

## **Nepal**

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### **Improved Seed for Farmers Programme (Kisankalagi Unnat Biu-Bijan Karyakram)**

#### **Supervision Report**

#### **Main report and appendices**

Mission Dates: 20 May - 4 June 2019  
Document Date 13/08/2019  
Project No. 1100001602  
Report No. 5111-NP

Asia and the Pacific Division  
Programme Management Department

## Abbreviations and Acronyms

<b>AEC</b>	Agro Enterprise Centre
<b>AI</b>	Artificial Insemination
<b>APR</b>	Asia and the Pacific Region
<b>AWPB</b>	Annual Work Plan and Budget
<b>BBA</b>	Buy Back Agreement
<b>BCA</b>	Benefit Cost Analysis
<b>BCR</b>	Benefit Cost Ratio
<b>BH</b>	Breeder Herd (goats)
<b>CPO</b>	Country Programme Officer
<b>DADC</b>	District Agriculture Development Committee
<b>DADO</b>	District Agricultural Development Office
<b>DCCI</b>	District Chamber of Commerce and Industry
<b>DDC</b>	District Development Committee
<b>DLSO</b>	District Livestock Services Office
<b>DoA</b>	Department of Agriculture
<b>EIRR</b>	Economic Internal Rate of Return
<b>ENPV</b>	Economic Net Present Value
<b>FA</b>	Financial Agreement
<b>FFS</b>	Farmer Field School
<b>FMIS</b>	Financial Management Information System
<b>FNCCI</b>	Federation of Nepalese Chambers of Commerce and Industry
<b>FY</b>	Financial Year
<b>GC</b>	General Conditions
<b>GoN</b>	Government of Nepal
<b>Heifer</b>	Heifer International – an USA-based NGO
<b>HH</b>	Household
<b>IFAD</b>	International Fund for Agricultural Development
<b>ISFP</b>	Improved Seeds for Farmers' Programme
<b>KM</b>	Knowledge Management
<b>KUBK</b>	Kisankalagi Unnat Biu-Bijan Karyakram
<b>LTB</b>	Letter to the Borrower
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MH</b>	Multiplier Herd
<b>MIS</b>	Management Information System
<b>MOALD</b>	Ministry of Agriculture and Livestock Development
<b>MoF</b>	Ministry of Finance
<b>MoU</b>	Memorandum of Understanding
<b>MT</b>	Metric Ton
<b>MTR</b>	Mid Term Review
<b>NACCFL</b>	Nepal Agriculture Cooperative Central Federation Limited

<b>NARC</b>	Nepal Agricultural Research Council
<b>NPR</b>	Nepal Rupees
<b>OAG</b>	Office of the Auditor General
<b>ORMS</b>	Operation and Results Management System
<b>PCR</b>	Project Completion Report
<b>PIM</b>	Programme Implementation Manual
<b>PMD</b>	Programme Management Department
<b>PMO</b>	Programme Management Office
<b>PSC</b>	Programme Steering Committee
<b>PVS</b>	Participatory Varietal Selection
<b>RIMS</b>	Results and Impact Management System
<b>SFACL</b>	Small Farmer Agriculture Cooperatives Limited
<b>SFDB</b>	Small Farmer Development Bank
<b>SPG</b>	Seed Producer Group
<b>SQCC</b>	Seed Quality Control Centre
<b>TL</b>	Truthfully Labelled (Seed)
<b>USD</b>	United States Dollar
<b>VDC</b>	Village Development Committee

## A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Nepal	Environmental and Social Category:	B
Project Name:	Improved Seed for Farmers Programme (Kisankalagi Unnat Biu-Bijan Karyakram)	Climate Risk Classification:	not available yet
Project ID:	1100001602	Executing Institution:	not available yet
Project Type:	Agricultural Development	Implementing Institutions:	not available yet
CPM:	Tarek Kotb		
Project Director:	Kaushal Kumar Paudel		
Project Area:	Rukum, Rolpa, Salyan, Pyuthan, Arghakhanchi and Gulmi Districts		

Approval Date:	21/09/2012	Last audit receipt:	04/04/2019
Signing Date:	02/12/2012	Date of Last SIS Mission:	03/06/2019
Entry into Force Date:	02/12/2012	Number of SIS Missions:	14
Available for Disbursement Date:	02/12/2012	Number of extensions:	0
First Disbursement Date:	06/06/2013	Effectiveness lag:	3 months
MTR Date:	29/02/2016		
Original Completion Date:	31/12/2019		
Current Completion Date:	31/12/2019		
Financial Closure:	not available yet		

## Project total financing

<b>IFAD Financing breakdown</b>	IFAD	\$5,018,839
	IFAD	\$14,500,900
	Debt Sustainability Framework	\$14,500,900
<b>Domestic Financing breakdown</b>	Beneficiaries	\$10,945,140
	National Government (add)	\$631,911
	National Government	\$7,304,500
<b>Co-financing breakdown,</b>	Heifer Project International	\$2,500,000
<b>Project total financing:</b>		<b>\$55,402,190</b>

## Current Mission

Mission Dates:	20 May - 4 June 2019
Days in the field:	From 24 to 27 May 2019 in two teams
Mission composition:	Mr. David Doolan, Team Leader, Programme Management Specialist, Mr. Pradeep Shrestha, Financial Management Specialist, Mr. Krishna Thapa, M&E Specialist, Dr. Nara Hari Dhakal, Rural Finance/Economist, Mr. Bashu Aryal, CPO, IFAD
Field sites visited:	PMO Butwal and programme districts of Arghakhanchi, Gulmi, Pyuthan, Rukum (West) and Salyan

## B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

<b>Effectiveness and Developmental Focus</b>	<b>4</b>	<b>Project Management</b>	<b>4</b>
Effectiveness	4	Quality of Project Management	4
Targeting and Outreach	5	Knowledge Management	4
Gender equality & women's participation	5	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	3
Nutrition	N/A	Performance of M&E System	4
Adaptation to Climate Change	4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	

<b>Sustainability and Scaling-up</b>	<b>4</b>	<b>Financial Management and Execution</b>	<b>4</b>
Institutions and Policy Engagement	4	Acceptable Disbursement Rate	3
Partnership-building	4	Quality of Financial Management	3
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	4
Quality of Beneficiary Participation	4	Counterparts Funds	6
Responsiveness of Service Providers	4	Compliance with Loan Covenants	4
Environment and Natural Resource Management	4	Procurement	4
Exit Strategy	4		
Potential for Scaling-up	4		

<b>Relevance</b>	<b>4</b>
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## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

The ISFP-KUBK is an IFAD funded operation to support accelerated agricultural growth. It aims to develop the formal seed sector as well as improve smallholder livestock through improved partnerships with private sector in the hills of Nepal.

The Programme was designed to be implemented for a period of seven years (2012 – 2019) in seven districts<sup>[1]</sup>. The completion date for this programme is 31 December 2019 and the loan closing date is 30 June 2020.

An IFAD supervision mission<sup>[2]</sup> was fielded from 20 May to 02 June 2019 to assist the KUBK (ISFP) to prepare for the project completion at the end of December 2019. The mission assessed the programme's progress towards achieving its objectives, followed up last mission recommendations, advised the programme team on actions to smoothly develop the Project Completion Report (PCR) in a timely manner and clarified various technical and implementation aspects of the project. To effectively develop a scenario of '*with project compared*' to '*without project benefits*', several studies, protocols and assessments, will need to be undertaken to support the RIMS, and inform the comparison between the baseline and end line surveys.

The mission met with key stakeholders and implementing partners in Kathmandu, Butwal and in five programme districts of Arghakhachi, Gulmi, Pyuthan, Rukum (West) and Salyan and discussed all relevant issues and recommendations of the mission with the PMO.

The missions' key findings and recommendations were shared with the programme team under the chairmanship of the Programme Manager Mr. Kaushal Kumar Paudel in the PMO in Butwal on 30<sup>th</sup> May. A final wrap up meeting with Government was chaired by Dr. Yubak Dhoj GC, Secretary of MOALD and participants from the NPC and MOF and other key stakeholders on 31<sup>st</sup> May 2019 in Kathmandu which endorsed the detailed action items in the aide memoire with the Secretary reinforcing the need to comprehensively capture the impact and outcome level achievements of this important programme.

<sup>[1]</sup>Gulmi, Arghakhanchi, Salyan, Pyuthan, Rolpa, Rukum (East) and Rukum (West). Initially, Rukum was one district, got split into east and west following the restructuring of the country with the new constitution adopted in 2015.

### Key Mission Agreements and Conclusions

The programme has made commendable progress, overcoming several delays and impediments in the early years to the stage where 100% of household targets have been reached, gender balance has favoured involvement of women (81%) and minorities (Dalit 16% and Janjati 24%). Targets for subprojects have also been reached mobilising significant contributions from beneficiaries of NPR 727 million. Financial disbursement rate has increased with the cumulative expenditure of the IFAD fund reaching 87%; expenditure of government funds is lagging at 63% while Heifer and beneficiaries' contribution at 99% is commendable.

Notwithstanding complexity and diverse activities, the programme management team is expediting implementation within the challenging environment.

However, the emphasis of programme operations now needs to switch from implementation of activities and tracking of input targets, to capturing the achievements of the programme for smooth closure and development of credible assessments of programme outcome and impact. The proper utilisation of the remaining time to fully capture these programme benefits both in terms of quantity and quality is a priority. This was stressed by the Secretary MOALD at the mission wrap up meeting, that the PCR process should be utilised to the extent possible within programme and Ministry resources to assess the '*Before Programme*' and '*After Programme*' situation.

Also noted at the wrap up meeting was the need to capture 'spill over' effects of the Programme, both in terms of benefits accruing to farmers outside of the Programme area through access to improved quality seed, but also consumers having access to increased products for purchase, and farmer to farmer transfer of knowledge, practices and inputs from programme supported interventions.

The wrap up meeting further stressed the need to efficiently complete programme actions and activities in a thorough manner so that there are no pending liabilities left over after the formal completion of the programme period.

To support the smooth completion of activities programme management will need to follow closely all the foundational studies, follow up studies, verification and validation of data exercises as well as ensuring the timely procurement actions for both the PCR report development and undertaking of the end line survey. They would be greatly assisted in the smooth implementation in these final months by specific support from IFAD in terms of M&E processes and financial analysis of outcomes and impacts.



## D. Overview and Project Progress

As stated above, the programme has made commendable progress in each of the components the details of which are summarised below by project component.

### Component 1: Support to Extension of the Formal Seed Sector

The performance of this component is rated as **satisfactory (5)**. As of mid-May 2019, the seed component engaged 17,846 households (57% female, 13.5% Dalit and 23% Janajati) organizing 360 producer groups/cooperatives for TL seed production by providing matching grant and technical support as required. A lot of progress has been made across Component 1 since the last supervision mission in April 2018, with targets for staff training, sub-project development and support, engagement of private seed companies and production of breeders, foundation and TL seed achieved, in particular the agreement to licence private sector agents engaged in foundation seed production is a significant breakthrough. However, the emphasis has now to shift from supporting further seed production towards assessing what has been achieved and developing the financial models and protocols to establish the outcome and impact of this component. In addition, the programme team should review with stakeholders the programme's achievements to develop lessons learned for future development of the sector.

A major achievement is the initiative of the programme to concentrate Breeder seed production with NARC thus freeing up resources dedicated to foundation seed production by gradually licensing private companies and cooperatives to take over the responsibility for foundation seed multiplication

The programme provides support to the NARC farms/stations and the Agriculture Farms in Palpa and Rukum under DoA for the production of foundation seeds of cereal and vegetable crops. Foundation seed is also produced by three of the four private seed companies registered by SQCC. NARC also contracts out some SPG's to produce Foundation seed on its direct technical supervision and quality assurance by the RSTLs.

Four seed companies (Lumbini, Panchashakti, New Shreeram and Rukmeli) have received co-financing for investments in infrastructure development (seed laboratory, seed store houses) and for the establishment of processing unit (seed cleaning, seed dressing, bagging). These agreements include buy back agreements between the SPGs and the companies. A few other companies such as National Seed Company, Bijbridhi Company, SEAN Seed and CG Seeds have also entered the market subsequently without any financial support from the programme. This is a clear indicator of the crowding-in and perception of business opportunities in a burgeoning seed sector supported by quality seed sources and effective regulation.

Sub-projects participating in TL seed production are supported with subsidised foundation seed, fertilizers, field inspection and seed testing services. They are also provided with technical support (e.g. on seed production, processing, quality control, marketing, seed sampling, machinery use). To date total production of 5,980 MT of TL seed surpasses the original target of 3,750 MT.

The impact of these gains in terms of increased incomes for seed producers, employment and economic activity of the private sector seed entities and the benefits accruing to farmers who have higher potential TL seed with which to establish their crops needs to be fully captured by the project completion studies.

### Component 2: Smallholder Livestock Development

The component is rated as **moderately satisfactory- 4**. The livestock component has directly benefitted 26,547 households as of 15, May 2019. A total of 204 sub-projects and 65 micro-grants awarded to beneficiaries in different livestock value chains (Goat Production, Dairy Production, Meat Processing, Dairy Processing and Paravet business). Significant progress has been made in terms of enhanced dairy and goat-meat productivity, with buy-back agreements between producers and buyers; the programme has achieved its targets in terms of productivity enhancement and adoption of improved management practices. The key task is now to quantify the benefits accruing to this component through a suitable outcome analysis based on economic returns. The Programme team should develop these for inclusion in the PCR so that the benefits are fully reflected.

Livestock productive capacity has been considerably improved by the injections of the Boer goat genetics into the local system. However it is clear from the field missions that to fully benefit from this opportunity it must be combined with an equal emphasis on improving husbandry (housing, health management, parasite control etc) and on assuring nutrition through a programme of development of on farm fodder and forage production combined with on farm feed compounding, supplemented, as needed, by purchased compound feed.

Two Breeder Herds (BH) and 12 Multiplier Herds (MH) have been formed with the objective of establishing a community-managed breed improvement programme using imported Boer bucks from Australia. The Boer genetics has been accepted with enthusiasm by those participating in the programme, demand for the 50% cross with local does is high with many trying to move to 100% pure bred. Such is the perception that the improved growth rates have achieved. There is a need to monitor the blood lines in the field to confirm the exact proportion of Boer genetics circulating in the population.

NARC could be engaged to undertake a confirmatory study.

Support provided to milk marketing has confirmed the potential for expanded milk marketing, however the expansion of this sector needs further work to fully achieve its potential.

### Component 3 – Local Entrepreneurship and Institutional Development

This component is rated **as moderately satisfactory 4**. The Programme has invested in building capacity of VDCs and DADC members for improved planning and implementation capacities at VDC and district levels. With VDC staff now serving in Municipalities under the revised governance structures, the skills are likely to be put to very good use. 119 agrovets and paravets had been trained on entrepreneurship and technical protocols. More than 19,500 persons were trained in aspects relating to business planning, cost-benefit analysis, value chains and gender issues in different courses.

**Access to non-financial services:** AEC has been functioning as the implementing partner to facilitate access of programme beneficiary households, groups and institutions to non-financial services. Investment windows set up in each DCCI were providing business counselling services, facilitating purchase contracts with private sector entities and helping with preparation of grant proposals.

Buyback agreements for seeds for over 4,600 Mt have been finalised to date. Buyback agreements for 8,465 goats and 4,812 litres of milk per day have also been finalised. In both seed and livestock, the introduction of Buy Back Agreements has increased trust and confidence along the supply chain enabling both farmers and Companies/Cooperatives expand at a greater rate than would have been possible without these confidence building measures. The utilisation of the multi stakeholder platform approach has also contributed to increasing transparency of the price setting process.

**Access to financial services:** The support to formation of Small Farmer Agriculture Cooperatives (SFACs) and group development has mobilised beneficiaries to explore the benefits accruing to group approaches and increasing access to financial services for local entrepreneurship development. Seventy five SFACs formed in the programme t districts brought about 37,000 households of the programme under its ambit and 56 SFACs received wholesale loans from Small Farmers Development Bank (SFDB) While several groups and cooperatives benefited from several cycles of support including linkages with SFDB to provide retail lending services to about 17,000 shareholders of the SFACs. The more recently formed groups and cooperatives would need ongoing support for two to three seasons to help them become self-sustaining.

There is considerable work to be done on developing the M&E system and the MIS to the stage where the full benefits of the programme can be developed and Programme Management will need significant support from both IFAD and the MOALD if this is to be accomplished in time for a smooth close out of the Programme.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Overview and Project Progress</b>		
<b>Completion processes</b>  Shift the focus from implementation to completion processes for the remaining Programme period	PMO	07/2019
<b>Seed Sector</b>  Ensure the processing capacity developed by the Programme in seed sector is fully utilised through sub-national government's purchasing practices	MOALD, sub-national governments	
<b>Small Farmer Development Bank</b>  Continue support including linkages with Small Farmer Development Bank to the more recently formed groups and cooperatives	MOALD, SFDB	

## E. Project implementation

### a. Development Effectiveness

#### Effectiveness and Developmental Focus

Effectiveness

Rating: 4

Previous rating: 4

#### Justification of rating

The Programme has increased availability of improved seed to producers, increased availability of improved genetics to livestock producers and facilitated group action to improve access to finance. These combined have contributed to achieving the overall programme development objective to support accelerated agricultural growth

#### Log-Frame Analysis & Main Issues of Effectiveness

Effectiveness of the Programme was ascertained through an assessment of changes brought by the Programme to the community and their consistency with Programme goal, outcomes and outputs; and achievement of expected results. Of the six programme outcomes, level of achievements of results was moderate and high for three outcomes each (See Table below).

S.N.	Key Indicators	Ratings	Explanation
1	Programme achieve expected results (goals, objectives and outcomes) outlined in the programme document	Moderate	Almost all the planned activities of the programme were implemented and have contributed to achieving expected results. Programme impact in terms of production, income, and utilization is yet to be clearly visible.
2	Implementing partners developed their capacity through programme activities	High	Partnership approaches of the Programme have the capacity on (a) rural financial institutions, (ii) private sector for (i) cereals and vegetable seed production, (ii) improved goat raising, (iii) dairy promotion for (i) increasing productivity, (ii) strengthening inclusive and pro-poor value chain to commercialize production, (b) improving nutritional status of women, children, and vulnerable communities, (c) enhancing capacity of executing agency and government implementing agencies (d) developing enabling environment for seed, milk and meat production eventually supporting food and nutritional security.
3	Achievements of programme target groups through improvement of living condition and income	Moderate	The Programme supported three sub-sectors: seed, milk and meat production by (i) promoting supportive production infrastructure , (ii) introduction of improved production technology, and (iii) strengthening of agricultural extension services. These interventions were instrumental to improve the living conditions and income of the target group. Continuity and sustainability of these interventions is still uncertain.
4	Value-ability of partnership approaches for the outcomes as envisioned by the programme	Moderate	Collaboration of the programme with SFDB, NACCFL and AEC, farmer groups, private seed companies, agro-vets private sector entrepreneurs for achieving outcomes were highly valuable, and have contributed to uplift the living conditions and income of the target groups.
5	Improvement in the livelihood of the target group	Moderate	There has been notable improvement in the livelihood of the target groups. Volume of cereal and vegetable seed, milk and meat has increased, leading to increase in income and thereby leading to improvement on livelihood of the target groups. Continuity of some of the programme initiatives is uncertain.

6	Provision of technical assistance	High	Provision of the technical assistance was the integral part of this programme through the provision of experienced agricultural technicians.
7	Household feedback system put in place and its effectiveness	Moderate	There is no systematic household feedback system. The current feedback system is verbal and getting the opinion and perception of the target beneficiaries.
8	Type of household feedback and partner addressing the feedback	Moderate	Household feedback is received in areas of quality of services. through series of public hearing and audit process. Programme addressed the feedback received from the target beneficiaries.

The Programme achieved over 80% outcome targets which is mainly attributable to effectiveness on implementation of programme activities. Large number of women trained on cereal and vegetable seed, milk and meat production, SFACLs developed by NACCFL and supported by SFDB, and various resource centres, are using acquired skills for sustained and continued food, income, and nutrition security and demonstrated prospects for continued and sustained use.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Development Effectiveness</b>		
<b>Economic outcomes</b> Develop economic outcomes of the increased availability of seed generated from the programme	PMO	10/2019
<b>SRR and CBA</b> Update the study across all Districts to assess SRR and CBA for updating the current picture for inclusion in the PCR	PMO	10/2019

## Development Focus

### Targeting and Outreach

**Rating: 5**

**Previous rating: 5**

### Justification of rating

The geographical, poverty and gender targeting of the programme has been appropriate and in line with the programme design. The Programme operates in among the poorest districts and the land ownership of the beneficiaries, per the baseline data, ranges from 0.25 to 0.6 hectares. Marginalized communities such as Dalit and Janajati constitute 17 and 24 per cent of the total beneficiaries respectively which is in line with the proportion of their population in the Programme area. Marginalized communities such as Dalit and Janajati represent 16 and 24 per cent of the total beneficiaries. They represent 19 per cent and 25 per cent of the members of the SFACLs and have accessed 24 and 27 per cent of the total lending respectively.

### Main issues

Villages are identified based on the potentials and the connectivity available based on the nature of the product. Variations in access to transportation are managed by targeting high value low weight products for more distant communities. With bulkier items and livestock activities favoured closer to transportation links. The size, scale and complexity of interventions fully take in to account the poverty and knowledge levels of the programme households. Inclusion of beneficiaries in groups and cooperatives also builds on varying skill and education levels within communities to enable engagement across the social strata. Tracking of progress of vulnerable households should be a priority for the programme completion assessments.

### Gender equality & women's participation

**Rating: 5**

**Previous rating: 5**

### Justification of rating

Women constitute about 81 per cent of the total (72,965 individuals as at mid-May 2019) beneficiaries. They hold 90.5 per cent of key positions in the Programme promoted SFACLs; and have accessed 96 per cent of total lending.

### **Main issues**

The Programme continues to maintain high level of women participation as 81 per cent of the beneficiaries are women. The level of participation increases in the Programme promoted SFACLs in the areas of membership (96%), number of borrowers (96%) and as the active savers (100%). They hold 90.5 per cent of the Board of Directors position in the Executive Committee of these SFACLs. Besides SFACLs, women hold 59 per cent of the key positions in the seed and livestock production groups. Representation of women in knowledge and technologies such as FFS and PVS in the seed sector is 72.4 per cent and in Goat FFS is 91.3 per cent.

The Programme has supported a number of farm machinery and equipment such as tractor (11), power tiller (34), mini tiller (126), thresher (48), weighing balance (202), corn sheller (523) etc which have helped to reduce the drudgery of women. Gender sensitization trainings are included in the AWPB. As the Programme is heading towards the final years of implementation, the outcome and impact of the implemented activities has to be studied from the gender perspective.

One area that does need to be addressed however is the gender balance in the programme implementation team which is predominantly male and particularly so in the senior members of the team with senior level female professionals only few though there are adequate numbers of female staff members in the workforce.

Agricultural Productivity	Rating: 4	Previous rating: 4
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### **Justification of rating**

The increasing availability of TL seed in the system is likely to make a contribution to increasing productivity to farmers gaining access to his higher quality input. However, grow out confirmatory trails would have been useful as proof of concept and also to capture the exact productivity benefits that can be expected. The daily growth rates of improved goat genetics has also contributed to increasing productivity at farm level, but does need to be combined with improve animal husbandry and nutrition.

### **Main issues**

Improved genetic material in the form of better-quality seed and/or access to more productive animals is only part of the picture for enhancing farmers' returns. While a necessary part of a farm improvement programme, they are insufficient in and by themselves. Where the full Heifer FFS programme on goat production from kid to kid was successfully implemented, productivity was significantly enhanced though adoption of better housing, improved health treatments, access to clean water and increasing use of balanced fodder and forage. These three aspects need to be taken in tandem i.e. improved genetics, improved husbandry and improved feeding. Similarly, with crops, high health status and truthfully labelled seed are necessary to increase productivity but will respond with enhanced returns if combined with good crop husbandry, appropriate use of organic and inorganic fertilizers, supplemental irrigation etc.

The full benefit from this increased productivity needs to be assessed for the programme completion exercises to ascertain the full programme benefits as taken in aggregate there is considerable potential to achieve enhanced economic returns. An example is the BCA undertaken for seed producers where returns are on average 1.35 times production for grain.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Development Effectiveness</b>		
<b>Boer genetics</b> Monitor the blood lines in the field to confirm the exact proportion of Boer genetics circulating in the population. Engage NARC to undertake a confirmatory study.	MOALD, PMO, NARC	09/2019
<b>Link seed inspectors with seed companies</b> Develop mechanism to link the trained seed inspectors with the sub-national governments and/or with seed companies to ensure their continued support in ensuring seed quality	PMO	10/2019
<b>Bood levels of Boer offspring</b> Develop a technical document on performance of various parentages of blood levels of Boer offspring	PMO	10/2019
<b>Training of AI technicians</b> Further invest on training of AI technicians so that further improvements in conception rates can be achieved	MOALD	11/2019
<b>Purchase seed lots</b> Formulate a policy to encourage government institutions to purchase seed lots from the entities that can guarantee clean, graded, treated seeds	MOALD	12/2019
<b>Breeder seed production</b> NARC to focus on Breeder seed production and the responsibility on the Foundation seed production be given to the licenced private sector entities	MOALD	

## Nutrition

Rating: N/A

### Main issues

Though there are no specific nutrition interventions under this project, it is likely that, through its approach, it will have a positive nutritional impact with nutrition sensitive approaches. The increasing production of milk and meat products from the livestock component will increase the availability of high-quality protein in the diet of those purchasing the final products.

Likewise, the increasing use of TL seeds in the production of staple cereals and vegetables will also over time increase the production of these items for sale through the markets of the country, again directly affecting the nutritional status of the consumers who purchase the final product.

It would have been beneficial to have included a nutritional component at project design stage to capture these effects, however the end line survey and the overall outcome assessments can be used as proxies to assess the likely nutritional benefits.

## Adaptation to Climate Change

Rating: 4

Previous rating: 4

### Justification of rating

Like nutrition the Programme was not designed with climate risk adaptation in mind, however the programme approach of matching production systems to potential, use of FFS training methodologies etc. will assist participating farmers to better understand their production practices, constraints and options for production diversification and adaptation to moderate climate effects. The increasing returns generated from engaging in higher value production (seed, vegetables, milk and

meat) will also build resilience in the beneficiaries either directly through accumulation of savings and assets or through investment in the education of the next generation (as was reported to the mission in several instances)

### **Main issues**

The Programme successes in developing a rapid seed multiplication system from Breeder seed through foundation seed to truthfully labelled seed, combined with private sector engagement and district level inspection of TL seed production will enable more rapid release of newer varieties of crops resistant to both biotic and abiotic stresses once tested and certified by the national research trials. This will greatly assist farmers in accessing, for example, high temperature tolerant wheat and maize varieties. The increasing returns from high value crop and livestock products also increases the ability of farmers to invest in on farm infrastructure and which combined with group investments in small scale irrigation infrastructure also builds resilience to climate change effects of late monsoon onset, positioning farmers to plant according to the crops' needs rather than the timing of rainfall.

The introduction of Boer goat genetics also increases biological and genetic diversity and in addition to the increased growth rates of the cross bred animals also imparts greater resilience to higher temperatures arising from increasing greenhouse gas accumulation in the atmosphere. The simultaneous encouragement of planting fodder trees and forage grasses also increase adaptation to climate change effects, the trees as deep rooted perennials are more resistant to drought and the fodder species also increase the biodiversity on hill slope cultivation combining with trees in reducing soil loss to erosion from more intense rainfall events associated with climate change effects intensifying monsoon rainfall. The establishment of nursery facilities to further propagate suitable species for further plantings also contributes to the overall objective of sustainable change to the production system.

## **b. Sustainability and Scaling up**

<b>Institutions and Policy Engagement</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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### **Justification of rating**

The Programme has invested in building capacity of VDCs and DADC members for improved planning and implementation capacities at VDC and district levels. With VDC staff now serving in Municipalities under the revised governance structures, the skills are likely to be put to very good use. A major policy initiative has resulted with NARC concentrating its resources on breeder seed production with PSCs licensed to multiply foundation seed and local seed inspectors being trained to regulate TL seed production by both PSCs and cooperatives.

### **Main issues**

The advantages of using specifically grown seed crops under a regulated regime is perceived as beneficial. In an effort to enhance District production local governments are purchasing TL seed directly from producers and redistributing to local farmers, however this misses out on the necessary operations of cleaning, grading, testing and treatment for soil and seed borne pathogens that is undertaken by the registered seed companies and cooperatives. The Programme needs to work with local government to encourage them to instead route their purchases through those entities that are properly set up to produce a quality certified product.

<b>Partnership-building</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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### **Justification of rating**

The Programme has successfully collaborated with a range of partnerships to enhance availability of technical services and access to markets for programme households. Agro-Enterprise Centre (AEC) of Federation of Nepalese Chambers of Commerce and Industries (FNCCI), Heifer International and Sana Kisan Laghubitta Bittiya Sanstha Ltd / Nepal Agriculture Cooperative Central Federation Limited (NACCFL) have all contributed to the engagement of farmer groups with private companies, agrovet entrepreneurs, meat and milk enterprises who were encouraged and incentivised to buy produce from the programme households and in the process, provide technical services on seed production, processing, storage, animal breeding, health care, hygiene and improved slaughter practices.

### **Main issues**

As the programme comes to completion in December, the importance of fostering these partnerships is necessary to help with sustainability. In particular, the engagement with Local Government and linking farmer cooperatives to the banking system so that they have sustained access to investment funds is desirable.

Continued engagement of the private sector seed companies is assured with several new entrants being crowded into the sector following successful project pump priming with the initial partner companies to enhance their ability to clean, grade

and pack TL seed.

Prior to programme activities the adoption of FFS techniques of following goat production from kid to kid had not been adopted. The Heifer International Nepal collaborated with KUBK-ISFP as an implementing Partner with co financing of USD 2.5 million to implement programmes on raising goat production and goat productivity for KUBK using the FFS approach and scaling up Heifer's success-proven passing on gift model (PoG) and proved very successful. This should be considered for replication in any future expansion of project activities and proved a very valuable partnership.

AEC was engaged as the implementing partner to facilitate access of programme beneficiary households, groups and institutions to non-financial services. Investment windows set up in each DCCI were providing business counselling services, facilitating purchase contracts with private sector entities and helping with preparation of grant proposals. Multi-stakeholder platforms (MSPs) engaged all stakeholders including the representative of the sub-national governments for production planning and price discovery has helped to generate great interest in engaging in BBAs. AEC's marketing initiatives focus more on seeds and less on livestock sector and this would need to be addressed in any future project. However, currently cost for non-financial services are fully financed from programme. Continuation of these facilitation arrangements after programme completion will depend on developing an alternative mechanism where AEC can continue to be engaged. This could be addressed through a cost share agreement between local Government who have an interest in increasing local productivity and contributions for the farmer Cooperatives who also have an interest to continue developing markets for their product.

Increasing outreach of financial services in the Programme districts is one of the constraints hampering promotion of the market-lead production and productivity improvement. The programme partnered with two key private sector institutions namely Sana Kisan Bikash Laghu Bitta Bittiya Sanstha Limited (SKBBL) and Nepal Agricultural Cooperatives Central Federation Limited (NACCFL). Adopting the cooperative approach, this partnership has been effective in increasing access to financial services in Programme districts.

NACCFL has been engaged in forming Small Farmers Agriculture Cooperative Limited (SFACL) at local level and strengthening of these institutions through training and social mobilization to promote access to finance on for seed and livestock business. NACCFL also prepare the local community to take the responsibility of SFACL management and also involve on their handover process. SKBBL has been supporting further strengthening of SFACLs and extending access to wholesale loan to these cooperatives while enhancing their capacity on fund management including book keeping, accounting, loan, risk, human resource, and portfolio management while ensuring good governance and proper horizontal and vertical linkages. However, for the more newly formed SFACL they will need continuing support and all SFACLs need assistance in accessing commercial sources of loan funds.

#### **Human and Social Capital and Empowerment**

**Rating: 4**

**Previous rating: 4**

##### **Justification of rating**

Use of community groups for production, productivity and breed improvement has been a significant design feature of this programme. The groups have been mobilised and their awareness and skill levels have been built up. For access to finance, community institutions in the form of cooperatives are being established.

##### **Main issues**

More recently formed groups are at embryonic stages of institutional development and would benefit from continued support beyond the project planned completion date.

The Programme promoted groups have been trained not only on production technologies but also for analysing the cost-benefit, skills on operation of agricultural equipment and machineries, promotion of association of seed producers group at the district level and facilitated buy-back arrangement through MSPs. The Programme also promoted 75 cooperatives and provided training to the offices bearers and staff members on various aspects of cooperative management. All these have contributed to development of human and social capital and empowered the Programme beneficiaries.

#### **Quality of Beneficiary Participation**

**Rating: 4**

**Previous rating: 4**

##### **Justification of rating**

Use of community groups for production, productivity and breed improvement has been a significant design feature of this programme. The groups have been mobilised and their awareness and skill levels have been built up. For access to finance, community institutions in the form of cooperatives are being established.

##### **Main issues**

The expansion of groups in the final year means that many have been fast tracked in terms of institutional development

and would benefit from further support and oversight so that they are firmly set on a path towards sustainability. In the final months of the programme management should endeavour to link these groups to supporting institutions and local governments that they can access support when needed.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Sustainability and Scaling up</b>		
<b>Software</b> Procure and install software and hardware in all the SFACLs developed under the programme.	SFDB	07/2019
<b>Improve the readiness of 19 SFACLs</b> Improve the readiness of 19 SFACLs developed under the programme to establish business linkages with SFDB	NAFCCL	07/2019
<b>Compile report</b> Compile (i) outreach report, (ii) audited balance sheet, (iii) audited profit and loss account, and (iv) portfolio report of all the SFACLs developed in the programme district.	SFDB and NACCFL	07/2019
<b>Support SFACLs on data migration</b> Support SFACLs on data migration and trained them on software use	NAFCCL/Service Provider	08/2019
<b>Programme completion</b> Ensure that all outstanding transactions on the grant programme are settled by end of August to facilitate smooth programme completion	PMO	08/2019
<b>Develop a mechanism after programme closure to retain AEC actively in developing further BBAs</b> Organise a workshop with Local Government Representatives and Cooperative members currently benefiting from the BBA programme to develop a mechanism after programme closure to retain AEC actively in developing further BBAs	PMO	09/2019
<b>Performance assessment</b> Undertake operational and financial performance assessment of the SFACLs (PEARLS Rating).	SFDB and NACCFL	10/2019
<b>Loan management and portfolio tracking</b> Conduct training loan management and portfolio tracking to all SFACLs in the programme districts.	SFDB, PMO	11/2019

**Responsiveness of Service Providers**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

The Programme engaged with a range of service providers from public sector, private sector and NGOs. District, Regional and Central Level Authorities - extension, DADO, DLSO (district), NARC (All three levels), SQCC (central and regional) etc, Heifer , AEC, NACCFL and SFDP; all have engaged strongly with the programme both in terms of engaging with policy changes to support innovative approaches such as supporting local seed inspection, greater private sector responsibility for seed production, farmers managing multiplier herds etc. but also in terms of direct support to farmers

either through BBAs or provision of financial or no financial services. The Programme has increased and improved monitoring of these service providers performance and is now mostly on track.

### **Main issues**

NARC has engaged strongly with the programme both in terms of engaging with policy changes to allow them focus on high status breed seed production, but also in support of the livestock component. The continued engagement of NARC in support of breeder seed development and in monitoring blood lines of Boer goat introductions is necessary to provide a sound scientific basis for the programme activities.

Other public sector bodies also contributed significantly to the programme activities including district, regional and central level authorities – Extension: DADO, DLSO (district); research: NARC; quality control: SQCC (central and regional); monitoring: regional directorates (crop and livestock); government farms and other central level government authorities. One key innovation supported in this process was the creation and training of Private seed inspectors that were mobilized at field level to undertake quality assurance inspections for TL seed; agrovets and paravets provided services to farming communities

ASC has facilitated the engagement with farmer groups and facilitation of grant assessment and oversight, though the support to marketing, particularly in livestock products could have been more rigorous.

Heifer was a good partner on goat production, and particularly their application of FFS approaches of kid to kid training resulted in better knowledge outturns for the beneficiaries. This should be an integral part of any future programmes developing goat production.

Private sector seed companies particularly engaged with the project, accessing grants to invest in higher capacity seed cleaning, grading and packaging to the stage now where more companies are crowding into the sector.

## **Environment and Natural Resource Management**

**Rating: 4**

**Previous rating: 4**

### **Justification of rating**

The Programme actions are in tune with the natural cycles of the project area. Production techniques are not highly intensive and dependent on high levels of external inputs, in contrast the livestock production systems linked to local fodder and forage production and some on farm feed compounding is a positive contribution to soil fertility through the use of the resulting manure as a soil amendment. The seed production systems also stress balanced soil fertilising and manuring as an integral production practice.

### **Main issues**

Environment and natural resource management are central to the livelihoods of beneficiaries in the Programme areas. The challenges are multiple and diverse, hill slope cultivation, poor access to irrigation, rainfall dependent agriculture, low returns from farming, significant out migration of young adults leaving villages with a hollowed out demographic of older individuals caring for young children etc.. A deeper holistic understanding of the interrelations between crops, livestock, land, water and climate is required to address the environment and natural resource management while also looking to increasing farm profitability and returns. A start has been made on integrating farm level fodder and forage production for Boer goats and improving agriculture returns from engaging in higher value producing including seed crops. But this needs further support and development to entrench the gains made under the programme.

The Programme supported only small scale community infrastructure such as small irrigation which has very limited impact on the local environment; the promotion of integrated Pest Management though FFS training stresses the minimal use of pesticides and development of natural methods of plant production and protection; the stall feeding (cut and carry) for livestock supported by nursery establishment to support establishment of on farm feed and forage production has beneficial environmental results.

## **Exit Strategy**

**Rating: 4**

**Previous rating: 4**

### **Justification of rating**

The building of sustainable relationships between producers and the market system is essential for a sustainable exit. The programme has linked seed producer groups to private sector seed companies and with new entrants also coming in the market for TL seed this seems a valid exit pathway. Demand for meat in the local area is still unsatisfied and producers are assured of ready outlets. Initiatives in milk marketing are showing signs of promise. Formalising the links from farmer groups and cooperatives to the banking sector still needs embedding but would be a desirable outcome.

### **Main issues**

The economic sustainability of several of the programme achievements is highly likely given the increasing returns to both beneficiaries and private sector entities involved in the value chains. In particular farmers are convinced of the positive benefit cost analysis of TL seed production as are the seed companies involved with the seed business evidenced by the crowding in of companies to the sector following the successes of programme supported businesses. Equally the Boer goat introductions are spreading rapidly both within programme communities and in some cases spilling over to neighbouring farmers. The innovations in milk marketing are also like to continue beyond the programme period as the milk buyers are diversifying their product lines into more profitable items such as ice cream and 'Khuwa' (local sweet made from milk), while continuing the distribution of fresh milk as a core business. The recent changes in the Federal budget increasing import tariffs on milk and milk products is likely to further support the sustainability of the milk value chain.

<b>Potential for Scaling-up</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

The acceptance and adoption of programme-led initiatives have increased and the breed improvement activities under both dairy and goat farming have expanded. The relative success of community managed breed improvement processes offers scope for replication. Similarly, the SFACLs set up in the first phase have provided significant access to financial services for their members, and could be expanded when linked into the banking sector. The entrance of additional seed companies to the area is also an indicator of the potential for scaling as is the interest of local government to purchase TL seed locally for their own support efforts to farm production.

#### **Main issues**

The modular nature of the programme interventions lends itself to scaling up activities through replication of the modules to more farmers and other areas. The link between seed producer groups to private sector seed traders combined with local certification inspection and strong institutional links to Seed Certification and the National Agricultural Research system to access breeder seed of high quality is a model that can be profitably replicated at scale.

The Programme financially supported four seed companies (Lumbini, Panchasakti, Rukumeli and New Shreeram) to buy the produce from the Programme districts. Four additional seed companies (National, Bizbriddhi, SEAN and CG) have also established buy-back arrangements with the Programme supported producer groups without any financial support from the KUBK to these companies. This crowding-in has created additional demand for the produce. The State and Municipal governments from the Programme area are allocating resources for genetic improvement in the goat and dairy sub-sectors. The federal government is providing support to the Small Farmers Development Bank to create more SFACLs within and outside the Programme area. This confirms the potential for the scaling-up of the interventions made by the Programme.

The successes of introduced Boer goat genetics is also scalable but should take on board the lessons of prior FFS training in improved husbandry and animal health. Equally the innovation of developing farmer based breeding and multiplication herds is worthy of further development and expansion but could take on board ideas from the seed certification through development of local level quality assurance inspections.

Improving farmers access to both finance and non-financial services has also demonstrated successes that could be usefully scaled up.

### **c. Project Management**

<b>Quality of Project Management</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

A partial cancellation of IFAD financing of USD 10.0 million was effected, through signing of the amendment to the Financing Agreement on 21 November 2017, limiting IFAD financing of Loan to SDR 9.29 million and IFAD Grant to SDR 9.33 million to the Programme besides the Supplementary Loan of SDR 3.27 million. This has helped greatly in matching programme delivery to resourcing to the stage that it is now broadly in line. A number of other changes for the better have also been introduced in managing, monitoring and tracking implementation. Suggestions given in the previous mission report have been, by and large, implemented. There is greater cohesion between components. The partnerships with implementing agencies and private sector entities in marketing have been better managed. The programme management team is functioning well. The programme team is now fully staffed; and the earlier issues with changes in programme management have been overcome with the current incumbent being in position for nearly three years now. The advantages of continuity of management approach is clear as is the benefit of the increasing corporate memory available to the senior most manager.

## Main issues

***There needs to be a stronger shift towards*** capturing the outcome and impact level data of the programme to enable a full assessment of programme benefits for the PCR. The economic benefits need to be calculated on agreed protocols and as needed confirmatory samples and surveys. Programme Management have a clear role in leading the effect completion of programme activities in a coordinated manner, key in this will be the identification of the suite of surveys needed to inform the Project Completion Report, the procurement actions for the consultants to draft the PCR and addressing the necessary financial and fiduciary responsibilities associate with programme completion. In discussions with the programme team, management are fully aware of their responsibilities in this regard and are committed to move towards a focus on wrapping up outstanding activities and developing the necessary reports and studies to effectively complete the programme. This was reinforced by the Secretary MOALD at the wrap up meeting, who directed the Programme Team and IFAD that if the necessary information can be obtained in the coming months to generate a clear picture of the benefits delivered by the programme.

To support the development of a comprehensive PCR and capture the significant benefits of the programme in terms of financial returns to beneficiaries and society considerable effort will need to be devoted to capturing all the direct benefits as well as the considerable spin off benefits that were observed by the mission during the field visit and discussions with various programme stakeholders. Programme management will need to guide and develop this process and the mission have included the below comments on undertaking this economic and financial analysis. The programme would benefit from additional support from the IFAD team on development of these methodologies and protocols.

<b>Knowledge Management</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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### Justification of rating

Knowledge Management (KM): This is rated moderately satisfactory 4: Knowledge product named smart women in agriculture published and shared during this fiscal year. The programme is also producing 9 videos of success stories during this fiscal year where one is already shared and another is to be shared in near future. Knowledge note on value chain approach and programme experience published and shared. The programme has made plan to publish book of stories of an entrepreneurs and learning and innovation notes of ISFP incorporating programme approaches, learning, experience and innovations like community breeding/multiplier herd (Boer goat), group formation and mobilization for foundation seed production: plot basis, cluster development and its effectiveness in dairy, MSP, buy back agreement process for building relationship between farmers and agribusiness etc which can be used by programme implementers and policy makers.

## Main issues

The programme published and shared 64 different documents including success stories and knowledge notes as knowledge products during the programme period. Video documentary on project intervention and results, success story of the farmers, innovations (boar breeding buck) were also shared through the social media and television.

The numbers of innovation were done by the programme and need to share widely for scale up within and outside the programme. The following innovation should be better to capitalize for programme implementers and policy makers:

1. Community breeding/multiplier herd (Boer goat) being ATM for rural farmer
2. Foundation seed production by Private Seed Companies and farmer level: availability of foundation seed in next door
3. SFACL approach: uniting the women for their better livelihood and empowerment
4. Artificial Insemination: SEXSEMEN increased cows and milk production in couple of years
5. Numerous smart women leading agriculture development
6. Farmers seed field inspection through Private seed inspector for better quality assurance and market

The programme has learned and experienced many things during implementation that need to capture and publish for widely sharing which helps for scale up and livelihood improvement of rural people. The mission team recommended to the programme team to publish a book of ISFP learning and experience during the remaining 7 months focusing on the following learnings:

1. Cereal seed requires large production area. Wheat and Paddy seed production to be done in Terai and for Maize mid-hills area is suitable. Vegetable seed production could be concentrated in hills districts in niche based pocket area
- 2.
3. The seed production group should have land proximity and not as physical proximity of neighbourhood
4. Multi-stakeholders' Platform fostering the overall sector development
5. Buy back agreement and its regular renew for strong relationship between producers and agribusiness and assured market
6. The involvement of local government bodies in establishing a mass based production programs is crucial to

- facilitate consolidation of land into production pockets.
7. The program implemented through the cooperatives, entrepreneurs, or companies should entail a transparent benefit sharing mechanism.
  8. Women led SFACLs realized best inclusive model to increase rural financial access and empowerment to rural poor.
  9. Integrated approach (partnership with private and local government, resource centres, regulators, public finance, research stations and so on) can be promoted.

The programme has to widely share success stories, learning and innovations by developing videos and knowledge products and by using local and national Television to the project beneficiaries as well as outside the project. It is better to distribute the videos and knowledge products to the community organizations that can be evidence based results of the project intervention even the project phase out.

#### Value for Money

Rating: 4

Previous rating: 4

#### Justification of rating

Economic analysis indicated that the Programme ENPV of NRs 1,600 million; an EIRR of 23.0% and BCR of 1.5. Rigorous ex-post EIRR are yet in process but preliminary estimates provide EIRR ranging between 21 and 22.7%. Re-estimation of the EIRR indicates that all the subprojects (seed, seed companies, various goat models, slaughter houses, dairy, etc.) were still economically viable, with EIRRs ranging from 17% to 25%. The overall project EIRR at completion was estimated to be 22.0%. All resulting EIRRs were above the 12% IFAD hurdle rate. With respect to process efficiency, there were significant implementation delays at the start of the programme due to challenges in consultant selection, procurement and staff capacity.

#### Main issues

The programme used transparent and competitive process as prescribed in the public procurement acts and policies in making procurement; allocated funds based on detail activity-wise breakdown, used bank voucher rather than cash in paying for expenses, and follow clear rules in all payments related to inputs leading to transparent management in resource planning and implementation.

#### Assessment of the Efficiency and Value for Money (VfM) of the Programme

S.N.	Key Indicators	Ratings	Explanation
1	Implementation of the Programme as per Programme plan	Medium	Over 75% of the Programme implementation was completed as per the Programme plan. There was initial delay on start of the Programme implementation due to delay on setting of the Programme implementation systems, improving during actual implementation.
2	Influence of delay on Programme's efficiency	Low	Despite the difficult geographic terrain, two massive earthquakes, economic blockade, implementation of the Programme interventions was gradual but timely. Despite these unforeseen circumstances, there has been no notable influence of delay on Programme's efficiency.
3	Mitigation of delays	Medium	The Programme followed the adaptive management practices, and collaborated with partners/ stakeholders, which was effective, efficient, and instrumental to mitigate the initial delays.
4	Efficiency of the partnership model	Medium	Partnership model has been very effective. All the grantee (farmers and seed companies) were efficient strategies for Programme implementation, among others.
5	Ability to include the targeted beneficiaries	High	Programme partners, under the clear guidance of the Programme Management Unit demonstrated proven ability to include the targeted beneficiaries. Most of the targeted beneficiaries participated on intended activities of the programme and most were quite successful and effective.

Source: Mission's Assessment, May 2019

All the programme grantees worked seriously to ensure synergy across stakeholders, and collaborated with local government avoiding duplication and overlaps of resources. Local resources were used to a maximum possible extent, and Programme supports were used for managing imported materials elsewhere within the country. Further, approach of learning by doing, and earning while learning adopted while developing local resource centre combined with Programme coordination with other agencies was effective in avoiding duplications and overlaps.

Considering that ensuring food, income, and nutrition security landless, poor and disadvantaged people is the top most government priority, and this programme proved to be an effective implementer of this policy. Despite that grantee farmers' groups and private seed companies have comparative and relative advantage on supporting local people on attaining food, income, and nutrition security, they have yet to initiate measures to scale-up. Thus, there is little initiative to optimizing results while minimizing or saving of the resources.

Though Programme achieved anticipated outcomes within its time frame through coordination and mobilizing stakeholder participation, and most of the initiatives on agricultural seed production have not fully been able to provide continuity to this initiative. Aspects of cost sharing was quite encouraging, and relatively better results of the programme had been attributable to the cost sharing strategies adopted with the beneficiaries leading to efficient use of local resources.

However, the EIRR re-estimation accounted for the initial time overrun results that the programme is still efficient. This implies that efficiency or value for money of the programme is moderate. For the refinement of Economic and Financial Analysis (EFA), following actions has been recommended.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Project Management</b>		
<b>Models for seed producing farmer groups and livestock</b> Define and agree models for seed producing farmer groups and livestock, seed companies, dairy, meat and agro-vets	PMO (M&E)	07/2019
<b>Collect data</b> Collect primary and secondary data related to different models	PMO (M&E)	09/2019
<b>Budget</b> Prepare the farm (enterprise) budget for different crops, dairy, goat and PSCs models with and without project	PMO (M&E)	10/2019

**Coherence between AWPB and Implementation**

**Rating: 3**

**Previous rating: 3**

#### **Justification of rating**

The budget utilization rate in the previous FY 2017-18 was increased to 70.79% compared to 50.05% in the FY 2016-17 but the programme has utilized only 32.67% till 14 May 2019. The budget utilization may be 56% in the FY 2018-19 based on expected expenditures in the remaining period of the current fiscal year. Absorption rate is low and the trend does not show consistent improvement.

#### **AWPB Inputs and Outputs Review and Implementation Progress**

The draft AWPB for the year 2018-19 was submitted on 4 April 2018 and the but the final revised AWPB was submitted on 16 August 2018 incorporating comments provided by IFAD on 3 August 2018. IFAD provided no-objection on 24 August 2018. The draft AWPB of FY 2019-20 has been submitted to the IFAD on 12 April 2019. The IFAD has provided first initial comments on 2 May 2019. The programme has not yet finalized the AWPB. The expenditures of NPR 144.78 were lowest in the FY 2013-14 which was 42.68% of the budget while the highest percentage of expenditures was in the FY 2017-18 which was NPR 794.84 million (70.79% of the budget). The expenditures up to 14 May 2019 of the current fiscal year are NPR 208.51 million that is about 32.67% of the approved budget of NPR 638.22 million. The programme's financial progress increased till FY 2015-16 but decreased to 50.05% in FY 2016-17 while it again increased to 70.79% in the FY 2017-18. The programme has purchased air conditioners and printers without having provision in AWPB. The programme needs to plan proactively to ensure implementation of planned activities of FY 2018-19 during remaining period to improve coherence between AWPB and execution. The summary of expenses against the approved budget of the programme implementation period is as follows:

Fiscal Year	Approved AWPB	Expenditure	Percentage of expenditures against AWPB	Remarks
FY 2012/13	21,000	19,541	93.05	
FY 2013/14	339,272	144,788	42.68	
FY 2014/15	471,212	255,422	54.21	
FY 2015/16	842,120	569,497	67.63	
FY 2016/17	1,391,108	696,304	50.05	
FY 2017/18	1,122,817	794,837	70.79	
FY 2018/19	638,215	208,511	32.67	Till 14 May 2019
<b>Total</b>	<b>4,825,744</b>	<b>2,688,900</b>	<b>55.73</b>	

Agreed Action	Responsibility	Agreed Date
<b>Project Management</b>		
<b>Plan for remaining period of FY 2018-19</b>  Plan activities to be carried out in the remaining period of FY 2018-19 to improve coherence between AWPB and execution	PMO	06/2019

#### Performance of M&E System

**Rating: 4**

**Previous rating: 4**

#### Justification of rating

The M&E system captured the necessary level of data of all components. However, all existing Outcomes level data has to be entered/updated by July 2019. District level joint monitoring was organized during current fiscal year. The PMO level monitoring committee is functioning. Award to service providers to carry out the RIMS and AOS is ongoing. MIS was established and functioning. The programme has organized the MIS training to programme staff. The MIS is producing 44 types of report that can be used for preparing completion report as well as communication documents. Capacity building of data technicians to improve data capture is needed. The programme would benefit from additional support on this technical area from IFAD.

#### M&E System Review

The M&E system defined the 44 types of report in project MIS to generate the project data which is needed for preparing progress reports, project completion report and communication documents. The system is generating output level project data systematically by using tablet. More a less, the livestock component data is entered into the MIS where seed component still not entered into MIS and still using excel based MIS having functional web based MIS.

The outcome level data: post-harvest loss, consumption volume, cost of production are still lacking in the programme which are necessary for calculating net income and economic analysis of value chain commodities. The mission team guided to project team for collection of those data by sampling in each value chain commodities: cereal seed, vegetable seed, milk and goat.

The M&E system has not been tracking the indirect beneficiary households and spill over effects of the programme intervention. The mission team guided to track the indirect beneficiary households: seed users (neighbours), users of community infrastructures, beneficiary of farmers' field school (seed and goat), 50% blood boar breed within the programme districts. Seed and boar breed users outside the districts are also indirect beneficiary households. The mission

team guided to the M&E team to ensure the survey questionnaires regarding spill over effects of the project intervention during the combined survey (RIMS and end line).

Proprogramme evaluation by the stakeholders is not done so the mission team guided to programme team for collection of information on relevance, efficiency, effectiveness, impact and sustainability by organizing district stakeholders' workshops during the preparation of project completion report. The questionnaires were given to the M&E team regarding five dimensions of the programme evaluation and procedures of the district stakeholders' workshops too.

The data gap analysis has done during the mission for preparing completion report and the mission team designed the fourteen additional formats for data collection and tabulation which are necessary to prepare the project completion report. The detail of gap analysis and data collection formats are given in Annex 7A and B.

The programme trained to the staff members for using MIS as a helping hand for managing the programme data efficiently. A full time MIS officer is working in the project and facilitating to the team for using MIS and helping to validate the data periodically. Some minor errors are still facing by the MIS users especially data collectors (technicians) while entering the data in MIS through tablet. Guidance is given to project MIS team for solving the error by consulting service provider within a month.

The MIS is not fully utilized by the programme people. It can be the assets of the local government institutions if the programme update all results (activities, outputs, outcomes and impacts) in MIS. The programme agreed an action to update all data in MIS by August then it can be hand over to the local government institutions.

The mission team has suggested to develop Gantt Chart of action plans for preparing project completion report.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Project Management</b>		
<b>Detailed workplan for programme completion</b> Programme Management to develop a detailed workplan for programme completion with continuous tracking and monitoring	PMO	06/2019
<b>MIS modules</b> Improvement in MIS modules and mentoring to data collectors (technicians)	MIS Officer/Service Provider	06/2019
<b>Data input in MIS</b> Ensure all existing data enter and update in MIS	M&E/Technicians	07/2019
<b>Data collection</b> Additional data collection: indirect beneficiary, cost of production, consumption and post-harvest loss of value chain commodities.	M&E/Technicians	07/2019
<b>EFA</b> Training on EFA to Component Lead and M&E staff	PMO	07/2019
<b>Models for seed producing farmer groups</b> Define and agree models for seed producing farmer groups (crops and livestock), seed companies, dairy, meat and agro-vets	PMO (M&E)	07/2019
<b>Project data in MIS</b> Ensure update all project data in MIS	MIS Officer/M&E/Technicians	08/2019

<b>Primary and secondary data</b> Collect primary and secondary data related to different models	PMO (M&E)	08/2019
<b>Budget</b> Prepare the farm (enterprise) budget for different crops, dairy, goat and PSCs models with and without project	PMO (M&E)	08/2019
<b>EFA</b> Economic and financial analysis	PMO (M&E)	10/2019
<b>Combined survey</b> Conduct combined survey (RIMS and Project End line)	M&E/Component Heads/Consulting Firm	11/2019
<b>Books on success stories and project approaches</b> Ensure the production of two books on success stories and project approaches, learning, experience and innovation	M&E KM , Component Leads and thematic leads	11/2019
<b>Completion Report Preparation</b> Programme Completion Report Preparation	Consultancy Firm/M&E	11/2019

#### Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)

#### Rating:

#### SECAP Review

IFAD initiated SECAP seeks to: (i) setting priority to adopt guiding values and principles to promote high social, environmental and climate adaptation benefits; (ii) defining SECAP processes and suitable entry points in the programme cycle; and (iii) ensuring effective stakeholder engagement including a procedure to respond to alleged complaints from programme-affected individual and communities. Such complaints should only be restricted to social, environmental and climate change aspects. IFAD Complaints Procedure seeks that appropriate mechanisms are in place to allow individuals and communities to contact IFAD directly and file complaints if they believed they were or might be adversely affected by any IFAD-funded project not complying with IFAD's Social and Environmental Policies and mandatory aspects of SECAP. Such requirement was not mandatory to this Programme as KUBK was designed in 2012. However, the Programme has been broadly adopting the policies that are compliant with the policies of IFAD and GON. The mission also did not come across any complaints concerning environmental, social and climate issues from the stakeholders

## d. Financial Management & Execution

#### Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
<b>Domestic Financing breakdown</b>	Beneficiaries	\$10,945,140		
	National Government (add)	\$631,911		
	National Government	\$7,304,500		
<b>Co-financing breakdown,</b>	Heifer Project International	\$2,500,000		

**Acceptable Disbursement Rate****Rating: 3****Previous rating: 3****Justification of rating**

Automated rating based on IFAD disbursement data

**Main issues**

The disbursement rate is about 55.96% of revised allocated amount of grant and loan excluding initial deposit and supplementary loan of SDR 3.27 million whereas disbursement percentage is 47.60% of total revised allocated funds of SDR 21.89 million including supplementary loan. Expenses being incurred are less than the budgeted expenses and the project activities are not being implemented as planned which has impacted the disbursement rate. The overall expenditures during eight months of FY 20118 is about 25.75% of the AWPB. The project has to review and plan the activities to be implemented in the remaining project period to achieve overall objective of the project.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Financial Management &amp; Execution</b>		
<b>Submit advance recovery plan</b>	PMO	06/2019
Prepare and submit the advance recovery plan		

**Fiduciary aspects****Quality of Financial Management****Rating: 3****Previous rating: 3****Justification of rating**

The accounting software being used for government accounting and reporting has been discontinued now. The new accounting software suitable for the project has not yet been procured. The monthly statement of expenditures are still not being received on time causing delay in reporting and submission of WA. The project did not submit assets maintenance assessment report and consolidated records of fixed assets to the IFAD. The programme ledger is not maintained by PMO and some of the cost centres. Grant has been approved for more than 55% of sub-project cost. The project has complied with 2 agreed actions out of 8 actions. There are many internal control issues. The project is yet to develop new funds flow for the remaining project period.

**Main issues**

Accounts are being maintained manually at PMO and district cost centres based on the cash basis of accounting used by the Government of Nepal (GoN). The PMO, the DADOs and DLSOs prepare vouchers and maintain Cash Book, Budget Sheet, Advance Register, the monthly expenditure statement and trimester financial and physical progress report in excel spreadsheet. The accounting software being used for government accounting and reporting has been discontinued now. The project is in process of procuring accounting software developed for IFAD funded projects which will help to maintain accounts in dual currencies, generate financial reports required for the government and IFAD and prepare withdrawal application (WA). At present, PMO consolidates financial data received in hard and soft copies from the implementing agencies and partners for preparation of the FMR and WA on trimester basis.

The monthly expenditure statements from some of the implementing agencies are not received within the specified period causing delay in consolidation of monthly expenditure statements, updating status of AWPB, and submission of WA for reimbursement of expenditures on time and problem in monitoring actual expenditures comparing with the budgeted amounts on a regular basis. Monthly exchange gain/loss of DA and reimbursable budget account have not been maintained. The project did not submit assets maintenance assessment report and consolidated records of fixed assets to the IFAD. The programme ledger to be maintained to record and monitor expenses incurred under each activity has not been maintained by the PMO and some of the cost centres. The annual progress report of FY 2016-17 has been submitted. First trimester progress report of FY 2017-18 has been submitted on 7 January 2018 while second trimester progress report is submitted during the supervision mission. The project has complied with two agreed actions out of 8 agreed actions. The project should take initiative to fulfil all actions agreed during supervision mission. DTCO has conducted internal audit of FY 2016-17 and seven months of FY 2017-18 but the internal audit report of FY 2017-18 is yet to be received. The project is yet to develop new funds flow for the remaining project period.

The mission reviewed the project expenditures on sample basis with supporting documents (invoices, receipts, statement of travel expenses, attendance and distribution list and related documents), filing system, accounting system, financial statements and reporting and found some internal control weaknesses. They are: (i) invoices, bills and receipts are not defaced with "PAID" stamp at the time of payment, (ii) no payee's signature for some payments, (iii) no supporting

documents of some expenses, (iv) excess payment, (v) short payment due to budget limit, (vi) no goods received notes and inventory record of medicines, (vii) free distribution of fodder samplings and seeds to one road construction contractor, (viii) expenses of sub-projects not included for payment of grant and accounting to beneficiaries contribution, (ix) payment of excess grant to grantees, (x) lack of list of materials distributed to the members, (xi) no travel order and travel claim statement, (xii) there are no photo of meeting, training, field visit, distribution of materials to the members, and hired vehicle to substantiate the expenditures, (xiii) payment of grant for quantities more than budgeted, (xiv) payment of contingency amount to the grantee for construction of ponds, (xv) payment of allowances to technical staff by grantees for providing technical advice and training, (xvi) paid NPR 60,000 for purchase of urea and molasses of NPR 69,900 based on photocopy invoice, and (xvii) payment of grant more than 55% of cost to 29 projects.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>Develop funds flow</b>  Develop funds flow system for the remaining period of the project after closure of the DADOs & DLSOs	PMO	05/0015
<b>Submission of assets maintenance assessment record</b>  Submit assets maintenance assessment report and consolidated records of fixed assets to IFAD	PMO	05/0015
<b>Maintain programme ledger</b>  Maintain ledger for each program (activity) showing budget, voucher No. date, description and amount of expenditures.	PMO, DADOs & DLSOs	05/0015
<b>Computerize the accounting system</b>  Purchase accounting software and computerize the project accounts.	PMO	05/0015
<b>Submit register of contracts</b>  Submit register of contracts to IFAD Country Programme Manager on monthly basis	PMO	06/2019
<b>Recover excess payment</b>  Recover excess payment of daily allowance and adjust in the next WA	PMO	06/2019
<b>Submission of assets maintenance assessment record</b>  Submit assets maintenance assessment report and consolidated records of fixed assets to the IFAD	PMO	06/2019
<b>Account expenses to government source</b>  Adjust the cost of assets procured without approval of procurement plan to government source	PMO	07/2019
<b>Adjust advance not settled</b>  Adjust the advance amounts claimed with IFAD but not settled and refund of advance deposited to government treasury in the next WA	PMO	07/2019

<b>Settle the outstanding advances</b> Settle the advances provided for the project activities within project closing date	PMO	04/2020
<b>Maintain percentage of grant</b> Make payment of grant to sub-projects within 55% of the project cost	PMO	
<b>Regular submission of financial statements</b> Ensure monthly financial reporting by all the cost centers & Implementing Partners by the 15th of the subsequent month.	All cost centres & implementing partners	

#### Quality and Timeliness of Audit

**Rating: 4**

**Previous rating: 5**

#### Justification of rating

The audit report was submitted late, approx. 3 months after the due date.

#### Main issues

The Audit report was submitted with approx. 3 months delay.

The audit is not comprehensive and requires substantial improvement.

The Management letter doesn't include the response of project management and just provide a brief description of the identified issue with, no implications of the issues or recommendations are provided.

#### Counterparts Funds

**Rating: 6**

**Previous rating: 6**

#### Justification of rating

Full GON contribution available

#### Main issues

The budget of NPR 1,122.82 million consisting NPR 201.15 million from GoN source (17.91%), NPR 41.82 million from Heifer International source (3.72%), NPR 414.32 million from IFAD Grant (36.90%) and NPR 465.53 million from IFAD loan (41.46%) has been approved for the FY 2017-18. The counterpart fund is adequate as per percentage of financing. Government of Nepal pre-finances all expenditures of the programme except direct payment and request reimbursement of the expenditures to be funded from IFAD source. The project records the beneficiary contribution from the statement of expenditures submitted by the beneficiaries. However, some of the expenditures incurred by the beneficiaries are not recorded as beneficiary contribution. It is recommended to record actual expenditures incurred by the beneficiaries for reporting actual beneficiaries contribution.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Financial Management &amp; Execution</b>		
<b>Record beneficiaries contribution</b> Calculate correctly the beneficiaries contribution based on statement of expenditures and record for reporting in the financial statements.	PMO	

#### Compliance with Loan Covenants

**Rating: 4**

**Previous rating: 4**

#### Justification of rating

The programme has complied with the most of the covenants of Financing Agreement, Letter to the Recipient and General Conditions for Agricultural Development Financing except few provisions.

## Main issues

The Programme has generally complied with all the Loan Covenants except: (i) Section E Para 1 of Financing Agreement (FA) - revision of programme implementation manual, (ii) Letter to Borrower (LTB) - Para 21 - submission of register of contracts to IFAD Country Programme Manager on monthly basis, and (iii) Section 7.08 (a) of General Conditions (GC) - insurance of all goods and building used in the project. Appendix 3 summarises the status of compliance with Financing Agreement covenants.

## Procurement

### Procurement

**Rating: 4**

**Previous rating: 3**

### Justification of rating

There was no procurement member on the mission, however little procurement remains on the programme and what procurement that is required is for the recruitment of consultants to develop the PCR.

### Procurement Review

Procurement Staff: KUBK is staffed with a Procurement and Contract Manager who is handling all the Procurement tasks under the programme and ensuring compliance with IFAD's Guidelines and Procedures. The Bidding process is managed by the PMO while the evaluation committees are formed from government staff and programme's technical staff.

Procurement Plan: The procurement plan has been updated and obtained IFAD's No-objection. Procurement are generally carried out by PMO, whereas some of the Goods procurement are also carried out by DLSOs, NARC, SFDB and NARC. Generally, Quality and Cost Based Selection method is being used which should be used for only with high value assignments. Procurement Progress: During this fiscal year, most of the works contract have been awarded. Given the low value of actual contract awarded in the procurement of goods, consulting and non-consulting services, additional efforts are to be made for award of contract. Although most of the works contract have been awarded, and are at different locations, they need to be closely supervised by PMO's technical personnel for quality in construction. Prior/Post review requirement: The Prior/Post requirements set in the Plan have been followed as provisioned in the Letter to the Recipient requirements. The Prior Review for the solicitation and award for consulting firms is set at NPR 3 million and NPR 5 million for works/goods. Procurement Processes, documentation and record keeping: Following the review of the Procurement files, it was revealed that the files were complete summarizing all the required Procurement stages and documents, including TORs, Technical Specifications, bidding Documents, evaluation report, acceptance reports and the contracts signed by the programme. The record keeping was done properly. Contract register and contract management: The format for contract register (in electronic format) being used by the programme is in conformity with IFAD's requirements. The register is up to date

## F. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Overview and Project Progress</b>		
<b>Completion processes</b>  Shift the focus from implementation to completion processes for the remaining Programme period	PMO	07/2019
<b>Seed Sector</b>  Ensure the processing capacity developed by the Programme in seed sector is fully utilised through sub-national government's purchasing practices	MOALD, sub-national governments	
<b>Small Farmer Development Bank</b>  Continue support including linkages with Small Farmer Development Bank to the more recently formed groups and cooperatives	MOALD, SFDB	

Development Effectiveness		
<b>Boer genetics</b> Monitor the blood lines in the field to confirm the exact proportion of Boer genetics circulating in the population. Engage NARC to undertake a confirmatory study.	MOALD, PMO, NARC	09/2019
<b>Economic outcomes</b> Develop economic outcomes of the increased availability of seed generated from the programme	PMO	10/2019
<b>SRR and CBA</b> Update the study across all Districts to assess SRR and CBA for updating the current picture for inclusion in the PCR	PMO	10/2019
<b>Link seed inspectors with seed companies</b> Develop mechanism to link the trained seed inspectors with the sub-national governments and/or with seed companies to ensure their continued support in ensuring seed quality	PMO	10/2019
<b>Bood levels of Boer offspring</b> Develop a technical document on performance of various parentages of blood levels of Boer offspring	PMO	10/2019
<b>Training of AI technicians</b> Further invest on training of AI technicians so that further improvements in conception rates can be achieved	MOALD	11/2019
<b>Purchase seed lots</b> Formulate a policy to encourage government institutions to purchase seed lots from the entities that can guarantee clean, graded, treated seeds	MOALD	12/2019
<b>Breeder seed production</b> NARC to focus on Breeder seed production and the responsibility on the Foundation seed production be given to the licenced private sector entities	MOALD	
Sustainability and Scaling up		
<b>Software</b> Procure and install software and hardware in all the SFACs developed under the programme.	SFDB	07/2019
<b>Improve the readiness of 19 SFACs</b> Improve the readiness of 19 SFACs developed under the programme to establish business linkages with SFDB	NAFCCL	07/2019

<b>Compile report</b>  Compile (i) outreach report, (ii) audited balance sheet, (iii) audited profit and loss account, and (iv) portfolio report of all the SFACLs developed in the programme district.	SFDB and NACCFL	07/2019
<b>Support SFACLs on data migration</b>  Support SFACLs on data migration and trained them on software use	NAFCCL/Service Provider	08/2019
<b>Programme completion</b>  Ensure that all outstanding transactions on the grant programme are settled by end of August to facilitate smooth programme completion	PMO	08/2019
<b>Develop a mechanism after programme closure to retain AEC actively in developing further BBAs</b>  Organise a workshop with Local Government Representatives and Cooperative members currently benefiting from the BBA programme to develop a mechanism after programme closure to retain AEC actively in developing further BBAs	PMO	09/2019
<b>Performance assessment</b>  Undertake operational and financial performance assessment of the SFACLs (PEARLS Rating).	SFDB and NACCFL	10/2019
<b>Loan management and portfolio tracking</b>  Conduct training loan management and portfolio tracking to all SFACLs in the programme districts.	SFDB, PMO	11/2019
<b>Project Management</b>		
<b>Plan for remaining period of FY 2018-19</b>  Plan activities to be carried out in the remaining period of FY 2018-19 to improve coherence between AWPB and execution	PMO	06/2019
<b>Detailed workplan for programme completion</b>  Programme Management to develop a detailed workplan for programme completion with continuous tracking and monitoring	PMO	06/2019
<b>MIS modules</b>  Improvement in MIS modules and mentoring to data collectors (technicians)	MIS Officer/Service Provider	06/2019
<b>Models for seed producing farmer groups and livestock</b>  Define and agree models for seed producing farmer groups and livestock, seed companies, dairy, meat and agro-vets	PMO (M&E)	07/2019
<b>Data input in MIS</b>  Ensure all existing data enter and update in MIS	M&E/Technicians	07/2019

<b>Data collection</b>  Additional data collection: indirect beneficiary, cost of production, consumption and post-harvest loss of value chain commodities.	M&E/Technicians	07/2019
<b>EFA</b>  Training on EFA to Component Lead and M&E staff	PMO	07/2019
<b>Models for seed producing farmer groups</b>  Define and agree models for seed producing farmer groups (crops and livestock), seed companies, dairy, meat and agro-vets	PMO (M&E)	07/2019
<b>Project data in MIS</b>  Ensure update all project data in MIS	MIS Officer/M&E/Technicians	08/2019
<b>Primary and secondary data</b>  Collect primary and secondary data related to different models	PMO (M&E)	08/2019
<b>Budget</b>  Prepare the farm (enterprise) budget for different crops, dairy, goat and PSCs models with and without project	PMO (M&E)	08/2019
<b>Collect data</b>  Collect primary and secondary data related to different models	PMO (M&E)	09/2019
<b>Budget</b>  Prepare the farm (enterprise) budget for different crops, dairy, goat and PSCs models with and without project	PMO (M&E)	10/2019
<b>EFA</b>  Economic and financial analysis	PMO (M&E)	10/2019
<b>Combined survey</b>  Conduct combined survey (RIMS and Project End line)	M&E/Component Heads/Consulting Firm	11/2019
<b>Books on success stories and project approaches</b>  Ensure the production of two books on success stories and project approaches, learning, experience and innovation	M&E KM , Component Leads and thematic leads	11/2019
<b>Completion Report Preparation</b>  Programme Completion Report Preparation	Consultancy Firm/M&E	11/2019
<b>Financial Management &amp; Execution</b>		
<b>Develop funds flow</b>  Develop funds flow system for the remaining period of the project after closure of the DADOs & DLSOs	PMO	05/0015

<b>Submission of assets maintenance assessment record</b> Submit assets maintenance assessment report and consolidated records of fixed assets to IFAD	PMO	05/0015
<b>Maintain programme ledger</b> Maintain ledger for each program (activity) showing budget, voucher No. date, description and amount of expenditures.	PMO, DADOs & DLSOs	05/0015
<b>Computerize the accounting system</b> Purchase accounting software and computerize the project accounts.	PMO	05/0015
<b>Submit register of contracts</b> Submit register of contracts to IFAD Country Programme Manager on monthly basis	PMO	06/2019
<b>Submit advance recovery plan</b> Prepare and submit the advance recovery plan	PMO	06/2019
<b>Recover excess payment</b> Recover excess payment of daily allowance and adjust in the next WA	PMO	06/2019
<b>Submission of assets maintenance assessment record</b> Submit assets maintenance assessment report and consolidated records of fixed assets to the IFAD	PMO	06/2019
<b>Account expenses to government source</b> Adjust the cost of assets procured without approval of procurement plan to government source	PMO	07/2019
<b>Adjust advance not settled</b> Adjust the advance amounts claimed with IFAD but not settled and refund of advance deposited to government treasury in the next WA	PMO	07/2019
<b>Settle the outstanding advances</b> Settle the advances provided for the project activities within project closing date	PMO	04/2020
<b>Maintain percentage of grant</b> Make payment of grant to sub-projects within 55% of the project cost	PMO	
<b>Regular submission of financial statements</b> Ensure monthly financial reporting by all the cost centers & Implementing Partners by the 15th of the subsequent month.	All cost centres & implementing partners	

<b>Record beneficiaries contribution</b>	PMO	
Calculate correctly the beneficiaries contribution based on statement of expenditures and record for reporting in the financial statements.		

## Improved Seed for Farmers Programme (Kisankalagi Unnat Biu-Bijan Karyakram)

### Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members							GRIPS			
	Household members			750 000	122 355	424 835	56.6				
	1.a Corresponding number of households reached							RIMS	Annual		
	Non-women-headed households										
	Women-headed households										
	Households			150 000	24 623	84 867	56.6				
	1 Persons receiving services promoted or supported by the project										
	Females										
	Males										
	Total number of persons receiving services										
Project Goal Increased, competitive, sustainable and inclusive rural growth	Value of agricultural and livestock productions increase by 15% and 10% respectively							MTR and PCR Surveys RIMS		PMO	Political stability and security; Major schocks or crises which could weaken programme effects do not occur
	% of increase of agricultural production			15	0	0	0				
	% of increase of livestock production			10	0	0	0				
	At least 90,000 families increase household food security							MTR and PCR Surveys RIMS		PMO	
	Households		55 600	90 000							
	At least 20% HHs show improvement of more than 10% in household assets ownership index							MTR and PCR Surveys RIMS		PMO	

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Households			20		38	190				
	Reduction of at least 20% in prevalence of child malnutrition							MTR and PCR Surveys RIMS		PMO	
	% reduction child malnutrition			20		12.41	62.1				
<b>Development Objective</b> Improved household incomes through sustainable, market-driven agricultural productivity improvements	Productivity increases in goat, crops and milk							National and district statistics, Annual Outcome surveys period surveys RIMS		PMO & M&E Unit	Price volatilities do not reduce profitability; Households respond to opportunities for improved livelihoods and access to market and credit
	% of productivity goat			25	32	32	128				
	% of productivity crops			15	45.74	45.74	304.9				
	% of productivity milk			50	148	148	296				
	At least 75% of supported production groups regularly collecting money for O&M of infrastructure, machinery and equipment							National and district statistics, Annual Outcome surveys period surveys RIMS		PMO & M&E Unit	
	% of supported production groups			70							
	Private purchase contracts established with at least 50% of supported seeds and 35% of dairy production groups							National and district statistics, Annual Outcome surveys period surveys RIMS		PMO & M&E Unit	
	% seeds		70	50	95	164	328				
	% milk		25	35	80	107	305.7				
<b>Outcome</b> Increased Production of TL seeds and marketed	At least 100,000 ha are sown with TL seeds of cereals and vegetables							Periodic reports; trimester and annual reports		PMO M&E unit	Target groups acknowledge the importance of TL seeds production and continued policy support of the Government and role of private sector
	Hectares of land		36 040	100 000	83 427	137 067	137.1				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
<b>Output</b> NARC & private seed producers produce required foundation seeds	Production of foundation seeds of cereals and vegetables seeds										Beneficiaries respond to market opportunities and improve the quality of production
	Ton of cereals		4.15	171	123.21	617.19	360.9				
	Ton of vegetables		5.13	5	3.41	12.91	258.2				
<b>Output</b> Quality control is ensured by SQCC	Quality of at least 80% of FS & TL seeds ensured										Routine checks on quality of TL seeds
	% quality ensured		90	80							
<b>Output</b> Participation by HH and companies in seed production	At least 9,000 farmers in 360 groups participate in seed production and 5 seeds companies establish buy-back arrangements										Continued policy support and availability of seeds and positive market signals
	No. of farmers			9 000							
	Households		10 936		522	13 475					
	Agricultural/Livestock production group formed/strengthened							RIMS	Annual		
	No. of groups			720	21	369	51.2				
	People in agricultural/livestock production groups							RIMS	Annual		
	Males				317	5 701					
	Females				205	7 774					
	1.1.4 Persons trained in production practices and/or technologies							RIMS	Annual	PMU	
	Women trained in crop			7 500	7 902	17 616	234.9				
	Men trained in crop			7 500	3 107	8 740	116.5				
	Total persons trained in crop				11 009	26 356					
	2.1.6 Market, processing or storage facilities constructed or rehabilitated							RIMS	Annual	PMU	
	Processing facilities constructed/rehabilitated				3	4					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Market facilities constructed/rehabilitated				4	5					
<b>Outcome</b> Improved household incomes through sustainable, market-driven agricultural productivity improvement	At least 60% of dairy hh and 25% of goat hh selling produce to markets							Periodic reports; trimester and annual reports		PMO M&E unit	Target groups acknowledge the importance of TL seeds production and continued policy support of the Government and role of private sector
	% dairy HH			60	58.4	58.4	97.3				
	% goat HH			25	81.84	81.84	327.4				
<b>Output</b> Breed improvement	At least 80% of participating HH have improved animals through breed improvement										Continued support from the government
	Households			80	34.25	34.25	42.8				
<b>Output</b> Forage production by dairy groups	At least 60% of dairy HH produce forage										Continued support from the government
	Households			60	25.77	95.77	159.6				
<b>Output</b> Stall feeding of animals	At least 50% of dairy and goat groups adopt stall-feeding										Producers response to stall-feeding and market opportunities
	% of groups			50	29.09	67.09	134.2				
<b>Output</b> Vaccination against zoonotic diseases	At least 80% dairy animal and goats covered by routine vaccinations										Producers respond to market signals and adopt sustainable practices
	% of animals			80	14.65	79.65	99.6				
	No. of dairy		49 000		17 630	62 775					
	No. of goats		80 000		71 285	150 790					
	Agricultural/Livestock production group formed/strengthened							RIMS	Annual		
	No. of groups				7	868					
	People in agricultural/livestock production groups							RIMS	Annual		
	Males					5 282					
	Females				2 330	21 524					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Households receiving animals from distribution/restocking							RIMS	Annual		
	Households				431	8 041					
	People accessing facilitated advisory services							RIMS	Annual		
	Males					2 236					
	Females					3 965					
	Staff of service providers trained							RIMS	Annual		
	Males				85	1 400					
	Females				25	347					
	People trained in community management topics							RIMS	Annual	PMU	
	Men trained in other				195	8 696					
	Women trained in other				7 156	30 045					
	Total persons trained in other				7 351	38 741					
	1.1.4 Persons trained in production practices and/or technologies							RIMS	Annual	PMU	
	Men trained in livestock			7 200	1 017	5 843	81.2				
	Women trained in livestock			4 800	2 126	20 801	433.4				
	Total persons trained in livestock				3 143	26 644					
Outcome Improved household incomes through rural finance interventions	At least 65 SFCALs with satisfactory financial governance, regular savings by 95% of members, cumulative repayment of loans more than 95%, annual general body meeting held and regular election processes used							Periodic reports; trimester and annual reports		PMO M&E unit	Institutional framework and financial incentives make it possible for SFCALs to access capital from financing institutions
	No. of SFCALs		30	65	36	66	101.5				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Output Local institutions	At least 80% of participating local institutions received training on good governance										Local institutions respond to project's initiatives
	% participating local institutions			80							
	No. of VDCs		182			182					
Output Increasing outreach of micro-finance	At least 30 SFCALs covered										Beneficiaries respond to project initiatives
	No. of SFCALs		75	30	45	75	250				
	Households		14 213								
	People in savings and credit groups formed/strengthened							RIMS	Annual		
	Males				582	1 077					
	Females				15 247	30 772					
	Savings/credit groups formed/strengthened							RIMS	Annual		
	No. of savings and credit groups				2 725	5 154					
	Value of gross loan portfolio (USD'000)							RIMS	Annual		
	USD'000 value of gross loan portfolio				1 344.65	8 003.65					
	Value of voluntary savings mobilized (in USD'000)							RIMS	Annual		
	USD' 000 currency value				469.25	1 451.25					
	2.1.2 Persons trained in income-generating activities or business management							RIMS	Annual	PMU	
	Persons trained in IGAs or BM (total)				1 283	10 457					
	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services							RIMS	Annual	PMU	
	Females				6 634	12 797					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Males				790	1 877					
	2.1.1 Rural enterprises accessing business development services							RIMS	Annual	PMU	
	Rural enterprises				481	3 332					
	1.1.5 Persons in rural areas accessing financial services							RIMS	Annual	PMU	
	Women in rural areas accessing financial services - savings				12 861	26 597					
	Men in rural areas accessing financial services - savings				42	890					
	Men in rural areas accessing financial services - credit				108	200					
	Women in rural areas accessing financial services - credit				518	8 121					

## **Nepal**

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### **Improved Seed for Farmers Programme (Kisankalagi Unnat Biu-Bijan Karyakram)**

#### **Supervision Report**

#### **Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category**

Mission Dates: 20 May - 4 June 2019  
Document Date 13/08/2019  
Project No. 1100001602  
Report No. 5111-NP

Asia and the Pacific Division  
Programme Management Department

## Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

### Appendix 2A: Financial performance by financier, as at 14 May 2019

Financier	Appraisal (USD '000)	Revised Appraisal# (USD'000)	Disbursements (USD '000)	Percent disbursed
IFAD loan*	19,516.20	14,359.36	13,489.33	93.94
IFAD grant*	19,516.20	14,410.36	11,226.76	77.91
Government	7,304.50	5,360.42	3,382.98	63.11
Heifer International	2,507.40	2,507.40	2,482.18	98.99
Beneficiary contribution	10,907.10	5,638.35	7,506.18	133.13
IFAD Supplementary Loan	5,000.00	4,528.00	4,515.71	99.73
<b>Total</b>	<b>64,751.40</b>	<b>46,803.89</b>	<b>42,603.13</b>	<b>91.02</b>

\* IFAD Loan and Grant includes actual expenditures of USD 1,052,029 yet to be claimed and initial deposit of USD 2.50 million based on actual Flexcube data.

# The revised appraisal is calculated based on actual expenditures incurred up to 15 July 2016 and amounts estimated for the remaining project period from FY 2016/17 as per revised cost tables.

**Appendix 2B: Financial performance by financier by components (USD '000) as at 14 May 2019**

Component	IFAD loan			IFAD grant			Government			Heifer International			Beneficiaries			IFAD Supplementary Loan			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Support to Expansion of Formal Seed Sector	3,511.46	2,931.76	83	4,209.46	3,048.88	72	1,268.49	1,004.83	79				2,827.15	3,950.15	140				11,816.56	10,935.62	93
Smallholder livestock commercialization	3,451.52	2,479.06	72	4,974.52	2,536.43	51	1,461.27	679.64	47	2,507.40	2,482.18	99	2,257.28	2,408.94	107				14,651.99	10,586.26	72
Local Institutional & Entrepreneur Development	5,248.69	4,661.95	89	2,715.69	2,052.85	76	740.48	536.10	72				553.92	1,147.09	207	4,528.00	4,515.71	100	13,786.78	12,913.70	94
Programme Coordination & Management	2,147.69	2,166.55	101	2,510.69	2,338.59	93	1,890.18	1,162.41	62										6,548.56	5,667.55	87
<b>Total</b>	<b>14,359.36</b>	<b>12,239.33</b>	<b>85</b>	<b>14,410.36</b>	<b>9,976.76</b>	<b>69</b>	<b>5,360.42</b>	<b>3,382.98</b>	<b>63</b>	<b>2,507.40</b>	<b>2,482.18</b>	<b>99</b>	<b>5,638.35</b>	<b>7,506.18</b>	<b>133</b>	<b>4,528.00</b>	<b>4,515.71</b>	<b>100</b>	<b>46,803.89</b>	<b>40,103.13</b>	<b>86</b>

Note: (1) Expenditures incurred till 14 May 2019 have been reported.

(2) The expenditures incurred from the source of the Government, Heifer International and beneficiary have been calculated in USD using average exchange rates of the monthly exchange rates of concerned fiscal year.

(3) Expenditures incurred in the FY 2018/19 and yet to be claimed have been converted into USD at an exchange rate of NPR 111.21 per USD and USD 1.37979 per SDR prevailing on 28 May 2019.

(4) The difference for IFAD Loan and Grant between Table 5A and 5B is due to the initial deposit of USD 2.50 million.

**Appendix 2C: IFAD loan disbursements (SDR, as at 14 May 2019)**

Category	Category description	Original Allocation	Current Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
122055	GRANTS AND SUBSIDIES	2,320,000.00	1,880,000.00	1,721,168.87	53,514.57	158,831.13	91.55
122056	CONSULTANCIES	550,000.00	402,000.00	381,863.28	-	20,136.72	94.99
122057	TRAINING I	3,420,000.00	1,179,000.00	1,446,331.38	70,536.94	(267,331.38)	122.67
				-	-	-	-
122058	GOODS, SERVICES AND INPUT	3,720,000.00	2,135,000.00	1,799,545.14	70,114.66	335,454.86	84.29
200010	CREDIT, GUARANTEE FUNDS	0.00	2,170,000.00	1,894,409.30	88,559.89	275,590.70	87.30
122059	OPERATING COSTS	1,590,000.00	1,526,000.00	1,110,185.32	123,439.81	415,814.68	72.75
122060	UNALLOCATED	1,250,000.00	0.00			-	-
074975	DA – Initial advance		0.00	829,176.93		(829,176.93)	-
	<b>Total</b>	<b>12,850,000.00</b>	<b>9,292,000.00</b>	<b>9,182,680.22</b>	<b>406,165.87</b>	<b>109,319.78</b>	<b>98.82</b>

**Appendix 2 C: IFAD DSF Grant disbursements (SDR, as at 14 May 2019)**

Category	Category description	Original Allocation	Current Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
122061	GRANTS AND SUBSIDIES	2,320,000.00	1,880,000.00	1,721,168.83	53,514.57	158,831.17	91.55
122062	CONSULTANCIES	550,000.00	902,000.00	381,863.25	-	520,136.75	42.34
122063	TRAINING I	3,420,000.00	779,000.00	952,049.13	47,024.62	(173,049.13)	122.21
200019	TRAINING II	0.00	400,000.00	196,658.23	3,767.63	203,341.77	49.16
122064	GOODS, SERVICES AND INPUT	3,720,000.00	3,845,000.00	2,412,975.03	128,543.55	1,432,024.97	62.76

Federal Democratic Republic of Nepal

Kisankalagi Unnat Biu-Bijan Karyakram (Improved Seeds for Farmers' Programme)

Supervision report aide memoire - Mission dates: 20<sup>th</sup> May to 4<sup>th</sup> June 2019

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

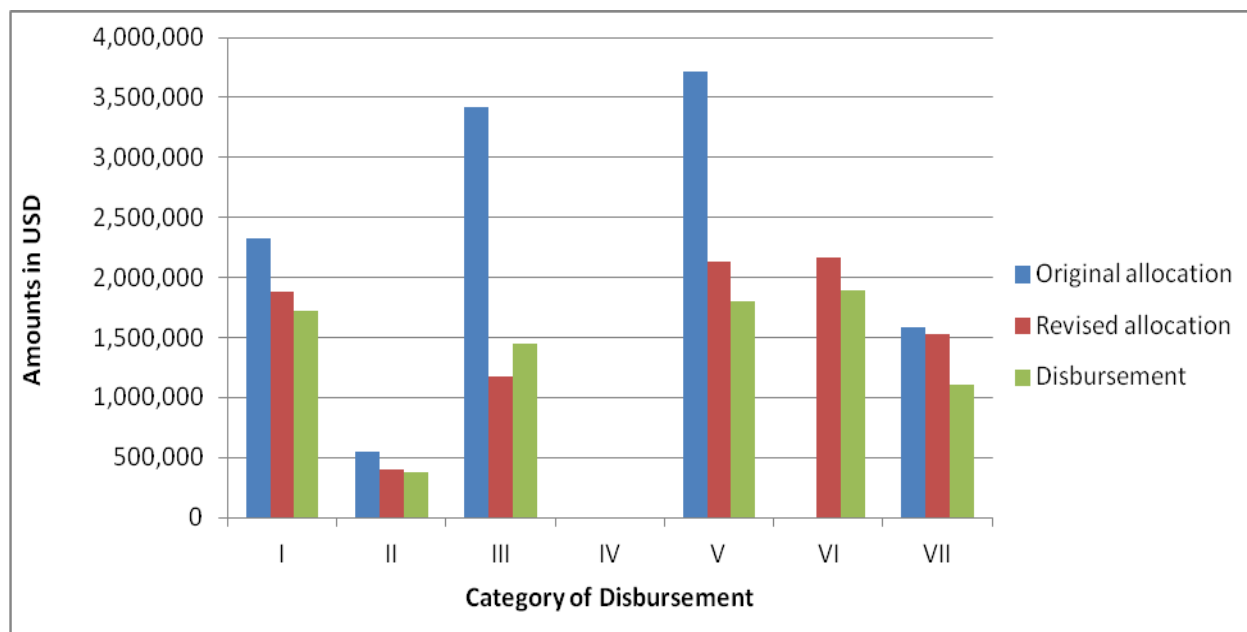
				-	-	-	
122065	OPERATING COSTS	1,590,000.00	1,526,000.00	1,099,923.55	123,439.81	426,076.45	72.08
122066	UNALLOCATED	1,250,000.00	0.00			-	
074964	DA – Initial advance		0.00	828,764.07		(828,764.07)	
	<b>Total</b>	<b>12,850,000.00</b>	<b>9,332,000.00</b>	<b>7,593,402.09</b>	<b>356,290.19</b>	<b>1,738,597.91</b>	<b>81.37</b>

**Appendix 2C: IFAD loan disbursements (SDR, as at 14 May 2019)**

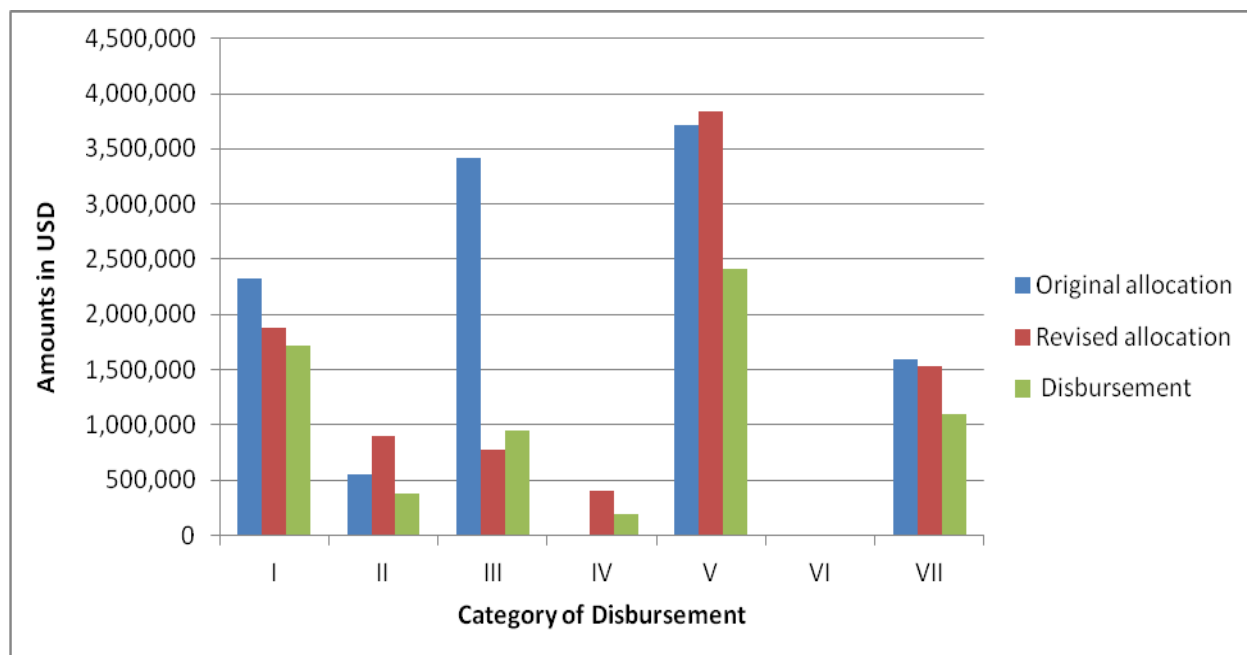
Category	Category description	Original Allocation	Current Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
200010	CREDIT, GUARANTEE FUNDS	3,270,000.00		3,269,776.69	-	223.31	99.99
	<b>Total</b>	<b>3,270,000.00</b>		<b>3,269,776.69</b>	<b>-</b>	<b>223.31</b>	<b>99.99</b>

Note: The expenditures incurred but yet to be claimed have been reported in the W/A pending column using exchange rate of NPR 111.21 per USD and USD 1.37979 per SDR prevailing on 28 May 2019.

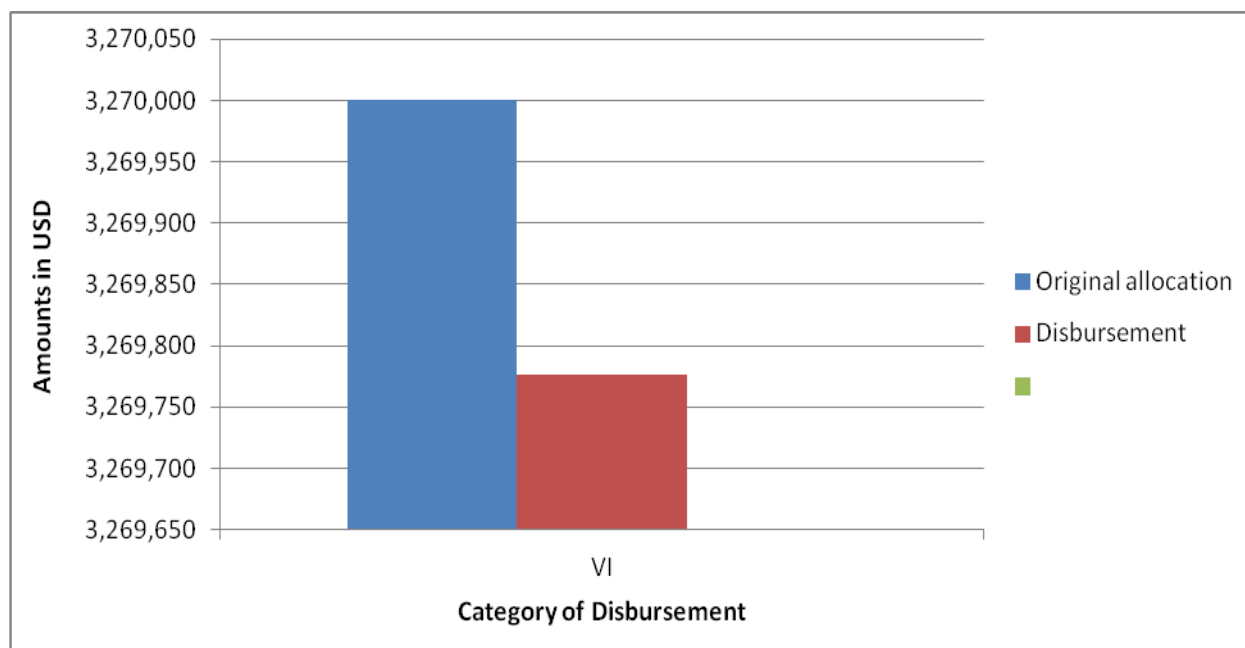
**Graph 1: IFAD Loan I-881-NP disbursement against original allocation & revised allocation**



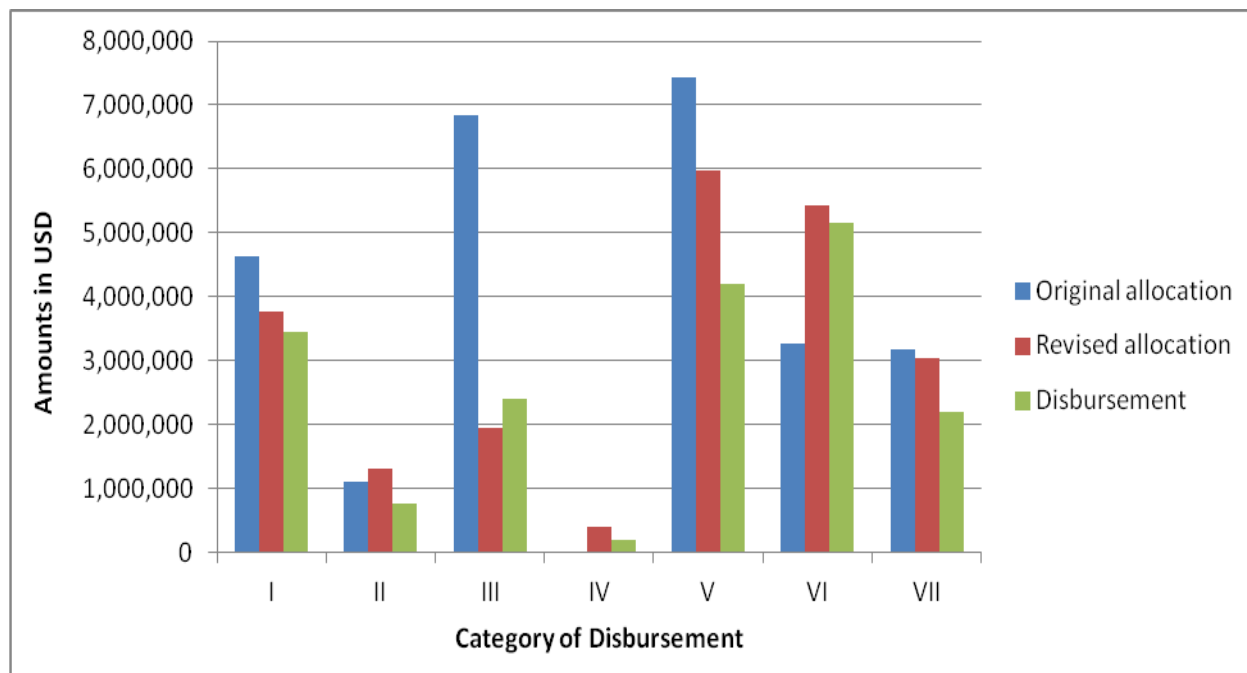
**Graph 2: IFAD Grant I-DSF-8106-NP disbursement against original allocation & revised allocation**



**Graph 3: IFAD Supplementary Loan Number 2000000460-NP disbursement against original allocation & revised allocation**



**Graph 4: IFAD Loan, Grant and Supplementary Loan disbursement against original allocation & revised allocation**



## Appendix 6: Compliance with legal covenants: Status of implementation

## Appendix 3: Compliance with Financing Agreement covenants

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
FA - Section B Para 6	Counterpart financing shall be provided for the Programme in the amounts of approximately USD 4.35 million from the Borrower/Recipient and approximately USD 4.60 million from beneficiaries both in cash and in kind. The contribution of the Borrower/Recipient shall cover (i) taxes and duties foregone on all the Programme inputs, (ii) the salaries of the Programme Manager and Accounts Officer and other deputed staff, and (iii) audit fees for the Programme. It is also expected that Heifer International will provide additional financing for activities related to the Programme in the amount of USD 2.5 million.	During implementation period	Ongoing compliance	Being provided.
FA - Section C Para 1	The Lead Programme Agency shall be the Borrower/Recipient's Ministry of Agricultural Development (MOAD)		Complied	
FA - Section C Para 2	The following are designated as additional Programme Parties: Ministry of Federal Affairs and Local Development, Ministry of Finance, Ministry of Cooperatives and Poverty Alleviation, Federation of Nepalese Chambers of Commerce and Industries, Nepal Agricultural Cooperative Central Federation, Small Farmer Development Bank, District Agricultural Development Offices, District Livestock Service Offices, District Development Committees, Village Development Committees, Heifer International and Agro Enterprise Center.		Complied	
FA - Section E Para 1	The following are designated as additional general conditions precedent to withdrawal:  (i) the Programme Steering Committee and the Programme Management Office (PMO) shall have been established and the members designated;	Before disbursement of initial advance and Credit, Guarantee Funds	Partially complied	(i) Designated Account denominated in USD opened with Nepal Rastra Bank. (ii) PIM has not been updated prior to the provision of the Supplementary Loan.

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
	(ii) the Programme Manager and the Accounts Officer, both acceptable to the Fund based on the approved terms of reference, shall have taken up their posts; (iii) the Programme Implementation Manual shall have been approved by the Programme Steering Committee after non-objection by the Fund; (iv) the Programme Implementation Manual shall have been duly updated prior to the provision of the Supplementary Loan; and (v) a Subsidiary Lending Agreement (SLA), satisfactory to IFAD, shall have been concluded between the Borrower/Recipient and SFDB prior to the disbursements against the "Credit, Guarantee Funds" Category under the Loan and the Supplementary Loan.			
<b>FA - Schedule 1 Section II para 1</b>	The Programme shall be implemented by the overall direction of Programme Steering Committee Chaired by the Secretary of the Lead Programme Agency.		Complied	
<b>FA - Schedule 1 Section II para 6</b>	The Programme Management Office (PMO) shall include a Programme management team comprised of a Programme Manager, Deputy Programme Manager, Senior Programme Advisors (Seed Coordinator, Livestock Coordinator and LEID Coordinator), Accounts Officer, Monitoring and Evaluation/Knowledge Management Officer, Planning Officer, M & E Officer, Contracts and Procurements Manager, Financial Management Specialist, Crops/Seed Development Officer, Livestock/Veterinary Officer and a Gender and Social Inclusion (GESI) Advisor and other staff.		Partially complied	Livestock Coordinator and MIS office have resigned and new Livestock Coordinator and MIS Specialist have recruited from 2 Sept 2018 & 23 Sep 2018 respectively
<b>FA - Schedule 1 Section II Para 7 (a)</b>	Programme staff and experts, other than deputed MOAD personnel will be recruited from the local market through a contracted recruitment agency following a competitive selection process.		Complied	Most of the appointments have been done through recruitment agency and the rest through competitive process.
<b>FA - Schedule 1 Section II Para 7 (c) and (d)</b>	Heifer International and Agricultural Enterprises Centre be designated as Implementation Partner on the basis of MoU satisfactory to the Fund.		Complied	MoU with Heifer International signed on 16 <sup>th</sup> April 2014 and with AEC was signed on 13 August 2013.

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
<b>FA - Schedule 1 Section II Para 7 (e)</b>	SFDB shall enter into a SLA with the Borrower/Recipient in order to operate the credit line dedicated to the Programme.		Complied	MOU with SFDB was signed on 2 February 2018.
<b>FA - Schedule 1 Section II Para 8</b>	Programme Implementation Manual (PIM) shall have been submitted to the Fund for no objection and to the PSC for approval.		Complied	
<b>FA - Schedule 1 Section II Para 9</b>	A Mid Term Review (MTR) shall be conducted at the end of Programme Year three to prepare Phase II of the Programme.		Complied	Conducted during February 29 <sup>th</sup> to March 22 <sup>nd</sup> , 2016
LTB - Para 5	The proceeds of the financing may not be used to pay taxes.		Complied.	
LTB - Para 6	In accordance with Section 4.04(d) of the General Conditions, immediately after entry into force of the Financing Agreement, there shall be a Designated Account denominated in the USD to be opened in an Bank. acceptable to IFAD, through which IFAD funding shall be channeled. The borrower shall inform the Fund on the officials authorized to operate the Designated Account. In accordance with section 3.1 of the LDH, the Designated Account will be administered following Imprest Fund arrangements.		Complied	
LTB - Para 7	Upon fulfillment of conditions precedent to withdrawal and the Borrower's request, the Fund shall make one (or more) withdrawal(s) of up to USD 2.5 million for the loan and the grant in the aggregate and deposit such amount(s) into the Designated Account.		Complied	
LTB - Para 11	Before withdrawal can begin, IFAD receives from the Ministry of Finance a letter designating the names of officials authorized to sign withdrawal applications, which includes their authenticated specimen signatures.		Complied	
LTB - Para 12	The following are designated as additional conditions precedent to withdrawal:  (i) the Programme Steering Committee and the PMO shall have been established and the members designated;  (ii) the Programme Manager and the Accounts Officer, both acceptable to the Fund based on the approved terms of reference, shall have taken up their posts;  (iii) the Programme Implementation Manual shall have been approved by the Programme Steering Committee after non-objection by the Fund; and		Complied	

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
	(iv) the designated account shall have been duly opened and the names of officials authorized to sign withdrawal applications shall have been submitted to the Fund.			
LTB - Para 13	Section 4 of the LDH provides details regarding the use of the Statements of Expenditure (SOE) facility for withdrawals for certain expenditures types from the Loan and Grant Account.		Being complied	
LTB - Para 14	The thresholds for all expenditures pertaining to all categories up to USD 30,000. (USD100,000 revised on October 18, 2017)		Being complied	
LTB - Para 17	As provided in IFAD's Procurement Guidelines, each procurement plan shall include the proposed contracts, methods of procurement and related IFAD review procedures, procurement of goods, works and services financed by IFAD would follow the Government of Nepal's Procurement Act and Regulations, to the extent that they are consistent with the IFAD Procurement Guidelines. Any future amendment of the Government of Nepal's Procurement Act and Regulations will be subject to IFAF review. Annual procurement plans for each year will identify the method and procedures in order to ensure consistency with the IFAD procurement Guidelines. The procurement shall follow the procurement thresholds of the Government of Nepal's Procurement Act, regulations and Guidelines.		Being complied	
LTB - Para 18	Whenever possible, procurement of goods and works will be bulked into sizeable bid packages to attract competitive bidding and to make the bidding process more cost effective. The procurement of goods above USD 200,000, of works above USD 1 million and o services above USD 100,000 will follow the International Competitive Bidding method of procurement.		Being complied	
LTB - Para 19	The following shall be subject to prior review by the Fund: (i) award of any contract for goods and works estimated to costs USD 50,000 or more, and (ii) award of any contract for consulting services estimated to cost USD 20,000 or more.		Being complied	
LTB - Para 21	All contracts, with or without prior IFAD approval, shall be listed in the		Partially complied	Register of contracts is not submitted on a monthly basis

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
	Register of Contracts with the dates of approval and submitted to the IFAD Country Programme Manager on a monthly basis.			rather it is submitted along with WA.
LTB - Para 22	An appropriate accounting software shall be identified and a chart of accounts shall be set up for the Programme Accounting and Financing Reporting Acceptable to the Fund.		Complied	Accounting software developed for projects funded by IFAD has been procured but the financial reports required for IFAD and WA are not being generated.
LTB - Para 23	The auditors shall submit three separate opinions (on the consolidated financial statements, on the Designated Account and on the SOEs). There opinion shall describe the acceptability of the programme financial statements and determine whether the Designated Account has been correctly accounted for and has been used in accordance with the Financing Agreement. They will also determine the adequacy of supporting documents and controls on the use of the SOEs as a basis for disbursements. The auditors shall also furnish a separate Management Letter which will identify any material weakness in accounting and internal controls at all levels, will report on the degree of compliance with financial agreement covenants, including with regard to the procurement of goods, works and consultant services. A certified copy of the annual audit report of the programme together with the PMO's replies to the Management Letter will be sent to IFAD prior to 15 January of each programme year.		Complied	PMO's replies to the Management Letter have been submitted to IFAD on 19 April 2019.
LTB - Para 25	The log of audit observations should be maintained and updated regularly.		Being complied	
LTB -Amendement	The Fund requests the Borrower/Recipient to submit Interim Financial Reports (IFRs) at quarterly intervals, within 45 days after the period-end, in the format specified in Annex 1 of this letter		Being complied	
<b>General Conditions - Section 4.02</b>	Application for Withdrawal, or Special Commitment	Initial advance to the DA and replenishment for each WA	Ongoing compliance	
<b>General Conditions - Section 4.08</b>	The financing shall be used exclusively to finance expenditure meeting eligibility requirements.	Ongoing	Being complied	

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
<b>General Conditions - Section 7.01 (b)</b>	The LPA shall submit the draft AWPB and Procurement Plan to the Fund no later than 60 days before the beginning of the project year	Each Programme Year	Complied	The draft AWPB for the year 2018-19 was submitted on 4 April 2018 and the but the final revised AWPB was submitted on 16 August 2018 incorporating comments provided by IFAD on 3 August 2018. IFAD provided no-objection on 24 August 2018. The draft AWPB of FY 2019-20 has been submitted to the IFAD on 12 April 2019..
<b>General Conditions - Section 7.03(b)</b>	Borrower/Recipient shall make available to the Project Parties during the Project Implementation Period counterpart funds from its own resources in accordance with its customary national procedures for development assistance.	During implementation period	Ongoing compliance	Government of Nepal prefunds the Programme as per its national procedures.
<b>General Conditions - Section 7.05 (a)</b>	Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the B/R's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the B/R in order to ensure consistency with the IFAD Procurement Guidelines.	During implementation period	Ongoing compliance	The Procurement Plan is being prepared.
<b>General Conditions - Section 7.06</b>	All goods, services and buildings financed by the Financing shall be used exclusively for the purposes of the Project.	Ongoing	Being complied	
<b>General Conditions - Section 7.08 (a)</b>	All goods and buildings used in the project shall be insured against such risks and in such amounts as shall be consistent with sound commercial practice.	During implementation period	Partially complied	Third party insurance of vehicles and motorbikes only.
<b>General Conditions - Section 7.09 (a) &amp; (c)</b>	Subsidiary Agreements. (i) The B/R shall ensure that no Project Party shall enter into any Subsidiary Agreement, or consent to any modification thereof, inconsistent with the Financing Agreement or the Project Agreement. (ii) No provision of any Subsidiary Agreement to which the B/R is a party shall be assigned, waived, suspended, abrogated, amended or otherwise modified without the prior consent of the Fund.		Complied	Subsidiary Agreements with AEC, NACCFL and SKBBL have been entered into after no objection from IFAD.

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
<b>General Conditions - Section 7.11</b>	The LPA shall appoint the Project Director and all other key Project Personnel in the manner specified having qualification and experiences in the Agreement or otherwise approved by the Fund. The Borrower/recipient shall exercise best efforts to ensure continuity in key project personnel throughout the Project Implementation Period and shall insure key personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of national civil service, whichever is appropriate.	Ongoing	Being complied	
<b>General Conditions - Section 8.01</b>	The project shall maintain records and documents adequate to reflect their operations in implementing the project until the Project Completion Date, and shall retain such records and documents for at least ten years thereafter.	Ongoing	Being complied	
<b>General Conditions - Section 8.02 (a)</b>	The LPA shall establish and thereafter maintain an appropriate information management system in accordance with the Fund's operational guidelines and Results Measurement Framework.		Complied	
<b>General Conditions - Section 8.03 (a)</b>	The LPA shall furnish to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably request.	Six monthly and Yearly	Complied	Yearly and trimester progress reports are being submitted.
<b>General Conditions - Section 8.03 (b)</b>	The Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the LPA and approved by the Fund.		Complied	Conducted during February 29 <sup>th</sup> to March 22 <sup>nd</sup> , 2016
<b>General Conditions - Section 8.05</b>	The Project Parties shall furnish to the Fund promptly upon their preparation, such plans, design standards, reports, contract documents, specifications and schedules relating to the Project, and any material modifications subsequently made therein.	During implementation period	Being complied	
<b>General Conditions - Section 9.01</b>	The Project shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the project until the Financing Closing Date and retain such accounts and records for at least ten years thereafter.	Ongoing	Being complied	
<b>General Conditions - Section 9.02</b>	The B/R shall deliver to the Fund detailed financial statements of the operations for each fiscal year prepared in accordance with standards and procedures acceptable to the Fund within 4 months of the end of each Fiscal Year.	15 <sup>th</sup> November of every year	Complied	Unaudited project account of FY 2017-18 was submitted on 9 October 2018.

Federal Democratic Republic of Nepal

Kisankalagi Unnat Biu-Bijan Karyakram (Improved Seeds for Farmers' Programme)

Supervision report aide memoire - Mission dates: 20<sup>th</sup> May to 4<sup>th</sup> June 2019

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
<b>General Conditions - Section 9.03</b>	Audit Report as per the IFAD Guidelines on Project Audit	15 <sup>th</sup> January of every year	Complied	
<b>General Conditions - Section 11.01</b>	<p>(a) The Financing and all Loan Service Payments shall be exempt from all Taxes, and all Loan Service Payments shall be made free and clear of Taxes.</p> <p>(b) The Agreement shall be exempt from any Taxes on signature, delivery or registration.</p> <p>(c) The use of any proceeds of the Financing to pay for Taxes is subject to the Fund's policy of requiring economy and efficiency in the use of its Financing. Therefore, if the Fund at any time determines that the amount of any such Tax is excessive, discriminatory or otherwise unreasonable, the Fund may, by notice to the Borrower/Recipient, reduce the percentages of Eligible Expenditures to be financed by the Financing which are specified in the Financing Agreement.</p>	Ongoing	Being complied	Government finances the taxes.

## **Nepal**

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### **Improved Seed for Farmers Programme (Kisankalagi Unnat Biu-Bijan Karyakram)**

#### **Supervision Report**

#### **Appendix 2: Physical progress measured against AWP&B**

Mission Dates: 20 May - 4 June 2019  
Document Date 13/08/2019  
Project No. 1100001602  
Report No. 5111-NP

Asia and the Pacific Division  
Programme Management Department

## Appendix 2: Physical progress measured against AWP&B

S.No.	Components	Unit	5/15/2019 (Physical current year)			Cumulative Actual (As of 15 May 2019)	Appraisal Target	Achieved %
			AWP& B	Actual	%			
Component 1: Extension of formal Seed Sector								
1.1	Foundation seed production of Cereal	MT	126	92.35	73.29	709.547	855	82.99
1.2	Foundation seed production of vegetable	MT	5	0.05	1.00	12.954	25	51.82
1.3	Area under foundation seed ( Cereal )	Ha	60	66	110	566.5	1880	30.13
1.4	Area under foundation seed ( Vegetable)	Ha	4	0.77	19.25	47.75	51	93.63
1.5	Group/Coops/ Agrovat grantee	Number	-	-		365	372	98.12
1.6	Farmers organized in Seed Production	Number	-	-		13448	7000	100
1.7	Large Seed Companies Supported	Number	-	-		4	5	80
1.8	TL seed sufficient to cover crop area ( cereal and Vegetable)	Ha.	-	-		205546	100,000	100
1.9	TL cereal seed production	MT	4447	1796.6	40.4	5646.2	3250	100
1.1	TL vegetable seed production	MT	360	60.9	16.9	333.3	500	66.66
1.11	FFS Demonstration	Number	50	44	88.0	659	750	87.87
1.12	Numbers of farmers participating in FFS	Number	1250	1109	88.7	17076	18750	91.07
1.13	PVS Demonstration	Number	18	12	66.7	253	270	93.7
1.14	ASC Building constructed	Number	1	0	0.0	10	12	83.33
Component- 2: Smallholder Livestock Development								
2.1	HH received 2 goats (HIN)	HHS	0	0		7527	5500	100
2.11	HH received Buck (HIN)	HHS	1	9		514	509	100
2.2	Community Boer goat breeding herd establishment	Number	0	0		2	2	100
2.3	Multiplier Boer breeding herd established	Number	0	0		12	12	100
2.4	Dairy Pocket established/Identified	Number	0	0		17	17	100

2.5	Buffalo Bull Distribution ( in program district)	Number	0	0		99	90	100
2.6	Import of Jersey semen	Dose	0	0		10000	19000	52.63
2.7	Import of sex semen	Dose	1000	0	0	1000	1000	100
2.8	Import of Murrah Semen	Dose	0	0		3000	8000	37.5
2.9	VAHW/ CAVE training	Person	22	35	159	85	83	100
2.1	Boer Buck import	animals	30	0	0	50	80	62.5
2.11	Import of Boer semen	Dose	0	0		10000	13000	76.92
2.12	Goat FFS Facilitator	Person	0	0		124	121	100
2.13	FFS on Goat	Number	8	-		46	56	82.14
2.14	Numbers of farmers participating in FFS	Number	200	0	0	1160	1400	82.86
2.15	Local livestock collection centres/markets established and functioning/Goat market linkage/Community service centre	Number	4	0	0	7	13	53.85
2.16	Animals in dairy HHs covered by routine vaccination against HS, BQ, and FMD - at least 80%	Unit	30000	27178	91	87323	97800	89.29
2.17	Vaccination against PPR in Goat	Unit	40000	38240	95.6	187745	219250	85.63
2.18	Internal Parasite control in Dairy	Number	30000	24,834	82.78	73,709	78500	93.9
2.19	Internal Parasite control in Goat	Number	25000	29725	118.9	140975	159850	88.19
2.2	Vet Camp ( Dairy-67 and Goat-75)	Number	31	31	100	132	142	92.96
2.21	AI in Goat	Number		98		1147	1032	100
2.22	AI in Cattle	Number	4000	7096	177.4	15,671	12400	100
2.23	LSC Building constructed	Number	1	0	0	14	15	93.33
2.24	No. of SPs(Grantee)	Number	1	1	100	204	180	100
2.25	Beneficiary on SPs	Number	1	1	100	6996		
2.26	Import of Murrah Buffalo	Number					50	
2.27	Boer cross buck supply from BH to MH	Number	200	111	55.5	258	400	64.5
2.28	Liquid nitrogen container	Number				38	38	100
2.29	Vet lab establishment (Basic+Primary)	Number				12	18	66.67

Component 3: Local Entrepreneurship and Institutional Development								
3.1	Agriculture and Veterinary protocol training	Number	0	0		72	25	100
3.2	Agri-planning & investment training organized	VDC	0	0		182	156	100
3.3	Training on Cost Benefit Analysis for grantees	Events	0	0		282	360	78
3.4	GESI Training for grantees	Events	0	0		338	304	111.18
3.5	Financial management and book keeping training for grantees	Events	0	0		18	24	75
3.6	No. of SFACLs established and registered	Number	20	0		75	75	100
3.7	No. of female household organized in SFACLs	Number	11415	10615	92.99168	36596	22500	100
3.8	Services provided through SFACLs :							
	a. Saving	HHs	12016	10615	88.34	36596	45000	81.32
	b. Loan lending	HHs	16292	7595	46.62	16571	33291	49.78
	c. Saving Collection	HHs %	100	100	100.00	100		100
	d. Women participation as a members of the SFACLs	%	60%	95%		95%	80%	100
3.9	Investment Windows Established and functioning for grant facilitation	Number	0	0		6	6	100
3.10	Multi-stakeholders platforms to strengthen market linkages	Number	6	6	100	36	5	100
3.11	Annual agro-fairs	Number	9	7	77.8	42	42	100
3.12	Number of AMIS	Number	0	0		6	6	100
3.13	No. of Price dissemination board	Number	0	0		24	24	100
3.14	Total Programme direct beneficiaries	HHs	9,977	10,259	102.8	90352	90,070	100.31
3.15	Share of beneficiaries							
3.15.1	Female	HHs %	50	81%		81%	50%	62

3.15.2	Dalit	HHs %	12	16%		16%	12%	75
3.15.3	Janjati	HHs %	24	24%		24%	26%	108
3.16	Groups formed/strengthened with women in leadership position (atleast 50%)	%	0%	0%		58.6	50	100
3.17	Number of SFACLs with satisfactory financial governance: (a) regular savings by 95% of members; (b) cumulative repayment of loans more than 98%; (c) Annual general meetings held as per schedule and regular election process.	Number	30	44		74	60	100
3.18	Private purchase contract established with at least 50 % of supported seed groups	%	0	0		93	50	100
3.19	Private purchase contract established with at least 35% of supported Dairy and goat groups groups	%	0	0		85	35	100



## **Nepal**

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### **Improved Seed for Farmers Programme (Kisankalagi Unnat Biu-Bijan Karyakram)**

#### **Supervision Report**

#### **Appendix 3: Compliance with legal covenants: status of implementation**

Mission Dates: 20 May - 4 June 2019  
Document Date 13/08/2019  
Project No. 1100001602  
Report No. 5111-NP

Asia and the Pacific Division  
Programme Management Department

### Appendix 3: Compliance with Financing Agreement covenants

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
FA - Section B Para 6	Counterpart financing shall be provided for the Programme in the amounts of approximately USD 4.35 million from the Borrower/Recipient and approximately USD 4.60 million from beneficiaries both in cash and in kind. The contribution of the Borrower/Recipient shall cover (i) taxes and duties foregone on all the Programme inputs, (ii) the salaries of the Programme Manager and Accounts Officer and other deputed staff, and (iii) audit fees for the Programme. It is also expected that Heifer International will provide additional financing for activities related to the Programme in the amount of USD 2.5 million.	During implementation period	Ongoing compliance	Being provided.
FA - Section C Para 1	The Lead Programme Agency shall be the Borrower/Recipient's Ministry of Agricultural Development (MOAD)		Complied	
FA - Section C Para 2	The following are designated as additional Programme Parties: Ministry of Federal Affairs and Local Development, Ministry of Finance, Ministry of Cooperatives and Poverty Alleviation, Federation of Nepalese Chambers of Commerce and Industries, Nepal Agricultural Cooperative Central Federation, Small Farmer Development Bank, District Agricultural Development Offices, District Livestock Service Offices, District Development Committees, Village Development Committees, Heifer International and Agro Enterprise Center.		Complied	
FA - Section E Para 1	The following are designated as additional general conditions precedent to withdrawal: (i) the Programme Steering Committee and the Programme Management Office (PMO) shall have been established and the members designated; (ii) the Programme Manager and the Accounts Officer, both acceptable to the Fund based on the approved terms of reference, shall have taken up their posts; (iii) the Programme Implementation Manual shall have been approved by the Programme Steering Committee after non-objection by the Fund;	Before disbursement of initial advance and Credit, Guarantee Funds	Partially complied	(i) Designated Account denominated in USD opened with Nepal Rastra Bank. (ii) PIM has not been updated prior to the provision of the Supplementary Loan.

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
	(iv)the Programme Implementation Manual shall have been duly updated prior to the provision of the Supplementary Loan; and (v) a Subsidiary Lending Agreement (SLA), satisfactory to IFAD, shall have been concluded between the Borrower/Recipient and SFDB prior to the disbursements against the "Credit, Guarantee Funds" Category under the Loan and the Supplementary Loan.			
<b>FA - Schedule 1 Section II para 1</b>	The Programme shall be implemented by the overall direction of Programme Steering Committee Chaired by the Secretary of the Lead Programme Agency.		Complied	
<b>FA - Schedule 1 Section II para 6</b>	The Programme Management Office (PMO) shall include a Programme management team comprised of a Programme Manager, Deputy Programme Manager, Senior Programme Advisors (Seed Coordinator, Livestock Coordinator and LEID Coordinator), Accounts Officer, Monitoring and Evaluation/Knowledge Management Officer, Planning Officer, M & E Officer, Contracts and Procurements Manager, Financial Management Specialist, Crops/Seed Development Officer, Livestock/Veterinary Officer and a Gender and Social Inclusion (GESI) Advisor and other staff.		Partially complied	Livestock Coordinator and MIS office have resigned and new Livestock Coordinator and MIS Specialist have recruited from 2 Sept 2018 & 23 Sep 2018 respectively
<b>FA - Schedule 1 Section II Para 7 (a)</b>	Programme staff and experts, other than deputed MOAD personnel will be recruited from the local market through a contracted recruitment agency following a competitive selection process.		Complied	Most of the appointments have been done through recruitment agency and the rest through competitive process.
<b>FA - Schedule 1 Section II Para 7 (c) and (d)</b>	Heifer International and Agricultural Enterprises Centre be designated as Implementation Partner on the basis of MoU satisfactory to the Fund.		Complied	MoU with Heifer International signed on 16 <sup>th</sup> April 2014 and with AEC was signed on 13 August 2013.
<b>FA - Schedule 1 Section II Para 7 (e)</b>	SFDB shall enter into a SLA with the Borrower/Recipient in order to operate the credit line dedicated to the Programme.		Complied	MOU with SFDB was signed on 2 February 2018.
<b>FA - Schedule 1 Section II Para 8</b>	Programme Implementation Manual (PIM) shall have been submitted to the Fund for no objection and to the PSC for approval.		Complied	
<b>FA - Schedule 1 Section II Para 9</b>	A Mid Term Review (MTR) shall be conducted at the end of Programme Year three to prepare Phase II of the Programme.		Complied	Conducted during February 29 <sup>th</sup> to March 22 <sup>nd</sup> , 2016
LTB - Para 5	The proceeds of the financing may not be used to pay taxes.		Complied.	
LTB - Para 6	In accordance with Section 4.04(d) of the General Conditions, immediately after entry into force of the Financing Agreement, there shall be a		Complied	

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
	Designated Account denominated in the USD to be opened in an Bank acceptable to IFAD, through which IFAD funding shall be channeled. The borrower shall inform the Fund on the officials authorized to operate the Designated Account. In accordance with section 3.1 of the LDH, the Designated Account will be administered following Imprest Fund arrangements.			
LTB - Para 7	Upon fulfillment of conditions precedent to withdrawal and the Borrower's request, the Fund shall make one (or more) withdrawal(s) of up to USD 2.5 million for the loan and the grant in the aggregate and deposit such amount(s) into the Designated Account.		Complied	
LTB - Para 11	Before withdrawal can begin, IFAD receives from the Ministry of Finance a letter designating the names of officials authorized to sign withdrawal applications, which includes their authenticated specimen signatures.		Complied	
LTB - Para 12	The following are designated as additional conditions precedent to withdrawal: (i) the Programme Steering Committee and the PMO shall have been established and the members designated; (ii) the Programme Manager and the Accounts Officer, both acceptable to the Fund based on the approved terms of reference, shall have taken up their posts; (iii) the Programme Implementation Manual shall have been approved by the Programme Steering Committee after non-objection by the Fund; and (iv) the designated account shall have been duly opened and the names of officials authorized to sign withdrawal applications shall have been submitted to the Fund.		Complied	
LTB - Para 13	Section 4 of the LDH provides details regarding the use of the Statements of Expenditure (SOE) facility for withdrawals for certain expenditures types from the Loan and Grant Account.		Being complied	
LTB - Para 14	The thresholds for all expenditures pertaining to all categories up to USD 30,000. (USD100,000 revised on October 18, 2017)		Being complied	
LTB - Para 17	As provided in IFAD's Procurement Guidelines, each procurement plan shall include the proposed contracts, methods of procurement and related IFAD review procedures, procurement of goods, works and services financed by IFAD would follow the Government of Nepal's Procurement Act and Regulations, to the extent that they are consistent with the IFAD Procurement Guidelines. Any future amendment of the Government of Nepal's Procurement Act and		Being complied	

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
	Regulations will be subject to IFAD review. Annual procurement plans for each year will identify the method and procedures in order to ensure consistency with the IFAD procurement Guidelines. The procurement shall follow the procurement thresholds of the Government of Nepal's Procurement Act, regulations and Guidelines.			
LTB - Para 18	Whenever possible, procurement of goods and works will be bulked into sizeable bid packages to attract competitive bidding and to make the bidding process more cost effective. The procurement of goods above USD 200,000, of works above USD 1 million and o services above USD 100,000 will follow the International Competitive Bidding method of procurement.		Being complied	
LTB - Para 19	The following shall be subject to prior review by the Fund: (i) award of any contract for goods and works estimated to costs USD 50,000 or more, and (ii) award of any contract for consulting services estimated to cost USD 20,000 or more.		Being complied	
LTB - Para 21	All contracts, with or without prior IFAD approval, shall be listed in the Register of Contracts with the dates of approval and submitted to the IFAD Country Programme Manager on a monthly basis.		Partially complied	Register of contracts is not submitted on a monthly basis rather it is submitted along with WA.
LTB - Para 22	An appropriate accounting software shall be identified and a chart of accounts shall be set up for the Programme Accounting and Financing Reporting Acceptable to the Fund.		Complied	Accounting software developed for projects funded by IFAD has been procured but the financial reports required for IFAD and WA are not being generated.
LTB - Para 23	The auditors shall submit three separate opinions (on the consolidated financial statements, on the Designated Account and on the SOEs). There opinion shall describe the acceptability of the programme financial statements and determine whether the Designated Account has been correctly accounted for and has been used in accordance with the Financing Agreement. They will also determine the adequacy of supporting documents and controls on the use of the SOEs as a basis for disbursements. The auditors shall also furnish a separate Management Letter which will identify any material weakness in accounting and internal controls at all levels, will report on the degree of compliance with financial agreement covenants, including with regard to the procurement of		Complied	PMO's replies to the Management Letter have been submitted to IFAD on 19 April 2019.

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
	goods, works and consultant services. A certified copy of the annual audit report of the programme together with the PMO's replies to the Management Letter will be sent to IFAD prior to 15 January of each programme year.			
LTB - Para 25	The log of audit observations should be maintained and updated regularly.		Being complied	
LTB -Amendement	The Fund requests the Borrower/Recipient to submit Interim Financial Reports (IFRs) at quarterly intervals, within 45 days after the period-end, in the format specified in Annex 1 of this letter		Being complied	
<b>General Conditions - Section 4.02</b>	Application for Withdrawal, or Special Commitment	Initial advance to the DA and replenishment for each WA	Ongoing compliance	
<b>General Conditions - Section 4.08</b>	The financing shall be used exclusively to finance expenditure meeting eligibility requirements.	Ongoing	Being complied	
<b>General Conditions - Section 7.01 (b)</b>	The LPA shall submit the draft AWPB and Procurement Plan to the Fund no later than 60 days before the beginning of the project year	Each Programme Year	Complied	The draft AWPB for the year 2018-19 was submitted on 4 April 2018 and the but the final revised AWPB was submitted on 16 August 2018 incorporating comments provided by IFAD on 3 August 2018. IFAD provided no-objection on 24 August 2018. The draft AWPB of FY 2019-20 has been submitted to the IFAD on 12 April 2019..
<b>General Conditions - Section 7.03(b)</b>	Borrower/Recipient shall make available to the Project Parties during the Project Implementation Period counterpart funds from its own resources in accordance with its customary national procedures for development assistance.	During implementation period	Ongoing compliance	Government of Nepal prefunds the Programme as per its national procedures.
<b>General Conditions - Section 7.05 (a)</b>	Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the B/R's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the B/R in order to ensure consistency with the IFAD Procurement Guidelines.	During implementation period	Ongoing compliance	The Procurement Plan is being prepared.
<b>General Conditions -</b>	All goods, services and buildings financed by the Financing shall be used	Ongoing	Being complied	

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
<b>Section 7.06</b>	exclusively for the purposes of the Project.			
<b>General Conditions - Section 7.08 (a)</b>	All goods and buildings used in the project shall be insured against such risks and in such amounts as shall be consistent with sound commercial practice.	During implementation period	Partially complied	Third party insurance of vehicles and motorbikes only.
<b>General Conditions - Section 7.09 (a) &amp; (c)</b>	Subsidiary Agreements. (i) The B/R shall ensure that no Project Party shall enter into any Subsidiary Agreement, or consent to any modification thereof, inconsistent with the Financing Agreement or the Project Agreement. (ii) No provision of any Subsidiary Agreement to which the B/R is a party shall be assigned, waived, suspended, abrogated, amended or otherwise modified without the prior consent of the Fund.		Complied	Subsidiary Agreements with AEC, NACCFL and SKBBL have been entered into after no objection from IFAD.
<b>General Conditions - Section 7.11</b>	The LPA shall appoint the Project Director and all other key Project Personnel in the manner specified having qualification and experiences in the Agreement or otherwise approved by the Fund. The Borrower/recipient shall exercise best efforts to ensure continuity in key project personnel throughout the Project Implementation Period and shall insure key personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of national civil service, whichever is appropriate.	Ongoing	Being complied	
<b>General Conditions - Section 8.01</b>	The project shall maintain records and documents adequate to reflect their operations in implementing the project until the Project Completion Date, and shall retain such records and documents for at least ten years thereafter.	Ongoing	Being complied	
<b>General Conditions - Section 8.02 (a)</b>	The LPA shall establish and thereafter maintain an appropriate information management system in accordance with the Fund's operational guidelines and Results Measurement Framework.		Complied	
<b>General Conditions - Section 8.03 (a)</b>	The LPA shall furnish to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably request.	Six monthly and Yearly	Complied	Yearly and trimester progress reports are being submitted.
<b>General Conditions - Section 8.03 (b)</b>	The Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the LPA and approved by the Fund.		Complied	Conducted during February 29 <sup>th</sup> to March 22 <sup>nd</sup> , 2016
<b>General Conditions - Section 8.05</b>	The Project Parties shall furnish to the Fund promptly upon their preparation, such plans, design standards, reports, contract documents, specifications and schedules relating to the Project, and any material modifications subsequently made therein.	During implementation period	Being complied	
<b>General Conditions - Section 9.01</b>	The Project shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to	Ongoing	Being complied	

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
	reflect the operations, resources and expenditures related to the project until the Financing Closing Date and retain such accounts and records for at least ten years thereafter.			
<b>General Conditions - Section 9.02</b>	The B/R shall deliver to the Fund detailed financial statements of the operations for each fiscal year prepared in accordance with standards and procedures acceptable to the Fund within 4 months of the end of each Fiscal Year.	15 <sup>th</sup> November of every year	Complied	Unaudited project account of FY 2017-18 was submitted on 9 October 2018.
<b>General Conditions - Section 9.03</b>	Audit Report as per the IFAD Guidelines on Project Audit	15 <sup>th</sup> January of every year	Complied	
<b>General Conditions - Section 11.01</b>	<p>(a) The Financing and all Loan Service Payments shall be exempt from all Taxes, and all Loan Service Payments shall be made free and clear of Taxes.</p> <p>(b) The Agreement shall be exempt from any Taxes on signature, delivery or registration.</p> <p>(c) The use of any proceeds of the Financing to pay for Taxes is subject to the Fund's policy of requiring economy and efficiency in the use of its Financing. Therefore, if the Fund at any time determines that the amount of any such Tax is excessive, discriminatory or otherwise unreasonable, the Fund may, by notice to the Borrower/Recipient, reduce the percentages of Eligible Expenditures to be financed by the Financing which are specified in the Financing Agreement.</p>	Ongoing	Being complied	Government finances the taxes.