

## **Nepal**

---

### **Improved Seeds for Farmers Programme**

#### **Supervision report**

Main report and appendices

Mission Dates: 17 March - 2 April 2015  
Document Date: 05 April 2015  
Project No. 1602  
Report No: 3728-NP

Asia and the Pacific Division  
Programme Management Department



## Contents

Abbreviations and acronyms	iii
A. Introduction	1
B. Overall assessment of ISFP implementation	1
C. Outputs and outcomes	3
D. ISFP implementation progress	10
E. Fiduciary aspects	14
F. Sustainability	16
G. Other	18
H. Conclusion	18

## Appendices

Appendix 1:	Summary of project status and ratings	21
Appendix 2:	Updated logical framework	23
Appendix 3:	Summary of key actions to be taken within agreed timeframes	25
Appendix 4:	Physical progress measured against AWPB including RIMS indicator:	37
Appendix 5:	Financial: Actual financial performance by financier; by component and disbursements by category	41
Appendix 6:	Compliance with legal covenants: Status of implementation	43
Appendix 7:	Knowledge management: Learning and Innovation	47
Appendix 8:	Audit Log	49

## Abbreviations and acronyms

AEC	Agro Enterprise Centre
AWPB	Annual Workplan and Budget
DAO	District Administration Office
DADO	District Agriculture Development Office
DDC	District Development Committee
DCCI	District Chamber of Commerce and Industry
DLSO	District Livestock Services Office
FFS	Farmers' Field School
FNCCI	Nepal Federation of Chamber of Commerce and Industry
ISFP	Improved Seeds for Farmers Programme
M&E	Monitoring and Evaluation
MIS	Management Information System
MOAD	Ministry of Agriculture and Development
MOU	Memorandum of Understanding
NACCFL	National Agricultural Cooperative Central Federation
NAB	National Seeds Board
NARC	Nepal Agricultural Research Council
PDO	Programme Development Objective
PIM	Programme Implementation Manual
PIU	Programme Implementation Unit
PMO	Programme Management Office
PSC	Programme Steering Committee
PY	Programme Year
RIMS	Result and Impact Management System
RSTL	Regional Seed Testing Laboratory
SFACL	Small Farmer Agro Cooperative Limited
SFDB	Small Farmer Development Bank
SIMES	Standard IFAD Monitoring and Evaluation System
SWOT	Strength Weakness Opportunity and Threat Analysis
VDC	Village Development Committee



## A. Introduction<sup>1</sup>

1. A mission from the International Fund for Agriculture Development (IFAD) visited Nepal from March 17<sup>th</sup> to April 2<sup>nd</sup>, 2015 to undertake the supervision of the Kisankalagi Unnat Biu-Bijan Karyakram (KUBK) or the Improved Seeds for Farmers Programme (ISFP). The objective of the mission was to review the overall performance of the Programme and assess the extent to which Programme objectives are likely to be met. The mission reviewed management and implementation arrangements including financial management, monitoring and evaluation arrangements. The mission examined progress achieved under each component, identified key constraints and made recommendations to facilitate the achievement of overall Programme objectives. The mission also included a representative from FAO to assess the capacity building needs of the Programme and develop an action plan for KUBK as part of the IFAD-FAO initiative on capacity development for better management of public investment in small-scale agriculture in developing countries.
2. The mission met with the Secretary of MOAD as well as other senior officials of the Ministry, the representatives of the Agriculture Enterprise Centre, the Small Farmer Development Bank, NACCFL, National Agriculture Research Centre, National Seed Company and Heifer International. The mission had detailed meetings with the PMO staff in Butwal and the Programme implementation Units (PIUs) at the district level. Meetings were also held with the District Agriculture Development Offices, District Livestock Service Offices, Agriculture Enterprise Centres and other implementing partners. Field visits were undertaken to the Programme districts of Rukum, Salyan, Gulmi and Arghakhanchi. The mission met with representatives from the private sector, agrovets, agriculture cooperatives, farmer seed production groups, dairy cooperatives, participants of Farmer Field Schools and Participatory Varietal Selection (PVS) trials, Small Farmer Agriculture Credit Cooperatives Limited (SFACL) and men and women from the farming community.
3. This Aide Memoire reflects the mission's key findings and recommendations which were shared with the Government at a wrap up meeting chaired by the Secretary of MOAD on April 1, 2015. While major recommendations have been agreed and discussed with the Government of Nepal, this document is subject to formal confirmation by the Government of Nepal and IFAD. A supervision mission report is under preparation and will be submitted by the end of April 2015.
4. The Mission would like to record its appreciation for the support and hospitality provided by the Government of Nepal and Project staff in the field.

## B. Overall assessment of ISFP implementation

5. **Objective:** The Programme aims at developing the formal seed sector as well as improving smallholder livestock through improved partnership with the private sector in the hills of Nepal. The Programme is a USD 59.7 million operation to be implemented for seven years in two phases: the first phase will target six districts in the mid-west and western regions of the country. The second phase will upscale results achieved to more districts from year 4 onwards. The Programme consists of four components which include (i) Support to the Extension of the Formal Seed Sector; (ii) Smallholder Livestock Development; (iii) Local Entrepreneurship and Institutional Development and (iv) Programme Management and Coordination (PMO). Appendix 2 gives the Logical framework with its expected outcomes and outputs.
6. A supplementary loan of USD 5 million was also approved for the Programme. However, the design aspects of this loan are still being refined and in the process of finalization. Meanwhile, no funds have been disbursed from the supplementary loan.
7. **Implementation progress:** The Supervision Mission has rated the overall performance of the Programme as **Moderately Unsatisfactory**. Appendix 1 gives a summary of project status and ratings. The Programme became effective in December 2012 but was unable to put in place adequate implementation arrangements due to delay in staff recruitment and signing of

---

<sup>1</sup> Ms Maliha Hussein, Mission Leader and Programme Management Specialist, Ms Wafaa El Khoury, Seed and Agriculture Specialist, Mr Pratul Dube, Financial Management and Procurement Specialist, Mr Avigya Karki, Monitoring & Evaluation and Knowledge Management Specialist, Mr Surya Singh, Livestock Specialist, Ms Girija Srinivasan, Microfinance and Grants Specialist, Ms Judith D'Souza, Gender and Targeting Specialist, Mr Bashu Aryal, Country Programme Officer, Ms Lakshmi Moola, Country Programme Manager. Mr Tommaso Alacevich, FAO TCI also joined the mission.

agreements with implementing partners. The use of Government procurement procedures for recruitment of consultants, service providers and purchase of inputs has considerably delayed implementation. Similarly, the use of public line agencies to implement the seed production and livestock production activities has limited progress because of the limited staff at the district level and lack of vehicles and operational support. The technical assistance available to the Programme has not been used effectively. By the middle of March 2015, the programme had disbursed less than 10% of its funds from IFAD and the Government. While activities have now been initiated under all components, the Programme has focused very unevenly on different components. The focus has been on eliciting grants from the beneficiaries with limited attention to potential interventions in livestock production, capacity building and provision of inputs key for the seed and livestock development outside the grants scheme. KUBK has initiated farmer field schools for cereal and vegetable production and some participatory varietal selection trials (PVS). There has been little attention on the livestock component due to delay in signing agreement with Heifer International, delay in recruitment of staff, delay in procurement of inputs required for livestock production and lack of understanding of the full scope of the components.

8. **Implementation Approach:** The Mission found that the seed and livestock sector are very dynamic and the supply and demand for vegetable seeds has been rapidly changing. Due to the reduction in demand of Nepali vegetable seeds by Bangladesh, there has been a drop production of vegetable seeds. Cereal seed demand still remains high particularly for maize and rice. Farmers generally base their production on the demand in the previous year and as such their response is always lagged. The competition between hybrid and Open Pollinated Varieties (OPV) of certain crops further confounds an accurate assessment of demand and supply factors. The approach taken by the Programme to work backwards from the market and facilitate linkages with the private sector is a sound approach and should be continued. However an improved mechanism for assessing annual demand and trends needs to be developed for proper planning. The AEC has played a very positive role in facilitating links with farmers and assisting them with identifying business development opportunities. The Programme should continue to assist smallholders make more linkages with the private sector and orient their production to market demand in terms of both the quality and volumes to be produced. Appendix 3 gives a summary of key actions to be taken within agreed timeframes.
9. **Likelihood of achieving the development objectives** has been rated as **Moderately Satisfactory**. Essential signs of implementation progress towards meeting of the programme development objectives are visible within the components. Key to this has been the recent change in programme management, allowing for a re-stock of what is to be achieved within the given timeframe. The mission notes the progress in Component 1 and Component 3. Component 2 lags due to staffing delays, which should be resolved imminently. The staff of the PMO have elicited continued oversight from IFAD and have expressed the need to re-induct existing staff and induct new staff to allow for all to move forward towards the objectives.
10. **Timing of Supervision Mission:** It is recommended that the next supervision mission should be arranged prior to the start of the AWP&B process which will help to incorporate the recommendations of the mission into the plans for the next year. As such, the next Mission should be planned for February, 2016.

Action	Responsibility	Date
Undertake through the hiring of a national/international consultant, an assessment of the Seed Act, the outcomes of the Seed Summit, and based on the KUBK experience, suggest interventions and amendments for policy dialogue in support of the IFAD target group, especially in the areas of seed quality control and support to the local OPV varieties in the hilly and remote areas of Nepal.	PM	June/July 2015

## C. Outputs and outcomes

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

11. The performance of this component is rated **Moderately Satisfactory**. **Improving Policy and Regulations:** The activities foreseen in assisting the National Seed Board (NSB) and relevant public and private stakeholders to finalize and implement amendments to the Seed Act and its Regulations have not started yet. Government's formulation of the Seed Vision 2025 and the Seed Summit planned this year provide a very good forum for the Programme to understand the specific aspects of the vision and contribute to it based on its field experience. At the same time, the Government could use the KBUK to highlight and promote some elements of the seed vision 2025. This is a very valuable opportunity and should be proactively seized by the Programme.
12. **Increasing the capacity of the DADOs.** KUBK has continued its support to the DADOs during the past year by hiring of additional staff and their training in several key areas. Rehabilitation work has been initiated for the seed Labs in Bhairahawa, Rupandehi, Khajura and Banke and the provision of new buildings and facilities for the Agricultural Service Center (ASC) in Kaporkot, Salyan, Hanshapur, Arghakhachi, Baraula, Pyuthan, Purkot, Gulmi and the screen house to the DOA Chapa farm has been initiated.
13. **Improving the seed quality control system:** The mission observed good collaboration between the seed producer groups visited and government units involved (DADO, DOA farms, NARC, etc.) in the areas of quality control. Where the private sector is directly involved in contract farming, seed companies or agrovets were also involved in the production process and field inspection for quality monitoring usually in collaboration with DADO staff. The mission noted however, insufficient field inspection visits to the seed producer fields and samples of harvested seeds were sent for testing by the farmers/farmer groups themselves rather than by external inspectors.
14. **Seed Storage:** Discussions with farmers revealed that harvested seeds are kept with farmers from anywhere between one week to several months after testing and before they are sold or picked up by the agrovets or private company. Seed storage conditions during this period are often sub-optimal resulting in losses in seed quality. Storage conditions at the level of agrovets is also in-appropriate as indicated by many of the agrovets met by the mission and who, despite seed testing, indicated that farmers buying seeds from them sometimes complained of poor seed germination. On the other hand, there still seems to be limited understanding by seed producing groups of the requirements of Truth Fully Labelled (TLS) and its exact requirements. While the Agrovets were abiding by the seed testing process they were not following the labelling requirements of TLS. They also reported that very limited buyers actually requested the yellow labelled TLS.

### Sub-component 1.2: Improved Seed Production

15. **Breeder and Foundation Seed.** ISFP has supported during 2014/15 the production of foundation seeds for cereals and vegetables on the agriculture research stations and DOA farms. While vegetable seed has been produced by NARC and DOA research stations, support has been provided for the production of cereal foundation seed to farmer groups through contract farming arrangements with authorised seed companies under the control of NARC. The availability of breeder seeds seem to be a bottleneck in some cases, as expressed by the groups producing foundation seeds.
16. **Seed Value Chain Study:** The seed demand estimation of the amount of breeder, foundation and Truthfully Labelled Seeds needed within the ISFP areas is usually based on the sales of the previous year. However, there does not seem to be a systematic process of assessing the seed needs for a certain variety within and outside the district, at the national level or for export. Thus overall trends and shifts in demand are not properly documented or analysed. The seed value chain assessment planned during the first year of the programme was postponed due to the availability, at that time, of an assessment prepared by FAO. However, given the significant changes in the market conditions over the last three years, the time for undertraining a detailed value chain assessment now seems appropriate.

17. **Strengthening seed producer groups and cooperatives.** The programme has been supporting established seed producer groups, and has not initiated the establishment of any new groups. The mission feels that the focus on existing groups is the correct approach and should be continued. However, there is need to ensure that these established groups do not block the entry of members wishing to join them.
18. **Engaging formal sector seed companies..** The mission observed that the involvement of the formal private sector seed companies, has been limited until present, and the role of SEAN in promoting the marketing of seeds has not been obvious. However, during the field visits, the mission was able to interact with some private companies, who are very interested and were in the process of preparing their proposals for the CGS. The programme is planning a workshop for the development of the strategic action plan for seed development in April 2015. This could be a good occasion to revive the interaction with the private sector companies. The recommended annual seed consultation workshops using the multi-stakeholder forum at the district and national levels should also enhance the linkages with the private sector.

### Sub-component 1.3: Promoting Farmer Demand for TL Seed

19. The programme foresees that in each of the six districts, an average of 5,000 smallholder households would be specifically targeted to promote use of TL seed. This is being promoted mainly through the FFS approach. However, the number of the facilitators available are not adequate to fulfill the ISFP requirements. The PMO has submitted to IFAD for its no-objection, a service provision contract to manage the implementation of the FFS activities for this year. IFAD however did not give its clearance to the contract on the basis of lack of FFS experience by the service provider. An FAO/IFAD Initiative project, FAO is supporting selected IFAD programmes (including WUPAP and ISFP in Nepal) in the improvement of the FFS activities. In order to expand the number of FFS Facilitators and achieve ISFP targets, a series of ToTs would be needed within the coming months to ensure sufficient capacity in FFS facilitators. The mission is recommending close coordination with FAO- Nepal to implement. However, for the current year the budget availability will limit the number of facilitators that can be trained. For subsequent years, a proper training plan needs to be developed to assess the capacity of DLSOs/DADOs. FAO and Heifer international to assist in the process.

Action	Responsibility	Date
Improve the procedures for field inspection and sample testing to fulfil the national regulations for the TLS through the following;	SC/SDO	Immediate
Prepare a plan for field inspection of the KUBK-supported producer groups by authorized personnel (DADO, SQCC) in coordination with other activities undertaken in the field, to overcome limitations in staff and their mobility	SC/SDO	Immediate
Ensure that all grants involving seed production and approved by KUBK/ISFP include field inspection visits and seed sampling undertaken by authorized SQCC or DADO staff in cooperation with the private companies/agrovets.	SC/SDO	Immediate
Actively participate in the dialogue with the government through the Seed Vision 2025 in support of the establishment of private independent seed quality field inspectors certified by the government.	SC/SDO	Immediate
Complete the seed value chain study in the various districts of the programme and at the national level	SC/SDO	July 2015

## Component 2 – Smallholder livestock development.

20. This component comprises three sub-components: (i) Improving Dairy Productivity; (ii) Improving Goat Productivity, and; (iii) Strengthening of District Livestock Services (DLSO Offices). Provision is also made for expanded goat related infrastructure at the main NARC experimental station and for implementation management. The Programme is also expected to finance a value chain analysis. This study has been undertaken by a consulting company Mount Digit Technology and is expected to be completed by 15 May 2015.
21. This component is rated as **Moderated Unsatisfactory**. The Programme staff for this component are not in place although their recruitment process has been initiated and they are expected to join by the end of April 2015. This component has received very limited attention due to delay in signing the agreement with Heifer International and the subsequent halting of activities by IFAD until the implementation arrangements were clarified. As soon as the full contingent of the staff for the Livestock component is on board, it is important for them to understand the full scope of the design and financial allocations of the Programme and then work closely with the DLSOs and facilitate their engagement with the smallholder farmers to identify their specific constraints in livestock development.
22. The agreement with Heifer International was signed in April 2014 and since then some limited activities have been initiated in all Programme districts. The activities include identification of pockets for breed improvement and organization of farms to manage the improved herds. While the process for importing Boer bucks for breed improvement, semen for artificial insemination and high quality forage seeds has been initiated it has not been completed. The earliest these inputs will be delivered is June 2015 which will lead to demotivation and waning of interest of the organised groups. This process needs to be expedited. It is recommended that the Programme staff discuss this issue with the ministry of Agriculture Development and find some alternate sources of supply to fulfil the programme needs.
23. DLSO have been working in all 6 districts, and Heifer in 2 of 6 districts. The DLSOs have administered limited amounts of artificial insemination vaccines and provided a small number of bulls to community groups for breed improvement. A few trainings have also been conducted for staff and livestock farmers. In the four districts where the Livestock component is being implemented by the DLSOs, the Programme has engaged 1,132 households which included 76% women as well as 15% Dalit and 16% percent Janajati. In addition, Heifer has initiated planning, social mobilization and capacity development of 1,359 households (all women, 22% Dalit and 27% Janajati) through its eight project partners in the six selected VDCs of the two districts where it has the prime responsibility for the goat improvement programme.

### Sub-component 1: Dairy Productivity Improvement

24. **Linking dairy pockets and dairy industries:** Smallholder dairy farming is growing in the project area. Discussion with the Arghakhanchi DLSO staff revealed that DDC Lumbini has shown interest in collecting milk from both Gulmi and Aghakhnachi districts if there is an assured daily collection of above 1,500 litre. This is an opportunity to promote smallholder dairy commercialization as envisioned in the Programme design. Therefore, the Supervision Mission recommends that the project technical experts and AEC, in close coordination with the respective DLSOs provide support to the farmers in linking with potential buyers.

### Sub-component 2: Goat Productivity Improvement

25. **Boer Buck Breed Improvement:** DLSOs in 5 project districts have identified pockets for breeder and multiplication herd development with support from PMO, Heifer and NARC. Group formations are underway in all districts except in Rolpa where the DLSO is expected to complete this activity by next month. The Supervision Mission would like to suggest careful review and lesson learning from the Boer goat breeding experience as imported varieties do not always adapt easily to local conditions. Heifer has developed some guidelines for the Programme and it needs to orient field staff and consultants on these guidelines and also provide follow-up support as required.
26. **Farmer Field School:** The Supervision Mission believes that the Farmer field School approach recommended in the Programme design is a very appropriate approach for the livestock sector as well. However, given the limited capacity for conducting these in the country, there will be

need to train master trainers before the roll out of this activity. Furthermore, there will be need to review existing curriculum for goat production to assess its suitability for the Programme districts. There will also be need to develop curriculum for dairy production for which it is believed that one does not exist. FAO and heifer technical assistance should be sought for this purpose as recommended under component 1.

27. **Grants to livestock enterprises:** The Supervision Mission found that there was limited understanding of the full scope of the types of activities that could be initiated under the Livestock component. Programme staff are under the impression that only livestock processing activities can be considered for support under the matching grant scheme. However, the design provides for the inclusion of matching grants for a range of livestock production activities such as shed construction, improved water supply, forage development, input supply and capacity development. The Programme needs to include these activities within the scope of the grants and disseminate the eligibility of these activities as widely as possible given the high demand for goat production.

Agreed action	Responsibility	Agreed date
The recruitment of livestock staff should be finalised and they should join their posts at the PMO and PIUs.	PM	April 30, 2015
Identify alternative options to purchase the required Boer, semen and forage seeds for livestock improvement, if required.	PM/LsC/LDO	June 2015
Assess the suitability of the available goat curriculum for FFS and develop curriculum for dairy development.	LsC/LDO	June 2015
Expand the scope of the matching grant scheme to include livestock production activities and finance activities included in the Programme budget for livestock including sheds, equipment and machinery.	PSC/LsC/LDO/AEC	June 2015

### Component 3 – Local Entrepreneurship and Institutional Development.

28. The objective of this component is to promote a favourable and conducive environment for sustainable private sector enterprise development. Activities under the Programme are expected to target several stakeholders: a) public institutions such as Village Development Committees and district representations of local government; b) public-private institutions such as the District Chamber of Commerce and Industry or private service providers, and c) financial institutions. This component has three sub-components: (i) Institutional Strengthening; (ii) Access to Non-financial Services, and (iii) Increasing Outreach of microfinance institutions. Performance under this component has been rates as **Moderately Satisfactory**.

#### Sub-component 3.1: Institutional Strengthening

29. The District Agriculture Development Committees are formally involved in Programme implementation and have played a key role in the identification of VDCs for the implementation of Programme activities. The programme has not yet initiated orientation sessions on Government agriculture policy as envisaged but has been involving VDC members in crop and livestock activities and in project identification and evaluation aspects. There is little evidence that the participatory meetings are being held at the end of each fiscal year to discuss year-end results but this can also be attributed to the slow implementation progress. The organization of annual agricultural fairs to foster links between smallholder farmers and a range of private sector partners in rural areas has not yet been conducted either.

Agreed action	Responsibility	Agreed date
<b>Institutional Strengthening</b>		
Hold orientation sessions on Government agriculture policy for VDCs and participating groups and cooperatives in the seed and livestock sector.	DADO/DLSOs/SDO/SC/LsC/LDO	On-Going
Organization of annual agricultural fairs to foster links between smallholder farmers and a range of private sector partners in rural areas.	AEC/DADOs and DLSOs	On-Going
<b>Access to Non-Financial Services</b>		
Continue to interact with the private seed companies, dairy companies and meat processors to assess their interest in linking with smallholder producers.	AEC	On-Going
Discuss with agro-vets the potential for increasing their outreach to target groups for provision of a range of services including livestock services.	SC/LsC	On-Going
Explore possibilities of linking dairy groups and seed groups in areas where SFACs are operational so that seed production and livestock can be financed by SFACs.	AEC/SFDB	Ongoing

### Sub-component 3.1: Access to Non-financial Services,

30. The Programme is expected to focus its activity on two types of non-financial services as a support to the Programme-supported value chains: (a) creation of an Investment Window at the District Chamber of Commerce and Industry (DCCI), and (b) support to agro-vets to expand their outreach beyond district centres and provide services to Programme-supported groups.
31. An MOU between the MOAD and the Agriculture Enterprise Centre (AEC) was signed on August 13, 2013 and the AECs at the district level are playing a very proactive role in the Programme. An investment window has been created at the DCCI and orientation sessions have been held to provide grant guidelines and review proposals for the matching and competitive grants. By the end of February 28, 2015, AEC provided advisory services to prepare 173 business plans. AEC has also established a system for providing up-dated information on agriculture prices and has facilitated buy-back agreements for cereal crops. The Programme has been establishing contacts with the private sector especially the agro-vets. The Programme's approach of working backwards from the market is a sound approach and needs to be continued. However, the Programme has not been very successful in eliciting proposals from the private sector. The expansion in the outreach of agro-vets also need to be discussed more actively with them and a plan made for assisting them in this process especially in the livestock sector given that many of the agro-vets are trained para-vets.
32. **Matching Grants:** The programme provides for innovative need based funding through matching grants and competitive grants for supporting business expansion of established agro-based producer organisations, entrepreneurs and companies providing backward and forward linkages. A total of 142 proposals have been received by the PMO, of which 46 proposals have been approved and signed, 72 are being verified in the field and 24 have been rejected. The demand from the farmers have been largely for irrigation, farm equipment and machinery, storage structures, treatment and storage of seeds and stock of foundation seed. However, no disbursements have been made as yet since the agreements were signed in January 2015. The recipient of the grants will receive the payment in several instalments. However, they are expected to invest their own funds first and then claim reimbursement.
33. The Supervision Mission found that there is need to assist the Programme beneficiaries more actively with capacity building for development of sound proposals for grants and give them access to technical assistance for preparation of the technical and economic viability of many of the suggested schemes and enterprises. AEC staff based at the district level does not have the capacity or experience to undertake the type of analysis required in all cases. The PMO should

provide an engineer to prepare the design of all irrigation infrastructure schemes jointly with beneficiaries. Similarly, technical expertise should be provided to those submitting proposals for the operation and management of equipment and facilities which they have not previously managed. The Programme should hire resource persons at the district level who would be on call and would be paid to assist the beneficiaries in strengthening the technical and operational aspects of the proposals. This will become critical given the volume of funds available in this category and the efficiency with which these need to be utilised in the remaining period. The funding for this should come from the grant budget but should be placed outside the ceiling for the proposals and administered directly by the PIU or PMO.

34. Very few of the grantees have begun the activities envisaged under the grant. In order to accommodate the requirement of investing their own resources first and then claiming reimbursement from the KUBK, farmer use their savings or access small credits from other informal savings and credit groups. Others envisage using supplier's credit or borrow from other sources which will entail additional transactions costs for them. Some will simply not be able to undertake the proposed investments and those unable to do so are likely to be those the Programme most seeks to assist. All the groups visited requested review of this policy and pay some part of the grant upfront as an advance. The Programme's rationale for not paying an advance stems from past experience wherein there was inappropriate use of advances in other similar programmes. Besides the Programme feels that since these groups are not formed by them, they need to take extra precautions. However, all groups are registered with DADO or other relevant Government Department and some have been working in the area for a decade or more. In view of the fact that the Programme follows a four stage scrutiny of the proposals including field verification which should provide some assurance on the credentials of the groups.
35. The total volume of funds which have been committed from the grant currently are equivalent to USD 312,000 which is about 4% of the total grant amount of USD 6.7 million. In order to effectively utilise the available funds under the grant category within the remaining Programme period, KUBK will have to increase its speed of processing the grants four-fold. It is doubtful whether the Programme has the capacity to effectively utilise these funds even though it now has the system in place to process the grants but lack manpower to review them efficiently. The current proposals have taken between 5 to 6 months to process with high associated transactions costs for the potential beneficiaries and waning levels of motivation with these inordinate delays and high transactions cost for beneficiaries in trying to assess the outcome of their proposals. The PMO and AEC will have to carefully assess the management needs for effective and efficient processing of the large volume of grant budget in the remaining Programme period. Short term technical experts should be identified and hired on retainer for this purpose.

### **3.3 Increasing Outreach of Microfinance Institutions**

36. The Programme was expected to explore two parallel approaches to develop the outreach of microfinance in rural areas. Under the first approach, the Programme is to assist the cooperative movement to increase the number of its affiliates in the target area by supporting the development of Small Farmer Agro-Cooperative Limited units (SFACLs) and their financing from the Small Farmers Development Bank (SFDB). The second approach was to be based on the non-cooperative microfinance institutions. It was to assist development banks to increase their outreach in the Programme area primarily through the setting up of a network of branches and points of services. The Programme was also expected to assist selected development banks to test the possibility of developing branchless microfinance activities based on mobile phone technology.
37. **The performance of this sub component is rated as Moderately Satisfactory.** As of February 2015, all 12 SFACLs envisaged for the current phase have been mobilised and registered with a total membership of 3,471. The basic work on the orientation program for the next phase of formation of 18 SFACLs has been completed and ad-hoc and advisory committees have been formed. The 12 SFACLs have mobilised NR. 4.6 million from internal resources (shares and savings) and the loan outstanding is NR. 5.2 million.

38. **Institutional strengthening of SFACLs;** During the year, trainings on orientation of staff and board members, accounting and book keeping, micro-credit portfolio management training and business planning have been conducted for the newly formed cooperatives. However, the programme design has not provided for adequate training
39. **Support to SFDB and SFACLs;** The present grading tool for credit risk assessment by SFDB requires revision for which SFDB has requested for TA which could be accessed from the funds allocated for TA supervision. The terms of the MOU with SFDB include continued support to the older 7 SFACLs functioning in the 6 districts; four old SFACLs were visited and it was seen that they require technical support in product development. This TA will also be relevant the new SFACLs formed under the programme. The available TA budget for product development may be used for both old and new SFACLs and can be initiated in 2016.
40. **Monitoring Software Development:** With its loan portfolio growing, SFDB has requested for TA for updating of its software while considering the top up loan. SFDB's request in software based monitoring information systems integrating information of SFACLs, Area offices and Head office can be considered and programme may extend support to the extent of USD 200,000 by reallocating existing budgets under micro finance sub component.
41. **Staffing Support:** Two Area Offices of the SFDB will be overseeing the operations of the programme districts. Their staff capacity is stretched and on site monitoring of SFACLs in hilly areas is inadequate. In the last SM, both NACCFL and SFDB had requested for additional resources in terms of the cost of two liaison officers, a number of necessary office equipment, and the related management cost which was accepted by the mission but yet to be implemented. There is a need to increase the number of staff in Area offices (2 in Nepalganj and 1 in Butwal) with clear and exclusive responsibility for the programme supported SFACLs. Furthermore, the lead trainer of SFDB and the liaison person from NACCFL who are stationed in Kathmandu should spend more time in the field to strengthen field implementation.
42. **Synergy with component 1 and 2;** The last Supervision mission also pointed out the need to integrate initiatives under different components. Existing SFACLs may be used as focal agencies for identifying seed and livestock groups for matching grant support. Moreover, existing members of seed producer groups and livestock groups who are not members of SFACL may be encouraged to avail the financial services of the SFACLs. NACCFL has received demand from 40 more VDCs for SFACL formation which can be assessed for feasibility and considered. The budget for this expansion maybe drawn from reallocation from the MFI non co-operative model. In future, SFACLs should be preferably formed in VDCs where there is cluster of agriculture and livestock related cooperatives to link them with financial services through the SFACLs.
43. **MFI model (Non-cooperative model):** The second approach of the programme was designed to assist development banks and MFIs to set up a network of six branches and points of services or branchless microfinance activities based on mobile phone technology. The study commissioned by the programme has recommended co-operative model for almost all the districts especially in the remote VDCs and bank branches in 2 districts near the district headquarters. The Supervision Mission believes that the second approach of using microfinance institutions requires re-consideration due to its finding that the seed producer group members (in the non-SFACL areas) preferred availing financial services from co-operatives and informal groups rather than development banks. The branchless banking option is not a viable option at the current nascent stage of its development. The operating models which use agents with Point of Sale (POS) machines with biometric cards and mobile banking require high investment costs in technology and associated infrastructure. The Programme also has limited capacity in rural finance and implementing different initiatives with present capacity is not feasible. As such, it is recommended that this option be dropped and the resources allocated for this component should be allocated to expanding the SFACL approach. This reallocation can be undertaken during the MTR mission next year.

Agreed Action	Responsibility	Timeline
Delegate the decisions and approval procedures increasingly to the district level to reduce the bureaucracy and avoid the potential need of the beneficiaries to come to PMO often;	PSC	Immediate
Ensure that infrastructure and engineering studies needed within the proposals are undertaken by authorized engineers and that the incurred costs is paid by ISFP from outside the matching grant.	PM	Immediate
Include in all relevant grants on seeds the recommendations on the improved quality of the TL seeds (field inspections, improved storage facilities, proper labelling of TLS).	AEC/SC/SDO	Immediate
Facilitate groups to develop protocol for common assets; and also internal fund for operations, maintenance and repair, and replacement of machinery and equipment.	AEC	Immediate

#### D. ISFP implementation progress

44. **Project management performance.** The Programme performance in management is rated as **Moderately Satisfactory** given the important strides KUBK has made in the recruitment of staff, finalization of operational manual for grants and the initiation of training and capacity building activities. Most of the members of the technical team are in place and those not yet recruited are in the process of being hired and will be in place within the next month. The Programme has filled many of the vacant positions and by the middle of March, 2015, 48 staff positions of the PMO and the districts PIUs were filled. There are still 31 positions of livestock and other specialists which are vacant but are expected to be filled within the month. A new and experienced Programme Manager has been recruited and it is expected that the Programme will pick up speed. The agreement with all implementing partners are in place and all partners have initiated their work in the field. Overall, the PMO has been very responsive to the recommendations and gives considerable confidence in its ability to implement the Programme. It needs to be properly supported by the Programme Steering Committee (PSC) which has not held any meetings. For this critical phase, PSC meetings should be held at least once quarterly to provide support to the PMO.
45. All Programme Implementation Units at the district level have been established. The DADCs have been established and are gradually playing an important role in the Programme. There was close interaction between the PIUs, DADOs and AEC at the district level. With the initiation of activities in the livestock sector, the participation of DLSOs is also expected to increase. There is need for much closer coordination between the SFDB and the PIUs. A major obstacle to the proper implementation of the Programme is the lack of adequate transport and staffing in the DADOs and DLSOs. This limits their visits to the field even though the Agriculture Service Centres are involved in Programme activities. There is urgent need for Government to ensure the provision of transport facilities in the Programme districts. Without this support, it is unlikely that the Programme will be effectively able to extend its outreach to the targeted VDCs or utilise the available resources of KUBK effectively.
46. **The Technical assistance team** needs to play a more proactive role in enhancing the implementation progress of the Programme. This could be assisted by a clear delineation of roles and responsibilities by the TA team, assigning of performance targets, monthly work plans and an annual performance review of each technical team member. Each TA team member should be given targets linked to the KUBK Programme log-frame outputs and expected to report on these on a quarterly basis. In addition, the Technical team members should spend between 50% and 75% of their time in the field rotating between the six programme districts.
47. **Start-up workshop:** In view of the fact that a majority of the staff of the Programme have only recently joined the Programme and many of the staff members are not familiar with the overall Programme design, it is important to organize another start-up workshop. This will help to orient all staff including those from the districts and the implementing partners about the Programme

design, approach, objectives, indicators, specific activities and budget allocations. It is recommended that this workshop be held sometime in June 2015 and be facilitated by IFAD.

48. **Monitoring and Evaluation (M&E): The Programme** performance with respect to monitoring and evaluation remains **Moderately Unsatisfactory**. Although there has been improvement since the previous mission there still exists systematic weakness which needs to be addressed. The PMO is not equipped with the necessary staff and tools to conduct the M&E work. The Programme has only recently hired an M&E/KM. At the district level, Seed Coordinators are undertaking the task of monitoring and evaluation. The M&E specialist has begun to develop the system. Some of the on-going activities observed include accumulation of existing data from the start of the programme, designing M&E framework and guidelines, creating initial data collection forms for tracking all the component activities, and compilation of data for RIMS. The Programme is in the process of designing standardised tools and processes for data collection which should monitor key outcomes for each area of investment. The beneficiaries monitor the progress of their work but they are not equipped with tools to pass on the information to the programme. Appendix 4 provides physical progress measured against AWP&B, including RIMS indicators. **FAO-IFAD Capacity Development Initiative for M&E:** KUBK has been selected to benefit from the joint IFAD-FAO initiative on Capacity development as well as other IFAD financed projects in the country. Based on a rapid assessment of capacities and potential of KUBK staff and stakeholders, preliminarily areas identified for capacity development interventions include support in: (i) setting data collection mechanisms (roles, responsibilities and formats) and filling baseline information gaps; (ii) fine tuning the planning process (with possible training and coaching for the adoption of an excel based application – “Planner”); (iii) identifying minimum requirements for the Programme’s Management Information System; (iv) training KUBK staff and programme stakeholders in M&E; and (v) updating the Programme Implementation Manual (as appropriate). A tentative capacity development plan will be submitted at the end of the mission.
49. **Coherence between AWPB and implementation** is rated **Moderately Unsatisfactory**. Due to the problems outlined in the earlier sections of this report, there has been little coherence between the AWPB and implementation. However, the Programme has gradually improved its capacity in the planning of the Programme activities. For the current year, there has been much better progress than in earlier years in trying to follow the targets indicated in the AWPB. FAO is also planning to provide capacity building support in this regard and experiment with the use of standardized tools and format for the purpose.
50. **Management Information System:** While data is being collected from the districts this is of variable quality. Currently data and information sources, collection, and storage is rudimentary and there is no clear standardized format and collection methods. To improve this state of information management, the Programme will also need a Management Information System (MIS) which will improve the efficiency of the programme to organise data and produce regular reports on operation for every level of management. As per the Programme design, an MIS Assistant should have been recruited to help develop and manage the system but this has not yet been done. Currently data collection is being undertaken using a paper based system which will be impossible to tabulate and analyse once the Programme activities increase. The M&E/KM specialist is currently working on creating a standardised format and method for data collection. Once the standardised format is created it should be field tested and refined and an electronic system to input the data at the PIU should be devised so that it can be easily aggregated at the PMO.
51. **Baseline/Impact Assessment Survey:** The baseline survey has been conducted and a baseline report has been published which is of reasonable quality but lacks critical data. Programme reports are very activity focused with little attention on the outcomes that will emerge from each of the activities. This area needs to be strengthened with some capacity building of all staff monitoring different aspects of the Programme to report on outcome level indicators such as adoption rates of new practices, increase in crop production consequent to improved variety adoption, reduction in losses due to improved storage facilities, increase in animal conception rates, increase in animal productivity, increase in quality seed production for vegetables and seed, increase in Seed replacement rates, etc.

52. **Knowledge Management:** The mission rates Knowledge Management as **Moderately Unsatisfactory**. There has been limited focus on how to systematically collect the knowledge which is being generated by the Programme, share it with programme management, implementing partners, beneficiary farmers and use it to influence Government policy. The turn-over of staff at the PMO and within the implementing partners further points to the need for strong institutional memory within the PMO and PIUs. Appendix 7 provides some guidance on KM products and responsibilities.
53. **Gender focus:** This aspect of the programme is rated **Moderately Satisfactory**. The programme has focused most of its outreach on women and this was visible during the field visits. The overall participation of women in various programme activities was 80%. A total of 8,000 women and 2,046 men have been involved in various programme activities. This high rate of participation of women is due partly to the focus of many of the previous Government sponsored activities on women such as formation of women cooperatives by National Agricultural Cooperative Central Federation (NACCF), the out-migration of men leaving more women behind to manage the farms and the keen interest by women to participate in Programme activities especially Farmer Field Schools. Despite this high rate of participation of women, the Supervision Mission observed several issues with regard to their participation which could limit the impact of programme activities. These relate to the pedagogical methods used during the crop and livestock training, the requirements of development of grant proposals and payment mechanisms, the exclusion from existing seed production and cooperative groups, lack of experience of women in dealing with collective management of farm equipment and machinery and the payment of differential wage rates for men and women for the same work under the programme activities.
54. **A Gender Equality and Social Inclusion (GESI) Advisor** was recruited in 2014 and has carried out a few trainings (mainly based on the Government of Nepal policy on GESI) at the field level. However there is need to systematically mainstream gender and social inclusion in the programme. A simple GESI strategy needs to be developed including an action plan with specific guidelines for each component so that the district staff are able to implement and monitor GESI indicators. The training curriculum on Gender Equality and Social Inclusion (GESI) can be adopted from the IFAD High Value Agricultural Programme which has a similar framework. Previous supervision missions recommended the recruitment of more female staff in the programme. However presently there are 7 female staff (4 at the field level and 3 as administrative assistants) and 49 male staff in the programme while all the staff at the partner level are male. The programme would need to adopt a policy of positive discrimination for the recruitment of technically qualified women staff given that a majority of the beneficiaries are women. The programme should promote the Government policy on equal wages in all Programme activities and not pay women less than the men as was observed during the Mission visits.
55. **Youth Focus:** The Supervision Mission noted that Youth as a target group have not been adequately addressed in the Programme design. However, the Programme has identified several young men and women who are interested in initiating farming enterprises. The Government has initiated several youth focused initiatives in both the crop and livestock sectors to encourage youth to invest in rural areas instead of migrating overseas. The Investment in youth entrepreneurs can also play an important role in expanding employment opportunities, creating demand for locally produced and traded goods and services, generating multiplier effects and stemming the tide of out-migration. The Programme needs to provide opportunities for training and accessing grants for the Youth. Special quotas maybe allocated for youth from the grant and AEC should especially encourage and assist the youth to apply. In addition, synergies should be built to pool the resources from the Government's youth focused programmes at the district level and KUBK resources.
56. **Poverty focus:** The Programme is rated **Moderately Satisfactory** with respect to its ability to target the poor. The programme is expected to benefit the poorest (40%), Dalit (12%), Indigenous People (26%) - Janajatis<sup>2</sup>, other castes (62%) and remote dwellers (50%). The programme reported a representation of 10% Dalits and 24% Janajatis but does not give the percentage coverage of the poor and remote dwellers in its monitoring reports. However, the

---

<sup>2</sup>Janajati is the preferred terminology in the country for Indigenous People.

selected districts are some of the poorest in the country and most of the farmers involved in the programme are smallholders. The SFACL's are formed after undertaking a wealth ranking process involving mainly women from smallholder households. The poverty status of the households in the programme districts is further confirmed by the small land ownership pattern of the farmers which varies between 0.25 hectares to 0.60 hectare per household<sup>3</sup>. Thus even though there is no specific poverty profiling of the target beneficiaries, the Supervision Mission is confident that the programme is reaching the intended target groups. The programme can further increase its outreach to the poor by following a very proactive targeting policy in the distribution of improved inputs especially for goat production.

57. **Effectiveness of targeting approach:** Targeting approach is rated **Moderately Satisfactory**. The selection of the Village Development Committees (VDCs) is based primarily on the potential of programme activities and the VDCs are selected by the District Agricultural Development Committee. For seed and dairy production the areas are selected based on areas with potential and interest of the farmers. However, the goat related activities could be extended much more into the remoter areas. The programme design is based upon already existing groups and has mainly concentrated its work in areas that are accessible to the road as most of the District Agriculture Development Office (DADO) and District Livestock Services Offices (DLSO) are concentrated in these areas and most of these agencies have problems with mobility and staff to extend their outreach to the more remote parts of the districts. The accessibility of the Agriculture Service Centres is also limited by poor infrastructure, lack of transport facilities and limited travel budgets. The goat programme can be particularly used to extend the outreach to more remote areas and work with the poorer groups.
58. The design lays down certain criteria for remote targeting – the most remote VDC in the districts or selected corridors and the poorest wards in the most remote VDC. The programme needs to use the government Disadvantage Groups (DAG) maps to identify the poorest VDCs for the extension of programme activities especially those related to goat production which are not that sensitive to location. The Mission recommends that the programme identify those excluded from the producer groups and grantees groups and make special efforts to assess how the groups can include them. Poverty profiling as part of grant proposals and other programme activities is recommended to enable improved monitoring and reporting of these aspects. A draft poverty profile is included in the working paper. The inclusion of the poor and marginalised in training activities should be enhanced. The GESI Advisor should actively take this issue up to ensure that interested but excluded households are included in programme activities.
59. **Innovation and learning** is rated **Moderately Unsatisfactory** due to the slow progress in the implementation of Programme activities.
60. **Climate and environment focus** is rated **Moderately Satisfactory**. While there is no negative impact, the Programme has not proactively explored opportunities for strengthening the environmental focus of its activities. Many of the activities which were envisaged to use local resources effectively such as use of bio-gas, rainwater harvesting, silage preparation have not been initiated and the Programme has not included these aspects in its training programmes. The mission would like to reiterate the recommendations of the earlier mission that the PMO, and the partner DADOs and DLSOs ensure that the field-based JTs and JTAs and lead farmers especially women farmers are made aware that the effective use of the local available resources should be encouraged by all participating individuals and groups. The Supervision Mission would also like to recommend that the design of buildings and animal sheds envisaged under KUBK should use traditional building materials which have long been used by local communities and which are aesthetically pleasing and do not spoil the local landscape. Similar care should be taken in locating the buildings financed by the Programme so that they do not hinder the access of existing buildings.
61. **Partnerships.** The Programme performance in this regard is rated as **Moderately Satisfactory**. The KUBK implementation relies on close collaboration among a number of technical agencies and service providers. The mission appreciates the partnership building approach and was impressed with the capacity of the different implementing agencies to coordinate their activities and work together in the field. DADOs and the AEC were found to be

---

<sup>3</sup> Programme Baseline

closely involved in the implementation of Programme activities. Participation by the DLSOs has lagged behind but is expected to increase with the initiation of activities for which they are responsible. SFDB needs to strengthen its collaboration in the programme area and ensure that the synergies between the SFACL and the farmer groups and cooperatives are increased to enable them to make use of the financial services available through their support.

## E. Fiduciary aspects

62. **Financial management.** The implementation performance of this component is rated as **Moderately Unsatisfactory**. Accounting is done manually in accordance with Government of Nepal (GoN) requirements. The programme follows the cash system of accounting. The accounts at the PMO are managed by an Accounts Officer deputed by the Financial Comptroller General's Office (FCGO) and at the districts by the DADO and DLSO Accountants. The accountants at the districts are also responsible for accounting of other Government schemes and budget heads besides the ISFP. The accountants maintain Cash Book and Advance Register manually. At the end of each month the accountants at the districts prepare a statement in Excel of the expenditure under each budget head and the outstanding advances and are supposed to forward it to the PMO. However this is not being done and the PMO does not get the statements of expenditure from all the districts. In the absence of such statements, the PMO is not able to compile the consolidated monthly expenditure statements. Besides the districts, even the implementing partners do not send monthly expenditure statements in the required formats. Thus the PMO does not know the status of expenditure and advances and consequently there is no comparison of actual with the budgeted figures on a regular basis. Further, in the absence of data from the districts and implementing partners, the PMO is unable to submit Withdrawal Applications (WA) which are pending since the first trimester of the current year. This also leads to delay in settlement of advances. At the PMO itself, a sum of NPR 61.76 million (USD 0.62 million) is outstanding as advance of which NPR 34.63 million (USD 0.35 million) remains unsettled for a period exceeding three months. Such advances cannot be claimed from IFAD and hence the PMO should ensure getting expenditure statements in time to enable settlement of the advances promptly, record it as expenditure and claim it in the WA.
63. The present accounting system is not a double entry accounting system. The previous Missions have recommended use of accounting software to enable double entry system for easier and accurate reporting and consolidation of accounts at the PMO. However so far the PMO has not installed such software. At present the data from the districts is called for whenever a WA is to be submitted. The PMO receives hard copies of the excel sheets prepared by the district accountants. At the PMO, the same data is fed again into excel sheets for consolidation and preparation of the WA. It would be better if the data is received in soft copies to enable faster consolidation. The recruitment of the Financial Management Specialist (FMS) is also under process and this should be expedited. Once the FMS is recruited, an orientation programme for all the accountants should be conducted to make them aware of the reporting requirements and the FMS should be responsible for collecting the monthly statements from each of the districts and implementing partners and consolidate them into reports along with the budgeted figures. Such reports should be made available to the Programme Manager (PM) within 15 days of the subsequent month. The FMS should also be made responsible for submission of WA promptly after the end of each trimester.
64. The programme has a proper system of authorization of vouchers before payment is made. The programme does not operate any bank account. All payments are made by the District Treasury Comptroller's Office (DTCO) which are based on supporting documents. Payments by DTCO are made only by crossed cheques and in cases where cash is required to be paid, bearer cheques are issued. Though the Mission has not come across any instance of misuse of funds, it is advisable that bearer cheques or advances in personal names should be issued only for petty cash payments or when payment by account payee cheques is not possible. The DTCO conducts internal audit, which it is supposed to do every trimester. However it is noticed that such an exercise is not carried out regularly, either at the end of two trimesters or annually. During such audit all vouchers for expenditure are verified.
65. **Disbursement.** The implementation performance of this component is rated as **Unsatisfactory**. IFAD has disbursed a sum of SDR 1.328 million (including the initial deposit of SDR 0.828 million) which is about 10.34% of the total loan and grant allocation of SDR 12.85 million each. If the initial advance is not included the disbursement rate for the loan and grant is

- only 3.89% of the allocation. Appendix 5 shows actual financial performance by financier; by component and disbursements by category.
66. **Withdrawal Applications (WA)** up to the last fiscal year (July 15, 2014) have been disbursed by IFAD. The WA for the first trimester (up to November 15, 2014) and second trimester (up to March 15, 2015) have not yet been prepared and submitted to IFAD. As mentioned earlier the delay in submission is caused by the fact that proper reporting systems are not followed by the districts and the implementing partners.
  67. **Counterpart funds.** The implementation performance of this aspect of the Programme is rated as **Moderately Satisfactory**. The GoN pre-finances all expenditure incurred by the programme. There are some problems with the release of funds in the first trimester of the year. Generally funds for the first trimester are released after about two months of the beginning of the trimester. So far the programme has not felt the delay as no major activities have been undertaken but this will affect the implementation in subsequent years. The amount disbursed by the GoN towards its share is USD 0.589 million (8%) up to March 15, 2015 (end of second trimester of the year). The GoN has also disbursed USD 0.887 million during the current year on account of IFAD which will be reimbursed to the GoN from the Designated Account (DA) prior to submission of the WA for the current year. Heifer International has contributed USD 0.075 million (3%) of its allocation of USD 2.5 million. The programme does not have any mechanism to capture the beneficiary contribution. This should be done by the MIS and reported to the accounts officer so that the same is incorporated in the financial statements.
  68. **Compliance with loan covenants.** The implementation performance of this component is rated as **Moderately Satisfactory**. The Programme has generally complied with all the Loan Covenants except the following (i) Para 2 of section II of Schedule - recruitment of the FMS and Livestock Co-ordinator (ii) Clause 7.01 - non submission of AWPB within the stipulated time (iii) Clause 8.02 - setting up of MIS (iv) Clause 8.03 - submission of periodic progress reports (v) Clause 9.02 - delay in submission of unaudited financial statements and (vi) Clause 9.03 - delay in submission of the audit report and the audited financial statements. Appendix 6 summarises the status of compliance with legal covenants.
  69. **Procurement.** The implementation performance of this component is rated as **Moderately Satisfactory**. The Programme follows the GoN Public Procurement Act which is consistent with IFAD's Procurement Guidelines. Under the GoN system, a standing list of vendors is approved at the beginning of each year based on quotations called for the purpose. Procurement of regular supplies is done from the approved list. The Mission reviewed the procurement of the civil works for construction of seed Labs and the Agriculture Service Centres for DADOs and DLSOs and the study of Goat and Dairy Value Chain. The programme has obtained no objection of IFAD for the bidding documents. However as part of the process of prior review for procurement, the PMO was also required to submit the evaluation report of technical bids and copy of the contract before it was awarded. This has not been done. The PMO has been advised to immediately send the required documents to IFAD for its review. Stock registers have been maintained at the programme offices. Physical verification has also been carried out and documented. Except vehicles, the other assets are not insured. The PMO is maintaining the Register of Contracts for all its procurement.
  70. **Audit.** The performance of audit is rated as **Moderately Satisfactory**. Audit of the programme is being carried out by the Office of the Auditor General (OAG) of the GoN. Separate audit teams from the OAG visit the PMO and the district offices. Though the financial statements of the PMO and the DADOs and DLSOs are compiled for preparation of the Project Financial Statement (PFS), the audit report contains observations pertaining only to the PMO. The audit report is unqualified and the PFS have been prepared in accordance with IFAD Guidelines. Notes 11 and 12 of the Audit report for the year 2013-14 do not indicate the correct allocation in respect of the Loan and the Grant which should be rectified. The completion of audit for the year 2013-14 was delayed and signed on March 10, 2015 (a delay of almost two months from the stipulated six months from the end of the fiscal year). The programme has started maintaining the detailed audit log which needs to be validated by the auditor. Appendix 8 provides an Audit Log.

Agreed action	Responsibility	Agreed date
<b>Staff Recruitment:</b> All remaining vacancies in the PMO and PIUs should be filled as soon as possible.	PSC/PM	June 2015
<b>Technical Assistance Team:</b> A clear work plan with clear responsibilities for KUBK targets, regular performance evaluation and 50% to 75% time in the Programme area.	PM/TA Team	On-Going
<b>Start-up Workshop:</b> Organize a fresh start-up workshop for all PMO and PIU and implementing partner staff in lieu of additional staff.	IFAD/PM	June 2015
<b>Monitoring and Evaluation</b>		
Monitoring and Evaluation Reports should report on outcomes related to each activity. This will require designing simple forms and training target groups and cooperatives to report on these indicators periodically.	M&E specialist	
Development KM Notes	NARC /DLSO/Heifer International/ AEC	December 2015
<b>Gender Focus</b>		
Develop a simple GESI strategy that includes an action plan and implementation guidelines for all activities; the strategy should include addressing the issues that the mission has identified; Conduct a training for all levels of staff on the implementation of the strategy	GESI Advisor	July 2015
<b>Youth Focus:</b>		
The Programme needs to identify opportunities for training and accessing grants for the Youth and allocating special quotas for grants to them.	AEC	Immediate
<b>Poverty Focus</b>		
Provide adequate transport facilities to the DADOs and DLSOs involved in the Programme.	MOAD	Immediate
Conduct poverty profiling exercise with all groups and monitor this across all activities to report on poverty status; M&E data system needs to include targeting data with poverty status.	GESI Advisor and M&E Officer	June 2015
<b>Fiduciary Aspects</b>		
Agreed action	Responsibility	Agreed date
Install accounting software and conduct a training programme for accountants in using the software and reporting requirements.	PM/FMS	June 15, 2015
Submit WAs for the first and second trimester of the current year and promptly thereafter after completion of each trimester.	PM/FMS	April 15, 2015 and ongoing
Comply with all the financing covenants within the stipulated time	PMO/OAG	Ongoing

## F. Sustainability

71. **Institution building.** The programme performance in institutional building is rated **Moderately Satisfactory** due to the clear emphasis on working with local agencies, community institutions and the private sector. The Programme approach of working through the public sector line agencies is an important element of building institutional capacity even though it slows down implementation. The participation in Programme activities has enabled the staff of these agencies to engage more effectively with smallholder farmers and increase their understanding of local issues. In addition, the programme is building on the existing farmer organizations and enhancing their capacity. By the end of February 2015, the Programme had involved 165 seed production groups, 20 cooperatives in the seed production component and 11 dairy groups and cooperatives for livestock activities and 15 for forage development. Heifer International's approach is also utilising the group approach in which self-help groups will be strengthened for goat production activities. The Programme has also organized 12 SFACLS and initiated the formation of an additional 18 SFACLS. The

Programme approach of working closely with the agro-vets and private seed companies is a key element of its approach to strengthen the private sector and its interaction with smallholders. KUBK has interacted closely with these players and is planning to further strengthen this collaboration through the use of its grant mechanism.

72. **Empowerment and social sustainability** is rated **Moderately Satisfactory** despite the limited implementation at field level. The Programme is working predominantly with women and women's groups and this focus on them has helped to build their self-esteem, level of confidence and increased their profile at the village level. The Programme has also contributed to empowerment of the youth by employing young men and women as Seed Coordinators at the district level.
73. **Quality of beneficiary participation** is rated **Moderately Satisfactory** due to the active participation of beneficiaries in the farmer field schools, participatory varietal testing and their very active involvement with development of the grant proposals. The Programme approach of using existing groups as a first step to identifying farmers for group activities has further assisted in the engagement of the beneficiaries. Many of the groups have been in existence for several years and they have experienced members some of whom have taken a lead in interacting with KUBK. This approach of using established groups has also assisted the Programme in very quickly mobilizing the groups through the DADOs despite the delay in its start.
74. **Responsiveness of service providers** is rated **Moderately Satisfactory** due to the fact that while DADOs have been very actively involved in the Programme, the participation of DLSOs has been delayed due to delay in the implementation of livestock activities. Furthermore, even where these agencies are keen to participate in KUBK activities, their participation has been limited as a result of limited manpower and lack of transport facilities and limited motivation to visit the field. However, the participation of other service providers such as AEC, NARC, NACCFL, SFDB has been active. The private sector service providers such as seed companies and agrovets have indicated an interest in Programme activities and it is expected that they will play an increasingly important role in linking smallholder farmers with markets.
75. **Economic and financial sustainability.** It is too early to make an assessment of the economic and financial sustainability of the Programme. The adoption of improved crop varieties, farming techniques demonstrated through the FFS or other training activities and the results of investments of grant proposals have not yet emerged as no grants have been disbursed. KUBK is currently very much activity oriented in its reports and has not started focusing on its outcomes. It is expected that the Programme formats will be refined to assist the Programme to report on outcomes that emerge from it. In addition, the economic and financial viability of the groups in managing the collective farm equipment and infrastructure which they have requested under the matching grant scheme has to be carefully monitored and guided. The approach of the programme of using SFACLs has proved to be an economically feasible approach from past experience in the country. However, the SFACLs being implemented under the programme may require a greater gestation period.
76. **Technical sustainability** is rated **Moderately Satisfactory** in view of the fact that the Programme has implementing partners and service providers with the technical capacity to recommend crop varieties, seed production and breed improvement technologies that meet the required standards. However, there is need to carefully review the technical specifications of the irrigation schemes which will be constructed under the Programme. The current Mission has recommended several measures to strengthen the technical feasibility of scheme design. Given that most of the irrigation schemes are traditional irrigation schemes which the communities have experience in managing, there should not be any major issue with their sustainability. The technical feasibility of the introduction of the Boer goat breed has to be carefully monitored. However, the DLSO and Heifer International have the technical capacity to monitor and guide this process. It should nevertheless be closely supervised.
77. **Environmental sustainability.** There is unlikely to be any negative impact of Programme activities on the environment.
78. **Exit strategy** is rated as moderately satisfactory. The exit strategy for the Programme relies on the institutional and operational strengthening of the technical support system and on the involvement of the private sector in order to ensure a demand based approach in the

production of vegetable and cereal seeds and the development of the dairy and goat sectors. The extent to which the Programme succeeds in making sustainable linkages between the private sector agro-vets, seed companies, dairy companies, livestock markets on the one hand and the smallholder farmers on the other will determine the extent to which the Programme will be able to exit without disrupting the arrangements it has facilitated during its implementation phase. However, current delays in implementation retard the preparations for exit in the programme.

79. **Potential for scaling up.** While it is still too early to assess the programme, with the issues it has faced, for potential for scaling up, the mission rates this as **Moderately Satisfactory**. Two major interventions by the Ministry of Agricultural Development i.e. Agriculture Development Strategy and, more importantly, The Seed Vision 2025 which aims increase crop productivity, raise income and generate employment opportunities through self-sufficiency, import substitution and export promotion of quality seeds allow for the Programme to directly align itself and rest its potential on performance its impact on seed and livestock production in target areas.

## G. Other

80. **Physical/financial assets.** The mission rates this indicator as **Moderately Unsatisfactory**. The Programme is yet to show gains in achievement of the physical asset accumulation by the beneficiaries, however it is to be noted that the seed and livestock groups that have been formed thus far will show demonstrated gains in securing physical assets for the beneficiaries. In terms of financial assets, the formation of additional SFACLs and the recommended redirection of the KUBK Top-Up Loan, will lead to accumulated financial assets and resources for investment.
81. **Physical Infrastructure:** The Programme envisages significant investment in physical infrastructure schemes and facilities of various public sector agencies in the seed and livestock sector which are currently supervised by the Engineer at the PMO. In order to enable an assessment of the construction quality of these facilities as well as the irrigation and other structures which are likely to be included in the proposals submitted by grantees. It is recommended that the next supervision mission should include an engineer to examine these aspects and advice on them
82. **Food security.** Improved food security has been rated **Moderately Satisfactory**. The mission did not observe a situation detrimental to food security. This programme is designed to enhance productivity of seeds and livestock by the formation of groups, and linking of the groups to private sector, thereby enhancing among other things, the food security of the beneficiaries.
83. **Quality of natural asset improvement and climate resilience.** Natural asset improvement and climate resilience is rated **Moderately Satisfactory**. The Programme's interventions have had no negative climate impacts that would be felt in the short or long term. IFAD's latest intervention, Adaptation for Smallholders in Hilly Areas, will provide support specifically for the enhancement of natural asset improvement and climate resilience.

## H. Conclusion

The implementation arrangements for the programme are finally almost in place and are expected to be completed within the next month. Agreements have been signed with all partners who have started work on the ground. While the project has still not made any significant progress in disbursing its funds, the Supervision Mission believes that the Programme is in a position to enhance its implementation speed. However, it is very important that the Programme expand the scope of the grants to include livestock production activities, introduce an element of flexibility into the manner in which the grants are paid to ensure effective and efficient utilization and inclusion. The provision of technical assistance to beneficiaries for improved grant proposal development and technically sound infrastructure schemes will be critical for ensuring proper use of grants. The Programme also needs to focus on capacity building, training and organizing of farmer field schools especially for livestock production activities. The monitoring and evaluation systems need to be oriented towards outcome

monitoring and reporting on lessons learnt rather than only activities. The Government needs to provide greater support to the district level implementation agencies if they are expected to effectively implement the activities in the remote areas of the Programme. With greater assumption of responsibility by the technical team, greater participation of the private sector and a proactive approach to implementation, the Mission believes that the strong partnership approach adopted by the implementing agencies can still enable the programme to get on course to achieving its overall development objectives.



## Appendix 1: Summary of project status and ratings

### A. Basic Facts

Country	Nepal			Project ID	1602	Loan/DSF Grant No.	881 , 8106
Project	Kisankalagi Unnat Biu-Bijan Karyakram					Top-up Loan/DSF Grant	
Date of Update	31-Mar-2015						
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	2				
Last Supervision	28-Apr-2014	Last Implementation Support/Follow-up mission	December 2014				

USD million Disb. rate %

Approval	21-Sep-2012			Total financing	59.75 <sup>a</sup>	
Agreement	02-Dec-2012	Effectiveness lag	2.4	IFAD Total	39.03	
Entry into force	02-Dec-2012	PAR value	Actual problem	IFAD loan	19.51	10.21%
First disbursement	06-Jun-2013			DSF grant	19.51	10.21%
MTR		Last amendment		IFAD grant		
Original completion	31-Dec-2019	Last audit		Domestic Total	18.88	
Current completion	31-Dec-2019			Beneficiaries	10.95	b
Original closing	30-Jun-2020			Government (National)	7.30	8.07%
Current closing	30-Jun-2020			External Co-financing Total	2.50	3%
No. of extensions	0	Heifer Int		2.50	0	

a: Excluding the supplementary Loan of USD 5 million. b. Beneficiary contribution is not being reported or recorded by the Programme.

### B. Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	3	3	1. Quality of project management	3	4
2. Acceptable disbursement rate	2	2	2. Performance of M&E	3	3
3. Counterpart funds	4	4	3. Coherence between AWPB & implementation	2	3
4. Compliance with financing covenants	3	4	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	3	3
			8. Climate and environment focus	4	4

Justification of Ratings: The delay in recruiting appropriate financial management staff, delay in submitting withdrawal applications, lack of financial management software and lack of completion of audit report. The loan covenants are generally being following, counterpart funds forthcoming and audits are being undertaken. The full contingent of staff has been hired or in process and all implementing partners have started activities in the field. M&E staff only recently hired but MIS system not in place. Gender and poverty focus is strong but learning and innovation slow and environmental focus has not been fully explored although no negative impact is expected.

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Formal Seed Sector	4	4	1. Institution building (organizations, etc.)	4	4
2. Smallholder Livestock Development	4	3	2. Empowerment	4	4
3. Local entrepreneurship & institutional	4	4	3. Quality of beneficiary participation	4	4

development			
	4. Responsiveness of service providers	4	4
	5. Exit strategy (readiness and quality)	4	4
	6. Potential for scaling up and replication	4	4

B.5 Justification of ratings: The activities under the formal seed sector and the third component are progressing well although disbursement is still small. The livestock sector has lagged behind because of the late start of this component. The potential of the programme in delivering sustainable results, are promising given its focus on building institutions, facilitating linkages with the private sector and strong beneficiary participation. The potential for scaling up is at the moment very low given the slow implementation performance.

### C. Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	3	3
C.2 Food security	3	4
C.3 Quality of natural asset improvement and climate resilience	4	4
C.4 Overall implementation progress (Sections B1 and B2)	3	3

Rationale for implementation progress rating: Please see text of Main Report

C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	4
--	---	---

Rationale for development objectives rating

While the slow start of the Programme has put at risk the achievement of its objectives. However, with the full contingent of staff available to it and the support of the implementing partners they can achieve Programme objectives if they expedite the speed of implementation.

#### C.6 **Risks** Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	Low expenditure and disbursements due to late start of many activities. Late submission of withdrawal applications to IFAD. Low allocations by GON for the Programme.
Project implementation progress	Delay in staff recruitment and lack of clarity on the responsibilities of the Technical team. Lack of mobility of the DADOs and DLSOs to visit target areas.
Outputs and outcomes	The demand for vegetable seed is impacted by exogenous factors which fluctuates and depends on factors beyond the control of the Programme. The improved breed varieties are not fully tested for adaptation to local conditions. There is limited Government and private sector capacity to provide animal health services and livestock are prone to high morbidity and mortality rates.
Sustainability	The capacity of the smallholder groups and cooperatives to effectively manage the farm equipment and machinery under a common property management system.

#### FOLLOW UP ACTIONS

Assess the possibility of including the provision of inputs (material, equipment, seeds, seedlings, etc.) for the FFS group at the end of each FFS as part of a common project of the group to enhance the implementation of the technologies discussed during the FFS (outside the framework of MGS).	SDO/SC/PMO	Include in the 2015/16 AWPB
Ensure that annual refresher courses for Farmers Facilitators – and possibly together with the JTs- are undertaken at district level by DADO master facilitators and supported by FAO if needed.	SDO/DADO	Include in the 2015/16 AWPB
Develop a simple GESI strategy that includes an action plan and implementation guidelines for all activities; the strategy should include addressing the issues that the mission has identified; Conduct a training for all levels of staff on the implementation of the strategy	GESI Advisor, PMO	July 2015
<b>Poverty Focus</b>		
Provide adequate transport facilities to the DADOs and DLSOs involved in the Programme.	MOAD	Immediate
Conduct poverty profiling exercise with all groups and monitor this across all activities to report on poverty status; M&E data system needs to include targeting data with poverty status.	GESI Advisor and M&E Officer, PMO	June 2015

## Appendix 2: Updated logical framework

Objective Hierarchy	Key Performance Indicators and Targets (by end of programme)	Monitoring / Information Sources	Assumptions and Risks
<b>Goal:</b> Increased competitive, sustainable and inclusive rural growth	Total value of Agricultural within the target area increased by 15%	Baseline, mid-term, and completion surveys and impact studies that contain disaggregated data based on sex, ethnicity, caste, and geographical remoteness	Macroeconomic and political conditions do not deteriorate further. No major natural disasters affect target area.
	Total value of Livestock within the target area increased by 10%		
	At least 150,000 families increase household food security		
	At least 20 % of Programme area HHs show an improvement of more than 10 % in their household assets ownership index		
	Reduction of at least 20 % in prevalence of child malnutrition among participating HHs		
<b>Development Objective:</b> Improve rural household incomes through sustainable market-driven agricultural productivity increased	Productivity (output and yields) increases within participating Programme HHs as follows	DADO & DLS records. Outcome studies with data disaggregated (ethnicity, sex, caste, and remoteness). Periodic surveys & reports part of the monitoring RIMS report at 2nd level	Participation in and support for programme activities from relevant local level GoN agencies. Ability of programme to collaborate with other projects.
	Goat meat carcass off-take increased by 25%		
	Milk production increased by 50%		
	Average crop yields (cereals and vegetables) among farmers adopting improved seeds increased by 15 %		
	At least 70% of supported production groups are actively functioning at the end of the implementation period		
	70% groups/cooperatives in cereal/vegetable crops		
	70% groups/cooperatives in livestock /dairy are actively functioning at the end of implementation period		
	Private purchase contracts established with at least 50 % of all supported seed and dairy production groups		
	Private purchase contracts established with at least 50 % of all supported seed production groups		
	Private purchase contracts established with at least 50 % of all supported livestock production groups		
	75 % production groups receiving infrastructure development support sign production contracts within 2 years from the infrastructure development		
	75% cereal seed production group receiving infrastructure support		
	75% vegetable seed production group receiving infrastructure support		
	75% meat production group receiving infrastructure support		
	75% milk production group receiving infrastructure support		
	<i>At least 5 seed companies that are active in purchasing nationally supplied seeds have established cereal and/or vegetable seed purchasing operations in the target area</i>		
	<i>At least 25 milk chilling centers constructed and functioning</i>		
	<i>At least 40% infrastructure functioning</i>		
	<i>At least 80% trained farmers used their training skill</i>		
<b>COMPONENT 1: EXTENSION OF FORMAL SEED SECTOR</b>			
<b>Outcome 1:</b> Increased production of truthful labelled seeds within the target area and marketed locally and beyond	NARC and SQCCs strengthened so as to permit them to produce required foundation seed and undertake adequate seed quality control functions, respectively	District DLS reports, Programme annual and trimester reports as part of the regular programme monitoring RIMS 1st level annual reports	Target households willing and able to utilize improved seed. Private companies involved in seed sector interested
	Truthfully labeled seed production entering the formal marketing and distribution system in the target programme area is sufficient to meet GON recommended Seed Replacement Rates (SRRs)		
	<i>At least 7200 farmers participate in at least 720 seed producer groups</i>		
	At least 5 Seed companies active in purchasing nationally supplied seeds establish cereal and/or vegetable seed purchasing operations in the target area		

	Seed Production: At least 25,000 farmers participate in more than 1,200 participatory seed demonstrations for improved seeds		and willing to participate in sector growth adequate capital base or financing access to permit private sector firms to invest in required assets.
	Seed Production: At least 240,000 ha sown with TL seed for cereals and vegetables		
	No. of infrastructure developed		
	irrigation schemes		
	Seed storage building		
	Capacity Building		
COMPONENT 2: SMALL HOLDER LIVESTOCK DEVELOPMENT			
Outcome 2: Animals with improved genetic potential result in improved growth of animal products	At least 550 dairy and goat new and existing groups supported by the programme	District DLS reports, Programme annual and trimester reports as part of the regular programme monitoring RIMS 1st level annual reports	Sufficient forest areas approved for goat production. Cross breeds improve growth rates. Demand for goat meat and dairy products in Nepal continues. Private companies willing to participate in sector growth.
	Meat production		
	Milk production		
	Infrastructure developed		
	Breed improvement		
	Capacity Building		
	At least 80 % of the participating HHs have improved animals through breed improvement program		
	At least 60 % of the households belonging to the dairy groups produce improved forage		
	At least 50 % households of the programme area raise livestock on stall-feeding		
	Animals of at least 80 % of the HHs animals in the Programme dairy areas communities are covered with routine vaccination against HS, BQ and FMD		
	At least 15 local livestock collection centres/markets established and functioning		
	At least 25 milk chilling centers constructed and functioning		
	60 % of dairy groups are engaged in the formal marketing system (via contracts or livestock markets)		
	25 % of goats groups are engaged in the formal marketing system (via contracts or livestock markets)		
COMPONENT 3: LOCAL ENTREPRENEURSHIP AND INSTITUTIONAL DEVELOPMENT			
Outcome 3: Strengthened capacity of rural institutions to provide services to samllholder farmers	Strengthening of participating local institutions through a set of trainings:	VDC and DADC records SFDB and SFACL reports and records. Programme annual and trimester reports as part of the regular programme monitoring RIMS 1st level annual reports	Active collaboratio n will be possible with government and other agencies. Collaboratin g agencies will have sufficient staff and resources to provide effective services.
	At least 80 % of participating VDCs		
	At least 70 % of participating Production groups and Cooperatives		
	At least 80 % of participating Agrovets		
	At least 50 % of all supported groups and cooperatives formed and strengthened have women in leadership position		
	At least 80 % of members of new SFACLs and bank branches access production loans		
	At least 80 % of participating VDCs organize public hearing on annual basis on the programme		
	At least 5 multi-stakeholder platforms functioning in programme area		

### Appendix 3: Summary of key actions to be taken within agreed timeframes

Action	Responsibility	Date
<b>1.1 Improving Policy and Regulations</b>		
Actively participate in and contribute to the national Seed Summit planned for April 2015 in Nepal on the implementation of the Seed Vision 2025. ISFP should also support the participation of farmer groups/coop, agro-vet and private companies active in the Programme.	Seed coordinator/Seed Development Officer (SC/SDO)	April 2015
Undertake through the hiring of a national/international consultant, an assessment of the Seed Act, the outcomes of the Seed Summit, and based on the KUBK experience, suggest interventions and amendments for policy dialogue in support of the IFAD target group, especially in the areas of seed quality control and support to the local OPV varieties in the hilly and remote areas of Nepal.	PM	June/July 2015
<b>Improving the Seed Quality Control and Storage System</b>		
<p>Improve the procedures for field inspection and sample testing to fulfil the national regulations for the TLS through the following;</p> <p>Prepare a plan for field inspection of the KUBK-supported producer groups by authorized personnel (DADO, SQCC) in coordination with other activities undertaken in the field, to overcome limitations in staff and their mobility</p> <ul style="list-style-type: none"> <li>• Ensure that all grants involving seed production and approved by KUBK/ISFP include field inspection visits and seed sampling undertaken by authorized SQCC or DADO staff in cooperation with the private companies/agrovets.</li> <li>• Actively participate in the dialogue with the government through the Seed Vision 2025 in support of the establishment of private independent seed quality field inspectors certified by the government.</li> </ul>	SC/SDO	Immediate
Ensure that seed storage facilities (airtight bins or bags, or enhanced storage environment) are given priority and promoted both for farmer groups and agrovets in all grants approved proposals and as provisions within the FFS training.	DADO/AEC/SC/SDO	On-Going
Raise awareness with the ISFP supported seed groups to understand the concept and requirements of TLS and enforce agrovets receiving matching grants to abide by the labelling requirements in selling TLS.	DADO/AEC	On-Going

Action	Responsibility	Date
<b>1.2: Improved Seed Production</b>		
Complete the seed value chain study in the various districts of the programme and at the national level	SC/SDO	July 2015
Undertake annual seed consultation workshops at district level through a multi-stakeholder forum (including agrovets, seed companies active at the district, national and export levels, district seed producer cooperatives and major farmer groups, representatives of SEAN, SFACL, CCI and NCCI, AEC, DADOs, DOA, NARC and other concerned public administrations) to identify the annual seed demand and plan the production needs of the various varieties accordingly. Undertake national seed consultation workshops following the district ones, if needed	AEC/SC/SDO	starting July 2015
Use the multi-stakeholder forum as a platform to promote the links and possibly contracts between the seed producer groups/cooperatives and the private sector	AEC	Starting July 2015
<b>Strengthening seed producer groups and cooperatives</b>		
Encourage the inclusion of all farmers interested in seed production, especially women and the poorest, in the supported groups or cooperatives	DADO	Immediate
<b>1.3: Promoting Farmer Demand for TL Seed</b>		
Agree on the outsourcing modality with FAO for training 100 facilitators.	PM/IFAD	Immediate

<b>Component 2 – Smallholder livestock development</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
The recruitment of livestock staff should be finalised and they should join their posts at the PMO and PIUs.	PM	April 30, 2015
Orientation of all newly recruited livestock staff on the scope of the design of the Programme.	IFAD/PM	May-June 2015
AEC, in close coordination with the respective DLSOs provide support to the farmers in linking with potential milk buyers.	AEC	On-Going
Careful review the lesson learning from the Boer goat breeding programme.	KMS/LsC/DLSOs/Hi	On-Going
Identify alternative options to purchase the required Boer, semen and forage seeds for livestock improvement, if required.	PM/LsC/LDO	June 2015
Front load the organization of Livestock TOT for conducting FFS in subsequent years and meet the specified targets.	LsC/LDO/DLSO	December 2015
Assess the suitability of the available goat curriculum for FFS and develop curriculum for dairy development.	LsC/LDO	June 2015
Expand the scope of the matching grant scheme to include livestock production activities and finance activities included in the Programme budget for livestock including sheds, equipment and machinery.	PSC/LsC/LDO/AEC	June 2015
Explore possibilities of establishing/linking dairy groups and seed groups in areas where SFACLs are operational so that animals can be financed by SFACLs and other programme related activities including matching grant can be dovetailed.	DLSOs/DLOs/DADOs	Ongoing
Design a simple format which can capture a few key baseline facts to help assess the outcome of each grant.	KM Specialist/FAO	Immediate

### **Component 3 – Local Entrepreneurship and Institutional Development.**

<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
<b>Institutional Strengthening</b>		
Hold orientation sessions on Government agriculture policy for VDCs and participating groups and cooperatives in the seed and livestock sector.	DADO/DLSOs/SDO/SC/LsC/LDO	On-Going
Hold participatory meetings at the end of each fiscal year to discuss year-end results but this can also be attributed	M&E Specialist	December each year
Organization of annual agricultural fairs to foster links between smallholder farmers and a range of private sector partners in rural areas.	AEC/DADOs and DLSOs	On-Going
<b>Access to Non-Financial Services</b>		
Continue to interact with the private seed companies, dairy companies and meat processors to assess their interest in linking with smallholder producers.	AEC	On-Going
Discuss with agro-vets the potential for increasing their outreach to target groups	SC/LsC	

for provision of a range of services including livestock services.		On-Going
Technical assistance to the producer groups and cooperatives for strengthening the quality of their proposals and the implementation of their proposed activities.	AEC	On-Going
Explore possibilities of linking dairy groups and seed groups in areas where SFACLs are operational so that seed production and livestock can be financed by SFACLs.	AEC/SFDB	Ongoing

#### Matching Grants

Action	Responsibility	Date
Reduce the duration for the review and approval of the grants (usually taking around 6 months) and ensure proper timing of initiation to avoid losing a growing season.	PSC/PM	On-Going
Delegate the decisions and approval procedures increasingly to the district level to reduce the bureaucracy and avoid the potential need of the beneficiaries to come to PMO often;	PSC	Immediate
Provide an initial first instalment upon approval and signature, if not directly to the beneficiaries, to the supplier of goods or contractor identified by the beneficiary.	PSC	Immediate
Ensure that procedures for the O&M and dispute resolution mechanisms for common property (equipment, machinery and infrastructure) are discussed and agreed within the group and included within the proposal.	AEC	Immediate
Ensure that infrastructure and engineering studies needed within the proposals are undertaken by authorized engineers and that the incurred costs is paid by ISFP from outside the matching grant.	PM	Immediate
Ensure a per member grant bench mark to benefit adequate numbers of direct beneficiaries.	PSC	Immediate
Include in all relevant grants on seeds the recommendations on the improved quality of the TL seeds (field inspections, improved storage facilities, proper labelling of TLS).	AEC/SC/SDO	Immediate
Consider financing 80% of all capital intensive immovable structures such as storage house, sheds, drying yard, etc, through Programme contribution.	PSC	Immediate
Facilitate groups to develop protocol for common assets; and also internal fund for operations, maintenance and repair, and replacement of machinery and equipment.	AEC	Immediate
Encourage more innovation in grants, with special attention to projects involving	AEC	On-Going

the youth as service providers.		
Design a simple format which can capture a few key baseline facts to help assess the outcome of each grant.	M&E Specialist/FAO	Immediate

<b>Increasing Outreach of Microfinance Institutions</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
<b>Capacity Building of SFACLS:</b> Plan training of Board of Directors, exposure visits to board members, refresher training in book keeping and training for accounts committee of SFACLS, financial and liquidity management for staff. Computer training to staff of SFACLS is to be imparted. TOT for financial literacy and member level training on financial literacy and member protection to be carried out.	SFDB, NACCFL	July onwards
<b>Joint monitoring of SFACL quality;</b> PMU to pro-actively and jointly monitor quality of SFACLS by undertaking joint field visits with NCCFL and SFDB	M&E Specialist	April onwards
<b>Involvement of Senior SFACL leaders;</b> Fine tune the SFACL mobilisation strategy to include more orientation campaigns through senior SFACL leaders to build trust in the community.	SFDB, NACCFL	April onwards
<b>Staff support to SFDB;</b> SFDB to appoint one additional person in Butwal and 2 persons in Nepalganj area offices; programme to support their salary for three years fully and in later years on tapering basis and also provide vehicles for their mobility and other equipment costs. Rationalise staff requirement at NACCFL and SFDB to ensure staff engagement and costs are optimal.	PSC/SFDB	July onwards based on number of SFACLS being handed over.
<b>TA support to SFDB and SFACLS;</b> Provide TA support to a) SFDB in fine tuning the grading tools as credit risk assessment and risk management tool and b) to SFACLS in product development. Support SFDB in improving their software based monitoring.	PSC/SFDB	June onwards
<b>Timely release of funds;</b> PMO to ensure funds are released in time to NACCFL and SFDB. Consider accepting the proposal for institutional support additionally requested by SFDB/NACCFL made last year and recommended by the mission.	MOAD	April onwards
MFI - non co-operative model to be dropped and the resources allocated for this component should be used for expanding the SFACL approach at MTR.	IFAD/MOAD	Mid-term review
After assessing the demand for additional VDCs draw out a plan for formation of new SFACLS.	SFDB/NACCFL	By September 2015.

<b>Programme Management</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
<b>PSC Meetings:</b> The PSC has not held meetings as specified to provide guidance to the Programme. In this critical phase the PSC should hold meetings at least once every quarter to provide guidance and take critical decision	PSC/MOAD	May 2015
<b>Staff Recruitment:</b> All remaining vacancies in the PMO and PIUs should be filled as soon as possible.	PSC/PM	June 2015
<b>Transport Facilities:</b> Ensure the provision of transport facilities to all implementing partners especially the DADOs and the DLSOs in the Programme districts. For this purpose the PM to make a list of those DADOs and DLOSs in the Programme area which do not have proper transport and submit to MOAD to provide them transport.	MOAD	Next PSC Meeting in 2015
<b>Technical Assistance Team:</b> A clear work plan with clear responsibilities for KUBK targets, regular performance evaluation and 50% to 75% time in the Programme area.	PM/TA Team	On-Going
<b>Start-up Workshop:</b> Organize a fresh start-up workshop for all PMO and PIU and implementing partner staff in lieu of additional staff.	IFAD/PM	June 2015
<b>Monitoring and Evaluation</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
Recruitment of MIS Assistant	PM	Immediate
Developing and MIS system which can be regularly filled at the district level and aggregated at PMO level	M&E Specialist	Immediate
Monitoring and Evaluation Reports should report on outcomes related to each activity. This will require designing simple forms and training target groups and cooperatives to report on these indicators periodically.	M&E specialist	
Development KM Notes on Results of Participatory varietal Trials	NARC	December 2015
Development of KM Notes on introduction of Improved breeds	DLSO/Heifer International	December 2015
Development of KM notes on successful private sector farmer models	AEC	December 2015
Development of KM notes on successful grantee experience in managing common property.	AEC	December 2015
Identification of policy and regulatory aspects which need to be improved in the area of seed and livestock development from smallholder's perspective.	SC/SDO/LsC/LDO	On-Going
<b>Gender and Poverty Focus</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
<b>Gender Focus</b>		
Develop a simple GESI strategy that includes an action plan and implementation guidelines for all activities; the strategy should include addressing the issues that the mission has identified;	GESI Advisor	
Conduct a training for all levels of staff on the implementation of the strategy		July 2015
Formulate standardised GESI training curriculum (adapting resources from HVAP);	GESI Advisor	July 2015

Conduct GESI refresher training on a yearly basis for all staff at all levels including partners and cooperatives.		
Ensure GESI responsive grant guidelines so that the vulnerable groups can also benefit from the grant window.	GESI Advisor and AEC	June 2015
The programme should ensure wage equity of women and men in all infrastructure related work	PM	Immediate
<b>Youth Focus:</b>		
The Programme needs to identify opportunities for training and accessing grants for the Youth and allocating special quotas for grants to them.	AEC	Immediate
<b>Poverty Focus</b>		
Provide adequate transport facilities to the DADOs and DLSOs involved in the Programme.	MOAD	Immediate
Conduct poverty profiling exercise with all groups and monitor this across all activities to report on poverty status; M&E data system needs to include targeting data with poverty status.	GESI Advisor and M&E Officer	June 2015
Programme to take affirmative actions for women, Dalit and IP staff to join the workforce	PM	June 2015
Targeting of area for extension of programme activities should use the DAG maps to identify the poorest and most remotest VDCs	DADC/DADOs/DLSOs	Immediate

<b>Fiduciary Aspects</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
Recruit the Financial Management Specialist at the PMO.	PM	May 15, 2015
Ensure monthly financial reporting by all the district offices and the Implementing Partners by the 10 <sup>th</sup> of the subsequent month.	DADOs/ DLSOs and all implementing partners	April 15, 2015
Install accounting software and conduct a training programme for accountants in using the software and reporting requirements.	PM/FMS	June 15, 2015
Submit WAs for the first and second trimester of the current year and promptly thereafter after completion of each trimester.	PM/FMS	April 15, 2015 and ongoing
Comply with all the financing covenants within the stipulated time	PMO/OAG	Ongoing
Submit evaluation documents to IFAD for review of the procurements..	PM/FMS	April 15, 2015
Incorporate audit observations of the districts with that of the PMO for preparation of the programme audit report for submission to IFAD	OAG/PMO	In the audit report of 2014-15 and thereafter

### Summary of Progress on Previous Mission Recommendations

SN	Agreed Action	Responsibility	Agreed Date	Status
1	Mobilization of Monitoring and Evaluation Specialist (1), District Seed Coordinators (4) and Seed Technicians (7)	PMO	15 January 2015	Complied
2	Mobilization of Livestock Coordinator (1), Goat Specialist (2), Dairy Specialist (1), Animal and Health Specialist (1), Goat Assistants (15) and Dairy Assistants (10)	PMO	February 2015	Written examination completed and results will be published shortly
3	Appointment of Sub-Accountant	PMO/FCGO	February 2015	complied
4	Appointment of Financial Management Specialist	PMO	February 2015	Written examination completed and results will be published shortly
5	Develop strategic seed development action plan with participation of PMO, field staff, DADOs, farmer group representatives, agrovets/seed company and NARC	Seed Component Coordinator, PMO	31 January 2015	Not complied, but scheduled for third week of April 2015.
6	Explore other possibilities to import quality bucks and semen, and forage seeds with sufficient traceability and credibility, should the first bids be cancelled for some reasons. For this purpose, experience of NAFSP will be sought and guidance from MOF will be pursued.	PMO, MOAD	31 January 2015	Notice has been issued for letter of intent from selected bidders
7	PMO and Heifer/Nepal will detail out Heifer's technical support package and delivery mechanism for goat breed development program	PMO, Heifer	31 January 2015	Compiled, following activities for technical support are identified for current year: (i) Officer level capacity building training on Breed Improvement of Livestock (ii) FFS facilitation training, (iii) Preparation of extension materials for improvement of Goat production and (iv) TOT on Genetic Improvement and Value Chain
8	Confirmation (field verification) of Boer goat breeder and multiplication herd development pockets in Arghakhanchi and Gulmi districts and informing the DADC for confirmation/ change of sites	PMO, DLSO and Heifer/Nepal with participation of Breeding Division, NARC.	31 December 2014	Complied and following sites were selected (i) Gulmi-Gwadi and Ruru and (ii) Arghakhanchi-Thada and Dibarna, Sandikharka 14
9	Finalization of detailed activities and budget for Boer breeder herd development pockets	Heifer/Nepal	31 January 2015	PMO has agreed to provide budget
10	Orientation of DLSO staff on components, activities and	PMO, Heifer/Nepal	Before GON planning	Complied

SN	Agreed Action	Responsibility	Agreed Date	Status
	implementation modalities before the planning process starts.		process starts	
11	Preparation of farmer need based (community based) livestock sector annual programs and budget in consultation with district level stakeholders and finalization at PMO	DLSOs, PMO	During government planning phase	Complied
12	Programme orientation provided to Component 2 consultants	PMO	Before field mobilization	Due
13	Component 2 consultants allocated three motorbikes and one four-wheel drive vehicle.	PMO	As soon as new vehicles are procured.	Under procurement process
14	Submission of WA 5 for first trimester of 2014/15 and deduction of US\$ 63,036.95 from WA 5 on account of advance to NARC	PMO	14 January 2015	Partially Complied
15	Timely settlement of advances given to NARC, AEC and other implementing agencies.	PMO	Ongoing	Complied
16	Prepare the Chart of Accounts in line with GON Account Headings and IFAD Components and Categories and customize the software. The financial statements for the next year should be generated through the software.	PMO	31 August. 2014	Partially complied, Accounts maintained as per GoN account head. Reports as per IFAD generated from normal accounts.
17	Review the physical and financial targets at the end of each trimester to monitor the progress and performance in support of operational decisions	PMO, MOAD	Each trimester	Due
18	Improve the disbursement of the Programme by continuously monitoring the progress and provide appropriate directions to resolve implementation bottlenecks.	MOAD/PMO	Continuously	Improving

## 5.2 Status of Agreed Actions with August 2014 Implementation Support Mission

Agreed Action	Responsibility	Date	Progress till date
<b>Staffing and recruitment:</b>			
M&E/KM Officer (1)	PMO	Advertisement by August 22 and recruitment by November 30, 2014.	Complied
Agriculture Officer (1)	PMO and MoAD	Deployment from MOAD by August 31	Complied
District Seed Coordinators (4)	PMO	Advertisement by August 22 and recruitment by November 30, 2014.	complied
Seed Technicians (7)	PMO	Advertisement by August 22 and recruitment by November 30, 2014.	Complied
Deputy Programme Manager (1)	PMO, MoAD	Deployment from MOAD by August 31, 2014	Complied
Dairy and Goat Assistants	PMO	Advertisement by August 22	Written examination

Agreed Action	Responsibility	Date	Progress till date
(25)		and recruitment by November 30, 2014	completed
Livestock (1), Goat (2), Dairy (1) and Animal Development and Health Specialists (1),	PMO	Recruitment by November 30, Component 2 fully operational by December 31, 2014.	Written examination completed
Heifer/Nepal Programme Officer positions to be 1 for 100% of time dedicated to KUBK activities.	Heifer/Nepal	Immediate	Complied
<b>KUBK Top-Up (SFDB)</b>			
Assessment to be completed of SFDB	IFAD	October 15, 2014	Completed.
SFDB and PMO to agree on implementation modality.	SFDB and PMO	November 15, 2014	IFAD due diligence report is under preparation but key aspects of the design have been discussed with SFDB.
Meeting to be arranged with SFDB and MoF, facilitated by IFAD Bashu Aryal, and participated by Mr. Krishna Aryal.	SFDB and MoF	November 15, 2014	Several meetings have been held to finalize the implementation arrangements.
<b>AEC</b>			
Revision of planned trainings to clearly contribute to ISFP (KUBK) targets.	AEC	On going	Complied
Revision of MoU	AEC and MoAD		Agreed to review MoU after MTR and AEC agreed to contribute to ISFP targets by developing AWPB within the agreed budget and HR
<b>Heifer/Nepal</b>			
Action Plan and orientation at district level.	PMO and Heifer/Nepal	Action Plan by August 31, 2014 and orientation by September 30, 2014	Complied
<b>Implementation of AWPB &amp; Project Planning:</b>			
Monthly personalized work-plan to be prepared	PMO	August 31, 2014	Complied
Monthly report to be sent to IFAD and MoAD on financial delivery progress.	PMO	Continuous, first by September 1, 2014	Partially Complied
Monitoring/tracking system to be established and to be used for project planning purposes.	PMO	Continuous	Partially Complied, data capture format shared
Regular communication between PMO and districts PIUs to ensure consistency of information and interpretation of guidelines.	PMO	Continuous	Complied
AEC and SFDB to provide required information to PMO AWPB as per IFAD reporting requirements	AEC, SFDB, PMO	By August 7, 2014	Complied

Agreed Action	Responsibility	Date	Progress till date
AWPB to be reviewed and submitted to IFAD for no objection	PMO, IFAD	August 15, 2014	Complied
<b>Monitoring &amp; Evaluation and Knowledge Management:</b>			
All relevant KUBK staff and partner staff to attend M&E training to be organized.	PMO	Planned in early September	Not Complied. Planned for April
<b>Grant Operating Guidelines</b>			
Process grant proposals based on the Guidelines approved by the PSC on 11 July 2014., document experiences/ lessons learned and present to the next Joint Review Mission	PMO,	On going	Continuous 142 proposal received, contract agreement made with 46 grantees, 72 proposal are accepted for field verification
Document experiences/ lessons learnt and report the applicability of suggested amendments to the Guidelines.	PMO	Report to IFAD by January 15, 2015	Amendments in guidelines is in progress, will be approved by next PSC meeting
Next supervision to assess effectiveness of Guidelines.	IFAD and MoAD	2015 Joint Review mission, currently planned for March 2015	Complied



#### Appendix 4: Physical progress measured against AWPB including RIMS indicator:

			Period ending:	15-Jul		Cumulative			Sum of actuals of previous years
	Results	Unit	AWP&B	Actual	% of AWPB	Appraisal	Actual	% of Appraisal	
	Households receiving project services	Number		2,949	#DIV/0!	77,046	3,099	4%	150
	Individual Receiving Project Services	Number		2,316	#DIV/0!	375,000	2,855	1%	539
	(total - Male)	Number		805	#DIV/0!	187,500	1,037	1%	232
	(total - Female)	Number		2,144	#DIV/0!	187,500	2,451	1%	307
	(total - Dalit)	Number		305	#DIV/0!		305	#DIV/0!	
	(Female -Dalit)	Number							
	(total - Janajati)	Number		612	#DIV/0!		612	#DIV/0!	
	(Female -Janajati)	Number							
<b>Sub Component</b>									
<b>Production of Foundation Seed</b>	Number of seed producer group formed/strengthened	Group		90	#DIV/0!	720	102	14%	12
	(total - Male)	Number		805	#DIV/0!	3,600	985	27%	180
	(total - Female)	Number		1,511	#DIV/0!	3,600	1,631	45%	120
	(total - Dalit)	Number		198	#DIV/0!		198	#DIV/0!	
	(Female-Dalit)	Number			#DIV/0!			#DIV/0!	
	(total - Janajati)	Number		492	#DIV/0!		492	#DIV/0!	
	(Female -Janajati)	Number			#DIV/0!			#DIV/0!	
	Number of seed demonstration held	Number	99	108	109%	1,470	108	7%	
	Number of farmers participated in demonstration	Farmer	2,250	2,364	105%	25,000	2,364	9%	
	Area covered by foundation cereal seed	Ha		15	#DIV/0!	1,880	15	1%	
	Area covered by foundation vegetable seed	Ha	4	3.5	88%	51	3.5	7%	
	Production of foundation cereal seed	MT		30	#DIV/0!	372	30	8%	
	Production of foundation Vegetable seed	MT		1	#DIV/0!	5	1	20%	
	Area covered by TL cereal and vegetable seed	Ha			#DIV/0!	240,000		0%	
	People trained in crop production and technologies	Number	625	545	87%	15,000	984	7%	439
	(total - Male)	Number		237	#DIV/0!	7,500	500	7%	263
	(total - Female)	Number		308	#DIV/0!	7,500	484	6%	176
	(total - Dalit)	Number		40	#DIV/0!		40	#DIV/0!	
	(Female-Dalit)	Number			#DIV/0!			#DIV/0!	
	(total - Janajati)	Number		54	#DIV/0!		54	#DIV/0!	
	(Female -Janajati)	Number			#DIV/0!			#DIV/0!	

<b>Improving Goat/Diary Productivity</b>	Number of livestock group formed/strengthened	Group			#DIV/0!	578	3	1%	3
	(total - Male)	Number			#DIV/0!	8,725	45	1%	45
	(total - Female)	Number			#DIV/0!	8,725	34	0%	34
	(total - Dalit)	Number			#DIV/0!			#DIV/0!	
	(Female-Dalit)	Number			#DIV/0!			#DIV/0!	
	(total - Janajati)	Number			#DIV/0!			#DIV/0!	
	( Female -Janajati)	Number			#DIV/0!			#DIV/0!	
	Animal in dairy households covered by routine vaccination	%			#DIV/0!	80		0%	
	Local collection centres/market established and functioning	Number			#DIV/0!	15		0%	
	Milk chilling centres established and functioning	Number			#DIV/0!	25		0%	
	Percentage of dairy group engaged in marketing activities	%			#DIV/0!	60		0%	
	Percentage of goat group engaged in marketing activities	%			#DIV/0!	25		0%	
	People trained in livestock production and technologies	Number			#DIV/0!	12,000		0%	
	(total - Male)	Number			#DIV/0!	4,800		0%	
	(total - Female)	Number			#DIV/0!	7,200		0%	
	(total - Dalit)	Number			#DIV/0!			#DIV/0!	
	(Female-Dalit)	Number			#DIV/0!			#DIV/0!	
	(total - Janajati)	Number			#DIV/0!			#DIV/0!	
	( Female -Janajati)	Number			#DIV/0!			#DIV/0!	
<b>Institutional Strengthening</b>	Saving and credit groups formed/strengthened	Number		104	#DIV/0!		104	#DIV/0!	
	People in saving and credit groups formed/strengthened	Number		633	#DIV/0!	30,000	633	2%	
	(total - Male)	Number			#DIV/0!				
	(total - Female)	Number		633	#DIV/0!		633		
	(total - Dalit)	Number		107	#DIV/0!		107		
	(Female-Dalit)	Number			#DIV/0!				
	(total - Janajati)	Number		120	#DIV/0!		120		
	( Female -Janajati)	Number			#DIV/0!				
	Voluntary savers (disaggregated by gender)				#DIV/0!				
	(total - Male)	Number			#DIV/0!			#DIV/0!	
	(total - Female)	Number			#DIV/0!			#DIV/0!	
	(total - Dalit)	Number			#DIV/0!			#DIV/0!	

(Female-Dalit)	Number			#DIV/0!			#DIV/0!	
(total - Janajati)	Number			#DIV/0!			#DIV/0!	
( Female -Janajati)	Number			#DIV/0!			#DIV/0!	
Saving and credit groups with women in leadership position	Number			#DIV/0!			#DIV/0!	
Value of voluntary savings	USD		2,741	#DIV/0!		2,741	#DIV/0!	
Active borrowers (disaggregated by gender)	Number			#DIV/0!			#DIV/0!	
(total - Male)	Number			#DIV/0!			#DIV/0!	
(total - Female)	Number			#DIV/0!			#DIV/0!	
(total - Dalit)	Number			#DIV/0!			#DIV/0!	
(Female-Dalit)	Number			#DIV/0!			#DIV/0!	
(total - Janajati)	Number			#DIV/0!			#DIV/0!	
( Female -Janajati)	Number			#DIV/0!			#DIV/0!	
Value of gross loan portfolio	USD			#DIV/0!			#DIV/0!	
No of SFACL established	Number		12	#DIV/0!	30	12	40%	
Financial institutions participating in the project	Number							



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

**Table 5A: Financial performance by financier, as of 15 March 2015**

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Percent disbursed
IFAD loan	19,516.20	1,991.92	10.21
IFAD grant	19,516.20	1,991.92	10.21
Beneficiary contribution	10,907.10	0	0
Government	7,304.50	589.75	8.07
Heifer International	2,507.40	75.32	3.00
<b>Total</b>	<b>59 751.40</b>	<b>4,648.91</b>	<b>7.78</b>

Note: IFAD Loan and Grant disbursement includes the initial deposit of USD 1.25 million each

**Table 5B: Financial performance by financier by component (USD '000), as of 15 March 2015**

Component	IFAD loan			IFAD grant			Co-financier			Government			Beneficiary			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Support to expansion of formal seed sector	7,814.9	350.48	4.48	7,814.9	350.48	4.48				2,805.1	88.65	3.16	4,887.8	0		23,322.7	789.62	3.39
Smallholder Livestock Commercialisation	6,741.3	125.41	1.86	6,741.3	125.41	1.86	2507.4	75.32	3.0	2,435.9	30.71	1.26	2,068.2	0		20,494.1	356.85	1.74
Local Institutional and Entrepreneurial Development	2,743.9	347.32	12.66	2,743.9	347.32	12.66				1,268.6	63.53	5.01	3,951.1	0		10,707.4	758.17	7.08
Programme Coordination and Management	2,216.1	362.63	16.36	2,216.1	362.63	16.36				794.9	149.72	18.83	0			5,227.1	874.97	16.74
<b>Total</b>	<b>19,516.2</b>	<b>1,185.84</b>	<b>6.08</b>	<b>19,516.2</b>	<b>1,185.84</b>	<b>6.08</b>	<b>2507.4</b>	<b>75.32</b>	<b>3.0</b>	<b>7,304.5</b>	<b>332.61</b>	<b>4.55</b>	<b>10,907.1</b>	<b>0</b>	<b>0</b>	<b>59,751.4</b>	<b>2,779.61</b>	<b>4.65</b>

Note: Expenditure for the current fiscal year (two trimesters) is only of the PMO. The data from districts/ partners has not been received/compiled.

**Table 5C: IFAD loan disbursements (SDR, as at 15 March 2015)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
122055	FUNDS	2,320,000.00	2,320,000.00	72,398.99		2,247,601.01	3.12
122056	TECHNICAL ASSISTANCE	550,000.00	550,000.00	97,957.92		452,042.08	17.81
122057	STUDIES, SURVEYS, TRAININGS AND WORKSHOPS	3,420,000.00	3,420,000.00	53,116.55		3,366,883.45	1.55
122058	GOODS AND SERVICES (INCLUDING VEHICLES)	3,720,000.00	3,720,000.00	182,452.98		3,537,547.02	4.90
122059	OPERATING COSTS	1,590,000.00	1,590,000.00	93,419.89		1,496,580.11	5.88
122060	UNALLOCATED	1,250,000.00	1,250,000.00	0		1,250,000.00	0
7945	DA – Initial advance			828,764.07		-828,764.07	100
	Total	12,850,000	12,850,000	1,328,1104.40		11,521,889.60	10.34

**IFAD DSF Grant disbursements (SDR, as at 15 March 2015)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
122055	FUNDS	2,320,000.00	2,320,000.00	72,398.99		2,247,601.01	3.12
122056	TECHNICAL ASSISTANCE	550,000.00	550,000.00	97,957.92		452,042.08	17.81
122057	STUDIES, SURVEYS, TRAININGS AND WORKSHOPS	3,420,000.00	3,420,000.00	53,116.55		3,366,883.45	1.55
122058	GOODS AND SERVICES (INCLUDING VEHICLES)	3,720,000.00	3,720,000.00	182,452.98		3,537,547.02	4.90
122059	OPERATING COSTS	1,590,000.00	1,590,000.00	93,419.89		1,496,580.11	5.88
122060	UNALLOCATED	1,250,000.00	1,250,000.00	0		1,250,000.00	0
7945	DA – Initial advance			828,764.07		-828,764.07	100
	Total	12,850,000	12,850,000	1,328,1104.40		11,521,889.60	10.34

**Table 5C: IFAD loan disbursements (SDR, as at 15 March 2015)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	CONSULTANCIES	110,000		-	-	110,000	-
II	GRANTS AND SUBSIDIES	570,000		-	-	570,000	-
III	TRAINING	2,000,000		-	-	2,000,000	-
IV	EQUIPMENT AND MATERIAL	100,000		-	-	100,000	-
V	OPERATING COSTS	180,000		-	-	180,000	-
	UNALLOCATED	310,000		-	-	310,000	-
	<b>Total</b>	<b>3,270,000</b>		<b>-</b>	<b>-</b>	<b>3,270,000</b>	<b>-</b>

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

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>Section E Para 1</b>	Conditions precedent to withdrawal from Loan Account	Before disbursement of initial advance	Complied	Designated Account denominated in USD opened with Nepal Rastra Bank.
<b>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>Schedule 1 Section II para 2</b>	The Programme Management Office shall include a Programme management team comprised of a Programme Manager, Deputy Programme Manager, Senior Programme Advisor, Accounts Officer, Monitoring and Evaluation/KM Officer, Planning 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	FMS / Livestock Co-ordinator not recruited
<b>Schedule 1 Section II Para 3</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>Schedule 1 Section II Para 3 © 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
<b>Schedule 1 Section II Para 4</b>	Programme Implementation Manual (PIM) shall have been submitted to the Fund for no objection and to the PSC for approval.		Complied	
<b>Schedule 1 Section II Para 5</b>	A Mid Term Review (MTR) shall be conducted at the end of Programme Year three to prepare Phase II of the Programme.		Not due yet	
	All expenditures shall be apportioned between the Loan and the Grant at the ratio of 1:1.	In each WA	Ongoing compliance	
<b>General Conditions Section 4.02</b>	Application for Withdrawal, or Special Commitment	Initially for the advance to the DA and for each WA	Ongoing compliance	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>General Conditions Section 7.01</b>	The implementation of the Project by the implementation parties in accordance with the approved AWPB and the Procurement Plans (ii) The AWPB and the PP shall be submitted two months before the start of the Programme Year	Each Programme Year	Delayed compliance	The AWPB for the year 2014-15 was delayed by about 4 months and submitted to NPC in September 2014 instead of in May 2014
<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 provides advance funding to the Programme as per its national procedures.
<b>General Conditions Section 7.05</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 approved Procurement Plan did not include procurement of consultancy services.
<b>General Conditions Section 7.08</b>	Insurance of vehicles, equipment and civil works financed from the loan proceeds to be consistent with sound commercial practice.	During implementation period	Partially complied	Except vehicles, other assets have not been insured
<b>General Conditions Section 7.09</b>	Subsidiary Agreements 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 and SFDB have been entered into after no objection from IFAD.
<b>General Conditions Section 8.02</b>	Establishment and thereafter maintenance of MIS as per IFAD Guidelines.		Not complied	MIS System is yet to be set up. M&E Manager has been recruited. The formats for collection and analysis of data is being designed.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>General Conditions Section 8.03</b>	Progress Reports	Six monthly and Yearly	Partially complied	Only annual progress reports has been submitted in October 2014
<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	Delayed compliance	Unaudited financial statements submitted in December 2014 for the year ended 15 July, 2014
<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	Delayed compliance	Audit Report for the year 2013-14 was signed on 10 <sup>th</sup> March, 2014 and submitted thereafter instead of submission by 15 <sup>th</sup> January, 2014.



## **Appendix 7: Knowledge management: Learning and Innovation**

The most significant knowledge generation is expected to emerge from the participatory varietal testing, adaptation of the Boer breed in the country, private sector linkages with farmers in quality seed production, livestock production and marketing. It is critical to ensure that varieties and species which are not successful in the local conditions and should not be introduced. It is also critical to document what types of collaborative arrangements work between smallholders and the private sector and the types of grants which are most successful. NARC, DLSOs, Heifer International and AEC should be given clear responsibility for producing Knowledge Management Notes on their experience with farmer feedback incorporated in the KM Notes. Furthermore, all implementing partners should be asked to identify those aspects of Government policy or regulation which is constraining the development of the seed and livestock sector. These findings should be consolidated into policy dialogue notes and presented to the MOAD for consideration. Given that the Government is actively discussing modalities for the implementation of its Seed Vision 2025, the KUBK has a very good opportunity to provide feedback from the perspective of the smallholder to this vision. The Technical advisors of the PMO will have the primary responsibility for coordinating this area with the DADOs and DLSOs.



## Appendix 8: Audit Log

### 1. Summary Audit Table

Fiscal Year	Audit Observation as per Audit Report		Audit Observation Settled		Audit Observation Outstanding	
	Number	Value (NRs)	Number	Value (NRs)	Number	Value (NRs)
2012-13	3	Nil	3	Nil	Nil	Nil
2013-14	7	Nil	Nil	Nil	7	Nil

### 2. Detailed Audit Table

Sl. No.	Financial year	Class: Serious/ general	Audit Ref.	Audit observation	Total Amount per Observation (NRs)	Action taken by the project/PMU (Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/ outstanding (NRs)	Remarks
	2012-13	General		Target and achievement: As per the target achievement submitted by KUBKISFP, it seemed 95.4% weighted progress and 89.4% financial progress of the programme	-	General observation on the target and achievement.		-	Settled
		General		Reimbursement: As per the part 27 of Financial Procedures Rules 2064, amount expended from the source of GoN and to be reimburse from donor should be applied with application form within 45 days. Programme should pay attention towards amount expended		General observation.			Programme has started compliance. Settled.

Sl. No.	Financial year	Class: Serious/general	Audit Ref.	Audit observation	Total Amount per Observation (NRs)	Action taken by the project/PMU (Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/outstanding (NRs)	Remarks
				Rs 18.996 million by the programme before audit report which is to be reimbursed as per legal provision. During discussion, it is found that Programme is in process of application for reimbursement as soon as possible.					
		<b>General</b>		Programme has purchased some items directly from quotation not by sealed quotation or bidding. In discussion, programme responded that for establishing the office immediately, it had purchased directly and for next time, it would purchase abiding by the rules and regulations.		Specific observation on direct contracting			Programme has satisfied the Auditor that it will comply with the rules and regulations in future and the instant case for setting up the office at the earliest.
	2013-14	<b>General</b>		<b>Program-Wise Account:</b> As per the agreement, the office has to maintain Program-Wise account of the Program's budget. However, the office has not maintained the record of Program-Wise account. This issue has not been addressed despite of audit observation on the last					

Sl. No.	Financial year	Class: Serious/general	Audit Ref.	Audit observation	Total Amount per Observation (NRs)	Action taken by the project/PMU (Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/outstanding (NRs)	Remarks
				years audit. Program-Wise account should be maintained.					
		General		<b>Budget allocation and ratio of expenditure:</b> This year's budget allocation and release/expenditure has figured Rs. 240 million to 56 thousand and Rs. 138 million 340 thousand respectively. Only 57.63% of the total budget has been utilized. Affecting the utilization of grant amount and program's expenditure. Delay in preparing grant release working procedure and inability to recruit the consultant in time is the main reason for less expenditure. Annual procurement plan should be prepared for full utilization of the annual budget.					
		General		<b>Expenditure incurred on last trimester and Asadh:</b> Ministry of finance has issued directives along authorization for expenditure that the expenditure should not be					

Sl. No.	Financial year	Class: Serious/general	Audit Ref.	Audit observation	Total Amount per Observation (NRs)	Action taken by the project/PMU (Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/outstanding (NRs)	Remarks
				more than 40% and 20% of total budget in last trimester period and in the month of Ashadh respectively. Among the gross expenditure of third trimester was Rs. 138 million 340 thousand incurred during this year, the expenditure of third trimester Rs. 76 million 878 thousand or 55.57% and expenditure in Asadh was Rs. 35 million 976 thousand or 26.01%. This has affected the execution of programs and quality of works.					
		General		<b>Reimbursement of Expenditure:</b> According to Financial procedure Regulation 2064 (Rule 37), reimbursement request to donor should be claimed within 45 days for expenditure through Nepal Government Source. Total reimbursement outstanding of office for the period 2070 chaitra to Asadh (15 <sup>th</sup> March to 16 <sup>th</sup> July 2014) was Rs. 117					

Sl. No.	Financial year	Class: Serious/general	Audit Ref.	Audit observation	Total Amount per Observation (NRs)	Action taken by the project/PMU (Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/outstanding (NRs)	Remarks
				million 520 thousand (USD 1,071,038.33) which was to be settled within 2071 Bhadra 15 (31 <sup>st</sup> August 2014) has been reimbursed in 28 <sup>th</sup> October 2014 only after two months. The reimbursement should be claimed according to the provision of the regulation.					
		General		<b>Master plan and Annual Procurement Plan:</b> According to public procurement Act, 2063, and regulations 2064 an entity should prepare Annual procurement Plan for the construction and procurement work exceeding Rs. one million and Master procurement Plan for the procurement of work exceeding Rs. 100 million. Though the office has incurred total Rs. 240 million 56 thousand of during this year, it has not prepared its master plan for procurement. This issue has been repeated despite of audit observation in last year. Though the entity					

Sl. No.	Financial year	Class: Serious/ general	Audit Ref.	Audit observation	Total Amount per Observation (NRs)	Action taken by the project/PMU (Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/ outstanding (NRs)	Remarks										
				have prepared annual procurement in plan this year, it has not included consultancy service and civil construction work.															
		General		<b>Aide Memoirs:</b> Comments mentioned in Aide memorie from monitoring of supervision mission should be implemented in prescribed time frame. However, comments of Aide memoire by mission's monitoring (14 to 28 April 2014) has not been implemented by project management office. The following are few examples of such comments that have not been implemented within audit period. <table><tr><th>Accepted Assignments</th><th>Status Imple</th></tr><tr><td>1.Deputing JTA in each VDC</td><td>Not im</td></tr><tr><td>2.New staff selection and procurement</td><td>Imple after 3</td></tr><tr><td>3.Formulation of specification for semen purchase</td><td>Imple after 1</td></tr><tr><td>4.Tender call for semen and Boer</td><td>Not im</td></tr></table>	Accepted Assignments	Status Imple	1.Deputing JTA in each VDC	Not im	2.New staff selection and procurement	Imple after 3	3.Formulation of specification for semen purchase	Imple after 1	4.Tender call for semen and Boer	Not im					
Accepted Assignments	Status Imple																		
1.Deputing JTA in each VDC	Not im																		
2.New staff selection and procurement	Imple after 3																		
3.Formulation of specification for semen purchase	Imple after 1																		
4.Tender call for semen and Boer	Not im																		

Sl. No.	Financial year	Class: Serious/ general	Audit Ref.	Audit observation		Total Amount per Observation (NRs)		Action taken by the project/PMU (Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/ outstanding (NRs)	Remarks
				goat purchase							
				5.Support for fodder nursery	Not implemented						
				6.Demand for Organizational support	Postponed						
		General		<b>Financial Covenant:</b> According to agreement with IFAD and project analysis report some of Financial covenant has not been implemented Examples are given below: a)Still not prepared the software which has to prepare up to 31 <sup>st</sup> August 2014. b)Monthly report preparation has to be initiated from implementing partners within 16 July 2014 but not implemented yet. c)In agreement, there is a provision of trimester withdrawal application to be submitted after 45 days from lasting of trimester but the last trimester withdrawal application was submitted late. d)MIS should be prepared up to 31 August 2014 but not prepared till date. e)In Annual Procurement Plan, Consultancy and							

Sl. No.	Financial year	Class: Serious/general	Audit Ref.	Audit observation	Total Amount per Observation (NRs)	Action taken by the project/PMU (Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/ outstanding (NRs)	Remarks
				Future civil works should be included up to 15 may 2014 but not mentioned till date.					

## Financial Management Assessment at Supervision – Guidance Questionnaire<sup>4/5</sup>

<b>Country: Nepal</b>	<b>Loan /Grant ID: 8106-NP and DSF-8106-NP</b>
<b>Project Name:</b>	<b>Improved Seeds for Farmers Programme</b>
<b>Executing Agency: Ministry of Co-operatives and Poverty Alleviation</b>	<b>CPM: Lakshmi Moola</b>
<b>Reviewing Finance Officer/FMS: Pratul Dube</b>	<b>Date of this review: 26-03-2015</b>

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
<b>A. Inherent Risks</b>			
<b>B. Control Risks</b>			
<b>1. Organization and Staffing</b>			
a.	Adequacy of organizational structure to meet functional needs of the project.	L	The structure is well defined and adequate
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	Job descriptions are available for key positions
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	M	The position of FM specialist at the PMO is still vacant. The recruitment under process
d.	Availability and adequacy of operating manuals and guidelines for staff.	L	The project has a PIM which includes financial management
e.	Existence of a performance based evaluation system in place and timely completion of performance evaluation for all staff.	L	Performance evaluation of staff is done biannually for the officers and annually for the assistants by the PM and DPM/SADO/SLDO
f.	Adequacy of health insurance coverage for all staff (where applicable).	M	The project staff at the PCU and the DDPC of the DPCU are not covered by health insurance
g.	Timely payment of social security fees (where applicable).	L	
h.	Staff adequately informed about IFAD's national and anti-corruption policy and relevant contact details.	L	

<sup>4</sup> This questionnaire should be used as guidance for and in support of the Summary Project Fiduciary Risk Assessment at Supervision. It is to be completed during the Mission.

<sup>5</sup> Include relevant findings of project supervision and progress reports, field visits, and audit report findings.

<b>2. Budgeting</b>			
a.	Timely preparation and approval of AWPB.	M	Preparation and submission of AWPB is generally delayed
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	L	
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	
d.	Linkage between AWPB and Procurement plan are identified (for cost estimate and activities). Check assumptions to support cost estimates. Test check high value items.	L	
<b>3. Fund flows and Disbursements / Withdrawals</b>			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	M	Delay of release of funds by the Govt during the first trimester
b.	Timeliness of counterpart funds disbursed.	M	Funds for the first trimester are generally disbursed by the Govt after two months from the beginning of the year
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	L	
d.	Efficiency of the funding channels for credit lines. Timeliness and traceability of funds flows, if applicable.	L	
e.	Special Account(s)/Dedicated Account(s) Management, Disbursements.		
	i) Adequacy of the authorized allocation to ensure a smooth flow of funds	L	
	ii) Appropriateness of disbursement methods used	L	
	iii) Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments. (refer to Appendix IV and complete, reflecting finding in rating).	L	
	iv) Timely preparation and accuracy of Withdrawal Applications	H	Submission of WA is delayed. Last WA submitted for period ended 15 <sup>th</sup> July 2014.
	v) Authorization of WA preparation.	L	
	vi) Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	L	
	vii) Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	L	
	viii) Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time. Provide comments as appropriate	H	Disbursement is unsatisfactory as compared to the AWPB and very low considering the total appraisal targets

	ix) Recovery of SA balances by loan closure	NA	
<b>4.Internal Control</b>			
a.	Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization of a transaction (ii) execution of a transaction (iii) recording of the transaction; and (iv) custody of assets involved in the transaction.	L	Authorization is jointly done by the head of the office along with the Accountant/Accounts Officer.
b.	Clarity and adequacy of decision processes and sequence of events for control functions in project implementation reflected in the Financial Manual (or equivalent there-of).	L	The PIM has a chapter on financial management The Govt has a financial manual which is being followed by the project.
c.	Adherence to Financial Manual.	L	
d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	L	
e.	Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.	L	Contract register is being maintained
f.	Effectiveness and efficiency of internal controls over expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.)	L	
g.	Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	L	
h.	Physical controls over cash, documents and records. Adequacy of filing systems. Is the petty cash subject to monthly reconciliation as well as surprise checks; custody of cash box and control of keys.	L	
i.	Adequacy of physical management of cash.	L	
j.	Timely payment to suppliers and consultants.	L	
k.	Eligibility of expenditures with respect to FinancingAgreements.	L	
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	L	
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	M	Delay in submission of AWPB and audited PFS
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	L	
o.	Adequacy of controls concerning project assets including: i) Vehicle and other assets management (are assets property tagged, is a physical inventory count done on a regular basis?) ii) Fuel management (do drivers maintain a log book?) iii) Travel authorisations (incl. DSA paid to staff)	L	
p.	Adequacy of vehicles and assets insurance.	M	Except vehicles, the assets are not insured

q.	Workshops: i) Availability of list of participants ii) DSA paid to participants iii) Receipts for workshop expenditure	L	
r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts – non-special account.	L	
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	L	
t.	Existence of a proper IT support unit in place.	H	Accounts are being manually maintained as required by the Govt and its auditors. The project has not been able to computerize its accounts. Software for accounting is not yet installed
<b>5. Accounting</b>			
a.	Basis of accounting (cash, accrual) and whether accounting standards are in line with IFAD'd requirements (e.g. IFRS/IPSAS/IPSAS cash).	L	Cash basis of accounting is being used
b.	Adequacy and reliability of accounting system, (is double entry accounting used, specify software used, is budget data entered into the accounting system, can the accounting system produce regular automated financial reports?).	M	The manual books do not follow double entry accounting system.
b.	Recordkeeping (including documentation and filing/archiving)	L	
c.	Fixed assets register maintained and reconciled (sample and physical check).	L	
d.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	M	The accounting procedures are documented in the Govt financial manual. Backup is not taken for integrated expenditure statements based on which WA is submitted
e.	Adequacy of chart of accounts for project accounting purposes	L	Budget heads of the Govt system is used as chart of accounts
f.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	L	
g.	Appropriate/ adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	H	Beneficiary contributions are not recorded and the advances given to implementing partners are not accounted for regularly as the partners do not provide information in the prescribed format

<b>6. Financial Reporting &amp; Monitoring</b>			
a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	M	Preparation and submission of financial reports are delayed
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	M	Progress reports are submitted yearly and are delayed
c.	Preparation of reports showing actual vs budget income/expenditure and AWPB execution rate.	M	Though the programme's financial statement shows the actual and budgeted expenditure, the AWPB execution rate is not recorded
d.	Follow up of previous aide-memoirs fiduciary recommendations.	M	Most of the recommendations of the earlier report have not been complied with
e.	Reasonable alignment between disbursement rate of recurrent versus investment cost categories.	L	
<b>7. Internal Audit</b>			
a.	Existence of Internal Audit arrangements.	L	The District Treasury Comptroller Office conducts internal audit of PCU every year
b.	Adequacy of internal audit arrangements (organization - staff capacity).	L	
c.	Adequacy of internal audit scope of work and quality of reports.	L	Audit is not done every trimester as required to be done
d.	Assessment of matters raised in audit reports.	L	The issues raised are financial compliance, taxes, settlement of advances and procurement
<b>8. External Audit<sup>6</sup></b>			
a.	Adequacy of scope and ToR.	L	The audit report generally adheres to IFADs requirements
b.	Adherence to ToR.	L	
b.	Timeliness of audit report.	M	Submission of audit report was delayed for 2013-14 and submitted about two months late
c.	Quality of audit.	L	
d.	Implementation of audit recommendations/agreed action plan in place to address these.	L	

<sup>6</sup> Refer to IFAD audit review.