not hold true at the meso and micro levels. At the meso level, RFEDP's efforts in building the capacity of MFIs and SACCOs did not yield substantive outcomes. This can be partly attributed to the state of the finance industry in Eswatini and the larger structural issues affecting the country. To that end, the programme only intermittently engaged savings and credit groups without any evidence of outcome visible. Given the choice of institutions used as the entry points, the mechanisms for engaging beneficiaries were not ideal for survivalist target groups.

116. Such gaps at the meso level also affected the results at the micro level. One of the two factors that most affected outcomes at the micro level was the lack of viable sources of financing for entrepreneurs. In addition, there has been a lack of systematic follow-up, coaching and mentoring of entrepreneurs trained by RFEDP. Thus, the programme results at the micro level were largely at the output level and less so at the outcome level.

117. In light of the above, the overall achievement of the programme is rated as **moderately unsatisfactory (3)**.

D. Performance of partners

IFAD

118. **Design**. As covered extensively under relevance, IFAD’s design of the programme was unclear. The pre-design study of 2008 alluded to the then existing institutional structure in the financial sector, which holds true even today. However, most of the findings of the study were not appropriately reflected in the design report and neither were realistic and specific interventions used to address them. The lack of clarity in design led to a host of other issues during implementation, covered under relevance and effectiveness.

119. **Supervision, support and oversight.** With the understanding that supervision reports are a reflection of the quality of supervision mission outcomes, this PPE finds the quality of supervision support to be variable. While supervision missions were regular, the coverage of substantive issues in supervision reports until 2014 is found to be sparse, and the supervision reports reflect the lack of direction that the programme experienced in the first three years of implementation. They elaborated on individual initiatives without taking stock of the structural issues plaguing the programme and sector or guiding the programme to suitable entry points into the rural finance and enterprise development sector.

120. After the Phase II review report 2014, the quality of supervision reports started improving, with the caveat that they still did not consistently pick up and follow through with fundamental operational issues such as lack of mentoring and coaching, and inputs on entry points into rural finance sector. Consistent and strong support for the programme throughout would have been crucial given that this was the first sector-wide intervention in rural finance in Eswatini. To that end, IFAD did not provide any dedicated and continuous technical support to the programme and, as the PCR indicates, neither was the same requested by the Government/MFU. On the other hand, the supervision missions were found to be flexible to some of the evolving challenges, such as addressing the staffing shortages in the MFU and, as a result, reallocation of funds to programme management, as covered under efficiency.

121. In light of the above, the PPE rates IFAD's performance as **moderately unsatisfactory (3)**.

Government

122. **Programme leadership.** The government was found to have nearly met its foreseen share of financial contribution of US$1.25 million. It was found to have given the MFU an important role of an interlocutor between the Government and other stakeholders in the rural finance and SME sector. The programme director was found to have regular interactions and meetings with the Permanent Secretary of Finance and the Minister of Finance. Affording such line of interaction also led to significant inputs from the MFU into policymaking and knowledge management from the programme's own experiences. As per the PCR, the Ministry of Finance could have provided more insightful leadership around the programme strategy. The PPE concurs with this assessment, with the previously mentioned caveat that RFEDP was the first sector-wide intervention in rural finance and hence the available knowledge and policy experience within the country was limited.

123. **Lessons and continuity.** The government has provided funding and extended the mandate for the MFU by turning it into the CFI. This has been done with the intention to continue the policy work being carried out by the programme and mainstream the lessons learned from RFEDP by officially recognizing the role of the CFI as an interlocutor between the Government and other finance sector stakeholders in Eswatini. In addition, the CFI is expected to fill the gaps in data availability on the demand side of the rural finance and enterprise development sector, which was said to be a recurring constraint experienced in the course of policy work in RFEDP.

124. **Microfinance Unit.** The MFU was found to have been highly active in addressing structural constraints that rural finance and enterprises sectors faced, especially those pertaining to the policy environment. This effort directly capitalizes on the minimal degree of separation between policymakers and the MFU. However, the same cannot be said of operational activities, where the MFU's focus was not found to be coherent. The MFU continued working on a set of discrete activities and on institutions which faced structural challenges, while overlooking activities and institutions which could have realistically borne fruit, as covered under relevance and effectiveness. This should be taken in the context of the relative novelty of a sectoral intervention in rural finance and enterprise development in Eswatini and the resultant absence of knowledge and experience of the same. However, as the previous paragraph noted, specific technical support was not requested by the MFU.

125. **Monitoring and evaluation.** The programme faced issues with regard to capacity within the MFU. At the start, at design, there was a lack of sanction of requisite capacity for M&E. However, when an M&E position was sanctioned in the MFU, the resource person was found to have inadequate capacity to discharge the duties. The successor was discharged from the programme management unit on disciplinary grounds. Hence, M&E capacity was not sanctioned at the outset and

subsequently, when the capacity was sanctioned, it could not be sufficiently integrated into operations. The RIMS data lacked comparability (with baseline data) and attribution (comparison and treatment) of key indicators to the intervention. There was a lack of consistency in output figures in the PCR, as covered under the outputs section of this report.

126. In line with the narrative above, the performance of the Government is rated as **moderately satisfactory (4)**.

E. Assessment of the quality of the project completion report

127. **Scope of the PCR.** The programme covered all the elements set out in the PCR guidelines of 2015. This includes the evaluation criteria in the main text as well as informative annexes, as stipulated in the guidelines. The scope of the PCR is rated as **satisfactory (5)**.

128. **Quality.** The quality of the PCR is found to be good in terms of analysis. The PCR was good in its narrative on assessment of the programme performance. The analysis in the PCR was especially well summarized in section C, with the analysis found to be substantive and pertinent. The PCR, for most part, goes into the analysis of the fundamental factors at hand. This is especially true of the narrative under section C. However, the output-level data in the PCR are unrealistic and inconsistent in many places. The numbers provided under section G, tables 4 and 5, are at odds with the numbers provided in the impact survey. For example, the impact survey claims that 1,776 beneficiaries were trained in business management and other trainings, while PCR claims to have trained 2,678 individuals. Similarly, the basic information table in the "RFEDP at a glance" section of the PCR states that the programme reached 86,621 people, which is an improbable outreach. The PPE rates quality of the PCR as **moderately unsatisfactory (3)**.

129. **Lessons.** The PCR has articulately captured many of the lessons that reflect the consistent findings of this evaluation. This is especially true of the lessons on targeting, beneficiary-centric training and financial services, M&E, and the modalities for private sector led interventions. The PPE rates lessons elaborated in the PCR as **satisfactory (5)**

130. **Candour.** The PCR is found to be upfront in its narrative and analysis. To that end, this PPE has concurred with most of the analysis, especially under section C, which lays out the overall analysis of the strategic approach of the programme. However, the PPE's ratings are significantly lower than the ratings provided under the programme itself, especially under the core criteria of relevance, effectiveness, efficiency and sustainability. The PPE rates the candour of the PCR as **moderately satisfactory (4)**.

Key points

- RFEDP's design was ambitious and did not sufficiently account for the challenges being addressed and the mechanisms to be deployed.
- The programme's chosen entry points into the rural finance sector were banks and MFIs, which were not suitable for targeting the poorer sections of the target population and were constrained by structural factors.
- Enterprise development training is an iterative process, with mentoring and follow-up being an integral part. RFEDP carried out one-off trainings, thus achieving training targets at the output level but few results at the outcome level.
- The programme's interventions at the policy level are found to be relevant and substantial.

IV. Conclusions and recommendations

A. Conclusions

131. At the outset, the programme faced a policy and institutional environment that had significant gaps. However, the programme design overlooked these gaps even though some of them were known and highlighted in the pre-design study. RFEDP's work at the policy level started addressing some of the policy gaps through support for new legislation and a review of existing legislation. Thus, RFEDP's contribution to the policy work at large has been commendable and is expected to make a positive contribution to creating an enabling policy environment in Eswatini for the rural finance and SME sector. As a result of the catalytic role played by the MFU and its close interaction with the Ministry of Finance, it was given the mandate to continue such work in its role as the CFI.

132. At the micro level, the programme's achievements were hindered by factors both within and outside the programme's immediate control. The lack of consistent follow-up and lack of mentoring and coaching to entrepreneurs led to achievements at the output but not the outcome level. The lack of an enabling policy environment and a suitable institutional framework meant that access to finance was a bottleneck, even in cases where target groups had viable business plans (refer to the "missing middle" in the programme context). However, within the options available, the programme chose banks and MFIs as entry points, which could have been appropriate options in a context where a suitable institutional matrix existed. To that end, programme's lack of systematic engagement with savings and credit groups is a missed opportunity, given their relative insulation from institutional constraints of capitalization, lack of integration, lack of operational scale and government legislation in their current modus operandi.

133. The programme did not have suitable mechanisms to engage the survivalist category, in both its rural finance and enterprise development activities. In terms of rural finance, the institutions used as entry points – MFIs and banks – had their own their own limitations in that MFIs lacked capacity and scale to serve the rural population in numbers on a sustainable basis, while banks have a credit risk appraisal system which, like in most other countries, is not ideal for large segments of the rural population in general and survivalists in particular. Even beyond the rural finance sector, the programme used institutions as entry points for its operations in line with the institutional partnership model. By design, this model meant that the programme dovetailed existing beneficiaries of partner institutions rather than worked with RFEDP's intended target groups. Implementation of the model led to lack of oversight of quality of activities, lack of M&E data from partner activities, dispersed nature of activities (26 partners in total), lack of integration at the ground level, and lack of appropriate targeting.

B. Recommendations

134. This evaluation is aware of the design of the next project (FINCLUDE), approved in 2018, and the final design report was made available to the evaluation team. The below recommendations will serve to feed into the design process and reinforce some of the aspects that are already reflected in the design report of FINCLUDE.

135. **Recommendation 1.** Future rural finance and/or enterprise development programmes in Eswatini should be designed taking into account a detailed diagnostic assessment of the institutional structure in the financial and SME sectors. Such programme(s) should formulate designs based on the specific constraints in the context and incorporate interventions which can be realistically undertaken within the rubric of those constraints to ensure that projects can be implemented without the need for substantial adjustment and redesign during implementation, as happened during RFEDP.

136. **Recommendation 2.** Future programmes should exert more direct control over the quality of all aspects of programme implementation. This includes M&E,

coherence of implementation, and strategic direction of the programme, among others. This may take the form of building capacity in the programme implementation units and providing dedicated, ongoing technical support. This will enable the implementation team(s) to better set the direction of the programme and reach target populations without depending on partners and other implementing agencies to do so, as witnessed in the implementation of the partnership model adopted by RFEDP.

137. **Recommendation 3.** Future programmes should consider appropriate mechanisms and institutions to engage target groups, especially survivalists. In this regard, communities should be considered as possible entry points for rural finance and enterprise development interventions. More specifically, savings and credit groups should be given due consideration as one of the main entry points into the rural finance sector. Such emphasis is especially important given the lack of an enabling environment and institutional matrix in the country and the resultant "missing middle". These institutions also have potential for aggregation at various levels in the form of apexes and as future entry points to engage other financial institutions.

138. **Recommendation 4.** Enterprise development activities should be seen as a continuous and iterative process, with ongoing mentoring and coaching being an integral part of trainings. Emphasis in the trainings should be placed on integrating them with rural finance activities. Such integration is important to ensure that programme achievements go beyond the output level and result in substantial outcomes and impacts for the target groups.

Basic project data

			Approval (US$ m)		*Actual (US$ m)*	
Region	East and Southern Africa	Total project costs[1]	8.35		7.69	
Country	Kingdom of Eswatini	IFAD loan and percentage of total	5.997	72%	5.032	65.4%
Loan number	764	Borrower	2.36	28.3%	2.35	30.6%
Type of project (subsector)	Agricultural Development	Partners	-		0.312	4.1%
Financing type	Loan	Beneficiaries				
Lending terms	Highly concessional		-		-	-
Date of approval	17/12/2008					
Date of loan signature	25/03/2010					
Date of effectiveness	15/09/2010					
Loan amendments	0	Number of beneficiaries: (if appropriate, specify if direct or indirect)	N.A		36,000	
Loan closure extensions	0					
Country programme managers	Robson Mutandi and Janaa Keitarantaa Thomas Rath Louise Mcdonald	Loan closing date	31/03/2017		31/03/2017	
Regional director(s)	Rodney Cooke a.i Sana Jatta Perin Saint Ange Ides De Willebois	Mid-term review	17/03/2014			
Lead evaluator for project performance evaluation	Prashanth Kotturi	IFAD loan disbursement at project completion (per cent)			100%	
Project performance evaluation quality control panel	Fabrizio Felloni Simona Somma	Date of project completion report	PCR not dated			

Source: Project completion report and Flexcube, as accessed on 8th September 2017.

[1] The total financier wise costs differ from the total costs when broken down by components. Both are drawn from the project completion report. The reason for such difference is unknown.

Definition and rating of the evaluation criteria used by IOE

Criteria	*Definition* *	*Mandatory*	*To be rated*
Rural poverty impact	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.	X	Yes
	Four impact domains		
	• Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time.		No
	• Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process.		No
	• Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition.		No
	• Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.		No
Project performance	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.	X	Yes
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.	X	Yes
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.	X	Yes
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.	X	Yes
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.	X	Yes
Other performance criteria			
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods.	X	Yes
Innovation	The extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.	X	Yes
Scaling up	The extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies.	X	Yes
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide.	X	Yes
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.	X	Yes

Criteria	*Definition* [*]	*Mandatory*	*To be rated*
Overall project achievement	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change.	X	Yes
Performance of partners			
• IFAD • Government	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.	X X	Yes Yes

* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

Rating comparison[a]

Criteria	*Programme Management Department(PMD) rating*	*Project Performance Evaluation rating*	*Rating disconnect*
Rural poverty impact	4	4	0
Project performance			
Relevance	4	3	-1
Effectiveness	4	3	-1
Efficiency	4	3	-1
Sustainability of benefits	4	4	0
Project performance[b]	**4**	**325**	**0.75**
Other performance criteria			
Gender equality and women's empowerment	4	3	-1
Innovation	4	4	0
Scaling up	4	4	0
Environment and natural resources management	4	-	-
Adaptation to climate change	3	-	-
Overall project achievement[c]	**4**	**3**	**-1**
Performance of partners[d]			
IFAD	4	3	-1
Government	4	4	0
Average net disconnect			**-0.5**

[a]Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.
[b]Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.
[c] This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender, innovation, scaling up, environment and natural resources management, and adaptation to climate change.
d The rating for partners' performance is not a component of the overall project achievement rating.

Ratings of the Project Completion Report quality

	PMD rating	*IOE rating*	*Net disconnect*
Scope		5	
Quality (methods, data, participatory process)		3	
Lessons		5	
Candour		4	
Overall rating of the Project Completion Report		4	

Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory;4 = moderately satisfactory;5 = satisfactory; 6 = highly satisfactory; n.a. = not applicable.

Approach paper

Kingdom of Swaziland
Rural Finance and Enterprise Development Programme
(Project number 1373, loan number L-I-764)

Project Performance Evaluation

A. Background

1. For completed investment projects financed by IFAD, Independent Office of Evaluation (IOE) undertakes project performance evaluations (PPEs) involving country visits for selected projects (about 8-10 in a given year).[1]

2. A PPE is conducted after a desk review of the project completion report (PCR) and other available documents, with the aim of providing additional evidence on project achievements and validating the conclusions of the PCR. The main objectives of PPEs are to: (i) assess the results of the project; (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in the country; and (iii) identify issues of corporate, operational or strategic interest that merit further evaluative work.

The Rural Finance and Enterprise Development Programme (RFEDP) in Swaziland has been included in the 2018 IOE work programme and budget and will be undertaken between March and September 2018.

B. Programme Overview

3. **Programme area**. The scope of the programme was national. An initial pilot phase was to be implemented in Lubombo Region.

4. **Programme objectives**. The overall goal of the programme was to increase the incomes and contribute to the overall economic development of Swaziland. The objectives were to; (a) Provide the rural poor with access to efficient and effective financial services on a sustainable basis'; (b) develop an enabling and enhanced environment for business development in rural areas; and (c) establish/develop micro- and small-scale enterprises (on and off-farm) as well as business services in rural areas.

5. **Target group and targeting approach.** The final targeted beneficiary types for RFEDP included three categories: (i) Survivalists, (ii) Emerging Entrepreneurs, and (iii) Aim High[2] entrepreneurs. The design report does not provide quantitative or objective parameters to define these target groups. The programme worked through partner rural finance institutions and business development service providers to reach its target groups.

6. **Programme components**. The programme initially started with four components at design and was amended later on to consist of three components which were as follows:

   (i) **Building entrepreneurial capacity in the rural economy** had three sub-components: i) policy support; ii) institutional development and capacity building; and iii) SME linkages to formal banking sector.

   (ii) **Credit**: **deepening the financial sector** also included three sub-components: i) policy support; ii) institutional development and capacity

[1] The selection criteria for PPE include: (i) information gaps in PCRs; (ii) projects of strategic relevance that offer enhanced opportunities for learning; (iii) a need to build evidence for forthcoming corporate level evaluations, country strategy and programme evaluations or evaluation synthesis reports; and (iv) a regional balance of IOE's evaluation programme.

[2] As described in the design report.

building; and iii) develop and pilot appropriate financial products and innovative technology.

(iii) **Programme Management**: The responsibility for this component rested with the Microfinance Unit (MFU) in the Ministry of Finance as the line ministry. As the name suggests the unit was mandated to coordinate all micro-finance-related activities in the country. It had the responsibility for annual work plans and budgets, targeting, contracting, technical back-stopping of partner institutions.

7. **Project financing.** The IFAD Executive Board approved RFEDP on December 17, 2008, and the Programme Financing Agreement was signed on March 25, 2010. Table 1 shows that programme budget utilization varied by component: 65 per cent for component 1; 99 per cent for component 2; and 126 per cent for component 3.

Table 1
Cost tables by component and sub component

Component	*Appraisal*	*Actual*	*Percentage of actual compared to appraisal*
	USD '000	**USD '000**	
Component 1: Building Entrepreneurial Capacity in the Rural Economy			
1.1 Policy Support	156	399	255%
1.2 Institutional Development and Capacity Building	3 029.0	941	31%
1.3 Technical Support	537	1 070	199%
Sub-total- Building Entrepreneurial Capacity in the Rural Economy	*3 723.0*	*2 410*	*65%*
Component 2: Developing the Finance Sector			
2.1 Policy Support	287	497	173%
2.2 Institutional Development and Capacity Building in Financial Sector Institutions	1 287	1 422	110%
2.3 Develop and Pilot Appropriate Financial Products and Innovation technology	682	315	46%
Sub-total-Developing the main Finance Sector	*2 257*	*2 235*	*99%*
Component 3: Project Management			
3.1 Programme Management	2 496	3 754	150%
3.2 Programme Coordination	75	27	37%
3.3 Support to MEPD poverty Union	396	274	69%
4. Monitoring Evaluation and Impact Assessment	261	-	0%
Sub-total- Project Management	*3 229*	*4 057*	*126%*
TOTAL COST	9 210	8 703.6	94%

Source: Project completion report

8. **Timeframe**. The project had three phases, with phase I for testing and phase II and III for scaling up successful interventions and then exiting from the intervention respectively. The programme was approved in December 2008 and became effective in September 2010. It was implemented over a period of 7 years and completed in September 2016 and finally closed in March 2017.

9. **Implementation arrangements**. The lead implementing agency for RFEDP was the Ministry of Finance (MoF). The programme facilitated and supported the establishment of the MFU as part of its efforts to strengthen the regulatory environment for the micro-finance sector along with the newly formed Financial Services Regulatory Authority and the Central Bank of Swaziland. Programme implementation was designed to incorporate the Finance Sector Regulatory Authority's and MFU's future roles, responsibilities, and institutional arrangements (including other agencies/ministries). Allocation of programmatic responsibilities was also meant to support capacity development among stakeholders and programme participants, and to bring Swaziland to international good practice standards (e.g., harmonisation of regulatory/support processes.), and to strengthen country-driven poverty reduction efforts through improved coordination.

10. The programme worked with Rural Finance Institutions and Business Development Service providers to deliver services at the grassroots level. In addition, technical support and backstopping for policy interventions and sector support was rendered through contracting and use of consultants on an ongoing basis.

C. PPE Scope and methodology

11. The PPE exercise will be undertaken in accordance with the IFAD's Evaluation Policy[3] and the IFAD Evaluation Manual (second edition, 2015). Analysis in the PPE will be assisted by a review of a reconstructed theory of change (ToC), as depicted in Annex 1, to assess the extent to which RFEDP's objectives were effectively achieved. The ToC of the project depicts the project context, causal pathways from project outputs (the goods and services that it delivers) through changes resulting from the use of those outputs made by target groups and other key stakeholders towards impact. The ToC also considers Intermediate States or immediate objectives, i.e. changes that should take place between project outcomes (specific objectives level) and Goal. The ToC further defines external factors which influence change along the major impact pathways.

12. The PPE has reconstructed the preliminary RFEDP's ToC based on the original design and a review of the documentation on the project. The PPE Mission will discuss a reconstructed ToC during the field visits to ascertain the causal pathways identified and validate the Intermediary States, the Assumptions, and the Drivers of Impact. The ToC will be revised, as necessary, based on inputs from the field visit.

13. **Scope**. In view of the time and resources available, the PPE is generally not expected to undertake quantitative surveys or to examine the full spectrum of project activities, achievements and drawbacks. Rather, it will focus on selected key issues. The PPE will take account of the preliminary findings from a desk review of the project completion report (PCR) and other key project documents and interviews at the IFAD headquarters. During the PPE mission, additional evidence and data will be collected to verify available information and reach an independent assessment of performance and results.

14. **Evaluation criteria[4].** In line with the second edition of IOE's Evaluation Manual (2015), the key evaluation criteria applied in PPEs in principle include the following:

    (i) **Relevance,** which is assessed both in terms of alignment of project objectives with country and IFAD policies for agriculture and rural development and the needs of the rural poor, as well as project design features geared to the achievement of project objectives.

[3] http://www.ifad.org/pub/policy/oe.pdf
[4] The order presented below is the order in which the narrative will be presented. However, the rating on project performance will be calculated as the average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.

(ii) **Effectiveness,** which measures the extent to which the project's immediate objectives were achieved, or are expected to be achieved, taking into account their relative importance.

(iii) **Efficiency,** which indicates how economically resources/inputs (e.g. funds, expertise, time) are converted into results.

(iv) **Rural poverty impact**, which is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a results of development interventions. Four impact domains are employed to generate a composite indication of rural poverty impact: (i) household income and assets; (ii) human and social capital and empowerment; (iii) food security and agricultural productivity; and (iv) institutions and policies. A composite rating will be provided for the criterion of "rural poverty impact" but not for each of the impact domains.

(v) **Sustainability of benefits,** indicating the likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.

(vi) **Gender equality and women's empowerment,** indicating the extent to which IFAD's interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making work loan balance and impact on women's incomes, nutrition and livelihoods.

(vii) **Innovation and scaling up,** assessing the extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction; and

(viii) **Scaling up,** assessing the extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and other agencies.

(ix) **Environment and natural resource management,** assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resource and the environment.

(x) **Adaptation to climate change,** assessing the contribution of the project to increase climate resilience and increase beneficiaries' capacity to manage short- and long-term climate risks.

(xi) **Overall project achievement** provides an overarching assessment of the intervention, drawing upon the analysis and ratings for all above-mentioned criteria.

(xii) **Performance of partners**, including the performance of IFAD and the Government, will be assessed on an individual basis, with a view to the partners' expected role and responsibility in the project life cycle.

15. **Rating system**. In line with the practice adopted in many other international financial institutions and UN organizations, IOE uses a six-point rating system, where 6 is the highest score (highly satisfactory) and 1 being the lowest score (highly unsatisfactory).

16. **Data collection**. The PPE will be built on the initial findings from a review of the Project Completion Report and other documents. In terms of M&E data, the project has an M&E matrix which will be accessed from the project team during the mission. A RIMS compliant baseline survey for Lower Usuthu Smallholder Irrigation Project and RFEDP together was conducted in 2012, two years after commencement of RFEDP. In addition, there exists an end of project impact survey conducted in 2017. In order to obtain further information, interviews will be conducted both at IFAD headquarters and in the country. During the in-country

work, additional primary and secondary data will be collected in order to reach an independent assessment of performance and results.

17. Data collection methods will mostly include qualitative participatory techniques. The methods deployed will consist of individual and group interviews with project stakeholders, beneficiaries and other key informants and resource people, and direct observations. Assessment of financial institutions will be undertaken, based on the information available to the team. This will encompass looking at the performance of the institutions in terms of financial and operational indicators, their sustainability and critical success factors. To that end, the evaluation will check if the financial institutions comply with the 'Disclosure Guidelines for Financial Reporting' by the Consultative Group to Assist the Poor (CGAP)[5]. Such reported information will be used in the assessment of the microfinance institutions. Triangulation will be applied to verify findings emerging from different information sources.

18. **Stakeholders' participation.** In compliance with the IOE Evaluation Policy, the main project stakeholders will be involved throughout the PPE. This will ensure that the key concerns of the stakeholders are taken into account, that the evaluators fully understand the context in which the programme was implemented, and that opportunities and constraints faced by the implementing institutions are identified. Regular interaction and communication will be established with the East and Southern Africa Division of IFAD and with the Government. Formal and informal opportunities will be explored during the process for the purpose of discussing findings, lessons and recommendations.

D. Evaluation Process

19. Following a desk review of PCR and other project key project documents, the PPE will involve following steps:

    (i) **Country work.** The PPE mission is scheduled for 7 May – 18 May 2018. Evaluation team will interact with representatives from the government and other institutions, beneficiaries and key informants, in Mbabane and in the field. The preliminary Theory of Change of the project will be developed further and validated during the field mission through interaction with project stakeholders. At the end of the mission, a wrap-up meeting will be held in Mbabane to summarize the preliminary findings and discuss key strategic and operational issues. The IFAD country programme manager for Swaziland is expected to participate in the wrap-up meeting, either remotely or in person.

    (ii) **Analysis, report drafting and peer review.** After the field visit and the analysis of collected data, a draft PPE report will be prepared and submitted to IOE internal peer reviewer for quality assurance.

    (iii) **Comments by East and Southern Africa (ESA) division of IFAD and the Government.** The draft PPE report will be shared simultaneously with ESA and the Government of Swaziland for their review and comments. IOE will finalize the report following receipt of comments by ESA and the Government and prepare the audit trail.

    (iv) **Management response by ESA.** A written management response on the final PPE report will be prepared by the Programme Management Department. This will be included in the PPE report, when published.

    (v) **Communication and dissemination.** The final report will be disseminated among key stakeholders and the evaluation report will be published by IOE both in online and print format.

[5] http://www.cgap.org/sites/default/files/CGAP-Consensus-Guidelines-Disclosure-Guidelines-for-Financial-Reporting-by-Microfinance-Institutions-Jul-2003.pdf

20. **Tentative timetable** for the PPE process is as follows:

Date	Activities
March – April 2018	Desk review
7 May – 18 May 2018	Mission to the Swaziland
June – July 2018	Preparation of draft report
July 2018	IOE internal peer review
August 2018	Draft PPE report sent to ESA and Government for comments
September 2018	Finalisation of the report
October 2018	Publication and dissemination

E. Specific issues for this PPE

21. **Key issues for PPE investigation.** Key selected issues to be reviewed, closely identified based on the initial desk review, are presented below. These may be fine-tuned based on further considerations or information availability, consultation with ESA and the Government.

i. **Institutional partnership model.** This implementation model saw the Microfinance Unit (MFU) as the coordinating body, rendering technical assistance to and facilitating interactions in Swaziland between institutions on rural finance and rural enterprise development with operational activities largely planned and implemented by these partner institutions. The evaluation will look at the institutions with which the programme partnered, their relevance and their overall performance. In addition, the programme will look at the relative value and relevance of such implementation model to the attainment of the programme objectives, as opposed to other implementation models where programme management units directly implement programmes or do so in close supervision over implementation agencies. This implementation model also leads to other potential aspects of interest to this evaluation, as below.

ii. **Strategic approach and focus.** The programme worked with a variety of partners at different levels and across distinct yet linked thematic areas. Prima facie, many of the activities appeared to have been undertaken in an ad hoc manner rather than as a part of a 'focussed strategy' of intervening in the rural finance and enterprise development sector. The evaluation will attempt to assess if the programme partnerships and activities were strategically conceived and if there was coherent thinking in forging these partnerships and the reasoning behind the number of partner institutions supported.

iii. **Targeting – Interaction institutional partnerships and project targeting.** At the design stage the programme intended on targeting three categories of Swazi population: (a) Most vulnerable and marginalized, HIV/AIDS, affected households, orphans, child-headed households and subsistence producers; (b) Active poor households and; (c) Households aspiring to develop small scale enterprises. However, the above mentioned institutional partnership model possibly implies that the project's targeting was largely the targeting strategy or business priorities, if private sector, of the institutions. The evaluation will try to understand the suitability of the implementation model in reaching the target groups and the mechanisms to engage them, especially the first and second category of target beneficiaries.

iv. **Policy dialogue and sector level engagement.** The programme documents indicate that the programme has been intensively engaged in the formulation and design of numerous policies and policy initiatives at the national level. These include work on the Financial Inclusion Policy, Microfinance Charter and Policy, Consumer Credit Bill, Savings and Credit Cooperatives (SACCOs) Bill. The evaluation shall pay attention to the nature and extent of support to these legislative measures and, if possible, their contribution to the attainment of the programme objectives.

v. **Integration between rural finance and enterprise development activities.** The programme had two main thematic focus areas viz. Rural Finance and Enterprise Development, with components also structured along similar lines. The programme intended to provide rural enterprises and entrepreneurs (existing and potential) access to mentoring and business development services followed by necessary financing to start or expand businesses. Such intervention strategy requires a level of integration between the two distinct yet organically related components to deliver on the programme objectives in a comprehensive manner. It also requires an institutional partnership model which is built on results-based management. The PPE will seek to understand if the process flow in the ground operations, the institutional alignment, contractual agreements and the delivery mechanisms are geared towards delivering such integrated operations and, more importantly, results at the community or household level.

F. Evaluation team

22. The team will consist of Mr Prashanth Kotturi, IOE Evaluation Analyst and Ms Rose Mwaniki (rural finance and enterprise development expert, IOE consultant). The team will be responsible for the final delivery of the report. Ms Maria Cristina Spagnolo, IOE Evaluation Assistant, will provide administrative support.

G. Background documents

23. The key background documents for the exercise will include the following:

RFEDP project specific documents

- Design Report (2008)
- IFAD President's Report (2008)
- Implementation Support Mission report (2011)
- RIMS Compliant Baseline Survey (2012)
- Supervision Report (2012)
- Interphase review – Phase II (2014)
- Supervision Report (March 2015)
- Supervision Report (October 2015)
- Implementation Support Mission Report (2016)
- Supervision Mission Report (2016)
- Project Completion Report (2017)

General and others

- IFAD (2011). IFAD Evaluation Policy
- IOE (2012). Guidelines for the Project Completion Report Validation and Project Performance Assessment
- IFAD (2015). Evaluation Manual – Second Edition
- Various IFAD Policies and Strategies, in particular, Strategic Framework (2002-2006), Rural Finance, Rural Enterprise, Targeting, Gender Equity and Women's Empowerment

List of key people met

Government

Central ministries and regulators

Bheki Bhembe, Principal Secretary, Ministry of Finance

Gcina Nxumalo, Small Scale Enterprise Guarantee Manager, Central Bank of Swaziland

Themba Mamba, Manager, Licensing and Inspections

Sinenhlanhla Mbanjwa, Analyst, Non-Bank Savings and Credit Institutions

Bongani Masuku, Principal Secretary, Ministry of Agriculture

Eric Maziya, Under Secretary, Ministry of Agriculture

Henry Mndawe, Principal Agricultural Economist, Ministry of Agriculture

Howard Mbuyisa, Senior Economist, Ministry of Agriculture

Daniel Dladla, Agricultural Officer, Ministry of Agriculture

Nonhlanhla Mnisi, Commissioner of Cooperatives, Ministry of Commerce, Industry and Trade

Partners

Patrick Masarirambi, Executive Director, Lulote

Thulasizawe Dludlu, Principal Consultant, Altersol Consultants

Lwazi Mamba, Executive Director, Swazi National Agricultural Union

Wandile Kunene, Executive Manager, Inhlanyelo Fund

Thulsile Dladla-Dlamini, Operations Manager, Swaziland Women's Economic Empowerment Trust

Sibongile Mtembu, Director, Imbita Women's Finance Trust

Phesheya Nkambule, Head of Retail Banking, NedBank

Sifile Dlamini, SME Manager, NedBank

Sive, Shabangu, SME Manager, NedBank

Lucky Dube, Sergeant, Crime Prevention, Gege

Dorrington Matiwane, Chief Executive Officer, Small Enterprises Development Company (SEDCO)

Samkelo Lushaba, Senior Manager, Small Enterprises Development Company (SEDCO)

Bhekani Dlamini, Business Counsellor, Small Enterprises Development Company (SEDCO)

Mbali Mulungu, MTN Eswatini

Sakhile Vilakati, MTN Eswatini

Vusie Nkambule, Production and Procurement manager, Bulembu Honey

Thabani Mdlou, Programme Manager, Africa Cooperatives Action Trust

Melus Kunene, Training Manager, Africa Cooperatives Action Trust

Busika Mlamuli, Livelihoods Technical Programme Manager, World Vision

Thulie Sgwane, Project Supervisor, University of Eswatini

Reconstructed theory of change

The programme was designed before the theory of change (ToC) approach was in use, therefore this aspect was lacking. The ToC depicts the causal pathways from planned outputs through outcomes (changes resulting from the use made by target groups of programme outputs) towards impacts. It identifies "Intermediary States (IS)", which are transitional conditions required to progress from outcomes to the goal (i.e. longer-term impacts). Once ISs are identified, it is possible to determine the assumptions (A), i.e. the factors that if present are expected to contribute the achievement of impacts, but are beyond the immediate control of the programme; and the impact drivers (ID), i.e. the factors that if present are expected to contribute to the realization of the achievement of the impacts, and can be influenced by the Programme or its stakeholders.

As part of this evaluation's methodology, a ToC underlying the project design was reconstructed on the basis of documentation received. It shows the logic sequence of programme results, from the planned outputs to respective outcomes and to longer-term goal. The ToC not only encompasses the elements of design which are present in the design but also those which are essential but not reflected in the original or evolving design. The reconstructed ToC was used to analyze the broader progress to impact through the aggregation of available evidence on broader scale and longer-term results.

The ToC contends that to achieve the general goal of the programme, which is "to increase the incomes and living standards of small farmers in areas where there are few alternative income-generating possibilities by developing and managing the land and water resources to conserve and enhance their productivity", it is necessary to follow three pathways for change, which are determined by the below three Intermediate States and the respective assumptions and impact drivers. The overall goal of the programme is 'To reduce poverty and contribute to the overall economic development of poor rural households in Eswatini'.

(i) Pathway 1, determined by intermediate states "**Provide rural households with access to efficient and effective financial services on a sustainable basis**". This pathway rests on outcome 1, "Reliable financial services developed for rural poor" which is aimed at providing rural poor with financial services pertaining to credit and beyond. This is achieved through activities in component 2 viz. deepening the financial sector. This outcome also hinges on impact driver two 'integration between rural finance and business development trainings' and on both the assumptions stated in the figure below.

(ii) Pathway 2, determined by intermediate states **"Establish and develop micro and small scale enterprises as well as business services"**. This pathway rests on outcome 2, "Rural poor enabled to develop" micro and small business enterprises". This component envisages general business management as well as need based technical trainings, mentoring, coaching and follow up (as in the original design). This component has organic linkage to the first pathway as the target beneficiaries are expected to access finance for their enterprises post trainings. This outcome also hinges on impact driver one 'integration within business development training through extended engagement' and impact driver two 'integration between rural finance and business development trainings' and on both the assumptions stated in the figure below.

(iii) Pathway 3, determined by assumption "**Enabling policy, regulatory and operational environment"**. Unlike other pathways, this pathway hinges on an assumption made by the design that an enabling policy and institutional environment exists in Eswatini to take forward its original design. However, as the main report will cover extensively in its narrative that an enabling policy and institutional environment did not exist and was needed to be supported in the course of RFEDP. Thus, while it exists as a fundamental assumption to move from outcomes to intermediate states the programme in fact had to work towards creating this enabling environment. Hence, the said assumption appears as such in the ToC figure but for all intents and purposes was an impact pathway, and an important one at that. It hinges on outcome 3 viz. efficient coordination structures, monitoring mechanisms and policies developed and the activities that feed into it cut across all three components.

Reconstructed theory of change diagram

Key causal and conditioning factors

- Low Capacity of financial institutions
- Lack of robust policies for financial inclusion
- Limited alternative income generating possibilities
- Limited land tenure
- Low land productivity
- High prevalence of HIV. Reduced human capacity.
- Lack of women in policy and decision making.
- Household assets (physical, human, natural, financial, social and political capital)
- Local governance and tribal institutions.

Outputs

Macro: New and appropriate legislation drafted

Meso: Institutional development and capacity building for the financial sector institutions

Institutional development and capacity building for the financial sector institutions

Develop and pilot appropriate financial products and use of innovative technology

Micro: Training courses organized

Business support entities staff and staff of SME Unit trained

Supported rural micro and small enterprises linked to MFIs and the formal banking sector

Loans for on and off farm activities

The Microfinance Unit established (staff recruited)

Monitoring and evaluation, impact assessment

Assumptions

Integration between commercial banks and MFIs and other pro-poor financial institutions

Ready availability of viable partners with capacity to deliver to the target groups

Programme outcomes

Reliable financial services developed for rural poor

Rural poor enabled to develop viable and sustainable micro and small business in a pro-poor and enabling environment

Efficient coordination structures, monitoring mechanisms and policies developed.

Assumptions

Enabling policy, regulatory and operational environment

Intermediate states

Provide the rural poor with access to efficient and effective financial services on a sustainable basis

Establish/develop micro- and small-scale enterprises as well as business services in rural areas

Immediate Objective

Rural poor benefit from increased incomes improved business opportunities and access to sustainable rural financial services

Overall Goal

To reduce poverty and contribute to the overall economic development of poor rural households in Swaziland

Impact Drivers

- Integration within business development training through extended engagement (mentoring)
- Integration between rural finance and business development trainings
- Adequate MFU staff capacity both in qualitative and quantitative terms

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