

The Republic of Maldives

Fisheries and Agricultural Diversification Programme

Supervision report

Main report and appendices

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Currency Equivalents

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

Weights and Measures

Metric system

Abbreviations and acronyms

A11CS	A-Eleven Cooperative Society
ADB	Asian Development Bank
AM	Accounting Manual
AMCS	Addu Meedhoo Cooperative Society
ATCS	Addu Trade Cooperative Society
AWPB	Annual Work Plan and Budget
BCS	Baarah Cooperative Society
BDC	Business Development Coordinator
BMCS	Bizville Maldives Cooperative Society
BML	Bank of Maldives
CS	Cooperative Society
DCS	Dhuvaafaru Cooperative Society
EoI	Expressions of Interest
FADiP	Fisheries and Agriculture Diversification Programme
FCS	Faadhippolhu Cooperative Society
FDCS	Funaad Development Cooperative Society
FM	Financial Management
FMAQ	Financial Management Assessment Questionnaire
GAP	Good Agricultural Practices
GCS	Gadhoo Cooperative Society
GfCS	Gemanfushi Cooperative Society
GI	Geographical Indicator
Ha	Hectare
HCS	Hiriland Cooperative Society
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
IMSMED	Inclusive Micro, Small and Medium Enterprise Development Project
ISA	International Standards on Audit
JICA	Japanese International Cooperation Agency
KCS	Kendhikolhudhoo Cooperative Society
KDCS	Kulhudhoo Development Cooperative Society
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
MIB	Maldives Islamic Bank
MkCS	Maamakunudhoo Cooperative Society
MNCCI	Maldives National Chamber of Commerce and Industry
MoFA	Ministry of Fisheries and Agriculture
MoFT	Ministry of Finance and Treasury
MoH	Ministry of Health
MoU	Memorandum of Understanding

MT	Metric Tonnes
MTR	Mid Term Review
MvCS	Maduvvaree Cooperative Society
MvhCS	Maavah Cooperative Society
MVR	Maldives Rufiyaa
NSC	National Steering Committee
PA	Programme Account
PCD	Project Completion Date
PCR	Project Completion Review
PDP	Project Disbursement Profile
PIU	Programme Implementation Unit
PRA	Participatory Rural Appraisals
PT-AFReP	Post-Tsunami Agriculture and Fisheries Rehabilitation Programme
PWC	PriceWaterhouseCoopers
RFP	Request For Proposal
SA	Special Account
SAARC	South Asian Agreement for Regional Cooperation
SDF	SAARC Development Fund
SFCS	Southern Farmers' Cooperative Society
ShFC	Sh. Funadhoo Cooperative Society
SIS	Supervision and Implement Support (mission)
SLA	Subsidiary Loan Agreement
SMEs	Small and Medium-sized Enterprises
SOE	Statement of Expenditure
STO	State Trading Organisation
TRC	Technical Review Committee
UNDP	United Nations Development Programme
USD	United States Dollar
USP	Unique Selling Proposition
VCC	Value-Chain Company
VCCO	Value-Chain Cooperative
VCS	Vaadhoo Cooperative Society
VFCS	Vaadhoo Farmers' Cooperative Society
WA	Withdrawal Application

A. Introduction¹

1. The Fisheries and Agriculture Diversification Programme (FADiP) was approved by IFAD in April 2008, to be part-financed from IFAD loan 726-MV, and became effective on 15 September 2009. The total Programme cost is estimated at USD 5.547 million² (USD 3.525 million from IFAD, USD 722,598 from co-financers, and USD 1.3 million from the Government). The completion date and loan closing dates for the Programme are 30 September 2014 and 31 March 2015 respectively. The FADiP goal is to contribute to a reduction in the vulnerability of those who make their livelihoods from smallholder agriculture and Maldivian Fish processing. This is to be achieved by sustainably improving food and income security, thereby helping to further reduce rural poverty. The Programme objective is to develop smallholder agriculture value chains and Maldivian Fish processing value chains, using a market-driven commercialisation and diversification strategy in a manner that would improve and sustain the incomes of the two primary target groups (small-scale agricultural producers and fish processors). This objective is to be achieved through three components: value chain development; financial services; and programme management.

2. The findings of a Supervision Implementation Support (SIS) mission, reported in this Aide Memoire, are based on a country visit by an IFAD mission team between the 12 and 28 November 2013. The visiting IFAD team spent time both in Malé meeting with the Programme Implementation Unit (PIU) contract staff, key government officials and private sector stakeholders, as well as in Ga. Gemanafushi, Sh. Funadhoo, Ha. Baarah, Ha. Huvarafushi, and Gn. Fuvahmulah, meeting with island councils and programme beneficiaries. The objectives of the SIS mission (which follows two SIS missions and a Mid-Term Review [MTR]) were to conduct a thorough review and assessment of the status of the financial performance of the Programme, and of the implementation of the programme components and activities to determine progress, and associated constraints, in achieving the programme's objectives.

B. Overall assessment of programme implementation

3. **The overall programme performance** is rated as *unsatisfactory* (2), with programme implementation affected by delays since FADiP started. Initial delays were due to a re-focussing of programme activities from three large value chain companies (VCCs) as conceived in the programme design, to one whereby the Programme would work with a larger number of smaller value-chain cooperatives (VCCOs), potentially as well as with VCCs. This change in approach was justified due to the lack of interest by any large-scale commercial companies in partnering with government and the Programme in the VCC concept, and a burgeoning cooperative movement in the country at the time (even if largely donor driven). It was agreed that the programme implementation unit (PIU) would play the role that the programme design originally intended would be played by professional management teams envisaged for the VCCs. Delays in implementation following this change in approach were then experienced due to insufficient field-based time spent by PIU staff, something which was critical given the emerging nature of the cooperatives. This problem, highlighted in both the 2010 and 2011 SIS mission reports, was then addressed by the PIU in 2012 and early 2013, but the engagement by the Programme with a very large number of existing and potential VCCOs/VCCs, and termination of the contracts for PIU implementation officers in June 2013, diluted engagement and PIU involvement with individual VCCOs/VCCs.

¹ The mission team comprised Mr. Graeme Macfadyen Consultant – Mission Leader and Fisheries Specialist; Dr. Saliya De Silva, Consultant – Agriculture and Post-harvest Development Specialist; Dr. Shafia Aminath, Consultant – M&E, Poverty, and Gender Specialist; and Han Lei, IFAD Financial Specialist (from 21 November). Dr. Anura Herath, IFAD Country Programme Officer, joined the team from 20 - 28 November (delayed due to declined security clearance by the UN security system), and supported the mission by assessing the business development activities and participating in field visits, and Mr. Tian Ya, IFAD Country Programme Manager joined the team from 25 - 28 November; both interacted closely with the mission and key meetings including the pre-wrap-up and wrap-up meetings.

² Schedule 2 of the Loan Agreement with SDR converted to USD at the rate of SDR 1 = USD 1.54

4. Delays since the last mission have also been experienced due to a number of policy decisions. It took from September 2012 to February 2013 for the PIU/MoFA to be clear that the provision of grant funding to the VCCOs/VCCs as planned was not contrary to a supreme court ruling on the use of government funds. These concerns turned out to be without foundation, but while the decision from the Attorney General's office was pending, implementation progress was effectively on hold, although the PIU used the time to work on various programme manuals, business plans, etc. In addition, due to concerns over perceived risks of mis-use of funds by VCCOs/VCCs, the National Steering Committee (NSC) decided that VCCO/VCC business plans should only include funds for capital equipment designed to add value to raw material products rather than for any working capital. This policy change resulted in a requirement to revise all the VCCO/VCC business plans and agreements, and 3 VCCOs/VCCs deciding to cease their engagement with the Programme. In addition, while highlighted as a critical issue in all previous SIS mission reports, and contrary to government commitments to resolve the issue, the SIS mission finds that there has been no progress in the financial services component and a failure to sign Subsidiary Loan Agreement (SLAs) with lending institutions such as the Bank of Maldives (BML) or the Maldives Finance and Leasing Company (MFLC). In November 2013, the Ministry of Finance and Treasury (MoFT) confirmed that it would not be possible to persuade any on-lending institutions to sign an SLA.

5. **Annual implementation progress** is rated as *moderately unsatisfactory* (3) with progress hindered by the factors described above, but with the programme management having made efforts to resolve the problems faced, and having used the time available to progress with various activities. **Progress in addressing previous mission recommendations** is rated as *moderately satisfactory* (4) and of the 30 agreed actions in the MTR, 5 have not been completed, 5 have commenced but not been completed in full, with all other agreed actions completed. The difference between the two ratings is explained by the fact that the Programme successfully implemented most of the agreed actions from the MTR, but other factors unforeseen at that time, and discussed above, have negatively affected progress.

6. Slow implementation progress, coupled with the use of local staff to fill positions in the PIU rather than more costly expatriate staff envisaged in the original programme design, has meant that by October 2013, and with just 10 months of the planned programme period remaining, there has been just 26% of the IFAD loan disbursed (including the programme deposit), and the Programme has used only 13% of the IFAD loan and 12% of total programme funds. Achieving the programme objective by the end of the Programme is now critically dependent on the need to focus on just 7 VCCOs/VCCs and to station business development coordinators permanently in islands where the Programme is working (considered more fully in section D), because at the present time the **likelihood of achieving the development objectives** is rated as *unsatisfactory* (2). This more focussed and targeted approach, which should be assessed in June 2014 by a short IFAD-supported mission, might be expected to result in a programme extension if there is good programme performance and the government wishes an extension. Assessment of performance at that time should be measured against the following indicators: i) VCCOs/VCCs are productively utilising the first batch of equipment provided, ii) VCCOs have made sales and have had sales revenues returned to VCCOs/VCCs bank accounts, and iii) VCCOs/VCCs have appointed key management staff who are actively engaging in the businesses and working collaboratively with the business development coordinators. If there is an extension, the mission in June 2014 would advise the Programme on the criteria for approving a second round of investments to the VCCOs/VCCs. If no extension is approved, programme funds should be cancelled and the expected number of beneficiaries reduced proportionally, with corresponding changes made to the loan agreement (LA) at that time.

7. **Generic issues / risks** for the Programme are the weak institutional and business capacity of the VCCOs, policy decisions which could impact on the programme's implementation, a failure for the Programme to have a sufficiently field-based presence of suitably qualified people, the decision not to use programme funds for working capital which may make it difficult for VCCOs/VCCs to commence business activities at a scale which is financially viable, and the politicisation of activities at island-level in many communities (particularly during the last 4-6 months) making collective approaches problematic.

Agreed action	Responsibility	Agreed date
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
2. Assuming good performance 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

C. Outputs and outcomes

Component 1: Value chain development

8. This component has four outcomes, and progress in achieving them is *unsatisfactory (2)*. The PIU has been working hard to complete the groundwork to establish VCCOs/VCCs, train them, prepare business plans, etc., and 9 agreements have been signed with VCCOs/VCCs, but there has been little progress in achieving new market linkages, generating profits, and bringing about the intended outcomes.

Outcome 1.1: Farmers work collectively in marketing their produce to higher-end markets

9. There has been a lack of progress in achieving this outcome (*unsatisfactory (2)*), resulting from the slow progress and key issues related to the outputs which support this outcome as discussed below. FADiP has identified 13 potential agricultural VCCOs, and is at different stages of involvement with them. By February 2013 seven business plans were approved by the Technical Review Committee (TRC) and the NSC and consequently agreements were signed between the cooperative societies (CS) and MoFA with: Addu Meedhoo CS (AMCS) in S. Meedhoo; Baarah CS (BCS) in Ha. Baarah; Magoodhoo CS (MCS) in F. Magoodhoo; Vaadhoo Farmers CS (VFCS) in Gdh. Vaadhoo; Funaad Development CS (FDCS) in Gn. Fuvahmulah³; Southern Farmers CS (SFCS) in L. Fonadhoo; and Addu Trade CS (ATCS) in S. Hithadhoo. However, since the policy change not to provide working capital, only four business plans have been revised and no revised agreements signed. Only two VCCOs (AMCS and BCS) have received initial 10% disbursements based on the original business plans, and there are only three formal supply contracts signed between VCCOs and end markets.

10. **Preparation and implementation by agricultural VCCOs of successful business plans.** With the policy change not to provide working capital, all potential VCCOs were asked to re-submit their business plans with necessary amendments. Four revised business plans have been submitted to the PIU by BCS, MCS, FDCS, and Bizville Maldives Cooperative Society (BMCS) in Ha. Huvarafushi, with the first three approved by the TRC/NSC, and the business plan for BMCS still to be considered. Revised business plans contain Annual Work Plans and Budgets (AWPB), investment plans, and action plans. ATCS has rejected any revisions to its business plan, and the AMCS business plan has not yet been revised by the PIU following a failure to comply with some financial reporting requirements even after accounting software (QuickBooks) was installed and training given by the PIU.

11. With respect to revised business plans, the BCS business plan provides for a scale of production (500 birds) that is not financially viable, and BCS has utilized only MVR 17,876 (21%) of the initial disbursement from FADiP, with the expected investments to establish an office not made due to lack of a proper space to establish the office. MCS has already secured 50% of the capital investment in its business plan from the Manufaarur resort, and awaits FADiP support to establish the greenhouses. FDCS's business plan is to focus initially on taro (*Colocasia*) chip processing and marketing given good availability of raw material and long experience of processing, before expanding into other local products e.g. mango and other agricultural produce. The mission noted keen interest and good capacity in the BMCS to implement its business plan; the cooperative has expanded its own greenhouse capacity, and by providing technical support, has encouraged two individual entrepreneurs to establish 50x70 feet greenhouses, and several housewives to operate backyard hydroponic systems. The revised business plan should be considered urgently by the TRC/NSC.

³ Sometimes spelt as Foammulah

12. Although VFCS and SFCS have agreed in principal to changes in their business plans to remove working capital provision by the Programme, the business plans are still to be revised and agreements re-signed. Both offer potential for success. VFCS intends to focus on collection of locally grown fruit and vegetables for sale to nearby resorts. SFCS plans to produce, market, and distribute organic fruits and vegetables using effective microorganism technology; an initiative triggered as a result of reluctance of the nearby resorts to buy fruits and vegetables produced using agrochemicals. Such innovative ideas should be supported by the Programme.

13. Based on the above comments, the mission recommends that FADiP should now focus on the following 6 agricultural VCCOs: MCS; FDCS; BMCS; VFCS; SFCS; and AMCS. A key factor determining the ultimate viability and success of the business plans is consistency in quantity and quality of products to be sold. Since agricultural production and marketing depends on perishable products, measures should be taken to maintain adequate storage facilities by the VCCOs, justifying requests for cold storage facilities by some of the agricultural VCCOs. In the case of all production, processing and marketing activities included in the business plans, strict quality and hygiene standards should be maintained, with efforts made to work towards quality standards (e.g. GAP, HACCP) and organic certification, which can improve competitive advantage. Implementation of business plans also needs to be conducted based on all potential value chain linkages, and with a special focus on specifying marketing strategies, which in many cases are not yet well elaborated in the business plans.

14. **Establish linkages with higher end markets for farmers through VCCOs.** There are only three formal supply contracts signed between VCCOs and buyers: between AMCS and Shangri-La's Villingili Resort to supply vegetables and fruits; between MCS and Banyan Tree Resorts to supply lettuce and the latter to provide 50% of the investment required for three greenhouses; and between BCS and Seagull Group to supply eggs. Given the programme delays, the PIU has not worked actively over the last year to support the establishment of new supply contracts. In addition to these market linkages, the cooperatives should be linked to other value chain partners to provide support services in financing (e.g. the ADB and IDB loan schemes of the MED), technical support, input supply, and logistics.

15. **Develop guidelines to improve VCCO administration.** The PIU has developed 7 detailed operational manuals, one for each of AMCS, BCS, MCS, SFCS, FDCS, VFCS, and ATCS. These operational manuals are drafted in Dhivehi incorporating all key operational guidelines. However, these manuals have not been distributed to some CS (e.g. BCS). The PIU has also developed seven training modules in: leadership skills and managing people; logistics and procurement; marketing, creativity and innovation; business management; office administration; communication skills; and basic computer skills and information technology. The training materials were developed by two service providers Avihi Pvt Ltd and Zebra Cross Pvt Ltd. The mission notes that they are largely theoretical providing classroom-based lecture type material. Such materials are not well suited to the needs of the VCCOs/VCCs, who would learn more from pedagogical tools like case studies, games, simulations, videos, and role-plays, used in non-formal settings. The PIU therefore has found it very difficult to conduct the training using the materials developed by the service providers. The only trainings in 2013 have been in office administration for BCS and FDCS, in business management for MCS, and in business start-up workshops for BCS, MCS, and ATCS.

16. **Establish marketing strategies to promote agricultural VCCO products and services.** There is no progress in achieving this output. There are only four brand names developed for the VCCOs: 'AMCS Fresh' for AMCS, 'Baarah Fresh' for BCS, 'Vadhoo Fresh' for VCS, and 'Addu Delight' for ATCS. Although the business plans indicate very optimistic promotional strategies, e.g. use of catalogues, leaflets, websites 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. However, the VCCOs are maintaining different pricing strategies depending on the quality of the product and place of sale.

17. **VCCOs utilize computerized databases for recordkeeping.** Except for the AMCS's purchase of QuickBooks software for accounting purposes, there has been no progress in achieving this output. The PIU has visited AMCS four times to train them in the new accounting system, however, they have not been able to assimilate that knowledge to properly enter the accounts and obtain the required outputs. The reason given is that the software is too sophisticated for the cooperatives, thus they prefer to maintain manual records or use MS Excel to maintain simple records. Training material in accounting has been developed by the Programme for training purposes, and needs to be turned into

a simple manual to be provided to VCCOs. The manual should focus on priority issues such as maintaining: a record of financial transactions (i.e. keeping a cash book); a credit sales journal; a purchasers journal; and a monthly bank reconciliation. The proposed business development coordinators should be able to develop and provide on-the-job training for maintaining computerized databases for keeping records.

Outcome 1.2: Improved productivity, quality and reliability of farmer produce

18. There is virtually no progress in achieving this outcome (*unsatisfactory (2)*), because the PIU has not been involved in any interventions except for the disbursement of 10% of business plans funds to AMCS and BCS to establish their offices. The limited progress and key issues in achieving the outputs which support this outcome are discussed below.

19. **Farmers implement Good Agricultural Practices (GAP).** The PIU has developed a draft document on GAP certification systems based on the Malaysian GAP farm certification scheme, and has sent it to MoFA for comments. In the meantime, GAP training has been completed by the Maldivian Food and Drug Authority (MFDA) which also plans to develop a GAP system. In such a case, FADiP should support that initiative and avoid any duplication. Some basic agricultural practices are included in the VCCO operation manuals developed by the Programme, however such information has not been transferred to the farmers. It is important to develop a simple training manual on GAP and to conduct training for the farmers, since the mission did not observe GAP being adopted in the farmers' fields.

20. **Farmers gain easy access to agricultural inputs.** There has been no progress in this output. Without FADiP support, AMCS and FDCS have established small input supply stores in their office premises, and the BMCS imports inputs in bulk form and excess is sold to the local agricultural input store. Such symbiotic relationships in the value chain should be promoted to prevent unnecessary competition in the islands. Hazardous materials are kept alongside marketable produce by both AMCS and FDCS, and care over such issues should be a focus of VCCO-support. The equipment purchased to establish the proposed Agriculture Information Desks in AMCS and BCS (computers, printers, book shelves, tables and chairs) is not being utilized. The AMCS equipment is still with the PIU and has not been sent to AMCS due to its failures in financial reporting to the PIU. The equipment sent to BCS has not been unpacked and is being stored in the office operated in manager's house, because BCS has found it difficult to afford to rent a building to run the information desk. While the establishment of information desks is recommended without delay, the procurement should be done only when the VCCOs secure proper premises.

21. The Hanimaadhoo Agricultural Centre has had a varietal trial programme, and since 2010 has recommended 19 varieties for use by farmers. The varietal trial programme has been discontinued in 2013 due to a lack of funds. Furthermore, technical training programmes have also been hampered by budgetary constraints, and extension is limited to advice provided by phone when requests are made by the farmers. FADiP can support development of farmer-friendly videos and interactive CDs (e.g. on quality control and GAP) through a proper service provider, to be used in the Agricultural Centers and proposed information desks in the VCCOs.

22. **Farmers establish forward/production contracts with VCCOs.** There has been no progress in this output. AMCS, the only cooperative which managed to establish five supply contracts with farmers from 70 registered suppliers, has not been able to increase its contracts. Once the VCCOs are fully operational, an awareness programme will be important to clarify doubts over the benefits of such contracts, and explain the potentially mutual benefits to both farmers and VCCOs.

23. **VCCOs create minimum quality standards for crops.** There has been no progress in this output. The PIU has failed to implement the agreed actions proposed in the previous mission reports i.e. training on quality standards for both VCCO members and farmers, and organize exposure visits and internships in resorts (e.g. Shangri-La and Banyan Tree) and food suppliers (e.g. UFS), to understand quality and food safety standards. These actions should be carried out for all the priority VCCOs without further delay.

24. **VCCOs expansion activities are strengthened:** There has not been any direct support from FADiP to expand VCCO activities except for disbursement of 10% of funds to AMCS and BCS. The AMCS has taken its own initiative to produce and supply local delicacies (snacks) to Shangri-La resort. Similarly, BCS started poultry feed manufacturing, but feed which was not found to be of good quality (with 20% wastage due to its non-pelleted texture) or profitable to produce since it's production

depends mostly on imported raw materials. BCS has also started purchasing eggs from Hanimaadhoo Agricultural Center to supply eggs to Seagull Group to keep the supply contract intact, since its second batch of layers were culled after the laying cycle. The mission also witnessed expansion of BMCS operations by adding greenhouses to their crop production system mainly using local materials. While these expansions have been independent of FADiP support, they prove, in some cases, that expansion is possible. The PIU/NSC has been reluctant to provide vehicles and cold storage facilities to the cooperatives in the absence of sufficient justification over value-added benefits, and based on concerns over whether such facilities are conceptually related to value-added. By definition, value addition can include any or all activities related to production, storage, marketing, transportation, sorting/packing, and product processing, while the value chain includes all those activities and the support services for value addition up to the final consumer. The PIU should consider all activities needed for value chain development and support them if there is technical and financial justification provided in the business plans.

Outcome 1.3: Service providers design activities based on community needs

25. Limited progress has been made in achieving this outcome (*unsatisfactory (2)*) as the PIU has managed to work with only two service providers this year; Avihi Pvt Ltd and Zebra Cross Pvt Ltd., selected through an open bidding process to develop the training modules.

26. **Participatory Rural Appraisals (PRAs) carried out in focused areas and potential communities:** In 2012, two consultants conducted the need assessments in Ga. Gemanafushi and Ha. Baarah. Using the toolkits developed and training provided, since the last SIS mission the PIU has conducted need assessments in Meedhoo (AMCS), Magoodhoo (MCS), Horafushi (BMCS), Vaadhoo (VCS), and Addu (ATCS) this year. Although the resulting reports have their limitations, the PIU should use the results of those assessments to identify the real needs of the VCCOs.

27. **Value chain action plans developed for the focus areas and potential communities.** There has been no progress by the Programme in developing value chain action plans. Methods to ensure value chain linkages with other value chain partners and support services are included in the revised business plans have been discussed above.

28. **Strengthen the M&E activities of MoFA Agribusiness Unit.** The MoFA Agribusiness Unit, with UNDP assistance, is to complete the preparation of a database to record, monitor and evaluate the agricultural activities of the country by December 2013. The PIU needs to work in collaboration with the Unit to incorporate the activities of the VCCOs, and feed data to the system once it is in operation. Some limited coordination and planning for this has commenced.

29. **Service providers receive information on community needs.** The lack of progress in this output is inferred by the quality of the training material prepared by the service providers as discussed above. While the PIU has carried out briefings of service providers prior to their deployment, they may still not be fully aware of community needs, and more detailed orientation may be required.

Outcome 1.4: Improve value-addition in Maldivian Fish and other fish processing value-chains

30. There has been no success in achieving this outcome (*unsatisfactory (2)*), largely due to the issues described in section B and the slow progress in achieving the outputs in support of this outcome as discussed below. No fisheries VCCOs are yet engaged in any value-addition activities.

31. **VCCOs/VCCs established and improved administration.** The Programme has worked with and helped to establish 8 VCCOs and 1 VCC: Maduvvari CS in M. Maduvvari, Gemanafushi CS in Ga. Gemanafushi, Funadhoo CS in Sh. Funadhoo, Faadhippolhu CS in Lh. Naifaru, Hiriland CS in Th. Hirilandhoo, Kamburu Company Pvt Ltd. in Ga. Kolamaafushi, Maavah CS in L. Maavah, Maamakunudhoo CS in Hdh. Makunudhoo, and Dhuvaafaru CS in R. Dhuvaafaru. Two of these (Maamakunudhoo CS and Dhuvaafaru CS) have been established since the MTR mission. Agreements have been signed with Gemanafushi CS and Kamburu Company Pvt Ltd., and operational plans prepared for both, with only the Gemanafushi CS business plan and agreement revised following the decision not to provide working capital. A decision has now been taken to drop Kamburu Company Pvt Ltd from the Programme due to financial mis-management of the initial payment made on signing the agreement, and non-compliance with the agreement signed. The Programme will need to seek to regain the funds paid to the company. Other VCCOs have fallen out of the Programme due to a lack of commitment shown by some, others not wishing to work with the Programme based on the recent policy decisions discussed in section B, weak or unviable business

plan proposals, and difficulties for some cooperatives of obtaining the minimum number of 200 members required by the Programme. The Programme is thus only working in the fisheries sector with the Gemanafushi CS, and this VCCO should be the priority and sole VCCO/VCC supported by the Programme at this late stage of the Programme, unless an extension is approved following the propose mission in June 2014. Training modules for various aspects of VCCO/VCC administration have been developed by the PIU aimed at supporting improved administration as already highlighted, but none of the training modules have been implemented in fisheries VCCOs/VCCs.

32. Fishers adopting higher quality techniques for onboard handling and improved fish processing & Quality of processed fish and packaging improved. There has been no progress in training fishermen in improved quality of landed fish. This was included in the programme design when it was envisaged that the Programme would focus exclusively on Maldivian Fish. Now that a broader approach is being taken to the products included, it is less relevant to programme needs, and should be removed from the logframe as part of the revision proposed in section D. What is needed however is a focus by the Programme on ensuring that VCCOs/VCCs know how to ensure/test for a reliable and consistent quality of product they purchase for processing, and that they can produce high quality products of a consistently nature. This can be achieved by i) use of innovative packaging methods to preserve quality, ii) adherence with a set of processing standards to ensure consistency in quality, and iii) ensuring that products comply with the Maldives Food and Drug Authority (MFDA) generic standards on food safety/hygiene, which are voluntary in the absence of national Food Law. Resulting MFDA-approved products could be expected to have a market premium.

33. Marketing strategies established to promote VCC/VCCO products to higher end markets through innovation and branding & improved marketing of Maldivian Fish and other fish products. Business plans already prepared contain only the broadest of marketing strategies for the marketing of products. The Gemanafushi CS business plan does not contain the necessary information on advertising approaches, promotional methods, sales/pricing strategies with regards to other products, specification of brand concepts and logos, individual batch volumes, delivery frequencies, prioritisation of which products will be tried in the market first and why, etc. A strategy must be developed quickly and in advance of the provision of equipment so that as soon equipment is installed the VCCO can commence business operations. The strategy should be based where relevant on the market study of Maldivian Fish recently completed by the Programme; while this study focussed primarily on the Sri Lankan market for Maldivian Fish, it contains information of relevance to the marketing of skipjack tuna products in the domestic market.

34. VCCO/VCC production activities strengthened. There has been no progress to date in achieving this output, with key issues being the slow overall implementation progress meaning that no fisheries sector VCCOs/VCCs are yet operational. The PIU has however started the procurement process on behalf of the Gemanafushi CS of value-adding equipment, with the procurement notice gazetted in November 2013. This equipment will be delivered and installed by around March 2014 and the Programme must plan adequately so that as soon as it is delivered it can be used by the community to commence with production activities. All equipment should be immediately handed over to VCCO ownership on arrival (rather than retained as a MoFA asset), so as to ensure a sense of ownership of the assets by the cooperative members.

35. Roadmap for Maldivian Fish Geographical Indicator (GI) status specified and first steps taken. There has been no progress in this output. The output is not now relevant to the Programme given that it is not supporting the export of Maldivian Fish products, but rather their sale in domestic markets. In addition it is noted that the MED has completed an assessment study for all products of potential GI status, which identified a number of national legislative changes which would be necessary before any further moves can be taken towards obtaining GI status for any projects. This output should be removed from the logframe as part of the revision proposed in section D.

Agreed action	Responsibility	Agreed date
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
4. After completing required revisions and approvals, sign revised agreements with MCS, FDCS, VFCS, SFCS, BMCS, and AMCS	PIU/MoFA	31 December 2013
5. Develop an the accounting operations manual to be provided to the VCCOs	PIU/MoFA	31 January 2014
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
7. Conduct PRA of needs assessment in Gn. Fuvahmulah (FDCS) and L. Fonadhoo (SFCS)	PIU/MoFA	28 February 2014

Component 2: Financial services

Outcome 2.1: Small farmer producers, fishers and VCCOs invest in expanding their farm or fishing enterprise

36. Progress in implementing this component is *unsatisfactory (2)* and there has been no progress. This component foresees the establishment of a credit facility to support investments by VCCOs/VCCs to expand their enterprises in the agricultural and fishing sector. Partners identified during design to sign Subsidiary Loan Agreements (SLAs) were the Bank of Maldives (BML) and the Maldives Finance and Leasing Company (MFLC). During the programme's implementation, due to insufficient engagement of BML and findings of the previous supervision mission (December 2011) that the MFLC was an unsuitable programme partner, the PIU tried to identify other partners, such as the Maldives Islamic Bank (MIB) for the implementation of this component. The last mission agreed that MoFT would provide support for engagement with BML and MIB to finalize the SLAs. The PIU has attempted to resolve the issue with a series of requests to MoFT on this issue, it was only in November 2013 that MoFT confirmed that it would not be possible to sign SLAs and that funds allocated for this component would not be used. The key issue for the BML, and potentially for other on-lenders, was that the lending rate of 4% from the government and the 7% cap on the interest rate to be charged to the final borrowers, providing very little spread to cover administration costs and lending risks.

37. Given the low overall use of programme funds, the embryonic development of the VCCOs/VCCs, the short time remaining in the Programme, and the fact that there are remaining funds under IFAD loan component 1A (investment capital), this component should be removed from the Programme, with the IFAD-supported mission proposed for June 2014 to make a decision at that time over whether funds should be re-allocated or cancelled (see section B and agreed action number 2).

D. Programme implementation progress

38. **Programme management performance** is rated as *moderately unsatisfactory (3)*. A programme manual has been prepared since the MTR, internal programme staff activity planning (based on the logframe) and tracking is working well, and there are regular staff meetings, and clear reporting roles and responsibilities and lines of communication. However, while the MTR noted that the full staff complement at that time was 'appropriate and necessary if backed up also by service providers', all IOs were removed from the Programme in June 2013 without any replacements or alternative service provision having been used; although it was planned for MoFA to provide this role it has not been necessary due to implementation delays. The Programme does not now have the ability to provide the necessary field-based support to the VCCOs/VCCs if the Programme is to have any chance of achieving its objectives. A philosophy within the PIU of *overseeing/monitoring* the activities of the VCCOs/VCCs and expecting them to start activities on their own to show commitment, is not consistent with previous mission's intentions for the PIU to be *embedded within the running/management* of the VCCOs/VCCs. The philosophy adopted, coupled with (or perhaps because of) the lack of field-presence, has resulted in a highly risk-averse approach by the PIU and the NSC to approving VCCO/VCC requests (such as working capital in the business plans), and rigid and burdensome administrative requirements which provide a disincentive for VCCOs/VCCs to link with the Programme. While prudent management, especially with regards to financial matters is necessary, PIU controls on VCCOs/VCCs and reporting requirements appear to be hindering programme implementation given weak VCCO/VCC capacities, rather than facilitating it.

39. High-quality business development coordinators with suitable small and medium scale enterprise (SME) experience should be recruited and stationed full-time in the 6 agriculture and 1 fisheries priority VCCOs, initially on six month contracts (see agreed action 1 in section B). Remuneration must be sufficient and structured to attract high quality individuals, and their role would be that of operational day-to-day business managers to work alongside VCCO/VCC-appointed staff and to train the VCCO/VCC staff and gradually hand over all activities, as well as to ensure that all conditions of the signed agreements are adhered to. Given the policy not to use programme funds to pay VCCO/VCC staff salaries, and the inability of VCCOs/VCCs starting new businesses to pay staff out of earnings/profits they do not yet have, these business development coordinators will be essential. The mission team will assist the PIU with drafting suitable terms of reference. The existing agriculture and fisheries marketing and business experts in the PIU should share responsibility for managing and working with the business development coordinators, and should share responsibility for agriculture and fisheries VCCOs.

40. The Programme recruited a new M&E Officer in August 2013 to replace the previous M&E officer whose contract expired in June 2013. Despite recommendations by previous missions that any new staff should have a sufficient hand-over period with existing staff, this did not happen. The agricultural component coordinator has also been recently re-assigned, and a new component coordinator has not yet been recruited, although processes to do so were underway at the time of the mission. For any future staff departures, staff should be asked to serve out their notice period after any annual leave accrued has been taken, so as to ensure a suitable handover. This may require the Programme to fund 2 people for the same position for a short period of time.

41. **Coherence of AWPB** is rated as *moderately unsatisfactory* (3). The implementation of the Programme is partly coherent with the activities and outputs planned in AWPB 2013. The two main issues preventing better coherence were the project delays due to the policy changes discussed in section B, and zero progress in the financial services component as discussed in section C. The Programme has revised the AWPB accordingly, and made efforts to comply with the AWPB to the extent possible.

42. **Monitoring and evaluation (M&E)** processes are rated as *moderately unsatisfactory* (3). The PIU/MoFA, with the help of IFAD technical expertise, has developed an M&E plan that is complemented with 21 data collection forms. The Programme has provided reporting forms in 'Excel' format to 4 VCCOs/VCCs (AMCS, Baarah CS, Gemanafushi CS, and Kamburu Company Pvt Ltd), conducted training in data entry and record keeping, and completed the second phase of the 'Baseline Survey' for Ha. Baarah and Ga. Gemanafushi. Since the last SIS mission, the programme logframe has also been changed by the PIU with a number of results moved or changed, outputs redefined, and indicators adjusted. The new logframe will be used from January 2014. The mission notes that, as reported earlier in this Aide Memoire, some further revisions are required, and will provide a revised logframe in the full mission report.

43. The Programme still has no systematic M&E system and experiences several challenges and drawbacks in M&E, and IFAD implementation support on M&E requested by the PIU during 2013 has not yet been provided. Only 3 of the M&E data collection forms are being used (VCCO membership, trainings, and meetings) because of the current lack of overall programme progress and the current status of VCCOs/VCCs and engagement by the Programme with them. Existing records are kept by the PIU in raw form as the M&E database is not functional. The flow of information from the communities to the PIU is also haphazard and irregular, and the PIU experiences challenges in retrieving even basic quantitative data from the VCCO's required using the forms provided. In some VCCO's, data are still stored in hardcopy rather than in the provided computer formats, due to poor capacity in the form of insufficient computer skills and inadequate facilities and support at the field level. Furthermore, the M&E reporting format is primarily based on tracking activities and immediate outputs, and the outcomes and impacts of the Programme are not reported. It is therefore impossible to measure ongoing change and sustainability. The baseline survey has shortcomings in this regard as there was no focus in measuring the RIMS and programme indicators, and the survey thus has limited use because the benchmarks against which change and progress are to be measured and evaluated are not included. A new high quality baseline survey should therefore be outsourced and completed quickly in the 7 priority islands.

44. The mission recommends that a proposed Mariculture Enterprise Development Project (MEDeP) SIS mission early in 2014 should support resumption in the use of the PIU M&E database system and strengthening of field data collection and analysis. If this mission is delayed, IFAD support should be provided for a separate short input by an M&E expert. Using the staffing proposed at the island level (see section B and D), the Programme should methodically monitor activities and outputs, and evaluate outcomes and impacts using existing toolkits and PRA methods developed by the Programme. It is also recommended that programme management follow the M&E Plan and incorporate it into the AWPBs, with specific tasks and timings itemised for the M&E Officer. With the Programme completion in September 2014, the PIU should start planning and transferring the M&E system to relevant stakeholders.

45. **Gender focus.** The performance is *moderately satisfactory* (4). The Programme's gender mainstreaming strategy is limited to reporting sex-disaggregated data on training and VCCO share membership. Programme VCCOs/VCCs have reached the target of 50% women share membership, and each executive committee must have 2 female members as a requirement of the agreements. The trainings conducted by the Programme are gender-balanced and 51% of the trainees have been women. However, during the field visit, the mission observed no evidence of women involvement in the VCCO/VCC business activities, especially at the leadership and decision-making level. To ensure women benefit from the interventions, it is essential that VCCOs/VCCs continue encouraging female participation and provide equal opportunity for them to effectively participate in production and marketing interventions.

46. **Poverty focus.** The performance is rated as *moderately unsatisfactory* (3). The Programme M&E does not collect data/information on poverty-related RIMS indicators (economic – income/earning, and consumption - malnutrition) for the beneficiary groups. However, it is evident that the Programme has the potential to contribute to poverty reduction given the island-based nature of activities, if the VCCOs/VCCs are properly selected, have viable business plans, and have adequate managerial and operational skills. The mission reiterates the recommendation made by the two previous missions for PIU/MoFA to verify the RIMS malnutrition findings by sharing them with relevant stakeholders (Ministry of Health and UNICEF).

47. **Effectiveness of targeting approach.** Targeting performance is rated as *moderately unsatisfactory* (3), and while the Programme has relied strongly on building on PT-AFReP activities, current programme interventions have moved beyond the PT-AFReP and need to have a broader understanding of the poverty and nutritional status of the programme area. To achieve this it is important to consolidate the information already available to the Government on nutrition/poverty, and food production and access to food in the programme area. It is also important to complete the PRAs for all programme VCCOs/VCCs, and for the Programme to more actively seek out marginalized individuals to be incorporated into VCCO activities. The information needs to be formally incorporated into FADiP information system/decision-making, to confirm the assessment of selection and targeting effectiveness. As noted by previous SIS missions, the VCCO/VCC model being promoted by the Programme is subject to two targeting risks. Since the concept of cooperatives is very new to the Maldives, it is not evident that the poor and marginalized fishers and farmers are made fully aware of the benefits of the Programme. And it is very likely that the better-off members of the community will govern and control the VCCO/VCC activities in their interests. PIU/MoFA need to closely monitor VCCO/VCC governance/management, record the opportunities provided and benefits received by the poor/marginalized groups, and support approaches to minimise instances of elite capture.

Target Group "category"	Total number of households to be reached by the end of Programme (Appraisal Targets)	Number of households reached so far (cumulative)	
		Total	Of which, women
Fisheries sector processors	400 households	114	50.75% (102 out of the 201 beneficiaries are women)
Small-scale agriculture producers	800 households	313	51.9% (311 out of 599 beneficiaries are women)

Notes: The total number for households reached so far is calculated using the beneficiary numbers of 3 out of 4 VCCO's (AMCS, Baarah CS, Gemanafushi CS) for which disbursements have been made and the number of people trained under the Programme. The number of households reached has been reduced in the fisheries sector due one VCC being dropped by the Programme.

48. **Innovation and learning.** Learning and innovation resulting from the Programme is limited, but some innovative products and processes have been developed by VCCOs without direct FADiP support; and is thus rated as *moderately unsatisfactory* (3). BMCS is providing locally made small hydroponic systems for 10-20 plants (e.g. chillies, cucumber) to be maintained in home gardens. This is an important innovation benefitting women which can contribute to household food security. BCS has demonstrated the technical feasibility of poultry feed production in Maldives (even if not financially viable), as well as an ability to deal with international raw material suppliers. If this operation was scaled up, with the use of proper technology and locally available material (e.g. coconut and fishmeal from the Felivaru cannery), it could become a financially viable enterprise. SFCS has moved into organic crop production using effective microorganism technology, based on requests by the resorts in the region.

49. **Knowledge management (KM)** is *moderately satisfactory* (4). The Programme has not achieved the previous mission's agreed action to develop a knowledge management strategy. However, a strategy for PT-AFReP will be used as the basis for FADiP when feedback has been obtained on the outputs produced by the service provider. Some video footage has been shot by FADiP staff, although technical problems have prevented its use in the form of a final product. The Programme has not been able to identify success stories due to slow implementation progress. The mission recommends that the Programme make use of the technical annexes of the previous FADiP and PT-AFReP SIS and MTR reports and follows the detailed KM guidelines, and document significant change stories and disseminate them to relevant stakeholders. The MEDeP SIS mission, or alternative IFAD support, planned for early next year should also provide support on KM.

50. **Partnerships** is *moderately satisfactory* (4). Since the last SIS and MTR missions, the Programme initiated discussions with a number of previous partners over their respective workplans to ensure consistency, a lack of duplication, and potential cost sharing. Some previous partnerships have been discontinued however due to slow FADiP implementation progress, but the PIU remains vigilant about potential partnerships. The PIU also linked AMCS, FDCS, BMCS, and ATCS to a private company 'Maldivian Pride' which came forward to promote local products by establishing an office in Malé, but which ceased operating. The mission specifically recommends formalizing partnerships with two projects implemented by the Ministry of Economic Development: 'Strengthening Livelihoods Initiative for Home-based Workers in the Maldives (SABAH)' – an initiative funded under the social window of the SAARC Development Fund (SDF); and the 'Inclusive Micro, Small and Medium Enterprise Development Project (IMSMED)' with the assistance for ADB and IDB. The projects support SME development strengthening and market opportunities for home-based producers, and will support a trade facilitation centre in Malé, and a series of shops which could serve as useful market outlets for FADiP VCCOs/VCCs.

Agreed action	Responsibility	Agreed date
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
9. IFAD support early in 2014 to support FADiP M&E	IFAD	28 February 2014
10. M&E system resume utilizing the M&E database, and strengthened field data collection and analysis	PIU/MoFA	28 February 2014
11. Revise the programme logframe	PIU/MoFA	31 December 2013
12. Formally establish relationship with MED projects on an ongoing basis	PIU/MoFA	Ongoing
13. A knowledge management strategy to be agreed and documented	PIU/MoFA	28 February 2014
14. PIU to verify the RIMS survey malnutrition findings by sharing them with the Ministry of Health or UNICEF, for comparison with disaggregated data from the National Health Survey	PIU/MoFA	31 January 2014
15. Preparation of a new baseline survey is outsourced and completed in the 7 targeted islands	PIU/MoFA	28 February 2014

E. Fiduciary aspects

51. **Financial management.** Special Account (SA) and Programme Account (PA). The Special Account (SA) needs to be better managed and maintained by the MoFT. The SA is still stagnated with only seven WAs made for replenishment since its effectiveness in 2009. The average amount per WA was only USD 74,636. The balance of the Special Account stood at USD 370,702.31 as of 31 October 2013. At the time of the mission, a monthly bank reconciliation was completed by the PIU/MoFA accountant based on the bank statements Report.

52. The mission also noted that no Programme Account (PA) has been opened. This does not comply with the LA section 3.03 in terms of PA arrangements and creates certain inconveniences for the PIU/MoFA's daily operations. Specifically, there are around USD 14,696 listed as "Cash In Hand" in the SA Reconciliation Report as of 31 October 2013 which are mainly variances in MVR accumulated by cash advanced for PIU/MoFA daily operations and staff travel. The PIU applied fixed exchange rates when preparing for cash advance payment requests to the SA, however, the actual expenses incurred typically do not match with the advance payments, with both changes in the exchange rate at the disbursement date and uncertainty over the actual payments attributed as the causes. These "Cash In Hand" (USD 14,696) have been accumulated since 2011. Given the fact that these variances in cash are retained by the MoFT in MVR separately from the SA, the retained amounts cannot be used in a timely manner for programme activity, compromising programme efficiency. The above mentioned inconvenience can be easily solved if there is a PA managed by the PIU/MoFA. Any variances in MVR should be kept in a PA accordingly to fund eligible expenditures. The MoFT and PIU should take action to establish the PA by 31 December 2013 and the PIU should prepare a fund flow chart to be endorsed for better PA management.

53. Given the fact that the Project Completion Date (PCD) is 30 September 2014 and the financial Closure Date 31 March 2015, the mission reminds the MoFT and the PIU that the recovery of the SA account will begin six months before the PCD (namely 31 March 2014). The PIU should begin to prepare to present the recovery plan aimed at fully justifying the SA amounting of USD 500,000 (equivalent to SDR 324,300.5) by the closing date.

54. Refund to the SA. The mission reviewed the actions taken against the recommendations made by the MTR mission and 2012 audit report and noticed that the identified ineligible expenditures on salaries and office operating costs (USD 52,263) paid by the SA have not yet been credited back to IFAD by the government. In addition, the payments advanced to Kamburu Company Pvt Ltd of MVR 141,044 (equivalent to USD 5,126.97) should be returned to the Programme, as it has ceased its engagement with both VCCOs/VCCs due to a failure to comply with the content of the agreements signed with MoFA. Thirdly, as indicated in the Section 11.01 of the General Conditions of IFAD financing, all expenditures incurred shall be exempt from all taxes. At the present time, all claimed expenditures from the effectiveness covered 6% of Value Added Tax (VAT) and the PIU shall raise voucher to the government counterpart funds in amount of USD 17,621 to reimburse the taxation pre-financed by the IFAD. Overall, USD 75,011 shall be credited to the SA.

55. VCCO/VCO financial management. The mission observed that the VCCOs have not maintained their bank account and financial records in accordance with professional accounting practices, to reflect their business operations, resources and profit/loss. This created difficulty for local auditing firms to understand them. The mission understands that capacity building in financial management is an ongoing process for the VCCOs and encourages the PIU to provide continued training and support to mitigate any financial risks. In addition, the business development coordinators and VCCOs should use the VCCO accounting manual to be prepared by the PIU to develop capacity in financial management. In addition, based on the test of the VCCO audit reports, the mission noted the limited audit capacity with local auditing firms. The mission recommends the PIU/MoFA recruit an independent auditing firm who can conduct timely and comprehensive auditing works with the International Standards on Audit (ISA).

56. **Disbursement.** Disbursement of the loan funds for the programme is rated as *unsatisfactory* (2). The overall disbursement rate for the Programme is very low. Although disbursement from the Special Account was made on a regular basis in 2013, the disbursement from IFAD only slightly increased. Up to the present time, the Programme submitted seven WAs to IFAD and all were disbursed, valued at SDR 617,983.32 including the initial deposit of SDR 324,300.5 (around 26.3% of the programme appraisal). Of the total disbursed amount, 53% was made in 2010 as the initial

deposit, 29% in 2012 and 19% in 2013. The actual disbursement rate excluding initial deposit increased from 8.9% in September 2012 to approximately 13% in November 2013. This represents 24% of the IFAD's 2013 Project Disbursement Profile (PDP) benchmark of 55% at the fourth year of programme implementation. Reportedly, there is one WA valued at USD 70,000 to be submitted to IFAD for replenishment in first quarter of 2014. By category, the disbursement rate varies from 0% to 52%, and notably category IA for VCC/VCCO investment capital and Category IV for incremental credit have not been disbursed at all.

57. **Counterpart funds.** The provision of counterpart funds is rated as *moderately satisfactory (4)*. Counterpart funding by the Government stands at only 22% of the committed amount over the programme life. Counterpart funding amounting to USD 300,297 has been contributed to the program to match the IFAD investment in line with the Financing Agreement. Overall, the government contribution was matched with IFAD investment correspondingly. However, given the low disbursement rate and slow implementation of the programme, there is concern over whether full government counterpart funds of around USD 1.3 million indicated in the appraisal will be fully contributed.

58. **Compliance with loan covenants.** is rated as *moderately unsatisfactory (3)*. In general, most provisions of the Financing Agreement are being complied with except for non-compliance with section 2.04 (Use of Proceeds) and financing of eligible expenditures, and with section 3.03 on arrangement of the programme accounts. The mission urges immediate correction accordingly.

59. **Procurement.** The programme procurement is rated as *moderately satisfactory (4)*. The majority of procurements were conducted by the PIU based on approved AWPB and Procurement Plans. There has been no procurement case exceeding the prior review threshold in the current year. Procurement of goods for the Programme as well as for some goods and equipment required by the VCCOs/VCCs, was conducted by the PIU mostly through local competitive processes. The PIU is now conducting procurement processes on behalf of the VCCOs/VCCs to ensure transparency and accountability in the process. The mission therefore recommends that a joint evaluation panel be established during tendering processes with good participation of VCCOs/VCCs. This will ensure a sense of ownership of the equipment to be provided to the VCCOs/VCCs. All items purchased shall be properly handed over to the VCCOs/VCCs for their proper usage and maintenance. Spot checks on the physical locations of fixed assets were also completed and the mission is satisfied with the findings.

60. **Audit.** Audit performance is rated as *moderately satisfactory (4)*. The Mission was pleased to note that the Programme had submitted the Audit Report for fiscal year 2012 to IFAD within the deadline. PricewaterhouseCoopers based in Maldives (PWC) conducted the audit in accordance with International Standards on Audit (ISA). The audited financial statements were presented following the International Accounting Standards (cash basis). The Auditor expressed an unqualified opinion on the financial statements and the Special Account, but they did not provide a separate opinion on the WA schedule/SOEs although reviews and observations on SOEs were described in the management letter. The PIU/MoFA also noted that the draft audit report was shared at the last minute around mid-June 2013, which left the Programme insufficient time to respond to the observations properly. Based on the meeting and consensus reached with the auditor, the PIU/MoFA should add a specific date in the 2014 terms of engagement letter to the PWD defining the deadline for sharing the initial draft for comments, such as 31 May 2014.

61. In 2012 audit report, the Auditor listed several internal control issues such as:

- a) Unreconciled differences on the SA Reconciliation Report to the amount of USD 1,121 as of 31 December 2012, and the corresponding amount stands at USD 827 as of 31 October 2013. The PIU/MoFA reported the amount is mainly generated by the exchange rate gain or loss. The mission recommends the PIU/MoFA take a proper review and create a relevant chart of account to accurately reflect the amounts in the reporting;
- b) Refund to the SA on identified ineligible expenditures as mentioned in Para. 7;
- c) Delay in payment of pension contribution to the programme staff under the government counterpart funding; and
- d) Slow programme implementation.

62. **Credit Facilities.** Comment on credit facilities to be provided through the Programme has been discussed earlier under the description of progress and key issues for component 2 of the Programme.

Agreed action	Responsibility	Agreed date
16. Selection of a software maintenance service provider to update QuickBooks on a regular basis	PIU/MoFA	31 January 2014
17. Establishment of the PA and preparation of a fund flow chart to be endorsed for better PA management	PIU/MoFA together with MOFT	31 December 2013
18. Refund of ineligible expenditures amounting of USD 75,011 shall be credited to the SA.	MoFT together with PIU/MOFA	31 January 2014
19. Implementation of the auditor's recommendations	PIU/MoFA	31 December 2013
20. Send draft audit report timely for review and comments	PWD (the auditor)	31 May 2014

F. Sustainability

63. **Institution building** is rated as *moderately unsatisfactory* (3). While the Programme has undertaken institution-building activities, VCCO/VCC institutional capacity remains weak, and the more focussed approach proposed whereby the Programme will now work with a limited number of priority VCCOs/VCCs, and the proposed business development coordinators to work within the VCCOs/VCC, will be critical in ensuring sustainable institutional building.

64. **Empowerment and social sustainability (empowerment)** is rated as *moderately unsatisfactory* (3). The policy change not to allow programme funds for working capital, which took place after signing the initial agreements with VCCOs/VCCs, has reduced the levels of trust felt by beneficiaries with the Programme. This resulted in infrequent dialogue and insufficient outreach to beneficiaries. It is important that the Programme swiftly delivers the equipment necessary to commence activities on the ground, and to continue to work to build VCCO capacity in key areas such as community participation, group cohesion, resource mobilization, leadership skills and financial management to rebuild the motivation and achieve outcomes. Only then will real empowerment and social sustainability be achieved.

65. **Quality of beneficiary participation** is rated as *moderately satisfactory* (4). The mission notes that beneficiary groups are generally still enthusiastic to collaborate with the Programme despite the implementation delays. However, the cooperative approach to community mobilization and income generation is a new and challenging concept in the Maldives. Farmer/fisher groups lack the skills to ensure sufficient impact and sustainability of the development interventions initiated by the Programme. During the remaining period emphasis should be given to strengthen VCCOs/VCCs participation as part of the programme exit and sustainability strategy.

66. **Responsiveness of service providers** 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 Maldivian Fish. 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. The quality of final products is variable however, and the mission feels that PIU/MoFA should adopt a more rigorous quality assessment procedure. For example, the mission recommends that all training materials be tested in the field before the final product is accepted and payment made. Similarly, all draft reports should be carefully read and commented on by all technical staff (especially the component coordinators) and amendments incorporated before report finalization. With the policy change (i.e. providing equipment to VCCOs/VCCs not working capital), PIU/MoFA will depend on a number service providers to deliver the machinery and equipment required by VCCO/VCCs. The process needs to be carefully planned, managed and monitored to ensure value for money and timely delivery.

67. **Exit strategy** is rated as *moderately unsatisfactory* (3). Some of the PIU will be engaged with the recently started MEDeP, and MoFA staff are far more involved with the programme activities than was previously the case, in part due to the appropriate location of the PIU within the MoFA. With programme completion fast approaching in September 2014, the mission recommends that MoFA, together with PIU, should develop an exit strategy indicating what activities will be continued, how

they will be internalised into institutions including MoFA, and how they would be funded (if funds are required) to ensure smooth transition of the PIU responsibilities and handholding input to the VCCOs.

68. **Climate change and environment** is rated as moderately satisfactory (4). Programme design did not provide for any specific activities aimed at addressing either climate change resilience through adaptation, or climate change mitigation i.e. reduced contributions to climate change. However the Programme is engaged with agricultural practices and trainings which potentially include issues such as soil and moisture conservation, integrated pest management, and organic agriculture, and with the processing of fish waste currently discarded in islands which creates an environmental hazard. Some positive contributions to natural resource management and the environment can be expected.

69. **Potential for scaling up** is rated as *moderately satisfactory* (4). While no elements of the Programme are being taken up by Government or other partners at a larger scale yet due to the slow progress in implementation, value chain relationships between communities and markets are/could be beneficial for all parties and have significant potential to be scaled up and replicated. This will only happen if the Programme is successful in ensuring sustainability of the VCCOs/VCCs and their activities, and documents success stories for wide dissemination. The potential for scaling up is considerable given that the new government has a strong policy of support for cooperatives, as laid out in its manifesto.

Agreed action	Responsibility	Agreed date
21. An exit strategy document prepared	PIU/MoFA	31 May 2014

G. Other

70. **Impact on physical and financial assets.** This is rated as *unsatisfactory* (2), with only small amounts of physical assets just starting to be provided to the VCCOs/VCCs. Slow progress has meant that none of the VCCOs/VCCs being supported by the Programme have increased their financial assets based on productive activities and the interventions of the Programme, and financial assets remain limited and in the form of the share capital invested in the VCCOs/VCCs by their members.

71. **Impact on food security.** This is rated as *unsatisfactory* (2) and while some capacity development of VCCOs/VCCs has occurred that may have an impact on food security in the longer-term, the lack of programme progress means there has been no measurable impact on food security, either in the form of direct food security resulting from growing of food products, or in the form of indirect food security with increased incomes being available to buy food.

72. **Impact on incomes.** This is rated as *unsatisfactory* (2) and the comments made above for food security apply equally to the programme's impact on incomes.

73. **Policy impact.** The Programme has encouraged and reinforced Government policy to support cooperatives in the Maldives. This policy impact could be reversed if the Programme does not achieve its objectives.

74. **Project completion review (PCR).** PIU/MoFA will complete the Government's PCR by end September 2014. Prior to the PCR, an impact survey should be conducted during July and August 2014, by a survey team to be engaged by the PIU. The results of the impact survey should be incorporated into the PCR. IFAD will assist PIU in developing the terms of reference for the survey as well as the PIU/MoFA version of the PCR. The IFAD PCR will be undertaken after September 2014.

Agreed action	Responsibility	Agreed date
22. Impact survey completed to inform the PCR	PIU/MoFA	31 August 2014
23. Government's PCR completed	PIU/MoFA	30 September 2014

H. Conclusion

75. In conclusion, the SIS mission finds that overall progress in implementation is moderately unsatisfactory (3) in terms of the IFAD performance ratings. Delays since the last mission have been experienced due to the need to obtain clarity over whether the provision of grant funding to the VCCOs/VCCs as planned was contrary to a supreme court ruling on the use of government funds, and this interrupted programme progress. The decision by the NSC only to approve value added equipment in the VCCO/VCC business plans also caused delays because all the VCCO/VCC

business plans and agreements had to be revised, and some VCCOs/VCCs decided to cease their engagement with the Programme. It is also regrettable that MoFT has not been able to find a solution to the financial services component; no on-lending institutions are available to sign SLAs due to the lending rate from the government and the cap on the interest rate to be charged to the final borrowers, which provides little spread to cover administration costs and lending risks.

76. Despite these findings and the delays experienced, the mission is pleased to note the activities that have been completed by the Programme over the last year in preparing to support VCCOs/VCCs. The mission recommends that if the development objective is to be achieved, the Programme should focus on seven VCCOs/VCC with the most potential for success, and should station business development coordinators in the relevant islands on a full-time basis until the end of the Programme. The groundwork for successful VCCO/VCC operation has been prepared, and with the proposed island-based support, and if no other unforeseen delays are experienced, a programme extension may be justified. Continued support for cooperatives would be in line with the policy for the agriculture and fisheries sector as laid out in the manifesto of the new government. The possibility for an extension will be assessed by a short IFAD-mission in June 2014 based on performance. The indicators for assessing performance will be i) VCCOs/VCCs are productively utilising the first batch of equipment provided, ii) VCCOs have made sales and have had sales revenues returned to VCCOs/VCCs bank accounts, and iii) VCCOs/VCCs have appointed key management staff who are actively engaging in the businesses and working collaboratively with the business development coordinators.

77. All recommendations and actions in this Aide Memoire are considered by the NSC as endorsed.

78. IFAD and the Government of the Republic of Maldives endorse the findings of the supervision mission.

Signed in Malé 27th November 2013.

Mr. Tian Ya
IFAD Country Programme Manager

Mr. Ismail Ali Manik, Permanent Secretary
Ministry of Finance and Treasury

Dr. Abdulla Naseer, Permanent Secretary
Ministry of Fisheries and Agriculture

Date: 27 November 2013

Appendix 1: Summary of project status and ratings

A. Basic Facts

Country	Republic of Maldives		Project ID	726-MV	Loan/Grant No.	726-MV
Project	Fisheries and Agricultural Diversification Programme				Supp. Loan/Grant	
Date of Update:	12/2013	Last Supervision	8-23 Sep 2012 (MTR)		Financing terms	HC
Supervising Inst.	IFAD/IFAD	No. of Supervisions	2 + MTR			
				USD million	Disb.rate%	
Approval		Quality at entry rating		Total costs	5.548	10%
Agreement	April /2008	Effectiveness lag		IFAD loan	3.525	13%
Effectiveness	15/09/2009	Problem project	Since Dec 2010	DSF grant		
MTR	09/2012			IFAD grant		
Current completion	30/09/2014	Last Amendment	10/2012	Domestic		
Current closing	31/03/2015	Last Audit	06/2013	Cofinancing	.723	0%
No. of extensions				Government	1.300	16%

B. Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	3	1. Quality of project management	4	3
2. Acceptable disbursement rate	1	2	2. Performance of M&E	3	3
3. Counterpart funds	3	4	3. Coherence between AWPB & implementation	3	3
4. Compliance with loan covenants	4	3	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	4	3
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	3	3
8. Climate & EnvFocus		4	7. Innovation and learning	3	3
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Actual outputs& outcomes /VCC development	3	2	1. Institution building (organizations, etc.)	4	3
2. Actual outputs/Financial Services	1	2	2. Empowerment	4	3
3. Actual outputs/Programme Management	5	3	3. Quality of beneficiary participation	3	4
4. Physical/financial assets	2	2	4. Responsiveness of service providers	3	4
5. Food security	3	2	5. Exit strategy (readiness and quality)	4	3
Natural asset improvement & climate resilience		4	6. Potential for scaling up and replication	5	4

C. Overall Assessment and Risk Profile		Last	Current
C 1 Overall implementation progress (Sections B1 and B2)		4	2
C 2 Likelihood of achieving the development objectives (section B 3 and B4)		4	2
C 3 Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>			
Fiduciary aspects	<p>The main fiduciary risks which have a potential impact on achieving the development objectives are:</p> <ul style="list-style-type: none"> • The current slow disbursement rate • Poor financial management by VCCOs/VCCs • A failure to fully comply with, and follow, the Loan Agreement covenants 		
Project implementation progress	<p>The main perceived risks for implementation progress are:</p> <ul style="list-style-type: none"> • PIU staff motivation and sufficient time spent in the field • Failure to recruit high quality business development coordinators for stationing in programme islands • A failure to identify and use appropriate service providers – critical in mitigating the risks associated with PIU capacity • A lack of support by Government for implementation of specified AWBPs, or policy decisions which hinder implementation as planned 		
Outputs and Outcomes	<p>Key risks associated with the Programme outputs and outcomes are:</p> <ul style="list-style-type: none"> • the decision not to use programme funds for working capital which may make it difficult for VCCOs/VCCs to commence business activities at a scale which is financially viable • politicisation of activities at island-level in many communities making collective approaches problematic, and hindering the ability of the programme staff to engage beneficiaries in programme activities • PIU staff not sufficiently engaging with the running of the VCCOs on a day to day, and operational basis i.e. a mentality of overseeing VCCO activities rather than being part of them • Weak institutional, technical, and organisational capacity within VCCOs and a failure by the Programme to adequately support capacity developments in these areas, which would increase the risk of a lack of sustainability of VCCO operations (see below) • 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 		
Sustainability	<p>The key risk to sustainability is the ability of the Programme to adequately build and maintain VCCO capacity. Failure to do so would critically endanger the achievement of the development objectives.</p>		

D. Follow-up Action

Component 1: Value chain development	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • By 15 March 2014
	<ul style="list-style-type: none"> • After completing required revisions and approvals, sign revised agreements with MCS, FDCS, VFCS, SFCS, BMCS, and AMCS 	<ul style="list-style-type: none"> • 31 December 2013
	<ul style="list-style-type: none"> • Develop an the accounting operations manual to be provided to the VCCOs 	<ul style="list-style-type: none"> • 31 January 2013
	<ul style="list-style-type: none"> • Develop manuals, videos and/or interactive CDs for GAP and Quality Standards in Divehi, with illustrations to train the farmers and VCCO members 	<ul style="list-style-type: none"> • 28 February 2014

		<ul style="list-style-type: none"> Conduct PRA of needs assessment in Gn. Fuvahmulah (FDCS) and L. Fonadhoo (SFCS) 	<ul style="list-style-type: none"> 28 February 2014
Component 2:	Financial services	The component may be removed from the Programme, pending the conclusion of a planned IFAD review mission in June 2014	<ul style="list-style-type: none"> June 2014
Component 3:	Programme management	<ul style="list-style-type: none"> 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 IFAD support early in 2014 to support FADiP M&E M&E system resume utilizing the M&E database, and strengthened field data collection and analysis Revise the programme logframe Formally establish relationship with MED projects on an ongoing basis A knowledge management strategy to be agreed and documented PIU to verify the RIMS survey malnutrition findings by sharing them with the Ministry of Health or UNICEF, for comparison with disaggregated data from the National Health Survey Preparation of a new baseline survey is outsourced and completed in the 7 targeted islands 	<ul style="list-style-type: none"> As necessary 28 February 2014 28 February 2014 31 December 2013 Ongoing 28 February 2014 31 January 2013 28 February 2014

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

		Indicators	RIMS indicators	Means of Verification (MOV)
Goal	Contribute to a reduction in the vulnerability of those who make their livelihoods from smallholder agriculture and 'Maldives-Fish' processing.	Asset ownership and living standards: 10% increase in households owning selected assets and using improved sanitation facilities		-Household & impact surveys; -Socio-economic surveys -Annual RIMS report
		Nutrition: 2% reduction of underweight children (under 5 years)		-Household & impact surveys; -Socio-economic surveys -Annual RIMS report
		Model sustainability, replication and scaling up: Within 3 years of programme completion, 50% of participating fishers/fish processors/farmers, and 50% of VCC/VCCOs sign forward contracts		-Household & impact surveys; -Socio-economic surveys -Annual RIMS report
Programme Objective	Develop smallholder agriculture value chains and 'Maldives-Fish' processing value chains using market driven commercialization and diversification strategy in a manner that would improve and sustain the incomes of the two primary target groups.	800 farmers HHs (5600 persons) and 400 fishers /fish processors HHs (2800 persons) have higher value of agricultural/fisheries sales and net earnings by programme completion	1.8.1 - People receiving project services 1.8.2 - Households receiving project services 1.8.3- Groups receiving project services	-Household & impact surveys (baseline and end survey) - Annual RIMS report - VCC/VCCO records

Project	Component	Outcome	Output	Major Activity	Indicators	RIMS Indicators	Target	MoV	Assumptions and Risks
Fisheries and Agriculture Diversification Project (FADIP)	Component 1 : Value Chain Development (Agriculture Sector)	1.1 Strengthen and improve VCCO technical capacity to perform as a business entity Indicators: % increase in contract volume (in MVR). Increase in sales per participating farmers. # of job opportunities created <u>Method of Verification</u> - Baseline Survey - Project End Survey - MoFA Reports - Staff field reports - VCCO Records	1.1.1 - Viable Business Plans' developed and implemented by VCCOs	A1 – Assist VCCOs to develop Business Plans (BP)	# of BP's Developed	1.5.1 1.5.3	At least 1BP per VCCO available	Meeting minutes, agenda and attendance sheet	A - Members are willing to work together
				A2 - Conduct regular meeting between PIU, VCCO , Executive Committee(ExCo) members to review and follow up BP's	# of meetings held between PIU and VCCO ExCo # of meetings held between general members	1.5.1 1.5.3	At least 3 meetings per VCCO	Meeting minutes, agenda and attendance sheet	R - Socio-cultural barriers towards true membership participation
			1.1.2 - Market linkages for VCCOs established	A3 - Identify and consult with potential markets	# of potential markets identified # of consultative meetings/discussions with markets	1.4.4 2.4.4	At least 3 discussions per product/service	Discussion minutes, agenda, attendance sheet M&E reports, VCCO reports,	A – Transparency in identification and selection of potential markets
				A4 – Sign Supply Contracts (SC) between VCCO's and markets	# of meetings held and parties met # of supply contracts signed	1.4.4 1.4.5 2.4.4	At least 2 supply contracts per VCCO annually	M&E reports, VCCO reports No of supply contracts signed	R - The most vulnerable farmers may be marginalized when categorized with a commercial perspectives
				A5- Facilitate forums/meetings to ensure continuous information exchange between the market and the VCCO	# of forumsheld # meetings held	1.4.1 2.4.1	At least one forum & 2 meetings per VCCO	Meeting minutes Agendas Field reports	
			1.1.3 – VCCO administration / management improved	A6 – Develop operational manuals (OM) for VCCOs and conduct training	# of operational guidelines manuals available	1.4.1 2.4.1	All functioning VCCOs have an OMs in use	Manual SP reports Field reports	A- good service providers available

					# of VCCOs using OM effectively				
				A7 – Develop a computerized system to maintain VCCO financial records & administration and train members from VCCO on using the system	# of people trained per VCCO # of VCCOs using the system	1.4.1 2.4.1	At least 2 person per VCCO	System Financial statements Reports of VCCO	
			1.1.4 – Marketing strategies to promote VCCO products and services developed	A8 - Develop promotional tools for VCCO based on their BP's	# of promotional tools developed	2.4.1	At least 3 marketing tools per VCC/VCCO developed	Reports Contracts	
				A9 - Develop brand for VCCO products and services	# of products/service s brands developed per VCCO	1.4.4 1.4.6 2.4.1 2.4.4	At least 1 product/service branded per VCCO	Logo and trademark registration certificate of VCCO product/service	
				A10 - Advertise on media to promote (publicity and media campaigns) VCCO products and services	# of promotional activities carried out per VCCO		At least 2 promotional activity per VCCO	Advertisements	
			1.1.5 - Value Chain Action Plans (VCAP) for VCCO's developed	A11 – Prepare VCAP in consultation with VCCOs and conduct orientation training on use of the plans.	# of VCAP # of trainings	1.4.4 2.4.4	At least 1 action plan per VCCO and one training	Meetings minutes Training Reports	
				A 12- Develop linkages between value chain partners	# of meetings # of linkages functional	1.4.4 2.4.4	At least 2 meetings per VCCO	Report Meeting minutes	
		1.2 Improved productivity quality and reliability of farm produce	1.2.1- Good Agricultural Practices (GAP) and quality standards practiced by farmers	A13- Develop farmer friendly training materials on GAP and conduct GAP training	GAP training tool kit field tested by SP used by farmers # of farmers trained on GAP per VCCO # of VCCO members received training	1.2.2 1.2.8 1.2.9 1.2.10 2.2.2 2.2.3	At least 20 trained per VCCO & train 50 % of farmers in the island	Materials developed, VCCO reports, M&E reports Database adopted by VCCOs, VCCO quarterly reports, Computerized records submitted to PIU/MoFA Training records (Training materials, attendance	R - Data security and manipulation A - VCCO members are capable of utilizing basic computer skills
Indicators : % increase in sales, % increase in production and processing and increase supply									
Method of Verification - Baseline Survey - Project End Survey									

		- MoFA reports - Staff field reports - VCCO records - M&E reports		A14- Develop a manual on quality standard for agricultural products & conduct trainings on quality standards for fresh and value added products	# of farmers implementing quality standards, # of farmers trained on quality standard # of training materials produced of quality training material field tested	1.2.2 1.2.8 1.2.9 2.2.2 2.2.3	At least 2 Value added products per VCCO At least 5 farmers trained per VCCO	Monthly, quarterly, bi-annual and yearly reports from VCCO MOU signed between MOFA and VCCO, VCCO reports	A - Farmers share information truthfully R - Political influence
		1.2. Island level 'Agriculture Information Desk' (AID) established and its use by VCCO members ensured		A15 – Provide equipment and materials for the AID and ensure its functioning	# of VCCOs received equipment # of people using the services	1.2.1 1.2.5 2.2.1 2.2.2 2.2.3	1 AID per island with functioning VCCOs	Financial schedules	
				A16 –Identify VCCO members with technical capacity to operate AID and adequate extension materials are available	# of people trained for providing services # , type and quality of extension material available	1.2.1 1.2.5 2.2.1 2.2.2 2.2.3	2 trained to deliver services for each island Leaflets, brochures , handbooks , videos	Training Reports	
		1.3 VCCOs business expanded and strengthened Indicators : % increase in production and sales , interest by communities on SME in agriculture <u>Method of Verification</u> - MoFA reports - Staff field reports - VCCO records - M&E reports	1.3.1– Machinery, Equipment, Material for VCCO provided	A17– Identify SPs and provide relevant information to ensure product quality and value for money	# of SPs provided with information # of meetings held	1.2.1 1.4.3 1.4.4 1.4.5	SP for each VCCO finalized and contracts signed	Meeting minutes Bidding documents Contracts signed	
				A18- Machinery/Equipment/Materials received and installed at VCCOs	# of VCCO in production operation	1.4.3 1.4.4 2.4.3 2.4.4	7 VCCOs received all assets required for expansion	Reports Financial Schedules	
			1.3.2 – Forward /production contract with farmers and VCCO's established	A19- Create awareness on importance and benefit of forward contract	# of meetings organized # of farmers information was provided	1.2.8 1.4.4 1.4.5 2.4.4	At least 50 members/farmers created awareness	Reports	
				A20- Forward contracts signed between farmers and VCCO	# of forward contracts	1.4.4 1.4.5 2.4.4	At least 10 forward contract each VCCOs	Contracts available	

Project	Component	Outcome	Output	Major activity	Indicators	RIMS Indicators	Targets	MoV	Assumptions and risks
Fisheries and Agriculture Diversification Programme E (FADiP)	Component 1: Value Chain Development (Fisheries Sector)	Outcome 1.4 -Improve value addition in Maldivian Fish and other fish processing chains Indicators: % increase in contract volume (in MVR). Increase in sales per participating fish processors. # of job opportunities created <u>Method of verification:</u> Baseline Survey Project End Survey MoFA Reports Staff field reports / VCCO Records M&E Monthly Reports	1.4.1 - VCC/VCCO Improved administration and utilizing computerized database for record keeping established	F1 - Facilitate VCCO in developing BP's	# of BP's Developed	1.6.1	At least 1 BP per VCCO	Meeting minutes, agenda and attendance sheet	A - Members are willing to work together
				F2 - Conduct regular meeting between PIU, VCCO, Executive Members to review and follow up on BP's	# of meetings held between PIU and VCCO	1.2.5	At least 3 meetings per VCCO (PIU and VCCO)	Meeting minutes, agenda and attendance sheet	R - Socio-cultural barriers towards true membership participation
					# of meetings held between Executive members and general members	1.6.4	1 meeting per VCCO	Meeting minutes, agenda and attendance sheet with reviewed business plans	
						1.6.7	At least 2 discussions per business plan	Discussion minutes, agenda, agreed action points	
				F3 - Develop operational manuals for VCC / VCCOs (OM)	# of operational manuals developed		1 per VCCO	Guidelines developed,	
				F4 -Train and Orient to the VCC / VCCO's on developed Operational Manuals (OM)	# of people trained on OM	1.6.4	Atleast 5 people trained per VCCO	VCCO member records, Tool developed, M&E reports	R - The most vulnerable farmers maybe marginalized when

									categorized with a commercial perspective
				F5 - Develop and orient a computerized database/tools for financial record keeping	# of VCCO implementing the developed financial tools/ database for record keeping	1.6.4 2.5.1	1 Financial person per VCCO trained	Database adopted by VCCOs, VCCO quarterly reports, Computerized records submitted to PIU/MoFA	R - Data security and manipulation
				F6 - Develop and orient a computerized database/tools for VCCO administration and record keeping	# of VCCO implementing the developed administration and reporting tools/database	1.6.5 1.5.3	At least 2 member/staff per VCCO trained	Training records (Training materials, attendance sheets, training evaluations...etc)	A - VCCO members are capable of utilizing basic computer skills
				F7 - Conduct Participatory Rural Appraisal in VCCO target islands and other potential communities	# of PRAs conducted	2.6.2	At least 2 PRAs conducted	PRA Reports	
				F8 - Conduct training needs at VCCO target islands and other potential communities	# of TNA's developed	2.2.1	At least 1 TNA per VCCO	TNA report	
				F9 - Develop and conduct trainings based on community needs	# of training materials produced # of individuals trained	2.2.1	At least 7 training materials developed At least 15 participants per Island/Course trained	Training records (attendance sheet, training materials, training evaluations...etc)	
			1.4.2 Quality of processed fish and packaging improved	F10 - Developed and orient value added fishery production	# of value added products developed per VCCO		At least 2 value added products developed per VCCO	MOU signed between MOFA and VCCO, Disbursement schedule, VCCO reports	A - Farmers share information truthfully R - Political influence

			1.4.3- Marketing strategies to promote VCC/VCCO products and improved marketing of Maldivian-Fish and other fish products established	F11 - Develop national standard for Maldivian Fish standard	National Standard on Maldivian fish developed		National Standard on Maldivian Fish Developed	MOU signed between MOFA and VCCO, Disbursement schedule, VCCO reports	
				F12 - Identify and consult with potential markets	# of consultative meetings/discussions with markets		At-least 3 productive discussions per product / service	Discussion minutes, agenda, attendance sheet	A - Transparency in identification and selection of potential markets
				F13 - Supply contracts between VCCO's and customers signed	# of supply contracts signed	2.4.1	At-least 2 contracts including renewal, per VCCO annually	M&E reports, VCCO reports, Supply Contracts / MOU	
						1.4.4		Minutes of the forums/meeting, agenda and participants	
				F14 - Conduct local and global market analysis and research	# of local and global market analysis and research conducted		At-least 1 international / domestic business research conducted		
				F15- Develop Marketing tools for VCC/VCCO based on their BP's	# of marketing tools developed	14.4 1.6.4	At-least 3 marketing tools per VCC/VCCO developed	Tools developed on marketing, analysis reports on markets	
				F16 - Develop brand for VCCO product services	# of products/services branded developed per VCCO	1.2.5 1.6.4	At least 1 product/service branded per VCCO	logo and trademark registration certificate of VCCO product/service	

			1.4.4 - VCCO expansion activities strengthened		# of promotional activities carried out per VCCO	2.6.1	At least 2 promotional activity per VCCO annually	Materials developed, VCCO reports, M&E reports	R - Data security and manipulation
					# reports submitted per month	2.6.2	1 per month, 1 per quarter, 1 per year	Monthly, quarterly, bi-annual and yearly reports from VCCO	
				F17 - Advertise on media to promote (publicity and media campaigns) VCCO products and services	# of promotional activities carried out per VCCO	1.2.5 1.6.4	At least 1 product/service branded per VCCO	Tools developed on marketing, analysis reports on markets	
				F18 - Provide machineries and equipment for value addition	% of funds disbursed		100% funds disbursed to the VCCO	MOU signed between MOFA and VCCO, Disbursement schedule, VCCO reports	
							100% of funds disbursed to the VCCO	MOU signed between MOFA and VCCO, Disbursement schedule, VCCO reports	

				F19 - Forward contracts between VCC / VCCO's and fishers signed	# of forward contracts signed	1.2.5	At least 05 per VCCO		
				F20 - Facilitate meetings to ensure continual information exchange between the contract fish processors and the VCC/VCCO	# of meetings held with VCCO executive members and contracted processors	1.4.4 2.2.4	At least 05 meetings per annually	Contracts/MOUs signed	
						1.6.4 1.6.2		Meeting Minutes, agenda and attendance sheet	
				F21 - Facilitate in developing production plan for VCC/VCCOs	# of production plan developed per VCCO		At-least 1 production plan produced per VCCO	production plan document	
				F22 - Orientation on developed production plan	# of processors implementing the production plan	1.2.1	At-least 5 fish processors oriented	Training records (attendance sheet, training materials, training evaluations...etc)	

Project	Component	Outcome	Output	Major activity	indicators	RIMS Indicators	Targets	MoV	Assumptions & Risks
Fisheries and Agriculture Diversification Programme E (FADIP)	Component 3: Programme Management	3.1 Effective Programme Management to Support the Development of Agriculture and fishery Value Chain Indicators: % physical and financial performance by midterm % physical and financial performance by end of project Target: (40% - physical 30% - financial) <u>Means of Verification</u> - M&E reports - AWPB - Annual Progress Reports - Project Financial reports - Audit Reports - Minutes of Steering	3.1.1- TA on project Management support	P1- Analyze the financial reporting of VCC and maintain legal advice on supply contracts and MOU	# of financial reports analyzed		(4 in 2011, 9 in 2012, 15 in 2013)	- Project Financial reports - Audit Reports - VCCOs/VCCS reports	-Human resources with required background and experience available and recruited - Good coordination/Cooperation between all stakeholders -Cost estimates remain valid
				P2- Determine the maintenance of adequate funds for VCC companies including the GOM and private investor financing amounts	# of financial reports analyzed per quarter		(4 in 2011, 9 in 2012, 15 in 2013)		
				P3- Monitor disbursement and recovery performance	# of financial reports analyzed per quarter		(4 in 2011, 9 in 2012, 15 in 2013)		
			3.1.2- Functioning Planning, Financial and M&E Systems strengthened	P4- Compiled AWPB, Develop program specifics monitoring tools, review quarterly targets, prepare monthly reconciliations, Withdrawal Applications, Financial Statement	# of AWPB, WA, financial reports, and audit reports produced per year		1 AWPB, 2 Financial report, WA minimum 2, Audit reports 4 in 2011, 9 in 2012, 15 in 2013	- M&E reports - AWPB - Annual Progress Reports - Project Financial reports - Audit Reports - Supervision Reports - Programme reports	
				P5- Compile information & monitor overall project activity. Ensure, support and monitor engagement of women in the program. Ensure program focus on implementation on poverty and marginalized household benefits	- Disbursement - IFAD loan and Government funding		(2010-2%, 2011-18%, 2012-29%, 2013-26%, 2014-15%)		

		Committee Meeting - Supervision Reports <u>Assumptions and Risks</u> - Cooperation between all stakeholders, PIU/VCC - Producers not willing to function collectively in VCCOs		P6: Conduct a new Baseline Survey using RIMS indicators	# Report completed		(M&E - Monthly report for Presidents Office, Quarterly report for Department of National Planning, 6 month report for IFAD. Baseline 1, Project end report 1)		
				P7- M&E reports developed and data verification with secondary data from other agencies strengthened	# of M&E reports developed per year				
				P8- Relevant secondary data focussing on poverty and malnutrition collected and used	Data available				
				P9-Participation of women in VCCO management and production strengthened	# of women attending the meetings, # of women in Executive Committee management and production	1.2.5	At-least 1 meeting per VCCO	Meeting minutes, agenda and attendance sheet with reviewed business plans	
				P10 – C Participatory Rural Appraisal in VCCO target islands and other potential communities conducted	# of PRAs conducted	2.6.2	At least 2 PRAs conducted	PRA Reports	
				P11- MOFA staff / PIU /VCCO in data collection and monitoring of progress and Impact of all VCCO & programme related activities strengthened	# of MOFA staff trained # of VCCO staff trained		At least 1 per VCCO	Survey questionnaires, Trip reports	
				P11- Data and information on program progress and impact regularly documented	# of M&E reports produced on program progress and impact	1.6.1	At least 4 meetings per VCCO	Training records (attendance sheet, training materials, training evaluations...etc)	

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

Action Area	Action Agreed	Date	Whom
Project Implementation	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	15 January 2014	PIU/MoFA
	2. Assuming good performance 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	30 June 2014	IFAD
Outputs	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	when procured delivered by 15 March 2014	PIU/MoFA
	4. After completing required revisions and approvals, sign revised agreements with MCS, FDCCS, VFCS, SFCS, BMCS, and AMCS	31 December 2013	PIU/MoFA
	5. Develop an the accounting operations manual to be provided to the VCCOs	31 January 2014	PIU/MoFA
	6. Develop manuals, videos and/or interactive CDs for GAP and Quality Standards in Divehi, with illustrations to train the farmers and VCCO members	28 February 2014	PIU/MoFA
	7. Conduct PRA of needs assessment in Gn. Fuvahmulah (FDCCS) and L. Fonadhoo (SFCS)	28 February 2014	PIU/MoFA
	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
Programme Management	9. IFAD support early in 2014 to support FADiP M&E		IFAD
	10. M&E system resume utilizing the M&E database, and strengthened field data collection and analysis	As necessary	PIU/MoFA
	11. Revise the programme logframe	28 February 2014	PIU/MoFA
	12. Formally establish relationship with MED projects on an ongoing basis	28 February 2014	PIU/MoFA
	13. A knowledge management strategy to be agreed and documented	31 December 2013	PIU/MoFA
	14. PIU to verify the RIMS survey malnutrition findings by sharing	Ongoing	PIU/MoFA

	them with the Ministry of Health or UNICEF, for comparison with disaggregated data from the National Health Survey		
	15. Preparation of a new baseline survey is outsourced and completed in the 7 targeted islands	28 February 2014	PIU/MoFA
Fiduciary Aspects	16. Selection of a software maintenance service provider to update QuickBooks on a regular basis	31 January 2014	PIU/MoFA
	17. Establishment of the PA and preparation of a fund flow chart to be endorsed for better PA management	31 December 2013	PIU/MoFA together with MOFT
	18. Refund of ineligible expenditures amounting of USD 75,011 shall be credited to the SA.	31 January 2014	MoFT together with PIU/MOFA
	19. Implementation of the auditor's recommendations	31 December 2013	PIU/MoFA
Sustainability	20. Send draft audit report timely for review and comments	31 May 2014	PWD (the auditor)
	21. An exit strategy document prepared	31 May 2014	PIU/MoFA
Other	22. Impact survey completed to inform the PCR	31 August 2014	PIU/MoFA
	23. Government's PCR completed	30 September 2014	PIU/MoFA

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

Output #	Expected Results	Unit	Revised (Total)	Planned (Annual)	Achieved (Cumulative)	%	Achieved (Annual)	%
Component 1 - Value Chain Development								
OC1.1	Outcome 1.1 - Farmers work collectively in marketing their produce to higher-end markets							
1.1.1	Effective Business plans are prepared and implemented by VCCOs	VCCO	10	6	3	30%	1	17%
1.1.2	Establish linkages with higher end markets for farmers through VCCOs	VCCO	10	6	8	80%	2	33%
1.1.3	Develop guidelines to improve VCCO administration	VCCO	10	6	5	50%	4	67%
1.1.4	Establish marketing strategies to promote VCCO products and services	Tools	10	6	5	50%	4	67%
1.1.5	VCCOs utilize computerized databases for keeping records	VCCO	10	6	2	20%	1	17%
OC1.2	Outcome 1.2: Improved productivity, quality and reliability of farmer produce							
1.2.1	Farmers implement Good Agricultural Practices (GAP)	Farmers	2000	1200	0	0%	0	0%
1.2.2	Farmers gain easy access to Agricultural Inputs	Farmers	2000	1200	0	0%	0	0%
1.2.3	Farmers establish forward/production contracts with VCCOs	Farmers	2000	1200	5	0.25%	0	0%
1.2.4	VCCOs create minimum quality standards for crops	VCCO	10	6	0	0%	0	0%
1.2.5	VCCOs expansion activities are strengthened	VCCO	10	6	2	20%	2	33%
OC1.3	Outcome 1.3: Service providers design activities based on community needs							

1.3.1	Participatory Rural Appraisals (PRAs) carried out in focused areas and Potential communities	VCCO	-	6	6	-	0	-
1.3.2	Value Chain Action Plans developed for the focused areas and Potential communities	VCCO	10	6	3	30%	1	50%
1.3.3	Strengthen the M&E activities of MoFA Agribusiness Section	VCCO	-	0	-	-	0	-
1.3.4	Service providers receive information on community needs	Events	-	2	1	-	1	0%
OC1.4 Outcome 1.4: Improve value-addition in 'Maldivian Fish' and other fish processing value-chains								
1.4.1	VCC/VCCO established and improved administration	VCCO	7	3	2	28.57%	2	66.67%
1.4.2	VCC/VCCO Utilize computerized database for record keeping	VCCO	7	3	2	28.57%	2	66.67%
1.4.3	Fishers adopting higher quality techniques for onboard handling and improving processing	VCCO	7	3	0	0%	0	0%
1.4.4	Quality of processed fish and packaging improved	VCCO	7	3	0	0%	0	0%
1.4.5	Establish marketing strategies to promote VCC/VCCO products to higher end markets through branding	Brands/Other tools	1	1	1	100%	1	100%
1.4.6	Expansion of VCC/VCCO activities are strengthened	Funds	7	3	2	29%	2	67%
1.4.7	Improve marketing of Maldives' Fish and other fish products	VCCO	7	3	1	14%	1	33%
1.4.8	Roadmap for Maldives' Fish GI status specified and first steps taken	Number	1	-	0	0%	-	-

Component 2 - Financial Services								
OC2	Outcome 2 - Small farmer producers, fishers and VCCOs invest in expanding their farm or fishing enterprise							
2.1	Appropriate financing are available to farmers/ fishers/ cooperatives/ VCCs/VCCOs	USD	450000	450000	0	0%	0	0%
2.2	Leased facilities are available to farmers/fishers/ VCCOs/VCCs	Agreement			0	0%	0	0%
Component 3 - Programme Management								
OC3	Outcome 3 - Effective and efficient programme management to support the development of agriculture and fishery value chain							
3.1	Adequately staffed programme with improved competence and Functioning project structures (national to island)	PMU	1	1	1	100%	1	100%
3.2	TA on project Management support	VCCO	9	9	0	0%	0	0%
3.3	Functioning Planning, Financial and M&E Systems	Number	1	1	1	100%	1	100%

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

Table 3A: Financial performance by financier as at 31 October, 2013

Financier	Approval (USD)	Revised (USD)	Disbursements (USD)	Per cent disbursed
IFAD loan*	3,435,507	3,525,280	447,816.88	13%
Co-financier	1,902,931	722,598		0%
Government	1,532,575	1,300,374	213,350.00	16%
Total	6,871,013	5,548,252	661,166.88	10%

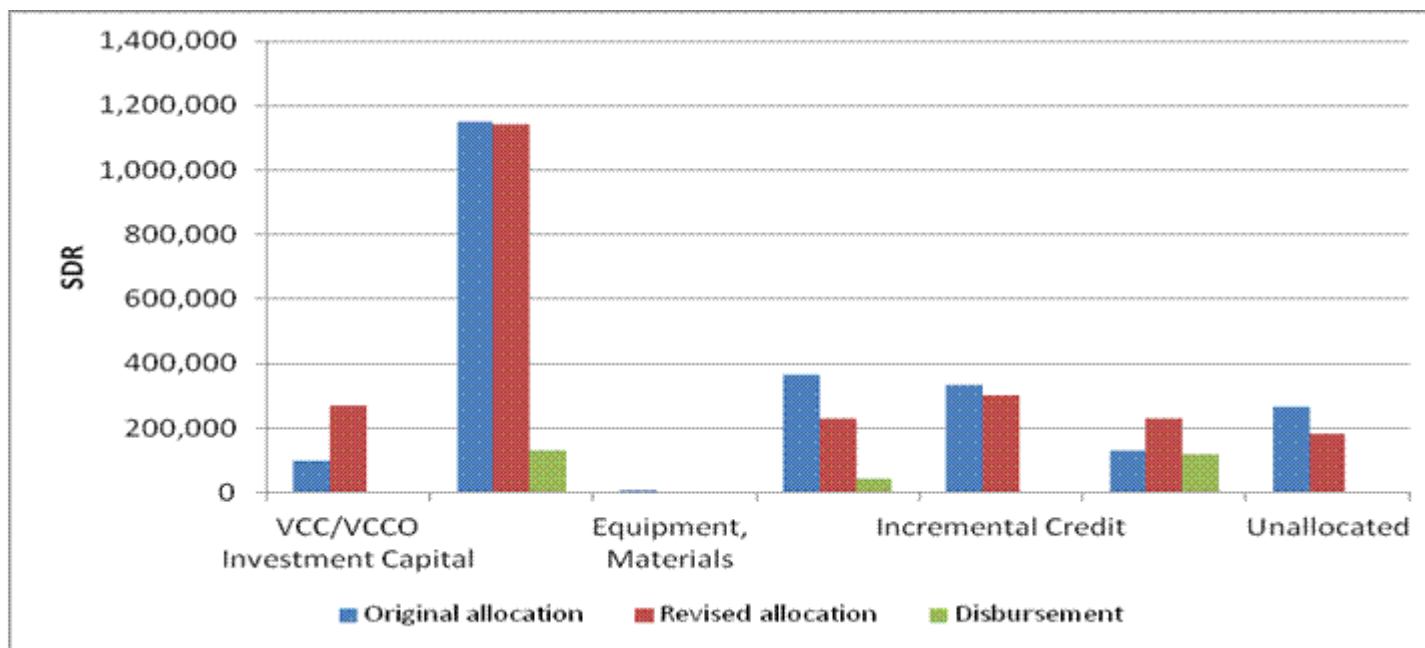
* excludes USD 500,000 of advance payment

Table 3B: Financial performance by financier by component (USD '000) as at 31/10/2013

Component	IFAD loan			Government			Co-financier			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1. Value Chain Development	2,648	264.20	10%	708	43.18	6%				3,356	307.38	9%
2. Financial Services	484		0%	0	-	0%	723	-	0%	1,207	-	0%
3. Programme Management	392	183.41	47%	592	170.17	29%				984	353.58	36%
Total	3,525	447.61	13%	1,300	213.35	16%	723	0	%	5,548	660.96	12%

Table 3C.A: IFAD loan disbursements (SDR, as at 14/11/2013)

Category	Category description	Original allocation	Revised allocation	Disbursement	W/A pending	Balance	Per cent disbursed
Ia	VCC/VCCO Investment Capital	100,000	270,000	0.00		270,000.00	0.00%
Ib	VCC/VCCO Working Capital	1,150,000	1,140,000	130,636.15		1,009,363.85	11.46%
II	Equipment, Materials	5,000	0	0.00		0.00	0.00%
III	Training and Studies	365,000	230,000	43,120.80		186,879.20	18.75%
IV	Incremental Credit	335,000	300,000	0.00		300,000.00	0.00%
V	Recurrent Expenditures, Salary	130,000	230,000	119,925.87		110,074.13	52.14%
99	Unallocated	265,000	180,000			180,000.00	
	Initial deposit	324,300.50				324,300.50	13.80%
	Total	2,350,000	2,350,000	293,682.82		1,732,016.68	12.50%



Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	Article II the Loan			
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	Partially Complied	Some expenditures ineligible under IFAD financing, still awaiting payments back to IFAD
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	
	Article III the Programme			
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 AWBP 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	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
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 commencement of the relevant Programme Year.	PCU to provide IFAD copies of AWPBs adopted by SC before start of relevant Programme Year.	Ongoing	Subject to 3 (b) above
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	
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.	Partially Complied	A lag period between replenishment and submission of withdrawal applications has caused to show that Government now needs to reimburse USD 75,011 to Special Account.
Article IV Implementation Reviews and Reports				
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	No progress since 2012
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 partially 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	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	Article V Financial Reporting			
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 within three months after the end of each six-monthly period and FY.	PIU to prepare financial statements in a 6 month and FY period and deliver to IFAD within 3 months of each deadline.	Ongoing	Required by Section 9.02 (Financial Statements) of the General Conditions Complied for FY2012.
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 2012
	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 FY2012
	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	Need compliance for FY 2012
	Article VII Effectiveness			
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	
	Article VIII Miscellaneous			
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	Republic of Maldives must abide to the agreement.	Ongoing	Delayed the Programme progress due to non-compliance

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	to the contrary in the host country.			in 2012-2013.
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 2012
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 Complied	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	Monitoring needs to be strengthened
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: What has worked particularly well in this project during this period? What have been the reasons for this?

Having been able to establish agricultural and fisheries VCCOs on the ground, which is a new concept to Maldives, is an achievement of FADiP. The Programme has been able to mobilize the community to take part actively in the cooperatives, to the extent that any activities have begun. These VCCOs have good levels of female membership. If the Programme can empower these women through awareness programmes and training to actively participate in decision making, leadership positions, and production activities, it will be beneficial for the communities. Interest from both VCCOs/communities and the value chain partners such as resorts (e.g. Shangri La and Banyan Tree) and trading partners (UFS, Lily Food & Beverages, and Seagull Group) in linking together for mutual benefit, is a justification for promotion of the VCCOs model, and this interest remains despite the slow programme implementation.

Learning: What has not worked so well? What have been the reasons?

Delays in implementation of programme support have been a key weakness of FADiP. The negative impacts of not having PIU field-level personnel has been a key lesson in terms of the adverse impacts on the Programme being able to achieve its objectives. Scaling up of the establishment of operational VCCOs has been slow as a result and because of the weak capacity in VCCOs. A programme design that was not well suited to needs/demands in the Maldives, has also been an important lesson. It resulted in the programme having to adopt a changed mode of implementation. This in turn resulted in some uncertainties over how to implement the project, which have slowed down progress.

The embryonic development of many VCCOs is reflected in low human, financial, physical, social and natural capital. The substandard quality of the business plans particularly with respect to financial and technical aspects, and value chain linkages (input supply and marketing strategies), has been a result and has also delayed the implementation of the FADiP support. Maintaining the business linkages with the higher end markets has been hampered by lack of consistency in quality and quantity of produce (e.g. BCS). The PIU needs to provide more emphasis on development of marketing strategies, including branding and promotion, and finding adequate market places, and to adopt a mentality of working with/as part of the VCCOs, not just supervising them.

Innovation: Describe any interesting innovation noted during the SIS mission

The mission observed a few field level products and processing innovations in the VCCOs, although they are not directly supported by FADiP. VCCOs and farmers actively engage in research and development work, particularly to use locally available materials to produce crops (e.g. greenhouses, hydroponics systems), and processed products. BMCS in Huvarafushi is providing technical support to build large greenhouses using locally available raw material as well as small hydroponic systems having 10-20 plants (e.g. chillies, cucumber) to be maintained at the home gardens. Accordingly BMCS has been able to produce a 50 x 70 ft² greenhouse for just MVR 71,000, whereas the PIU estimated a cost for a similar greenhouse is RMV 156,000. Providing small greenhouse units to be maintained in the home gardens have helped women use their leisure time effectively. Being a small cooperative, BCS has demonstrated the technical possibility of poultry feed production in Maldives, as well as dealing with international raw material suppliers. If this operation can be scaled up, with the use of proper technology, locally available material (e.g. coconut), and partnership with raw material suppliers (e.g. Felivaru for fishmeal) and buyers, it will become a financially viable enterprise. The SFCS has moved into organic crop production using effective microorganism technology, since the resorts in the region have declined to purchase its fruits and vegetables produced using excessive amounts of agrochemicals. There have been no innovations in fisheries VCCOs, but work is underway to develop value-added products and branding, which can be expected to be innovative.

Innovation: How might this be replicated by others, or upscaled here?

Appendix 8: Progress against previous mission recommendations

Action Area	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
Overall Implementation				
1	Disbursement schedules agreed on a case by case basis with individual VCCOs which reflect their individual business requirements, and which may allow for staged contributions of the 30% community capital. Only cooperative-provided capital (rather than community assets) and productive assets related to the business to be eligible as the 30% contribution. This may require renegotiation of some agreements	Continuous	PIU/MoFA	Yes, ongoing
2	Rolling assessment made of beneficiaries being reached, so that the Programme can work with the number of VCCOs required to reach the target number of beneficiaries. Eol process closed for the agricultural VCCOs. Government, with the mutual consent of IFAD, may re-open the Eol process in the future.	Continuous	PIU/MoFA	Yes, ongoing but lack of final decisions about specific VCCOs to be engaged by the Programme meant that PIU has continued to work in many communities (this action was intended to focus programme activities)
Outputs and Outcomes by Component				
3	Develop a) a learning tool – video and learning route, for VCCOs, and b) a promotional tool – video, for market linkage partners, based on the AMCS model	31st December 2012	PIU/MoFA	Not completed in full. PIU developed a guide for communities on how videos to be made, and training provided to PIU and MOFA staff by KM-knowledgeable PIU staff. Some video material collected in AMCS, but PIU camera-issues meant it was not possible to use footage to prepare final promotional tool.
4	Baarah Cooperative business plan to be strengthened so as to include a diversification strategy into agricultural products	31st December 2012	PIU/MoFA	Completed in the form of a separate business plan
5	Detailed actions plans developed for all VCCOs, so as to operationalize and guide implementation of the business plans. These action plans to be a requirement for any financing by the Programme	Continuous	PIU/MOFA	Yes, ongoing. Business plans contain action plans
6	Detailed operational guidelines developed for all VCCOs, so as to operationalize and guide implementation of the VCCOs	Continuous	PIU/MOFA	Completed for all VCCOs with signed agreements, and for some others
7	Registration of brand names and logos for those VCCOs which have already developed them, and development of branding strategies	31st December	VCCOs/PIU/M OFA	Not completed
8	Business plan development for new VCCOs should use existing BDSC and SME business plan development toolkits	Continuous	PIU/MOFA	Yes, ongoing
9	Explore the possibility of cooperative management staff interning with resorts	Continuous	PIU/MOFA	Not completed
10	Develop locally-appropriate and programme-specific Good Agricultural Practice document and SOPs. Technical service providers may be useful in contributing to both	31 st March 2013 for GAP and SOPs	PIU/MoFA	Not completed in full. GAP draft has been completed and sent to MoFA, but no response from MoFA yet or final agreement

Action Area	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
11	A 'service provider plan' specified identifying service providers and detailing all their activities, based on appropriate consultation with them	31 st October 2012	PIU/MOFA	Not completed in full. Providers have been identified and individual meetings held with some providers. A combined workshop of providers planned has not been conducted.
12	All service providers to be fully briefed by the Programme before undertaking any programme-related activities	Continuous	PIU/MOFA	Yes, ongoing
13	Training on quality issues to be carefully timed to take place just before relevant VCCO activities take place	Continuous	PIU/MOFA	Not completed
14	Kamburu Company Pvt Ltd to be required to have 40 members before financial support is provided by the Programme	n/a	Kamburu/PIU/MOFA	Completed
15	Short-term technical assistance to be recruited to complete a Maldivian Fish market study, based on agreed terms of reference	30 th November 2012	PIU/MoFA	Completed
16	The PIU and the government should consider the potential for diversified fisheries-sector proposals not solely focussing on Maldivian Fish	Continuous	PIU/MOFA/NSC	Yes, non-Maldivian fish proposals now considered eligible
17	MoFA to write to MoFT stressing the importance of this issue (financial services) And the PIU to then seek active engagement by MoFT and MoFA in negotiations with BML and MIB	15 th October 2012 Continuous until June 2013	PIU/MoFT/MoFA	Yes, regular follow ups sent by PIU to MoFA who finally confirmed in November 2013 that an SLA with BML and MIB would not be possible
18	2013 Supervision mission to re-assess if the financial services component should be kept	By June 2013	IFAD team/PIU MoFA/MoFT	Completed by mission November 2013
Programme Implementation Performance				
19	A programme management manual to be developed so as to document current management practices within the PIU	31 st December 2012	PIU/MoFA	Completed
20	Consideration to be given on a case by case basis for more travel by PIU implementation officers on an individual basis, rather than as teams/groups	Continuous	PIU/MoFA	Yes, ongoing. Implementation officers given responsibility for specific islands and have been travelling individually since last mission, until their removal from PIU in June 2013
21	A training and implementation support working group to be established and to agree training requirements for PIU/MOFA staff to be included in the AWBP	31 st October 2012	MoFA/PIU	Not completed, but some training opportunities provided (but not for the two expert positions)
22	A knowledge management strategy to be agreed and documented	End of December 2012	PIU/MoFA	Not completed in full, but a strategy for PT-AFREp will be used as the basis for FADIP when finalised and feedback has been obtained
23	First segment of the baseline study to be revised/improved, and the next segment of the baseline survey to be completed	31 st October 2012 30 th November 2012	PIU/MoFA	Completed

Action Area	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
24	M&E plan to be developed and reflected in AWBPs	31 st October 2012	PIU/MoFA	Not completed in full. M&E handbook for cooperatives developed by PIU, and shared with some coops, but not yet used by cooperatives or in AWBPs
25	Participatory Rural Appraisals, Needs Assessments and available information all used to improve programme targeting	Continuous	PIU/MoFA	Yes, Ongoing
26	Funding for the two component coordinators to be paid for by FADiP when their PT-AFReP funding expires	January 2013	PIU/MOFA	Completed
	Fiduciary Aspects			
27	Prepare an "Accounting Manual"	31 December 2012	PIU	Completed
28	The accountant to complete the training of the accountant assistant	31 December 2012	PIU accountant	Completed. But accountant assistant no longer with PIU
29	Expenses ineligible under IFAD financing to be credited to the project account identifier in MoFT	30 th September 2012	MoFT/PIU	Not completed, despite PIU requests to MoFT
	Impact			
30	PIU to verify the RIMS survey malnutrition findings by sharing them with the Ministry of Health or UNICEF, for comparison with disaggregated data from the National Health Survey of 2009	30 th October 2012	PIU/MoFA	Not completed

Appendix 9: Supervision mission schedule and persons met

(note: meetings in Malé unless otherwise stated)

12 November	Mission arrived in country Meeting with MoFA (Permanent Secretary and Fisheries Component Coordinator) Kick off presentation by the PIU
13 November	Meetings with PIU staff
14 November	Meetings with PIU staff Meeting with Fisheries Component Coordinator Meeting with MED Meeting with MHPA consultancy (service provider)
15 November	Team meetings, documentation review Meeting with previous PIU M&E officer Meeting with service provider (Gemanafushi Needs Assessment Consultant)
16 November	Team meetings, documentation review
17 November	Travel to Ga. Gemanafushi (fisheries team) and meeting with island council and VCCO executive committee members
18 November	Site visit in Ga. Gemanafushi (fisheries team) Travel to Ha. Huvarafushi (agriculture team) and meeting with island council and VCCO executive committee members Meeting with Hanimaadhoo Agricultural Centre
19 November	Travel to Sh. Funadhoo (fisheries team) and meeting with VCCO executive committee members, and island fish processors. Same day return to Malé Travel to Ha. Baarah (agriculture team) and meeting with island council and VCCO executive committee members. Same day return to Malé
20 November	Meeting with PIU staff Meeting with MoFA (head of agricultural business development section)
21 November	Meeting with Permanent Secretary Meeting with Marine Research Centre Meetings with PIU staff
22 November	Travel to Gn. Fuvahmulah (agriculture team) and meeting with island council and FDCS executive committee members Meeting with previous fisheries IO Meeting with previous post harvest and business marketing expert
23 November	Return to Malé (agriculture team) Drafting of Aide Memoire
24 November	Drafting of Aide Memoire Meeting with previous agricultural IO Meeting with programme auditors (PWC) Meeting with MoFA (Minister, Permanent Secretary) Meeting with Maldives Food and Drug Authority (MFDA)
25 November	Pre-wrap up meeting with MoFA
26 November	Final drafting of Aide Memoire and work on SIS mission report appendices
27 November	Final wrap up meeting with NSC, MoFA, MoFT
28 November	Departure of mission team from the Maldives

Appendix 10: Audit log

AUDIT OBSERVATIONS, Year 2013							
Project Name:		726-MV: FISHERIES AND AGRICULTURE 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	Unreconciliation in cash/fund balance	1,121	No response	pending
2-3	2012	Serious	105-108	Delay in receipt of government contribution on staff salaries and operating costs	52,263	No response	pending
4	2012	General	111-113	Inadequate of the business plan prepared by the AMCS, the supported VCCO	5,127	Noted and actions are taking by the PIU	pending
5	2012	General	114-117	Slow disbursement of VCCO working capital against the agreement	NA	Noted and actions are taking by the PIU	pending
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	pending

TABLE OF SUMMARY STATUS OF AUDIT OBSERVATIONS						
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	81,831	2	11,845	5	69,986
2012	7	67,875	1	9,364	6	58,511
Total	18	149,706	6	21,209	12	128,497

Appendix 11: Summary of implementation support provided by IFAD

Implementation support during the last year and since the last supervision mission has comprised of a number of trainings for different PIU staff, as shown in the table below. For the sake of completeness, the table below provides information on the implementation support which has been provided by IFAD to individual members of the PIU since the Programme's commencement.

Workshop Name	Date	Place	Azma	Firoza Parvin	Ali Arif	Abdulla Shakir	Mohamed Firash	Aaidha Amir	Ali Nishaman	Ibrahim Khaleel	Awam	Riyaz	Fathimath Suneza	Aishath Shifana	Mumthaz	Shafeenaz	Afsal	Rafiu
<u>Trainings Completed</u>																		
1 Knowledge Management - Tools & Techniques	4 - 6 November 2009	Thailand, Bangkok						✓										
2 Gender Mainstreaming	22 - 25 February 2010	Cambodia	✓					✓										
3 Monitoring and Evaluation	20 - 24 April 2010	Srilanka, Kandi	✓		✓		✓	✓										
4 Loan Administration	3 - 8 July 2010	Kulhudhuffushi	✓	✓	✓	✓	✓	✓	✓	✓								
5 Knowledge Management - Tools & Techniques	5 - 7 October 2010	Nepal				✓												
6 Knowledge Management - Writing Skills	5 - 7 October 2010	Nepal			✓		✓	✓										
7 Annual Performance Review	1 - 4 November 2010	China	✓				✓											
8 Knowledge Management - Field techniques	30 March - 2 April 2011	Nepal							✓									
9 Knowledge Management - Writing Skills	4 - 6 April 2011	Nepal				✓			✓									
10 Financial Management	19 - 23 June 2011	Srilanka, Colombo									✓	✓						
11 Value Chain Program Design	12 - 16 April 2011	Thailand, Chian Mai				✓			✓		✓							
<u>Trainings Completed 2012</u>																		
12 Community Need Assessment (Fisheries)	3rd September 2012	Male'				✓						✓						
13 Community Need Assessment (Agriculture)	6th September 2012	Male'					✓		✓						✓	✓		
14 WOCAN		Colombo										✓		✓		✓		
<u>Trainings Completed 2013</u>																		
15 ICRAF	30 - 31 Jan 2013	Dhaka							✓									
16 WOCAN	4th - 10th Feb	Kandy										✓		✓		✓		
17 WOCAN	5th-9th March	Colombo										✓		✓		✓		
18 Certificate Cooperative Poverty Reduction	03 - 22 March	Malaysia							✓									
19 WOCAN	23 - 29 June	Bangkok										✓		✓		✓		
20 Monitoring & Evaluation for results 10Days	14 - 25th October	Bangkok																✓
21 ISO 22000 Auditor/Lead Auditor Training Course	06 -10th October	Male'															✓	
22 Financial Management training - IFAD	06 -10th October	Bangkok											✓				✓	

Note: WOCAN = Women Organising for Change in Agriculture and Natural resources

The mission team also provided some implementation support to the PIU during the mission in terms of comments on work-planning, marketing, ToR preparation, M&E, the programme logframe, and business viability assessments. Additional support was provided to the programme auditors on IFAD's operational audit guidelines.