

## **Nepal**

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

### **Supervision report**

### **Main report and appendices**

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Asia and the Pacific Division  
Programme Management Department



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

1. The Improved Seeds for Farmers Programme (ISFP) was approved by the IFAD Executive Board on 15 September 2012 for a Loan and a Grant of USD 19.5 million equivalent both. The total programme cost is 59.7 million, with Heifer International's financing of USD2.5 million, counterpart funding of government matching funds of USD 7.3 million, and beneficiary contributions equivalent to USD 10.9 million. The Financing Agreement was signed and became effective on 02 Dec. 2012. An official start-up was held in Kathmandu on 20 March 2013. In December 2013 an additional financing of USD 5 million (Loan) was added to the programme. The same has been subsequently redesigned to function as a line of credit to support Component 3 of the programme. The Programme's completion date is 31 Dec. 2019, and the financing closing date 30 June 2020.
2. The goal of the ISFP is to promote inclusive, competitive and sustainable agricultural growth within the target area such as to contribute to overall economic growth. The development objective of the Programme (PDO) is to improve household incomes through sustainable, market-drive productivity improvements, with the aim of scaling-up an agriculture-led growth model. The Programme is designed to support two key constraints of agriculture sector hampering productivity: the improvement of certified seed (cereals and vegetables) and improvement of smallholder livestock (goats and dairy) in order to increase income of the poor rural households. This will be achieved by developing partnerships between farmer organisations and the private sector. The Programme will be implemented for a period of seven years in two phases. During phase one, a total of 150,000 households from six districts including indirect beneficiaries from vulnerable groups are expected to be moved out of poverty. As a result of this investment in the seed and livestock industry, the potential impact on the wider farming community of the hills region is considered to comprise an additional 200,000 households benefiting from the programme and non-programme districts.
3. A Mission from the International Fund for Agricultural Development (IFAD) visited Nepal from February 12th to 25th, 2017<sup>2</sup> to undertake the supervision mission of the Improved Seeds for Farmers Programme (ISFP) or the Kisankalagi Unnat Biu-Bijan Karyakram (KUBK). The objective of the mission was to review the overall performance of the Programme, since the mid-term review in 2016; make appropriate recommendations to facilitate implementation; and assess course corrections where required. The mission critically examined progress achieved under each of the four components and identified key constraints allowing us to make recommendations to facilitate the achievement of overall Programme objectives.
4. The mission met with the key stakeholders and implementing partners in Kathmandu, Butwal and in 4 programme districts of Rolpa, Pyuthan, Gulmi and Arghakhanchi. The mission would like to record its deep appreciation for the support and hospitality provided by the Government of Nepal and Programme staff in the field.
5. 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 and participants from the MOLD, MoF and other key stakeholders on February 22, 2017.

## B. Overall assessment of project implementation

6. The programme has **34 months** remaining till completion in 31 December 2019 with approximately **80% of the outlay undisbursed**. The probability, that the entire remaining balance will be utilized, is very low.
7. **Implementation progress:** The Mission has rated the overall performance of the Programme as **Moderately unsatisfactory (3)**. Implementation progress after seven months of this fiscal year completed remains dismally low at 10.8% of approved AWPB.

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<sup>1</sup> Mission composition: Narasimhan Srinivasan, Rural Finance Specialist and Team Leader; Robert Delve, Agronomist, PTA, IFAD; Dilli Joshi, M&E Specialist; Varsha Mehta, Livestock Specialist; Hari Dhakal, Procurement Specialist; Pradeep Shreshtha, Financial Management Specialist were part of the mission team; Bashu Aryal, Country Programme Officer; and Lakshmi Moola, Country Programme Manager joined the mission pre-wrap up and wrap up meetings.

<sup>2</sup> Two teams were in the field from February 15 to 18, 2017

Fiscal Year	Approved AWPB (NPR 000)	Expenditure (NPR 000)	Expenditures against AWPB (%)
FY 2012/13	21,000	19,541	93.05
FY 2013/14	339,272	144,788	42.68
FY 2014/15	471,212	255,422	54.21
FY 2015/16	842,120	569,970	67.68
FY 2016/17	1,391,105	150,890 till 31 Jan 2017	10.8

8. As at 31 January 2017, KUBK has disbursed 27.80% (net of the initial advance 21.35%) and expensed 24.76% (USD14.78 million) against the total programme costs of USD 59.7 million.

9. There have been significant changes to the staffing within the programme, which have also affected implementation and coordination at the PMU level.

10. Further to the mid-term review, several activities that were expected to commence have stalled. This has been due to – enforcement of GoN policy regarding the hiring of INGOs and/or technical assistance (FAO and Heifer); delay in finalization of the subsidiary lending agreement with SFDB; procurement delays; and significant delays in the overall planning of programme activities. While recent progress has been made towards the finalization of the amendment to the financing agreement post-MTR, almost a year has been lost in implementation. The MTR has noted that the recommendations were critical to the success of the Programme, and failure/delay to implement the same would leave KUBK unable to utilize its resources effectively and unlikely to meet its overall objectives.

## C. Outputs and outcomes

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

11. The performance of this component is rated as **moderately satisfactory (4)**. Steady progress has been made across Component 1 in the 12 months since the MTR.

#### Sub-Component 1.1 – Ensuring an effective enabling environment

12. **Improving Policy and Regulations:** The MTR recommended to hire FAO as a technical support partner for implementation of the recommendations of the 2015 review of the Seed Policy and regulations. This recommendation was not approved by the GoN and therefore, no progress has been made on this planned activity to date.

Agreed action	Responsibility	Agreed date
Cancellation of fund allocation to FAO as technical partner	MoAD/MoF	April 17, 2017

13. **Increasing the capacity of the DADOs:** The KUBK continues its support to DADOs since the MTR through the recruitment of four field-based seed technicians for each of the six Districts, enhancement of their mobility through the purchase of 39 motorbikes and their capacity development through training.

14. Six Agriculture Service Center (ASC) buildings were constructed and completed between 2015-16 and the mission date. Three new ASC's will be constructed in 2016-17 for which the bid process has been initiated. Training was conducted for 44 DADO staff and District seed technicians on agriculture entrepreneur management. Also trainings on seed certification, FFS and PVS were conducted and details are in the sections below.

15. **Improving the seed quality control system:** Previous missions have highlighted the poor quality of seed being received by the private seed companies from SPGs. A MTR recommendation was to hire 12 (two per District) private seed inspectors who would be trained and regulated by the SQCC. The SQCC have developed and approved guidelines for this decentralised seed inspector service. KUBK is in the process of selecting candidates who will be trained by SQCC in this financial year, and start their field activities in the coming June/July summer season. Appropriate seed sampling techniques has also been added to the ToR for the revised FFS manual (see more details in FFS section below).



Agreed action	Responsibility	Agreed date
Ensure private seed inspectors are recruited, and trained, before the start of the summer planting season	PMO	May 31 2017

## Sub-component 1.2: Improved Seed Production

16. **Foundation Seed production (NARC):** KUBK has provided several years of support to the NARC farms/stations and the Agriculture Farm Palpa and Rukum under DoA farm for the production of foundation seeds of cereal and vegetable crops. Despite this NARC and DoA have been unable to deliver the required quantities of these foundation seeds. In accordance with MTR recommendation private sector companies have been engaged for production of foundation seeds. By the 2015/2016 season, the area planted for foundation seed production was 382.4 ha (370.5 ha for cereals and 12.9 ha for vegetables).

Crops	Year 2013-14		Year 2014-15		Year 2015-16		Total	
	Area (ha)	Production (Mt)	Area (ha)	Production (Mt)	Area (ha)	Production (Mt)	Area (ha)	Production (Mt)
Cereal seed	15	30.2	111.5	197.5	244	106.64	370.5	334.3
Vegetable seed	3.5	1.4	4.0	1.8	5.5	1.90	12.9	5.1
<b>Total</b>	<b>18</b>	<b>31.57</b>	<b>115.5</b>	<b>199.23</b>	<b>249.5</b>	<b>108.54</b>	<b>382.4</b>	<b>339.4</b>

17. For 2016-17 the target area to be planted was 68 ha, targeting seed production of 80.9 Mt for cereals and 8 ha for vegetables. Production data of rice, maize and vegetable seed is only included from ARS Surkhet and NMRP Rampur. Therefore the seed quantities reported above will increase as the other stations report. The construction of the seed storehouse of 10 MT capacity at the NARC station in Surkhet is almost completed.

18. **Breeder seed production (NARC):** Due to the increased demand from SPGs for foundation seed, there was insufficient breeder seed available in NARC to produce foundation seed. It was agreed at the MTR to provide resources to NARC to increase its breeder seed production. Support to NARC for the production of breeder seed is a new activity and the MoU has been agreed for establishment and management of 20 ha of cereals and 3 ha of vegetables for seed production during 2016-17. NARC has produced a result-oriented plan for the activities financed by KUBK as suggested by the August implementation support mission.

19. **Foundation Seed production:** Seed production through SPGs has progressed since the MTR recommendation. During 2016-17 six SPGs have been supported to provide foundation seeds of different crops through direct technical supervision of NARC and quality control by RSTL. Support to these SPGs producing foundation seed is a critical activity during the rest of 2016-17 and 2017-18. One option to support commercialisation and sustainability is to link these foundation seed producing SPGs with the sub-project groups, so that they can buy this foundation seed directly.

Agreed action	Responsibility	Agreed date
Evaluate NARC performance on breeder seed before the start of the next planting season	PMO	April 30 2017
Evaluate the success of SPGs producing foundation seed and determine if this activity can be scaled up in 2017-18 or if it should be stopped? and if private seed companies and/or the National Seed Company should be the focus of foundation seed production.	PMO	April 30 2017
Develop a system to link foundation seed producing SPGs with TL seed SPGs to meet their demand for foundation seed.	PMO	May 31 2017

20. **Truthfully Labelled (TL) Seed production:** Sub-projects participating in TL seed production are supported for foundation seed, fertilizers, field inspection and seed testing services. They are also provided with technical support (e.g. on seed production, processing, quality control, marketing, seed sampling, machinery use). Up to the end of the 2015-16 season a total of 218 seed producers' groups/cooperatives and were mobilized for TL seed production and 3 agrovets and 5 seed companies for seed marketing. These sub-projects have a total budget of 628.4 m NR – 286.7 m NR grant (45.6%) and 341.7 m NR beneficiary contribution (54.4%). By the mission date 20.6% of the total sub-project cost (129.3 m NR) was disbursed. unrealistic

21. The quantity of sales of TL seed in the last two years are given below:

2015-16					2016-17			
District	Maize	Wheat	Rice	Vegetable	Maize	Wheat*	Rice	Vegetable
Rukum	28.1	24.0	5.0	27.1	53.7	0	37.0	2.1
Rolpa	30.1	14.5	2.5	0.3	40.7	0	0.6	0
Salyan	13.5	7.0	0	6.0	82.4	0	48.3	3.0
Pyuthan	84.0	9.8	41.4	0.0	87.0	0	32.2	0
Gulmi	25.1	20.7	2.5	2.6	107.4	0	105.4	0
Arghakhacchi	15.4	22.5	0.0	1.4	31.5	0	0	1.8
<b>Total</b>	<b>196.2</b>	<b>98.5</b>	<b>51.4</b>	<b>37.4</b>	<b>402.7</b>	<b>0.0</b>	<b>223.5</b>	<b>6.9</b>

\* the wheat crop for 2016-17 has yet to be harvested and this is why the value is currently zero.

22. The amounts above are about 60% of the total seed produced, as not all of the grains can be used for seed production, and there are additional losses in grading for quality seed production. The quantity that cannot be sold as seed is 497.3 t and this is sold/eaten as grain.

23. The revenue for each household from Paddy seed sales ranged from NR 1200 in Rolpa District to NR 33397 in Gulmi; in case of maize it ranged NR6280 in Arghakhacchi to NR30697 in Salyan; in case of vegetable seeds it ranged from NR 6679 in Gulmi to 26188 in Rukum. Overall the household had low income from seed production in Gulmi and Arghakhacchi districts. The reported income is not profit and does not net out the costs. It was clear from discussion and in review of the field notes from the SPGs that farmers receive twice the price for maize seed over maize sold as grain (50-60 vs. 30 rupees). No cost-benefit analysis was available for these crops to determine profitability.

Agreed action	Responsibility	Agreed date
No expressions of interest for Grants will be launched for FY 2017/2018. Focus on existing proposals and sub-projects under implementation to ensure that they are able to sustain post-programme implementation.	PMO	Immediate
Consider a reduced subsidy approach to support sub-projects where in the first year a 75% subsidy is in place and this is reduced to say 50% and 25% over the next two seasons/years. Beneficiaries should invest increasing amounts and KUBK can evaluate the profitability and sustainability of these seed businesses	PMO	Immediate
Conduct cost-benefit analysis for seed production to determine profitability and business sustainability, and to plan for the summer planting season.	PMO	April 30 2017
Conduct the MTR recommend impact assessment of seed sub-projects before granting any more new sub-projects	PMO	April 30 2017
Conduct the MTR recommended seed replacement rate study to determine seed demand	PMO	April 30 2017

24. Strengthening **seed producer groups and cooperatives**: One change needed in the project is that the extension and business skills need to be provided to these grantees of the sub-projects. A second gap in the sub-projects is that the business model is not clearly defined in the proposal or in the support given. The groups collect data in their 'farmers diary' but it's not clear how this is used in planning and evaluation of their sub-projects. Income for households is quoted strictly as total income but not as project, so it's hard to know if the groups are making more income from these sub-projects than other income generating activities. This data should be used to identify areas where they can reduce costs/increase income.

25. A key issue to be addressed is the contract between the seed company and the SPG. In several cases there are written agreements detailing the amounts of foundation and TL seed required by the company; in others it was a gentleman's agreement that the company would purchase from the SPG. The contracts did not set a clear price, but an indication of a 15-20% mark-up above the prevailing National Seed Company TL Seed.

Agreed action	Responsibility	Agreed date
Add farming as a business skills to the training provided to the beneficiaries of sub-projects.	PMO	March 31 2017
Evaluate the effectiveness of linking SPGs to private seed companies to see if they are working well, if farmers are paid a fair price, are paid on time etc.	PMO	June 30 2017

26. **Engaging Formal Sector Seed Companies for foundation seed production**: The MTR recommended that KUBK engage private seed companies to complement the foundation seed production by NARC. During 2016-17 agreements were made with five seed companies to support their operations. These grants focussed on infrastructure (laboratory, store houses) and processing

capacity (seed cleaning, dressing and bagging) and did not include foundation seed production or support to SPGs. Four of the five companies are registered by SQCC to produce foundation seeds. The two companies that do not currently produce foundation seed have to register and get approved before producing foundation seed. In January 2017 the National Seed Company (a parastatal), signed a two-year agreement to produce foundation seed on the following land areas - 12 ha paddy, 3 ha maize, 12 ha wheat, 2 ha radish, 5 ha pea and 1 ha onion. The other three seed companies are not producing foundation seed in the current season, and it is therefore possible that the amount of foundation seed produced for the 2017-18 season will not be sufficient.

Agreed action	Responsibility	Agreed date
Link the six SPGs that are producing foundation seed to the three companies through buy-back schemes.	PMO	March 31 2017
Closely monitor the National Seed Company to ensure they fulfil their contract and will provide the required quantities of foundation seed.	PMO	Monthly

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

27. **Promoting Farmer Demand for TL Seed:** KUBK uses FFS and PVS as extension approaches to demonstrate the benefits of growing crops from TL seed. By June 2016 a total of 10,416 farmers have been trained on quality seed production in 404 FFS. To date in 2016-17 an additional 68 FFS were supported with 1,748 members, out of a target of 102 FFS. The remaining 34 FFS for 2016-17 will be trained in maize and paddy planted in the coming summer season during May and June 2017.

28. As per the last mission recommendation, refresher course for 18 DADO FFS facilitators have been completed 108 farmers' facilitators were trained with technical assistance of the Plant Protection Directorate under DOA, and a refresher training for 34 facilitators was conducted.

29. The MTR also recommended a revision of the FFS curriculum to not focus apart from seed production, more on crop productivity enhancement (use of quality seeds, IPM, soil fertility, seed rate, etc) and include experimentation and comparative assessment of the traditional vs improved production techniques using the same local variety. It further recommended that training on farming as a business, including cost benefit analysis should be conducted. The recruitment of a consultant to make these revisions is at an advanced stage. The contractor is expected to complete the assignment by end June 2017. Given the delays in this process and that fact that the revised manual will not be finished for the next cropping season.

30. The participatory variety selection (PVS) demonstrations allow farmers to view and select from a range of different varieties by observing the crop during the season. This can be done as part of an FFS or simply as a demonstration. The PVS demonstrations are supported by research and extension services. It provides opportunity to farmers to choose the best and most preferred varieties that are already recommended by NARC or the varieties that are in pipeline for recommendation. By the mission date a total of 151 PVS demonstrations were completed against its target 270 (59% achievement).

31. There had been no action on MTR recommendations that the project carries out more of simple demonstrations to ensure that more households could see the options and benefits of growing quality seed; and arrangement of field days and farmer exchange visits. The seed companies can be asked to set-up and manage the demonstrations of a range of crops and varieties that they sell.

Agreed action	Responsibility	Agreed date
Add training of farming as a business to FFS and SPGs	PMO	May 31 2017
Do not expand the number of PVS trials in future seasons and rather add a larger number of demonstration plots, linked to farmer field days and farmer exchange visits.	PMO	April 20 2017
Evaluate the potential of involving seed companies in conducting on-farm demonstrations	PMO	May 31 2017

32. **Component 2 – Smallholder livestock development.** This Component includes three sub-components: (i) improving dairy productivity; (ii) improving goat productivity, and (iii) strengthening of DLSOs. The component is rated **moderately unsatisfactory (3)**

### Sub-component 1: Dairy Productivity Improvement

33. **Dairy productivity improvement:** The main activities undertaken for this programme sub-component include AI in cows (using Jersey semen as well as sexed semen), and distribution of Murrah buffalo bulls for breed improvement; improved nutrition through fodder cultivation; improved

veterinary services (deworming and vaccination - HS, BQ and FMD); and capacity-building of veterinary para-professionals, DLSOs and milk market linkages.

34. 3400 cows were provided AI using Jersey semen, and rate of conception is reported to be about 50%. Of the 61 Murrah buffaloes, 30 are in service (remainder are yet to attain maturity). Bulls are placed with Farmer Groups of smallholder owners; and they provide service to other farmers on a fee-basis. The sexed semen which has not been used should be used and results monitored. Further imports planned for future may be stopped until the results of the study on effectiveness of the first lot are available. The present arrangements should be reviewed and a demand-responsive mode of providing AI services including support to private paravets should be worked out.

35. 12 Fodder Resource Centres and Nurseries have been established for cultivation of fodder tree saplings and grass slips, which are then to be distributed to farmers. No data on progress of distribution of fodder and forage seedlings and slips was available. Chaff-cutters (180) and urea-molasses mineral blocks (4200) were distributed. Azolla cultivation may be undertaken for feed supplementation and enhancing the protein/nutritive value of fodder.

36. Vaccination and parasite control efforts were lagging behind at 10.6% and 7.9% of target. No support to planned Vet shops had been provided. Training of 1740 people including farmers, paravets and staff had been carried out. Of the 20 dairy sub-projects awarded by KUBK, 11 have received funds as of February 2017; these include 3 sub-projects for dairy promotion and management, 2 cattle and 1 buffalo farm, and 5 milk-processing/value-addition units. Total grant disbursed for these sub-projects is USD 47,366.25 (NR 52,10,287), which is 31.2% of the total awarded value (for 20 SPs). A dairy farm supported through the project reported an increase of 40% in milk collected locally. At the same time, it was observed some activities included in the sub-project were not related to improved business (e.g., biogas plant). A milk value-addition unit based at Gulmi supported by the project was collecting milk from more suppliers than earlier, but not from project villages.

Agreed action	Responsibility	Agreed date
Prepare a consolidated, realistic work plan for the dairy sub-component for the remaining project period. Establish results indicators with clear linkages to activities in the plan.	PMO/DLSOs	June 15, 2017
Validate results of AI in cattle, in terms of numbers of cows and buffaloes inseminated, and the conception rate	Livestock Coordinator/M&E officer	April 30, 2017
Prepare a plan for use of sexed Jersey semen, and assess results based. Stop further import of sexed semen until this results assessment has been completed.	Livestock Coordinator/NLBC/MoLD	June 30, 2017

37. **Goat productivity improvement:** Activities have been implemented by both DLSO and by Heifer International, Nepal. Aim of interventions is breed improvement through cross-breeding (DLSO areas) with Boer bucks to establish breeder and multiplier herds; and improved breeding bucks (Heifer areas). Access to improved veterinary services is facilitated through training of VAHWs; placement of veterinary para-professionals (Goat Technicians) closer to the field; and organization of veterinary camps for goats. Adoption of improved management practices is emphasized through FFS approach in DLSO intervention areas, where a total of 20 FFS have been supported so far..

38. Breed improvement: 8,000 doses of Boer semen was imported, but have remained largely unutilised. Establishment of one BH each in Gulmi and Arghakhanchi districts, and placement of imported Boer bucks with farmers therein, has been the most significant development post-MTR. Of the 50 Boer bucks imported from Australia, 38 have been distributed; 22 were placed with farmers' groups. Of the 22 bucks provided to farmers in the two districts, 16 are providing services, and one has died<sup>3</sup>. So far 69 goats had been impregnated; 30% of the selected offspring (bearing 50% Boer genes), will be provided to Multiplier Herds (MH) for breeding purposes across all six districts. All animals in the BH have been insured, drenched and vaccinated. Data recording, analysis and reporting measures are in place at 2 locations in BH. Farmers who are rearing Boer bucks charge a service fee of NR 200 per service within the group; the available number of bucks is not adequate to service Does outside of the groups.

39. Three months after distribution, some bucks are yet to start serving; to avoid undue pressure on farmers' resources, it is suggested that the bucks should be tested for delivery of service before

<sup>3</sup> Cause of death was established as urinary dysfunction/kidney failure. The Regional laboratory and concerned DLSO have been working on this issue, to assess the case and suggest measures to be followed for future to avoid such incidents. There are plans to provide a replacement buck for the one which has died. For non-servicing bucks, it is believed that more time for acclimatization is required.

placing them with farmers. Further, concerned DLSOs, through the Goat Technicians, may be directed to closely monitor all the breeding bucks in BH and submit monthly progress reports.

40. In HIN-supported areas, 335 superior breeding bucks of native breed were placed with farmers in 12 VDCs, along with 6,849 goats being given to individual households.

41. To improve nutrition, establishment of nurseries and distribution of saplings/ fodder seedlings were planned; 4 forage nurseries were established, and 80,000 units of fodder seedlings were distributed in 2015-16. Of the five fodder and forage expansion activities no data on progress was available in case of four activities. The results were not monitored at the PMO. For feed supplementation, grains are provided through programme support. It is suggested that fodder conservation through hay-making and silage may be undertaken on a pilot scale initially, along with the FFS implementation.

42. The 12 VDCs (11307 households) supported by HIN, had planted fodder and forage seedlings on-farm and in community forests. 57 nurseries were established, 1,364 kg of forage seeds planted, and 1,143,233 fodder and forage saplings were planted towards improved nutrient availability for goats. A total of 3,184 goat sheds were improved in these VDCs.

43. **Improved veterinary services:** Through placement of a goat technician at the BH-level, technical services are made available for goats and bucks in breeder herds. Other than the above, only drenching and vaccination were carried to cover all the animals in BH and MH. In 12 VDCs of Gulmi and Arghakhanchi districts where HIN is operating, 34 local youth, called Community Argo-Vet Entrepreneurs (CAVE) have been trained by CTEVT/affiliated institutions, and are providing primary veterinary care services to households in the area for a nominal fee, which is decided by a VDC-level committee comprising representatives of women's groups. The CAVEs also receive an honorarium from Heifer, which is about 30-40% of the total remuneration earned by them. Their services are likely to continue to sustain after completion of the project. While farmers were reportedly trained, data on numbers trained and utility of training were not available.

44. Heifer International Nepal (HIN) developed Goat FFS for the project, and trained 125 Goat FFS Facilitators. Four FFS of one-year duration have been completed; 16 FFS are ongoing. Results from completed FFS show an average weight gain of approximately 7 kg per buck in the experimental group vis-à-vis traditional, over a period of one year.

45. Market linkage development: 20 goat production entrepreneurs/ groups, 19 meat processing units and one goat collection centre have received support to the extent of USD 164,934 (NPR 18.14 million). However, as in the case of dairy, the production sub-projects are not linked with sub-projects related to meat processing and marketing. The problem is essentially one of lack of 'value-chain planning'. Different categories of value-chain actors are receiving support and training, but they are in different areas. There is a lack of value-chain planning in sub-projects receiving grant support from KUBK. Benefits from the value-chain development approach would not be realized until the producers, traders/collection agents, processors and sales points along the same chain are linked and networked with each other.

46. Between 2014-15 and 2016-17 KUBK awarded 160 livestock grants, of which 55 (34.4%) had received funds. Disbursements were 13.2% of sanctions by January 2017. Of the 55 grants disbursed, 40 have been given to entrepreneurs (72.7%), 11 to groups, and 4 to cooperatives. Only seven of the 55 grants disbursed have been closed, with 48 still on going. The project should reduce time taken for sanctions and disbursements, plan fewer instalments and aim at early completion of investments.

Agreed action	Responsibility	Agreed date
No expressions of interest for Grants will be launched for FY 2017/2018. Focus on existing proposals and sub-projects under implementation to ensure that they are able to sustain post-programme implementation.	PMO	Immediate
Cancellation of MTR allocation for Heifer expansion to additional 4 districts	MoAD/MoF	March 31 2017
Stop further import of Boer semen. Plan for utilization of already imported semen and monitor results.	Component Manager	2 April 30 2017
Review all existing sub-projects and plan effective linkages along the value chain. Ensure networking of the different sub-projects to enhance the benefits to project households.	Component Manager	2 April 30 2017

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

This component is rated **moderately satisfactory (4)**.

47. During the year till January 2017, seven courses had been organised for 293 participants, mostly on planning in VDCs for agriculture. The effects of these training courses on the planning content and process in VDCs were not monitored. More than 3300 persons were trained from producers groups and cooperatives, in gender sensitisation and benefit cost analysis. While large numbers are covered in these two courses, field interactions did not reveal awareness of cost – income-benefits among households. The programme should assess the impact of training and how the participants used the knowledge in daily life.

48. **Access to non-financial services:** AEC is providing business counselling services and facilitating marketing procurement agreements. In business counselling, risk management issues have not been fully addressed. The groups should be made aware of market cycles for crops and seeds so that they do not try to produce and sell seeds in a crowded market. Production planning should diversify in to more crops so that single-crop risks are avoided. AEC's marketing initiatives were limited to seeds and not much work was done in livestock sector. Of the 226 grantee groups in seed production, about 170 were inked through contracts with seed buyers. The seed contracts at around 1600 MT/ year were far in excess of actual production at 1016 MT. Marketed seed was even lower 503 MT. Maize seed producers realised good prices, but in paddy the initial prices indicated (in Gulmi) were not acceptable to farmers. Some groups reported difficulties in marketing of seeds and some others did not realise remunerative prices. The seed contracts did not specify clear prices. The multi stakeholder platform was partially effective, having fixed prices for maize seeds, but being unable to fix the price in the current year for the paddy, even as seeds were produced and in stock. The seed prices should be ideally announced before start of the production season and clear indications should be given to specific groups on the quantities to be purchased in order to make the marketing mechanism work as an incentive. Marketing initiatives in livestock were weaker compared to the seeds. Meat fresh house grantees were linked with goat producer groups, but the grant agreements did not require weight-based purchase of live goats and preference for project goat clusters in some districts.

Agreed action	Responsibility	Agreed date
AEC should step up marketing linkages in both seeds and livestock sector, and ensure reliable and remunerative arrangements.	AEC	Immediate
The prices of seeds should be announced in the beginning of the crop season so that farmers can make appropriate decisions on growing seeds.	AEC	Next crop season onwards
AEC should strengthen marketing links for meat and milk.	AEC	May 2017

49. **Increasing outreach of microfinance institutions:** 30 SFACLs had been formed with an average membership of 500 and handed over to the communities. More than 6000 members had availed about NPR 270 million in loans. SFDB had provided loans of NPR 47 million to the SFACLs. As per MTR recommendation 45 new SFACLs were to be formed, action has not commenced pending finalisation of the revised financing agreement and SLA for the line of credit. NACCFL and SFDB agreed to initiate the work on 45 new SFACLs based on assurance by the project to release funds. SFDB will be in a position to absorb the line of credit of USD 8 million as seen from their operational strengths. The existing demand from 30 SFACLs should be met through making the LOC effective.

Agreed action	Responsibility	Agreed date
Commence the formation of 45 SFACLs immediately. PMO to release funds for the purpose.	PMO, NAFFCL	Immediate
Finalise the financing agreement and execute the Subsidiary Loan Agreement to make the LOC of USD 8 million operative	MOF	April 30 2017

50. **Matching grants:** Programme raised some concerns about adequacy of reallocated budget for matching grants. The MTR budget will have to be adhered to (The MTR targets and balance remaining in terms of number of projects and budget is given in the following table) and the programme can operate within the ceilings set by MTR for different purposes. If the project sanctions sub-projects with smaller outlays, it can cover more proposals within the overall MTR budget. The project had requested for an increased allocation and number of grant proposals, but the request is not acceded to in the light of the past experience of delayed sanctions, tardy administration and weak monitoring for results. While the sanction and disbursement processes have been streamlined, they should improve further. In particular, the programme should explore quicker disbursement processes and lesser number of instalments. Proportionality of grant and beneficiary contribution agreed during sanction is not reflected during the disbursement stage with beneficiary contribution lagging behind. Against the beneficiary contribution of 55.3% agreed, beneficiaries had

brought in only 44.3%. In case of seed sector the beneficiary contribution brought in was 40.8% against the requirement of 54.3%. If the beneficiary contribution is not received proportionately, there are chances of investments remaining incomplete, with programme grants having been substantially delivered. In some of the grants the development outcomes did not seem to reach the rural households and remained limited to entrepreneurs such as in fresh houses, milk marketing dairies, etc. Such grant proposals should carry clear conditions in the agreement on the nature of linkages and marketing tie-up with rural producers. The tracking of grantees, review of progress and grading of grant sub-projects in accordance with the MTR recommendations are yet to be taken up. There was a request for hiring grant facilitators to speed up processes and monitoring. The PMO can redeploy staff to monitor grants from other areas of work where there is a staff surplus.

#### Matching grants targets post MTR

	Total target by MTR		Sanctioned Before MTR (grant)		Available for sanction After MTR (grant)		Disbursed till Jan 17	Remarks
	No	Amount USD mln	No	Amount USD mln	No	Amount USD mln	Amount USD mln	Sanctioned till Jan '17
Comp 1 (includes agrovet, seed companies)	360	3.400	122	0.990	238	2.410	76.51	226 SPs granted – 134 more can be sanctioned
Comp 2 Includes meat & milk units	180	2.467	20	0.127	160	2.340	24.41	160 SPs granted – 20 more possible
Total	520	5.867	142	1.117	398	4.750	100.92	386 SPs sanctioned 154 more possible

Agreed action	Responsibility	Agreed date
Complete the study of grant modalities and their effectiveness, provide the first quarterly report on tracking performance of grants. and then send the report on quarterly basis. Till these tasks are completed and information sent to IFAD do not sanction any new grant proposals.	PMO, M&E	April 30 2017
Ensure proportionality of beneficiary contribution (BC) by uniformly adhering to the agreed proportions of grant and BC in each instalment. Incorporate this requirement in the grant administration guidelines	Coordinators - LS and Seeds	Immediate
Adhere to the reallocated budget as per the MTR. The project can sanction more number of proposals within the budget limits set by MTR by reducing the average size per grant.	PMO	Immediate

51. **Programme management: This is rated as moderately satisfactory (4).** A new programme manager has taken charge two months back. Several other changes have been seen within the PMU. The HR situation was reported comfortable, with technical staff having been recruited or taken on deputation from Government for components 1 and 2. There is a need to review the staffing and redeploy some of the staff that may not be required in the four districts where Heifer International's livestock programme will not continue. AEC has to be asked to focus on areas where it has demonstrated strengths. The commercial aspects of the different groups that are being linked to markets and risk management by these individuals and groups should be fully addressed through AEC.

52. Integration of different components of the programme into a cogent working arrangement has not been attempted. There seem to be multiple touch points from the programme in the same village / cooperative society, entailing higher costs and increased response times. The programme MIS does not capture the multiple benefits that households receive from different components on account of lack of cohesion. The programme should achieve cohesion between the three components as also the field teams. To begin with regular coordination meetings between staff of different components regarding on-going initiatives in different clusters and households should be held. Field staff of components having a larger presence in the village or cluster should also attend to non-technical tasks of the other components in that area. If work relating to a component is initiated in an area where the other component is active, a prior discussion to exchange information and identify the households that are already benefiting should be held between the concerned staff as an entry-point activity.

Agreed action	Responsibility	Agreed date
Review staff requirements in the light of scaling down of the programme activities necessitated by the recommended cancellation; avoid further recruitments. Review the need for recruitment of the reported more than 100 FFS facilitators in the light of only 16 LS FFS being planned.	Programme Manager	March 31 2017
Work towards integration of different components as suggested and reduce multiple touch points with the households and groups.	PMO	May 31 2017

53. **Monitoring and Evaluation (M&E): Moderately Unsatisfactory (3).** Periodic monitoring is carried out by the PMO team. The M&E unit shared a plan on the monthly field monitoring by all three components. Reports on the monitoring visits are prepared; however responses and actions taken on comments of the monitoring team were not followed up. Monitoring of grantee activities and tracking of their performance has to improve. The recommendation of MTR that a quarterly tracking report on performance of grantees to have been introduced with effect from December 2016 has not been followed. The reporting focused on delivery of programme inputs and services and not on results and outcomes, except to a limited extent. It is recommended that support for M&E is provided during this year to the PMO to get on track with available data.

54. **Management Information System: Moderately unsatisfactory (3).** Programme does not have a reliable and consistent MIS. Monthly meetings of field personnel at the PIU are used to capture information based on activities carried out by field personnel. Ideally information should be captured at the point of delivery of inputs or services. A tablet based information capture system has been finalised that will facilitate PMO to directly get all the information generated which can then be centrally collated and made available as customised or random reports as required. While the software is reportedly ready (this has not been tested in a dynamic field situation), procure of tablets is envisaged. Care should be taken to provide adequate exposure to staff, stand-by arrangements for software and hardware glitches and where possible GPS referencing of information captured. The MIS should be operationalized without hiring additional staffs in the field, as information capture and reporting is a normal part of field officials' work. Till such time the tablet based system stabilises, the monthly data collection system should be continued, if possible by a customised format in the tablet from where the central MIS unit in PMO can collate and analyse the information.

Agreed action	Responsibility	Agreed date
Implement the MTR recommendation on tracking of individual Grantee performance and production of quarterly report	M&E, Seed and LS coordinator,	Immediate
Focus on monitoring and measuring results and outcomes rather than outputs and delivery - to help component coordinators refine their strategies	M&E	Immediate
Exercise due care to ensure smooth transition from existing MIS to software based decentralised MIS collection	PMO	On-going till April 2017

55. **Gender Focus: Rated as Moderately Satisfactory (5)** The programme has focused on women in inclusion as well delivery of programme services. Of the 54000 beneficiaries covered under the programme so far, 76% were women. In groups women took up 69% of leadership positions and in cooperatives they took up 65% of leadership positions indicating a strong and balanced approach towards gender issues. More than 3500 participants were trained in gender issues apart from staff of the programme. The utility and effectiveness of these training courses should be assessed and if found necessary suitable changes made to curriculum and delivery design. The programme should continue with its efforts on gender and greater participation of women.

56. The project has developed a gender and social inclusion strategy and actions as per the recommendation of the previous supervision mission. The strategy needs to be further improved for which the IFAD ICO will provide needed guidance. The mission observed very high participation of women in SHG and IGA related activities.

57. **Poverty and Social Inclusion focus:** The Programme is rated **Satisfactory (5)** with respect to its ability to target the poor. The project operates in some of the poorest districts in the country. The project households as per baseline data owned very small land varying between 0.25 hectares to 0.60 hectare per household. The participation of marginalized people - Dalit (16%) and Janajati (26%) is in keeping with their overall proportion in the population.

58. **Targeting approach:** Targeting approach is rated **Moderately Satisfactory (4)**. The Programme continues the selection of the Village Development Committees (VDCs) based appropriately on the potential of project activities. Seed and dairy production the areas have been selected on the basis of potential and interest of the farmers. However remote areas have not been as well targeted as the areas with better access. This needs to be rectified.

59. **Learning and knowledge management.** This is rated as **Moderately satisfactory (4)**. The project has implemented all the recommendations of the MTR mission. It has developed a draft KM strategy, created its own web-site, publishing a trimesterly newsletter on a regular basis, developed three knowledge notes in collaboration with IFAD-FAO Initiatives on Capacity Development for better Management of Public Investment in Small-scale Agriculture in Developing Countries in support to Capitalization of Lessons and Knowledge for each component. Periodic progress reports have been



prepared and submitted to IFAD with some delays. Collection and compilation of success stories from the field has also started. Farmers' Diary has been initiated and maintained in all seed and livestock groups. Local FM radio stations are being used to provide information on programme activities in all districts. The project needs to link with wider IFAD Asia website to share project learning. Additionally, the learning from the activities needs to drive the decision making and implementation improvement of ongoing activities.

60. **Climate and environment: is rated as Moderately Satisfactory (4).** The programme does not undertake large infrastructure investments that can have environmental consequences. The improved production techniques in component 1 does increase the use of inorganic inputs, but the FFS methodology ensures creation of awareness on this score. Increasing goat population especially in hills can have negative environmental consequences. Training of farmers in stall-feeding of goats, fodder production and improved feeding practices deals with some of the negative fallouts. Significant environment related concerns do not arise as a result of programme activities. Through the mechanism of FFS environmentally sustainable practices are promoted.

61. **Partnerships:** Based on MTR recommendations the programme has forged closer partnership with NARC for production of breeder and foundation seeds and SEAN. The partnership with Heifer international has been strong. The programme has managed to partner with a variety of government and other agencies. The relationship with entities that procure / market goods from programme beneficiaries needs strengthening.

62. **Fiduciary aspects:** Financial management of the Programme is rated as **moderately satisfactory (4)**. Accounting is still being maintained manually in accordance with the cash basis of accounting used by the Government of Nepal (GoN). The accounting software is yet to be customized to cater the accounting and reporting requirement of the programme. The accounts at the PMO are managed by an Accounts Officers/Accountants and at the districts by the Account Officers of the DADOs and DLSOs deputed by the Financial Comptroller General's Office (FCGO). PMO and some of the cost centres are maintaining the programme ledger. The monthly expenditure statements from all the implementing partners and cost centres are not received within the specified period. As a result, the PMO is not able to consolidate monthly expenditure statements, prepare status of AWPB and submit withdrawal application for expenditures incurred on time.

63. **Disbursement:** The implementation performance of this aspect is rated as **moderately unsatisfactory (3)**. As on February 17, 2017, the total disbursement under IFAD loan L-881 and IFAD grant DSF-8106 is SDR 7.144 million (including the initial deposit of SDR 1.658 million) which is about 27.8% of the total loan and grant allocation of SDR 25.70 million. The net disbursement excluding initial deposit for the loan and grant is SDR 5,486, which is only 21.35% of the allocated funds. The additional financing has not yet disbursed.

64. Based on a review of the estimates provided for fund utilization from the PMO, and the analysis of component and category performance as well future plans, the following is the indicative category-wise amounts that will be cancelled.

Category	Revised allocation of IFAD funds as per MTR USD Mln	Amount to be cancelled USD Mln
Fund	8.290	-
Technical assistance	5.900	5.300
Studies, surveys, training, workshop	3.442	1.400
Goods and Services	9.938	2.100
Operating costs	4.528	1.200
Top-Up loan	5.000	-
Total	37.097	10.000

In terms of component-wise budget, the indicative amounts of cancellation are as follow.

Component	Revised allocation of IFAD grant and loan as per MTR USD Mln	Amount to be cancelled USD Mln
Component 1	9.137	3.000
Component 2	11.617	4.950
Component 3	7.380	1.500
Programme Management	3.963	0.550
Top-Up loan	5.000	-
Total	37.097	10.000

65. Withdrawal Applications for expenditures incurred up to December 15, 2016 by PMO only have been claimed and expenditures NPR 49.20 million (USD 460,662) incurred up to January 17, 2017 in the FY 2016-17 are yet to be claimed.

66. Counterpart funds: The provision of counterpart funds for the Programme is rated as **Satisfactory (5)**. Government of Nepal pre-finances all expenditures of the programme except direct payment and claims reimbursement of the expenditures to be funded from IFAD sources. NPR 241.77 million from GoN source (17.38%) has been budgeted out of total budget of NPR 1,391.11 million.

67. Compliance with loan covenants is rated as **Satisfactory (5)**. The Programme has generally complied with all the Loan Covenants except: (i) Clause 7.01 - non-submission of AWPB within the stipulated time, and (ii) Clause 8.03 - submission of periodic progress reports, and (iii) Clause 9.03 - delay in submission of the audit report and the audited financial statements.

68. Audit: The performance of audit is rated as **moderately satisfactory (4)**. The Office of the Auditor General (OAG) of the GoN is carrying out audit of the programme. The audit report of FY 2015-16 and the management letter issued on February 6, 2017 is unqualified. The implementing partners have submitted the audit reports for the FY 2015-16 within due date. The programme has maintained the detailed audit log of the audit observations based on preliminary audit report, which are to be validated by the auditor. DTCO has conducted internal audit of first trimester of FY 2016-17 but the internal audit report has not yet been received.

Agreed action	Responsibility	Agreed date
Submit AWPB of FY 2017-18 to IFAD for approval	PMO	March 30, 2017
Ensure monthly financial reporting by all the Implementing Partners by the 10th of the subsequent month.	All implementing partners	April-15, 2017
Customize accounting software for accounting and reporting requirements.	PMO	June 31, 2017
Return the vehicle requisitioned and currently in Kathmandu with MoAD, for use by KUBK.	MOAD	Immediate
Return the vehicle requisitioned by the MoLD for use by KUBK.	MoLD	Immediate
Comply with all the financing covenants within the stipulated time	PMO/OAG	On-going
Incorporate audit observations of the districts and PMO in the management letter of the auditor and submit to IFAD	OAG/PMO	2015-16 and thereafter
Submit assets maintenance assessment report and consolidated records of fixed assets to the IFAD	PMO/FMS	April 30, 2017

69. **Procurement:** Procurement performance is rated as **Moderately unsatisfactory (3)**. The Programme follows the GoN Public Procurement Act and Regulations consistent with IFAD's Procurement Guidelines. Procurement plans for procurement of Goods and Consulting and Non-consulting services are prepared covering 12 months periods.

70. Standard Bidding Document (SBD) issued by the Public Procurement Monitoring Office (PPMO) has been used for procurement, which is good. Relevant district rates and standard norms have been used in preparation of cost estimate for construction works. The estimate for supply and delivery of goods are prepared based on the past year experiences, which may not be adequate to reflect current market price.

71. Comments were made in the MTR to reduce the time gap of two hours, between the bid submission and opening, to 30 minutes and insurance provisions not being rightly specified. The time gap of two hours between bid submission and opening has been reduced to one hour, the information recorded in the bid opening record is not adequate and needs improvement. However, the provision of insurance requirement in the present bidding document does not properly reflect the requirement of the particular procurement. The bid evaluation report (BER) needs to include special evaluation, especially in the case of unbalanced, front loaded or bids that are substantially below the estimates, in order to ascertain the reasonableness of the bid price of the recommended bidder. Improvement in the preparation of bidding document, opening records and evaluation report are required.

72. Procurement record keeping is satisfactory. During the period of August 2016 – January 2017, the programme has been able to sign contract for procurement of Goods (2 contracts) and Consulting services (1 contract). Nine NCB contracts for works and two NCB contracts for Goods are in the final stage of contract signing. Other contracts as per procurement plan are in various stages of procurement. Procurement of nine double cab pick-ups were cancelled because no bids were received and has been re-advertised. These activities show that the programme is developing strength on handling procurement activities.

73. No objection has been given to award nine contracts to M/S Shrikhandpur NirmanSewa, Kavre for a total of NPR 37.5 million (exclusive of VAT). The bid prices for these nine contracts are 28% to 32% below the official estimate. The mission reviewed these packages and advises the PMO to ensure that the contractor employs separate teams for each contract and the PMO gives special attention to the quality aspects during execution of the contract to mitigate the risk due to low bidding.

74. IFAD's procurement consultant will support PMO with capacity development on the use of GoN and IFAD guidelines and to strengthen the PMO to monitor, revise and report on the implementation of procurement plan and to seek IFAD's approval on any envisaged changes to the procurement plan, which is a mandatory requirement. The programme needs further orientation/training on contract packaging, preparation of bids, bid evaluation and contract administration for its staffs. Orientation on procurement and contract administration for district level project staff would help in better procurement and in achieving value for money.

75. Large grant proposals to companies, cooperatives (not for groups of members) and individuals should be subjected to a prior review by IFAD. When the proposed grant from the project (excluding beneficiary contribution) exceeds NR 1500000 (roughly equivalent to USD 15000), the proposal should be referred to IFAD for a prior review before sanction..

Agreed action	Responsibility	Agreed date
Grant proposals to private sector entities (such as individuals, companies, cooperatives) exceeding USD 15000 (NR 1500000 in grant (excluding beneficiary contribution) should be referred to IFAD for prior review. This does not apply to proposals from groups.	PMO	Immediate
Prepare status of contract implementation (According to number of contracts planned under each category – Goods, Works and Services and value of contract awarded and completed in the reporting period).	PMO	March 31 2017 and thereafter
Improve quality of bidding document and bid evaluation report (as suggested in MTR).	PMO	From future procurements
Submit Procurement progress as well as contract implementation status on trimester basis	PMO	within 15th of the first month of next trimester
Ensure trimester procurement progress monitoring	PMO	15 April 2017 and thereafter

## D. Sustainability

76. **Institution building.** The programme performance in institutional building is rated **Moderately Satisfactory (4)** with a clear emphasis on working with farmer groups and cooperatives, the private and public sectors and strengthening capacity at the local level. There are gaps in linkages between institutions, which should be filled within the coming year to ensure efficiency gains. As at 31 January 2017, the Programme has set up/engaged 381 groups and cooperatives and 30 SFACs. Linkages of groups with the private sector will introduce a long-term arrangement that could ensure sustainability and long-term benefits.

77. **Empowerment and social sustainability** is rated **Satisfactory (5)**. The Programme prioritizes women in the activities and keenly monitors social inclusion aspects. The absence of males in the rural areas has led to this focus, which has been coupled with the vibrancy, spontaneity and positive intent of women groups. This is highly valued within the programme area and is a model for replication.

78. **Quality of beneficiary participation** is rated **Moderately Satisfactory (4)**. Beneficiaries were found to keenly participating in the programme initiatives - FFS, field crop trials, training courses, the monthly meetings in case of cooperatives and groups, regular savings, etc. Responsiveness of the programme should improve to match the enthusiasm of beneficiary groups, especially in remoter areas.

79. **Responsiveness of Service Providers has been rated Moderately Satisfactory (4):** DLSOs and DLDOs were found to be keen partners in the programme activities. The programme has managed generate considerable ownership in these officials as can see in the stakeholder meetings and field interactions by the mission. The provision of mobility and other arrangements has improved their effectiveness and involvement. However the project has to orient the government departments towards project objectives and outcomes. The good practices in the programme areas should also be

taken to other areas by these agencies. While NARC has been more responsive, the response some other agencies requires improvement. The programme should review the performance of the different service providers as to their relevance, adequacy and effectiveness and take steps to improve the same.

80. **Economic and financial sustainability.** No assessment is made of this at the current stage. It might be possible to make a preliminary assessment during the final year of the programme. When groups and cooperatives report continued operations to which they were initiated, it might be concluded that at their level they have found an economic logic to keep the operations going. However risk mitigation in both production and marketing would have a significant bearing on economic sustainability for which programme has to carry out both awareness and skills training courses at a suitable time.

81. **Technical sustainability** is rated **Moderately satisfactory (4)** While the programme has hired competent technical personnel at different levels; further the government departments partnering the programme have technical expertise. Heifer International has been a significant contributor to increased technical capacities of field personnel as well as farmer groups. The programme is aiming to creating a technical base within the village communities and also establish linkages with market based technical service providers that will ensure continued availability of inputs of a technical nature.

82. **Environmental sustainability. Moderately satisfactory (4)** The possible negative impact on environment arising from use of chemical fertilisers and insecticides in seed production is being mitigated through awareness creation and technical inputs through FFS. In case of goat population putting pressure on fragile hill ecology, the programme has tried to improve fodder availability through a combination of grass and tree crops. Further stall feeding, alternative fodder arrangements, etc. ensure that problems created by free grazing are avoided. There are no significant environmental fallouts from the programme activities.

83. **Exit strategy. Moderately satisfactory (4)** The programme will have a safe exit only when the groups and cooperatives are capacitated to take decisions and implement the same in their own interest. Increased commercial and market orientation of groups will achieve this. The access to inputs and technical services should gradually shift to a cost and fee basis. Even where such inputs are entirely or partially subsidised, the beneficiaries should be asked to pay a price to their groups/cooperatives to introduce the practice paying for inputs and services. In the short run the exit of Heifer from the programme should be arranged in an orderly manner with the lessons of Heifers' work being disseminated across the programme.

84. **Potential for scaling up. Moderately unsatisfactory (3)** It is difficult to envisage scaling up the grant based sub-programme model. Specific activities within the seed and livestock component have scaling up potential. Successful SCAFLs are clearly institutions that can provide scaling up possibilities both in their area of operation and elsewhere for new institutions.

## E. Conclusion

85. The programme has less than three years till completion. It is now designated as a problem project. While the post MTR performance has been moderately encouraging, the pace of progress is not adequate to entirely overcome the problems of a slow start. The low utilisation of programme outlay as also IFAD funds weighs heavily on the programme in assessment of performance. The programme should recognise the problems of pushing ahead with a large budget to be achieved in a short time that can impair the quality of outcomes. This has an effect not just on the existing programme but also on the overall performance of the IFAD projects in the Nepal portfolio.

86. The MTR had already indicated the possibility of cancellation of part of the loan if the performance does not accelerate. Given the current rate of progress and reckoning the proposed changes, it is necessary to cancel, at a conservative estimate as indicated in para 63, IFAD funds to the extent of USD 10 million. These funds will be immediately absorbed into the new project design currently under preparation. The cancellation, leading to a revision of the targets, will lead to sharper focus on select number of activities; higher quality response to the field that is both appropriate and timely; and show achievable performance towards the objective for this programme. The human resource needs in such a scenario have to be reviewed and suitable decisions taken on redeployment or reassignment

## 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	22- Feb -2017						
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	4	No. of Implementation Support/Follow-up missions	5				
Last Supervision MTR	31-March 2015 Feb 2016	Last Implementation Support/Follow-up mission	November 2016				
						USD million	Disb. rate %
Approval	21-Sep-2012				Total financing	59.75 <sup>a</sup>	24.74
Agreement	02-Dec-2012			Effectiveness lag	2.4	IFAD Total	39.03
Entry into force	02-Dec-2012			PAR value		IFAD loan	19.51
First disbursement	06-Jun-2013					DSF grant	19.51
MTR	29-Feb-2016			Last amendment		IFAD top-up loan	5.00
Original completion	31-Dec-2019			Last audit		Domestic Total	18.88
Current completion	31-Dec-2019					Beneficiaries	10.95
Original closing	30-Jun-2020					Government (National)	7.30
Current closing	30-Jun-2020					External Co-financing Total	2.50
No. of extensions	0						

a: Excluding the supplementary Loan of USD 5 million. B: including and advance of USD 2.5 million.

### B. Project Performance Ratings

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

**B.1 Justification of Ratings:** The procedure followed by Government of Nepal in claiming reimbursement of programme expenses after pre-financing the same delays the approval of the AWP/B and affects timely availability of funds to the project. Accounting continues to be manual, (cash basis of accounting) as in case of Government of Nepal (GoN). The monthly expenditure statements are not consolidated in time on account of non-receipt of information from implementing partners within the specified period. The rate of disbursement is extremely low due to delay in implementation, inability to procure service providers envisaged at design, exchange rate gains and suspension of component for several years. Counterpart funding by the Government is delayed but is provided. The loan covenants are generally being complied with and audits are being undertaken.

**B.2: Justification of Ratings:** The senior management is in place and the PSC meetings have been held regularly. The staff is now in place but coordination between the component teams needs to be strengthened to build synergy and some functions decentralised for more efficient and effective use of resources. The M&E function has to be streamlined and focused on measuring results. Software based decentralised MIS system has been planned, but should be introduced early; the MIS reports should be more outcome oriented. While the project has produced very good Annual and Quarterly progress reports it needs to strengthen the MIS system at the central level and focus more on collecting key outcome indicators. While gender and poverty issues are addressed adequately, there is scope to do much more. Targeting of project activities could be more inclusive and effort to link each initiative/sub-project with the maximum project beneficiaries is lacking. The project does not

support investment that is expected to have significant negative impact on the environment.					
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	5
3. Local entrepreneurship & institutional development	5	4	3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	3	3

**B.3: Justification of ratings:** The activities under the formal seed sector had made more progress than other components. The livestock component barring Heifers interventions has made limited progress. While the activities are being expedited, focus on results is lacking. Failure to use emergently imported Boer semen is a critical implementation failure. The staff availability has improved, the delivery aspects have to be prioritised and grant modalities of sub-projects should improve.

**B.4: Justification of ratings:** The groups and cooperatives visited showed lot of energy and good involvement. Their enthusiasm should be utilised by the project staff to deliver good results. While the basic institutional frameworks were sound, the groups were aware of their role; women in particular were clearly in leadership positions. To improve the development impact the technical advice by the project staff should become more relevant and respond to local demand. Participation of government departments in districts had improved; but they need to pursue results rather than completion of activities.

The exit strategy needs to be fully through, especially in case of grantees of sub-projects as also technical provision. A campaign on seed replacement is required to ensure the seed production based livelihoods are able to access sustainable markets. The potential for scaling up is limited to what farmer groups are able to absorb through technical services and exposure visits.

## C. Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience	4	4
C.4 Overall implementation progress (Sections B1 and B2)	4	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	3
Rationale for development objectives rating After a slow start the programme had picked up some pace. The post-MTR work has been faster and focused more intensively on the field. The improved production and marketing of TL seeds and the breed improvement possibilities arising both in Dairy and goat sub-components after MTR indicate that beneficial impacts would be better than previously assessed. The proposed scaling down of the budget and the exclusion of Heifer International in some sub-components would reduce the outreach and overall quantum of benefits. Hence the rating has been maintained at MTR levels.		

### 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 on account of protracted procedures and delay in finalising the Financing agreement post-MTR.
Project implementation progress	High degree of centralisation in decision making leading to delays; tendency to outsource tasks that could be done by the programme technical staff such as monitoring studies, revision of training curriculum increases costs, lengthy grant sanction processes despite reported streamlining, lack of cohesion and harmonisation across components when serving the field and dealing with households
Outputs and outcomes	Demand for TL seeds and supply of foundation seeds to producers need to improve. DADO should be persuaded focus on seed replacement rates and creating awareness among farmers outside the project area. A choice seems to have been made that prioritises supply of service animals and deprioritises the use of AI which is inconsistent with the earlier views of the project that imported semen for AI. Monitoring results and impact has been weak. Evidence based expansion of activities alone can improve quality and extent of outcomes.
Sustainability	While under component 3 social mobilisation has been strong leading to emergence of stronger institutions, in component 1 and 2 social mobilisation has been weak. Access to markets created in seeds sector is not long term; comprises ad hoc, non-specific contracts. The seed production groups and societies do not yet have the capacity to deal with commercial issues.

### Proposed follow-up

Issue / Problem	Recommended Action	Timing
Delay in revising the financing agreement post-MTR – holding up some of the sub-components	Government consent for changes to the agreement was received on the day of wrap-up meeting of the mission. This has to be pursued and agreement executed, if necessary incorporating changes arising from the supervision mission recommendations	April 2017

Nepal: Improved Seeds for Farmers Programme  
Supervision Mission Report - Mission dates: 12 – 25 February 2017  
Appendix 1: Summary of project status and ratings

Inadequate supply of breeder and foundation seeds	Continuously work with NARC and seed companies to ensure availability of necessary seeds for both foundation and TL seed producing groups	Ongoing
Demand estimates for TL seeds not certain; seed replacement rates not known	Complete the seed replacement rates study and make an analytical estimate of demand for seeds of different crops	April 2017
Marketing links for seeds weak, contracts with seed companies not specific	Establish linkages between seed producer groups and seed companies and agrovets; ensure that contracts are specific as to quantity, quality and price. Ensure contracts are farmer friendly and prioritise project supported producer groups and cooperatives	March 17 onwards
Imported Boer Buck semen unutilised	Prepare a plan and utilise the imported semen within the next few months	March 17
With several activities to be carried out, dairy component does not have a clear plan	Prepare a realistic work plan, detailing the tasks to be carried out in the remaining period of the project, with results to be achieved from the different tasks/activities	June 17
Feed and fodder production initiatives weak and not monitored	Ensure distribution of seedlings and planting material, monitor production and ensure that results are captured and reviewed	April 17
Formation of 45 new SFACLs yet to start	Formation of the 45 SFACLs should be commenced immediately. Finalise the mobilisation plan for the same and keep IFAD informed	Immediate





## Appendix 2: Logical framework

Indicators				Means of Verifications		
Code	Description	Baseline	Target	Source	Frequency	Responsibility
Goal: Increased competitive, sustainable and inclusive rural growth						
G1	Value of agricultural and livestock production in target area increases by 15% and 10% respectively		+15% crop, +10% livest.	Mid-term and completion surveys	MT, Completion	PMO
G2	At least 75000 <sup>4</sup> families (including among disadvantaged groups) increase household food security [RIMS]		75,000 HHs			
G3	At least 20 percent of Programme area HHs show improvement of more than 10% in household assets ownership index [RIMS]		+10%			
G4	Reduction of at least 20% in prevalence of child malnutrition among participating HHs [RIMS]		-20%			
Development Objective: Improve rural household incomes through sustainable, market-driven agricultural productivity improvements						
D1	Productivity in beneficiary HHs increases by: (a) goat meat : 25%; (b) milk production: 50%; (c) crop yields: 15% [RIMS]		goat: +25%; milk: +50%; crop: +15%	National and District statistics; Outcome surveys; Periodic outcome surveys; RIMS survey	Mid Term surveys  Completion surveys	PMO
D2	At least 70% of supported production groups (disaggregated by type of group) regularly collecting money for O&M of infrastructures / machinery / equipment		+70%			
D3	Private purchase contracts established with at least 50 % of supported seed and 35% of dairy production groups [RIMS]		Crop: 50% Dairy: 35%			
Outcome 1: Increased production of Truthful Labelled seeds within the target area and marketed locally and beyond						
O1	At least a total of 100,000 Ha in the programme districts are sown with TL seed (cereals and vegetables)		100,000 Ha sown with TL seed	Outcome surveys	Mid Term Completion /	PMO
Outcome 2: Improve rural household incomes through sustainable, market-driven agricultural productivity improvements						
O2	Dairy producing HHs and Goat rearing HHs selling products to markets (60% for dairy, 25% for goat)		Goat: 25% Dairy: 60%	Outcome surveys	Mid Term Completion /	PMO
Outcome 3: Improve rural household incomes through sustainable, market-driven agricultural productivity improvements						
O3	Number of SFACLs with satisfactory financial governance: (a) regular savings by 95% of members; (b) cumulative repayment of loans		60 SFACLs	Outcome surveys	Mid Term Completion /	PMO

<sup>4</sup> This may have to be reduced to 51000 as a consequence of exclusion of Heifer International from expanding in four more districts by a GON decision.

Indicators				Means of Verifications		
Code	Description	Baseline	Target	Source	Frequency	Responsi bility
	more than 98%; (c) Annual general meetings held as per schedule and regular election process.					
Output Indicators:						
O1.1	NARC and Private Sector producers supported by KUBK produce the required foundation seed to achieve the programme's seed production targets (i.e., to produce 760 MT of TL paddy; 830 MT of TL maize; 1660 MT of TL wheat; and 500 MT of a range of TL vegetable seeds)		171 MT of cereal seeds 5 MT of vegetable seeds	KUBK M&E	Trimester seasonal) (or	NARC, PMO
O1.2	SQCC ensures quality control of at least 80% of the foundation and TL seeds required to meet KUBK seed production targets		80%	KUBK M&E, DADO statistics		SQCC, PMO
O1.3	At least 9,000 farmers participate in at least 360 seed producer groups [RIMS]		9,000 farmers			PMO
O1.4	At least 5 seed companies establish cereal and/or vegetable seed purchasing operations in the target area		5 seed companies			PMO, AEC
O2.1	At least 80 % of the participating HHs have improved animals through breed improvement program		+80% of HHs	KUBK M&E, DLS statistics	Trimester seasonal) (or	PMO, HI
O2.2	At least 60 % of dairy group HHs produce forage		60% of HHs			PMO, HI
O2.3	At least 50 % dairy and goat HHs use stall-feeding		50% of HHs			PMO, HI
O2.4	At least 80 % of animals in dairy and goat HHs covered by routine vaccination against main zoonotic diseases (dairy: HS, BQ and FMD; goat: PPR) [RIMS]		80% of animals			PMO, DLS
O3.1	Share of participating local institutions (VDCs) receiving trainings on good governance: 80 % [RIMS]		80% of VDCs	KUBK M&E, DCCI, VDC, DADC, SFACL	Trimester seasonal) (or	PMO, NACCFL SFDB

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

Agreed action	Responsibility	Agreed date
<b>Component 1: Support to the Extension of the Formal Seed Sector</b>		
Ensure private seed inspectors are recruited, and trained, before the start of the summer planting season	PMO	May 31 2017
Evaluate NARC performance on breeder seed before the start of the next planting season	PMO	April 30 2017
Evaluate the success of SPGs producing foundation seed and determine if this activity can be scaled up in 2017-18 or if it should be stopped? and if NARC and/or the National Seed Company should be the focus of foundation seed production.	PMO	April 30 2017
Develop a system to link foundation seed producing SPGs with TL seed SPGs to meet their demand for foundation seed.	PMO	May 31 2017
Conduct cost-benefit analysis for seed production to determine profitability and business sustainability, and to plan for the summer planting season.	PMO	April 30 2017
Conduct the MTR recommend impact assessment of seed sub-projects before granting any more new sub-projects	PMO	April 30 2017
Conduct the MTR recommended seed replacement rate study to determine seed demand	PMO	April 30 2017
Evaluate the effectiveness of linking SPGs to private seed companies to see if they are working well, if farmers are paid a fair price, are paid on time etc	PMO	April 30 2017
Link the six SPGs that are producing foundation seed to the three companies through buy-back schemes,	PMO	March 31 2017
Add training of farming as a business to FFS and SPGs	PMO	May 31 2017
Do not expand the number of PVS trials in future seasons and rather add a larger number of demonstration plots, linked to farmer field days and farmer exchange visits.	PMO	April 20 2017
<b>Component 2 – Smallholder livestock development.</b>		
Prepare a consolidated, realistic work plan for the dairy sub-component for the remaining project period. Establish results indicators with clear linkages to activities in the plan.	PMO/DLSOs	June 15, 2017
Validate results of AI in cattle, in terms of numbers of cows and buffaloes inseminated, and the conception rate	Livestock Coordinator/ M&E officer	March 31, 2017
Prepare a plan for use of sexed Jersey semen, and assess results based. Stop further import of sexed semen	Livestock Coordinator/ NLBC/ MoLD	March 31, 2018
Stop further import of Boer semen. Plan for utilization of already imported semen and monitor results.	Component 2 Manager	March 31 2017
Review all existing sub-projects and plan effective linkages along the value chain. Ensure networking of the different sub-projects to enhance the benefits to project households.	Component 2 Manager	March 31 2017

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

AEC should step up marketing linkages in both seeds and livestock sector, and ensure reliable and remunerative arrangements.	AEC	Immediate
The prices of seeds should be announced in the beginning of the crop season so that farmers can make appropriate decisions on growing seeds.	AEC	Next crop season onwards
Commence the formation of 45 SFACLs immediately. PMO to release funds for the purpose.	PMO, NAFFCL	March 2017
Finalise the financing agreement and execute the Subsidiary Loan Agreement to make the LOC of USD 8 million to SFDB operative	MOF	April 30 2017

**Programme management, MIS, M&E**

Complete the study of grant modalities and their effectiveness, produce the first quarterly report on tracking performance. Till these tasks are completed do not sanction any grant proposal.	PMO, M&E	March 2017
Finalise the grant guidelines in terms of the MTR recommendations and further inputs in this report.	Component 3 Manager	March 31 2017
Ensure proportionality of beneficiary contribution (BC) by uniformly adhering to the agreed proportions of grant and BC in each instalment. Incorporate this requirement in the grant administration guidelines	Coordinators - LS and Seeds	Immediate
Adhere to the reallocated grants budget as per the MTR. The project can sanction more proposals within the MTR budget limits by reducing the average size per grant.	PMO	Immediate
Review staff requirements in the light of non-involvement of Heifer in four new districts and make adjustments; avoid further recruitments.	Programme Manager	March 31 2017
Implement the MTR recommendation on quarterly tracking of individual Grantee performance and production of report	M&E, Seed and LS coordinator,	Immediate
Focus on monitoring and measuring results and outcomes rather than outputs and delivery - to help component coordinators refine their strategies	M&E	Immediate
Exercise due care to ensure smooth transition from existing MIS to software based decentralised MIS collection	PMO	On-going till April 2017

**Fiduciary aspects**

Ensure monthly financial reporting by all the Implementing Partners by the 10th of the subsequent month.	All partners	March 25, 2017
Customize accounting software for accounting and reporting requirements.	PMO	May 31, 2017
Return the vehicle requisitioned by the MOLD for use by KUBK.	MoLD	Immediate
Incorporate audit observations of the districts and PMO in the management letter of the auditor and submit to IFAD	OAG/PMO	2015-16 and thereafter

Submit assets maintenance assessment report and consolidated records of fixed assets to the IFAD	PMO/FMS	March 30, 2017
Grant proposals to private sector entities (such as individuals, companies, cooperatives) exceeding USD 15000 (NR 1500000 in grant (excluding beneficiary contribution) should be referred to IFAD for prior review.	PMO	immediate
Prepare status of contract implementation (According to number of contracts planned under each category – Goods, Works and Services and value of contract awarded and completed in the reporting period).	PMO	End of February 2017 and thereafter
Improve quality of bidding document and bid evaluation report (as suggested in MTR).	PMO	From future procurements
Submit Procurement progress as well as contract implementation status on trimester basis	PMO	From next trimester
Ensure procurement progress monitoring every trimester	PMO	15 April 2017 and thereafter

## Appendix 3.B: Summary of Progress on Previous Mission Recommendations

Component 1: Support to the Extension of the Formal Seed Sector.			
Action	Responsibility	Agreed Date	Present status
Involve SEAN in the process of assimilating issues for policy advocacy especially creating opportunities for SEAN to incorporate policy issues of importance for the seed sector (varietal development, availability of quality source seeds) with special emphasis on smallholder farmers in seed production and leverage SEAN's negotiating power with Government to reform policy.	PMO, SEAN,	Immediate	SEAN has already assigned as a member of national seed board. At operational level plan has been made to support SEAN in FY 2016.17.
Assist NARC to produce breeder seed and assist in production of foundation seed by private sector for supply to the target districts.	PMO/NARC	Immediate	Budget provisioned for NARC to produce breeder seed and foundation seed. Breeder seed supplied to produce wheat foundation seed.
Hire 4 additional seed field technicians for every KUBK district and provide them with motorbikes	PMO/DADO	AWPB 2016/17	Complied. Motorbike procurement in progress.
Enhance the motivation of DADO staff through trainings, exchange visits and other capacity building opportunities for which grant funds will be provided by KUBK.	IFAD/MoF/PMO/DADO	AWPB 2016/17	Exchange visit is planned in AWPB 2016.17 and other trainings are ongoing.
Increase the buy-in and ownership of project activities by DADO through decentralising some activities such as sub-project approval and management and outsourcing local NGOs through HI for support in FFS.	IFAD/MoF/PMO	AWPB 2016/17	Compliance not complete. More scope for decentralization exists.
Support in the promotion of at least 12 (2 per district) accredited private seed inspectors, by hiring their services in the target areas, providing them with trainings or equipment, etc, once the guidelines prepared by SQCC are endorsed officially by the government.	PMO/SQCC	AWPB 2016/17 once SQCC guidelines officially endorsed	Training will be conducted shortly with the collaboration of SQCC.

Ensure that only authorized and trained personnel are taking samples from farmers' harvested lots; encourage buyers such as PSCs and Agrovets to be proactive in this issue.	PMO/DADO	Immediate	Ongoing . Seed technicians are trained and taking this responsibility in direct supervision of seed coordinators.
Undertake training on seed sampling techniques to all concerned partners (seed technicians, NARC researchers, DADO officers, AEC field catalysts, SPGs, PSCs and agrovets) and include the sampling in the FFS quality seed production curriculum .	PMO/DADO/AEC	Immediate	Training on seed sampling technique is incorporated in each technical training. A special training for seed sampling training is planned in AWPB 2016/17.
Ensure that immediate action is taken to obtain the needed foundation seeds for the upcoming grants 2016 from the authorized private sector and cooperatives. Identify alternatives in case they are not able to provide the needed quantity seeds on a timely basis.	PMO/DADO	Immediate	Until the reporting period, required foundation seed supplied from NARC. From 2017 onwards both NARC and PSCs are involved.
Foundation seeds producers in the Terai districts may also be sought for cereal seeds as long as cereal varieties produced are adapted to the hilly areas. To achieve this KUBK may extend support to private companies and SPGs to produce seed in the adjoin Terai districts suitable for the six target districts.	PMO/DADO/NARC	Immediate.	Meeting with Private Seed Companies held and they agreed to produce Foundation seed from 2016-17.
Ensure clarity in the subcontracting for foundation seeds (who is responsible, how and when to pay them, who takes the product) for ensuring that there are buyers for the foundation seeds produced by the contracted authorized cooperatives.	NAC/PMO	On-Going.	On-going. Understanding has been made with the private seed companies to channelize foundation seed to KUBK grantees
Ensure that all seed producer groups and cooperatives receiving support in matching grants have received season-long training (FFS) on seed production technologies.	PMO/DADO	On-Going.	Complied and ongoing
Develop a management and quality assurance system for the FFS trainings which includes annual refresher courses for all facilitators and farmers and also adds emerging topics from the field.	PMO/DADO	On-Going.	Complied. 2 events of refresher training for farmers facilitators and 1 event for field technician accomplished and ongoing .
Ensure that all seed producer groups and cooperatives are supported in their governance and cohesion through	IFAD/MoF/PMO	On-Going.	Governance and field based training programmes are incorporated in each SPs work plan and budget.

training and coaching through Heifer International which is being recommended for the purpose.			
Arrange exchange visits between farmer groups to see good production/ governance practices.	PMO/DADO	On-Going.	Complied and on going
Assess the needs of Private Seed Companies and agrovets and link SPGs to these entities through opportunities for collaboration.	AEC/DADO	On-Going.	Seed producer FGs/Coops are linked with agro vets and Private Seed Companies for seed marketing.
Undertake annual stakeholder assessments and beneficiary feedback.	AEC/DADO		Feedback survey for this year is in progress and ongoing.
Train agrovets in seed production regulations and technologies.	DADO/SQCC		72 agro vets trained previously. One event conducted and one will be conducted very shortly.
A revised FFS curriculum should be developed that is not focused on seed production but rather on crop productivity enhancement (use of quality seeds, IPM, soil fertility, seed rate, etc.) and include comparative assessment and experimentation of the farmer's practices vs improved production techniques using the same local variety.	DADO	On-Going	Service provider shortlisted and requested to submit detail technical and financial proposal. If strict time schedules are not ensured this action may be dropped.
Ensure that all FFS have an initial and final evaluation form to be completed by the facilitators with the support of the DADO or junior staff supervising facilitators. Ensure that the evaluations enter the M&E system of KUBK	DADO/facilitators /M&E officer	Immediate	Initiated and Ongoing.
The participatory varietal selection (PVS) sites should be used to demonstrate released varieties and NARC, DADO and the seed coordinators should be involved in joint planning, implementation and evaluation.	NARC/DADO seed coordinators	On-Going	Complied and ongoing.

<b>Component 2 – Smallholder livestock development.</b>			
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>	<b>Present status</b>
Engage the services of Heifer International for providing social mobilization and technical support to the small farmer groups and cooperatives established for goat production and dairy development with Cabinet approval with financing of IFAD grant.	MoF/IFAD	Immediate	Heifer will not be involved for dairy productivity improvement as per GON decision
Develop three-year work plans respectively for the dairy and goat development sub-components	PMO/HI	April 30, 2016	Dairy cluster plan has been made and agreed at the DLSO level



Develop “customized” dairy and goat development models to be implemented with smallholder farmers respectively in 3 districts (Gulmi, Arghakhanchi and Pyuthan) and 6 districts. Extend Goat Productivity Improvement activities to additional 4 districts	PMO/MOLD/ DLSOs/ Heifer International	April 30, 2016	Customized goat productivity model for remaining 4 program districts has been prepared. GON has decided not to involve Heifer in the four new districts.
Import (i) a total of 80 Murrah buffalo bulls, 25 buffalo cows and doses of semen and (ii) 50 Boer bucks and 10,000 doses of semen for Programme livestock breeding improvement plans.	PMO/DLSOs	June 30, 2016	50 Boer buck and 8000 doses of semen procured. 1000 doses of sexed semen of cattle obtained. 60 Murrah buffalo cows and 15 bulls will be imported. Boer semen has not been used in AI.
Recruit 2 Livestock Specialists, 12 Community Dairy Assistants and 7 Community Goat Assistants	PMO/MOLD	December 2016	Recruitment is in process.
Provide motorcycle for 6 Livestock Specialists, 22 Community Dairy and 22 Community Goat Assistants	PMO/DLSO	December 2016	Planned for 2 new livestock specialist and technicians in FY 2016/17.
Develop a plan for upgrading of the facilities of the National Buffalo Resources Centre in Pokhara	DLSO/MOAD/ PMO	December 2016	Contracts for shed construction is in process. Buffalo cows and bulls will be imported next year.
Provide mobility and additional capacity development to staff.	PMO/IFAD/ MOLD/DLSOs	On-going	The vehicle procurement is in process.

<b>Component 3 – Local Entrepreneurship and Institutional Development and Institutional Strengthening</b>			
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>	<b>Present status</b>
Plan future activities based on beneficiary feedback and the outcome of the different types of training events and market information services.	PMO/AEC	On-Going	Ongoing
Active engagement with the sector to facilitate market links for seed and livestock.	AEC	On-Going	Ongoing. Central level Milk Market Linkage workshop and central level MSP for source seed was held in Butwal and Kathmandu in Jan 2017. District level MSPs for seed marketing and district level buyer sellers meeting for price fixation have been completed.
Reduce the duration for the review and approval of the grants (usually taking around 6 months) and complete the entire process within 2 months.	PSC/PMO/IW	On-Going	Initiated. Authority delegated for officials, average time taken for completion has now been shortened.
The proposals under windows 1 and 2 to be evaluated by PMO staff. External experts to join the evaluation for window 3 proposals. Post evaluation, district staff to carry out field verifications and the negotiations and signing of documents with the farmers will be carried out at district PIU.	PSC/PMO/IW	Immediate	Complied
AEC to develop a simple tracking system from the time the proposals are brought to Investment Window.	AEC	Immediate	System has been developed and ongoing.
Change the norm of one proposal from one cooperative especially for financial SFACs that have many groups and a large member base.	PSC/PMO	Immediate	Complied. 73 proposals have been received this year and in evaluation process.
Individuals and groups having evidence of successful production/ business for more than 1 year and with regular group functioning should be supported once they are registered with DADO/DLSO and the condition of one year wait after registration can be waived.	PMO/IW/AEC	Immediate	Application are not received from such groups to date.

Matching grant amounts for dairy groups to be increased to USD 25,000.	PSC/PMO/Investment windows	May 2016	Complied
Ensure that clear communication reaches farmer groups regarding 20% advance mechanism for infrastructure sub-projects.	PSC/PMO/AEC	Immediate	Provision for advance has been incorporated in agreement documents and advocacy ongoing.
Communicate to the groups that the seeds and fertilisers purchase will be supported for three years and other activities can be completed earlier.	PMO	Immediate	Complied
All the grantees will receive field based technical trainings to ensure quality production – for seeds for at least one cropping season, for goats and dairy animals for at least 6 months.	PMO	Ongoing	Field based training events are incorporated in grantees SPs work plan. Such training are also being organized through DADOs/DLSOs from last year. For goat and dairy grantee grantees, relevant trainings are organized by DLSOs and PMO.
Train women in the operation of farm equipment and machinery.	PMO	Immediate	Two training events completed with 7 women farmers. Two more will be conducted very shortly.
Encourage more innovation in grants, with attention to projects involving the youth as service providers.	AEC	On-going	Counseling, on-going .
Design a simple format which can capture a few key baseline facts to help assess the outcome of each grant.	M&E Specialist	Immediate	Incorporated in MIS / Farmers Diary. Simple formats have been circulated for data collection.
Under take a study for feedback of the grantees on what can be improved in terms of eligible items, processes and procedures, technical support and marketing to respond to the emerging needs of agriculture producers.	PMO	May 2016	Feedback survey has been planned for AWPB 2016.17 and in the process of recruitment of service provider.
Ensure support to SFACs for one year after handing over. Project Officers to plan and visit SFACs quarterly.	NACCFL, SFDB	On-Going	On-Going
Form additional 45 SFACs through NACCFL and SFDB in next 2.5 years.	PMO/NACCFL/SFDB	AWP/B each year	Waiting for revised financial agreement to be signed
Approve Financing Agreement for provision of USD 8 million to SFDB.	IFAD, MOA, MOF, PMO,	Immediate	Waiting for Subsidiary agreement to be executed.

Integrate SFACL members with other programme activities; at least 7500 members to be formed into seed and livestock groups, sub projects prepared to receive technical and matching grant support.	PMO, NACCFL,	Immediate	73 proposals from SFACLs has been received at PMO and are under evaluation process.
<b>Programme Management</b>			
Coordination: There is need for much greater coordination and planning among the implementing partners and with districts to ensure achievement of targets.	PSC/PMO and Implementing Partners	Immediate	complied
Decentralization: There is need for PMO to give greater decision making responsibility and authority to the Districts.	PSC/PMO	Immediate	Complied and ongoing. Provision of micro grant approval from DADOs and DLSOs .
Staff Recruitment: Any remaining vacancies in the PMO and PIUs should be filled as soon as possible especially the M&E staff and the new positions recommended by the MTR.	PSC/PMO	July 2016	Complied and ongoing, initiated
Transport Facilities: Ensure the provision of transport facilities to all implementing partners especially the DADOs and the DLSOs in the Programme districts.	MOAD	Immediate	Procurement process initiated.
<b>Monitoring &amp; Evaluation</b>			
Harmonize M&E system: data collection sheets prepared for all components should be utilized by the implementing partners, after the workshop in Butwal to launch their use.	M&E Specialist	From April 2016 onwards	Initiated.
Carry out outcome survey / RIMS survey: two separate surveys to be carried out to ensure capturing progress towards outcomes and second/third level RIMS indicators. The report needs to be ready by Jan 2017.	M&E Specialist	October 2016	Waiting for no objection from IFAD for AOS and for RIMS survey, is in the process of recruitment of service provider.
Prepare a preliminary MIS: a pilot excel-based MIS will be useful to systematize the data and to guide the PMO in identifying the key queries and functions of the fully fledged MIS.	M&E Specialist / MIS assistant	May 2016	Complied
Annual Work Plan and Budget: Submit the AWPB to IFAD prior to its submission to the Government for inclusion in the GoN Budget.	PMO	Annually	District and central level planning workshop completed and draft of AWPB 2017.18 shared

Establish sub-projects awards system: based on simple criteria of productivity, likelihood of sustainability, governance, and potential scaling up. The system rewards seed and livestock producers groups and individual entrepreneurs (including farmers).	TA Team/ implementing partners	September 2016.	Initiated , Grantee performance evaluation sheet have been developed for selection and circulated to PIU for information collection.
Develop KM Notes: prepare simple success stories from member organizations and producers groups as well as policy briefs from the stakeholder platforms and private/public dialogue.	Implementing partners (AEC in particular) / PMO / M&E Specialist	October 2016	3 knowledge notes, 6 success stories prepared and published .16 photo flex prepared and displayed at office premises. Initiated photo bank and photo story for KM.
<b>Fiduciary Aspects</b>			
Ensure monthly financial reporting by all the Implementing Partners by the 10th of the subsequent month.	All implementing partners	March 31, 2016	On-going
Customize accounting software for accounting and reporting requirements.	PMO	April 30, 2016	Not complied – likely to be introduced by April 2017
Return the vehicle requisitioned by the MOLD for use by KUBK.	MoLD	Immediate	Not complied
Comply with all the financing covenants within the stipulated time	PMO/OAG	On-going	ongoing
Incorporate audit observations of the districts and PMO in the management letter of the auditor and submit to IFAD	OAG/PMO	In the audit report of 2015-16 and thereafter	ongoing
Maintain Designated Account, Grant and Loan Register and program ledger	PMO/FMS	April 15, 2016	On-going
Submit asset maintenance assessment report and consolidated records of fixed assets to IFAD	PMO/FMS	April 15, 2016	complied
Ensure trimester procurement progress reporting	PMO	April 15, 2016	Ongoing
Prepare status of contract implementation (According to number of contracts planned under each category – Goods, Works and Services and value of contract awarded and completed in the reporting period).	PMO	April 15, 2016 and thereafter	complied
Conduct training on procurement (Expected participants are management level and Finance staffs of PMO and of implementing partners).	PMO	Within May 31, 2016	Complied
Prepare complete procurement plan separately for Goods, Works and Services in IFAD format.	PMO	April 15, 2016	complied

Ensure trimester procurement progress reporting	PMO	April 15, 2016 and thereafter	ongoing
Prepare status of contract implementation	PMO	April 15, 2016 and thereafter	complied

<b>Component 3 – Local Entrepreneurship and Institutional Development and Institutional Strengthening</b>			
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>	<b>Present status</b>
Plan future activities based on beneficiary feedback and the outcome of the different types of training events and market information services.	PMO/AEC	On-Going	On going
Active engagement with the sector to facilitate market inks for seed and livestock.	AEC	On-Going	Ongoing. Central level Milk Market Linkage workshop and central level MSP for source seed was held in Butwal and Kathmandu in Jan 2017. District level MSPs for seed marketing and district level buyer sellers meeting for price fixation have been completed.
Reduce the duration for the review and approval of the grants (usually taking around 6 months) and complete the entire process within 2 months.	PSC/PMO/IW	On-Going	Initiated. Authority delegated for officials, average time taken for completion has now been shortened.
The proposals under windows 1 and 2 to be evaluated by PMO staff. External experts to join the evaluation for window 3 proposals. Post evaluation, district staff to carry out field verifications and the negotiations and signing of documents with the farmers will be carried out at district PIU.	PSC/PMO/IW	Immediate	Complied
AEC to develop a simple tracking system from the time the proposals are brought to Investment Window.	AEC	Immediate	System has been developed and ongoing.
Change the norm of one proposal from one cooperative especially for financial SFACs that have many groups and a large member base.	PSC/PMO	Immediate	Complied. 73 proposals have been received this year and in evaluation process.

Individuals and groups having evidence of successful production/ business for more than 1 year and with regular group functioning should be supported once they are registered with DADO/DLSO and the condition of one year wait after registration can be waived.	PMO/IW/AEC	Immediate	Application are not received from such groups to date.
Matching grant amounts for dairy groups to be increased to USD 25,000.	PSC/PMO/Investment windows	May 2016	Complied
Ensure that clear communication reaches farmer groups regarding 20% advance mechanism for infrastructure sub-projects.	PSC/PMO/AEC	Immediate	Provision for advance has been incorporated in agreement documents and advocacy ongoing.
Communicate to the groups that the seeds and fertilisers purchase will be supported for three years and other activities can be completed earlier.	PMO	Immediate	Complied
All the grantees will receive field based technical trainings to ensure quality production – for seeds for at least one cropping season, for goats and dairy animals for at least 6 months.	PMO	Ongoing	Field based training events are incorporated in grantees SPs work plan. Such training are also being organized through DADOs/DLSOs from last year. For goat and dairy grantee grantees, relevant trainings are organized by DLSOs and PMO.
Train women in the operation of farm equipment and machinery.	PMO	Immediate	Two training events completed with 7 women farmers. Two more will be conducted very shortly.
Encourage more innovation in grants, with attention to projects involving the youth as service providers.	AEC	On-going	Counseling, on-going .
Design a simple format which can capture a few key baseline facts to help assess the outcome of each grant.	M&E Specialist	Immediate	Incorporated in MIS / Farmers Diary. Simple formats have been circulated for data collection.
Under take a study for feedback of the grantees on what can be improved in terms of eligible items, processes and procedures, technical support and marketing to respond to the emerging needs of agriculture producers.	PMO	May 2016	Feedback survey has been planned for AWPB 2016.17 and in the process of recruitment of service provider.
Ensure support to SFACLs for one year after handing over. Project Officers to plan and visit SFACLs quarterly.	NACCFL, SFDB	On-Going	On-Going

Form additional 45 SFACLs through NACCFL and SFDB in next 2.5 years.	PMO/NACCFL/SFDB	AWP/B each year	Waiting for revised financial agreement to be signed
Approve Financing Agreement for provision of USD 8 million to SFDB.	IFAD, MOA, MOF, PMO,	Immediate	Waiting for Subsidiary agreement to be executed.
Integrate SFACL members with other programme activities; at least 7500 members to be formed into seed and livestock groups, sub projects prepared to receive technical and matching grant support.	PMO, NACCFL,	Immediate	73 proposals from SFACLs has been received at PMO and are under evaluation process.
<b>Programme Management</b>			
Coordination: There is need for much greater coordination and planning among the implementing partners and with districts to ensure achievement of targets.	PSC/PMO and Implementing Partners	Immediate	complied
Decentralization: There is need for PMO to give greater decision making responsibility and authority to the Districts.	PSC/PMO	Immediate	Complied and ongoing. Provision of micro grant approval from DADOs and DLSOs .
Staff Recruitment: Any remaining vacancies in the PMO and PIUs should be filled as soon as possible especially the M&E staff and the new positions recommended by the MTR.	PSC/PMO	July 2016	Complied and ongoing, initiated
Transport Facilities: Ensure the provision of transport facilities to all implementing partners especially the DADOs and the DLSOs in the Programme districts.	MOAD	Immediate	Procurement process initiated.
<b>Monitoring &amp; Evaluation</b>			
Harmonize M&E system: data collection sheets prepared for all components should be utilized by the implementing partners, after the workshop in Butwal to launch their use.	M&E Specialist	From April 2016 onwards	Initiated.
Carry out outcome survey / RIMS survey: two separate surveys to be carried out to ensure capturing progress towards outcomes and second/third level RIMS indicators. The report needs to be ready by Jan 2017.	M&E Specialist	October 2016	Waiting for no objection from IFAD for AOS and for RIMS survey, is in the process of recruitment of service provider.
Prepare a preliminary MIS: a pilot excel-based MIS will be useful to systematize the data and to guide the PMO in identifying the key queries and functions of the fully fledged MIS.	M&E Specialist / MIS assistant	May 2016	Complied



Annual Work Plan and Budget: Submit the AWPB to IFAD prior to its submission to the Government for inclusion in the GoN Budget.	PMO	Annually	District and central level planning workshop completed and draft of AWPB 2017.18 shared
Establish sub-projects awards system: based on simple criteria of productivity, likelihood of sustainability, governance, and potential scaling up. The system rewards seed and livestock producers groups and individual entrepreneurs (including farmers).	TA Team/ implementing partners	September 2016.	Initiated , Grantee performance evaluation sheet have been developed for selection and circulated to PIU for information collection.
Develop KM Notes: prepare simple success stories from member organizations and producers groups as well as policy briefs from the stakeholder platforms and private/public dialogue.	Implementing partners (AEC in particular) / PMO / M&E Specialist	October 2016	3 knowledge notes, 6 success stories prepared and published .16 photo flex prepared and displayed at office premises. Initiated photo bank and photo story for KM.
<b>Fiduciary Aspects</b>			
Ensure monthly financial reporting by all the Implementing Partners by the 10th of the subsequent month.	All implementing partners	March 31, 2016	On-going
Customize accounting software for accounting and reporting requirements.	PMO	April 30, 2016	Not complied – likely to be introduced by April 2017
Return the vehicle requisitioned by the MOLD for use by KUBK.	MoLD	Immediate	Not complied
Comply with all the financing covenants within the stipulated time	PMO/OAG	On-going	ongoing
Incorporate audit observations of the districts and PMO in the management letter of the auditor and submit to IFAD	OAG/PMO	In the audit report of 2015-16 and thereafter	ongoing
Maintain Designated Account, Grant and Loan Register and program ledger	PMO/FMS	April 15, 2016	On-going
Submit asset maintenance assessment report and consolidated records of fixed assets to IFAD	PMO/FMS	April 15, 2016	complied
Ensure trimester procurement progress reporting	PMO	April 15, 2016	Ongoing
Prepare status of contract implementation (According to number of contracts planned under each category – Goods, Works and Services and value of contract awarded and completed in the reporting period).	PMO	April 15, 2016 and thereafter	complied
Conduct training on procurement (Expected participants are management level and Finance staffs of PMO and of implementing partners).	PMO	Within May 31, 2016	Complied

Prepare complete procurement plan separately for Goods, Works and Services in IFAD format.	PMO	April 15, 2016	complied
Ensure trimester procurement progress reporting	PMO	April 15, 2016 and thereafter	ongoing
Prepare status of contract implementation	PMO	April 15, 2016 and thereafter	complied

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

FIRST LEVEL RESULTS	Results	Unit	Period ending: 15-Nov-16		% of AWPB	Cumulative as of 15,Nov,2016			Sum of actuals of previous years
			AWPB	Actual		Appraisal	Actual	% of Appraisal	
Total Outreach	Households receiving project services	HHs		14,150		1,06,875	49,147	47%	34,997
	Individual Receiving Project Services	Number		70,750		534375	2,45,735	47%	1,74,985
	(total - Male)	Number		20,685		2,67,188	58,685	20%	38,000
	(total - Female)	Number		50,080		2,67,187	1,87,050	70%	1,36,970
	(total - Dalit)	Number		13,180			41,630		28450
	( Female -Dalit)	Number		14,245			34,520		20275
	(total - Janajati)	Number		22,920			64,775		41855
	( Female -Janajati)	Number		22,595			48,715		26120
Component -1	1.1 Improved enabling environment for seed production								
Extension of formal seed sector	Area covered by foundation cereal seed (NARC)	Ha	350	225	64%	1,880	351.5	19%	126.5
	Area covered by foundation vegetable seed (NARC)	Ha	10	9.5	95%	51	17	33%	7.5
	Production of foundation cereal seed (NARC)	MT	171	141.5	83%	372	362.5	97%	221
	Production of foundation Vegetable seed (NARC)	MT	5	1.825	37%	5	5.01	100%	3.185
	1.2 Improved expanded formal seed production								
	Approved sub-projects (grants) for seed producer groups	Group	80	98	123%	360	206	57%	108
	(total - Male)	HHs	1000	1510	151%		4003		2,493
	(total - Female)	HHs	1000	1607	161%		4864		3,257
	(total - Dalit)	HHs		479			1233		754
	(Female-Dalit)	HHs		268			733		465
	(total - Janajati)	HHs		761			1974		1,213

	( Female -Janajati)	HHs		303			976		673
	Number of seed demonstration held (FFS+PVS)	Number	265	211	80%	1,020	593	58%	382
	Number of farmers participated in demonstration (FFS+PVS)	Farmer	6,625	3503	53%	25,500	12164	48%	8,661
	Area covered by TL cereal and vegetable seed (sub-projects)	Ha		14512		1,00,000	14512	15%	0
	1.3 Increased demand for improved seeds								
	People trained in crop production and technologies	Number		1,197		15,000	8,205	55%	7,008
	(total - Male)	Number		538		7,500	3,411	45%	2,873
	(total - Female)	Number		659		7,500	4,794	64%	4,135
	(total - Dalit)	Number		88			1,975		1,887
	(Female-Dalit)	Number		62			1,129		1,067
	(total - Janajati)	Number		230			1,776		1,546
	( Female -Janajati)	Number		142			1,183		1,041
Component -2	(whole component)								
<b>Small Holder Livestock Development</b>	Number of livestock group formed/strengthen	Group	110	365	332%	578	784	136%	419
	(total - Male)	Number		19		8,725	1,664	19%	1,645
	(total - Female)	Number		2643		8,725	10,795	124%	8,152
	(total - Dalit)	Number		663			2,639		1,976
	(Female-Dalit)	Number		651			2,421		1,770
	(total - Janajati)	Number		637			3,467		2,830
	( Female -Janajati)	Number		622			3,129		2,507
	Livestock production group with women in leadership position	Number		130			477		347
	Household receiving animals from distribution /restocking	Number	4,010	4299	107%	6100	7,184		2,885
	2.1 Expanded, more productive dairy production								

	Animal in dairy households covered by routine vaccination	Number	20,000	18000	90%		23,800		5,800
	Local collection centres/market established and functioning	Number		0		12	1	8%	1
	Milk chilling centres established and functioning	Number		4	17%	28	5	18%	1
	Percentage of dairy group engaged in marketing activities	%		0		60		0%	
	2.2 Expanded, more productive goat production								
	Percentage of goat group engaged in marketing activities	%		NA		25		0%	
	People trained in livestock production and technologies	Number		11,128		12,000	16,114	134%	4,986
	(total - Male)	Number		1,652		4,800	3,008	63%	1,356
	(total - Female)	Number		9,476		7,200	13,106	182%	3,630
	(total - Dalit)	Number		2380			3,234		854
	(Female-Dalit)	Number		2122			2,870		748
	(total - Janajati)	Number		3,871			5,059		1,188
	( Female -Janajati)	Number		3377			4,370		993
	2.3 Strengthened livestock services								
	People accessing facilitated advisory services (men)	Number		648			1308		660
	People accessing facilitated advisory services (women)	Number		1095			2085		990
Component -3	3.1 Strengthened local institutions and 3.3 Rural Financial Services								
<b><u>Local Entrepreneurship and Institutional Development</u></b>	Saving and credit groups formed/strengthened	Number		2,244			NA		
	People in saving and credit groups formed/strengthened	Number		3897		30,000	13,593	45%	9,696
	(total - Male)	Number		171			323		152
	(total - Female)	Number		3726			13,270		9,544
	(total - Dalit)	Number		899			2,743		1,844
	(Female-Dalit)	Number		862			2,682		1,820

(total - Janajati)	Number		1095			3,242		2,147
( Female -Janajati)	Number		1073			3,147		2,074
Voluntary savers (disaggregated by gender)								
(total - Male)	Number		323			NA		
(total - Female)	Number		13,270			NA		
(total - Dalit)	Number		2,743			NA		
(Female-Dalit)	Number		2,682			NA		
(total - Janajati)	Number		3,242			NA		
( Female -Janajati)	Number		3,147			NA		
Saving and credit groups with women in leadership position	Number		2,230			NA		
Value of voluntary savings	USD		5,23,493			NA		
People trained in business and entrepreneurship skills			488			733		245
People trained in financial services	Male		834			986		152
People trained in financial services	Female		3640			5589		1,949
Active borrowers (enterprises)	Number		11		75	15	20%	4
Active borrowers (disaggregated by gender) total	Number		5,720			NA		
(total - Male)	Number		52			NA		
(total - Female)	Number		5,668			NA		
(total - Dalit)	Number		1355			NA		
(Female-Dalit)	Number		1349			NA		
(total - Janajati)	Number		1629			NA		
( Female -Janajati)	Number		1606			NA		
Value of gross loan portfolio	USD		10,61,967			NA		
No of SFACL established	Number				75	30	40%	30
3.2 Strengthened private sector services								
Enterprises accessing financial services facilitated by the project			0					
Enterprises accessing non-financial services			2015			2355		340

	facilitated by the project								
Component -4 Program coordination and management	Program coordination and management								
	Government officials and staff trained	Number		1167			1405		238
	(total - Male)	Number		943			1156		213
	(total - Female)	Number		224			249		25
	People trained in community management topics	Number		12,987			22,523		9,536
	(total - Male)	Number		3,797			6,849		3,052
	(total - Female)	Number		9,190			15,674		6,484
	Staff of service providers trained	Number		803			1112		309
	(total - Male)	Number		617			884		267
	(total - Female)	Number		186			228		42

Data are of Jan 2016 to 15, Nov .2016 ( 1 st trimester ) of FY 2016.17

## Appendix 5<sup>5</sup>: Financial: Actual financial performance by financier; by component and disbursements by category

**Table 5A: Financial performance by financier, as at 13 January 2017**

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Percent disbursed
IFAD loan	19,516.20	5,334.46	27.33
IFAD grant	19,516.20	5,334.46	27.33
Government	7,304.50	1,139.15	15.60
Heifer International	2,507.40	1,542.90	61.53
Beneficiary contribution	10,907.10	1,433.22	13.14
<b>Total</b>	<b>59,751.40</b>	<b>14,784.19</b>	<b>24.74</b>

\* IFAD Loan and Grant includes actual expenditures of USD 460,662.22 yet to be claimed and initial deposit of USD 2.50 million based on actual Flexcube data

**Table 5B: Financial performance by financier by components (USD '000) as at 13 January 2017**

Component	IFAD loan			IFAD grant			Government			Heifer International			Beneficiaries & Private Sector			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
Support to extension of formal seed sector	7,814.90	1,299.61	17%	7,814.90	1,299.61	17%	2,805.10	331.07	12%				4,887.80	467.84	10%	23,322.70	3,398.13	15%
Smallholder livestock commercialization	6,741.30	814.64	12%	6,741.30	814.64	12%	2,435.90	217.79	9%	2,507.40	1,542.90	62%	2,068.20	176.15	9%	20,494.10	3,566.12	17%
Local Institutional & Entrepreneur Development	2,743.90	998.76	36%	2,743.90	998.76	36%	1,268.60	221.42	17%				3,951.10	789.23	20%	10,707.50	3,008.17	28%
Programme Coordination & Management	2,216.10	971.44	44%	2,216.10	971.44	44%	794.90	368.87	46%							5,227.10	2,311.76	44%
<b>Total</b>	<b>19,516.20</b>	<b>4,084.46</b>	<b>21%</b>	<b>19,516.20</b>	<b>4,084.46</b>	<b>21%</b>	<b>7,304.50</b>	<b>1,139.15</b>	<b>16%</b>	<b>2,507.40</b>	<b>1,542.90</b>	<b>62%</b>	<b>10,907.10</b>	<b>1,433.22</b>	<b>13%</b>	<b>59,751.40</b>	<b>12,284.19</b>	<b>21%</b>

Note: (1) Expenditures incurred till 13 January 2017 of the PMO and the first trimester of the districts and implementing partners except 2 DADOs, 4 DLSOs and 2 Regional Seed testing Laboratory.

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

<sup>5</sup> The additional financing of USD 5 million has not yet disbursed and has not been separately included within these tables.



(3) Expenditures incurred in FY 2016/17 and yet to be claimed have been converted into USD at an exchange rate of NPR 106.8 per USD and USD 1.35448 per SDR prevailing on 17 February 2017

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

**Table 5C: IFAD loan disbursements (SDR, as at 13 January 2017)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
122055	FUNDS	2,320,000.00		451,119.61	30,530.56	1,838,349.83	20.76
122056	TECHNICAL ASSISTANCE	550,000.00		364,412.03	1,772.62	183,815.35	66.58
122057	STUDIES, SURVEYS, TRAININGS AND WORKSHOPS	3,420,000.00		629,984.18	68,589.45	2,721,426.37	20.43
122058	GOODS AND SERVICES (INCLUDING VEHICLES)	3,720,000.00		793,722.60	17,846.33	2,908,431.07	21.82
122059	OPERATING COSTS	1,590,000.00		503,767.72	51,262.15	1,034,970.13	34.91
122060	UNALLOCATED	1,250,000.00				1,250,000.00	0.00
074975	DA – Initial advance			828,764.07			
	<b>Total</b>	<b>12,850,000.00</b>	<b>-</b>	<b>3,571,770.21</b>	<b>170,001.11</b>	<b>9,936,992.75</b>	<b>29.12</b>

**Table 5 C: IFAD DSF Grant disbursements (SDR, as at 13 January 2017)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
122061	FUNDS	2,320,000.00		451,119.59	30,530.56	1,838,349.85	20.76
122062	TECHNICAL ASSISTANCE	550,000.00		364,412.02	1,772.62	183,815.36	66.58
122063	STUDIES, SURVEYS, TRAININGS AND WORKSHOPS	3,420,000.00		629,984.17	68,589.45	2,721,426.38	20.43
122064	GOODS AND SERVICES (INCLUDING VEHICLES)	3,720,000.00		793,722.60	17,846.33	2,908,431.07	21.82
122065	OPERATING COSTS	1,590,000.00		503,767.73	51,262.15	1,034,970.12	34.91
122066	UNALLOCATED	1,250,000.00				1,250,000.00	0.00
074964	DA – Initial advance			828,764.07			
	<b>Total</b>	<b>12,850,000.00</b>	<b>-</b>	<b>3,571,770.18</b>	<b>170,001.11</b>	<b>9,936,992.78</b>	<b>29.12</b>

**Table 5C: IFAD loan disbursements (SDR, as at 13 January 2017)**

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>3,270,000</b>	-

Note: The expenditures incurred but yet to be claimed have been reported in the W/A pending column using exchange rate of NPR 106.80 per USD and USD 1.35448 per SDR prevailing on 17 February 2017

## 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		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.		Complied	
<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>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.		Complied	February 29 <sup>th</sup> to March 22 <sup>nd</sup> , 2016
	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	Initial advance to the DA and replenishment for each WA	Ongoing compliance	
<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 2016-17 was submitted on time but the revised AWPB was submitted with delay. The AWPB of FY 2017-18 has been submitted to the Government but it is yet to be finalized for submission to IFAD.

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
<b>General Conditions Section 7.03(b)</b>	Borrower/Recipient shall make available to the Project Parties during the Project Implementation Period counterpart funds from its own resources in accordance with its customary national procedures for development assistance.	During implementation period	Ongoing compliance	Government of Nepal prefunds the Programme as per its national procedures.
<b>General Conditions Section 7.05</b>	Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the B/R's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the B/R in order to ensure consistency with the IFAD Procurement Guidelines.	During implementation period	Ongoing compliance	The Procurement Plan is being prepared.
<b>General Conditions Section 7.08</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	Third party insurance of vehicles and motorbikes only.
<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>Conditions Section 8.02</b>	Establishment and thereafter maintenance of MIS as per IFAD Guidelines.		Partially complied	Prepared and being tested with data entry.
<b>General Conditions Section 8.03</b>	Progress Reports	Six monthly and Yearly	Partially complied	Only annual progress report of FY 2015/16 has been submitted in September 2016. Six monthly progress report is not being sent to IFAD.
<b>General Conditions Section 9.02</b>	The B/R shall deliver to the Fund detailed financial statements of the operations for each fiscal year prepared in accordance with standards and procedures acceptable to the Fund within 4 months of the end of each Fiscal Year.	15 <sup>th</sup> November of every year	Complied	Unaudited financial statements submitted on 5 October 2016 for the year ended 15 July 2016
<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 2015-16 was signed on 6 February, 2017 and submitted on 8 February, 2017 instead of submission by 13 January, 2017.

## Appendix 7: Knowledge management: Learning and Innovation

The programme is implemented in different districts in remote areas with varied climatic conditions where sharing of knowledge among the farmers is crucial. The programme deals with subsistence level farmers with limited access to information and new ideas. Women participation is high, but this also necessitates extra efforts on the part of the project to create awareness and build skills in aspects in which women have not traditionally been active – such as marketing and external linkages. Besides the programme has experienced turnover of staff and with the frequent changes in staff, the institutional knowledge, experience and memories are not always easy to retain and translate into action.

KUBK has developed some knowledge management products during the period after MTR. It has developed a draft KM strategy, created its own web-site, developed a number of IEC materials in local language (mango cultivation, vermi composting, SRI, goat rearing, pig rearing, poultry rearing, etc.) and conducted a workshop on KM linked to M&E for its staff. The project has prepared case studies of successful interventions and social mobilisation (such as SHGs role in stopping of alcohol abuse). The Programme has initiated knowledge management processes and has published three knowledge notes on that are be a good source of sharing.

The programme can share the generated knowledge through -

- a. Publication of knowledge notes and Quarterly Newsletters
- b. Updating the website
- c. Sharing of IEC materials on various activities

The main challenges remain on how to institutionalize KM in the programme process, how to establish a linkage between KM and M&E and how enhance the effectiveness of KM function. The project can document monthly progress and newsworthy happenings in a e-newsletter mailed to staff. Comparative information on project progress across districts and components will create a competitive environment where staff will try to improve on their performance. Localised learnings on good practices and problems can be shared through this monthly newsletter. Periodic advisories aimed at project households can also be delivered in a monthly package – relating to crops and livestock practices in accordance with the season and new initiatives.

Farmers record extensive information in their diaries which are not captured for learning and internalisation. KM should prepare a strategy that captures information from select farmers with a view to assess the nature of learnings available and how to develop a framework for internalising the lessons across the project.

The experiences of field staff should be harnessed through periodic meetings. The FFS facilitators meeting has the potential of generating valuable knowledge that would be useful beyond FFS areas as to good and not-so-good practices. The project should ensure that documentation of discussions and decisions from such meetings is comprehensive and widely disseminated.

The scope for innovations at participating household level should be explored. As MTR had already recommended, grant sub-projects should prioritise innovations for support rather than funding traditional activities and practices. Monitoring and evaluation function should work closely with knowledge management function in identifying the innovative measures observed in the field and prepare case studies for wider circulation.



## 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	4	19,500	1	19,500	3	-
2013-14	15	297,100	1	-	14	297,100
2014-15	19	9,570,389	6	6,107,114	13	297,100.00
2015-16	13	11,694,536	0	-	13	11,694,536
<b>Total</b>	<b>51</b>	<b>21,581,525</b>	<b>8</b>	<b>6,107,114</b>	<b>43</b>	<b>15,454,911</b>

### 2. Detailed Audit Table

Sr. No.	Financial Year	Class: Serious / General	Audit Ref.	Audit Observation	Total Amount per observation (NPR)	Action taken by the project/PMO (Reply of Para wise)	Present status (Auditors Validation Result)	Total outstanding amount (NPR)	Remarks
1	2012-13	General	7	<b>Reimbursement:</b> According to Rule 27 of the Financial Procedure Regulation 2064, reimbursable expenses pre-financed by GoN should be claimed for reimbursement with donor within 45 days. Programme should pay attention towards amount of NPR 18.996 million expended by the programme before audit report which is to be reimbursed as per legal provision.	-	Management is in the line of submitting Withdrawal Application.	Settled	-	PMO
2	2012-13	General	10	<b>Program wise account head:</b> Project has not maintained program wise ledger. In the absence of such ledger it is difficult to get the activities wise actual financial status, variance with activity wise budget. If such ledger is maintained than it would be easier to program for measuring effectiveness & output of implemented program. This issue has not been addressed despite of audit observation on the last years audit. Program-Wise account should be maintained.	-	Management has assured for implementing such type of ledger.		-	PMO

3	2012-13	General	12	<b>Direct Procurement:</b> As per the public procurement rule, 2064 part 8 (2), there is not provision of splitting the purchase of items so as to limit the competition and as per Rule 84(1) of the Public Procurement Regulation, 2064, provision has made for sealed quotation for the goods and services up to NRs. 1 million; construction works of up to NRs. 2 million and as per rule 85 (1), provision has been made for direct purchase of the construction works up to NRs. 0.50 million or goods and services of up to NRs. 0.30 million; as per rules 85 (1 kha), there is no provision of direct purchase for than budget boundary either once or repeatedly; or from same person, firm, company or organization. But the program has purchased some items directly from quotation not by sealed quotation or bidding. In discussion.	-	For establishment of the office immediately, procurement was made directly and from next time, all the procurement related work will be carried out abiding the rules and regulations.		-	PMO
4	2012-13	General	15	<b>Advance Tax Deduction:</b> According to Income Tax Act 2058 clause 88 (1) any payment made against service charge to person having residence in Nepal is subjected to deduct advance tax privilege to income tax act i.e. 15%. Technical Adviser Mr. Deependra Shyam Ghimire was paid NRs 250,000 after deducting NRs. 18,000 only	19,500	The said amount has been recovered by concern person.	Settled	-	PMO
				<b>Sub-total of FY 2012-13</b>	19,500			-	
1	2013-14	General	2.5	<b>Reimbursement of Expenditure:</b> According to Rule 37 Of the Financial Procedure Regulation 2064, reimbursement should be claimed with donor within 45 days for all the expenses pre-finance by GoN. Total outstanding reimbursement of the program for the period 2070 Chaitra to 2071 Ashadh is NPR 117.52 million (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.	-	From the coming days reimbursement will be claimed from donor as per the provision in financial procedure regulations 2064.	Settled	-	PMO
2	2013-14	General	2.6	<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 year audit. Program-wise account should be maintained.	-	Program wise account of the program's budget will be maintained from next fiscal year in planned way. Till the period program cost record has been maintained manually.		-	PMO
3	2013-14	General	2.7	<b>Budget allocation and ration of expenditure:</b> This year's budget allocation and release/expenditure has figured NPR 240.056 million and NPR 138.34 million respectively. Only 57.63% of the total budget has been utilized. Affecting the utilization of grant amount and program expenditure. Delay in preparing Grant Operating Guideline and inability of recruiting the consultant in times is the main reason for less	-	Recruitment of consultant has been finished, Grant Operating Guideline has been finalized, request from Groups/Cooperatives		-	PMO



				expenditure. Annual procurement plan should be prepared for full utilization of the annual budget.		for matching grant will be complied, annual procurement plan already been prepared and expenditure will be made as per the procurement plan.			
4	2013-14	General	3	<b>Target v/s progress:</b> As per Financial Regulation 2064 rule 23, progress should have been achieved according to the annual plan. Office has submitted annual progress report covering the progress of only 64.3%. It seems that the office was unable to utilize the budget. It was due to delay in preparation of grant operating guideline, lacking in implanting the AWPB and effectiveness of program monitoring.	-			-	PMO
5	2013-14	General	4	<b>Expenditure incurred on last trimester and in the month of Ashadh:</b> Ministry of finance has issued directives along authorization for expenditure that the expenditure should not be more than 40% and 20% of total budget in last trimester period and in the month of Ashadh respectively. Out of total expenditure during this year, the expenditure of third trimester was NPR 76.878 million or 55.57% and expenditure of Ashadh was NPR 35.976 million or 26.01%. This has affected the execution of programs and quality of work.	-	Most of the construction work has been started at 2 <sup>nd</sup> trimester but the payments are claimed at 3 <sup>rd</sup> trimester so that the expenditure was occurred on this way, this will be maintained according to financial rules and regulation of GoN.		-	PMO
6	2013-14	General	5.1	<b>Contract management related work:</b> According to Financial Procedure Regulation 2064, there is a provision for preparing cost estimation & tender acceptance program which should be accomplished within first trimester. But it is observed that project has not followed such rules. This has created the mass volume of expenses on last trimester which lead for compromising in efficiency and quality of work.	-			-	PMO
7	2013-14	General	5.2	<b>Insurance:</b> According to Public Procurement Regulation 2064, any construction or procurement work above NPR 1 million is to be insured with additional 10% of contract value for accidental insurance of equipment, machinery and labor worker. But in some instant this clause has not been followed by contractor & supplier which has not even been monitored by project.	-			-	PMO
8	2013-14	General	5.3	<b>Cost Estimation for Building Construction:</b> According to Public Procurement Act, 2063, Regulation 2064, construction work should be accomplished on the basis of prepared Cost Estimation. But it is observed that the project has not followed such act & rules which effects in transparency on selection process of contractor.	-			-	PMO

9	2013-14	General	5.4	<b>Performance bond:</b> According to Public Procurement Regulation 2064, performance bond should cover additional one month after maturity of amendment period. But there is some instance where bidder has not followed such provision which had caused high risk on supplying & delivering of goods. This was due to lack in proper monitoring of bid document by the project.	-			-	PMO
10	2013-14	General	5.5	<b>Master Plan &amp; Annual procurement Plan:</b> According to Section 6 of the Public Procurement Act, 2063, and Rule 7 & 8 of the Public Regulations 2064, an entity should prepare annual procurement plan for the construction and procurement work exceeding NPR 1 million and master procurement plan for the procurement of work exceeding NPR 100 million. Though the office has incurred total NPR 240.056 million 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 have prepared annual procurement in plan this year, it has not included consultancy service and civil construction work.	-	From the next fiscal year every procurement activities like procurement plan, master plan will be prepared and implemented efficiently as per the public procurement Act, 2063 and regulation 2064.		-	PMO
11	2013-14	General	6.1	<b>Seed Processing Plant:</b> According to Public Procurement Regulation 2064, it is clearly stated that all the expenses should be accounted on the basis of bill & receipts. As per the agreement entered between PMO & NARC on 28 <sup>th</sup> August 2015, fund was released to Wheat Research Program Bhairahawa for establishment of Seed Processing Plant but expenses were booked without any bill, receipt & work completion report.	-			-	PMO
12	2013-14	General	6.2	<b>Implementation of Agreement:</b> According to the agreement entered on 29 <sup>th</sup> Shrawan 2070 between MOAD and SFDB/NACCFL/AEC, it is stated that SFDB, NACCFL & AEC will provide trimester physical & financial progress report to PMO on prescribe format. But it is observed that physical & financial progress reports have not been submitted by those organizations causing non-compliance with the provisions of the agreement.	-			-	PMO
13	2013-14	General	3	<b>Outstanding Advance:</b> There is outstanding advances provided to various individuals at the year-end.	297,100.00			297,100.00	DADO Arghakhachi
14	2013-14	General		<b>Aide Memoirs:</b> Comments mentioned in Aide memoire 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.	-			-	
				<b>Accepted Assignments</b>	<b>Status of</b>				

				<table><tr><td></td><td>Implementation</td></tr><tr><td>1.Deputing JTA in each VDC</td><td>Not implemented</td></tr><tr><td>2.New staff selection and procurement</td><td>Implemented after 3 month</td></tr><tr><td>3.Formulation of specification for semen purchase</td><td>Implemented after 1 month</td></tr><tr><td>4.Tender call for semen and Boer goat purchase</td><td>Not implemented</td></tr><tr><td>5.Support for fodder nursery</td><td>Not implemented</td></tr><tr><td>6.Demand for Organizational support</td><td>Postponed</td></tr></table>		Implementation	1.Deputing JTA in each VDC	Not implemented	2.New staff selection and procurement	Implemented after 3 month	3.Formulation of specification for semen purchase	Implemented after 1 month	4.Tender call for semen and Boer goat purchase	Not implemented	5.Support for fodder nursery	Not implemented	6.Demand for Organizational support	Postponed					
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5.Support for fodder nursery	Not implemented																						
6.Demand for Organizational support	Postponed																						
15		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 Future civil works should be included up to 15 may 2014 but not mentioned till date.	-			-															
				<b>Sub-total of FY 2013-14</b>	297,100.00			297,100.00															
1	2014-15	General	1	<b>Outstanding Reimbursement of Expenditure:</b> According to Financial Regulation Procedure 2064 Rule 37, reimbursement of expenses should be claimed with donor within 45 days for all the expenditure pre-finance by GoN. It is observed till the reporting period that outstanding reimbursable expenses have not been claimed from donor.	3,297,694.00	All the reimbursable expenditure till 15 <sup>th</sup> December 2015 including outstanding reimbursable amount of FY 2071-72 has been claimed through WA 7.	Settled	-	PMO														
2	2014-15	General	2	<b>Source to be Changed:</b> According to the record presented by program regarding disbursement, source of IFAD grant should be changed to IFAD loan.	2,808,091.00	Letter has been forwarded requesting to change the source from IFAD Grant to IFAD Loan to Ministry of Finance through Ministry of Agricultural	Auditor Validation remain	2,808,091.00	PMO														

						Development.			
3	2014-15	General	3	<b>Audit of Direct Financing:</b> Direct payment of NPR 41.32 million has been paid to Heifer International. Though the amount of direct payment has been included in the financial statement, books of account for the said amount was not presented during the audit.	-	As per the MOU between GoN MoAD & Heifer International, the external audit of Heifer managed expenditures will be conducted by an independent auditor appointed by Heifer International.		-	PMO
4	2014-15	General	4	<b>Inventory &amp; Assets Management:</b> According to Inventory verification report submitted by program, some assets were damaged. So, it is recommended to pay attention to strengthen the inventory management taking necessary action..	-	Management will short out the damaged assets and go in the process of auction.		-	PMO
5	2014-15	General	5	<b>Ownership of Inventory:</b> As per the MOU between GoN & implementing partners it is clearly stated that vehicle and equipment shall be handed over to PMO at programme closure, but it is observed that statement has not been submitted by implementing partners and the PMO has also not maintained the record of vehicle & equipment.	-	Management has notified the entire implementing partner to submit the statement of fixed assets. The management will carry out physical verification of equipment & vehicle procured by implementing partner.		-	PMO
6	2014-15	General	6	<b>Trimester Expenditure:</b> Ministry of finance has issued directives along with authorization for expenditure that the expenditure should not be more than 40% and 20% of total budget in last trimester period and in the month of Ashadh respectively. Statement provided by programme reveals that NPR 128.34 million has been spent in the third trimester which is 56.06% of the total expenditure and NPR 93.27 million has been spent in the month of Ashadh which is 40.74% of the total expenditure during this year. This may affect the execution of programs and quality of work.	-	Due to the devastated earthquake in the country, the programme completion was suppressed and final payment of most of the infrastructures was made in the third trimester which caused huge amount of expenses in third trimester & in the month of Ashadh.		-	PMO

7	2014-15	General	7	<b>Target v/s Achievement:</b> The project was able to achieve 80.64% of physical progress and 54.24% of financial progress of the approved annual program of FY 2071/72. The overall progress status of program shows only 8.79% of financial progress whereas 37% of programme time has already been elapsed.	-	In future the programme will be very much cautious regarding its financial progress.	-	PMO
8	2014-15	General	8	<b>Low competition:</b> The programme has awarded various contracts for construction of service centers & procurement of vehicle but it has been observed that there was low competition on procurement. So, it is advisable to make construction work more competitive.	-	In future the programme will be very much cautious in involvement of maximum vender in procurement competition.	-	PMO
9	2014-15	General	9	<b>Incomplete Construction Work:</b> D.N.D Builders could not completed construction of Livestock Service Centre, Thada & Agriculture Service Centre, Hansapur. There is a provision for termination of contract & blacklisting of contractor in Section 53 of the Public Procurement Act, 2063. It is advisable to complete construction work as soon as possible with effective implementation of legal provision taking actions against the contractor.	-	In future the programme will follow the provision guided by Public Procurement Act & Rules.	-	PMO
10	2014-15	General	10(a)	<b>Advance:</b> Programme has provided advances to carry out various training & workshop but it is observed that without settling previous advance additional advance has been provided to same staff and all the advances are settled at the end of Fiscal Year.	-	Corridor based training & workshop was conducted due to the geographical scenario which consumed time for completion of all activities that lead for delay in settlement of advances.	-	PMO
11	2014-15	General	10(b)	<b>Cost Estimate:</b> According to Rule 36(5) of the Financial Procedure Regulation, cost estimate should be prepared and approved. Though the project has approved cost estimate of such programs, the remaining amounts have been refunded after carrying out the programs. As a result, it is observed that there is difference between the actual and cost estimate causing refund of advance after completion of activities.	-	In future the programme will strictly follow the Financial Regulation & prepare const estimation before providing advances.	-	PMO
12	2014-15	General	11	<b>Income Tax:</b> Short advance income tax was deducted from remuneration of the consultants.	38,920.00	The said amount has been recovered from concern consultants.	Settled	PMO
13	2014-15	General	12	<b>Outstanding Advances:</b> Advance provided to Shaktidevi Petrol Station is outstanding till the audit period.	100,000.00	All the outstanding advances has been settled.	Settled	PMO

14	2014-15	General	13(a)	The proof and report of supervision and monitoring of the programs conducted by the concerned Ministry and PMO were not submitted by AEC. So, it is advisable to submit evidence regarding such monitoring and its report by the Ministry and PMO otherwise the whole amount should be recovered from AEC.	68,500.00	Report of all monitoring activities conducted by Ministry & PMO are attached along with.	Settled		PMO
15	2014-15	General	13(b)	AEC has accounted expenses for monitoring of its activities but there was no practice of presenting report to PMO. Hence, it seems that AEC is concerned to account expenses rather than improving program through monitoring. Therefore, report and proof of monitoring and evaluation should be submitted otherwise the amount should be recovered.	1,300,000.00	Monitoring & evaluation report is attached herewith.	Settled		PMO
16	2014-15	General	14	The AEC programme activities continue to be monitored for effective implementation and for weakness & leakage prevention. AEC should continue to be monitored by PMO and Ministry focusing to the activities.	-	In future PMO will focus on regular monitoring of all the activities accomplished by AEC.	Auditor Validation remain	-	PMO
17	2014-15	General	1	<b>Outstanding Advance:</b> Various individuals were provided advance to conduct Farm Field School but till the audit period outstanding advances were:	1,302,000.00	All the outstanding advances has been settled.	Settled		DADO Rolpa
18	2014-15	General	10	<b>Outstanding Advance:</b> There is outstanding advances provided to various individuals at the year-end.	628,000.00			628,000.00	DADO Rukum
19	2014-15	General	8	<b>Deposit of advance income tax deduction:</b> The advance income tax deducted at source has not been deposited to Income Tax office.	27184.00			27,184.00	DADO Salyan
				<b>Sub-total of FY 2014-15</b>	<b>1,957,184.00</b>			<b>655,184.00</b>	
1	2015-16	General	2.8	<b>Insurance:</b> Public Procurement Regulation has clearly sighted the provision to cover insurance of construction work above NRs 1 million. Though BOQ has covered the provision but insurance was not done while awarding the contract.		In future project will strictly follow the provision.			PMO
2	2015-16	General	3	<b>Trimester Expenditure:</b> Project should conduct all its activities on trimester basis according to approved AWP&B. It has been observed that among the total expenditure of NRs. 490,695,221.08 third trimester alone covers 66.65% while in the month of Ashadh 26.14% of the expenses has been booked. Project was unable to conduct its activities according to procurement plan which lead to huge expenses on third trimester. This has affected in the execution of programs and assurance of work quality.		In future project will implement the programme according to trimester allocation			PMO
3	2015-16	General	4.1-2	<b>Overall target v/s Achievement:</b> After 4th year completion of implementation, project was able to consumed 19.26% only among the allocated fund. Project has mandate to consumed all the allocated fund within the 7 <sup>th</sup> year of project implementation		MTR has reallocated some of the target of project so, project will be cautious on			PMO

				but due low disbursement; it is difficult to consumed the allocated fund within stipulated timeframe. Also the auditor team was unable to get cumulative physical progress status as of FY 2072-73 during the course of audit.		achieving the set target in future.			
4	2015-16	General	5.1-4	<b>Purchase of Boer Goat Frozen Semen:</b> According to approved AWPB, project had the target of procuring 10,000 dose of Bore Goat Frozen Semen which was awarded to Sindhu Surgical Concern Pvt. Ltd. through NCB for NRs 14,450,000. Among the contracted amount & quantity only 2939 doses was procured for which NRs 4,246,855 was paid to the vendor also it is noted that till the reporting period project was unable to use any semen. The vendor was unable to provide all the semen's within the contract period but no any reasonable justification was provided. Also, it is noted that base of calculating cost estimation for purchase of Boer Goat Frozen Semen was missing.		In future project will use its experience on preparing cost estimation, due to technical problem in production of semen lead for increment in delivery period and also the procure semen's are to be used in FY 2073-74 too.			PMO
5	2015-16	General	6.1-4	<b>Bore Goat:</b> According to annual program 50 live Boer Goat was procured from Met Group Pvt. Ltd., for the value of 12,200,000. Cost estimation for 50 live Bore Goat was prepared on assumption for NRs 15,000,000 but there was lack on base of calculating such estimation.		Estimation was prepared based on the specification provide by Livestock Breeding Directorate.			PMO
6	2015-16	General	7.1-2	<b>Pure Jersey Sex Semen:</b> According to annual program 1000 dose of Pure Jersey Sex Semen was procured from Met Group Pvt. Ltd., for the value of NRs 2,757,200. The Cost estimation was prepared on assumption for NRs 2,757,200 but there was lack on base of calculating such estimation. Further, warranty period provided by the contractor is only for six month but till the reporting period project was unable to used the procured Jersey Sex Semen.		Estimation was prepared based on the specification provide by Livestock Breeding Directorate.			PMO
7	2015-16	General	8.2	<b>Implementing Partners:</b> AS Per MoU, implementing partners are required to furnish original invoice and receipts of the expenses disbursed to them for management cost on trimester basis. The project has disbursed management cost this year as below, however, no such documents are obtained by the project.		Management cost has been provided according to MoU signed between implementing partners. Management has issued letter to all partners for submission of invoice & receipts			
				Agro Enterprise Center/FNCCI (AEC)	3,905,000.00			3,905,000.00	AEC
				Small Farmers Development Bank (SFDB)	3,000,000.00			3,000,000.00	SFDB
				Nepal Agriculture Cooperative Central Federation Limited (NACCFL)	4,100,000.00			4,100,000.00	NACCFL
8	2015-16	General	8.3	<b>Procurement &amp; Assets status:</b> As per the financial provision on MoU signed with implementing partners, the implementing partners will follow their own procurement procedure following the principle of Public Procurement directive of GoN & IFAD		Project has maintained the consolidated fixed assets log which has been incorporated on			IP

				procurement directive. Such procured vehicle & equipment are to be handover to project after completion of project. It is observed that project has not maintained any record of procured vehicle & equipment. In the absence of such record it will be difficult to comply the MoU		un-audited project account too.			
9	2015-16	General	8.4	<b>Monitoring &amp; Supervision:</b> As per the Monitoring and Supervision provision in MoU signed with implementing partners (AEC/FNCCI, NACCFL & SFDB), the activities conducted by implementing partners are to be monitored and supervised by PMO/Ministry, however, PMO/ Ministry has no monitoring plan specifying the dates and activities to be monitored.		Monitoring & supervision committee has been formed at PMO to monitor & supervise the activities of implementing partners. In future PMO will be cautious on functioning of such committee.			PMO
10	2015-16	General	8.5	<b>Progress of Implementing Partner:</b> Till the reporting period 44% of agreed amount was provided to all Implementing partners. But the cumulative achievement made by partner after accomplishment of activities was missing. In the absence of such data it has been difficult to identify the compliance of agreement with partners.		Overall progress of project has been compiled on AWPB.			PMO
11	2015-16	General	9	<b>Grant Disbursement:</b> Within the FY 2072-73 project has agreed 194 sub-project under Support to Expansion of Formal Seed Sector (Component 1) and 68 sub-project under Smallholder Livestock Commercialization (Component 2) for the amount of NRs 257.80 million but only NRs 62.92 million i.e. 24 % of total agreed amount was disbursed till the reporting period. As per the milestone NRs 106.80 million has to be disbursed but only 59% was disbursed till the reporting period. Project should classify the grant recipients according to grantee performance on Low, Medium & High performing so that it can be easier to boost the performance of concern grant recipients.		Project will classify all the grant recipients according to grantee performance on Low, Medium & High performing and act accordingly to boost the performance of concern grant recipients.			PMO
12	2015-16	General	10	<b>Quality of Source Seed:</b> According to the grant implementation monitoring report submitted by project, it is observed that quality of Source Seed provided to grantee who are engaged on production of cereal & vegetable seeds found to be of low quality. Group who are engaged on production of seed are directly affected due to low quality of Source Seed which will not help to achieve the project objectives.		In future project will strictly follow the provision.			PMO
13	2015-16	General	11	<b>Reallocation:</b> As per the Unaudited Project Account prepared by project, it is observed that GoN counterpart fund has to be reallocated from IFAD Loan & Grant.	689,536.23	Project has requested to MoF through MoAD for reallocation from IFAD Loan & Grant to GoN Fund.	in progress	689,536.23	PMO
				<b>Sub-total of FY 2015-16</b>	<b>11,694,536.23</b>			<b>11,694,536.23</b>	



