

## **The Republic of Maldives**

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

#### **Supervision report**

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

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Asia and the Pacific Division  
Programme Management Department



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## Currency Equivalents

Currency Unit	=	Maldivian Rufiyaa (MVR)
USD 1.00	=	MVR 15.42

## Fiscal Year

1 January – 31 December

## Abbreviations and acronyms

AMCS	Addu Meedhoo Cooperative Society
AWPB	Annual Work Plan and Budget
BDC	Business Development Coordinator
BMCS	Bizville Maldives Cooperative Society
BML	Bank of Maldives
CS	Cooperative Society
FADiP	Fisheries and Agriculture Diversification Programme
FDCS	Funaad Development Cooperative Society
FM	Financial Management
FMAQ	Financial Management Assessment Questionnaire
GAP	Good Agricultural Practices
GfCS	Gemanfushi Cooperative Society
IFAD	International Fund for Agricultural Development
ISA	International Accounting Standards
KM	Knowledge Management
LA	Loan agreement
M&E	Monitoring and Evaluation
MCS	Magoodhoo Cooperative Society
MED	Ministry of Economic Development
MFDA	Maldives Food and Drug Authority
MFLC	Maldives Finance Leasing Company
MoFA	Ministry of Fisheries and Agriculture
MoFT	Ministry of Finance and Treasury
MoU	Memorandum of Understanding



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

1. IFAD approved the Fisheries and Agriculture Diversification Programme (FADiP) in April 2008, and became effective on 15 September 2009. The total Programme cost is USD 5.547 million with USD 3.525 million from IFAD, USD 722,598 from co-financers, and USD 1.3 million from the Government. The one-year extended completion date and loan closing dates for the Programme are 31 December 2015 and 30 June 2016 respectively. The Programme objective is to develop smallholder agriculture and Maldives Fish processing value chains. FADiP has three components: value chain development; financial services; and programme management. Ministry of Fisheries and Agriculture (MOFA) is the lead agency.

2. IFAD supervision and implementation support (SIS) mission visited Maldives during 17-28th May 2015 to conduct the last SIS mission for the Programme. The objectives are to review in detail the FADiP progress, outcomes, and associated issues; and to provide recommendations for its smooth completion with successful value chain cooperatives being established and sustained in the islands. The mission had one-day detailed progress and issue review meeting with the FADiP staff at the Programme Implementation Unit (PIU) on the 17th, and a briefing meeting with the Hon Minister of Agriculture and Fisheries, State Minister and the Senior staff of MOFA on the 18th. The mission thereafter visited the Value Chain Cooperatives (VCCO): FDCS in Gn. Fuvahmulah on the 19th; GAGCS in Ga. Gemanafushi, 20<sup>th</sup>; FMCS in F. Magoodhoo, 21<sup>st</sup>; BMCS in Ha. Hoarafushi on 22<sup>nd</sup> and Manager of the AMCS on 26<sup>th</sup> May. The mission also met with the senior staff of the Ministry of Finance and Treasury (MOFT), Bank of Maldives, private sector, Island Councillors and the communities. The mission presented its findings at a pre-wrap-up meeting on the 27<sup>th</sup> and at the final wrap-up meeting on the 28<sup>th</sup> which was chaired by the Ministers of MOFA and MOFT and attended by all the steering committee members. The mission wishes to thank staff of the PIU, MOFA and the VCCO executive committees and the members for their support.

## B. Overall Assessment of Programme Implementation

### Overall implementation progress

3. The overall implementation progress is rated as *moderately satisfactory (4)*<sup>2</sup>. After receiving the one year extension to the programme period in September 2014, FADiP has completed providing all essential capital and in some cases recurrent inputs to implement the business plans of seven VCCOs (see section C for details). The service providers have completed construction of many infrastructure items such as greenhouses, hydroponic systems and other production facilities that are required for initiating production of VCCO. Learning from the cooperative level greenhouses, few individuals in Hoarafushi have started high-tech agriculture in mini-greenhouses and net house. The members of the cooperatives and their executive committees have received training on several different subject areas. Brand registration was completed for many products except the products in Vaadhoo Farmers' Cooperative Society. One new Cooperative in Naifaru (Naifaru Cooperative Society) with very high level of women involvement has been added to the list of VCCOs. The fish processing VCCO has started processing fish pastes, Maldivian fish, and vacuumed packed smoked fish. As value chain business initiatives, few VCCOs have functioning business linkages and supply of products such as a range of vegetables and fruits. As such the Island communities have started undertaking agriculture and fish related business through the cooperative model in the first time in the

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<sup>1</sup> Mission composition: Ms Mehri Ismaili, Programme Assistant, M&E, Poverty and Gender Specialist; Mr Bodhi Wanniarachchi, Consultant, Business Development and Credit Specialist; Mr Dayananda Ratnasekara, Financial and Procurement Specialist; Mr Canute de Silva, Agricultural Specialist; and Mr Anura Herath, CPO, IFAD - Mission Leader, and Institutional Specialist.

<sup>2</sup> In the IFAD supervision guidelines performance is rated as: (6) highly satisfactory (targets/requirements are met or exceeded); (5) satisfactory (targets are met with only slight delays); (4) moderately satisfactory (most targets are met but delays or set-backs experienced); (3) moderately unsatisfactory (some targets / requirements met but issues / constraints have negatively affected implementation); (2) unsatisfactory (few targets/requirements met, but issues/constraints remain unresolved and delays have seriously undermined implementation); and (1) highly unsatisfactory (almost no targets/requirements met and consideration should be given to cancellation/suspension).

Maldives. The Programme has spent 55.4% as of 30<sup>th</sup> April 2015 of IFAD loan, including the loan resources of US \$ 281,000 provided to BML as on-lending which was hitherto undisbursed.

4. In spite of these initial achievements which formed the foundation for the cooperative business model, VCCOs have several bottlenecks to be resolved to sustain that foundation, and to turn that business potentiality to a reality to the benefit of the community. FADiP can directly support to overcome some, but others are beyond the capacity of FADiP. The nature and the seriousness of the challenges vary with the VCCOs.

5. The predominant and the most common one being the strength of the market linkages that the VCCOs have with preferred markets and also the ability of them to explore markets. The expectation of the Programme was to develop value chains where producers through cooperatives are linked with markets which are dependable in the medium to long run, and adequately remunerative for the VCCO to sustain. One VCCO, namely AMCS in S Meedhoo was successful in getting into such a chain, but others are still in the process. Secondly, meeting working capital requirement for production has been an issue. Evidence is still to be observed to assure that funds are timely available. There is almost no appetite from the VCCOs or their members to access the credit facilities that is provided by FADiP for the purpose. Third, high-tech agriculture in hydroponic and trough systems in the control environment need high level of technical awareness, precise and careful control conditions in the greenhouses, generally auto-controlled or manually controlled with specialised knowledge, and swift responses to agronomic emergencies such as diseases. The large structures such one in Magoodhoo (size is 70 x 50 ft) are more complex to manage. At present the level of knowledge and the experience of the VCCO members are grossly inadequate to manage such systems. Fourthly, capacity improvement of the executive members of the VCCO and their general membership is an urgent need. The subjects include basic agriculture and fish processing; business and financial management including profitability analysis, forecasting etc; and cooperative management. Demand-supply analysis and associated production planning; and market exploration are also demanded. Fifth is the strengthening of the supply contracts between the cooperative management and the suppliers who are members or non-members in the community. Such contracts may not be easily developed given the vulnerable positions of the production. Nevertheless the culture of getting into such demand-supply relationships is essential in business ventures.

### **Likelihood of achieving the development objectives**

6. Likelihood is rated as *moderately unsatisfactory* (3). The development objective is to establish smallholder agriculture and Maldives Fish processing value chains to generate income for the community members. Production and marketing are essential in achieving this. Four out of six VCCOs have established the production systems with acceptable level of supply base, while others are still in the process. Others have issues such as working capital and potential technical constraints to ensure production. Except one VCCO, the rest is still in the process of establishing markets. As such the overall analysis is that unless FADiP intervenes quickly and effectively, such setbacks will impede achieving the development objective. The mission proposes the following general recommendations in this direction.

<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
1. Hire a professional marketing service for 6-8 months to help FADiP undertaking both VCCO supply and market demand assessments and accordingly establish and maintain market linkages as an exit strategy. All six VCCO should be focused. The MOFA should take the direct responsibility of managing the service with monitoring function remained with the PIU.	MOFA to recruit with PIU facilitation	Latest, 15 <sup>th</sup> August 2015 to recruit and continue till end May 2016
2. Because of the complex nature of greenhouse production, for a period of four months MOFA should assign a qualified agronomist, internally or externally, (qualifications and the TOR are annexed) to be stationed periodically in islands where there is high-tech agriculture production. During the programme period, up to the closure, the incremental cost to be paid by IFAD loan.	MOFA	End July 2015



## C. Outputs and outcomes

### Components

#### Component 1: Value chain development

7. The performance of this component is rated as *moderately satisfactory* (4). The Programme currently focuses to support and finance BPs of six VCCOs, namely (i) Addu Meedhoo Cooperative Society (AMCS in S. Meedhoo); (ii) Bizville Maldives Cooperative Society (BMCS in HA. Hoarafushi); (iii) Faafu Magoodhoo Cooperative Society (FMCS in F. Magoodhoo); (iv) Funad Development Cooperative Society (FDCS in Gn.Fuvahmulah); (v) (Vaadhoo Farmers' Cooperative Society (VFCS in G.Dh. Vaadhoo), and (vi) GA Gemanafushi Cooperative Society (GAGCS in G.A Gemanafushi). The Programme has entered into new partnership agreement in May 2015 with Naifaru Cooperative Society (NCS) and its BP has yet to be implemented. The Programme has terminated the partnership with Southern Farmers' Cooperative Society (SFCS) in January 2015 because of non-compliance with the agreed business plan. The Programme reclaimed all the assets (compost making equipment) provided by the Programme. These assets were then provided to Fonadhoo Island Council. The Programme now intends to transfer these equipment to Laamu Agricultural Development Cooperative Society (LADCS) which comes under the administrative purview of Fonadhoo Island Council to commence compost fertilizer making. The BP submitted by SFCS for compost fertilizer is to be used with minor changes and PIU anticipates the implementation of this BP with technical training in July 2015. The mission visited four VCCOs (FMCS, FDCS, GAGCS and BMCS) and met with a Manager of one VCCO (AMCS) at PIU and was able to collect a descriptive set of information.

8. **Membership and capital build-up:** All seven VCCOs are registered under the provisions of the Cooperative Societies Act. VCCOs are primarily funded by members' share capital and Programme funding for respective BPs. Two VCCOs, FMCS and FDCS, however, have some extra funding arrangements. FMCS has received funding from Food and Agriculture Organization for a poultry farm which is under operation. Also it has received CSR funding from Banyan Tree Global Foundation as a matching grant to FADiP financial assistance. As of 20 May 2015, the FMCS has received 15% of the total grant of US \$ 58,000 which has been paid to the contractor for constructing three greenhouses. In FDCS, Fuvahmulah Atoll Council has purchased 50% of the VCCOs' authorized share capital and funds equal to MVR 250,000 have been transferred to the VCCO account which has been used so far for VCCO's operational expenses.

9. **Financial discipline of VCCOs:** Quick Books accounting software has been installed and monthly and annual financial accounts being maintained in all operational VCCOs. The mission, however, observed that auditors have reported that an unqualified audit opinion cannot be given on the accounts of the financial year 2013 of the AMCS.

10. According to the PIU records, the VCCO membership has increased from 2014 by about 20% with a notable increase in BMCS (from 204 to 502) and in FDCS (from 214 to 310). The current membership in AMCS stands at 412 and other three VCCOs, it is between 200 and 250. The share capital has built-up correspondingly but the aggregate capital in each VCCO still remains far below the expectation. FDCS's member share capital is MVR 30,700 and MVR 24,000 in GAGCS. FMCS has a share capital of MVR 75,000 and in BMCS it is MVR 74,000. The programme target of 500 memberships per VCCO has been achieved by BMCS but collective share capital at the rate of MVR 150 per share holder is inadequate to reach the 30% contribution expected. Slow progress of raising the member share capital in parallel to the infrastructure development with FADiP funding thus hampered the business operations of VCCOs except for AMCS. For GAGCS, capital becomes a limiting factor for its operations but likelihood of raising funds as shares from existing or new members seems bleak. FDCS has already utilized member share capital and 58% of the Council capital but yet to move to commercial production. The mission observed in all four VCCOs visited that most members, although increased in numbers, have lost the confidence in respective VCCOs as the expected results are getting delayed, and there is no return on investment. This hinders the enrolment of new members and investment in share capital by existing members.

11. **Productivity and land:** Among the five agricultural VCCOs, only AMCS has a long production history, barring an effective analysis on trends in productivity of all VCCOs. Taken the revenue as a reflection of productivity (as the array of products and their weights are non-comparable over years), the performance of AMCS in the 1<sup>st</sup> quarter of 2015 has declined in comparison to 2014, primarily due to low tourist occupancy and decline in purchasing by Shangari-la. Farmers sell the surplus in proxy markets and their revenue is not affected as the proxy market is vibrant, but revenue for the VCCO declines. It is often customary for islanders to self-allocate blocks of land for farming leading to social conflicts, constrained technology dissemination and slackened agriculture development. Previous missions cited S. Meedhoo having issues on land allocation. FADiP in association with MOFA had successfully assisted the island council to formalize allocation of land according to island sector development plan.

12. **Quality and Reliability of Farm Produce:** In the long run, reliability of farm produce hinges on two consequences; reliability of VCCO securing quality produce from members or others and reliability of trade orders. Only AMCS has any experience as other VCCOs are yet to produce commercially. AMCS has 10 reliable supply contracts with farmers. The reliability of supply is due to years of experience and adaptation. The other aspect is the reliability of purchase orders from resorts which can influence the farm production. In February 2015, AMCS faced severe drop in purchase orders from resorts. As long as there are proxy markets to dispose the produce, unpredictable purchase orders may not be a problem. After years of trading, the farmers, Co-op, resorts and proxy markets stabilise to sell and buy quality produce. Remaining fledgling VCCOs needs guidance from MOFA to attain such stability.

13. **Markets and Marketing:** In terms of the progress of BP implementation, AMCS and BMCS (all vegetable producers) are in commercial production but volume of BMCS is comparatively low. AMCS' sales revenue for the first quarter has been MVR 737,000 and its only MVR 40,000 in BMCS. AMCS had a formal supply contract with Shangri-La's Vilin'gili Resort for about four years which was ended in August 2014, but the supplies continued. A formal contract will be signed once the newly elected Ex-co members are registered with MOFA. BMCS' contract in 2014 with Lily F&B has not been extended due to the failure of supplying required volumes and to-date no new sales contract has been entered into. In FDCS (taro chips in 50 and 100 gram packs) the production commenced in late 2014 and the first sale (as a test market) took place in January 2015 with Paradise Island Resorts, but formal marketing arrangements are to be made. In FMCS, vegetable production has seized leaving the space for the installation of hydroponic system which may not be ready for production until July/August 2015. FMCS had produced 1,800 KG of cucumber and sold them to Velaavaru Island Resort and in the Male wholesale market. In VFCS (vegetables) construction of greenhouses may not be completed until November 2015 and marketing links still to be established. In GAGCS, only fisheries VCCO, sample products of three types of fish products - rihaakuru (fish paste), smoked fish and dry fish (90 KG) were made in March 2015 and sold in the Male wholesale market. Establishing a firm market linkage is still a challenge. Further GAGCS is facing a severe financial crisis to meet working capital needs. MOFA has proposed to transfer funds through the Island Council to meet the funding needs. It is essential that this strategy to be put into practice urgently. FDCS' overheads will erode its current cash balance in another five months unless adequate volume is traded. The liquidity position of BMCS is also weak having an operational loss for FY 2014, first year of its commercial operation.

14. **Marketing strategies to promote VCCO products:** To prepare VCCOs for marketing their produce, the Programme developed an attractive product brands for all the VCCOs. The mission observed that these brandings being used in product containers and cartons (AMCS, BMCS, FDCS and GAGCS) and VCCO communications. Although the business plans indicate very optimistic promotional strategies, e.g. use of catalogues, leaflets, websites (except GAGC & FDCS) and appearance in mass and social media like TV, radio, Facebook and twitter, so far none of them have been carried out by the VCCOs except for AMCS which has developed a leaflet to use for market exploration. However, two VCCOs showed maintaining different pricing strategies depending on the quality of the product and place of sale (AMCS and BMCS).

15. **Establish linkages with higher-end markets:** At the moment only two supply contracts are effective between VCCOs and buyers: a) AMCS and Shangri-La's Villingili Resort to supply vegetables and fruits (formal contract to be signed), and b) FDCS and Paradise Island Resort. In addition FMCS has entered CSR agreement with Banyan Global Foundation which supports (in addition to CSR investment) the supply of lettuce but it is currently inactive as the VCCO vegetable production has seized. It was reported that PIU staff has had several discussions with resort owners in the recent past including a) Bandos Island Resorts, Sun Island Resort, Maldives Post, and Maldives Airport Company for FDCS, b) J Resort Alidhoo, JV Manafaru and Hideaway Beach Resort for BMCS, and c) STO for GAGCS. The Minister of Agriculture and Fisheries at the briefing meeting stated that MOFA higher officials too actively involved in discussions with Resort owners to make buyer-seller partnerships for VCCOs and expressed the satisfaction of the development so far. Apart from MOFA/PIU initiatives, VCCOs too conducting discussions on their own with resorts in the vicinity of their islands. BMCS has had discussions with three resorts, Manafaru, Alidhoo, Hideaway and FMCS with Paradise Island Resort. AMCS had discussions with Herathera Resort.

16. The mission observed that VCCO Ex-co members do not demonstrate a thorough understanding of business and strategic marketing. There had been some instances where VCCOs have lost sales contracts due to non-performance whereas few VCCOs failed to get extensions for term (1-year) contracts (examples: AMCS with Herathera Resort and BMCS with Lily F&B). VCCO Ex-co members need to participate in business development meetings and negotiations and actively present ideas to enhance the positioning of the VCCOs. Writing marketing plans including strategic analysis, competition, positioning, messaging, tactics and budgeting are the need of the hour for all operating and non-operating VCCOs. Whereas the mission could not observe adequate capacity at VCCO level on that direction. PIU staff too has limited expertise and time to facilitate the VCCO marketing activities. The Business Development Coordinators, at least few of them, who partially performed this responsibility, as observed by 2014 follow-up mission, are no longer in service and their substitutes (PIOs) have no capacity to handle VCCOs marketing matters. Broadly, the programme target of VCCO marketing of farmer produce therefore a serious challenge before the programme completion.

17. **Supply inconsistency** - While four VCCOs are still struggling with production and technology problems and supply and/or marketing constraints, only AMCS proved to be having regular supplies of vegetables (50) but not supported with Forward Sales Agreements (FSA). AMCS and BMCS have used to maintain FSAs but no longer. There are some member farmers in AMCS and BMCS directly supplying their produce to resorts without channelling through the VCCOs. FDCS has 20 suppliers but the current demand is limited due to VCCO marketing constraints.

18. **Market strengthening strategy – Roadmap:** The roadmap for a successful VCCO could be illustrated as a combination of a) production planning and scheduling, b) productivity improvement, quality and reliability of farmer produce, c) a strong market linkages with favourable conditions as to volumes and prices, d) record keeping and MIS, and e) filter the benefits to the farmer by way of a premium and to the VCCO member as a return on their investment. Out of the six VCCOs, only AMCS and BMCS have demonstrated some skills on these items. The mission observed that two VCCOs, GAGCS and FDCS, are severely affected by absence of market and marketing strategies - the first batch of taro chips in FDCS was produced in February 2015, but production is only 40% of the capacity because of lack of sales. This is the case for BMCS which hinders its market expansion and diversification. Such limitations will be common to other three VCCOs and the new VCCO when the production starts. To mitigate this situation, the mission strongly recommends that the intervention of a professional marketing service to be fielded as early as possible and continue to use it until May 2015.

19. On specifics, FDCS and GAGCS will require urgent interferences in establishment of market linkages. For BMCS, market diversifications and volume increase are needed. AMCS will need market mainstreaming and other two VCCOs (vegetables) require a full range of marketing services. NCS (new VCCO) which caters its fish-based products to regional market at the moment needs to diversify its market with strong linkages.

20. **Government strategies for sustaining VCCOs:** Government places high priority on the development of the cooperatives. MOFA initiated co-operative movement as a post-tsunami rebuilding effort through application of business ideologies to traditional women and other societies/associations in atolls and the mainland. Co-ops first concentrated on the fisheries and agriculture sector and gradually moved to other sectors in the economy including the services sector. The co-op movement is recognized as a strategy for achieving accelerated and inclusive growth with a commercial foundation. MOFA has been instrumental in providing technical and financial assistance to fisheries and agriculture co-op members in the past, and will continue to do so.

21. The Ministry of Economic Development (MED) has recently launched a project namely 'Business Development Services Centres (BDSC)' which at its full implementation will include a central station at the MED premises and seven provincial BDSCs. These centres provide business development services to medium and small enterprises and potential entrepreneurs desiring to start business by way of skill and technical training, marketing, and financial support. The Project is still in its early stages but with greater potential to be a country's entrepreneurial resource base to pool resources to VCCOs and its member community. It is therefore hopeful that the VCCOs initiated by FADiP will have continuous government interventions to ensure their sustainability.

Agreed action	Responsibility	Agreed date
3. Assess the expansion needs and identify the capital requirements for each VCCO and procure them to be transferred to the VCCO before completion of the Programme.	PIU	Start in June 2015

## Component 2: Financial services

22. The progress of financial services is remained as *moderately unsatisfactory* (3). The subsidiary loan agreement (SLA) has been finalised and signed in August 2014, and the Bank of Maldives (BML) is the only participatory financial institution to manage the FADiP sponsored line of credit. MOFT has transferred US \$ 281,000 IFAD loan resources, the total amount as per the IFAD Financing Agreement, to BML for on-lending purposes. BML provides the same amount from their own resources. Loan applications are evaluated by a Loan Committee consisting of representatives of MOFT, BML, and MOFA and the minimum amount of loan sanctioned under this program is MVR 25,000 while the maximum amount is MVR 400,000. Twelve loan applications have been received; seven were processed and ready to be disbursed. The mission however noted that only one of them with a value of MVR 400,000 is eligible to receive the loan. The purpose of the others is not for value chain financing, and have come from non-members of the VCCOs, and therefore ineligible<sup>3</sup>.

23. The mission also noted that there is hardly an appetite from the cooperatives and cooperative members to obtain the loan. The main reasons for individual loans are: (i) 9% annual interest rate has been perceived as unaffordable for the type of agricultural investments that is available in the Islands; and (ii) lack of assets to be submitted as collateral. For the cooperative level loans: (i) BML is unclear whether the loan repayment has to be a personal responsibility of the executive members, whereas at present the executive committee members assume that they are to be personally responsible for the repayment, which the committee members reject and prevent them from applying for loans; (ii) lack of collateral. If both limitations, particularly the collateral issue, can be relaxed there is a possibility that some cooperatives will apply for a loan. The mission observed that the average size can be as high as MVR 500,000 per co-op loan.

24. The mission met with the BML and requested that the condition of co-op executive members being held personally responsible for any prospective loan repayment to be relaxed. BML mentioned that they will consider and inform the PIU about their position. The mission also discussed with the

<sup>3</sup> As per the following paras of the SLA (signed 7<sup>th</sup> August 2014), non-member of a VCCO cannot access credit. "The BML shall declare its commitment to the goal and objective of the Programme as stated in Schedule 1 of the IFAD loan agreement and furtherance of such goal and objectives, shall undertake to carry out the programme in accordance with IFAD loan agreement in particular Schedule 1 and 3". Section 3.02: ..... BML shall ensure all conditions of the IFAD loan agreement including Programme goal and objectives are met when declaring a beneficiary eligible for financing under the SLA.

BML of any possibility of reducing the on-lending rate of interest. One of the main issues against that was the usage of BML own funds as 50% contribution to the line of credit. The mission then proposed that if the condition on BML co-financing is relaxed, whether they are in a position to reduce the on-lending interest rate. The MOFT is in agreement with this proposal, and the BML will internally discuss and inform the PIU of their position. MOFT agreed to amend the subsidiary loan agreement in line with the changes if BML responds positively with government on-lending guidelines.

Agreed action	Responsibility	Agreed date
4. MOFA to transfer the ownership of the assets to such cooperatives that are willing to access loans so that those could use the equipment and other assets as collaterals.	MOFA	Before end August 2015
5. If the BML expresses their readiness to reduce the on-lending interest rate, then the condition of 50% co-financing of BML own funds to be relaxed and amend the SLA accordingly.	MOFA	As needed
6. If the BML is not revising the on-lending interest rate downward, and also if there are no applications for a notable amount of credit, BML will have to transfer the total amount of IFAD loan resources (US \$ 281,000) to the Public Bank Account (PBA) and from there to the Special Dollar Account by end of August 2015.	MOFA	Latest, end August 2015

## D. Programme implementation progress

### Quality of programme management

25. This is rated as *moderately unsatisfactory* (3). PIU has been fully staffed with one specialist who was undertaking business training and managing BPs. He has left in September 2014 and the replacement has been recruited in February 2015 - PIU operated with one technical staff for five months. Although MOFA staff has been assigned for FADiP activities, it is only two technical officers who undertake all the field visits and support the VCCO activities. The Business Development Coordinators have been discontinued in July 2014 and replaced with Project Implementation Officers (PIO) in January/February 2015 who are almost unqualified to advice on business development and establishing market linkages. There was a gap of about four months with no continuous technical and business related assistance to the VCCOs. The TOR of the PIOs has less emphasis on marketing and business development as expected in the recommendation of the IFAD supervision in 2013, but more on monitoring and information sharing. As the 2013 SIS mission observed, what was lacking was business related support at the VCCO level rather than M&E and passing information to the PIU. The mission also noted that the PIU staff was unable to fill the gap of providing such business development support or a strong directives from MOFA to do so, as expected in the action plan provided to IFAD in support of the extension in July 2014.<sup>4</sup> As such the mission observed with concern that programme management was focusing more on handling service provider contracts and less on facilitating production and marketing of the VCCOs as expected in the matured VCCOs. The mission therefore strongly recommends that expert services should be provided to promote market linkages and technical advice on production. It is also urgent that PIU takes serious efforts to identify the needs of capital items either to expand or to sustain the production and business activities.

### Performance of Monitoring and Evaluation (M&E)

26. Performance of M&E is rated as *moderately satisfactory* (4). The programme M&E system is still evolving as an M&E data base and a reporting system. PIU/MoFA, with the help of IFAD technical expertise, has developed an M&E plan as the basis, updated the logical framework and revised the RIMS indicators. The Programme has provided each cooperative society with an excel format requesting them to report on monthly basis any improvement and number of trainings undertaken etc. Each VCCO is requested also to report on quarterly basis on the number of new households and new membership. Moreover, the Programme has submitted on 15 February 2015 a good quality RIMS

<sup>4</sup> Some of the pending activities referred here are: Output 1.1.3 – VCCOs/VCCs established their market - since 4<sup>th</sup> quarters of 2014 and in 2015; Outcome 1.2- Improved productivity and quality of VCCOs/VCCs, farmers'/fish processors produce/products

report for the reporting period from January to December 2014. Adequate budget has been allocated for M&E activities in the AWPB.

27. The Programme has now established a regular flow of information between the communities and the PIU. This information is used by PIU to analyse and monitor the progress of each community society and is also used to submit progress reports to IFAD. PIU also uses the information to prepare, upon request, reports to the Government to update the status and the progress of the business in the communities. So far, only one cooperative is reporting the information on the basis of the indicators provided by PIU since this VCCOs was the only one operational in 2014 while the other VCCOs were reporting minimum information i.e. participation and number of meetings, trainings etc disaggregated by gender. Since the beginning of 2015 other cooperatives have also started reporting data on production and sales, in addition to the above. The programme is now following the revised logical framework, the revised M&E plan and reporting with the revised RIMS indicators since February 2014.

28. PIU has also developed a template to monitor and measure the progress of each construction and renovation works, supply of machineries etc. at the VCCO level. The filled template along with the minutes of meetings between PIU, executive members and members of the communities, and trips reports are used by PIU as the basis to generate the progress reports. The Programme is facing many challenges by not having an automated database linked M&E system, all the analysis have to be done through excel documents. The system cannot generate any report unless it is manually derived from the current system. Having considered all the constraints, the mission noted that the information collected and recorded both in PIU and in the communities are adequately kept as excel documents and easily accessible. There is only one person at PIU assigned to M&E activities on full time basis and his role is to analyse the quality of all the data and figures submitted by each community, input in the excel, monitor the progress, prepare the RIMS, prepare the M&E plan and prepare the quarterly reports for internal use. On the basis of the quarterly reports the M&E Officer prepares the six months and annual progress reports to be submitted to IFAD. The overall quality of the data provided is complete and dependable, and the six month and annual progress reports submitted to IFAD contains relevant and key information on the programme activities as well as are in line with the quality standard. All VCCOs visited by the current supervision mission are keeping the information online and have been provided by PIU with an excel spreadsheet collecting the number of members, households, participation in trainings, sales, etc. So far, the Programme has not undertaken the Annual Outcome Survey, and this is, as mentioned by the PIU, because IFAD has not requested to do so. Since FADiP is nearing completion, it is recommended that final outcome study is done.

29. In September, FADiP will hire a service provider to undertake the outcome and impact survey in view of the PCR. The Programme will draft the Terms of Reference with the help of the mission. The mission has also provided some implementation support to prepare PIU to the PCR. Unfortunately FADiP could not take lessons from the PT-AFREPP PCR due to the poor quality of the report and analyses therein. FADiP will provide the service provider with all the information in terms of achievements reached, establishment of cooperatives and all data collected.

30. The mission noted that the capacity of the M&E officer of FADiP needs to be enhanced to initiate and help undertaking the PCR. As such the mission recommends that the M&E officer joins a mission in Sri Lanka (preferably the supervision mission for the Smallholder Plantation Project to be held from 1<sup>st</sup> to the 17<sup>th</sup> June 2015) and gets hands-on experience of undertaking outcome and impact analysis, preparing M&E system for that process and also assessing 3<sup>rd</sup> level RIMS. It is proposed that FADiP to provide the cost of the air ticket and the DSA, and the training will be provided by IFAD mission and the Sri Lankan project staff.

#### **Coherence between AWPB & implementation**

31. Performance coherence is rated as *moderately satisfactory* (4). The main activities that were planned include service provider contracts for providing capital items to VCCOs, improvement of business linkage and providing an information desk, implementing VCCO expansion plans, credit delivery and training. Many of these have been achieved. Partially completed and on-going activities

include training, green-house construction and material production of good agricultural practices. The implementation of the Programme was mostly coherent with the activities and outputs planned in AWPB for 2014 and 2015. The programme achieved about 65% of the budget that was planned in the AWPB of 2014.

### **Gender focus**

32. Performance of this indicator is rated as *moderately satisfactory (4)*. Although the Programme has not prepared a gender strategy neither a gender action plan which was not deliberately mentioned in the FADiP design, programme's gender mainstreaming strategy/action is limited to reporting gender-disaggregated data on training and VCCO share membership. The PIU has ably negotiated that the contract signed between MOFA and the VCCOs had a clause that at least two women should be included in the Executive Committee of the VCCO ensuring that women are considered and involved in leadership positions. The supervision mission noted that in some cooperatives this remains unbalanced. The current supervision mission noted also that between the cooperative societies visited, not all of them have women in leadership positions thus they are not part of the Executive Committee. It is essential that VCCOs continues strongly encouraging female participation in VCCOs and also continues providing opportunities to them to effectively participate in production and marketing. The mission strongly recommends that each VCCO prepares a gender and social inclusion plan with equal distribution of activities and responsibilities in order to generate equal opportunities in production and marketing interventions. Such a plan will include (i) active participation of women in decision making and involvement in the Executive Committee, (ii) involvement of women in the selection of the supplier and in the preparation of a marketing strategy, (iii) create equal job opportunities and an equilibrated number of participants to trainings. The Programme should continue monitoring the involvement of women at production, processing and marketing and also should continue encouraging their participation in focused trainings. The Programme should also encourage women in cooperative societies to meet more frequently and identify and prioritize their needs in terms of trainings and assistance. The mission noted that this is hardly taken place and hardly attempted.

33. While women play a key role in FDSC cooperative, the Taro chips can be considered a 100% women product, the mission noted that in other cooperatives the role played by women is not always clear in terms of responsibilities and targeting and there is no evidence on how women are involved in active business transaction and whether they are able to secure the income. The mission recommends PIU to collect and record gender-wise information of the successful achievement of functioning VCCOs in order to understand and report on RIMS the gender-disaggregated information in the business.

### **Poverty focus**

34. This is rated as *moderately satisfactory (4)*. The islands that are supported have been selected on the basis of high incidence of poverty. Almost all the community members in programme islands are given a chance to participate in VCCO activities. Any deliberate selection of beneficiaries using poverty related criteria has not been the practice, neither it was required as almost all the community members are of similar socio-economic standing. However the mission noted that most of the cooperative executive committee members have higher socio-economic levels and represent the "non-poor" group of families. They have to bear various responsibilities of management, production coordination, and negotiation with markets etc which need resources. Seen from that light, it is an advantage that they come from the non-poor since their commitment, which they can afford, is essential for the sustainability of the VCCOs. The main reason for the performance rate to remain at 4 is that still the poor, who is the majority in the islands, is not leading the production front. For example only about 21 in FDSC, 50 in AMSC and about 10 in BMCS are producing.

### **Effectiveness of targeting approach**

35. This is rated as *moderately satisfactory (4)* as before. Apart from selecting communities in the poorer islands, which is geographic targeting and so far worked well, there is no systematic criteria

based selection of VCCO members who are poorer among the communities in the identified islands. PIU on the other hand cannot insist on such selection of individual since taking membership of the cooperatives is a democratic process and any community member has a right to become a cooperative member. As such the effectiveness is limited to the selection of islands. However, limiting the concentration of the number of shares in the hands of few members ensures equity among the community members to the ownership of shares.

### **Innovation and learning**

36. The performance rating remains at *moderately satisfactory* (4). Innovation and learning resulting from the Programme is limited but some innovative products and processes have been developed. At Hoarafushi, members have constructed small makeshift net-houses in backyards; '*domestic semi-controlled-environment cultivation*', to plant capsicum and melons in bag-pots or discarded oil cans, getting a fair crop. If encouraged, VCCOs can organize a *shared cropping pattern* among them to obtain an aggregated commercial level production. The 'Golden Honeydew Melon' cultivation at Hoarafushi is *cripplingly* infected with 'Fusarium Wilt' (pathogen, *Fusarium oxysporum*) with no known post-infected single cost effective treatment. The current situation is almost irrevocable. Hanimaadhoo Agriculture Training Centre officers visited the site in January 2015 and advised spread prevention methods, but the gravity of the situation has not been comprehended, probably due to inexperience and lack of exposure of ex-co members. These limit innovations that have potential.

### **Climate and environment focus**

37. This is rated as *satisfactory* (5). The Programme does not specify activities to abide by for climate change resilience or mitigation. The agricultural and fisheries related enterprises of VCCOs have no significant climate change-related vulnerability; enterprises are not overly susceptible and/or overly unable to cope with adverse effects of climate change. Instead they are Climate-Smart Agriculture (CSA) in controlled environment, as they have the three essential features: sustainably increase in farm productivity and income; operational system is resilient to climate change; and systems do not contribute to or initiate climate change effects.

## **E. Fiduciary aspects**

### **Quality of financial management**

38. The performance in financial management (FM) is rated as *moderately satisfactory* (4). In the first part of the review, the mission assessed the progress in relation to the implementation of financial services that are to be extended to the VCCs / VCCOs as per the amended loan agreement and, in the second part, conducted a comprehensive review of the current system of financial management covering budgeting, flow of funds, accounting, internal controls, financial reporting and auditing arrangements based on Financial Management Assessment Questionnaire (FMA – Annex 3).

39. Double entry book-keeping system on cash basis, in conformity with the International Public Sector Accounting Standard (IPSAS) is in operation. "Quick-book" Accounting package is being used in parallel to the system of manual record keeping. PIU is maintaining a sound system of internal control by segmenting duties among the staff and entrusting authorization, approval, certification and payments to different layers of management. However, discontinuing the services of the Account Assistant after the end of 2014 has made a serious concern to the existing system of internal control of the Programme due to the following reasons: for all payment either MOFT or MOFA provide approval and authorization, and the certification, payment and recording of transactions are undertaken by the Programme Accountant. Ideally recording of transactions should be undertaken by a person different from the one who made the payment to ensure checks and balances are in order. Further, in view of the fact that the work load of the accounting section of the PIU would increase during the time of the Programme completion in December and thereafter, the mission strongly recommends to fill this vacancy at the earliest. The Programme Financial Statement (PFS) for the year 2014 has been submitted to IFAD and Audit on time. Reconciliation of Special Dollar Account



(SA), Advance payment Register and Petty-cash Register are regularly performed and there is no undue delay in settling advances obtained from the SA. Since there is no Programme Account, requirement of preparation of Bank reconciliation does not arise. Funds are flowing to the Programme uninterrupted. Two separate Fixed Assets Registers are maintained for PIU and for the assets issued to VCCOs depicting all required details. The Fixed Assets Registers are up to date and periodical asset verifications are conducted only at PIU. The mission checked some of the randomly selected assets at the PIU and 3 VCCOs (Gamanafushi, Magoodhoo and BMCS) and found no discrepancies between book balance and physical balance.

40. Two separate Accounting Manuals have been prepared to guide the accounting staff at PIU and VCCOs. In order to strengthen the system of financial management of VCCOs, "Quick Book", accounting package was installed in AMCS, FDCS, GAGCS, FMCS and BMCS. Further, the PIU has conducted an orientation programme on Quick Books software and financial reporting template for the staffs of all five VCCOs mentioned above. In addition, they were trained in Business management and office administration. However, high turnover of trained accounting personnel at the VCCOs is a formidable challenge faced by the VCCOs. A copy of the Audited Accounts of FDCS and AMCS were available to mission and in addition to these VCCOs, BMCS also has prepared their Final Accounts for the year 2013 which could be treated as an example to other VCCOs to follow suit.

41. Withdrawal Applications (WAs) and Statements of Expenditure (SOEs): The mission reviewed all WAs with special attention to the SOEs which were sent to IFAD since the last mission, numbering from WA 8 to 13 covering the period up to the end of March 2015. Samples were tested for SOE and supporting documents were found sufficient for expenditure incurred in 2014 and first quarter 2015, thus they were eligible in terms of the spending purpose. Except WA 13 which is ready to be despatched to IFAD, all other WAs so far sent, have been fully replenished. It is the practice adopted by the Programme to claim reimbursement for the full amount of the payment including tax and refund the tax component to the SA using provision of Government contribution bi- annually (IFAD concurrence for this arrangement is CPM's mail dated 07 April, 2014). Accordingly a sum of USD 25,698 (Jan-June USD 12,229.17 + June to Dec. USD 13,469) has been refunded by the Government to the credit of SA. Next refund would be made at the end of June, 2015.

42. Special Account (SA) and Programme Account (PA): As the average value of WA is about USD 179,893 and the frequency of submission is once in three months, the authorised imprest of the SA is adequate to meet the budget requirements, provided WAs are sent regularly. Reconciliation of SA is up-to-date. Since the Programme is nearing completion the Project Accountant was advised to prepare a recovery plan from July, 2015, six months before Programme completion date. Recovery of the advance of USD 5,126.97 released to Kamburu Co (Ltd) is under litigation and all other ineligible expenditures have been credited to the SA charging against the Government contribution.

#### **Acceptable disbursement rate**

43. Disbursement is *rated as unsatisfactory (2)*. Loan became effective on 15 September, 2009 and is scheduled for completion at the end of 2015. More than 85% of the Programme implementation period has elapsed with a cumulative disbursement rate of 55.4% (including USD 281,000 released to BML and pending WA No. 13) against the total revised approved IFAD loan of USD 3.1 million. As per IFAD Corporate Disbursement Profile (CDP), rate of disbursement at 85% time lapsed should have been 90% of the total approved Loan, based on the implementation period of 6 years. Total cumulative disbursement out of the total Programme cost is 45.4% (Appendix 5 Table A) and expenditure against Component 3, Project Management is the highest (Appendix 5 –Table B). In utilization of the IFAD Loan, apart from the funds released to BML under Incremental credit which has reached 100% level of on-lending to BML, Category V Recurrent Expenditure accounts for the highest percentage of 81.8%. The lowest is Category 1A VCCO Investment Capital (Appendix 5- Table C), which is 18.1%.

### **Counterpart funds**

44. This is rated as *moderately satisfactory* (4). The counterpart funds were provided uninterruptedly on request. However, it is observed that low utilisation is directly related to the rate of physical progress of the programme implementation. Out of the total amount committed for the entire programme period (USD 1,322,000) the Government has provided USD 603,000 as at the end of March, 2015, which is 46.4%.

### **Compliance with loan covenants**

45. This is rated as *satisfactory* (5). All financial covenants except the requirement of opening of a Programme Account, which was not possible under the Public Finance Act of Maldives, have been complied with (Appendix 6).

### **Compliance with procurement**

46. Procurement is rated as *satisfactory* (5). IFAD has provided no-objections for the Procurement Plan of 2015 which was submitted on 15<sup>th</sup> Sept, 2014. Procurements have been carried out in line with AWPB and Procurement Plan. PIU has obtained prior approval of IFAD for all needed cases. The mission physically checked some randomly selected fixed assets that were procured through the Service providers and issued to VCCOs (Gamanafushi, Magoodhoo and BMCS) and found that the fixed assets have been properly accounted for. The Contract Register maintained by the PIU is regularly updated.

47. During 2014 and the first quarter of 2015 the PIU has procurements to the value of USD 894,750.69 through 19 Service providers. When service providers quote prices for various items relevant Procurement Committee makes the decision on the recommendation of an evaluation committee appointed for the purpose. As the related documents including evaluation reports and decisions of the Procurement Committees were kept in the local language, the mission decided to randomly select three procurements in different nature and value and got them translated to English to assess the reliability and accuracy of the procedure followed. The translated documents were reviewed and found that the selections were made according to the procedure. However, the mission recommends that the documentations (especially evaluation reports and decisions of the procurement committees) relating all future procurements, that needs post review should have an English translation for review.

48. As all procurements under the programme are below the threshold of ICB, PIU follows local procedure of procurement. Value of the items that are bulked together costs between USD 20,000 and USD 50,000, National Competitive Procedure is followed. The provision of training services and specialist services would be procured under Direct Purchase or Single source basis, depending on the amount of the contract and availability of local or regional agencies with the requisite expertise. Local shopping procedures would be followed for procurement of goods amounting to less than USD 10 000. Direct purchase procedures would be followed for contracts amounting to less than USD 5 000. For Technical assistance, Studies and contracted staff are recruited through direct contracting on the basis of short lists and Terms of References acceptable to IFAD.

### **Quality and timeliness of audits**

49. This is rated as *moderately satisfactory* (4). Audited Accounts for the year 2013 dated 25.06.2014 and the Management Letter along with response of the management were submitted to IFAD. Quality of the audit is satisfactory, but a comment on the status of the previous year audit recommendation need to be included. The Auditors have reviewed SOEs and operation of the SA and expressed an unqualified opinion on Programme Financial Statement (PFS). An updated Audit Log is enclosed as an Appendix 9. PFS on 2014 Accounts have been submitted to the Audit and IFAD on time and audit is in progress. The mission reviewed the audited accounts of 2012 and 2013 along with the Management letters and found that there are unresolved audit issues which require immediate attention of the PIU. Among these issues, un-reconciled cash / fund balances observed in 2012 and 2013 (2012- USD 1,121 and 2013 – USD 2210 and USD 2361) needed further review and respond

the audit without further delay. The mission recommends that all audit issues to be resolved before the closer since it will be convenient for the government to facilitate smooth closer the Programme.

## **F. Sustainability**

### **Institution building**

50. This is rated as *moderately unsatisfactory* (3). The VCCOs are registered as business entities under the provisions of the Cooperative Societies Act governed by the MED. The Government recognizes the VCCOs contribution in broad-based and sustainable local economic development through community mobilization in business activities. VCCOs have government patronage and high potential for synergy between government's other entrepreneur support services such as MED's BDSC project. The mission also observed that VCCOs have high level of support from respective Island Councils and a few have council representation in the VCCO Ex-co. In FDCS, the Island Council has a 50% equity share in the VCCO and five members in 14-member Ex-co representing the Council interest. A few other VCCOs prefer to keep Council members away from VCCO Ex-co but enjoys the Council's support, the mission observed, an indication of harmony. The mission however noted with concerns that the members are still reluctant to get fully involved in undertaking collective activities in VCCOs. Exceptions being AMCS and BMCS where there is a notable active member base. Further efforts in mobilization and trust building is required to improve the institutional strength.

51. The lending institutions, which are new partners for the VCCOs, now recognise the cooperatives as a potential sector to lend and it would thus help VCCO's institutional building. Networking with development agencies, banks and the organized private sector would assist VCCO development and their sustainability. Expert inputs in technology improvement, production planning and market linkages are needed to tap the potential and enhance institutional building.

### **Empowerment**

52. The performance is rated as *moderately unsatisfactory* (3). The delay in BP implementation has resulted in most VCCOs having no visible development and returns on investment for member share contribution. The training provided by the Programme in early stages on community mobilization, leadership, business management etc. have given a boost but now the community merits some business orientation. Except probably AMCS, all other VCCOs need substantial capacity improvement in technology, managerial and financial aspects. Currently high-tech agriculture is operated by traditionally non-farmers with least technical knowledge. The BMCS and FDCs have just commenced production and their technical knowledge is still at original establishment level. The stability and survival prospect of enterprises are unstable, as witnessed at Huvarafushi. They lack knowhow and skills on trouble shooting, capacity expansion and diversification. The high technology agriculture needs precise understanding of the intricate production process and skilled managerial capabilities. None of the VCOOs have a broad understanding of costs and returns, cost management, and gross margins analysis. Specially designed training by MOFA integrating all these is urgently needed. Also corrective actions for specific operational problems faced by each VCCO are needed through expert assistance, which enable to rebuild the community trust and resource mobilization in value chain activities. Only then the community empowerment could be achieved in full scale.

### **Quality of beneficiary participation**

53. The performance is rated as *moderately unsatisfactory* (3). Despite the results being delayed and no tangible results of the initiative (in most cases), the mission observed that in four VCCO community meetings some beneficiaries are still enthusiastic to collaborate with the Programme. However, the community does not demonstrate ownership. The cooperative approach to community mobilization for business enterprising is a new concept in the country and the level of community participation thus far by way of increasing the membership is encouraging. However, the Programme needs to place more emphasis on strengthening beneficiary participation in the value chain as a part of the programme exit and sustainability strategy.

### **Responsiveness of service providers**

54. The performance is rated as *moderately satisfactory* (4). The Programme has utilized service providers to develop baseline surveys, need assessment studies and training materials, and to complete a market study of Maldives Fish in the early stage. Design of the package for 50 and 100 gram packs and delivery of 125,000 packs each of for taro chips for FDGS was successfully completed in mid-2014. Also packaging Materials for AMCS were designed and supplied through a service provider. The mission is of the view that the service providers delivered according to their terms of reference, generally followed the timelines required, and demonstrated flexibility where necessary to address emerging requirements.

55. However the mission noted few gaps in the service providers' roles. The constructions are (i) not meeting the community needs: pertinence to locality, adaptable design; (ii) capacity and operational scale is large; and (iii) establishing the system taking longer time. The mission observed that FDGS is community need based, appropriate capacity but short of any notions on optimum scale of operation and profit margins. The FMCS three-greenhouse enterprise is still at mid-course stage. Field discussions did not reveal any strong community need; probably due to a deficient participatory planning. Manageability of greenhouses by islanders is uncertain, unless propping-up training is given. Structures lack flexibility. In hind sight, a built-operate-transfer (BOT) contract would have been the most appropriate. Options to resurrect the situation are: (i) MOFA to compel the service providers to expedite, (ii) explore the option of services of a consultant agronomist.

### **Exit strategy**

56. This is rated as *moderately unsatisfactory* (3). The PIU with the support of the VCCOs has developed an exit strategy to ensure the sustainability of the VCCOs and their businesses. The mission noted that many of the strategies therein need serious improvements. The two essential strategies that are needed include close involvement of marketing support, and technical assistance to manage high-tech agriculture. A service provider or a consultancy input is needed until the Programme closer to ensure the sustainability of the production and related business of the VCCOs. Establishing connections with the on-going programme of the Ministry of Trade and Industries in providing business development services at the island level will be an effective approach that MOFA should initiate. Further the cooperative approach to development has been recognised as a strategy at the highest level of the government policy. It is expected that MOFA, in line with that policy, will provide adequate financial and human resources to sustain the efforts of FADiP to support VCCOs. Such interventions should be properly identified and included into the exit strategy.

57. The mission was requested to highlight the essential elements of an exit strategy. While the preparation of the strategy is a detailed, participatory and programme-owned deliberation, the following briefing provides some guidelines to undertake the exercise. The strategy development would essentially have four steps: (i) participatory and candid assessment of the current status of achieving all expected programme outputs and outcomes (log-frame can be a guide); (ii) assessment of key interventions including financing that are required to achieve any gaps in the outputs and outcomes to achieve the development objectives; (iii) assessment of support that are needed for the sustainability of any outcomes that have been achieved; and (iv) implementation plan of providing all required support indicating which institution would provide them, who would be responsible, time line and the required budget. The presentation of the fourth could be a matrix which will be based of the results of the assessment of 1<sup>st</sup> three items. It is recommended that the exit plan be prepared in August 2015 so that there is adequate time for its implementation.

### **Potential for scaling-up and replication**

58. Potential for scaling-up and replication is rated as *moderately unsatisfactory* (3). Value chain relationships between communities and markets are beneficial for all parties and have significant potential to be scaled up and replicated. In four VCCOs which are in production (AMCS, BMCS, FDGS and GAGCS) such relationships are limited due to technology, marketing and financing constraints but with greater potential to up-grade. Even with the current limited results, particularly in

marketing, MOFA/FADiP has already extended the programme to two cooperatives which indicated its great potential. The potential however has not been captured well and to the full extent. For example, up to now none of the activities have been appreciably taken up by the state or others to laterally multiply the enterprises or to scale up the technology. It also has motivated members to look for agronomic solutions on their own, women to think about different vegetables for food, and in future probably for a community planned cropping system, but these are still not formally addressed. Once the programme exit and VCCOs come under national Coop movement, these are opportunities to scale up.

Agreed action	Responsibility	Agreed date
7. The exit strategy of FADiP needs emphatic reference to sustainable market arrangement and technical advice on high-tech production practices. With the help of the marketing firm and a technical expert in agriculture, PIU with the close involvement of MOFA should develop the exit strategy. Once it is developed IFAD will help to review it, electronically if requested.	MOFA	July 2015
8. As part of the exit strategy, use Ex-co members of promising VCCO to help the less promising ones in their development process	PIU to draw a plan of action	July 2015
9. MOFA to assign an officer from the Budget Department to assist the Programme Accountant of the PIU	MOFA	June 2015

## G. Other

### Physical/financial assets

59. This is rated as *moderately satisfactory* (4), with all physical assets for production distributed and an action programme drafted to systematically handover the assets to VCCOs. The financial assets are still a constraint in the form of limited share capital. Only in few VCCOs, share capital is growing as potential new members wait monitoring the success of VCCOs before joining.

### Food security

60. The rating remains the same as *moderately unsatisfactory* (3) since production and income generation, attaining food security that is attributable to FADiP is taking place only in two VCCOs. The dividends of the VCCO profits have not been shared so far to ensure any contribution to food security. Thus the additional income is limited to direct selling of individual products in the open market.

### Quality of natural asset improvement and climate resilience

61. *This is rated as satisfactory* (5). Natural asset management deals with how VCCOs manage the natural resources (land, water, soil, plants) in undertaking their BPs while safeguarding them for present and future generations. This is exceedingly important in Maldivian context having a fragile environmental balance. None of the BPs adversely disrupts the surrounding natural resources. The enterprises are climate-smart as they are resilient to climate change and do not contribute to climate change

## H. Conclusion

62. FADiP has completed supplying most of the capital and in some cases recurrent inputs to implement the business plans of seven VCCOs. The VCCO members have received initial training on several different subject areas. Brand registration was completed for few key products. As value chain business initiatives, few VCCOs have functioning business linkages and supply of products such as a range of vegetables and fruits. As such the Island communities have started undertaking agriculture and fish related business through the cooperative model. However the production and marketing of the VCCO have not been progressed as expected due to several limitations. These include weak market linkages; inadequate working capital and not having sources of funds for the purpose including lack of appetite for credit facilities; poor technical know-how to manage high-tech agriculture; low capacity of the members of the VCCO in terms of basic agriculture and fish processing, business and

financial management, and cooperative management; and unreliable supply contracts between the cooperative and the suppliers.

63. The Programme is nearing completion and thus its intervention in overcoming these limitations should be undertaken on an emergency mode. The mission recommends three areas of support through a service provision: (i) hiring market firm for about 6-8 months to assist VCCOs in supply and market demand assessments and establishing market linkages with diversified markets; (ii) assigning a qualified agronomist to be stationed for a minimum period of four months in islands where there is high tech agric production; and (iii) undertaking a quick assessment of the business expansion needs and provide them as quickly as possible. There is a high potential in peer-to-peer learning through cross visits to VCCOs. The subject areas would be production, marketing and bookkeeping. PIU should make urgent arrangement to facilitate such visits in addition to the supports listed above. Unless the balance time and loan resources of the Programme are used effectively and urgently in that direction, turning the initiated business potentiality to a reality to the benefit of the community would become a miss-opportunity.

64. The Government of Maldives made a request for IFAD to consider a possible extension for the Programme. The mission wishes to record that request in this aide memoire.

## Appendix 1: Summary of project status and ratings

### Basic Facts

Country	Maldives	Project ID	1377	Loan/DSF Grant No.	726
Project	Fisheries and Agricultural Diversification Programme			Top-up Loan/DSF Grant	
Date of Update	24-Mar-2015				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	4	No. of Implementation Support/Follow-up missions	7		
Last Supervision	28-May-2014	Last Implementation Support/Follow-up mission	19-Jun-2014		

USD million    Disb. rate  
%

Approval	12-Sep-2007			Total financing	6.87	
Agreement	02-Apr-2008	Effectiveness lag	24.5	IFAD Total	3.50	
Entry into force	15-Sep-2009	PAR value	Not at risk	IFAD loan	3.50	58.5
First disbursement	11-Feb-2010			DSF grant		
MTR	23-Sep-2012	Last amendment	15-Dec-2011	IFAD grant		
Original completion	30-Sep-2014	Last audit	25-Jun-2014	Domestic Total	3.37	
Current completion	31-Dec-2015			Government (National)	1.32	15
Original closing	31-Mar-2015			Domes. Fin. Inst.	0.55	8
Current closing	30-Jun-2016			Private Sector Local	1.50	0
No. of extensions	1			External Cofinancing Total		

### Project Performance Ratings

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

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. VCC Development	5	4	1. Institution building (organizations, etc.)	3	3
2. Financial Services	3	3	2. Empowerment	3	3
			3. Quality of beneficiary participation	4	3
			4. Responsiveness of service providers	5	4
			5. Exit strategy (readiness and quality)	3	3
			6. Potential for scaling up and replication	4	3

#### B.5 Justification of ratings

The project is moving out of problem status, pending final confirmation by the supervision mission in May 2015.

### Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	3	4
C.2	Food security	3	3
C.3	Quality of natural asset improvement and climate resilience	4	5
C.4	Overall <b>implementation progress</b> (Sections B1 and B2)	4	4
<p>Rationale for implementation progress rating</p> <p>The programme has established most of the required initial capital items and the foundation for the VCCO to start functioning. However in order to take the full benefit of the foundation the programme needs technical advice and close supervision on high-tech agriculture and also market linkages. The programme has been working on these but results are to be seen. This makes the performance indicator to be at 4.</p>			
C.5	Likelihood of achieving the development objectives (section B3 and B4)	4	3
<p>Rationale for development objectives rating: The development objective is to establish smallholder agriculture and Maldives Fish processing value chains to generate income for the community members. Production and marketing are essential in achieving this. Four out of six VCCOs have established the production systems with acceptable level of supply base, while others are still in the process. Others have issues such as working capital and potential technical constraints to ensure production. Except one VCCO, the rest is still in the process of establishing markets. As such the overall analysis is that unless FADiP intervenes quickly and effectively, such setbacks will impede achieving the development objective.</p>			
C.6	<b>Risks</b> Short description of major risks for each section and their impact on achievement of development objectives and sustainability		
	Fiduciary aspects	The main fiduciary risks which have a potential impact on achieving the development objectives are: • The current slow disbursement rate • Poor financial management by VCCOs/VCCs	
	Project implementation progress	The main perceived risks for implementation progress are: • PIU staff motivation and skilled staff spending sufficient time in the field • Failure to provide high quality marketing service providers for each VCCO to address VCCO-specific marketing challenges • A failure to provide appropriate technical / agronomic service providers – critical in mitigating the risks associated with PIU capacity • Lack of M&E support so that management interventions at the correct time and required degree could be provided.	
	Outputs and outcomes	Key risks associated with the Programme outputs and outcomes are: • still no workable arrangement, except for fish processing VCCO, to provide working capital which limit the production of VCCOs/VCCs to expand business activities at a scale which is financially viable and sustainable • PIU staff not sufficiently engaging with the VCCOs on the need basis perhaps due to the low capacity of them being able to provide high level technical and marketing guidance • Weak institutional, technical, financial and organisational capacity within VCCOs and still not having a mechanism which is adequate to support capacity developments in these areas, which would increase the risk of a lack of sustainability of VCCO operations systems • A failure to adequately understand the market requirements of the value chain i.e. a focus just on the production-end of the value chain without sufficiently engaging in research and analysis to understand the market and appropriate market promotion and penetration strategies • A failure to ensure high quality and reliable supply of products by VCCOs to markets • No system in place to address agronomic emergencies on time and in-situ.	
	Sustainability	The key risk to sustainability is the ability of the Programme to adequately build and maintain VCCO capacity and market linkages. Failure to do so would critically endanger the achievement of the development objectives.	

## Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Component 1: Value chain development	Hire a professional marketing service, acceptable to IFAD for 6-8 months to help FADiP undertaking both VCCO supply and market demand assessments and accordingly establish and maintain market linkages as an exit strategy. All six VCCO should be focused. The firm will report to a DG of MOFA with monitoring function remained with the PIU; Because of the complex nature of greenhouse production, MOFA should assign a qualified agronomist (qualifications and the TOR are annexed) to stationed for a minimum period of four months in islands where there is high tech agric production; Identify the capital items requirement for each VCCO (for example, storage facilities in AMCS, the taro chip slicer for FDCS) and construct / procure them to be transferred to the VCCO before completion of the Programme.	Between June 2015 and May 2016	Have started but needs enhanced attention
Component 2: Financial services	MOFA to transfer the ownership of the assets to such cooperatives that are willing to access loans so that those could use the equipment and other assets as collaterals; If the BML expresses their readiness to reduce the on-lending interest rate, then the condition of 50% co-financing of BML own funds to be relaxed and amend the SLA accordingly; If the BML is not revising the on-lending interest rate downward, and also if there are no applications for a notable amount of credit, BML will have to transfer the total amount of IFAD loan resources (US \$ 281,000) to the Public Bank Account (PBA) and from there to the Special Dollar Account by end of August 2015.	June to August 2015	Need to consider all these activities
Component 3:	The exit strategy of FADiP needs emphatic reference to sustainable market	Between July	To be started



Programme management	arrangement and technical advice on high-tech production practices. With the help of the marketing firm and a technical expert in agriculture, PIU with the close involvement of MOFA should develop the exit strategy. Once it is developed IFAD will help to review it, electronically if requested; As part of the exit strategy, use Ex-co members of promising VCCO to help the less promising ones in their development process	2015 and December 2015
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**Additional observations**

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## Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions and Risks
<b>OVERALL GOAL</b>			
Reduce the smallholder agriculture and fish processing sectors' vulnerability by sustainably improving food and income security thereby reducing rural poverty <sup>5</sup>	<p>Increase in asset ownership of actual target beneficiaries in the island communities by ...% based on the baseline information</p> <p>Reduction in the prevalence of underweight children under 5 years old of actual target beneficiaries in the island communities by ...% based on the baseline information</p>	<p>Project/RIMS Baseline and Impact surveys in the target groups/beneficiaries</p> <p>Secondary data from Ministry of Health, UNICEF, Department of National Planning</p>	Stable economic environment and no threat from natural disasters
<b>PROJECT PURPOSE</b>			
Develop smallholder agriculture/fish processing value chains that would improve and sustain the incomes of the smallholder farmers/fish processors	<p>Number of farmers, fishers /fish processors (by gender) involved in the value chain reporting production or yield increase</p> <p>Number of farmers, fishers /fish processors (by gender) involved in the value chain having higher (a) value of agricultural/fisheries products (sales) and (b) net earnings</p>	<p>Baseline Survey and Outcome Studies</p> <p>Project Reports</p>	Favourable market conditions
<b>COMPONENT OUTCOMES and OUTPUTS</b>			
<b>Component 1: Value Chain Development</b>			
<b>Outcome 1.1 – Value chain cooperatives (VCCO) and value chain companies (VCC) strengthened as business entities</b>	<p>Number of VCCOs/VCCs operating as business entities functional by the end of project<sup>6</sup></p> <p>Increased number of shares sold</p>	<p>Baseline Survey and Outcome Studies</p> <p>Project Reports</p> <p>VCCOs/VCC financial reports</p>	Farmers & fish processors are willing to work as a group

<sup>5</sup> Narrative summary for goal and project purpose is based on the restated financing agreement as of 30<sup>th</sup> November 2011

<sup>6</sup> Key elements of a business entity and functional VCCO/VCC will be defined by the project

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions and Risks
<p><b>Output 1.1.1-</b> VCCOs/VCCs established</p> <p><b>Output 1.1.2_</b> VCCOs/VCCs implemented viable business plan that have action plans and marketing strategies.</p> <p><b>Output 1.1.3</b> – VCCOs/VCCs established their market</p> <p><b>Output 1.1.4</b> – VCCOs/VCCs members/farmers/fish processors and individuals trained on business and operational management.</p> <p><b>Output 1.1.5</b> – Qualified VCCOs/VCCs accessed to value adding facilities to expand their businesses</p> <p><b>Outcome 1.2- Improved productivity and quality of VCCOs/VCCs, farmers'/fish processors produce/products</b></p>	<p>Number of VCCOs/VCCs organised</p> <p>Number of farmers/fish processors as members of VCCOs and VCCs</p> <p>Number of VCCOs/VCCs developed business plan</p> <p>Number of VCCOs/VCCs implementing the business plans eg: achievement of planned targets</p> <p>Number of VCCOs/VCCs having contracts with established market</p> <p>Number of supply and forward contracts signed by each VCCOs/VCCs</p> <p>Number of VCCOs/VCCs members/farmers/fish processors and individuals trained in business and operational management</p> <p>Number of VCCOs/VCCs with operational manuals</p> <p>Number of VCCOs/VCCs having functional value adding facilities</p> <p>Number and type of value added products produced through value adding facilities by each VCCOs/VCCs</p> <p>Number of VCCOs/VCCs, farmers'/fish processors with increase in sales due to</p>	<p>Project Reports VCCOs/VCC members registry</p> <p>Project Reports VCCOs/VCCs annual reports</p> <p>Project Reports VCCOs/VCCs contract documents</p> <p>Training Reports Project Reports</p> <p>Project Reports</p> <p>Project Reports VCCOs/VCCs financial and annual reports</p> <p>Training Reports Project Reports</p>	<p>MOFA has sufficient technical expertise</p> <p>Farmers/fish processors are willing to adopt new technologies.</p>

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions and Risks
<p><b>Output 1.2.1-</b> VCCO members/farmers/fish processors trained on good farming/fish processing practices, quality standards and other technical needs.</p> <p>Output 1.2.2 – VCCO members/farmers have access to updated agricultural information from Agricultural Information Desk</p>	<p>volume and/or value</p> <p>Number of VCCO/VCC products certified by MFDA and other relevant certifying agencies</p> <p>Number of VCCOs members/farmers/fish processors trained (a) good farming/fish processing practices, (b) quality standards and (c) other technical needs.</p> <p>Number of AID with updated agricultural information</p> <p>Number of VCCO members and farmers using AID</p>	<p>VCCOs records Project Reports</p>	
<p><b><u>COMPONENT 2: Financial Services</u></b></p> <p><b><u>Outcome 2- Small farmer producers, fishers and VCCOs invest in expanding their farm or fishing enterprise</u></b></p> <p>Output 2.1- Appropriate financing are available to farmers/ fishers/ cooperatives/ VCCs/VCCOs</p>	<p>% of VCC/VCCO members have accessed to credits provided by implementing bank # of VCCs and VCCOs having accessed credits provided by implementing bank # of VCCOs/VCCs benefiting from the leasing corporations # of VCCO/VCC members benefiting from the equipment from VCCOs/VCCs</p> <p># of SLA signed # of loan portfolio developed for specific client (e.g. small farmer producers/ agri-</p>	<p>- Value Chain Companies records, Programme records, M&amp;E reports, VCC/VCCO reports, Bank reports</p> <p>Financing institutions records - Audit report</p>	<p>-No political interference in loan repayment No misuse of fund (VCC), Clear and favourable financing terms</p> <p>- Timely availability of loan resources and lease equipment - Misuse of Loans - Clear and favourable terms in financing - No political interference in giving loans</p>

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions and Risks
Output 2.2- Leased facilities are available to farmers/fishers/ VCCOs/VCCs	workers/VCCOs/VCCs  # of SLA signed # of lease agreements per year # of leased facilities with VCCOs/ VCCS	- M&E Reports - VCC/VCCOs sales report / Annual report / monitoring report / Work plan - MFLC loan records - Audit report	-Timely availability of loan resources and lease equipment - Misuse of Loans - Clear and favourable terms in financing - No political interference in giving loans

### Appendix 3: Status of recommended actions from the previous supervision mission

Agreed action	Responsibility	Agreed date	Status
1. The programme to recruit 7 island-based business development coordinators to be stationed on a full-time basis in selected islands until the end of the Programme	PIU/MoFA	15 January 2014	Completed
2. Assuming good progress in the coming months, an IFAD-supported mission to decide with government whether an extension to the Programme is justifiable. If the mission assesses that this is not the case then the loan financing and programme scope to be scaled down	IFAD	30 June 2014	Completed
3. All value-added equipment purchased by the programme for the VCCOs/VCCs should be handed over to the communities to ensure a sense of ownership, rather than retained as MoFA assets. The prioritised VCCO should be provided with the first batch of equipment, latest by mid-march 2014	PIU/MoFA	when procured delivered by 15 March 2014	Ongoing – So far all machineries have been delivered to cooperative societies but still under the ownership of the Government
4. After completing required revisions and approvals, sign revised agreements with MCS, FDCS, VFCS, SFCS, BMCS, and AMCS	PIU/MoFA	31 December 2014	Completed
5. Develop an accounting operations manual to be provided to the VCCOs	PIU/MoFA	31 January 2014	Completed
6. Develop manuals, videos and/or interactive CDs for GAP and Quality Standards in Divehi, with illustrations to train the farmers and VCCO members	PIU/MoFA	28 February 2014	Ongoing (4000 leaflets prepared on GAP and bidding process on going for GAP videos)
7. Conduct PRA of needs assessment in Gn. Fuvahmulah (FDCS) and L. Fonadhoo (SFCS)	PIU/MoFA	28 February 2013	Completed
8. Ensure any new staff have sufficient hand-over periods with those staff leaving, even if this means duplicate payments for a period of time for individual posts	PIU/MoFA	As necessary	On Going
9. IFAD support early in 2014 to support FADiP M&E	IFAD	28 February 2014	Completed
10. M&E system resume utilizing the M&E database, and strengthened field data collection	PIU/MoFA	28 February 2014	Pending
11. Revise the programme logframe	PIU/MoFA	31 December	Completed
12. Formally establish relationship with MED projects on an ongoing basis	PIU/MoFA	Ongoing	To meet when need arises





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

Results #	Objectives/Expected Results	Indicators	Unit	Revised (Total)	Planned (Annual)	Achieved (Cumulative)	%	Achieved (Annual)	%
<b>Component 1 - Value Chain Development</b>									
OC1.1	<b>Outcome 1.1 – Value chain cooperatives (VCCO) and value chain companies (VCC) strengthened as business entities</b>								
1.1.1	Output 1.1.1- VCCOs/VCCs established		VCCO	12	12	7	58%	7	58%
	A1- Recruit & station Business Development Coordinators	# of BDCs Recruited		7	7	7	100%	7	100%
	A1- Recruit & Station Project Implementing Officers ( <b>Activity revised activity after follow-up Mission</b> )	# of PIOs Recruited		7	7	7	100%	7	100%
	A2- Call for EOIs ( <b>New activity after IFAD granting for an extension for the Project</b> )	# of EOIs		5	5	3	60%	3	60%
	A3 –Review the VCCO Business Plans (BP) ( <b>for the new 5 VCCOs and the existing 7 VCCOs</b> )	# of business plans		12	7	8	67%	8	114%
	A4 - Prepare and approve sustainable exit strategy plan	# of sustainable exit strategy plans		12	7	7	58%	7	100%

	A5 - Conduct regular meeting between PIU, Executive Committee(ExCo) members and General members of VCCO to implement and evaluate business activity	# of meetings held between PIU and the VCCO Executive members		72	72	66	92%	51	71%
1.1.2	Output 1.1.2 – VCCOs/VCCs implemented viable business plan that have action plans and marketing strategies		VCCO	12	7	7	58%	7	100%
	A6 – Develop / Review and Implement operational manuals (OM) for VCCOs and conduct awareness programme on OM	# of OM developed		12	6	7	58%	6	100%
	A7 – Assist the VCCOs to improve the financial management by computerization	# of VCCOs with financial management system		12	7	5	42%	4	57%
	A8 - Develop and register "brand" for VCCOs products	# of brands developed		12	7	5	42%	3	43%
1.1.3	Output 1.1.3 – VCCOs/VCCs established their market		VCCO	12	7	2	17%	1	14%
	A9 - Identify and consult with potential markets for VCCOs products	# of markets identified		12	7	11	92%	9	129%
	A10 – Facilitate the signing of Supply Contracts (SC) and Forward Contracts (FC) between VCCO's and markets	# FC and # Supply Contracts signed		24	14	17	71%	16	114%
	A11- Facilitate meetings to ensure continuous information exchange between the market and the VCCO	% of meetings		12	7	8	67%	8	114%

1.1.4	Output 1.1.4 – VCCOs/VCCs members/farmers/fish processors and individuals trained on business and operational management.		Tools	12	7	7	58%	4	57%
	A12 - Conduct training needs analysis (TNA) on VCCOa established in the islands	# of TNA prepared		12	4	7	58%	4	100%
	A13 - Conduct trainings based on TNA result	# of trainings conducted		24	14	23	96%	23	164%
1.1.5	Output 1.1.5 – Qualified VCCOs/VCCs accessed to value adding facilities to expand their businesses		VCCO	12	7	7	58%	7	100%
	A14– Hire service providers (SP) to construct/procure/install value adding facilities/machineries for VCCOs	# of service providers hired		12	7	7	58%	19	271%
	A15- Procure and supply equipment for VCCO office establishment	# of office established		12	7	7	58%	7	100%
OC1.2	<b>Outcome 1.2- Improved productivity and quality of VCCOs/VCCs, farmers'/fish processors produce/products</b>								
1.2.1	Output 1.2.1- VCCO members/farmers/fish processors trained on good farming/fish processing practices, quality standards and other technical needs.		farmers	2000	1200	0	0%	0	0%
	A16 - Develop training materials on Good Farming Practices and Food Safety	# of training materials developed		1	1	0	0%	0	0%

	A17- conduct technical trainings for VCCOs	# of trainings conducted		12	7	4	33%	4	57%
1.2.2	Output 1.2.2 – VCCO members/farmers have access to updated agricultural information from Agricultural Information Desk			12	12	0	0%	5	42%
	A18 – Provide agriculture information material for VCCOs	% of VCCOs supplied with materials		12	7	5	42%	5	71%
<b>Component 2 - Financial Services</b>									
OC2	<b>Outcome 2 - Small farmer producers, fishers and VCCOs invest in expanding their farm or fishing enterprise</b>								
2.1	Output 2.1: Appropriate financing are available to farmers/ fishers/ cooperatives/ VCCs/VCCOs		USD	450000	450000	0	0%	0	0%
	2.1 Draft and Finalize SLA	# of SLA signed		1	1	1	100%	1	100%
	2.2 Call for EOIs	# of EOIs		actual	actual	11	#VALUE!	11	#VALUE!
	2.3 Evaluate and process the EOIs	# of EOIs		actual	actual	6	#VALUE!	6	#VALUE!
	2.2 Provide financing to VCC/VCCOs and other farmers and fishers through BML	No. of beneficiaries Amount received		actual	actual	0	#VALUE!	0	#VALUE!

	2.2.2 - Financing provided to VCC/VCCOs through lease agreements (e.g. cold chain and processing equipment)	# of lease agreements per year				0	0%	0	0%
2.2	Output 2.2: Leased facilities are available to farmers/fishers/ VCCOs/VCCs		Agreement			0	0%	0	0%
<b>Component 3 - Programme Management</b>									
OC3	<b>Outcome 3 - Effective and efficient programme management to support the development of agriculture and fishery value chain</b>								
3.1	Output 3.1: Adequately staffed programme with improved competence and Functioning project structures (national to island)		PMU	1	1	1	100%	1	100%
	3.1 - Provide salaries to PIU staff			36	12	29	81%	17	142%
	3.2 - Provide salaries to experts			36	12	29	81%	17	142%
	3.3.- Capacity Building for MOFA staff in project related areas	# of staff trained		42	9	12	29%	10	111%
	3.4 -Organize NSC and TRC meetings	# of meetings		40	11	28	70%	6	55%
	3.5- Hire a service provider to prepare KM products	# of SP		1	1	0	0%	0	0%

	3.6 - Conduct regular monitoring of physical and financial progress incorporating the agreed actions of the previous mission			actual	13	13	0%	13	100%
	3.7: Conduct a new Baseline Survey + RIMS in the 7 islands	1 survey		1	1	1	100%	1	100%
	3.8 - Hire the PTAFREP/FADIP M&E consultant to revise and update the FADIP database and to train the M&E officer on the use of the database program			1	1	0	0%	0	0%
	3.9. Conduct an outcome survey to the 7 islands			1	1	0	100%	0	100%
	3.10 - Hire a PCR consultant to prepare the project completion report			1	1	0	0%	0	0%
	3.11 - Provide Office recurrent costs/expenditures			actual	actual				
	3.12 - Audit			6	1	4	67%	1	100%

FIRST LEVEL RESULTS								
Results		Unit	Period ending: AWP&B	31-Dec Actual % of AWP	Cumulative Appraisal Actual % of Appraisal			Sum of actuals of previous years
<b>Total Outreach</b>								
	Households receiving project services	Number	184	405 220%	1 200	1 421	118%	
	People receiving project services	Number						
		Female	3 207	408 13%	4 200	1 443	34%	
		Male	3 207	215 7%	4 200	1 166	28%	
Component	Sub Component							
<b>Value Chain Development</b>	<b>Sub Component</b>							
	Community groups formed/strengthened	Number	12	0 0%	12	7	58%	
	Community groups with women in leadership position	Number	12	6 50%	12	6	50%	
		Male	30	41 137%	30	41	137%	
		Female	30	19 63%	30	19	63%	
	People in community groups formed/strengthened	Number	4 014	223 6%	6 000	2 209	37%	
		Male	2 007	86 4%	3 000	1 037	35%	
		Female	2 007	137 7%	3 000	1 172	39%	
	People trained in crop production and technologies	Number	1 200	94 8%	1 200	94	8%	
		Male	600	39 7%	600	39	7%	
		Female	600	55 9%	600	55	9%	
	People trained in post-production, processing and marketing	Number	600	0 0%	600	124	21%	
		Male	300	0 0%	300	0	0%	
		Female	300	0 0%	300	0	0%	
	Marketing groups formed/strengthened	Number	12	7 58%	12	7	58%	
	Marketing groups with women in leadership position	Number	12	6 50%	12	6	50%	
		Male						
		Female						

<b>Financial Services</b>	People in marketing groups formed/strengthened	Number						
	Male	2 007	86	4%	3 000	1 117	37%	
	Female	2 007	137	7%	3 000	1 292	43%	
	People trained in business and entrepreneurship skills	Number						
	Male	561	216	39%	600	254	42%	
	Female	561	461	82%	600	501	84%	
	Financial institutions participating in the project	Number	1	1	100%	1	1	100%
	Value of gross loan portfolio	USD	281 000	0	0%	281 000	0	0%
	Enterprises accessing non-financial services facilitated by the project	Number	actual	0	#VALUE!	actual	0	#VALUE!
	Active borrowers (disaggregated by gender)	Number	actual	0	0%	actual	0	0%
<b>Program Management</b>		Male	actual	0	0%	actual	0	0%
		Female	actual	0	0%	actual	0	0%
	Staff of financial institutions trained	Number	actual	0	0%	actual	0	0%
		Male	actual	0	0%	actual	0	0%
		Female	actual	0	0%	actual	0	0%
	Government officials and staff trained	Number						
		Male	7	4	57%	25	5	20%
		Female	2	0	0%	25	1	4%



TRAINING BENEFICIARIES-2014													
Name of the Training	Name of Cooperative Society	No. of Participants	No. of new HH	No. of Beneficiaries									
				New Beneficiaries			Existing Beneficiaries				Total Participants		
				New Households		Existing Households		Members		Non Members			
				Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Business Management	VFCS	19	5	1	4	4	8	1	1	0	0	6	13
Marketing, Creativity and Innovation	VFCS	29	3	0	3	1	11	0	2	5	7	6	23
Office Administration	VFCS	25	0	0	0	1	4	1	0	4	15	6	19
Business Management	SFCS	24	23	12	11	0	1	0	0	0	0	12	12
Office Administration	SFCS	23	23	6	17	0	0	0	0	0	0	6	17
Business Management	AMCS	24	9	2	7	2	7	0	6	0	0	4	20
Office Administration	AMCS	24	13	4	9	1	5	0	2	1	2	6	18
Basic Computer Skills	AMCS	20	6	1	6	1	2	0	1	2	7	4	16
Marketing, Creativity and Innovation	AMCS	18	3	2	1	3	0	0	1	0	11	5	13
Office Administration	FMCS	45	4	0	4	8	15	7	11	0	0	15	30
Business Management	FMCS	23	0	0	0	3	4	2	7	1	6	6	17
Office Administration	FDCS	28	13	4	9	4	7	1	2	0	1	9	19
Business Management	FDCS	25	11	1	10	0	3	0	11	0	0	1	24
Marketing, Creativity and Innovation	FDCS	16	3	0	3	1	2	0	8	0	2	1	15
Leadership Training	FDCS	16	3	2	1	0	1	0	2	0	10	2	14
Basic Agriculture	FDCS	15	3	1	2	2	1	2	6	0	1	5	10
Communication Skills	FDCS	20	13	6	7	0	0	0	2	0	5	6	14
Office Administration	GAGCS	33	4	2	2	13	13	1	2	0	0	16	17
Marketing, Creativity and Innovation	GAGCS	41	7	5	2	5	4	1	1	9	14	20	21
Business Management	GAGCS	28	6	1	5	3	2	2	2	7	6	13	15
Leadership Training	GAGCS	9	1	0	1	0	1	0	0	4	3	4	5
Basic Computer Skills	GAGCS	28	4	6	1	6	14	0	1	6	5	12	16
Office Administration	BMCS	68	26	8	20	4	12	6	18	0	0	18	50
Business Management	BMCS	34	10	4	10	0	1	3	6	4	6	11	23
Marketing, Creativity and Innovation	BMCS	16	4	1	4	0	0	3	7	1	0	5	11
Basic Computer Skills	BMCS	29	5	3	2	0	0	1	5	8	10	12	17
Leadership Training	BMCS	26	4	0	4	0	2	1	7	6	6	7	19
Business Start-Up	BMCS	36	3	0	1	0	3	3	9	7	13	10	26
Basic Agriculture	BMCS	16	5	0	2	0	5	2	2	2	3	4	12
Communication Skills	BMCS	16	2	0	2	4	0	0	10	0	0	4	12
Hydroponics	BMCS	63	43	17	12	5	6	8	10	0	5	30	33
Integrated Farming		26	5	5	0	0	0	9	12	0	0	14	12
Total		863	264	94	162	71	134	54	154	67	138	280	583



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

**Table 5A: Financial performance by financier as at 30 April, 2015**

Financier	Approval (USD)	Revised (USD)	Disbursements (USD)	Per cent disbursed
IFAD loan*	3,435,507	3,153,500	1,746,834**	55.4
Co-financier	1,902,931	722,598	***	
Government	1,532,575	1,300,374	603,257	46.4
<b>Total</b>	<b>6,871,013</b>	<b>5,176,472</b>	<b>2,350,091</b>	<b>45.4</b>

\* excluding USD 500,000 of advance and pending WA.

\*\* includes money released to BML to implement Credit component and value of pending WA 13.

\*\*\* Monetary value is not available.

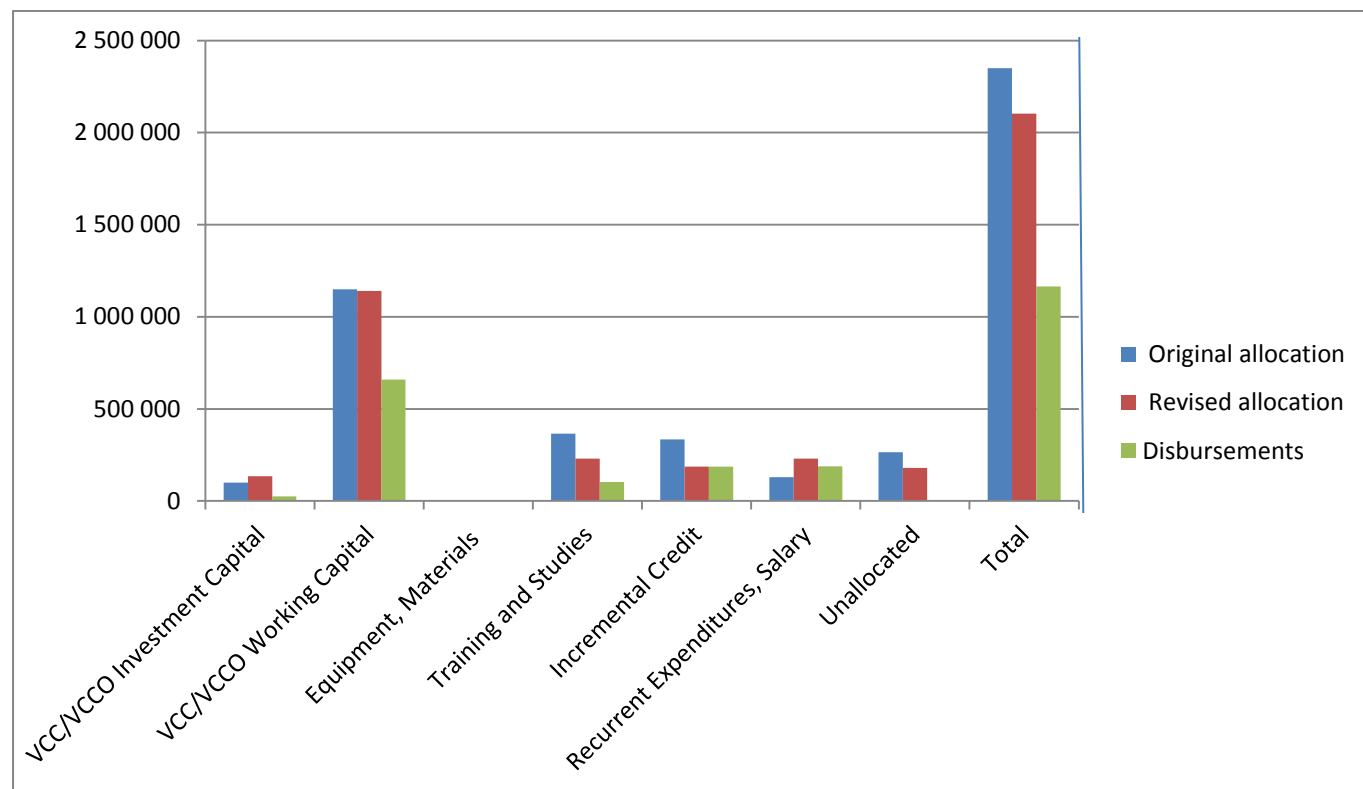
**Table 5B: Financial performance by financier by component (USD '000) as at 30/04/2015**

Component	IFAD loan			Government			Co-financier			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1. Value Chain Development	2,480	1,370	55.2%	708	68	9.6%				3,188	1438	45.1%
2. Financial Services	281	281	100%	0	-	-	723	-	0%	1,004	281	28%
3 Programme Management	392	96	24.5%	592	536	90.5				984	632	64.2%
<b>Total</b>	<b>3,153</b>	<b>1,746</b>	<b>55.4</b>	<b>1,300</b>	<b>604</b>	<b>46.5</b>	<b>723</b>	<b>0</b>	<b>%</b>	<b>5,176</b>	<b>2,351</b>	<b>45.4</b>

**Table 5C: IFAD loan disbursements (SDR, as at 30/04/2015)**

Category	Category description	Original allocation	Revised allocation	Disbursement	W/A pending	Total Disbursements including pending WAs	Balance	Per cent disbursed
IA	VCC/VCCO Investment Capital	100,000	135,000		25,414	25,414	109,586	18.8
IB	VCC/VCCO Working Capital	1,150,000	1,140,000	591,592	68,233	659,825	480,175	57.8
II	Equipment, Materials	5,000	0	0	0			
III	Training and Studies	365,000	230,000	98,697	5,037	103,734	126,266	45.1
IV	Incremental Credit	335,000	187,333	187,333	0	187,333	0	100
V	Recurrent Expenditures, Salary	130,000	230,000	168,033	20,215	188,248	41,752	81.8
	Unallocated	265,000	180,000		0		180,000	0
	<b>Total</b>	<b>2,350,000</b>	<b>2,102,333</b>	<b>1,045,655</b>	<b>118,899</b>	<b>1,164,554</b>	<b>937,779</b>	<b>55.4%</b>
	Initial Deposit			324,300.5		324,300.5		

SDR 1 = USD1,5



**Loan utilization in SDR**



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

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	<b>Article II the Loan</b>			
2.02	LOAND AND GRANT ACCOUNT: shall be opened by IFAD in the name of Republic of Maldives.	IFAD: open loan account.	Complied	
2.03	SPECIAL ACCOUNT to be opened for receiving loan proceeds in the central bank of Maldives (or other accepted by IFAD). Special account shall be denominated in USD.	Republic of Maldives to open a Special Account in USD.	Complied	
2.03 (b)	AUTHORIZED ALLOCATION shall be 500 000 USD.	Republic of Maldives: authorized allocation 500 000 USD.	Complied	
2.04 (a)	USE OF PROCEEDS of the Loan should be used exclusively to finance Eligible Expenditures in accordance with the Programme Loan Agreement and the General Conditions.	Republic of Maldives to use the loan proceeds exclusively to finance Expenditures	Complied	
2.05	SERVICE CHARGE at the rate of 0.75% per annum on the outstanding loan amount, semi-annually on each 15 April and 15 October in Loan Service Payment Currency.	Republic of Maldives to pay a service charge at 0.75% per annum on outstanding balance semi-annually	Ongoing	
2.06	REPAYMENT OF PRINCIPAL to be made in 59 equal semi-annual instalments of SDR 39 167, payable on each 15 April and 15 October, beginning on 15 October 2017 and ending on 15 October 2046, and one final instalment in the amount of SDR 39 147 payable on 15 April 2047, in USD.	Republic of Maldives: pay the outstanding principal amount in 59 equal semi-annual instalments of SDR 39 167 each 15 April and 15 October and beginning 15 Oct 2017 to 2046. One final instalment in SDR 39 147 payable on 15 April 2047, in USD.	Forthcoming	
	<b>Article III the Programme</b>			
3.01	PROGRAMME IMPLEMENTATION: The Republic of Maldives affirms its commitment to the goals and purposes of the Programme(Schedule 1), which shall be carried out by the Programme in accordance with the agreement, in particular section 7.01 of the General Conditions and substantially in accordance with the AWPBs, Procurement Plans, SLA and SLFA.	Republic of Maldives: to comply with commitment to goals and purposes of the programme (schedule 1), particularly section 7.01 of General Conditions, AWPB, Proc. Plans, SLA & SLFA.	Ongoing	
3.02 (a)	AWBP AND PROCUREMENT PLANS: PCU to prepare a draft AWPB each year which includes: detailed description of planned programme activities; procurement plan for at least eighteen (18) mos.; sources and uses of funds based on the respective work plans; budgets prepared by each Programme Party.	PIU to prepare a draft AWPB each year	Ongoing	
3.02 (b)	(i) The PCU shall submit the draft consolidated AWPB to the SC for approval. (ii) When approved, PCU shall submit each draft no later than 60 days before the beginning of the relevant Programme Year to IFAD for comments and approval. (iii) If within 30 days from receipt, no comment received by IFAD on the draft AWPB, AWPB shall be deemed approved.	PCU to submit draft consolidated AWPB and submit to SC for approval. Approved AWPB to be forwarded to IFAD for comment/approval NLT 60 days before programme year.	Ongoing	
3.02 (c)	The SC shall adopt the AWPBs substantially in the form approved by IFAD, and the PCU shall provide copies thereof to IFAD prior to the	PCU to provide IFAD copies of AWPBs adopted by SC before start of relevant	Ongoing	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	commencement of the relevant Programme Year.	Programme Year.		
3.03	PROGRAMME ACCOUNT: As soon as practicable after date hereof, MOFAMR to open and maintain in a bank accepted by IFAD, a current account in MVR for programme operations. The Programme Account shall be operated by the authorized PC and the PCU accountant.	MOFAMR to open a bank account in MVR for programme operations.	Not Complied	Public Finance Act of Maldives has no provision for this arrangement
3.04 (b)	AVAILABILITY & CHANNELLING OF LOAN PROCEEDS AND COUNTERPART FUNDS: Republic of Maldives shall make available counterpart funds from its own resources not exceeding USD 1 322 000 to MOFAMR in accordance with AWPBs and customary national procedures for development assistance. (ii) Maldives shall make budgetary allocations each FY equal to counterpart funds.	Maldives: Proceeds to be made available to MOFAMR for development assistance; budgetary allocations for each FY; allocation available to MOFAMR annually and promptly in advance in accordance with Agreement.	Complied	
<b>Article IV Implementation Reviews and Reports</b>				
4.01	MONITORING: The MOFAMR shall establish and maintain a management information system) to continuously monitor the Programme in accordance with: para. 3 of Schedule 3 (II. Additional Covenants); Section 8.02 of the General Conditions based on indicators agreed by the Republic of Maldives and IFAD.	MOFAMR to establish a MIS, to monitor the programme.	Ongoing	Some reports are generated through the existing system.
4.02	PROGRESS REPORTS: MOFAMR to submit to IFAD a 6 monthly and annual detailed progress report against estimates in the AWPB on programme implementation no later than 3 months after each 6 month and annual period based on reports prepared by each Programme Party , reasons for deviations from the AWPB estimates to be included.	MOFAMR to submit progress reports to IFAD every 6 months.	Ongoing	Quality need improvement
4.03 (a)	MID TERM REVIEW: Programme Party shall jointly carry out a review of Programme implementation no later than the end of the 36 month following the Effective Date. Based on review, the Republic of Maldives and IFAD shall agree on an action plan for the remainder of implementation period.	Programme Party to produce a Mid-Term Review 36 months after the project effective date.	Complied	
4.03 (b)	The Republic of Maldives shall ensure that the recommendations resulting from Mid-Term Review are implemented within a reasonable time and to the satisfaction of IFAD.	To ensure recommendations from MT-Review are implemented in due time.	Ongoing	Recommendations were implemented
4.04	COMPLETION REPORT: PIU to submit to IFAD the completion report on the Programme no later than 6 months after the Programme completion date. The Completion Report shall detail actions taken by The Republic of Maldives and Programme Parties to ensure the sustainability of the Programme Achievements.	PIU to submit completion report no later than 6 Mos. After completion date.	Forthcoming	
4.05	EVALUATIONS: The Republic of Maldives and each Programme Party shall facilitate all evaluations and reviews of the Programme that IFAD may carry out during the Implementation Period and for 10 years thereafter.	Republic of Maldives and Programme Party to facilitate all evaluations and reviews.	Forthcoming	
<b>Article V Financial Reporting</b>				
5.01	FINANCIAL STATEMENTS: The PIU shall prepare six-monthly and annual financial statements of the operations, resources and expenditures related to the Programme in a 6 monthly period and FY and deliver them to IFAD	PIU to prepare financial statements in a 6 month and FY period and deliver to IFAD within 3 months of each deadline.	Being complied	Required by Section 9.02 (Financial Statements) of the



Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	within three months after the end of each six-monthly period and FY.			General Conditions
5.02 (a)	AUDIT REPORTS: Within 90 days after the effective date and every year: Maldives shall confirm the appointment of the auditor to be responsible for the audit of accounts and annual financial statements within 3 months after the end of the fiscal year.	Republic of Maldives to confirm appointment of auditor 90days after effective date and every year thereafter.	Ongoing	
5.02 (b)	The Republic of Maldives should have the accounts and Financial Statements audited each FY in accordance with ISA's and IFADs Guidelines of Project Audit. The AR shall include: AR of accounts and financial statements each fiscal year, an opinion on the certified statements of expenditure, management letter addressing the adequacy of the programme's accounting and internal control systems.	The Republic of Maldives to deliver audited financial statements, opinion on SOEs and management letter every fiscal year.	Ongoing	Complied for FY 2013
	Programme shall deliver the audit report to IFAD within 6 months after the end of each such fiscal year.	PROGRAMME: delivers audit report to IFAD each project year by June 30.	Ongoing	Complied for FY 2013 but delayed by few days
	Programme shall submit to IFAD a reply to the management letter of the auditors within 1 month after receipt.	PROGRAMME: replies to management letter prior to July 30.	Ongoing	Complied for FY 2013
	<b>Article VII Effectiveness</b>			
7.01(a)	CONDITIONS PRECEDENT TO EFFECTIVENESS: PC shall be appointed by the MOFAMR and approved by IFAD.		Complied	
7.01 (b)	Republic of Maldives shall have opened the SPA and MOFAMR shall have opened the Programme Account.		Partially complied	Programme account not established
7.01 (c)	The Republic of Maldives shall have established the SC and MOFAMR duly established the PCU.		Complied	
7.01 (d)	Agreement shall have been signed and the signature and performance by the Republic of Maldives shall have been authorised and ratified by all necessary administration and government.		Complied	
7.01 (e)	A favourable legal opinion, issued by the Attorney General or other legal counsel of the Republic of Maldives acceptable to IFAD shall have been delivered to IFAD.		Complied	
7.02 (a)	LEGAL OPINION: The Republic of Maldives to have fulfilled items stated in section 7.01 (d)-	Republic of Maldives shall have signed the agreement and provided authorised signatories.	Complied	
7.01(a)	CONDITIONS PRECEDENT TO EFFECTIVENESS: PC shall be appointed by the MOFAMR and approved by IFAD.		Complied	
	<b>Article VIII Miscellaneous</b>			
8.01	REPRESENTATIVE: The Minister of the Republic of Maldives responsible for finance serves as their representative for the purposes of Section 15.03 of the General Conditions.		Complied	
8.02	STATUS OF THIS AGREEMENT: The Republic of Maldives and IFAD agree that the agreement constitutes an international treaty and is binding upon The Republic of Maldives in accordance with its terms regardless of any laws to the contrary in the host country.	Republic of Maldives must abide to the agreement.	Ongoing	Delayed the Programme progress due to non-compliance in 2012-2013.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
8.03	COMMUNICATIONS: The Republic of Maldives shall address all communications relating to the agreement to IFAD.		Ongoing	
Schedule 2 Para 4	STATEMENTS OF EXPENDITURE: Records evidencing certified statements of expenditures shall be retained by The Republic of Maldives for inspection by IFAD		Ongoing	Complied for FY
Schedule 3 Para 1.1-1.2	1.1) DESIGNATION: Lead Programme Agency shall have overall responsibility for the implementation of the Programme. 1.2) RESPONSIBILITIES: Lead Programme Agency, through its Minister, shall chair the Steering Committee.		Complied	
Schedule 3 Para 2.1	ESTABLISHMENT AND COMPOSITION: The Borrower shall establish and maintain throughout the entire Programme Implementation Period, a Steering Committee for the Programme (SC).		Complied	
Schedule 3 Para 3.1	ESTABLISHMENT AND RESPONSIBILITIES: The Lead Programme Agency shall establish and maintain throughout the Programme Implementation Period, a Programme Coordination Unit (PCU) at the national level.		Complied	
Schedule 3 Para 4.1	APPOINTMENT: The Lead Programme Agency shall appoint a Programme Coordinator (PC) with the endorsement of the SC and prior approval of and on terms of reference acceptable to IFAD.		Complied	
Schedule 3 Para 5.4.1-8.1	The Borrower shall submit a draft of each VCCA to the Fund for its comments and approval before the VCCA; VCCMTA; SLA; and SLFA are signed.			Not applicable
II: Additional Covenants Para 1	GENDER: The Borrower shall ensure that gender concerns shall be mainstreamed in all Programme activities throughout the Programme Implementation Period.		Complied	
II: Additional Covenants Para 2	INDIGENOUS PEOPLE'S CONCERNS: The Borrower shall ensure that the concerns of IPs, where applicable, are given due consideration in implementing the Programme.		Complied	There are no ethnic minorities in Maldives in the target islands, and the entire population is indigenous
II: Additional Covenants Para 3	MONITORING: The Borrower shall ensure that the criteria established and required by IFAD in furtherance and under its (RIMS), as communicated by IFAD to the Borrower, shall be incorporated into and form part of the Programme's monitoring.		Ongoing	

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

### **Learning**

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Improvements and re-vamping of the logframe, have worked well to clarify for the PIU what needs to be done to achieve the programme outcomes.

Since the last SIS mission in 2013 the PIU technical staff have spent more time in the field and PIU has improved its visibility in the communities by participating in various media events that have helped profile the work of FADiP and generate interest in forming VCCOs. PIU needs to strengthen the interest of the islanders to participate more actively in the work of the cooperative societies and to sponsor more the engagement. Moreover, PIU should place an IFAD sign in each of the site where cooperative societies are working and producing their business.

VCCOs should learn from cooperatives already well implemented and producing their business and understand what are the elements for the functioning marketing cooperative model. For this, PIU should play a role a connecting role and act as a bridge in terms of transferring the knowledge from one community to the other.

Another good example that can be taken as a model for the modus operandi from the other cooperative societies is Bizville. This cooperative has produced good samples of leaflets to sponsor the activities of the communities and also to attract more islanders to become members of the cooperative. This cooperative is well structured and well working and this may be attributed to trainings received before establishing the cooperative and based on the model adopted taking lessons learned from a previously existing society supported by ADB.

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**Innovation: Describe any interesting innovation noted during supervision**

One of the VCCO, the Funaad Development Cooperative Society has recently started many activities including the production of Taro chips with the aim of selling it to resorts and to the airport. Taro, locally called Olhu Ala, is a tropical plant popular in southern atolls of the Maldives, Organically home-grown Taro is considered as a home-based income for many women. The production of Taro chips in Fuvahmulah is considered 100% women product. The main innovation undertaken by the cooperative is to produce the Taro chips to educate the society to generate available job-market. The members of the cooperative have also attended many trainings with the objectives of creating job opportunities. One of this is the 3 months internship in various resorts. Currently all participants to the internship are now employed in resorts.

Innovation is still limited but some innovative products and processes have been developed. At Hoarafushi, members have constructed small makeshift net-houses in backyards; '*domestic semi-controlled-environment cultivation*', to plant capsicum and melons in bag-pots or discarded oil cans, getting a fair crop. If encouraged, VCCOs can organize a *shared cropping pattern* among them to obtain an aggregated commercial level production. The 'Golden Honeydew Melon' cultivation at Hoarafushi is *cripplingly* infected with 'Fusarium Wilt' (pathogen, *Fusarium oxysporum*) with no known post-infected single cost effective treatment. The current situation is almost irrevocable. Hanimaadhoo Agriculture Training Centre officers visited the site in January 2015 and advised spread prevention methods, but the gravity of the situation has not been comprehended, probably due to inexperience and lack of exposure of ex-co members. These limit innovations that have potential.

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## Appendix 8: Financial Management Progress against previous mission recommendations

Action Area in 2013 AM	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
	<b>Fiduciary Aspects</b>			
16	Selection of a software maintenance service provider to update Quick book on a regular basis	31 January 2014	PIU / MoFA	Completed for 5 VCCOs (AMCS FMCS, FDACS, GAGCS and BMCS)
17	Establishment of the PA and preparation of a fund flow chart to be endorsed for better PA management	31 December 2013	PIU / MoFA / MoFT	Public Finance Act does not allow to establish PA
18	Refund ineligible expenditure of USD 75,011 crediting to SA	31 January 2014	MoFT/MoFA / PIU	Completed (Reimbursed USD 52,263 according to the Audit Report)
19	Implementation of the auditor's recommendations	31 December 2013	PIU / MoFA	Most of them done and the balance is ongoing
20	Send Draft Report timely for review and comment	31 May, 2014	PW&C Auditor	Done in 2014 Report.



## Appendix 9: Audit log

AUDIT OBSERVATIONS, Year 2012 and 2013							
Project Name:		726-MV: FISHERIES AND DIVERSIFICATION PROGRAMME (FADiP)					
Serial No.	Financial Year	Class: Serious/ General	Audit Ref.	Audit Observations	Amount (USD)	PMO Action	Status: settled, partly settled, pending
1	2012	General	101-104	Un-reconciled difference in cash/fund balance	1,121	No response to Audit	This s repeated under serial no. 15
2-3	2012	Serious	105-108	Delay in receipt of government contribution on staff salaries and operating costs	52,263	Refunded in Jan. 2014	settled
4	2012	General	111-113	Inadequacy of the business plan prepared by the AMCS, the supported VCCO	5,127	Noted and actions are taking by the PIU	Adequately explained. Settled
5	2012	General	114-117	Slow disbursement of VCCO working capital against the agreement	NA	Noted and actions are taking by the PIU	settled
6	2012	General	118-121	Delay in payment in pension for the PIU staff by government counterpart fund	9,364	MOFA took actions and payment was made	Settled
7	2012	Serious	122-125	Slow implementation of the programme	NA	No response	Action taken to speed up the process in 2014/15
8	2013	General	101-103	Delay in initial payments to VCCs and VCCOs	21,031	Responded	Settled
9	2013	General	104-106	Budget Vs. Actual variance Analysis	N/A	Responded	Settled
10	2013	General	107-109	Failure of VCCs and VCCOs	N/A	Responded	Settled
11	2013	Serious	110-112	Practice of not depositing balance of the Cash advances in the bank account	N/A	Excess cash deposited once in every two months	Settled
12	2013	General	113-115	Under performance	N/A	Responded	Settled

<b>AUDIT OBSERVATIONS, Year 2012 and 2013</b>							
Project Name:		726-MV: FISHERIES AND DIVERSIFICATION PROGRAMME (FADiP)					
Serial No.	Financial Year	Class: Serious/ General	Audit Ref.	Audit Observations	Amount (USD)	PMO Action	Status: settled, partly settled, pending
13	2013	Serious	116-118	Un-reconciled cash / fund balance	2,210 2,361	Responded	Not settled
14	2013	General	119 -121	Purchase of air ticket without evaluating quotations		Responded	Settled
15	2013	Serious	122-124	Shortage of funds in 2012	1,121	Not responded	Not settled.

<b>TABLE OF SUMMARY STATUS OF AUDIT OBSERVATIONS</b>						
Financial	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
Year	Numbers	Value (USD)	Numbers	Value (USD)	Numbers	Value (USD)
2009-2010	4	n/a	3	n/a	1	n/a
2011	7	75,472	2	11,845	5	63,627
2012	7	67,875	1	66,754	1	1,121
2013	8	26,723	5	22,152	1	4,571
<b>Total</b>	26	170,070	11	100,751	8	69,319