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# RURAL FINANCE ASSESSMENT IN NORTH WESTERN PROVINCE, ZAMBIA

*Covering the districts of Kalumbila, Mwinilunga, Manyinga, Ikelenge, and Kabompo*





# **RURAL FINANCE ASSESSMENT IN NORTH WESTERN PROVINCE, ZAMBIA**

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Matteo Pietro Cortese  
Vernon Mboosi  
Richard Moonga  
Brian Ross  
Cassandra Lundu  
Moses Kaumba  
María Ruiz-Villar

Food and Agriculture Organization of the United Nations  
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## ABBREVIATIONS

|               |                                                                                                          |              |                                                   |
|---------------|----------------------------------------------------------------------------------------------------------|--------------|---------------------------------------------------|
| <b>AGS</b>    | Accelerated Growth for SMEs                                                                              | <b>NFIS</b>  | National Financial Inclusion Strategy             |
| <b>AMZ</b>    | Agora Microfinance Zambia                                                                                | <b>NWFP</b>  | non-wood food product                             |
| <b>A-PPP</b>  | Agricultural Public Private Partnership                                                                  | <b>PACRA</b> | Patents and Companies Registration Agency         |
| <b>ASCRA</b>  | Accumulating Savings and Credit Associations                                                             | <b>PHFL</b>  | post-harvest food loss                            |
| <b>BoZ</b>    | Bank of Zambia                                                                                           | <b>PMRC</b>  | Policy Monitoring and Research Centre             |
| <b>CDF</b>    | Constituency Development Fund                                                                            | <b>RFDP</b>  | Rising Fountains Development Programme            |
| <b>CF</b>     | community forestry                                                                                       | <b>ROSCA</b> | rotating savings and credit associations          |
| <b>CFMG</b>   | community forest management group                                                                        | <b>RUFEP</b> | Rural Finance Expansion Programme                 |
| <b>CGS</b>    | credit guarantee scheme                                                                                  | <b>SACCO</b> | saving and credit cooperative                     |
| <b>DBZ</b>    | Development Bank of Zambia                                                                               | <b>SG</b>    | saving group                                      |
| <b>FI</b>     | financial institution                                                                                    | <b>SHF</b>   | smallholder farmer                                |
| <b>FISP</b>   | Farmer Input Support Programme                                                                           | <b>SSA</b>   | Sub Saharan Africa                                |
| <b>FMO</b>    | Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (Dutch Entrepreneurial Development Bank) | <b>TA</b>    | Technical Assistance                              |
| <b>FNB</b>    | First National Bank                                                                                      | <b>UNCDF</b> | United Nations Capital Development Fund           |
| <b>FSD</b>    | financial sector deepening                                                                               | <b>VBGs</b>  | village banking group                             |
| <b>GCF</b>    | Green Climate Fund                                                                                       | <b>VC</b>    | value chain                                       |
| <b>GEF</b>    | Global Environment Facility                                                                              | <b>WB</b>    | World Bank                                        |
| <b>GEWEL</b>  | Girl's Education and Women's Empowerment and Livelihoods                                                 | <b>ZESCO</b> | Zambia Electricity Supply Corporation             |
| <b>GRZ</b>    | Government of the Republic of Zambia                                                                     | <b>ZICB</b>  | Zambia Industrial Commercial Bank                 |
| <b>GTA</b>    | Gender Transformative Approach                                                                           | <b>ZIPAR</b> | Zambia Institute for Policy Analysis and Research |
| <b>K</b>      | Zambian Kwacha                                                                                           |              |                                                   |
| <b>MFI</b>    | microfinance institution                                                                                 |              |                                                   |
| <b>MGE</b>    | Ministry of Green Economy                                                                                |              |                                                   |
| <b>MLNR</b>   | Ministry of Lands and Natural Resources                                                                  |              |                                                   |
| <b>MoCDSS</b> | Ministry of Community Development and Social Services                                                    |              |                                                   |
| <b>MoFNP</b>  | Ministry of Finance and National Planning                                                                |              |                                                   |
| <b>MoGEE</b>  | Ministry of Green Economy and Environment                                                                |              |                                                   |
| <b>MSME</b>   | micro, small and medium enterprises                                                                      |              |                                                   |
| <b>NDA</b>    | National Delegated Authority                                                                             |              |                                                   |

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## EXECUTIVE SUMMARY

This study assesses rural financial services in Zambia's North Western Province as part of **the UN-REDD Programme Technical Assistance (TA)** to the Government of Zambia. UN-REDD supports Zambia's efforts to catalyze REDD+ implementation at a jurisdictional level and promote local climate action, focusing initially on five districts<sup>1</sup> of North Western Province. **The objective** of this study is to assess the current state of financial services in North Western Province, and then suggest ways **to improve access by rural communities, as an enabling factor for forest-based local climate action.**

Zambia has a diverse financial sector, including formal financial institutions (FIs) like commercial banks and microfinance institutions (MFIs), and informal services like savings groups (SGs) and village banking groups (VBGs). **Financial inclusion** in Zambia has been enhanced in recent years: from 59.3 percent of total adult population in 2015 to 69.4 percent in 2020, partially thanks to mobile banking. However, formal FIs predominantly benefit men and urban populations, leaving rural communities, particularly women, reliant on informal services (BoZ, 2020). In North Western Province the inclusion rate was 63.7 percent in 2020, with urban men being the primary users of formal finance and rural areas largely excluded.

**Formal financial institutions (FIs)** are present in North Western Province, specifically in three of the five targeted districts: Kalumbila, Mwinilunga and Kabompo. These formal FIs are NATSAVE bank; First National Bank (FNB); VisionFund, MFI; Madison Finance, MFI; Atlas Mara Bank; and Agora Microfinance, MFI. All these FIs offer mobile banking services, while some of them provide financial literacy services, and work with SGs or farmer groups through targeted financial services such as cash transfer, loans for agribusinesses, group lending or incubators for rural businesses. **Key challenges** preventing rural communities' access to formal FIs include lack of awareness, complex procedures, collateral requirements, high lending rates (between 2 percent and 2.5 percent per month for commercial banks and between 4 percent and 10 percent per month for MFIs), lack of a gender-sensitive approach, and limited presence in rural areas.

**The informal financial sector** is made of money lenders, SGs and VBGs. There are more than 700 SGs across the 5 districts in North Western Province, established thanks to the support of different projects and initiatives. SGs are mainly dominated by women. They provide saving and money lending services (small loans) to their members, often using a group saving box to lend to each other. Funds are used for small activities like establishment of small grocery stores or clothing business, but also for small forest-based enterprises, such as those linked to honey, mushroom, caterpillars and fishing. SGs often contribute to enhance financial literacy and entrepreneurial skills. The challenges related to the informal financial sectors are: limited financial expertise of rural communities; small loan amounts only suitable for small-scale ventures, high interest rates, limited connection with formal FIs, and a significant gender imbalance (i.e. relatively few men access informal finance). Most formal FIs are not interested in investing consistent capital to develop their business relationships with SGs, because of the high transactional costs in rural areas and a non-profitable outlook in the short term.

To improve access to finance for rural communities in North Western Province, **the following actions** are suggested:

**1. Strengthen and build upon existing SGs, VBGs and CFMGs**, through the development of a comprehensive financial literacy programme, linkages with FIs and gender transformative approaches.

---

<sup>1</sup> Kalumbila, Mwinilunga, Manyinga, Ikelenge, and Kabompo districts.

**2. Promote financial solutions tailored to rural communities and forest-climate businesses** (e.g. hybrid digital finance, collateralized term loans, credit guarantee schemes, insurance products). This shall include raising awareness and knowledge about **the financial potential of forest businesses**, and their contribution to climate-compatible growth in Zambia, including through the development and dissemination of a forest-climate business case and the establishment of forest business incubators.

**3. Strengthen the enabling role of the Government and development partners** (e.g. facilitating dialogue among stakeholders; supporting research and information dissemination; regulating markets; promoting blended finance mechanisms; leveraging the Constituency Development Fund (CDF) in support of responsible forestry activities and local climate action; fostering collaboration with multiple local institutions).

Efforts to improve financial inclusion should build on successful cases of SGs and CFMGs, and on experiences of financial inclusion in the province. The increasing number of CFMGs opens an opportunity as well to enhance rural finance: FIs may partner with CFMGs, as long-term institutions at local level, and unlock their full potential to harness forest resources for economic, environmental, and social benefits.



# 01.

## Introduction

### 1.1

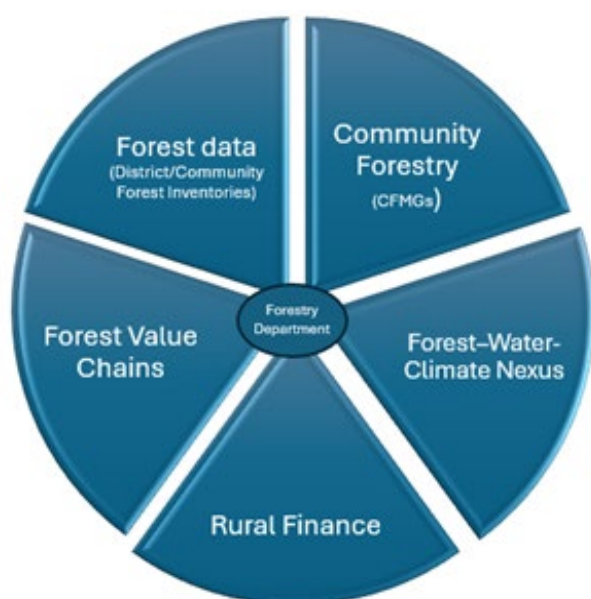
#### Context and objective of the study

The Government of the Republic of Zambia (GRZ) has resolved to transition the country to a green economy and launched the “National Green Growth Strategy (GGS) 2024–2030”. The GGS is anchored in four pillars: **1.** resilient and climate compatible growth; **2.** enhanced resource efficiency; **3.** enhanced natural capital; and **4.** improved inclusivity. The GGS complements the Eighth Development Plan (8NDP) and the Nationally Determined Contribution (NDC) of Zambia.

In this framework, FAO through the UN-REDD Programme, is supporting the Ministry of Green Economy and Environment (MGEE) to catalyze REDD+ implementation at jurisdictional level and promote local climate action, with an initial focus on 5 districts<sup>2</sup> of North Western Province. This region has the country's largest forest area and is home to the Zambezi River headwaters.

// FIGURE 1 //

### Workstreams of the 2023/2024 UN-REDD Technical Assistance Programme in Zambia



Source: Authors' elaboration.

UN-REDD Technical Assistance (TA) for 2023–2025 in Zambia supports various workstreams (see Figure 1), aimed at empowering a model of forest-based climate action at local/jurisdictional level. This approach is aligned with Zambia's commitment to expand community forestry, to enhance its natural capital, and to improve inclusivity, as part of a wider resilient and climate-compatible growth.

This assessment of rural finance is one of the workstreams. Its **objective** is to assess the current situation of financial services in North Western Province, and then propose ways to improve access to finance by rural communities, as an enabling factor for forest-based local climate action.

Limited access to finance is a key constraint to develop economic alternatives in Zambia's North Western Province, and specifically for promoting community-based forestry and related livelihoods. In Zambia most of the population are still rural farmers (55.1 percent in 2021 [WB, 2021]), who have limited financial literacy, community capital and access to adapted financial products and services.

Improved access to financial services could empower rural communities to invest in alternative forest livelihoods (beyond the predominant charcoal and agriculture production, which are the main drivers of forest loss), expand community-based forestry and related business, and enable local climate action.

<sup>2</sup> Kalumbila, Mwinilunga, Manyinga, Ikelenge, and Kabompo districts.

## 1.2 Methodology

The assessment was conducted by Mr Cortese, Mr Moonga and Mr Mboozu, FAO experts in agribusiness, agroforestry and rural finance. Following an initial literature review, the team undertook a two three-week field missions, the first one in Lusaka and the North Western Province from November to December 2022, and a second one in November 2023. In North Western Province, the mission was accompanied by members of FAO Zambia, Zambia's National Delegated Authority (NDA), and provincial government representatives.

During the missions, the experts held meetings with 180 stakeholders in Lusaka, in Solwezi and in the five targeted districts: Kalumbila, Mwinilunga, Ikelenge, Manyinga and Kabompo. The stakeholders included the Forestry Department (FD) and its 5 provincial/district offices, 5 community development departments (CDDs) and councils, 13 financial institutions (FIs), 9 CFMGs, 45 saving groups (SGs) and several private sector organizations/NGOs/associations (see Annex 1).

Semi-structured interviews were conducted with key informants, and focus group discussions were held with community forest management groups (CFMGs) and savings groups (SGs) in the five districts. Interviews were tailored to each interviewee's category, employing an inclusive and participatory approach, with local

interpreters when necessary. The identification of interviewees followed a purposive and snowball approach, initiated through literature review and consultations with government's provincial staff and FAO country office in Zambia. To the extent possible, key informants and stakeholders represented different ethnic groups, gender and geographical zones.

Finance Institutions (FIs) were assessed based on their presence in the five districts, interest in working with CFMGs and SGs, their experience in financing forest value chains, and their financial and managerial capacities (where possible). The CFMGs and SGs were assessed for their interest in financial activities, their dynamism, experience in forest value chains, and experience in group saving and credit activities. At the end of both field missions, two validation workshops were organized – one in Solwezi and in one in Lusaka – to share the main results of the mission with stakeholders.

The assessment made all possible efforts to be: **1.** age-sensitive, with particular attention to youth, to reduce poverty and inequality; **2.** gender sensitive, promoting gender equity and women's empowerment; **3.** considering principles of workers' safety and health, decent work, productive employment, forced labour and child labour; and **4.** supportive to climate-friendly community-based forestry and related livelihoods.

## 1.3 Overview of financial inclusion in Zambia

Zambia's 2024–2028 National Finance Inclusion Strategy defines **financial inclusion** as:

Access to and informed usage of a broad range of quality and affordable financial products and services that meet the needs of all individuals and businesses in a fair, simple, dignified and sustainable manner (GRZ, 2024, 2).

Financial inclusion in Zambia improved from 59.3 percent of the total adult population in 2015 to 69.4 percent in 2020 (BoZ, 2020). In North Western Province, the rate of financial inclusion was 63.7 percent in 2020, slightly below the national average. This progress is due to policy reforms and increased usage of digital financial products. Nonetheless, primarily men and urban residents are

the main users of formal finance, whereas women mainly rely on informal financial services (BoZ, 2020, p. 91).

Banks hold around 70 percent of Zambia's financial assets, with 80 percent owned by foreign banks subsidiaries (WB 2019). Zambia hosts 18 commercial banks (4 government owned); 34 micro finance institutions (MFIs), including 11 Savings and Credit Cooperatives (SACCOs); 31 insurers (2 public); 3 public pensions funds; 245 private pension schemes; 2 payment system operators; and 42 payment service providers (including 3 mobile network operators) (WB, 2019, p. 10).

The use of **formal financial services** has increased largely due to increased usage of mobile money products and services from



nonbank formal services, from 28.5 percent in 2015 to 59.2 percent in 2020. In contrast, the use of formal financial services from commercial banks in Zambia has decreased from 24.8 percent in 2015 to 20.7 percent in 2020 (BoZ, 2020). Zambia has taken important steps toward digital transformation with advantages in terms of efficiency and economies of scale. However, it is particularly important to ensure an inclusive digital economy, which includes rural population, the poorer and other digitally excluded groups. To achieve that, loan officers in the field can still play a key role (UNCDF, 2019; Siwale and Godfroid, 2022).

Formal financial services are mainly used by men from urban areas. Rural communities, particularly women, rely on **informal financial services**. The informal financial services in Zambia are typically provided by moneylenders or community-based financial groups, mainly **saving groups (SGs)** and village banking groups (VBGs).

**SGs** in Zambia are normally based in rural areas and led by women, usually organized as Accumulating Savings and Credit Associations (ASCRA)<sup>3</sup>, offering informal financial services to members, such as the possibility to deposit their savings in a box (secured with 2 or 3 different locks owned by different SG members) and to receive small loans. Members contribute a fixed amount weekly for a period of 3 to 12 months, during which they can borrow. Interest rates range from 5 percent to 20 percent per month, which is quite high. Nevertheless, this is not perceived as a problem since members share the accumulated interest at the end of the cycle. Some MFIs and commercial banks provide some basic financial services to SGs, such as Agora Microfinance and ZANACO (see chapter 2.1). These funds are generally invested in income-generating activities and/or small loans to one another.

**“Chilimba”** is a type of SG, mainly urban and predominantly female, defined as “an informal women’s banking cooperative where members gather to pool their money to make a revolving fund, [and] it is managed on a scheduled basis” (Policy Monitoring and Research Center [PMRC], 2020). In other words, Chilimba is a type of Rotating Saving and Credit Association (ROSCA)<sup>4</sup>, in which members make regular cash contributions that go to each member (rotating fund), following a preestablished order and period.

**Village Banking Groups (VBGs)**, also called “Village Banks”, are primarily rural and led by women, but they operate with an initial capital (external grants or loans) and then share. Unlike savings groups, VBGs’ members are not focused on saving money within the group.

**Moneylenders** give informal credit, called **“Kaloba”**, which is rural based and mainly for male clients.

There are also **Savings and Credit Cooperatives (SACCOs)**, which are between formal and informal service providers. They should have legal recognition, but many of them are not registered and need support to be formalized (Mulenga *et al.*, 2020, p. 4).

In 2020, 13.5 percent of Zambian adults were involved in the informal financial sector through SGs or VBGs, while 3.3 percent adults used moneylenders (BoZ, 2020, p. 42).

<sup>3</sup> See Bouman (1995) for more insights.

<sup>4</sup> See Bouman (1995) for more insights. Also note that in Francophone Sub-Saharan Africa (SSA), ROSCA are usually called “Tontines”.

# 02.

## Situation of financial services in North Western Province

### 2.1 Formal financial services

Several formal financial institutions (FIs) operate in North Western Province but are not present in all the targeted districts (see Table 1 and Figure 2). In Kalumbila and Mwinilunga districts, several financial institutions have branches or at least an agent. In Kabompo, there is only one commercial bank and one micro finance institution (MFI). Manyinga and Ikelenge have no formal financial institutions, though NATSAVE is considering opening a branch in both districts.

// TABLE 1 //

### Formal FIs in five districts of North Western Province

| DISTRICT   | FINANCIAL INSTITUTIONS (FIs)   | TYPE OF FIs      | WORKING WITH SAVINGS GROUPS (SGs) | WORKING WITH FARMERS' GROUPS | FINANCIAL LITERACY SERVICES |
|------------|--------------------------------|------------------|-----------------------------------|------------------------------|-----------------------------|
| Kalumbila  | NATSAVE                        | State-owned bank | Yes                               | Yes                          | Yes                         |
|            | Absa Bank                      | Commercial bank  | Yes                               | Yes                          | Yes                         |
|            | VisionFund                     | MFI              | Yes                               | No                           | Yes                         |
|            | Madison Finance                | MFI              | Yes                               | No                           | Yes                         |
|            | FNB                            | Commercial bank  | No                                | No                           | No                          |
| Mwinilunga | Atlas Mara Bank                | Commercial bank  | No                                | No                           | No                          |
|            | Agora Microfinance             | MFI              | Yes                               | Yes                          | Yes                         |
|            | VisionFund                     | MFI              | Yes                               | Yes                          | Yes                         |
|            | NATSAVE                        | State-owned bank | Yes                               | Yes                          | Yes                         |
| Kabompo    | Atlas Mara Bank                | Commercial bank  | No                                | No                           | No                          |
|            | Agora Microfinance             | MFI              | Yes                               | Yes                          | Yes                         |
| Manyinga   | No relevant financial services |                  |                                   |                              |                             |
| Ikelenge   | No relevant financial services |                  |                                   |                              |                             |

Source: Authors' own elaboration.

Kalumbila is the most active district for rural financial services, particularly related to agricultural products, as there is a high demand from miners in the area. Some FIs (like Madison Finance, VisionFund, NATSAVE, AMZ and Atlas Mara) finance smallholders for honey production or fruit collection and selling, but none offer specific agroforestry financial products, and have limited engagement with rural communities.

Three MFIs work with SGs and rural communities: VisionFund in Mwinilunga, and Madison Finance and NATSAVE in Kalumbila. Their involvement mainly occurs through development projects in

partnership with NGOs, like World Vision and Rising Fountains Development Program (RFDP). In the Solwezi, the provincial capital, several financial services providers operate, but most do not cover the targeted 5 districts. Nevertheless, NATSAVE, ZANACO, Absa, and IBZ have expressed interest in working in at least some of the 5 target districts.

Table 2 highlights different financial products and services that Financial Institutions (FIs) in the five targeted districts offer to farmers, farmers organizations, SGs or VBGs. Solwezi district is also included. Figure 1 gives a picture of FI's presence in the area.

// TABLE 2 //

## Formal financial institutions in the five districts of North Western Province

| FINANCIAL INSTITUTIONS                        | FINANCIAL PRODUCTS AND SERVICES                                                                                                                                               | BRANCHES                       |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Madison Finance and Madison General Insurance | Agribusiness loans (poultry, piggery, and dairy farming), SGs literacy and loans                                                                                              | Solwezi                        |
| VisionFund                                    | Crop loans, horticulture loans, dairy loans, SGs literacy and loans                                                                                                           | Solwezi, Kalumbila, Mwinilunga |
| NATSAVE                                       | Asset plus loans*, mobile banking systems, ATM service, VISA cards                                                                                                            | Solwezi, Kalumbila             |
| Agora Microfinance Zambia Limited (AMZ)       | Village bank groups (VBGs) service, agriculture lending, group lending, small business group lending, micro insurance, mobile money                                           | Solwezi, Kabompo, Mwinilunga   |
| Atlas Mara Bank                               | Retail and digital banking, business banking                                                                                                                                  | Solwezi, Kabompo               |
| Absa Bank; Jacaranda Rural Hub Solwezi        | Mobile banking services, concessional lending** for agribusiness                                                                                                              | Solwezi                        |
| FNB (First National Bank)                     | Collateralized term loans to MSMEs, invoice discounting***                                                                                                                    | Solwezi, Kalumbila             |
| ZANACO                                        | Value chain financing****, village banking plus account, mobile banking services, collateralized term loans***** to MSMEs, invoice discounting, purchase order financing***** | Solwezi                        |
| Indo Zambia Bank (IZB)                        | Collateralized term loans to MSMEs                                                                                                                                            | Solwezi                        |

Source: Authors' own elaboration.

Notes:

\*NATSAVE's "Asset plus loan" allows borrowers to purchase an asset (usually agricultural equipment) which is considered as a collateral by the FI. See also description of NATSAVE.

\*\*Concessional loans offer better conditions than the market loans, typically with a lower interest rate.

\*\*\* Invoice Discounting is a financial service which allows a MSME to get a loan thanks to an invoice issued to a buyer, which will be paid within a certain delay; the invoice acts as a collateral, if the buyer is considered reliable by the FI.

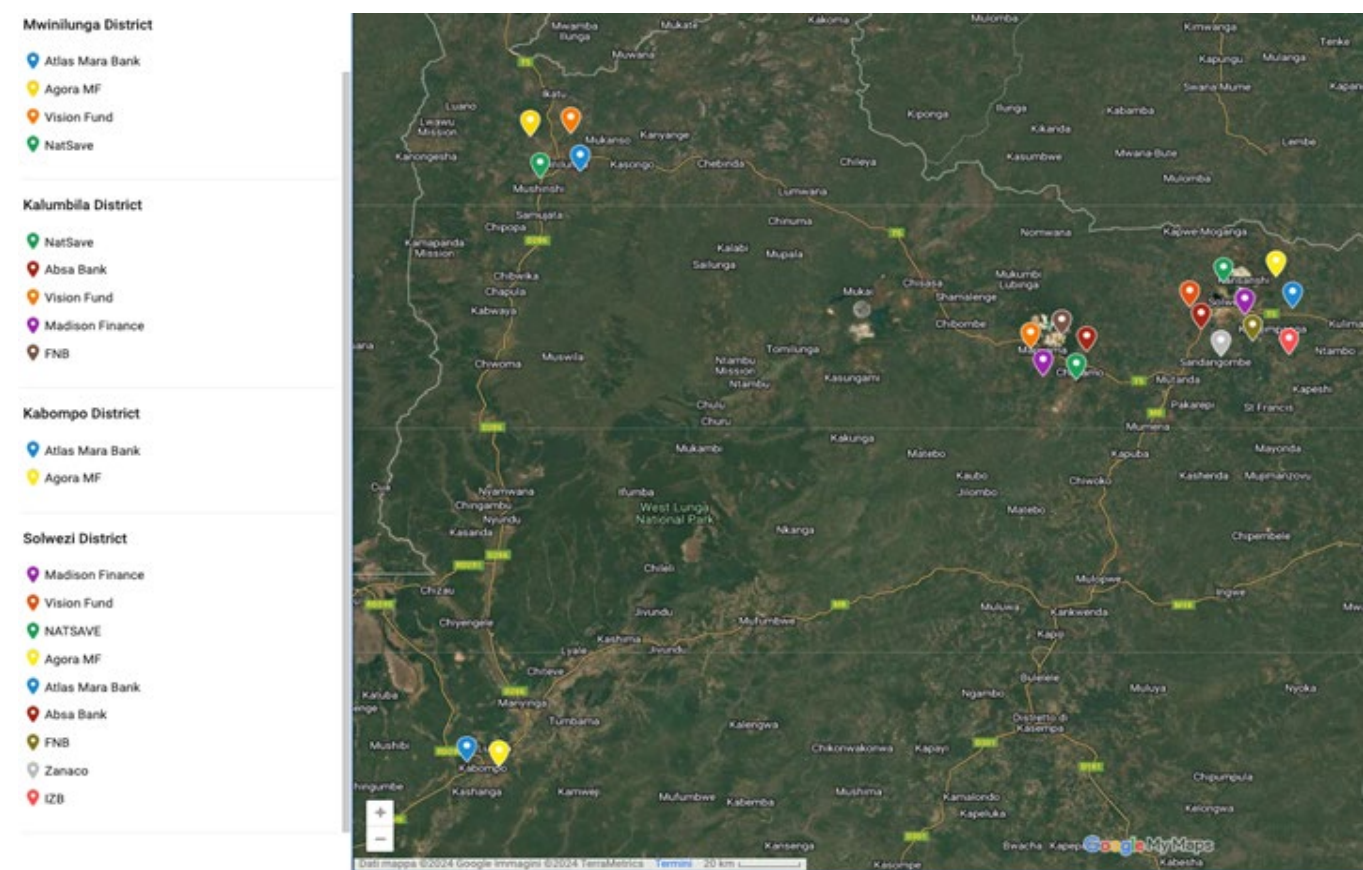
\*\*\*\* Value Chain Financing "refers to the use of a value chain and the way in which it supports participants by tailoring services and products to one or more points in a value chain in order to reduce the risk and cost of financing, and increase the efficiency of the value chain as a whole" (IFAD 2012).

\*\*\*\*\* Collateralized term loans allow a borrower to purchase equipment, which at the same time is considered as a collateral by the FI.

\*\*\*\*\* Purchase Order Financing is a financial service where the collateral is the confirmed purchase by a buyer; as for the invoice discounting, the buyer must be considered reliable by the FI.

// FIGURE 2 //

# Map of operational financial institutions in the area



Source: ©Google Maps. Google Maps database: Rome, Italy; 2025 [cited 2025]. ©GoogleMap 2024

Notes: Refer to the disclaimer on page ii for the names and boundaries used in this map.

## Madison Finance and Madison General Insurance

| BRANCHES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | RURAL FINANCIAL PRODUCTS AND SERVICES                                            | INTEREST RATE                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------|
| Solwezi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | agribusiness loans (poultry, piggery and dairy farming); SGs literacy, SGs loans | around 48 percent per year (4 percent per month) |
| <p><u>Madison Finance</u> has been an authorized micro finance institution (MFI) since 2014. It is a subsidiary of the Lawrence Sikutwa and Associates (LSA) group, as well as Madison General Insurance Company. The company has 17 branches across 9 provinces, including a branch in Solwezi (capital of North Western Province).</p> <p>In 2020 Madison Finance worked with SGs in North Western Province. It partnered with Rising Fountains Development Program (RFDP) to support about 30 SGs in Solwezi and Kalumbila districts.</p> <p>They provided financial education to SGs and consider loan provision after six months of group savings.</p> <p>The interest rate for these loans is 4 percent per month, with a maximum payback period of six months. Account opening costs are 15 percent (5 percent upfront, 10 percent mortgaged as management costs). While SGs usually repay loans, monitoring can be challenging for Madison Finance. The company also finances agriculture, mainly poultry, piggery and dairy farming, but has</p> |                                                                                  |                                                  |

limited reach in rural areas due to a lack of field agents. They do not offer specific products for forestry or carbon offset projects.

Madison General Insurance Company mainly offers life insurance products, but also has an agricultural insurance product in Southern and Eastern Provinces, though not yet in North Western Province. Under a 2021 project with the Farmer Input Support Program (FISP) funded by the WFP, the government provided K400 per farmer for insurance against drought, flood, or germination

problems, mainly targeting commercial farmers. At the time of writing, the company's Solwezi branch is negotiating with a large agricultural farm in Kalumbila (Mutanda Farms) to insure their crops and animals (e.g. soya beans, wheat, maize, poultry, cattle). The insurance would cover disease, accidents and death. There is no agrifinance specialist in Solwezi, although there are some based in Lusaka. Madison General could be interested in developing an insurance product for tree plantations and honey-related activities.

## VisionFund

| BRANCHES                                                           | RURAL FINANCIAL PRODUCTS AND SERVICES                             | INTEREST RATE                              |
|--------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------|
| Solwezi, Kalumbila (Business center), Mwinilunga (Business center) | crop loan, horticulture loan, dairy loan, SGs literacy, SGs loans | between 54 percent and 66 percent per year |

VisionFund is a microfinance institution operating in Zambia since 2003, inspired by Christian values. World Vision Zambia (the NGO that created VisionFund) owns 3.1 percent, World Vision International owns 5.9 percent and VisionFund International owns 91 percent. The organization has 12 branches and 9 sub-branches in 8 out of 10 provinces of Zambia. It offers a range of products including microloans, savings programs, microinsurance, training and education. Since 2017, the Solwezi branch has focused on business loans due to recovery issues with agricultural loans. However, VisionFund headquarters is now proposing the development of agrifinance products coupled with insurance

products. VisionFund owns an agricultural product called Lima (focused on agriculture), dairy loan and horticulture.

World Vision's office in Mwinilunga hosts a VisionFund business center, which is run by a branch manager and three field officers (with plans to add 6 more officers). There is also another business center in Kalumbila. Business center staff salaries are paid by World Vision. In these two districts, VisionFund works with several SGs, which can have up to 21 members. Each cycle lasts about one year, but after two cycles, SGs are eligible for a loan. The branch manager notes that while VisionFund works with SGs to enhance their livelihoods, the activity is not very profitable.

## NATSAVE

| BRANCHES           | RURAL FINANCIAL PRODUCTS AND SERVICES                                                        | INTEREST RATE                                                                                                |
|--------------------|----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Solwezi, Kalumbila | <u>Asset plus loan</u> , mobile banking systems, ATM service, and also VISA cards since 2022 | around 30 percent per year for most of their products, 6 percent arrangement fees, 2.5 percent for insurance |

NATSAVE is a government-owned, non-bank financial institution created in 1972 with 38 branches across the country, including one in Solwezi and one in Kalumbila. The Kalumbila branch (with two agents) serves Ikelenge and Mwinilunga, while the Zambezi branch serves Kabompo. They are planning to expand by opening branches in Manyinga and Ikelenge districts.

NATSAVE is the financial institution working with the Food Reserve

Agency and the FISP under the Ministry of Agriculture, providing loans to farmers' cooperatives and SMEs. In Kalumbila, they support SMEs, farmers' organizations, and individual subsistence farmers through group lending and SGs. These groups are usually made of five members, who provide guarantees for each other. Once the group pays back a third cycle, each member is considered to be an individual customer and eligible for a personal loan.

Under [the Asset Plus financial product](#) for agricultural equipment (such as hammer mills, tractors, irrigation tools), the bank stands between the equipment supplier and the farmer with the equipment as collateral until the loan is completely reimbursed. However, Kalumbila branch manager pointed out that its agency needs more field agents for monitoring. He also recommended the establishment of a partnership with the National Credit Guarantee to improve sustainability of rural loans. NATSAVE has no specific financial products for agroforestry, although they have been financing some cooperatives working on the honey value chain (VC).

The bank collaborates with the council on the Constituency Development Fund (CDF) by exclusively handling 100 percent CDF concessional loans (with better conditions than the market loans, typically with a lower interest rate). In 2022 and 2023, significant amounts were disbursed to cooperatives, highlighting the high demand for these low-interest (5 percent) loans. The branch manager emphasized the potential benefits of blending grants and loans in the CDF, emphasizing the importance of financial institutions' participation in grant programs due to their understanding of customer needs.

## Agora Microfinance Zambia Limited

| BRANCHES                     | RURAL FINANCIAL PRODUCTS AND SERVICES                                                                                                     | INTEREST RATE                                                                                                                                                               |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Solwezi, Kabompo, Mwinilunga | village banking service, agriculture lending, group lending, small business group lending, MSME lending, micro insurance and mobile money | around 5 percent per month + loan arrangement fee and credit life insurance (between 11 percent and 14 percent) + weather index for agricultural loan insurance (1 percent) |

[Agora Microfinance Zambia](#) (AMZ) was created in 2011 as a non-deposit taking, non-bank financial institution with the objective of providing financial services to financially excluded populations of Zambia. AMZ's mission is to contribute to the economic well-being of the poor through effective provision of appropriate financial services ([Annual Report, 2021](#)). Some of its partners are FMO, OikoCredit, Fondation Grameen Crédit Agricole, Global Partnership and RUFEP. It has three branches in North Western Province, one in Solwezi, one in Kabompo, and one in Mwinilunga, so AMZ could be an interesting financial partner for

rural communities in these locations. AMZ offers several loans for VBGs called [end of term loan](#), [Flexi 1](#) and [Flexi 2](#). For the first two products, no physical collateral or guarantors are required, just a social guarantee among the village bank group's members. AMZ also offers larger loans to village bank groups, through the Flexi 2 product and a [small business group](#), as well as a larger loan product for micro, small and medium enterprises ([MSMEs](#)) and [agriculture loans](#). AMZ also offers [mobile banking](#) services for cash deposit and withdrawals.

## Atlas Mara Bank

| BRANCHES         | RURAL FINANCIAL PRODUCTS AND SERVICES        | INTEREST RATE |
|------------------|----------------------------------------------|---------------|
| Solwezi, Kabompo | retail and digital banking, business banking | not available |

[Atlas Mara Zambia](#) was born out of a merger between BancABC Zambia and Finance Bank Zambia (FBZ) in 2016. It has now 65 branches, 23 agencies and 176 ATMs, spread across Zambia's ten provinces, including branches in Solwezi and Kabompo. Atlas Mara is a commercial bank and works with SGs in Kabompo in collaboration with [the GEWEL \(Girl's Education and Women's Empowerment Livelihoods\)](#) project under the Community Development Department (CDD). Atlas Mara has also been

working with the government's [Food Reserve Agency](#) (FRA) in Kabompo, paying farmers when they sell crops to FRA during the harvest season.

According to Atlas Mara's branch manager in Kabompo, the bank could be interested in supporting non-wood forest product (NWFP) value chains in the region. However, he mentioned the importance of training communities to adopt a forward-looking

perspective, discouraging a short-term profit mindset. In the framework of the collaboration between Atlas Mara and CDF, the bank provides training to groups seeking loans. The “group saving” facility is a key financial product that allows communities to form groups, open bank accounts, and deposit savings linked to mobile banking services, promoting financial inclusivity. Despite the program disbursing K5 million in Kabompo and Manyinga, there were challenges linked to the lack of training in business appraisal, business plans, and bookkeeping for loan applicants,

which confirmed the need for comprehensive financial literacy programs. Atlas Mara expressed limited interest in carbon credits, mentioning the necessity of government support. For loans that use movable assets as collateral, challenges such as item evaluation were highlighted.

Councils expressed dissatisfaction with Atlas Mara’s ability to provide efficient services due to being spread too thin across the districts.

## Absa and Jacaranda Rural Hub Solwezi

| BRANCHES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | RURAL FINANCIAL PRODUCTS AND SERVICES                          | INTEREST RATE |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|---------------|
| Solwezi, Kalumbila                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | mobile banking services, concessional lending for agribusiness | not available |
| <p><u>Absa</u> commercial bank and <u>the Jacaranda Hub</u> incubator/accelerator have a partnership to incubate and finance promising start-ups through a <u>rural hub</u> model, which was launched in Solwezi in October 2022. The two institutions believe that, beyond financial literacy, capacity-development of potential rural customers is crucial. Start-ups will be selected, supported, and financed in sectors such as agribusiness, financial technology (fintech), green and sustainable economy, and e-governance, with a focus on youth and innovation.</p> <p>Alongside Absa, Jacaranda Hub has identified start-ups in target districts in agribusiness and climate change. The start-ups being supported include tree planting, carbon markets, vegetable production for mining companies, fish farms, and IT agriculture systems for delivery. Jacaranda Hub is also mapping women’s groups to offer financial literacy training and create business demand for new ideas.</p> <p>Absa has been offering concessional, flexible lending products for agri-entrepreneurs with collaterals. Absa also works with farmers’ cooperatives, and it is beginning to offer limited mobile banking services. Absa recently expanded its operation with a new branch in Kalumbila and has also developed a partnership with USAID to</p> |                                                                |               |
| <p>facilitate loans in agriculture, clean cooking energy, manufacturing and tourism. In particular, the USA International Development Finance Corporation (DFC) and Absa have signed a risk-sharing agreement in June 2022 with a loan portfolio guaranty which will allow Absa to facilitate loans to unrepresented SMEs, up to K440 million.</p> <p>Jacaranda Hub is currently implementing two other projects: (1) The Green Gen Climate Smart Agriculture Incubation Project, funded by Barrick Lumwana Mines, empowers youth and women in climate-smart agriculture, and focuses on innovation, capacity development, and value addition across agricultural chains. The project promotes financial inclusion with Prudential and Mastercard as partners; (2) The Hub collaborates with the Ministry of SMEs, the Chamber of the Industry, and secures funding from the Citizens Economic Empowerment Commission. Encouraging startups to bank with Absa, Jacaranda Hub conducts pitch competitions and seeks support from <u>the Baobab network</u>, a continent-wide accelerator program for start-up business ventures. The hub aims to expand nationwide and is exploring the possibility of a hub in Kalumbila in partnership with Trident, leveraging Absa’s presence in the area.</p>                                                    |                                                                |               |

## FNB

| BRANCHES           | RURAL FINANCIAL PRODUCTS AND SERVICES                   | INTEREST RATE |
|--------------------|---------------------------------------------------------|---------------|
| Solwezi, Kalumbila | collateralized term loans to MSMEs, invoice discounting | not available |

First National Bank (FNB) is a wholly-owned subsidiary of FirstRand Limited, with branches throughout South Africa as well as in Swaziland, Botswana, Namibia and Zambia. FNB is a typical commercial bank, offering a wide range of financial products and services to small-scale businesses, commercial

farmers, and to construction companies. FNB's Kalumbila branch does not currently work with farmers or SGs. Other formal FI based in Solwezi (capital of North Western Province) indicated by stakeholders are ZANACO and IZB.

## ZANACO

| BRANCHES | RURAL FINANCIAL PRODUCTS AND SERVICES                                                                                                                  | INTEREST RATE <sup>5</sup>                 |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| Solwezi  | value chain financing, village banking plus account, mobile banking services, collateralized term loans to MSMEs, invoice discounting, order financing | between 12 percent and 27 percent per year |

ZANACO is a commercial bank with four specialized units that deal specifically with primary (including smallholder production) and secondary agriculture. ZANACO works closely with agrivalue chain players, including small-scale and commercial farmers, farmer groups, aggregators, agridealers and corporates. This bank adopts a value chain financing approach, but tends to finance farmer off-takers, who have collateral. ZANACO also uses collateralized term loans, invoice discounting and order financing to finance MSMEs but, unfortunately, not in the five targeted districts in North Western Province (Kukula Capital 2022). ZANACO was supported until 2020 by the Mercy Corps AgriFin Program, and also funded by the Bill and Melinda Gates Foundation in several sub-Saharan African (SSA) countries to develop digital finance services for smallholder farmers (SHFs) through a digital app called AgriPay.

In terms of interest rates, ZANACO is aligned with the commercial bank market at around 2 percent per month. While they do not collaborate (as yet) with MFIs, ZANACO does offer financial products for smallholder farmers and for SGs (e.g. Village Banking Plus Account). In 2021 ZANACO partnered with the European Investment Bank (EIB) to help promote/finance sustainable agricultural activities for SMEs (which are required to meet ZANACO's internal criteria).

Solwezi's ZANACO branch focuses on commercial banking but has engaged VBGs since 2017 through training on financial literacy, offering free bank accounts, and through provision of mobile banking services, though they have not provided any loans to these groups to date. ZANACO and the Community Development Department (CDD) collaborate to identify potential VBGs and link them to the bank's express and mobile money agents, which provides an appropriate digital platform to support group transactions. The Solwezi branch does provide agricultural loans for SMEs in partnership with MFIs; they have a specific manager for this sector, based in the Copperbelt Province.

ZANACO is supporting forest preservation in the context of their Corporate Social Responsibility program, with projects on sustainable management of timber and the environment. In collaboration with WWF and Kukula Capital, ZANACO launched the Green Outcome Fund in 2021. The Solwezi branch has been financing tree planting to promote green economy in schools since 2021; this branch buys seedlings (indigenous trees, often fruit trees) from growers in Solwezi who collaborate with the Forestry Department. Moreover, in May 2022, ZANACO started a project with the goal of planting one million trees in Zambia by 2025.

<sup>5</sup> Data was collected from interviews. All the crossed with the Kukula Capital (2022) study.



© FAO/Moses Kaumba

## Indo Zambia Bank (IZB)

### BRANCHES

Solwezi

### RURAL FINANCIAL PRODUCTS AND SERVICES

collateralized term loans to MSMEs

### INTEREST RATE

between 22 percent and 27 percent per year

Indo Zambia Bank (IZB) was created in 1984 by the Government of the Republic of Zambia and the Government of India. Today, it is a registered commercial bank. IZB uses invoice discounting and order financing<sup>6</sup> to finance MSMEs (Kukula Capital, 2022). In terms of rural financing, IZB offers saving products, current account products, and loan products for agribusinesses, especially for small-scale farmers. According to the Solwezi Branch Manager, IZB works with commercial farmers and also with smallholder farmers cooperatives. In Kalumbila District, IZB works in partnership with local NGOs such as Rising Foundations Development Program (RFDP) to better organize

farmers in cooperatives and provide them with training on financial issues and production capacity. Loan products include those for agri-related equipment and production. Interest rates depend on the amount requested, on collateral and payback periods, but it is around 22 percent per year (processing fees at 3 percent, management fees 1 percent if the loan is more than one year) on average. The branch manager underlined that IZB encourages responsible agriculture, without cutting down trees indiscriminately. Other IZB branches have been financing agroforestry projects, but not in Solwezi. IZB has also some experience with SG accounts.

<sup>6</sup> See notes in chapter 2.1.

## 2.2 Informal financial services

Informal financial services in North Western Provinces are provided by moneylenders, saving groups (SGs) and village banking groups (VBGs).

The most expanded informal financial service in North Western Province is savings groups (SGs). As of December 2023, according to data from the Community Development Department (CDD), RFDP and World Vision, there are more than 700 SGs across the 5 districts,

although it is unclear how many are active (see Table 3). Most SGs are not registered, making it difficult to determine the exact number. There are three pathways for registration: at the council level, through the Ministry of SMEs or at PACRA (Patents and Companies Registration Agency). The CDD, which supports SGs, does not provide formal certification. Table 3 provides a non-exhaustive list of the SGs and VBGs identified through the field work.

// TABLE 3 //

### Saving groups and village banking groups in five districts of North Western Province

| DISTRICT   | SAVING GROUPS (SGS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kalumbila  | <ul style="list-style-type: none"><li>• 67 SGs supported by the CDD through the Girl’s Education and Women’s Empowerment and Livelihoods (GEWEL) project</li><li>• 119 SGs supported by the Rising Fountains Development Program (RFDP)</li><li>• Additional SGs were supported by the Self Help Africa project, funded by UNHCR, and then taken over by Caritas in collaboration with World Vision</li></ul> <p>Some of these SGs have financial ties with institutions like NATSAVE, which allowed to obtain loans and gain exposure to formal FIs</p>                       |
| Mwinilunga | <ul style="list-style-type: none"><li>• 106 SGs are registered and supported by the CDD. Some originated from the GEWEL project while others from UNICEF SUN II (<u>Scaling Up Nutrition</u>) project*</li><li>• 156 SGs (with a total of 2 897 members) supported by World Vision and VisionFund in Mwinilunga</li><li>• Several VBGs created by the Decentralized Forest and Other Natural Resources Management Programme (DFONRMP) (FGC International Ltd, 2020)</li></ul>                                                                                                  |
| Manyinga   | <ul style="list-style-type: none"><li>• Over 70 SGs supported by CDD (GEWEL)</li><li>• 105 SGs supported by World Vision (some may no longer be active)</li></ul> <p>Many of these SGs receive support from <u>the Supporting Women’s Livelihoods (SWL)</u> initiative, which is a component of <u>the GEWEL</u> project that (1) trains women in business, savings and financial literacy, (2) provides grants to women for small businesses (e.g. marketing of vegetables and fish, or metal fabrication), (3) promotes establishment of VBGs or SGs to manage the funds</p> |
| Kabompo    | <ul style="list-style-type: none"><li>• 47 SGs supported by CDD (GEWEL)</li><li>• SGs supported by other organizations such as World Vision that implement Water, Sanitation, and Hygiene (WASH) activities alongside savings programmes</li></ul>                                                                                                                                                                                                                                                                                                                             |

DISTRICT

SAVING GROUPS (SGS)

|          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ikelenge | <ul style="list-style-type: none"><li>• 47 registered SGS supported by CDD (GEWEL). They started as VBG in 2020 to qualify for CDD grants, and later evolved in SGS for saving money and obtaining small loans</li></ul> <p>One of those SGS has 22 members and is currently in its third cycle. They do not have a bank account, as members prefer saving through Airtel Money or MTN Money. Although they lack experience in NWFPs, they plan to diversify into fisheries. Members have expressed a desire for support to access funds, including loans, to develop their businesses. This SG illustrates the capacity to save and a willingness to seek funds and diversify activities, reflecting the broader potential of SGS</p> |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Notes: \* The SUN II Project in Mwinilunga district supported pregnant women, breastfeeding women and women with children under 2 years of age with activities like beekeeping and harvesting of chikanda, caterpillars and mushrooms.

Source: Authors' own elaboration.

None of the identified SGS or CFMGs receive loans from formal financial institutions, but at least a dynamic SG in Manyinga has managed to secure a grant from CDF in early 2023. This SG was created in 2018 through the GEWEL project with the support from CDD. Following its success, more than 10 other SGS spontaneously formed. This suggests that official registration, collaboration with governmental departments, and access to financial resources, such as the CDF, can play a pivotal role in encouraging the establishment and growth of SGS in the region.

Despite the potential to link SGS to FIs, current engagement is very low. While some SGS are dynamic and show potential for linking to MFIs and banks, most are not yet connected to the formal financial sector. Stakeholders noted that it takes 2–3 years to successfully link SGS to banks.

Nonetheless, in 2021, the government allocated funds to connect VBGs to financial institutions like NATSAVE. The CDD has also undertaken several initiatives to link Village Banking Groups (VBGs) in Kalumbila to formal financial institutions, including the following activities: (1) Assistance to VBG, to apply for CDF; (2) Promotion of financial inclusion through a livelihoods programme in collaboration with UNDP and the local government; (3) Training of women on entrepreneurship and to form village banking groups.

Table 4 illustrates the strengths and weaknesses of the SGS in the five target districts, identified through field visits and discussions during the validation workshop in Solwezi.

// TABLE 4 //

Strengths and weaknesses of savings groups in target districts

| STRENGTHS                                                                                                                                                 | WEAKNESSES                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| SGs are quite developed in most of the 5 targeted districts                                                                                               | Most SG are not linked with formal financial sector (Banks and/or MFIs)                     |
| SGs have several years of experience. Some of them were created in 2018 thanks to the efforts of the Ministry of Community Development and Social Welfare | Little capital for loans for members                                                        |
| There is potential to link these SG to MFIs and banks                                                                                                     | Little capital for investments in common assets, including for activities in value addition |

| STRENGTHS                                                                                                                  | WEAKNESSES                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| SG have developed skills in group management, financial literacy and mutual interest                                       | High interest rates                                                                          |
| The loans give members the motivation to develop business skills, to be more performant and able to reimburse              | Men do not participate that much in SG dynamics                                              |
| Their own financial products are flexible: they lend and borrow among each other easily (e.g. no-collateral based lending) | Insufficient trainings and capacity development for otheractivities (e.g. how to access CDF) |

Source: Authors’ own elaboration.

## 2.3

### The goverment of Zambia and the financial sector

The Government of Zambia (GoZ) plays a crucial role regulating the financial sector in the country, namely through the Bank of Zambia (BoZ), the Securities and Exchange Commission (SEC) and the Pensions and Insurance Authority (PIA). Banks and MFIs are regulated by the BoZ. Other regulators are the Competition and Consumer Protection Commission (CCPC), the Zambia Information and Communication Technology Authority (ZICTA), and the Patents and Companies Registration Agency (PACRA)<sup>7</sup>.

The government facilitates as well local access to finance through funds and programmes, such as the Constituency Development Fund (CDF), the Rural Finance Expansion Programme (RUFEP)

or the Girl’s Education and Women’s Empowerment Livelihoods (GEWEL) project. The Ministry of Finance and National Planning (MoFNP) has co-funded with the International Fund for Agricultural Development (IFAD) RUFEP, from 2015 to 2024. The Ministry of Community Development and Social Services (MCDSS) has been supporting rural communities on financial literacy through the Community Development Department (CDD), particularly thanks to the WB funded project GEWEL. Furthermore, local Councils are key actors in implementing the CDF’s activities (see 2.3.1), including for financial inclusion.

### 2.3.1

#### The Constituency Development Fund (CDF)

The Constituency Development Fund (CDF) was established by the Zambian Parliament in 1995 to support decentralization strategies and promote local development. It focuses on three main areas: (1) Community Projects (60 percent); (2) Youth, Women and Community Empowerment (20 percent); (3) Secondary Boarding School and Skills Development Bursaries (20 percent). Projects can receive support through grants or loans from formal FIs at a low interest rates. The financial flow work as follows: (1) Government Allocation: the Zambian government allocates funds to the CDF in the national budget and distribute it to councils; (2) Local Management: Financial

Institutions and Councils at the constituency level oversee the CDF funds, solicit proposals and make funding decisions; (3) Beneficiaries: the ultimate beneficiaries are the local communities, benefiting from various projects funded by the CDF.

In recent years, national budget allocation for the CDF have increased “from K1.6 million to K25.7 million in 2022 to K28.3 million in 2023 and K30.6 million in 2024, per Constituency” (GRZ, 2023, p. 1). According to CDF guidelines, only legally recognized groups or cooperatives with a bank account are eligible for grants; individuals

<sup>7</sup> For more details: <https://www.boz.zm/financial-sector-development.htm>.

cannot apply for grants, but they can apply for loans if they have a small or medium-sized business they wish to grow within the Constituency (GRZ, 2022).

As of November 2023, some certain allocated loans had not yet been disbursed (see Table 4) due to the complicated application process that involves council recommendations and bank vetting. Individuals

with outstanding debts are automatically disqualified from receiving loans, promoting responsible lending. Furthermore, some districts lack banks and rely on institutions in neighboring district which often struggle to manage the CDF process for multiple constituencies leading to further delays. The current situation of the CDF by district is as summarized in table 5.

// TABLE 5 //

## Constituency Development Fund situation in the five targeted districts

| DISTRICT   | CONSTITUENCY DEVELOPMENT FUND USE                                                                                                                                                                                                                                              | FINANCIAL INSTITUTIONS                                                                                                                                                                                            | OBSERVATIONS                                                                                                                                                                                                                                                                                                                                                           |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kalumbila  | <ul style="list-style-type: none"> <li>Ongoing discussions regarding provision of equipment to Chiefdoms instead of monetary funds;</li> <li>Combination of grants and loans is considered beneficial, with loans emphasizing the significance of timely repayment.</li> </ul> | NATSAVE is the preferred financial institution to manage the CDF, based on the public's favorable opinion of their services.                                                                                      | Kalumbila has the relatively strong enabling environment for success of CDF given its proximity to Solwezi, key mining stakeholders and more sophisticated SME environment.                                                                                                                                                                                            |
| Mwinilunga | <ul style="list-style-type: none"> <li>Most grant applications are for small investments in agriculture or small livestock, such as poultry, goats, and chickens;</li> <li>High demand for CDF grants in Mwinilunga, but relatively little demand for loans.</li> </ul>        | Atlas Mara Bank is the sole manager of the CDF in Mwinilunga, which leads to an overwhelming workload for the bank.                                                                                               | <ul style="list-style-type: none"> <li>Managing the CDF in the district presents challenges due to its size and difficult-to-access areas with poor road connectivity;</li> <li>The loan application process involves recommendations from the council and vetting by the bank;</li> <li>Applicants with outstanding credit are automatically disqualified.</li> </ul> |
| Manyinga   | CDF works better in rural areas (versus urban areas) due to stronger social bonds and community networks, as well as cultural norms that prioritize communal welfare in rural areas.                                                                                           | Absence of bank or micro-finance institution (MFI). Financial transactions are conducted through Atlas Mara Bank from Kabompo.                                                                                    | Road and communication networks are important constraints to consider for scaling up the reach and impact of CDF in Manyinga.                                                                                                                                                                                                                                          |
| Kabompo    | Loans and grants used for various ventures, with only a few related to NWFP, specifically enhancement of honey businesses.                                                                                                                                                     | No information available with regard to FI's engagement with CDF.                                                                                                                                                 | CDF may be best leveraged in Kabompo through informal financial services to create blended products.                                                                                                                                                                                                                                                                   |
| Ikelenge   | Most grant applications are for small businesses, specifically aquaculture, poultry farming, and, in some cases, beekeeping.                                                                                                                                                   | <ul style="list-style-type: none"> <li>Absence of a local bank, causing delays in approval and monitoring processes;</li> <li>Reluctance of beneficiaries to engage with banks beyond receiving funds.</li> </ul> | Capacity development parallel to the subsidy needed to ensure sustainability of businesses (e.g. adherence to proposal in the application; misuse of funds linked to personal needs; engagement with banks).                                                                                                                                                           |

Table 6 illustrates the CDF grants and loans that were disbursed in 2022 and 2023 per district. These loans and grants do not establish limitations on how the beneficiaries should use them, providing that there is a viable business plan. However, council officers noted that some groups have misused CDF funds, and that the monitoring should be increased.

// TABLE 6 //

## Summary table of Constituency Development Fund grants and loans in five districts of North Western Province

| DISTRICT   | YEAR | GRANTS (K)    | LOANS (K)     | GRANT BENEFICIARIES | LOAN BENEFICIARIES |
|------------|------|---------------|---------------|---------------------|--------------------|
| Kalumbila  | 2022 | 861 876       | Not available | 31                  | Not available      |
|            | 2023 | Not available | Not available | Not available       | Not available      |
| Mwinilunga | 2022 | 1 953 200     | 1 770 000     | 184                 | 23                 |
|            | 2023 | 2 151 000     | 3 227 000     | 69                  | Not available      |
| Manyinga   | 2022 | 2 900 000     | 2 900 000     | 49                  | 21                 |
|            | 2023 | 2 600 000     | Not available | 85                  | Not available      |
| Kabompo    | 2022 | 1 368 000     | 2 400 000     | 46                  | 14                 |
|            | 2023 | 2 130 000     | 2 400 000     | 58                  | 24                 |
| Ikelenge   | 2022 | 985 000       | Not available | 40                  | Not available      |
|            | 2023 | Not available | Not available | Not available       | Not available      |

Source: Authors' own elaboration.

### 2.3.2 Rural Finance Expansion Programme (RUFEP)

The Rural Finance Expansion Programme (RUFEP) began in 2015 with support from Ministry of Finance and National Planning (MoFNP) and the International Fund for Agricultural Development (IFAD). It officially closed in March 2024. Its main goal was to promote rural financial inclusion through institutions working in the targeted area. RUFEP focused on three main priorities:

- 1 Enhancing financial policy, in the framework of the National Financial Inclusion Strategy (NFIS), the National Strategy on Financial Education (2012–2017) and the Rural Finance Policy and Strategy (2012).
- 2 Bank sensitization: encouraging banks to work in rural areas, accept movable collateral and educate consumers. RUFEP has been also working on financial infrastructure for digital

financial services with ZICTA, in order to create a Collaborative Framework for digital finance.

- 3 Financial services: providing credits and payments through the Innovation and Outreach Facility (IOF), which supported partners (e.g. banks, MFIs, NGOs) with matching grants until its closure in March 2021. The IOF had three windows: Community Based Financial Institution (CBFI) or SG Linkages; mobile and agency banking; rural finance innovation. In total, RUFEP financed 46 partners for nearly 75 projects.

In the North Western Province, RUFEP supported the Rising Fountains Development Program (RFDP), with the aim to link SGs to Madison Finance company in Solwezi, Mushindamo and Kalumbila. Activities included developing a mobile banking

application; training of SGs; providing phones to replace the box used by SGs; registering SGs in PACRA to receive loans, and so on. Challenges included SGs reluctance to use mobile banking and bank's initial lack of interest to work with SGs. RUFEP was successful in establishing partnerships between SGs and different banks, including ZANACO that has the Village bank product (see chapter 2.1). The RUFEP Coordinator emphasized that financial education is crucial.

Although RUFEP ended in 2024, there are plans for a new initiative titled Climate Change Adaptation of Livelihoods through Rural

Finance (CALRF) submitted by IFAD/GRZ for funding to the Adaptation Fund.

Two case studies have evaluated RUFEP's impact. The first found positive effects on climate change adaptation across Northern, Southern, Eastern, Lusaka, and Central Provinces. The second highlighted significant improvements in agricultural productivity due to timely loan disbursements, technical training, and strategic investment of farming technology.

2.4

Development actors and initiatives supporting financial inclusion and rural businesses

There are many projects and initiatives on financial inclusion that have already generated relevant lessons and experience to build upon. The following projects are already completed and were identified during consultations with stakeholders as the most relevant on financial inclusion in North Western Province:

- Decentralized Forest and Other Natural Resources Management Programme (DFONRMP) (2015–2018)
- Rural Finance Expansion Programme (RUFEP) (2015–2024)

- Scaling up Nutrition (SUN 2) (2019–2023)
- Girl's Education and Women's Empowerment and Livelihoods project (GEWEL) (2020–2024)
- Accelerated Growth for SMEs (AGS) (2021–2024)

The development actors that are still active are indicated in table 7 and could be potential partners for future initiatives. It is not an exhaustive list, mostly because the context is constantly evolving.

// TABLE 7 //

Development actors active on financial inclusion and/or rural businesses in North Western Province

| DEVELOPMENT ACTORS | TYPE OF INSTITUTION     | FINANCIAL LITERACY | NWFP DEVELOPMENT | EXPERIENCE IN THE TARGETED AREA | OFFICE IN SOLWEZI | PRESENCE IN AT LEAST 1 OF THE 5 DISTRICTS |
|--------------------|-------------------------|--------------------|------------------|---------------------------------|-------------------|-------------------------------------------|
| FSD                | NGO                     | YES                | YES              | YES                             | NO                | NO                                        |
| World Vision       | NGO                     | YES                | YES              | YES                             | NO                | YES                                       |
| Musika             | NGO                     | NO                 | YES              | YES                             | YES               | YES                                       |
| RFDP               | NGO                     | YES                | YES              | YES                             | NO                | YES                                       |
| Jacaranda Hub      | Incubator / Accelerator | NO                 | YES              | NO                              | YES               | NO                                        |
| PROSPERO           | Non-profit institution  | YES                | YES              | YES                             | NO                | NO                                        |

## Financial Sector Deepening (FSD) Zambia

FSD Zambia is a Zambian development organization working with financial service providers, policy makers and civil society to expand financial inclusion by improving the activity of financial markets. The end clients are mostly women, youth and disadvantage people in rural areas. FSD Zambia has been supported by donors and Programs such as United Kingdom Aid, SIDA (Swedish Development Agency), RUFEP, ComicRelief/Jersey Overseas Aid and GIZ, among others.

FSD works in particular on inclusive enterprise finance, working capital, digital finance, women and youth financial inclusion. FSD is also works on markets data research, strengthening farmers' organizations, training farmers in climate smart agriculture techniques, supporting SGs through training in financial education, business entrepreneurship, etc. As face-to-face training is expensive, FSD prefers to use technology: audio recording, SMS, mobile banking, and so on.

FSD does not have an office in North Western Province, but it has been working there through some projects, in particular in the honey value chain with the "Financial inclusion for apiculture (bee-keeping) for smallholder farmers" project, in collaboration with the Nature's Nectar enterprise. It also implemented a project on Invoice Discounting bundled with credit guarantees in 2019, to support 1000 smallholder farmers, in partnership with IDE Global Zambia. This interesting project facilitated access to finance for SHFs that deliver

horticulture products to restaurants and canteens in the area, where there is a big demand due to the presence of miners, by providing working capital through invoice discounting and covering default risk through a credit guarantee.

In other regions of the country, FSD also worked on weather index insurance for SHFs with MayFair Insurance, on digitalizing loan processes for low-income clients with Agora Microfinance Zambia, on digital saving account for women smallholder farmers with the ZANACO and MercyCorps' AgriPay Program, on micro-leasing bundled with input credit for smallholder farmers, and on invoice discounting bundled with credit guarantee with Investrust Bank Plc.

FSD has an MoU with the Patents and Companies Registration Agency (PACRA) to help enhance the existing Collateral Electronic Register mechanism, launched in 2017 with the support of the World Bank International Finance Corporation (IFC), the Bank of Zambia and PACRA. This is an asset-based landing financial tool, which uses moveable assets, such as machinery or equipment, to access loans. At first, the tool seemed to be very attractive, then the uptake went down. FSD Zambia is currently finalizing with PACRA a market study to ascertain the cause of the low uptake and the lack of appreciation of the Collateral Registry by Financial Service Providers (FSPs) and the private sector.

## World Vision

World Vision Zambia is a member of the World Vision International Partnership, a Christian relief, development and advocacy organization. They work on education (including financial literacy), health, livelihood, water and sanitation, child protection and spiritual nurture.

World Vision started to work in Kalumbila in 2018. Currently they also have an office in Manyinga and in Mwinilunga. They are implementing a livelihood project, with three components: (1) Consumption support to vulnerable individuals for 6 months, through cash transfer and trainings on business skills, financial records, consumption patterns; (2) Training on how to manage the chosen business and a start-up grant of around K5,000, (asset or cash, depending on the activity); (3) linkages to the MFI "sister" VisionFund. Local authorities are the entry point to identify project beneficiaries, the criteria being to choose the most vulnerable people. Three hundred smallholder farmers have been participating in

the project so far, mostly women, and developed activities such as beekeeping, chicken farming and agricultural production.

World Vision is collaborating with the Australian government through an Australian Development Agency (ADA) project initiated in October 2023, operating in Manyinga, Kabompo, and Mwinilunga. This initiative focuses on groups, involving sensitization on record-keeping, financial literacy, and business ideas assessments. Savings groups (SGs) and farmers groups, concentrating on various activities such as goats, pigs, broiler chickens, improved chickens, and horticulture, are formed through partnerships with NATSAVE, VisionFund, and Invest Trust Bank. The ADA project's VisionFund component, expected to start after training completion, involves financial institutions providing loans to SGs and individuals, as well as government departments (including market and community departments) for trainings.

## Musika

Musika is a Zambian non-profit company, working on the enhancement of agricultural markets, with a focus on smallholder farmers and poverty reduction. Its mission is to stimulate the private sector in agribusiness. It was created in 2010 from a USAID funded program. Since then, it has been funded by SIDA through the Embassy of Sweden, by UK-DFID and more recently by the Norwegian NORAD. Note that Musika is the platform manager of the Agriculture Public Private Partnership (A-PPP)

Platform launched by FAO, the African Union Commission (AUC), the African Union Development Agency (NEPAD) and the Government of Zambia in 2019. The platform's goal is to advance PPPs on the most promising value chains in the country. Musika has a regional office in Solwezi, working on carbon credit facilitation and livelihoods development based on NWFP, namely honey, mushrooms, fruit trees and commercial planting trees (they have a partnership with Havila Gardens).

## Rising Fountains Development Program (RFDP)

RFDP is a local NGO created in 2000, based in Lundazi district (Eastern Province), dealing with rural development and rural finance. Thanks to RUFEP, RFDP has been working in Solwezi and Kalumbila districts to link SGs to the MFI Madison Finance Company in recent years. A 12-month project with Madison Finance ended in June 2022 and was focused on promoting access to financial services and linking SGs with banks, working with 150 groups in Kalumbila and Solwezi. At the end of the project, 156 farmers were trained in financial literacy, saving mobilization and

credit management. From the RFDP experience, time is needed to link SGs to banks. It is also important to support people at the village level. After 2 years, it is possible for SGs to start asking for loans. In 3 years, solid linkages can be established between SGs and financial institutions. Regarding agroforestry, RFDP has been promoting beekeeping and honey production, but there have been challenges in marketing. Moreover, RFDP has worked on the mushroom value chain, and they think that drying mushrooms could be profitable in North Western Province.

## Jacaranda Hub

Jacaranda Hub is a young incubator and accelerator hub that diversifies its activities in different sectors, namely: co-working, agribusiness, InTech, fashion and media. The Next Generation National Youth Incubation Challenge is at its second season and consists in an incubation challenge of eight weeks for start-ups: the hub support selected young entrepreneurs with business idea capacity building, targeted mentorship, empowering on pitch, digital marketing with young entrepreneurs. So far there have been around 100 participants, from 18 to 35 years of age. The Mosi-oa-Tunya pitch is a programme that matches start-ups with local and global investors. Jacaranda Hub prepares incubatees to pitch their ideas on national television to investors. The program is operational in Lusaka and Solwezi, but the Hub wants to target rural communities as well, and create a platform. Furthermore, the

Hub has launched up to 25 start-up villages through the country, thanks to a partnership with the Ministry of Youth, Arts and Sport, where start-ups are provided with co-working spaces. More recently, Jacaranda Hub has been developing a program on rural hubs across the country. The first rural hub was recently opened in Solwezi in partnership with Absa, but the goal is to arrive to 100 rural hubs at the end of 2023. The rural hubs will support start-ups on financial inclusion and sustainable livelihood. The idea is to work with high performant MFIs and/or banks already working with farmers, negotiating interest rates reduction for MSMEs that will be involved in the program, and develop targeted financial products. On agribusiness incubation, Jacaranda Hub has already some experience on climate smart agriculture, research and development, agricultural financing and access to market.

## PROSPERO

Established in 2014 under the UK Private Enterprise Program, PROSPERO has evolved into a Zambian non-profit organization focused on supporting small and medium enterprises (SMEs). PROSPERO aims to promote SMEs growth and improve access to finance, including grants and impact investments. PROSPERO extends its support to the agricultural sector, with funds from the Swiss development cooperation. It currently implements PEPZ (Private Enterprise Programme Zambia) II, which will run until 2026.

PROSPERO is increasingly involved in climate finance, promoting climate-friendly SMEs through training programs. It supports companies in preparing concept notes for climate finance projects. While commercial banks may view CFMGs as too small, PROSPERO has been addressing this challenge by working on derisking investments through guarantee funds and providing affordable loans. In Kalumbila, it supports SMEs in developing sustainable projects that leverage carbon credit opportunities, particularly in areas like apiculture, mushrooms, and climate-smart agriculture.

Regarding financial products, PROSPERO offers a unique blend of a 0 percent interest rate loan coupled with grants. The SME graduation

process involves moving away from free funds, initiating with a soft loan. Notably, a successful pilot project with a revolving fund was conducted in 2022, demonstrating positive outcomes within the SME sector.

The organization maintains a working relationship with International Trade Center (ITC), supporting different companies (aggregators) through various value chains in Copperbelt and Solwezi, aiming to bolster factories. PROSPERO has also worked extensively with mining companies to optimize their Corporate Social Responsibility (CSR) in a more strategic manner, highlighting the private sector's agility compared to government initiatives.

One noteworthy success story is Wuchi Wami, a Mwinilunga-based start-up supported by PROSPERO, which has grown from honey production to exporting. They have an interesting model of collaboration with local communities and were recognized as a SEED Climate Adaptation Award Winner in 2021. PROSPERO is also exploring various ventures, such as pineapple and coffee, and is collaborating with Trident, in mushrooms venture. PROSPERO has expressed a keen interest in forestry.

## 2.5

### CFMGs in the five targeted districts and access to financial services

Community Forestry (CF) is a national approach legalized by the Forests Act (2015), by which local communities, organized into a community forest management group (CFMG), make a legal agreement with the Forestry Department (FD) and receive the legal authority to manage and benefit from community forests.

CF in Zambia have the parallel goals of improving forest management, whilst unlocking the full potential of sustainable forest use for economic development of forest communities. The development of forest-based livelihoods and source of income — such as those linked to forest products and services — is essential for the sustainability of CFMGs. This requires support and an enabling environment, including financial services for new sustainable ventures.

Considering the rich forest capital in North Western Province, CF initiatives hold immense potential for driving local climate action, forest conservation and sustainable rural development. CFMGs

can play a pivotal role in managing forest lands and resources, contributing to both environmental conservation and economic empowerment within local communities.

Since the community forestry legislation was enacted in 2018, the number of CFMGs has significantly increased, mostly driven by carbon credits opportunities. There are 127 CFMGs in North Western Province (as of early 2024) undertaking the process for formal recognition, most of them driven by carbon initiatives, and still organizing themselves to manage their forest resources; 92 CFMGs have been established in the 5 targeted districts: 10 in Kalumbila, 44 in Mwinilunga, 15 in Manyinga, 8 in Ikelenge and 15 in Kabompo (FAO, 2025, unpublished).

CFMGs are in different stages of their process and some of them are already engaged in forestry activities (e.g. honey production, restoration). However, there is a lack of awareness and specific

knowledge on the diversity of forest economic opportunities. Moreover, CFMGs lack experience in saving and credit and little to no access to financing to support their initiatives.

One of the first CFMGs in North Western Province, called “Kelondu Zambezi”, and established in Ikelenge district in 2015, has successfully implemented various agroforestry activities and briefly operated a VBG, using a revolving fund provided from the Decentralized

Forest and Other Natural Resources Management Programme (DFONRMP), funded by the Ministry for Foreign Affairs of Finland (see Box 1). However, they currently lack their own SG and need support to create one.

The capacity of CFMGs to realize the full potential benefits of community-based forestry (CF) depends on their access to financial services to undertake initial investments.

### // BOX 1 //

## The Kelondu Zambezi Source CFMG — Ikelenge District

The CFMG “Kelondu Zambezi” started in 2015 with support of the DFONRMP. CFMG’s representatives include 11 executives, four of which are women, including the Chair. In the community there are around 7 000 inhabitants. Since the CFMG was created, people have been growing crops instead of cutting trees, doing conservation farming in special areas, producing maize, cassava, pineapples, horticulture. They also use organic pesticides. The Kelondu Zambezi CFMG has honorary officers patrolling the area, and do early burning at beginning of the dry season (in April/May) to protect trees from flames. Moreover, the CFMG has planted 16 200 indigenous plants so far, with the support of the National Heritage Conservation Commission. In 2018, ZESCO built some energy infrastructure in the area, then they paid K 21 000 to the community as a compensation. ZESCO also provided indigenous plants and is paying the CFMG for their restoration efforts from 2018 to 2021 (K 2 000 per month).

They have six groups specialized in NWFPs: mushrooms, fisheries, honey, caterpillars, chikanda and medicinal herbs. They also have a group specialized on goats. Regarding honey, the group indicated that the sale price of honey is quite good (K15 per kg), the buyer being the Forest Fruits company based in Mwinilunga (see Chapter 3.2). There are 30 CFMG members working on honey, who were chosen from the 5 villages (6 people per village), then trained and given hives from DFONRMP (40 hives in total, each one with a costs of K 500). The 30 beekeepers

pay an affiliation fee (K 100 every harvest) to the CFMG and have only one harvest per year. The number of beekeepers have not grown because of the high cost of hives and beekeeping equipment, and because people prefer doing agriculture (easier, especially for women). With respect to mushrooms, the group has been trying to intensify their exploitation since 2018, but the limited abundance in their area has been an obstacle, the same applies to caterpillars. As for chikanda (local tuber), the group had good results at the beginning, thanks to a good selling price. But regular production was hampered because sustainable harvesting practices are not respected (some roots must be left in the soil). As a result, chikanda supply is quite low in the area. As for fishery, the group started with three ponds, and now there are 20 ponds and 10 involved.

The Kelondu Zambezi CFMGs had a good village banking experience, introduced by DFONRMP. They started with 80 women. At first, some of these women were given loans ranging from K 500 to K 1 000 for small businesses (selling chickens, buying and reselling honey, drying fish, etc.), with a 20% interest rate and reimbursement period of 6 months. According to the CFMG’s representatives, although everybody reimbursed their loans, the experience was not repeated because the village banking fund was returned at the district level and stayed there. The CFMG does not have experience with SGs; they just have a bank account for basic operations. Most people in the community do not have a bank account.

## 03.

## Main challenges for financial inclusion of rural communities in North Western Province

## 3.1

### Challenges of formal financial services

Financial inclusion in Zambia has improved, but **access to formal finance** mainly benefits adult men and urban populations. Women primarily use informal financial services (BoZ, 2020).

One of the reasons behind the limited financial inclusion of rural communities is **the complexity of the procedures** of Financial Institutions (FIs). For example, opening a bank account is a long process that requires an identity card, which can be challenging for rural people. Even if FIs offer supportive conditions for saving groups' bank accounts, rural communities are often not aware because of limited dissemination of information.

Furthermore, rural communities have **difficulties meeting the FI requirements, especially regarding collaterals**. There are financial products targeted to small and medium enterprises (SMEs), such as invoice discounting, order financing, overdrafts<sup>8</sup>, collateralized term loans, and equity financing<sup>9</sup>. However, those products require real estate or other collateral, which are not feasible in rural areas, especially given the prevalence of customary land tenure (AGS 2022 and Kukula Capital, 2022). The lack of collateral hinders rural communities and SMEs to invest in economic activities. By contrast, finance for equipment is much needed, such as beehives, mushroom driers, and fish driers.

The lack of awareness of formal FIs and related requirements from rural communities leads to low demand, limits access to formal financial services and constrains investments in agroforestry and non-wood forest products (NWFPs) value chains.

FI's requirements are **particularly difficult for women and youth**, who rarely have land ownership in rural areas, and therefore are de

facto excluded from formal financial services requiring collaterals. Formal FIs often lack a gender sensitive approach in designing financial services, failing to address underlying social norms that perpetuate gender inequalities.

Most formal FIs in North Western Province do not have **branches and/or field agents in rural areas** due to low financial incentives and high loan monitoring costs. High transaction costs deter financial institutions from engaging with rural communities, who are also not used to pay fees for financial services (Frölich and Nguyen, 2020). This creates a weak enabling environment for financial services to support rural livelihoods in North Western North Western Province.

**The cost of lending** is another significant barrier; commercial banks' average lending annual rate was 25.9 percent in December 2021 (BoZ, 2022). Interest rates vary between 1 percent and 10 percent per month, with MFIs being more expensive than banks (Kukula Capital, 2022). Stakeholders met confirm that on average interest rates vary between 2 percent and 2.5 percent per month for commercial banks, and between 4 percent and 5 percent per month for MFIs. Many small agribusiness entrepreneurs avoid loans due to high costs and complexities, while most formal agricultural credit goes to large commercial farms (WB, 2019).

Formal financial services seem to be designed mostly for financially and operationally sound MSMEs working around urban areas (Solwezi for North Western Province), rather than rural communities. **The absence of targeted financial products** for forest-climate businesses further limits investment opportunities.

<sup>8</sup> An Overdraft is a financial service which allows an enterprise to borrow money from its own business bank account, with a time limit and a limited amount to be borrowed; it can also be called Working Capital Financing.

<sup>9</sup> Equity financing is the process of raising money through the selling of the enterprise's shares.



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## 3.2 Challenges of informal financial services

**SGs are dominated by women in Zambia.** Over 70 percent of SG members are women, while only 5 percent are youth aged 15 to 24 (Mwenge and Bwalya, 2020). This is partly because SGs traditionally focus on women over 24 years of age, and because men and youth often avoid joining SGs due to fear of judgement, lack of time, or limited understanding of SG (Mwenge and Bwalya, 2020). This pattern is also seen in the five targeted districts in North Western Province.

A key limitation of SGs is **the small loan amounts** and high **interest rates**, which vary from 5 percent to 20 percent per month.

As a result, members can only invest in small-scale ventures like commerce or poultry farming. To have more capital, SGs need to **connect with formal financial institutions** or form saving and credit cooperatives. However, SGs **lack financial expertise** and these processes can be lengthy, so most formal FIs are reluctant to invest in SGs, due to low expected returns. None of the SGs or CFMGs reported receiving loans from Financial Institutions. Madison Finance, VisionFund, and Atlas Mara Bank confirmed that most SGs in the area have not accessed loans. Development partners are needed to facilitate the process.

# 04.

## Recommendations to enhance finance inclusion of rural communities in North Western Province

### 4.1 Strengthen SGs, VBGs and CFMGs

#### Comprehensive financial literacy programme for SGs, VBGs and CFMGs

A comprehensive financial literacy programme — including basic financial skills, corporative governance, digital finance and mobile banking, development of bankable proposals, and entrepreneurship — is crucial to enhance rural finance inclusion. It should focus on SGs, VBGs and CFMGs, target men and women, and establish collaboration with institutions with experience in financial literacy in the targeted districts (see Table 7).

Informal financial groups, such as SGs or VBGs, can be effective platforms for enhancing financial literacy, especially in rural areas. An initial in-depth study of existing SGs and VBGs in the targeted districts will help to assess their level of financial literacy and their dynamism.

Financial literacy efforts should also include CFMGs, who are called to play a key role in the sustainable management of forests in Zambia and in leading local climate action. Their capacity to fulfil that role and continue their development process strongly depends on generating income for long-term sustainability. Access to financial services is a key factor to enable forest economic activities that generate income for communities.

Most CFMGs are still in the early stages of registration and have limited experience in saving and credit activities. The capacity of CFMGs can be developed through a stepwise approach, starting with financial literacy actions. This approach aligns with efforts from various initiatives in North Western Province, including those led by the Forestry Department, Community Development Departments, RUFEP, Musika, FSD, World Vision, and RFDP.

The case of the “Kelondu Zambezi” CFMG (see Box 1) illustrates a good example of a CFMG that is diversifying livelihoods and source of income, while making use of informal financial services.

The following activities can contribute to enhance the financial inclusion of CFMGs:

- Create informal financial groups in CFMGs and/or linking CFMGs with existing SGs or VBGs.
- Develop financial literacy and experience of CFMGs members and raise awareness about financial services accessible to rural population.
- Provide assistance to financial institutions (FIs) in the design of targeted financial products for CFMGs and forest-climate businesses.
- Explore the use of community forests as collaterals.
- Support the establishment of a capital base for CFMGs.
- Facilitate CFMGs’ incubation processes for the development of viable businesses linked to forest/tree products and services.
- Facilitate agreements for water PES linked to forest restoration and management by CFMGs.

- Enhance communities' understanding and informed participation in carbon markets.
- Facilitate linkages among CFMGs, as well as between CFMGs and formal FIs following at least 2 years of informal financial experience.
- Support the government in creating an enabling environment for CFMGs, and strengthen collaboration between Government institutions, Donors, FIs and development partners.
- Explore blended finance mechanisms to support scaling up.

## Linkages of SGs, VBGs and CFMGs with formal financial institutions

After successfully operating for a few years, informal financial groups can be linked to formal financial institutions (i.e. banks, microfinance institutions [MFIs], or savings and credit cooperatives [SACCOs]). Programmes like RUFEP and RFDP typically link SGs to FIs after 2–3 years of successful activity. This general guideline also applies to CFMGs.

Strong relationships between SGs/VBGs and FIs depend on mutual trust (Frölich and Nguyen, 2020), which development partners such as RFDP, World Vision, Musika, and FSD can help build. For example, RFDP has been fostering connections between SGs and Madison Finance in Solwezi and Kalumbila since 2021. World Vision has also been facilitating links between SGs and VisionFund in Kalumbila, Manyinga and Mwinilunga, while NATSAVE works directly with some SGs in Kalumbila.

FIs interested in operating in rural areas should be prepared for possible initial financial losses, as rural communities may need time to value (and pay for) financial services (Frölich and Nguyen, 2020). Moreover, at first, FIs should offer SGs to open group bank accounts instead of individual accounts. A gradual increasing access to finance for rural communities is necessary.

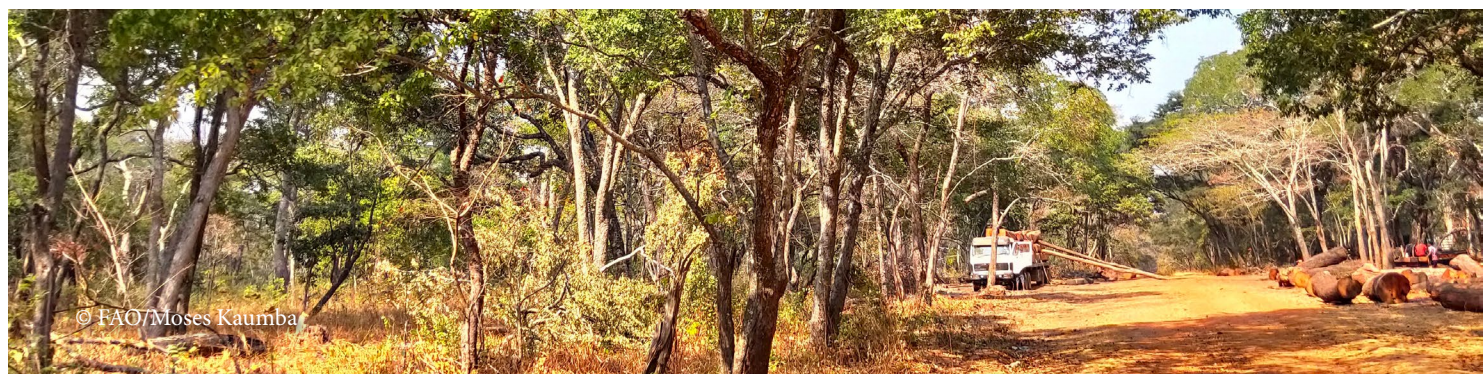
Another option for SGs is to evolve into viable saving and credit cooperatives (SACCOs) which could provide more financial services to members (RUFEP 2022). In Ghana, a community cooperative credit union has formed by bringing together almost 100 Village Savings and Loans Associations, enhancing financial inclusion for forest and farm producers' organizations (Adagenera, and Kuudaar, 2023). This experience could inspire similar initiatives in SGs in North Western Province in Zambia.

## Gender transformative approach (GTA) to foster financial inclusion

Zambian women are often excluded from formal financial services and are underrepresented in CFMGs while they tend to dominate SGs. This situation could be addressed, and perhaps leveraged, through a gender transformative approach (GTA). GTAs will aim to: (1) address the underlying social norms, attitudes and behaviors that perpetuate gender inequality; (2) use participatory approaches to facilitate dialogue, trust, and behavioral change; (3) promote reflection on deep-rooted social and gender norms to shift

power dynamics; (4) involve men and boys in discussions about masculinity and gender; (5) engage with community influencers; and (6) be adaptable to different contexts (FAO *et al.*, 2020).

Future interventions should include gender specialists, with expertise in financial inclusion, especially in financial literacy and design of tailored financial products.



## 4.2

# Promote financial solutions tailored to rural communities

The following financial services and products are suggested to scale up financial inclusion and climate action of rural communities. They shall facilitate the development of viable micro, small, and medium forestry enterprises (MSMEs) and community ventures.

## Hybrid digital finance — mobile banking

Digital finance allows FIs to reduce transaction costs, facilitating penetration of service delivery in rural areas. It also facilitates access by rural communities, notably through mobile banking tools (mobile money accounts, mobile money transfers, online bill payments, mobile credits, etc.). However, there are also challenges related to gender inequality, as women and youth often have less access to mobile phone compared to men. A recent study on digital finance highlighted the gender gap in mobile banking access in sub-Saharan Africa (Ferrer *et al.*, 2023).

For example, it has been observed that, even when account registration to a mobile app (i.e. AgriPay) was nearly the same between men and women, men did three times more transactions than women, with six times larger amounts (Mercy Corp 2021). It has also been found that women farmers face limitation to access the app because they are usually far from urban areas, where most of ZANACO agents work. Some women were also hindered from registering on the app by their husbands.

In this context, the role of loan officers is still crucial for financial education, particularly in Zambia's rural areas. A “hybrid approach”, combining digital tools and personal interaction can be very suitable to prevent financial exclusion of illiterate rural population and/or those without smart mobile phones (Siwale and Godfroid, 2022). This argument is relevant also for the five targeted districts in North Western Province, where digitization is not necessarily inclusive.

RUFEP and UNCDF have been promoting digital finance at the national level. In North Western Province, RUFEP supported the development of an application by Madison Finance Company for opening bank accounts via phone. All FIs in the area offer mobile banking services, and CDF disburse grants and loans through mobile banking. Nonetheless, SG members indicated preference for Airtel money or MTN money instead of opening bank accounts. Future initiatives in North Western Province should draw on lessons from RUFEP and UNCDF digital finance efforts.

## Credit guarantee schemes (CGSs)

Credit guarantee schemes (CGSs) help financial institutions reduce risks when lending to MSME. In a borrower defaults, the guarantee reimburses the FI for a portion of their losses. Typically, borrowers pay for the guarantee unless it's subsidized by the government or a project. CGSs can be implemented by government bodies, development partners or private organizations.

In 2017, the Zambian government created [the National Credit Guarantee scheme](#), a state-owned company with the goal of enhancing access to finance for MSMEs and accelerating financial inclusion in rural areas.

USAID and DFC launched [a loan guarantee project](#) with Absa Bank to help the bank issue more loans in agriculture, clean

cooking energy, manufacturing and tourism for underserved SMEs, up to K 440 million.

Another interesting project is the Invoice Discounting combined with credit guarantees that FSD and [IDE Global Zambia](#) tested in 2019 to support 1 000 smallholders. Furthermore, the WB suggests that CGSs can also combine grants and commercial loans for MSMEs (WB, 2015). While this approach is not currently used in Zambia yet, it could be relevant to pilot an approach that integrate the National CGS with the CDF grant and concessional loan components.

## Collateralized term loans

A collateralized term loan is a financial product allowing a borrower to purchase equipment, which serves as a collateral for the loan itself. This type of financing uses moveable assets like machinery to secure loans. For lenders, the equipment must be easily sellable in case of default, which can be a constraint in rural areas.

NATSAVE offers an asset plus financing product to finance agricultural equipment for smallholder farmers. This could potentially be adapted to support forest VCs, particularly to support technical equipment needed for value addition of forest products. Micro-leasing products could also be an option, although local FIs in North Western Province do not offer such products yet.

In 2017, Zambia launched the Collateral Electronic Register mechanism to promote the use of collateralized term loans. However, after initial enthusiasm, adoption by FIs and MSMEs has been low. It is important to learn from this experience, and FSD Zambia and PACRA are conducting a market study to gather insights. Future initiatives could collaborate with FSD and Zambian authorities to enhance this mechanism, focusing on forest VCs financing opportunities.

Use of community forests as collaterals could be an opportunity to boost CFMGs financial inclusion and business opportunities. ‘Tree collateral’ approaches, where rural communities can use their standing trees as a security to receive a loan from a financial institution, show some promising results across Asia (Tham *et al.*, 2022).

## Insurance products

Most FIs in North Western Province offer life insurance products, but none provide insurance products related to agricultural or forestry financing. FSD has been experimenting with weather index insurance for agriculture with MayFair Insurance, but this has not been implemented in North Western Province. The World Food Programme (WFP) is supporting “the interministerial technical working group (TWG) led by the Ministry of Agriculture on micro-insurance, under the Farmer’s Input Support Programme (FISP)”

on climate risk insurance programmes, as well as “the Ministry of Fisheries and Livestock to implement livestock index insurance” (WFP 2024, p. 50). It would be relevant to extend such insurance schemes also to forestry. Madison General Insurance Company has expressed interest in including insurance as part of their value chain financing products in Southern and Eastern Province. This opportunity for forestry financing should be investigated further.

## Green bonds and green loans

Green bonds and green loans are financial instruments channeling socially responsible investments to finance projects with a positive impact on the environment. The Zambia Securities and Exchange Commission (SEC) issued the Securities (Green Bonds) Guidelines in 2019. In December 2023 the Copperbelt Energy Corporation

Plc (CEC) registered a USD 200 million green bond in with SEC, the first in the Zambian Capital Market<sup>10</sup>. Moreover, the Bank of Zambia created the Banking and Financial Services (Green Loans) Guidelines in 2023 (GRZ, 2024). However, more efforts are needed to operationalize green bonds and green loans (WB, 2024).

## Blended finance mechanisms

Blended finance, as defined by the Convergence Global Network, is “the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development”<sup>11</sup>.

Available government’s funds should aim to catalyze private

financing or, at least, engage development partners to amplify its impact. Currently, this is not occurring, but a blended finance strategy through the CDF and/or a Forest Fund, for example, could significantly boost investments in sustainable agriculture, forestry and agroforestry, thereby contributing positively to climate action.

<sup>10</sup> <https://www.biofin.org/news-and-media/footprints-biodiversity-finance-initiative-biofin-zambias-maiden-green-bond-issuance>

<sup>11</sup> See: <https://www.convergence.finance/blended-finance>.

A blended finance mechanism could help FIs and MFIs lower their interest rates and enhance rural financial inclusion.

Future interventions in North Western Province should prioritize the use of blended finance mechanisms, combining guarantee schemes (such as the Zambia Credit Guarantee Scheme [ZCGS]),

concessional loans and grants to promote forestry, agroforestry and sustainable agriculture, with a focus on women, youth and disadvantaged people in rural areas.

As noted by DeValue *et al.* (2022), an innovative blended finance mechanism could be developed with a focus on forest preservation.

## 4.3 Adapted financing for forest businesses

Currently, most commercial banks and MFIs lack financial products tailored to forestry. Some SGs invest small loans in NWFP value chains (such as honey and mushrooms), but forest investments are not among their priorities.

Nonetheless, formal FIs have financial products that could be adapted to existing and promising forest businesses, (e.g. invoice discounting, purchase order financing, overdraft, working capital financing or collateralized term loans). FIs could provide working capital to rural communities, finance processing equipment through concessional loans (with better conditions than the market loans, typically with a lower interest rate) combined with grants, or consider more affordable collaterals and lower interest rates. Flexible financing options are required to address the seasonal and cyclical nature of forest products. The development of tailored forest financing products, coupled with enhanced processing capabilities

and market access, can unlock the full potential of forest products and services.

It is also important that smallholders have off-takers ready to pay for their products and to pre-finance forestry activities through contractual agreements. Contractual forestry and agroforestry could be beneficial for CFMGs in the five targeted districts, who could establish contracts with buyers of NWFPs.

This chapter highlights businesses linked to forest products and services, which could be considered by FIs as a financial opportunity. Reforestation, production of seedlings, ecotourism and honey product are examples of low-emission and resilient economic activities, that are not just good for the environment and climate action, but can also be profitable activities. Financial inclusion will then contribute to diversify rural livelihoods, beyond the predominant charcoal and agriculture production, which are main drivers of forest loss.

### 4.3.1 Honey and bee products

Zambia's honey sector faces growing demand both locally and internationally but struggles to reach its potential, due to challenges such as the high cost of modern beehives, limited access to finance (particularly for equipment), poor infrastructure, the absence of a beekeeping policy and regulatory frameworks, lack of national honey quality standards and insufficient investment capital (Kambobe, 2019).

Another challenge is the existence of two overlapping acts regulating beekeeping and honey production in Zambia: the Animal Health

Act and the Forests Act. Concerns were expressed by stakeholders regarding the potential overlap between the Forestry Department (FD) and the Livestock Department, even if regulatory authority over beekeeping in Zambia rests with the FD. A harmonized policy could significantly benefit the honey value chain.

According to the Solwezi Forestry Department, at least 24 beekeepers' groups are operating in the North Western Province. During meetings with government stakeholders, NGOs, and local communities in the province, honey was identified as one of the most formalized

value chains, particularly in the districts of Mwinilunga, Kabompo, Manyinga and Ikelenge.

There are four main honey off-takers in the five targeted districts, buying on average at K 15 per kg of unprocessed honey from beekeepers:

- **North Western Bee Products**, a public-private honey factory founded in 1988 in Kabompo district, with a shared ownership between the council and beekeepers. It began Zambia's honey exports and initially dominated the market<sup>12</sup>. However, since 2007 the company has been struggling and today it is managed by its workers, with a small turnover.
- **Forest Fruits Ltd.**, a certified producer of organic honey and beeswax in Mwinilunga district. Established in 1998, the company brands its honey as *Zambezi Gold*. Forest Fruits is the largest

exporter of organic honey and beeswax on the African continent<sup>13</sup>.

- **Nature's Nectar** is a company promoting sustainable income for rural communities by transitioning from traditional bark beehives, which are harming indigenous forests due to growing honey market, to durable top bar beehives made of pine.
- **Wuchi Wami** is a socially-driven private company established in 2018, focused on empowering local farmers, especially beekeepers, based in Mwinilunga.

Stakeholder consultations with the Forestry Department indicate that Kabompo and Manyinga have two honey harvesting seasons, while Kalumbila, Mwinilunga, and Ikelenge have only one. Table 8 presents the seasonal pattern of the honey value chain, noting when loans should be disbursed before harvesting.

## 4.3.2 Other NWFP value chains

At least 100 NWFPs have been identified in North Western Province, forest honey and bee products and mushrooms being the most promising ones, while some wild vegetables and fruits also have potential (FAO 2025a, 2025b, 2025c, 2025d unpublished). There is potential to develop these forest value chain, as well as some challenges.

## Mushrooms

North Western Province is home to a diverse array and species of wild mushrooms, offering nutritional and economic benefits. These mushrooms are consumed in various forms, including fresh and dried. Mushrooms are interesting NWFP whose value chain can be further developed. In terms of strengths, there is good availability during the rainy season, with a favorable weather pattern in North Western region for significant natural production. Moreover, many people in North Western Province are involved in the collection of wild mushrooms due to high demand. There is potential for growing

mushrooms, as well as processing them through solar equipment. Main challenges include a short shelf life; the variable quality of end products resulting from traditional processing and drying methods; the limited finance for solar dryers (even if the cost apparently should be affordable); and the lack of storage facilities. Past projects (e.g SNV and *Keepers Zambia Foundation*) had limited impact when trying to introduce solar dryers and supporting mushrooms production by farmers, but there is clear room for improvement in value addition and innovative market development.

## Intungulu (wild fruit)

The development of the intungulu (*Aframomum* sp.) (also known as "wild cardamom") value chain faces challenges due to the informal market structures, lack of processing facilities, and financial exclusion of local entrepreneurs. Despite the potential for commercial development, such as juices, wines, and jams production, the current system lacks organization, formalization and innovative product development. To unlock the full potential of

the intungulu value chain, there is need for building market demand, establishing formal structures, enhancing processing capabilities, supporting mechanisms to ensure fair transactions, and addressing financial exclusion by creating tailored financial services. These interventions can empower local communities, improve economic opportunities, and contribute to the overall development of the intungulu industry.

<sup>12</sup> [https://www.researchgate.net/publication/343990891\\_Assessing\\_value\\_chain\\_interventions\\_in\\_Zambian\\_and\\_Ethiopian\\_forest\\_beekeeping\\_systems](https://www.researchgate.net/publication/343990891_Assessing_value_chain_interventions_in_Zambian_and_Ethiopian_forest_beekeeping_systems)

<sup>13</sup> [https://eprints.hud.ac.uk/id/eprint/35520/1/FINAL\\_THESIS\\_-\\_Lowore.pdf](https://eprints.hud.ac.uk/id/eprint/35520/1/FINAL_THESIS_-_Lowore.pdf)

// TABLE 8 //

## Identified value chain seasonal pattern and possible financing cycle

| HONEY VC FINANCING CYCLE                       | Jan | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec |
|------------------------------------------------|-----|-----|-----|-----|-----|------|------|-----|-----|-----|-----|-----|
| Honey harvesting                               |     |     |     |     |     |      |      |     |     |     |     |     |
| Processing (micro/small processing facilities) |     |     |     |     |     |      |      |     |     |     |     |     |
| Loan disbursement                              |     |     |     |     |     |      |      |     |     |     |     |     |

| MUSHROOM VC FINANCING CYCLE | Jan | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec |
|-----------------------------|-----|-----|-----|-----|-----|------|------|-----|-----|-----|-----|-----|
| Harvesting                  |     |     |     |     |     |      |      |     |     |     |     |     |
| Fresh mushroom selling      |     |     |     |     |     |      |      |     |     |     |     |     |
| Dried mushroom selling      |     |     |     |     |     |      |      |     |     |     |     |     |
| Loan disbursement           |     |     |     |     |     |      |      |     |     |     |     |     |

| NTUNGULU VC FINANCING CYCLE | Jan | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec |
|-----------------------------|-----|-----|-----|-----|-----|------|------|-----|-----|-----|-----|-----|
| Harvesting                  |     |     |     |     |     |      |      |     |     |     |     |     |
| Processing                  |     |     |     |     |     |      |      |     |     |     |     |     |
| Fruits selling              |     |     |     |     |     |      |      |     |     |     |     |     |
| Juices selling              |     |     |     |     |     |      |      |     |     |     |     |     |
| Loan disbursement           |     |     |     |     |     |      |      |     |     |     |     |     |

| LENGALENGA AND KISWITA VC FINANCING CYCLE | Jan | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec |
|-------------------------------------------|-----|-----|-----|-----|-----|------|------|-----|-----|-----|-----|-----|
| Harvesting-lengalenga                     |     |     |     |     |     |      |      |     |     |     |     |     |
| Harvesting kiswita                        |     |     |     |     |     |      |      |     |     |     |     |     |
| Processing                                |     |     |     |     |     |      |      |     |     |     |     |     |
| Selling                                   |     |     |     |     |     |      |      |     |     |     |     |     |
| Loan disbursement                         |     |     |     |     |     |      |      |     |     |     |     |     |

Source: Elaborated by the authors. Data on seasonality elaborated from FAO Value Chain Assessments (FAO, 2025, unpublished).

## Lengalenga and kiswita

Lengalenga (*Amaranthus* sp.) and kiswita (*Sesamum angolense*) value chains have an underexploited potential for processing and value addition. Kiswita, sold in fresh or dried forms, faces challenges like accessing quality dried produce during the dry season and fluctuating prices. Lengalenga, primarily sold fresh, offers growth opportunities, especially in utilizing its seeds. Current markets for both are local, and there is untapped potential for seed-based kiswita products. Pricing varies based on factors like seasonality

and distance to markets. To address these challenges, the proposed tailored financing Initiative emphasizes collaboration with financial institutions to design flexible and affordable financial products for clusters and CFMGs. Technical assistance in financial literacy and risk mitigation is also recommended, along with robust monitoring and evaluation frameworks for scalability. Overall, the focus is on promoting economic resilience and equitable growth throughout the value chain.

## Fishery

Most consulted stakeholders highlight that North Western Province can be a significant producer of fish, but production levels remain low. Fishery activities are primarily conducted by smallholder farmers in ponds, which poses significant challenges, especially regarding startup costs. Additionally, local fish species require at least six months to mature, and feed constitutes 70 percent of the production cost. Past projects have supported local fish feed processing facilities utilizing forest-based products, such as wild fruits, facing some challenges. Musika suggests the need to undertake longer-term experiments. On the positive side, the region benefits from abundant water sources — rivers and streams — supporting

both natural fish populations and aquaculture. There is also a substantial demand for local fish. The primary challenges facing the sector include risks to aquatic life from conventional agricultural practices and a lack of sustainable fishing methods. According to the fisheries and livestock district department of Manyinga, the Citizen Economic Empowerment Commission (CEEC) financed several fishery activities in the area in 2021. There are fishery management areas in the district, with seven village fisheries committees working to better integrate water and forest management. Additionally, the Community Resources Boards, under the Department of National Parks and Wildlife, are active in the region.

## Chikanda, medical herbs and other NFWPs

Chikanda is a local tuber identified by consulted stakeholders as an interesting NWFP with high demand and high prices. However, unsustainable harvesting poses challenges, as some tubers must be left in the soil for future production, otherwise, regeneration is compromised. This issue has significantly hindered efforts to scale up production in the past. For instance, a project in Manyinga aimed to enhance production ten years ago but ultimately failed.

Additionally, a lack of financing for potential chikanda traders remains a challenge. Medical herbs also have potential and there are many varieties with market, although few could be domesticated. Other NFWPs mentioned by stakeholders are caterpillars (requiring support to ensure sustainable harvesting), reeds products, rattan products and busala tuber.

### 4.3.3

## Forest nurseries

Forest nurseries could be an interesting forestry activity to be financed by FIs in North Western Province, as the demand for seedlings is growing thanks to carbon credit opportunities. In Ikelenge district, for instance, the forestry department is implementing a GIZ project, [the Zambezi Source Ecosystem Restoration Project](#), where 15 000 seedlings of indigenous trees (including fruit trees) have been

produced, and 1 000 indigenous trees were planted in 2022 (15 000 trees in 2021). ZESCO is also implementing a reforestation project in Ikelenge district (see Box 2) and would like to facilitate the local production of indigenous tree seedlings. Finally, ZANACO could be an important partner for reforestation in the targeted area, as it supports several tree planting projects (see chapter 2.1).



### 4.3.4

## Artisanal timber

Current practices of timber exploitation are often not sustainable and lead to forest loss and related GHG emissions. Still, there is room to develop capacities of local communities and promote more sustainable practices of artisanal timber production, as a complementary source

of income and an approach to manage and preserve forest capital. According to the Permanent Secretary of North Western Province, capacity development and awareness raising is needed to reach a behavioural change among the local communities.

#### // BOX 2 //

### ZESCO project in Ikelenge

Zambia Electricity Supply Corporation ([ZESCO](#)) is a state-owned power company, whose main business is to generate, transmit, distribute and supply electricity to local and international markets. Most of the energy in Zambia comes from hydro generation systems (81.5% in 2021, according to [ZESCO annual report 2020](#) and [the Energy Sector Report 2021](#)). ZESCO has been supporting a tree planting program in the Ikelenge district in the North Western Province since 2018, supporting the planting of 5 000 indigenous trees per year in Ikelenge.

The communities have been involved in the program through the establishment of a community committee, which undertake the planting and maintenance activities. Payments to communities have included K 4000 for planting, and K 2 000/month for maintenance during 6 months. The survival rate of trees is around 55%. The seedlings were brought from Copperbelt, because the

forestry department does not have the capacity to raise the seedlings near Ikelenge district. In the future, ZESCO would like to buy seedlings directly from communities, to directly pay the communities for tree planting and, in collaboration with the forestry department, to directly support forest preservation actions.

ZESCO has identified challenges related to the growing demand for pineapples in Lusaka: some people prefer to get an income from pineapple than from growing trees. Charcoal production remains as well a strong source of income and driver of forest loss. ZESCO has carried out awareness-raising campaigns on the financial balance between agriculture and tree planting. It would be a relevant to scale-up this model of community reforestation supported by external actors also in other districts in North Western Province.

In Manyinga district, most commercial timber species, such as rosewood (*Guibourtia coleosperma*) and mukwa (*Pterocarpus angolensis*) have been overexploited. According to the forestry department, reforestation and enrichment planting with

commercial species is needed, and rural communities could play a key role both, recovering those species and sustainably using them, benefiting local economies.

### 4.3.5

## Charcoal

Charcoal is still one of the main sources of revenue for rural communities in the area and one of the main drivers of forest loss in the province. Efforts to reduce the impact of charcoal production on forests will have to combine the promotion of sustainable practices,

with the support to alternative livelihoods and alternative sources of energy. The USAID project [Alternatives to Charcoal](#) supports clean cooking technologies and fuels in Zambia, including in Kalumbila district, and should be considered in future interventions.

### 4.3.6

## Ecotourism

There is a high potential of ecotourism in North Western Province due to its rich natural capital and strong cultural heritage, according to the National Heritage Commission<sup>14</sup>, located in Solwezi. The recently established “heritage enterprises groups”, which are being supported by the National Heritage Commission, are promising initiatives to promote ecotourism, which use traditional cultural knowledge to advocate for forest preservation. These current heritage enterprises

groups are promoting ecotourism, including through beekeeping activities and traditional dances. Ecotourism can be promoted in the five targeted districts, ideally through grants and concessional loans to the heritage enterprise groups, also involving CFMGs. GREAT-TDP, a World Bank-financed project, is also exploring ecotourism development opportunities in Ikelenge near the headwaters of the Zambezi River.

### 4.3.7

## Forest Ecosystem Services, including carbon and water

Payments for Ecosystem Services (PES) are an economic instrument to preserve ecosystems, aiming to create “new marketplaces for services, such carbon sequestration, biodiversity conservation, watershed protection and landscape values” (FAO 2011, p. 2). In Zambia there is evidence that PES has the potential to “succeed in conserving forests and intensifying smallholder agriculture” (Vorlaufer et al., 2017). Communities in North Western Province have also some experience in forest-water ecosystem services. They have received PES from ZESCO company for community restoration activities in Ikelenge district, benefiting water streams and hydroenergy production (See Box 2).

Carbon crediting offers significant potential by allowing communities to earn tradable units for reducing greenhouse gas (GHG) emissions. These credits can be sold to others wishing to offset their emissions. It is a market-based approach that incentivizes ecosystem conservation and restoration. For rural communities, carbon crediting can provide an alternative livelihood through payments for activities like avoided deforestation, forest restoration, or agroforestry. These payments, either in cash or benefits, can fund community projects like tree nurseries, processing facilities or efficient stoves. They can also support infrastructure improvements (e.g. roads, water, schools, and health clinics).

Zambia has had some active projects on carbon credit mechanisms since 2012 and 2014, led by Community Market for Conservation (COMACO) and Bio Carbon Partners respectively. Currently, there are six carbon partners acting in the five targeted districts: West Lunga Conservation Project and Tricarbon in Mwinilunga, Manyinga and

Kalumbila; Barrick Lumwana Mine (which owns Trident Foundation) in Kalumbila; BioCarbon Partner (BCP) in Ikelenge; Dongwe Community Carbon through Kabompo Community Carbon in Mwinilunga, Manyinga, and Kabompo. The Nature Conservancy (TNC) is active in Kalumbila in forest conservation work, but is not currently engaged in carbon project development.

Rural communities who wish to participate in carbon markets and be compensated for their forest conservation and restoration efforts, must form CFMGs and complete a registration process approved by the Forestry Department. This process requires time and financial resources, highlighting the need for financial products that support the development of CFMGs and connect them to carbon trading projects or brokers. FIs could be informed and incentivized to pre-finance rural communities seeking access to carbon markets.

Carbon credits could serve as a collateral, helping communities secure loans or grants from FIs more easily. This financial product could resemble an invoice discounting model, where carbon buyers provide invoices for future carbon credit acquisitions. This idea has not been tested yet and its feasibility has to be explored. Among the consulted FIs, only the Zambia Industrial Commercial Bank (ZICB) expressed interest in prefinancing carbon credit opportunities.

In the framework of a REDD+ jurisdictional initiative in North Western Province, the government and financial institutions may partner to support low emission and resilient investments and enterprises, which will foster collective climate action in the province and access to climate funding.

<sup>14</sup> The National Heritage Commission has as a main goal to preserve, protect and promote Zambia’s diverse heritage sites, artefacts, and traditions. For more info: <https://nationalheritagezm.com/>.

### 4.3.8

## Agroforestry and climate-smart agriculture

The demand for agricultural products is increasingly growing in North Western Province, notably because of the increasing mining activities to export to Angola and Congo markets. Many people come from the Southern Province to work in the mines, but also to practice commercial agriculture, with related pressure on forests. According to Musika, there is a gap in the land reform implementation: some traditional Chiefs and headmen give land to commercial farmers who clear forests for agriculture activities. Participatory land-use planning and conservation agriculture in North Western Province can contribute to decoupling agriculture from deforestation.

In Manyinga, the agriculture department is promoting climate smart practices, also in collaboration with World Vision, although most farmers still practice conventional farming, typically cutting down all trees. In Kalumbila, there is a clear potential for sustainable agricultural production (particularly horticulture and fruits), due to the huge demand from miners working in the area. At the same time, there are projects that are supporting sustainable agriculture, also funded by the Kalumbila Minerals Limited (KML) company, through its Trident Foundation Limited (TFL), which is partnering with GEF and the Forestry Department.

### 4.4

## Strengthen the enabling role of the Government and development partners

**The Government of the Republic of Zambia** plays a key role in enhancing access to finance by rural communities, including through:

- Market regulation
- Harmonization of legislation (e.g. acts regulating bees and honey production: the Animal Health Act and the Forest Act)
- Promotion of harvesting sustainability
- Supporting research and information dissemination
- Enhancing coordination among Ministry departments, local council and authorities, forestry department, and the community Development Department (CDD). The Cultural Department may also be involved to act as a bridge with the community, facilitating dialogue and addressing concerns or misconceptions, which will improve the sustainability of forest and climate interventions;
- Strengthening the role of CDD and FD on rural communities' local financial inclusion
- Building on the lessons from the Decentralized Forest and Other Natural Resources Management Programme (DFONRMP), continue empowering local committees, such as the District Development Coordinating Committee (DDCC) and the natural resources and environment subcommittee (NRES), to have a more active role in coordinating development actors at local level
- Developing blended finance mechanisms, leveraging private and development finance as well as investments from public expenditure
- Leveraging the Constituency Development Fund (CDF) to support forest investments and climate action (i.e. Forest Fund), including in the framework of a REDD+ jurisdictional programme. This will be in line with the alignment of the CDF to fund climate responsive projects and the Forest Act
- Facilitating access to concessional loans and grants for investments in sustainable forest management practices, value-added processing technologies, and market development initiatives, building on previous experiences, such as FDD and NATSAVE
- Public awareness about forest products and business
- Facilitating dialogue and collaboration among stakeholders (e.g. dialogue platforms, off takers agreements)
- Improving infrastructures (e.g. expand broadband and mobile network coverage to remote areas, enable digital financial services, improve roads network to reduce transportation costs and improve market access)
- Promoting public/private partnerships to invest in forestry and agroforestry factory/industry. It may include a shared ownership with councils, producers' organizations, CFMGs, climate private investor, and so on
- Facilitating access to climate finance, including leading a REDD+ jurisdictional programme in North Western Province, coordinating the different initiatives and preparing application



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**Development partners** could play different roles to facilitate financial interventions, including:

- Accompanying financial institutions through ad hoc mentoring or coaching support, to design tailored financial products or services adapted to rural communities and forest-climate investments
- Designing a derisking mechanism (such as a guarantee and/or insurance scheme) or other specific financial inclusions' schemes, in collaboration with the government and other key stakeholders
- Setting up matching grants, to support investments for value chain actors, or contribute to a tripartite scheme where there is the customer's contribution, the bank's loan, and a grant from a development partner
- Collaborating on blended finance mechanisms, focusing on combining guarantee schemes, concessional loans and grants with a harmonized approach
- Fostering a better coordination among existing programs, partners, and financial institutions, under jurisdictional initiatives

# 05.

## Conclusions

Improving financial inclusion of local communities can be catalytic for advancing sustainable development in rural areas, community forestry and local climate action. With the appropriate climate criteria, financial services may indeed incentivize investments from different stakeholders to collectively reduce GHG emissions at jurisdictional level and accelerate progress towards climate objectives.

However, there are limited financial products or services adapted to rural communities, nor to forestry economic activities. The main challenges preventing rural communities' access to formal FIs include limited financial literacy, complex procedures, collateral requirements, high lending rates, gender imbalance, limited presence of FIs in rural areas and lack of connections between informal and formal services.

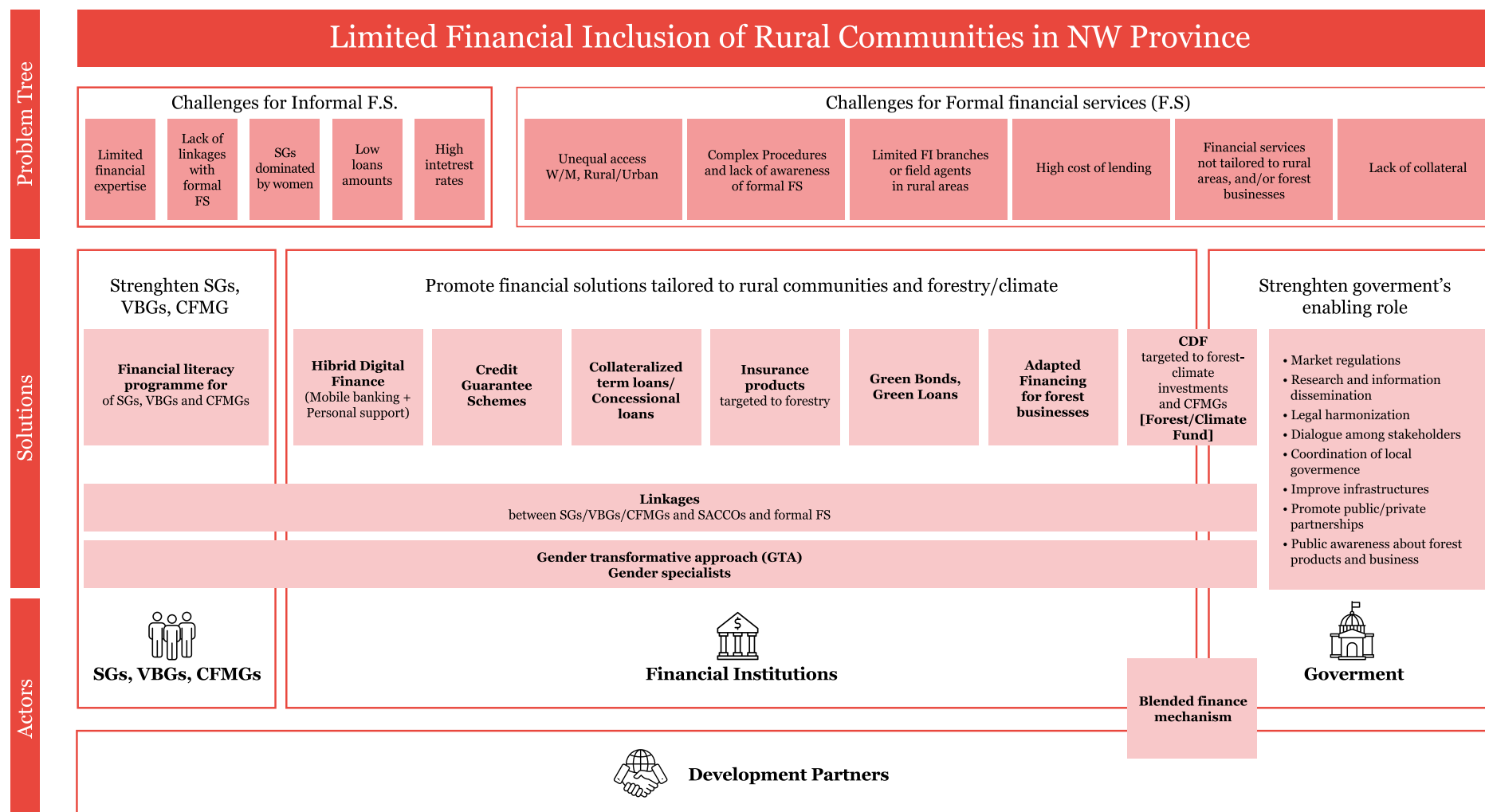
On the other hand, there are opportunities in North Western Province to build upon, including existing SGs and VBGs and their incipient financial skills; increasing number of CFMGs seeking formalization who will secure land rights and can contribute to local economic growth; presence of formal financial institutions with interest in developing forest-related financial products; NGOs and development partners with experience in financial inclusion in the province; the Constituency Development Fund (CDF) as potential tool to boost forest and climate action; and a number of forest value chains and services with economic prospects (honey, mushroom, carbon credits, water PES).

There are already some successful local experiences to be considered (e.g. the CFMG “Keloundu Zambesi” in Ikelenge district; the SG in Manyinga district that has secured a grant from CDF; PROSPERO blended finance mechanism; SGs linked to formal FI with RUFEP support; Wuchi Wami honey company and its outgrower scheme with more than 2 500 small-scale framers).

Initiatives to enhance rural financial inclusion should strengthen and build on existing SGs; help FIs to tailor products for rural communities and forest-climate investments; and enhance the enabling role of the government and development partners. A key focus should be raising awareness among all stakeholders (FIs, government institutions, local communities and general public) about the financial potential of forest businesses, and their contribution to green growth and climate solutions. Advocacy efforts can be supported through the development of a forest-climate business case, and the establishment of forest business incubators, highlighting the multiple economic opportunities from forests (e.g. timber, non-timber forest products, carbon credits, ecosystem services, ecotourism) and justifying investment. This will demonstrate the economic value of forests compared to other land uses.

// FIGURE 3 //

## Problem solution tree for financial inclusion of rural communities in North Western Province



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