

## **Maldives**

---

### **Fisheries and Agricultural Diversification Programme**

### **Supervision Report**

### **Main report and appendices**

Mission Dates: 22 January - 4 February 2018

Document Date: 30/05/2018

Project No. 1100001377

Report No. 4761-MV

Asia and the Pacific Division  
Programme Management Department

## Abbreviations and Acronyms

AMCS	Addu Meedhoo Cooperative Society
AWPB	Annual Work Plan and Budget
BML	Bank of Maldives
BP	Business Plan
FA	Financing Agreement
FADIP	Fisheries and Agriculture Diversification Programme
FMAQ	Financial Management Assessment Questionnaire
IFAD	International Fund for Agricultural Development
LPA	Lead Project Agency
MMA	Maldives Monetary Authority
MOFA	Ministry of Fisheries and Agriculture
MOFT	Ministry of Finance and Treasury
MoA/U	Memorandum of Agreement/ Understanding
MT	Metric Tonnes
MVR	Maldives Rufiyaa
NSC	National Steering Committee
PIU	Programme Implementation Unit
SIS	Supervision and Implement Support (mission)
SLA	Subsidiary Loan Agreement
SMEs	Small and Medium-sized Enterprises
TCS	Central Distribution Centre
VCCO	Value-Chain Cooperative
VCC	Value-Chain Company
VCS	Vaadhoo Cooperative Society
USD	United States Dollar
WA	Withdrawal Application

## A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Maldives	Environmental and Social Category:	B
Project Name:	Fisheries and Agricultural Diversification Programme	Climate Risk Classification:	not available yet
Project Id:	1100001377	Executing Institution:	not available yet
Project Type:	Agricultural Development	Implementing Institutions:	not available yet
CPM:	Hubert Boirard		
Project Director:			
Project Area:			

Approval Date	12/09/2007	Last audit receipt	29/06/2017
Signing Date	02/04/2008	Date of Last SIS Mission	04/02/2018
Entry into Force Date	15/09/2009	Number of SIS Missions	19
Available for Disbursement Date	15/09/2009	Number of extensions	3
First Disbursement Date	11/02/2010	Extension 1	31/03/2018
MTR Date	08/09/2012	Extension 2	31/03/2018
Original Completion Date	30/09/2014	Extension 3	31/03/2018
Current Completion Date	31/03/2018	Effectiveness lag	24 months
Financial Closure	30/09/2018		

## Project total financing

<b>IFAD Financing breakdown</b>	IFAD	\$3,505,337
<b>Domestic Financing breakdown</b>	Domestic Financing Institutions	\$546,658
	Private sector local	\$1,497,043
	National Government	\$1,321,979
<b>Co-financing breakdown,</b>		
<b>Project total financing</b>		<b>\$6,871,017</b>

## Current Mission

Mission Dates:	22 January - 4 February 2018
Days in the field:	0
Mission composition:	Hubert Boirard, CPM and Mission Leader; Ms Tamara Lampe Institutional Specialist and Team Leader; Mr Alok Kumar, Rural Financial Specialist; Mr Álvaro Fernández, Finance Officer; and Ms Firoza Parvin Binti Yusoff, Financial Management Specialist.
Field sites visited:	

## B. Overall Assessment

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

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

<b>Sustainability and Scaling-up</b>	<b>4</b>	<b>Financial Management and Execution</b>	<b>4</b>
Institutions and Policy Engagement	N/A	Acceptable Disbursement Rate	3
Partnership-building	5	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	4
Quality of Beneficiary Participation	4	Counterparts Funds	5
Responsiveness of Service Providers	4	Compliance with Loan Covenants	5
Environment and Natural Resource Management	4	Procurement	4
Exit Strategy	4		
Potential for Scaling-up	4		

## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

1. The Fisheries and Agriculture Diversification Programme (FADiP) was approved by IFAD's Executive Board in April 2008, and entered into force on 15 September 2009. The total programme cost is USD 6.87 million, including USD 3.51 million from IFAD, USD 2.04 million from co-financers, and USD 1.32 million from the Government. The programme objective is to develop smallholder agriculture and Maldives fish processing value chains, to be achieved through three components: value chain development; financial services; and programme management. The Ministry of Fisheries and Agriculture (MOFA) is the lead programme agency (LPA). Following approval for extension, the completion and loan closing dates are 31 March 2018 and 30 September 2018 respectively.
2. An IFAD supervision mission visited the Maldives during the period 22 January – 4 February 2018, with the main objectives to: (i) assess performance and implementation progress since the last implementation support mission; (ii) review progress against the 2017 APWBs and PPs; (iii) identify actual and potential/ emerging operational challenges; and (iv) propose solutions and corrective measures; and (v) provide guidance to the PIU to prepare for the project completion review exercise and process.
3. The mission commenced with a two-day consultation and working session with (management) representatives of all seven VCCOs supported by the programme. The mission also held discussions with the LPA, representatives of the Ministry of Finance and key partners such as the Bank of Maldives (BML). The final wrap-up meeting was held in Male on 4 February, chaired by the Minister, MOFA.
4. The mission would like to express its gratitude to the Government of Maldives and the Minister of Fisheries and Agriculture especially, the PIU, key partners and the VCCOs for their cooperation and support during the mission. This Aide-Memoire reflects the main mission findings and recommendations, duly endorsed in the wrap-up meeting.

### Key Mission Agreements and Conclusions

1. The project has been instrumental in operationalising and articulating the interest of the Government of Maldives in the development of cooperatives (VCCOs) to support fisheries and agricultural diversification for island communities.
2. Whilst the concept of cooperatives was relatively nascent at project start and slow to take-off, a critical change in the support to VCCO development was implemented in 2016, conditioning the adoption of a business-oriented approach. Today, eight VCCOs have been established and are supported with a combination of capital investment (fixed assets) and operating cost grants, on the basis of the approved business plans (BPs).
3. Towards achieving the development objective, and with only two months remaining to completion on 31 March 2018, the mission has concentrated its recommendations towards enhancing performance of the VCCOs and ensuring they achieve their break-even point, are operationally self-sufficient and have in place a clear exit strategy for their continued sustainability following project completion. Some targeted training in financial management, cost accounting, and some adjustments to the cooperative structure are requisite measures – leading to an adjustment of their BPs.
4. The Government of Maldives, through the PIU, are now preparing for the project completion review process, noting that the project completion report (PCR) is due by the closing date 30 September 2018. The final impact survey report, a key input into the PCR needs to be delivered by mid-April. In complement, the PIU should also undertake an early assessment of the evolution and status of VCCOs, especially from a governance and institutional perspective, to be completed by mid-March. As results from the support to VCCOs have only recently emerged and momentum is gaining, the completion review should capture the changes and include the analysis of the information in the completion review and report. Quality M&E data and information capture, and availability of this information is critical to ensure that the PCR can draw on the evidence available.
5. Due to late take-off of the project and the innovative nature of VCCOs' adoption of a systematic business approach to its operations and management, the mission further recommends to maintain the PIU with its current structure and staffing as it is today, through to project closure. This will allow for intensive monitoring, a better consolidation of the results and lessons learned, and will also feed into the completion review.
6. Finally, it is expected that the project will close on time and the Borrower is responsible for ensuring that project parties complete all project activities, and that all eligible expenditures are incurred by the project completion date. In the six-month period between completion and closure, only expenditures and/or payments made or due for activities concluded by completion date, as well as expenditures for winding up the project (such as auditor's fees, limited operating costs, salaries of core staff, project completion report), are considered eligible. The mission recommended the immediate submission of a 2018 budget for the expected winding up activities for no objection. In addition to the audit of the FY 2017, a final audit to cover the period from 1 January 2018 to 30 June 2018 will be undertaken by a new audit firm.

## D. Overview and Project Progress

1. The overall assessment of programme implementation is rated as moderately satisfactory (4). FADIP's disbursement rate stands today at 97%, including the initial advance. The project also has liabilities with the VCCOs amounting to USD 67,500, and unclaimed disbursements amounting USD 94,000; this, plus the expenses expected for winding up activities, may lead to increase the disbursement rate up to 100% by the closing date of the project. Against the 2017 AWPB, financial execution stood at 61%. Since the last mission, the concentration of efforts has been almost exclusively on the support and orientation of the VCCOs to perform as per their business plans. Recommendations arising from the previous supervision and implementation support missions have been taken into consideration, though with some delays, and some remain pending. Consequently, the performance of VCCOs has improved, though not at the levels expected to attain operational self-sufficiency; the potential of these VCCOs however, is evident.
2. **Component 1: Value chain development**
3. This component is rated moderately satisfactory (4). Today, and largely attributed to the focus over the last two years on the adoption of a business approach to cooperatives, there has been a visible change in the 'culture' and operational management of the supported VCCOs, with bearing on increasing their institutional capacity. Eight VCCOs (5 in relation to agricultural value chain activities; 2 related to fisheries value chain; and a distribution centre (TCS) established in June 2017) have been established and are supported with a combination of capital investment (fixed assets) and operating cost grants, on the basis of business plans (BPs) approved in the first quarter of 2016 and revised one year later following the 2017 supervision mission recommendations.
4. In terms of VCCO financial performance however, the results are mixed across the seven VCCOs. Only one VCCO, AMCS, has achieved positive retained earnings; whilst the VCCOs have not reached their break-even point per the BP projections, the mission assessed that there is a good potential to achieve this level of financial performance in the coming months with increasing sales figures (the 2017 cumulative sales amounts to USD 336,000 for 7 VCCOs, compared to USD 25,000 before the BP and project support), better knowledge of the cooperative 'business' from a financial perspective and improved governance.
5. The project has completed the disbursement of the investment capital (fixed asset) contributions (financed 55% by IFAD and 45% by Government) to all eligible VCCOs. The project also has completed the disbursement of the first 50% for working capital/ operating costs (financed 100% by IFAD) to all VCCOs as of 31 December 2017. The remaining 50% was partially transferred during January 2018, with a pending amount of USD 67,500 subject to the presentation of the required supporting documentation. Furthermore, per the recommendation of the previous supervision mission, Accounting Assistants were recruited for all the VCCOs. Basic training on financial management was provided and follow up on their performance has been the focus of the project in the previous year. Regrettably, some of the trained staff left their jobs, which caused a setback in the performance of the VCCOs. The Project Accountant has also performed periodic visits to the VCCOs to review their financial records and to provide technical assistance to improve its capacity.
6. In order to enhance VCCO performance, the mission recommends as a priority, additional training related to: (i) financial management/ accounting training; and (ii) cost accounting (for cost of production knowledge, pricing strategy and record-keeping. The VCCO structure (staffing) should also be adjusted in order to better fit the level of existing and medium-term production activity. The ensuing changes should be reflected in the adjusted BPs.
7. In complement to the agricultural and fisheries value chain VCCOs, the TCS cooperative was established in June 2017, to serve as a distribution centre for enhanced commercialisation of products of the project-supported island VCCOs. Regarding the TCS distribution centre, the mission recommends a modification to their business model and business plan, based on the experience of the previous and recent months of operations. As the local market outlet has demonstrated positive earnings from the first month, there may not be need for the second retail outlet; as an alternative option, the project should explore the feasibility to convert this retail outlet into a warehouse and office that can manage the business of the local market outlet and resort demand, rather than catering to retail customers.
8. **Component 2: Financial services**
9. This component is rated satisfactory (5). The key achievement under this component has been the operationalisation of the line of credit at affordable rates to the target group, and in complement to the support for VCCO development. As at 31 December 2017, the line of credit has been disbursed to 49 clients amounting to MVR 6,900,000. The loans have been provided to individual beneficiaries and one cooperative for vegetable, fruit production and investment in greenhouses.
10. The portfolio at risk (30 days and above) is 61%. The mission recommends BML to employ standard recovery procedures as agreed under the fund management agreement.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Training for VCCOs</b> Provide training to VCCOs on (i) financial management; and (ii) cost accounting	PIU	02/2018
<b>VCCO and TCS business plans</b> Review and revise the VCCO and TCS business plans in line with recommendations to improve performance and self-sufficiency; includes staffing structure	PIU/ VCCOs/ TCS	02/2018
<b>TCS import market exploratory mission</b> Undertake market exploratory mission by TCS to Sri Lanka	PIU/ TCS	02/2018
<b>Operating cost grants</b> Provide 2nd tranche operating cost grants to eligible VCCOs	PIU	02/2018
<b>Advertisement/ marketing of Maldivian products</b> Advertisement and tv marketing for TCS and VCCOs for better public knowledge of Maldivian products	PIU/ VCCOs	02/2018
<b>VCCO business strategy</b> Draft the new strategy to be pursued by each VCCO that has been identified as requiring adjustments	PIU/ VCCOs	02/2018
<b>VCCO operations</b> VCCO cost of production per unit or kg to be submitted for IFAD no objection; support mission/ workshop to facilitate	PIU/ VCCOs	02/2018

## E. Project implementation

### a. Development Effectiveness

Effectiveness and Developmental Focus		
Effectiveness	Rating: 4	Previous rating: 5

#### Justification of rating

Within the framework of the development objective, the project has made some good progress in the last two years especially, through the implementation of the new business-oriented approach. The project-supported agricultural and fisheries sector VCCOs are becoming more institutionalised (including in their communities), and are more capacitated to commercialise produce evidenced by increasing sales. With improved governance and business orientation, the potential of the VCCOs is clearly emerging, though results are early and modest. The underlying priority will be to ensure VCCO sustainability in the absence of the project, and this requires further training in financial and operational aspects, reflected in adjusted BPs.

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

Today, project outreach stands at 1845 beneficiary households (exceeding the revised target of 1200 households), comprising the membership of eight VCCOs formed (these cooperatives can be considered as the community and marketing groups formed/ strengthened), and which includes the members supplying fresh produce. VCCO members, and other households within the island communities in which the VCCOs are operational, have been provided with an opportunity to take part in a variety of trainings aimed at enhancing skills and capacities on a range of topics, including production/ agronomic practices, administration, business and marketing and even leadership skills; to-date, 1028 individuals have had access to training.

In line with on the key outcome objectives, the business-oriented approach in supporting the VCCOs has highlighted the importance of establishing regular marketing channels (buyers of VCCO products) for sustainable access to markets, and more especially, in order to meet sales targets aligned with business plan forecasts ensuring that VCCOs are operationally self-sufficient. This special attention to seeking new buyers and markets has been evident in the last few years, demonstrated by increasing VCCO sales (from USD 25,000 to USD 336,000). In addition, the set-up of the central distribution centre in Malé, is also another measure taken to support a more diversified and steady access to markets.

Whilst some good progress is being made towards achieving outcomes and the development objective, the project's late take-off with a more defined and systematic approach to VCCO development, has resulted in a very reduced timeframe for VCCOs to become sustainable. By the project completion date, only one of the VCCOs will be able to be operationally self-sufficient; for the other VCCOs, a final effort to instil a stronger business culture, with better cost accounting practices and manageable organizational structure, will be key to providing a good basis for them to become sustainable within the year.

With the late start, there is now also need to urgently assess the results for quality and impact - stemming from the support provided to VCCOs - from the perspective of the VCCO as an institution in itself (governance, management, operational self-sufficiency), social capital and in terms of the benefits to households in the island communities.

Finally, the mission recognizes that given the elapsed time since the project was designed and approved (ten years ago), and given the low performance of the project up until the re-orientation of the project in 2016 (with the focus on a business approach for VCCO development), the measurement of progress against the logframe (indicators and targets) is challenging. For one, end targets were not systematically established, and as well, various activities that were conceived at the time of project appraisal proved unrealistic and did not materialise – for example, the establishment of value chain companies.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>VCCO-specific survey</b>  Undertake a detailed 'institutional survey' of the supported VCCOs, capturing information and analysis of their evolution and institutional development	PIIU	03/2018

Development Focus		
Targeting and Outreach	Rating: 4	Previous rating: 4

#### Justification of rating

In view of the particular context of the Maldives' island populations, the targeting approach adopted by the project is



simply, geographic targeting - membership in the cooperatives is open to the island population and there is no specific or systematic criteria-based selection of VCCO members; the approach is one of inclusiveness. The outreach target has been exceeded, as VCCO membership includes 1845 households across the seven island communities; women also represent more than 60% of the beneficiaries (in terms of training and access to finance).

### Main issues

As previously observed, the selected islands and cooperatives (who in practice have close ties and generally represent the island community and their needs/ priorities) have relatively high incidences of poverty. Any deliberate selection of beneficiaries using poverty related criteria has not been the practice, and neither was it required, as almost all the community members are of similar socio-economic standing.

The project is now nearing completion; for future support and interventions however, as has already been identified and recommended previously, there is need for a broader assessment to better understand the specific Maldives context related to poverty and targeting of the 'poorer' segments of the population. To a large extent, future consultations with the Government should confirm whether, and what level of special attention is required to more effectively target the poor. Existing data and analysis from public sector agencies and development partners on issues around poverty, food and nutrition security need to be consolidated and better articulated. Once islands or communities have been selected, a needs assessment would also generate a menu of options that could be more targeted to those households with 'lower' socio-economic standing

### Gender equality & women's participation

Rating: 4

Previous rating: 4

### Justification of rating

Despite that the VCCOs did not develop the Gender and Social Inclusion Plan, efforts have been made to encourage women's membership in the VCCOs, their representation in the VCCO management and organizational structure (i.e. as Board members or paid staff), and as the priority participants for trainings offered by the project – today, 683 women (66% of the total number of individuals trained) have taken part in the various trainings offered, with the majority opting for training in business management and office administration. As well, 62% of the loans stemming from the line of credit, have been disbursed to women for their engagement in agricultural and fisheries production and marketing activities.

### Main issues

As previously recommended, there is still need to undertake deeper analysis of the impact of improved women's access to finance (via the loans taken) on their activities and on their socio-economic standing.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Gender Analysis</b>  Include a gender analysis under the impact survey/ VCCO institutional survey	PIU	03/2018

### Agricultural Productivity

Rating: N/A

Previous rating: 4

### Nutrition

Rating: N/A

### Adaptation to Climate Change

Rating: 4

Previous rating: 4

### Justification of rating

The VCCO activities are climate change neutral across the board, with some VCCOs promoting technologies that are more climate change resilient. Environmental impact is also taken into consideration, and activities pursued by VCCOs do not have any adverse impact. In future projects, 'procedures' which include systematic climate change or environmental assessments could be developed and implemented.

## b. Sustainability and Scaling up

### Institutions and Policy Engagement

Rating: N/A

Previous rating: 4

<b>Partnership-building</b>	<b>Rating: 5</b>
-----------------------------	------------------

#### **Justification of rating**

In the last two years, FADIP has made an effort to build partnerships with the Bank of Maldives as fund manager of the line of credit, with VCCO clients (Resorts as private sector partners) and with the VCCO as institutions in their own right. Notably, the cooperative development model has been refined and has evolved through the extensive sensitization and consultation processes and provision of training/ technical assistance. Communication has improved, with information flowing between the PIU and VCCOs with more regularity. The partnership with BML has also been strengthened with a revised Agreement, and the line of credit has been fully disbursed in loans; the BML is also providing feedback (assessment) on the clients recommended for loans.

#### **Main issues**

It is evident that in order to sustain the relationship between the VCCO and its clientele, the VCCO must be viewed as a reliable partner, providing regular, timely and quality supply of produce. This is well understood by the VCCOs, who are making the effort to be responsive to their clients' needs; however, it is important that in their marketing (including pricing strategy), VCCOs have a sound knowledge of cost accounting principles, and are able to organize and structure themselves accordingly.

<b>Human and Social Capital and Empowerment</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
---	------------------	---------------------------

#### **Justification of rating**

Since the re-orientation, the project has focused on the development of cooperatives to be better aligned with their business plans – this has necessitated an increased attention to providing training and technical assistance for building VCCO governance, managerial and organizational capacities. All seven VCCOs have undergone structural changes as a collective entity, addressed critical governance issues (e.g. appointing new Board, changes in management, etc.) and are now better positioned to manage the cooperative business with a stronger financial basis, showcased by the closer adherence with financial projections and increased sales. However, these capacities need to be strengthened in the limited remaining period to ensure sustainability of the cooperatives in a post-project era.

<b>Quality of Beneficiary Participation</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
---	------------------	---------------------------

#### **Justification of rating**

The cooperatives function as the mechanism for outreach to the island community, with membership open to the island's population. Given the dynamics and specificities of the Maldives island populations (very small permanent population size per island), the mobilisation of more than 1800 households across seven islands is in itself relatively significant, and suggestive of the high interest of the island communities to take part in efforts to improve social cohesion and 'home-grown' initiatives to the benefit of the population. The extent to which VCCO members have voice however, could be strengthened with greater effort to solicit buy-in and understanding of the cooperatives

<b>Responsiveness of Service Providers</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
--	------------------	---------------------------

#### **Justification of rating**

Since 2015, there has been very limited contracting of third-party service providers. Individual 'business' consultants have been mobilised to provide TA to the under-performing VCCOs, and have supported VCCOs in their efforts to source market buyers mainly.

<b>Environment and Natural Resource Management</b>	<b>Rating: 4</b>	<b>Previous rating: 5</b>
--	------------------	---------------------------

#### **Justification of rating**

By virtue of the relatively modest production levels, and as VCCOs engage only with small producers, the ensuing activities do not have negative impact on the environment or natural resource base.

<b>Exit Strategy</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
----------------------	------------------	---------------------------

#### **Justification of rating**

Since 2016, the project has focused on the business orientation of cooperative operations, towards achieving operational self-sufficiency and which lends itself to the VCCO's sustainability after project completion. With most VCCOs making good, but only recent progress, only a few of these VCCOs will be operationally self-sufficient by project completion. In order to maintain the momentum, the mission recommends that the LPA continue to monitor and provide a soft guidance to the VCCOs even after completion.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>LPA exit strategy</b>  Formalize the arrangement for MOFA planning division to continue VCCO monitoring	MOFA/PIU	03/2018

#### Potential for Scaling-up

**Rating: 4**

**Previous rating: 4**

#### Justification of rating

The efforts to refine the cooperative development model and the facilitation of access to financial services through the line of credit, offer important lessons that need now to be well captured and packaged to promote replication and scaling up as a sustainable and standard approach for supporting cooperative development and growth. The process of cooperative business planning, and the supporting tools should be finalized for dissemination and a learning event undertaken.

### c. Project Management

#### Quality of Project Management

**Rating: 4**

**Previous rating: 4**

#### Justification of rating

The restructured PIU have made a commendable effort in driving changes to adhere to the revised and business-oriented cooperative development model. Whilst some administrative and financial management procedures have been fine-tuned, the mission noted there are still some significant areas for improvement.

#### Main issues

With the implementation of the new business orientation to cooperative development, the PIU was tasked to take a lead in promoting and providing guidance to VCCOs under business principles, an area not previously practiced. The efforts are appreciated, though with the new model, frequent and proactive follow-up and monitoring is necessary, and some delays in implementing mission recommendations have been observed. As early results emerge, and with VCCOs still fragile at this stage, the mission recommends that the current PIU staff remain in place to monitor and guide the VCCOs, and to allow for better consolidation of results.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>PIU staffing until project closure</b>  Submit the request for maintaining PIU staffing till project closure for IFAD no objection	PIU	02/2018
<b>Intensive M&amp;E</b>  Implement intensive M&E (monitoring and analysis) with weekly reporting on status of the VCCOs and status of progress against agreed actions to IFAD	PIU	02/2018

#### Knowledge Management

**Rating: 3**

**Previous rating: 5**

#### Justification of rating

To date, the project has not yet developed any KM strategy; whilst some KM products are planned, these have not yet materialised and are urgent in view of pending project completion. Notably, KM products on the business approach to VCCO development (regarding methodology and lessons learned) need to be developed for further dissemination and to allow uptake by future initiatives. More systematic sharing of experience amongst the VCCOs is also required.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>KM products</b>  Prepare KM products on VCCO development under the business-oriented approach; include tools, etc.	PIU	06/2018

#### **Value for Money**

**Rating: 3**

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

Since the implementation of the business approach to VCCO development, investment and working capital support is conditioned on the VCCO business plans that have been developed with the purpose of maximising VCCO operations in commercialisation, whilst also allowing for the business to reach break-even point and become operationally self-sufficient. Financial analysis (including the balance sheet, profit and loss statements, etc.) and financial monitoring of the VCCO has become more regular, ensuring that project investments (in the form of financial support to VCCOs) are utilised to achieve VCCO sustainability. However, the reality today is that only one VCCO has positive retained earnings to-date, and none of the VCCOs are in position to provide dividends to their members as yet.

#### **Coherence between AWPB and Implementation**

**Rating: 4**

**Previous rating: 4**

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

Against the 2017 AWPB, financial execution stood at 61%, with the key activities related to support for VCCO development in terms of fixed asset investment and working capital/ operating cost grants. Whilst all the fixed asset investments have been disbursed, some second tranche operating cost grants were pending, as these were conditioned on VCCOs undertaking some management changes and providing supporting documentation on the utilisation of the first tranche.

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

The AWPB was developed on time, and reflected the agreed recommendations on the support to be provided to VCCOs as per their business plans. The 61% financial execution of the AWPB reflects the non-disbursement of the second tranche operating cost grants to VCCOs; this was pending due to the delay in VCCOs providing supporting documentation related to the first tranche provided. The project will thus provide additional financial management training and will also assist the VCCOs to get hold of their audit reports (all audits conducted, but management letter and reports were pending in some cases) from the audit companies.

The 2018 AWPB should now also be revised, to take into account the agreed way forward for the project up to its closing date.

#### **Performance of M&E System**

**Rating: 4**

**Previous rating: 4**

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

The M&E system has been updated to improve the capture of M&E data and the monitoring of field activities at VCCO level with follow up; the system is also aligned with the updated logical framework and facilitates improved RIMS reporting. New M&E data collection templates have also been developed to improve the effectiveness and relevance of cooperative reporting to the PIU. However, at this end stage of the project cycle, more analysis in preparation for the PCR, would be required.

##### **M&E System Review**

The M&E system and procedures are set up, allowing for timely reporting. The weakness in M&E relates mainly to the lack of deeper analysis which is now essential for feeding into the PCR, and as a key tool for improved knowledge management.

As the project nears completion, and with the VCCOs in a still fragile development stage, the M&E vis-à-vis the VCCOs, needs to be intensified in order to take corrective measures in the limited time remaining till completion. In addition to monitoring VCCO financial situation, the project must be able to capture the changing institutional dynamics of the VCCO, including how the VCCO engages with its members.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Intensify M&amp;E</b>  Implement intensive M&E (monitoring and analysis) with weekly reporting on status of the VCCOs and status of progress against agreed actions to IFAD	PIU	02/2018

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

**Rating: 4**

**Justification of rating**

The project was appraised more than ten years ago, prior to the SECAP requirements. Due to the small scale of activities on the islands, the project has not prioritized development of any compliance documents; the project design had accounted for environmental considerations, and did not foresee any negative impact.

**SECAP Review**

See above.

## **d. Financial Management & Execution**

**Disbursement by financier**

<b>Type</b>	<b>Name</b>	<b>Current Amount</b>	<b>Disbursed Amount</b>	<b>Actual Rate</b>
<b>Domestic Financing breakdown</b>	Domestic Financing Institutions	\$546,658		
	Private sector local	\$1,497,043		
	National Government	\$1,321,979		

**Acceptable Disbursement Rate**

**Rating: 3**

**Previous rating: 4**

**Justification of rating**

The project was planned for a duration of five years and not the eight years to which it was extended. Despite the disbursement rate is 97% two months before completion date, the overall disbursement rate remains as moderately unsatisfactory.

**Main issues**

The overall disbursement rate of the project as of 31 January 2018 is 97% including the initial advance. The project has liabilities with the VCCOs amounting USD 67,500, and also unclaimed disbursements amounting USD 94,000. All this, plus the expenses expected for winding up activities, may lead to increase the disbursement rate up to 100% by the closing date of the project.

Disbursement from the FADIP loan by component and category of expenditure as of 31 December 2017 are shown in the Appendix 1.

## **Fiduciary Aspects**

### **Quality of Financial Management**

**Rating: 4**

**Previous rating: 3**

#### **Justification of rating**

The mission rated FADIP as moderately satisfactory on quality of financial management. The improvement in the rating is based on the progress observed since the last supervision mission. With the new accountant on board the project was able to implement most of the recommendations that were pending for a long time. The project took measures to improve the preparation of payment vouchers to ensure that the disbursements have adequate supporting documentation. The project also was able to input previous years financial information in the accounting system and to use it on a day-to-day basis. The financial information of the FY2017 required by the mission was obtained from the accounting system.

#### **Main issues**

##### **Organization and staffing**

The mission observed that both FADIP & MEDEP share the same FM and Administrative staff, therefore the Project Administration still has shortcomings and remains difficult.

The mission observed that the new Project Accountant wasn't properly handover and the position remains overburdened with additional tasks, such as Procurement and HR, apart from her accounting works.

##### **Fund Flows & Disbursement Arrangements**

The Mission reviewed three of the four WA submitted during 2017. These are the findings:

Errors in the classification of expenses.

Some WAs didn't include the Contract Management Reports (C11).

Lack of checklist of required documentation.

Proof of activity completion was not always available.

Lack supporting documentation for payment in regards to working capital from the VCCOs.

Lack summary of commitments and payments, remaining balances from the VCCOs.

Lack of a verification list to receive the supporting documentation from the VCCOs.

The mission observed that the travel advances granted by the PIU are not claimed from IFAD until the travel expense report is closed. The mission recommends the PIU to claim from IFAD the travel advances granted in the period in which the cash is disbursed. Similarly, travel advance refunds should be reported to IFAD in the period in which the funds are reimbursed in the SA.

##### **Internal Controls**

The segregation of duties still needs revision and compliance in some cases.

To ensure accuracy in the supporting documentation the mission recommends the standardization of workflows, establishments of checklists and double checking of financial figures.

##### **Accounting, Financial Reporting and Monitoring**

The supervision mission observed that all financial data until December 2017 was entered into the accounting software (QuickBooks - QB). The accuracy of the data and financial reports is still compromised due to some errors in the records maintained in Excel since the beginning of the project and the uncertainty of past years figures. Most of the recommendations issued by the previous IFAD supervision mission regarding the accounting of the project were implemented by the PIU. A Fixed Asset Register is maintained in Excel and a physical verification was conducted on 31 December 2017. The mission performed a random physical verification and didn't find any major issue.

##### **Internal Audit**

The internal audit function is not established for FADIP. Nevertheless, the mission learned that the Auditor General Office of Maldives showed interest in reviewing the accounting of the cooperatives. Concrete information about this was requested from the PIU.

##### **Private Sector - VCCOs**

The work with the Value-Chain Cooperatives (VCCOs) is an important component of FADIP. As per the recommendation of the previous supervision mission, Accounting Assistants were recruited for all the VCCOs. Basic training on financial management was provided and follow up on their performance has been the focus of the project during FY2017. Regrettably, some of the trained staff left their jobs, which caused a setback in the performance of the VCCOs. The PA performed periodic visits to the VCCOs to review their financial records and to provide technical assistance to improve its capacity. Out of nine VCCOs, one (VFCS) was terminated for its poor performance and failure to submit the required supporting documentation (i.e. Monthly Financial Progress report, M&E reports, Staff Attendance Reports, Annual Audit Report and AGM Minutes).

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Submit a budget for the winding up period for IFAD no objection</b>	FADIP	02/2018
<b>Ensure that only expenditures and/or payments are made or due for activities concluded by completion date</b>	FADIP	03/2018
<b>Develop a checklist to acknowledge the reception of supporting documentation from the VCCOs</b>	FADIP	05/2018

#### **Quality and Timeliness of Audit**

**Rating: 4**

**Previous rating: 5**

#### **Justification of rating**

The audit report of the FY 2016 was received on time. Still some shortcomings were observed, such as the follow up on previous audit recommendations. The audit should have done more emphasis in the Contract Management of the project, such as agreements with the VCCOs.

#### **Main issues**

The mission agreed that in addition to the audit of the FY 2017, there will be a final audit to cover the period from 1 January 2018 to 30 June 2018, in which it should clearly disclose any material residual expenditure made up to the project closing. FADIP will hire a new audit firm to cover these two audits. The mission shared with the project the new "IFAD Handbook for Financial Reporting and Auditing" and the template of the ToRs to be used in the two remaining audits.

IFAD recommends the project to submit the ToRs of the Audits for IFAD no objection according with the new "IFAD Handbook for Financial Reporting and Auditing".

#### **Counterparts Funds**

**Rating: 5**

**Previous rating: 5**

#### **Justification of rating**

Disbursement rate of Counterpart contribution from the Government is at 76%.

#### **Main issues**

Government Contribution- Cash contribution consist of operating cost, GST payments and 45% of VCCOs investment capital. No delays faced in receiving government contributions. Salaries of PIU staff is paid from MEDEP. Hence the recurrent cost reduced significantly. The government also provided a total contribution in kind of USD 64,972. Estimation that was received from the Government which includes rental of office space and utility bills including Internet which are shared with MRC.

#### **Compliance with Loan Covenants**

**Rating: 5**

**Previous rating: 4**

#### **Justification of rating**

The project has complied with most loan agreement covenants, except for the opening of a project account in local currency (no longer allowed under the Public Finance Act).

#### **Main issues**

No issues were identified.

## Procurement

### Procurement

Rating: 4

Previous rating: 4

#### Justification of rating

Most of the procurement included in the 2017 PP was carried out by the cooperatives under the oversight of the FADIP PIO. PIU procurement was very limited and conducted by the PIO with assistance from the Admin & HR Officer.

#### Procurement Review

The PIU had no formal system in place for updating the PP and monitoring its execution. The PP should not include procurement to be carried out by the VCCOs; instead, each VCCO should develop its own PP under the guidance of the PIU. Furthermore, the Project Accountant should update and monitor the execution of the PP on a real time basis.

## F. Agreed Actions

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Intensive M&amp;E</b> Implement intensive M&E (monitoring and analysis) with weekly reporting on status of the VCCOs and status of progress against agreed actions to IFAD	PIU	02/2018
<b>Training for VCCOs</b> Provide training to VCCOs on (i) financial management; and (ii) cost accounting	PIU	02/2018
<b>VCCO and TCS business plans</b> Review and revise the VCCO and TCS business plans in line with recommendations to improve performance and self-sufficiency; includes staffing structure	PIU/ VCCOs/ TCS	02/2018
<b>Intensify M&amp;E</b> Implement intensive M&E (monitoring and analysis) with weekly reporting on status of the VCCOs and status of progress against agreed actions to IFAD	PIU	02/2018
<b>Advertisement/ marketing of Maldivian products</b> Advertisement and tv marketing for TCS and VCCOs for better public knowledge of Maldivian products	PIU/ VCCOs	02/2018
<b>VCCO business strategy</b> Draft the new strategy to be pursued by each VCCO that has been identified as requiring adjustments	PIU/ VCCOs	02/2018
<b>PIU staffing until project closure</b> Submit the request for maintaining PIU staffing till project closure for IFAD no objection	PIU	02/2018



<b>VCCO operations</b> VCCO cost of production per unit or kg to be submitted for IFAD no objection; support mission/ workshop to facilitate	PIU/ VCCOs	02/2018
<b>TCS import market exploratory mission</b> Undertake market exploratory mission by TCS to Sri Lanka	PIU/ TCS	02/2018
<b>Operating cost grants</b> Provide 2nd tranche operating cost grants to eligible VCCOs	PIU	02/2018
<b>Submit a budget for the winding up period for IFAD no objection</b>	FADIP	02/2018
<b>VCCO-specific survey</b> Undertake a detailed 'institutional survey' of the supported VCCOs, capturing information and analysis of their evolution and institutional development	PIIU	03/2018
<b>Gender Analysis</b> Include a gender analysis under the impact survey/ VCCO institutional survey	PIU	03/2018
<b>LPA exit strategy</b> Formalize the arrangement for MOFA planning division to continue VCCO monitoring	MOFA/PIU	03/2018
<b>Ensure that only expenditures and/or payments are made or due for activities concluded by completion date</b>	FADIP	03/2018
<b>Develop a checklist to acknowledge the reception of supporting documentation from the VCCOs</b>	FADIP	05/2018
<b>KM products</b> Prepare KM products on VCCO development under the business-oriented approach; include tools, etc.	PIU	06/2018

## Logical Framework

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2017)	Cumulative Result (2017)	Cumulative Result % (2017)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members										
	Household members										
	1.a Corresponding number of households reached							RIMS	Annual		
	Non-women-headed households			1 200	35	1 983	165.3				
	Women-headed households										
	1 Persons receiving services promoted or supported by the project							RIMS	Annual		
	Indigenous people										
	Males			4 200	33	1 676	39.9				
	Not Young										
	Non-Indigenous people										
	Young										
	Females			4 200	40	2 133	50.8				
Goal To reduce the vulnerability and poverty of small farmers and small fish processors and improve their food and income security on a sustainable basis	Nb (and % total) of households with improved living conditions, by occupation and status and gender of household head										Household and impact survey - socio-economic surveys
	Households										

	Nb (and % total) of households with increased assets/income, by occupation and status and gender of household head						Household and impact survey - socio-economic surveys			
	Households									
	Nb (and % total) of households who rose above the poverty line, by occupation and status and gender of household head						Household and impact survey - socio-economic surveys			
	Households									
	% reduction in out-migration by islanders						Household and impact survey - socio-economic surveys			
	% of reduction of migration									
<b>Objective</b> To develop agriculture and Maldives fish value chains (from production to marketing) using a market-driven commercialization and diversification strategy that improves and sustains the incomes of small farmers and small fish processors	Internal rates of returns for enterprises exceeds 50%						National statistics and sub-sector studies			Macroeconomic and political stability; No major drop in commodity prices; No major market disruption; No external economic shocks or environmental disasters; Continuous, favourable policy framework and commitment of all stakeholders
	% rates of returns			50						
	Rates of return of value chain companies of at least 14% (fresh products)						National statistics and sub-sector studies			
	% rates of returns			14						
	Rates of return of value chain companies of at least 26% (processed products)						National statistics and sub-sector studies			
	% rates of returns			26						
	Rates of return of value chain companies of at least 30% (fish)						National statistics and sub-sector studies			
	% rates of returns			30						
	% increase in household income, by occupation and status and gender of household head						National statistics and sub-sector studies			
	Households									

	% increase in the share of Maldives-made fish processed products (from small processors) into tourist resorts, and domestic and export markets						National statistics and sub-sector studies		
	% of increase of fish processed products								
	% increase in the share of Maldives-grown fresh and processed agricultural produce (from small holders) into the domestic and tourist resort-based market						National statistics and sub-sector studies		
	% of increase in fresh agricultural produce								
	No. of small farmers reached						National statistics and sub-sector studies		
	No of small farmers			5 600					
	No. of small fish processors						National statistics and sub-sector studies		
	No, of fish processors			2 800					
	No of women headed households involved in small fish processors						National statistics and sub-sector studies		
	Households			600					

<b>Outcome</b> Increased, sustainable access by 1,200 male and female smallholder producers and small dried fish processors to high value niche markets and to premium prices through their participation (and eventual share) in three Value Chain Companies engaged in value-chain development	Amount of private co-investments mobilized, by VCC						Monitoring and Impact surveys			Strategic customers are interested to invest in Franchise Companies and have the financial means to do so; Value chain company operator performs to expectations; Public administration regulations and their application do not constrain effective, market-driven operations of the FC
	No. of private co-investments									
	Value of sales generated, by VCC, year and product line						Monitoring and Impact surveys			
	USD value of sales generated									
	% of total yearly sales value retained by producers and processors						Monitoring and Impact surveys			
	% of yearly sales value									
	Average increase in premium prices obtained at farm gate, by year and product						Monitoring			

							and Impact surveys			
	average increase in premium prices									
	% of women among producers and processors						Monitoring and Impact surveys			
	% of women									
Output	1.1.4 Persons trained in production practices and/or technologies						RIMS	Annual	PMU	
	Men trained in crop			600	4	75	12.5			
	Women trained in crop			600	11	91	15.2			
	2.1.2 Persons trained in income-generating activities or business management						RIMS	Annual	PMU	
	Females			300	0	600	200.0			
	Males			300	0	284	94.7			
	Persons trained in IGAs or BM (total)									
	2.1.3 Rural producers' organizations supported						RIMS	Annual	PMU	
	Women in leadership position			12	1	11	91.7			
	Rural POs supported			12	1	14	116.7			
	2.1.4 Supported rural producers that are members of a rural producers' organization						RIMS	Annual	PMU	
	Females			3 000						
	Males			3 000						

<b>Outcome</b> Increased access of smallholder producers and small fish processors, and by their Value Chain Companies, to financing products necessary to acquire working capital and equipment, or to leased equipment	Amount of sales revenues controlled by female producers/processors, by VCC and by year						Monitoring and Impact surveys			Strategic customers are interested to invest in Franchise Companies and have the financial means to do so; Value chain company operator performs to expectations; Public administration regulations and their application do not constrain effective, market-driven operations of the FC
	Amount of sales revenues									
	% of inspected produce (in volume) duly certified by the Health Laboratory						Monitoring and Impact surveys			
	% of inspected produce									
	Nb of producers/processors granted a share in the VCC, by gender						Monitoring and Impact surveys			
	No. of producers / processors									
	Nb of producers/processors accessing working capital, by VCC and by gender						Monitoring and Impact surveys			
	No. of producers / processors									
	Nb of producers/processors accessing equipment, by FC and by gender						Monitoring and Impact surveys			
	No. of producers / processors									
	Total value of equipment leased to VCC, by VCC and type of equipment						Monitoring and Impact surveys			
	Value in USD of equipment leased to VCC									
	Average repayment rate, by type of loans, VCC and by producers/processors' gender						Monitoring and Impact surveys			
	Average repayment rate									

<b>Output</b>	Community groups formed/strengthened						RIMS	Annual		
	No. of community groups			12	1	9				
	Community groups formed/strengthened with women in leadership position						RIMS	Annual		

	No. of community groups			12	1	9	75.0			
	People in community groups formed strengthened							RIMS	Annual	
	Males			3 000	9	1 250	41.7			
	Females			3 000	1	1 453	48.4			
	People in community groups formed strengthened - men/women							RIMS	Annual	
	No. of men and women in community groups			3 000						
	Financial institutions participating in project							RIMS	Annual	
	No. of Financial Institutions			1						
	1.1.5 Persons in rural areas accessing financial services							RIMS	Annual	PMU
	Women in rural areas accessing financial services - credit			29						
	Men in rural areas accessing financial services - credit			19						
	Value of gross loan portfolio (USD'000)							RIMS	Annual	
USD'000 value of gross loan portfolio			281							
Outcome										
ncreased capacity of the Ministry of Fisheries, Agriculture and Marine Resources to manage, steer, monitor and evaluate a highly innovative project involving private sector actors										





## **Maldives**

---

### **Fisheries and Agricultural Diversification Programme**

#### **Supervision Report**

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

Mission Dates: 22 January - 4 February 2018

Document Date: 30/05/2018

Project No. 1100001377

Report No. 4761-MV

Asia and the Pacific Division  
Programme Management Department

Fisheries and Agriculture Diversification Project

Table 2A: Financial performance by financier (USD), as at 31/12/2017

Financier	Approval	Revised	Disbursement	Percent disbursed
IFAD Loan	3,525,000		3,344,295	95%
Private Sector VCCOs	1,497,000		572,000	38%
Bank of Maldives	547,000		-	0%
Government	1,322,000		1,010,209	76%
	<b>6,891,000</b>	-	<b>4,926,504</b>	<b>71%</b>

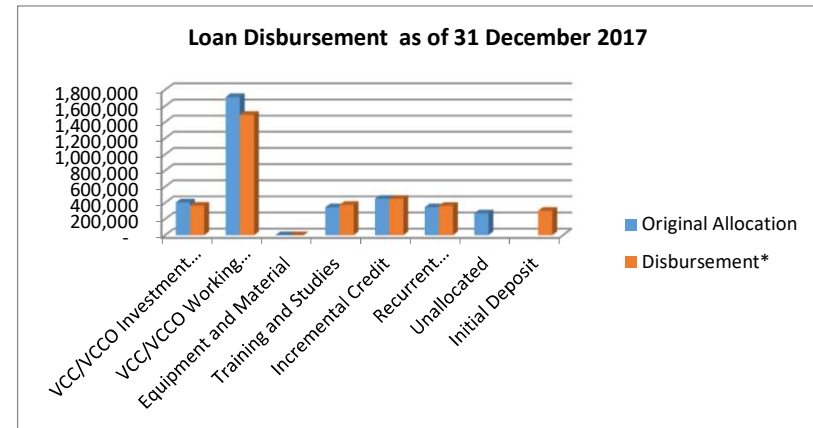
Table 2B: Financial performance by component (USD), as at 31/12/2017

Component	IFAD LOAN			PRIVATE SECTOR(VCCOs)			BANK OF MALDIVES			GOVERNMENT			TOTAL		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1 Value Chain Development	2,679,000	2,344,020	87%	1,497,000	572,000	38%	-	-	0%	330,000	432,305	131%	4,506,000	3,348,325	74%
2 Financial Services	458,000	450,105	98%	-	-	0%	547,000	-	0%	-	-	0%	1,005,000	450,105	45%
3 Program Management	388,000	247,709	64%	-	-	0%	-	-	0%	992,000	577,904	58%	1,380,000	825,613	60%
4 Initial Advance	-	302,461	0%										-	302,461	
	<b>3,525,000</b>	<b>3,344,295</b>	<b>95%</b>	<b>1,497,000</b>	<b>572,000</b>	<b>0%</b>	<b>547,000</b>	<b>-</b>	<b>0%</b>	<b>1,322,000</b>	<b>1,010,209</b>	<b>76%</b>	<b>6,891,000</b>	<b>4,926,504</b>	<b>71%</b>

Table 2C: IFAD loan disbursements (USD, as at 31/12/2017)

Category	Category Description	Original Allocation	Disbursement*	Balance	Percent Disbursed
IA	VCC/VCCO Investment Capital	405,000	365,216	39,784	90%
IB	VCC/VCCO Working Capital	1,710,000	1,489,221	220,779	87%
II	Equipment and Material	-	-	-	
III	Training and Studies	345,000	375,025	(30,025)	109%
IV	Incremental Credit	450,000	450,105	(105)	100%
V	Recurrent Expenditure, Salary	345,000	362,267	(17,267)	105%
VI	Unallocated	270,000		270,000	
	Initial Deposit		302,461	(302,461)	
	<b>Total</b>	<b>3,525,000</b>	<b>3,344,295</b>	<b>180,705</b>	<b>95%</b>

Note\* Disbursements are based on 2017 expenses in Special Account and cumulative expenses as of 31 December 2016 are based on Audited Financial Statements.



## **Maldives**

---

### **Fisheries and Agricultural Diversification Programme**

### **Supervision Report**

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

Mission Dates: 22 January - 4 February 2018  
Document Date: 30/05/2018  
Project No. 1100001377  
Report No. 4761-MV

Asia and the Pacific Division  
Programme Management Department

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

Results #	Objectives/Expected Results	Indicators						
			Unit	Revised (Total)	Planned (Annual)	Achieved (Annual)	%	%
1.1.1	Component 1 - Value chain development		MOFA					
1.1.2	1.1 Outcome : value chain cooperatives (VCCO) and value chain companies (VCC) strengthened as business entities							82.1%
	Output : 1.1.1 Revision of existing BP's						100%	68.3%
	A 1.1.1.1-Submission of revised BP's with exit strategy	Developing new BP		7	7	7	2%	2.0%
	A 1.1.1.2-Revised BP review by PIU	Developing new BP		7	7	7	2%	2.0%
	A 1.1.1.3- Finalizing the BPs with VCCOs at PIU	Developing new BP		7	7	7	2%	2.0%
	A 1.1.1.4-Send revised BPs to IFAD NOL	Developing new BP		7	7	7	2%	2.0%

	A 1.1.1.17-A new agreement signed with VCCOs and PIU based on the revised BPs	No. of service provider		1	1	1	4%	4.0%
	A 1.1.1.5-Procurement of Working capital in BMCS	No. of service provider		1	1	1	6%	6.3%
	A 1.1.1.6-Procurement of Working capital in FDCCS	No. of service provider		1	1	0	6%	0.0%
	A 1.1.1.7-Procurement of Working capital in FMCS ( 2017 BP)	No. of service provider		1	1	0.5	6%	3.1%
	A 1.1.1.7-Procurement of Working capital in FMCS ( 2016 BP)	No. of service provider		1	1	1	6%	6.3%
	A 1.1.1.8-Procurement of Working capital in GAGCS	No. of service provider		1	1	0	6%	0.0%
	A 1.1.2.5 Procurement of Working capital in LFDCS	No. of service provider		1	1	0.5	6%	3.1%
	A 1.1.1.9-Procurement of Working capital in NCS ( 2017 BP)	No. of service provider		1	1	1	6%	6.3%
	A 1.1.1.9-Procurement of Working capital in NCS ( 2016 BP)	No. of service provider		1	1	1	6%	6.3%
	A 1.1.1.11-Procurement of Working capital in AMCS	No. of service provider		1	1	0	6%	0.0%
	A 1.1.1.12-Procurement of Capital investment in BMCS	No. of service provider		1	1	1	6%	6.3%

	A 1.1.1.14-Procurement of Capital investment in FMCS	No. of service provider		1	1	1	6%	6.3%
	A 1.1.1.16-Procurement of Capital investment in VFCS	No. of service provider		1	1	1	6%	6.3%
	A 1.1.1.17-Procurement of Capital investment in NCS	No. of service provider		1	1	1	6%	6.3%
	A 1.1.1.19-Further Expansion of the VCCOs based on their performance			1	1	0	6%	0.0%
	<b>Output : 1.1.2 Establish New Coops</b>						<b>100%</b>	<b>85.0%</b>
	A 1.1.2.7-Finalizing the BP of the CDC	Developing new BP		1	1	1	10%	10.0%
	A 1.1.2.2-Send BPs to IFAD NOL			1	1	1	10%	10.0%
	A 1.1.2.8-Cooperative Registration	Signed agreement		1	1	1	10%	10.0%
	A 1.1.2.9-Sign with New CDC			1	1	1	10%	10.0%
	A 1.1.2.10-Procurement of Working capital in CDC	No. of service provider		1	1	0.5	30%	15.0%
	A 1.1.2.11- Procurement of capital investment of CDC	No. of service provider		1	1	1	30%	30.0%

	<b>Output 1.1.3 VCCO/ VCC established</b>						<b>100%</b>	<b>100.0%</b>
	A 1.1.3.1 - Conduct regular meeting between PIU, Executive Committee(ExCo) members and General members of VCCO to implement and evaluate business activity	No of meetings		48	48	48	100%	100.0%
	<b>Output 1.1.4 – VCCOs/VCCs implemented viable business plan that have action plans and marketing strategies</b>						<b>100%</b>	<b>75.0%</b>
	A 1.1.4.1 – Develop / Review and Implement operational manuals (OM) for VCCOs	No. of OM		8	8	6	100%	75.0%
	<b>1.2 Value chain management support</b>							<b>22.8%</b>
	<b>Output : 1.2.1 Secure domestic and overseas market</b>							
	<b>Output : 1.2. 2VCCO/VCCs established their market</b>						<b>100%</b>	<b>25.7%</b>
	A 1.2.2.4- Facilitate meetings to ensure continuous information exchange between the established market and the VCCOs	No.of new markets		21	21	9	60%	25.7%
	A 1.2.2.5- Conduct Fisheries and Agriculture exhibition (products, culture processes) on Fishermen's/Farmers Day 2017	No.of events		1	1	0	40%	0.0%
	<b>Output : 1.2.3 Enhance production</b>						<b>100%</b>	<b>100%</b>
	A 1.2.3.3-Recruitment of Managers to NCS and Gemanafushi ( Technical Support to management)	Hire a consultant		1	1	1	50%	50.0%

	A 1.2.3.4-Recruitment of Managers to FDSCS ( Technical Support to management)	Hire a consultant		1	1	1	50%	50.0%
	<b>Output : 1.2.4 Packaging of fish and food products</b>							
	<b>Output : 1.2.5 Handling and quality control</b>							
	Output : 1.2.6 Order fulfillment							
	Output : 1.2.7 Logistics and transport support							
	Output : 1.2.8 Training of farmers and fish processors						100%	66.7%
	A 1.2.8 .1- Provide relevant technical training for farmers and fish processors	No. of trainings		3	3	2	100%	66.7%
	Output : 1.2.9 Supply of production and irrigation facilities, including drip irrigation methods							
	Output : 1.2.10 Application of fresh food preservation packaging technologies							
	Output : 1.2. 11 Development of farm to market cold chains							
	<b>1.3 Association and farmers training</b>							<b>48.9%</b>



	<b>Output : 1.3.1 support the establishment of strenthening of associations of farmers and fish processors to enhance their role within the respective VCCOs</b>						<b>100%</b>	<b>42.9%</b>
	1.3.1.7-Provide Financial management training for VCCOs Staffs			14	14	10	60%	42.9%
	1.3.1.8-Provide Marketing training for VCCOs Staffs			8	8	0	40%	0.0%
	<b>Output : 1.3.2 VCCO AGM's</b>						<b>100%</b>	<b>55.0%</b>
	A 1.3.2.1- Facilitate/ Conduct 2016 AGM's			8	8	5	40%	25.0%
	A 1.3.2.2- Invite poorer households to join VCCO's			1	1	0	20%	0.0%
	A 1.3.2.3-VCCO Audits			8	8	6	40%	30.0%
	<b>1.4 Applied research</b>							<b>0.0%</b>
<b>1.2</b>	<b>Output : 1.4.1 Promotion of new agricultural porducts, including varietal trials, biological agriculture and processing techniques</b>		<b>MOFA</b>				<b>100%</b>	<b>100.0%</b>
	A 1.4.1.1 -Conduct varietal testing on new crops and further research on potential cash crops			1	1	1	100%	100.0%

	1.5 Shares of Farmers/Fishers							0.0%
	Output : 1.5.1 Prior to program completion date VCC/VCCO's shares held by the borrower shall be transferred to the farmers or fish processors based on criteria set by the NSC							
	Component 2							36.7%
	2.1 loans to farmers and fish processors through BML							
1.3	Output : 2.1.1 Microfinance		MOFA				100%	100.0%
	A 2.1.1.4 - Conduct a client feedback ( satisfaction) survey for FADIP loan beneficiaries			1	1	1	50%	50.0%
	A 2.1.1.5 - Conduct assessment on ( Change to) FADIP loan beneficiaries			1	1	1	50%	50.0%
	2.2 Loans to VCCO through MFLC							
1.4.1	Output: 2.2.1 Re-negotiation with MIB and other potential partners							

	<b>2.3 Structure financing</b>							<b>10.0%</b>
	<b>Output : 2.3.1Technical assistant to BML and others to provide finance for farmers and fishers</b>						<b>100%</b>	<b>10%</b>
	A 2.3.1.1- Engage services of a micro-finance specialist to assist Bank of Maldives in developing necessary capacities and systems to run effective programme for MSMEs financing			1	1	0.1	100%	10%
	<b>Componant 3</b>							
	<b>Program Management</b>							<b>115.5%</b>
	<b>Gender focus</b>						<b>100%</b>	<b>280.0%</b>
	A 3.1.1-Encourage women participation in production			1	1	0.6	30%	60.0%
	A 3.1.2- VCCOs require to prepare a gender and social inclusion plan	Develop a GSIP		1	1	5	70%	500.0%
	<b>Innovation and learning</b>						<b>100%</b>	<b>20%</b>

	A 3.2.2-the cooperative concept and micro financing (ensuring to make the VCCO models a replicable model for further scaling up) (Under KM we can prepare documents to share with the intrested islands on success of the replicate model) budget to be used from A 32			1	1	0	50%	0.0%
	A 3.2.3 - Develop a 'packaging' of lessons learned and tools for cooperative model with KM			1	1	0.2	50%	20.0%
	<b>Administrative Managemet</b>							<b>100% 46.5%</b>
	A 3.3.2 -conduct annual physical inventory			1	1	1	10%	10.0%
	A 3.3.3 - insurance of all assets of PIU assets			1	1	1	5%	5.0%
	A 3.3.4- Provide salaries to experts, and PIOs			12	12	12	10%	10.0%
	A 3.3.5 -Capacity Building on project related areas			12	12	0	10%	0.0%
	A 3.3.6 -Organize NSC	No of trainings & No of beneficiaries		4	4	2	5%	2.5%
	A 3.3.7-Prepare KM products/ Communication products ( Leaflets, videos, posters),			1	1	0.5	10%	5.0%

	A 3.3.8-Conduct an outcome impact survey	No of materials		1	1	0.2	20%	4.0%
	A 3.3.9-Hire a PCR consultant to prepare the project completion report			1	1	0	20%	0.0%
	A 3.3.10-Audit	Hire a consultant		1	1	1	10%	10.0%
	<b>WA</b>							<b>100% 100.0%</b>
	A 3.4.1 -Revise auditors ToR to include full procurement audit and review of VCCO's	Developing a TOR		1	1	1	100%	100.0%
	<b>Exit Strategy</b>							<b>100% 0.0%</b>
	A 3.5.1 -Focus on scaling up and replication, handover the assets, food security, climate resilience	# materials produced		1	1	0	100%	0.0%
	<b>Overall Performace</b>							<b>67.8%</b>



## **Maldives**

---

### **Fisheries and Agricultural Diversification Programme**

### **Supervision Report**

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

Mission Dates: 22 January - 4 February 2018  
Document Date: 30/05/2018  
Project No. 1100001377  
Report No. 4761-MV

Asia and the Pacific Division  
Programme Management Department

### Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>Loan Agreement</b>				
<b>Section 2.03</b>	Opening & maintenance of a Special account in USD	Effectiveness condition	Complied	
<b>Section 3.02</b>	Submission of AWPB to IFAD for approval	Annually by 31 October	Complied	2017 AWPB submitted to IFAD on 26/09/16
<b>Section 3.03</b>	Opening & maintenance of a Program account in MVR, jointly operated by PC and PIU accountant	Effectiveness condition	Not complied	Program account cannot be opened due to provisions of Public Finance Act
<b>Section 3.04 and Section 3.05</b>	Provision of counterpart financing for the Project of approximately USD 1,322,000 and facilities, services and other resources	Throughout project implementation	Complied on an on-going basis	Cumulative disbursement at 28/02/17 amounts to USD 1 148 476
<b>Section 3.06</b>	Procurement to be carried out in accordance with Schedule 4 of the loan agreement	Throughout project implementation	Partially complied	Difficulty in assessing as procurement files are all in local language (see aide-memoire)
<b>Section 4.01</b>	Establishment of MIS and monitoring system	Latest 12 months after effective date	Partially complied	No MIS system in place but M&E procedures and templates have been developed (see aide-memoire)
<b>Section 4.02</b>	Submission of half-yearly and year-end progress reports to IFAD	3 months after each 6-month period	Complied	Reports submitted on time and quality has improved
<b>Section 4.03</b>	Midterm review to be carried out jointly by Lead Project Agency, co-investors and IFAD	36 months after effective date	Complied	
<b>Section 4.04</b>	Submission of Project Completion Report before Financing Closing Date to the Fund.	31 March 2018	Not yet due	
<b>Section 5.01</b>	Submission of half-yearly and annual financial statements to IFAD	3 months after each 6-month period	Complied	2015 financial statements sent on time 2016 financial statements not yet due
<b>Section 5.02</b>	Submission of final audit report to IFAD each year	30 June each year	Complied	2015 audit report submitted on 30/06/16
<b>Section 7.01</b>	Establishment of PIU, NSC and appointment of Project Coordinator; ratification of agreement and legal opinion	Effectiveness condition	Complied	
<b>Schedule 2 6.</b>	Establishment of VCC/VCCOs; signature of SLA and SLFA; approval of 1 <sup>st</sup> AWPB by IFAD	Withdrawal conditions	Complied	SLA replaced by a fund management agreement between MOFT and BML
<b>Schedule 3 II 1</b>	Mainstreaming of gender concerns in project activities	Continuous	Complied	
<b>Schedule 3 II 2</b>	Due consideration to indigenous people's concerns	Continuous	Complied	No ethnic minorities; all are indigenous



Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>Schedule 3 II 9</b>	Health and accident insurance for project staff; insurance of vehicles and equipment	Continuous	Partially complied	All staff covered by national insurance scheme. Insurance policy is being finalized for building and assets
<b>GC Section 11.01</b>	Loan funds to be exempted from all taxes and duties	Continuous process	Complied	