



Investing in rural people

## **Republic of India**

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### **Meghalaya Livelihoods and Access to Markets Project**

#### **Supervision report**

Main report and appendices

Mission Dates: 15 – 29 September 2016  
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## A. Introduction<sup>1</sup>

1. The Meghalaya Livelihoods and Access to Markets Project (Megha-LAMP) became effective in December 2014 with completion scheduled for December 2022. The project budget is USD 174 million, which includes IFAD loan assistance of USD 50 million. The project objective is to improve family incomes and the quality of life in rural Meghalaya through expanded and sustainable livelihood opportunities adapted to the hill environment and to the effects of climate change. Key focus areas are natural resources and food security, livelihoods support and knowledge services. LAMP is part of the Integrated Basin Development and Livelihoods Programme (IBDLP) of the Government of Meghalaya (GoM) and is being implemented by the Meghalaya Basin Management Agency (MBMA).

2. This is the second Supervision Mission (SM) for LAMP and follows on from an implementation support mission in July 2016. The mission made visits to eight out of eleven project districts, held discussions with stakeholders and staff. The wrap-up meeting to finalise this aide memoire was held on 28 September with the Project Steering Committee chaired by Shri K.S. Kropha, Chief Secretary. The wrap up meeting with DEA took place with Mr. Rishikesh Singh, Director (MI) on 4 October 2016.

## B. Overall assessment of project implementation

3. **Overall implementation progress.** This is rated as moderately satisfactory (4). The project has been initially slow in making preparatory arrangements, but has made better progress in the last six months. A management structure is in place and key staff have been recruited. Most of the initial work required in various components has been carried out. The pace of work has been stepped up to compensate for initial delays. In 2015-16, the first year of the project, utilisation against the AWPB was 13.7%. During the current year, till August 2016, the utilisation against the AWPB was 2.2%. The bulk of the expenditure is likely to be incurred once the monsoon season is over when field mobilisation and road works become easier. The project is well positioned to achieve a high utilisation percentage in the current year.

4. Outcome1. *Improved access to water and increased production crops leading to expanded area of irrigated crops, with 10,000 farmers reporting increased irrigated area, 50,000 farmers reporting increased cereal production, 20,000 household reporting improved access to domestic water supply and 500 villages take actions to manage catchment areas*

The selected villages have the potential to achieve the quantitative outcomes desired. The project is yet to complete the INRM plans, which will provide the basis for catchment area protection, increased irrigation and food production. The initial outcomes should be captured in next year's AOS.

5. Outcome 2: *i) Enterprise development leading to 10% of the entrepreneurs registering in the EFC start or expand an enterprise and 75% of the enterprises started continue operation beyond third year of establishment; ii) Expansion of clusters producing commodities for the market resulting in 15,000 farmers reporting increased sales, 50% increase in the total production/sales, 15,000 farmers adopting improved technologies, Increased sale prices of 15%; iii) Improved livestock production resulting in 32,500 households reporting adoption of improved methods, increased sales, value of sales and increased number of animals; iv) Improved access to rural markets leading to 75% of markets establishing a procedure for maintenance by using the revenue collected, Sales in 75% of markets increase by 30%, 20% increase in number of people selling in market and 30% reduction in transportation cost of crops and inputs on improved roads; v) Increased use of financial services by rural households resulting in IVCS having 90,000 savers and 60,000 borrowers, increase in savings balance and outstanding loans and 200 IVCS having loans from banks.*

6. The thematic AOS conducted in May 2016 reported that 22% of the partners have started a new enterprise, 13% expanded an existing enterprise while 5% have diversified from existing enterprise. If this trend is sustained, the intended outcomes on enterprise development will be achieved. It is too early to find evidence on other outcomes relating to expansion of clusters, livestock

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1 Mission composition: Mr N Srinivasan, Consultant – Mission Leader, Ms Meera Mishra, IFAD ICO, Dr Venkatesh Tagat, consultant- NRM, Mr Sanjay Kumar Gupta, consultant-value chains and Mr Kajal Chakraborty, Consultant – FM, , participated in the mission.

production, access to markets and access to finance as implementation of activities has recently commenced. The next year's AOS should provide data for measurement of initial outcomes.

**7. Outcome 3: *The project knowledge hub providing benefits to a number of producers through quality information***

The knowledge management services have made significant progress providing a base for launch of project activities through a variety of dissemination material and communication methods. The KM services have produced information material in piggery, apiculture, etc. that have proved popular among EFC registrants. The measurement of outcomes in terms of number of farmers reached can be made a part of next year AOS.

**8. Likelihood of achieving development objectives:** This is rated as moderately satisfactory (4). LAMP would be able to achieve its development objectives despite the slow start. The preparatory activities are mostly complete and hence progress towards outcomes and resultant objectives is expected to gather pace during the current year.

## **C. Outputs and outcomes**

### **Component 1: Natural Resources and Food Security**

This component is rated as moderately unsatisfactory (3)

#### **Integrated Natural Resource Management**

**9.** The performance of this sub-component is rated moderately unsatisfactory. Over the last two years MBMA prepared Integrated Village Development Plans (IVDP) and has completed IVDPs for 88 project villages till date. The process has been slow, as DPMs have been only recently involved. The integrated natural resources management plan (INRMP) will be prepared with the help of block level technical officials and village volunteers in respect of 325 villages by March 2017 based on IVDPs. The IVDPs with their large base data and limited focus on natural resources might not directly result in INRMPs. A template (suggested format provided as part of the guidance notes) for the INRMP as also a simple process of preparation is recommended to accelerate the pace of completion. A planning workshop on IVDPs and INRMPs maybe organized quickly for the District Project Managers (DPM) and Officers on Special Duty (OSD) of all sectors. This will help in bringing about common understanding of the planning process and utility of plans. The present process and format for digitisation of IVDPs is not appropriate for consolidation and query responsive report generation. A new system based on MS Access is being finalised and will be ready by 30 October 2016. Later, it is proposed to link the digitisation process to Google maps. The engagement with NECTAR is subject to outcome of a pilot in which GIS data points will be obtained to link to IVDPs.

**10.** The project recently issued guidelines for opening of bank accounts by VECs for receiving the grant of Rs.2 lakhs per village after the preparation of INRMP. The VEC has to identify a male village facilitator and an active woman who will be trained to manage the planning and implementation of INRMPs in the village. Criteria for selection/ identification of the village facilitator and active woman have not been indicated. In addition, the social agreement format in the guideline mentions that VEC will constitute a sub-committee for effective implementation of INRMP. The sub-committee should work with the village households and encourage them to participate in the other components of the project.

**11.** Presently, trained volunteers from the selected blocks have prepared IVDPs but clear guidelines need to be put in place for the DPMs and others who will lead the INRMP implementation. The guidelines for preparation of the INRMPs should also be finalised. If IVDPs are likely to be delayed in some locations a simplified process for completing INRMPs (suggested by the mission) should be adopted. Block level extension officers from Soil and Water conservation department, water resources department, agriculture and horticulture departments should be involved in vetting of INRMP as the plan needs convergence support. This will bring technical rigour to INRMPs and ensure

credibility of budget estimates. The focus of the INRMP should be on water, food and fuel wood security.

### Community Seed Banks

12. The performance of this sub-component is rated moderately satisfactory. The work relating to community seed banks for selected vegetable crops in a few identified villages has been initiated. On approval of plans and budgets, it is proposed to start these activities by November 2016. On an average, each seed bank may require Rs 5 lakhs for infrastructure and the farmers will provide land, water, electricity and labour. The first draft of the manual for awareness, social agreement and nursery raising techniques has been prepared and will be finalised and circulated by 31 October 2016. It is proposed to train Executive members of select VECs who will undergo awareness program. In the next stage, 34 members of CLFs who have been trained, will be used as master trainers for awareness building among farmers.

13. CIP (Central Institute for Potato) has completed a scoping study on tuber crops in April 2016, which is yet to be finalised. An action framework for crop wise activities has been drawn up and is awaiting approval as it involves handholding with a few identified experts. There is an urgent need to finalize the scoping study report and critically review the activities proposed in the action framework. CIMOD had supported a pilot on packaging and marketing of pineapple and local rice through Grassroots, a voluntary organisation. More such partnerships could be forged to provide new technology and market linkages.

Agreed action	Responsibility	Agreed date
Adopt a simplified format and process for preparation of INRMPs and complete the same in 325 villages in the next 6 months	OSD NRM	31 March 2017
Plan digitisation of the IVDPs and ensure generation of different reports for monitoring, review and planning.	OSD NRM and OSD MIS	31 March 2017
Consultative workshop on planning for preparation of INRMPs for DPMs and OSDs of other sectors	OSD NRM	30 October 2016
Finalise and circulate the manual on seed bank to all concerned.	OSD NRM	31 October 2016
Launch Action Framework of activities under Food START+ crop wise after finalisation of the scoping study.	OSD NRM	31 October 2106

### Component 2: Livelihood Support

The performance of the component is rated moderately satisfactory.

**Enterprise development:** This component is rated as moderately satisfactory (4)

14. EFCs are operational in all 39 blocks in the state. By end August 2016, 1,20,460 partners are registered with EFCs. The initial rapid pace of registration slowed down (only 5658 registered from January 2016) when people realized that no grants are available. Since inception 14659 partners have been provided training, exposure or other awareness and skill building activities. As per thematic AOS, only 49.2% were keenly interested in accessing technical and loan support to either expand or start a new enterprise. The registrations cover wide range of livestock, agriculture, horticulture, forestry, aquaculture, sericulture, and a range of non-farm activities.

15. The mission found that some blocks/districts have staff shortages that might hamper continuity of services. EFC staffs met during the mission seemed to possess limited knowledge and skills sets to assess the business viability and then offer advice and guidance to potential participants.

16. ERPs usually sent registrants for training in the chosen activity. 39% of sample surveyed in AOS had been sent for training. The agencies for imparting trainings have already been identified at the state level. The mission found that partners are offered standardised training irrespective of their specific needs. The training courses should aim to include more practice to hone skills of participants. Training material should be provided to the extent possible in local language. The preparation of

registrants before sending them for training was weak. Post-training follow-up of trainees needed strengthening.

17. Some partners met during the mission visit reported practical problems while setting up an enterprise namely business and marketing issues. They struggle to repay the loan instalments. Some even couldn't start the activity due to lack of follow up and handholding support after the training programme. The EFC staffs don't have competencies to offer relevant business and advisory services in such cases and neither are there any post training support mechanisms in place to support them. The mission recognises the changing environment of operations for EFCs. With the launch of value chain and NRM activities, registrants will tend to join those activities in their village and avail the services locally instead of approaching EFCs at the block. A proposal to transform the role of EFCs into incubation centres is on the drawing boards. The proposal should be finalised early and suitable decisions taken.

Agreed Action	Responsibility	Agreed date
Focus on developing need based training modules in consultation with EFCs/BDU/PMU in local language	OSD ( <b>EFC</b> )	ongoing
Develop ERP skills on post training support and guidance on application of acquired skills. Implement a structured mechanism at EFC level for post-training follow-up	OSD ( <b>EFC</b> )	November 2016
Review the role of EFCs in the changing context of project implementation and facilitate its transformation in to an enterprise incubator.	APD/OSD	October 2016

### Integrated production and marketing

18. The performance of this sub-component is rated moderately satisfactory. 54 value chains clusters in 18 blocks of the Megha-LAMP have been identified i.e. 3 value chains (products) per block. A total of 17 different value chains in agriculture, forestry and livestock have been identified (black pepper -11 clusters, piggyery -8 clusters, ginger-6 clusters, pineapple-5 clusters, cashew nuts -5 clusters, bay leaf -3 clusters, arecanut/betelvine -3 clusters, vegetables -3 clusters, scented rice -2 clusters and one cluster each for honey, tomato, potato, orange, banana, jackfruit, sericulture, and wild pepper). The chosen products are relevant in the local areas and acceptable to the people. 1350 villages have been identified for implementation of value chain activities based on appropriate criteria. Each value chain cluster will consist of producers/collectors from 25 villages in the block..

19. Staffing for Value chain activities seems adequate. Some of the staff will require more exposure and hands-on guidance. Currently no specific person in the district is charged with responsibility for value chain activities. A nodal person with suitable orientation should be identified to drive the value chain activities and support DPM, Business Volunteers at cluster level and lead farmers at village level. Product specific farmers are being identified for participation in value chain activities. Block level staffs, business volunteers and lead farmers would organise village level awareness meetings to identify producers/collectors willing to participate in value chain activities. Block level Consultative Groups on value chains have been formed, to ensure stakeholder participation in strategy formulation, gap identification and implementation. These informal groups consist of officials at district and block level, DPM, ERPs, representatives from line department, district council, traders, and lead farmers. Mission interacted with some members from these groups and noticed that expectations of different sets of members do not converge. The minutes of these meetings reveals lack of clarity on the objectives of these groups.

20. During the field visits mission observed key problems of producers such as sale of produce without counting and proper weighing, lack of information on price in different markets, market situation, costs involved in production/collection process, dependence on single trader, tied sales to traders who offer advance money, losses due to poor storage practices, lack of business orientation, lack of information on benefits of simple processes such as cleaning, sorting and grading,



dependence on village level agents/aggregators for sale, inability to negotiate price with traders, limited local markets for agriculture produce, high pigs mortality due to swine flu and feed shortages for pigs and poultry.

**21. The Value Chain consultative groups** set up comprising stakeholders seems to be a good idea for securing participation. Some guidance on their roles and responsibilities would be helpful in the initial stages of their work. The state unit and BDU should jointly analyse the information collected through cluster level meetings to arrive at action points that help increase the efficiency of the value chain.

**22.** The project should prioritise key interventions, which if implemented properly, can help raise incomes of poor households. At the basic level are those who need education on counting and proper weighing so that they are aware of good practices. Those at level two would require understanding of their current processes and practices to reduce losses resulting from inefficiencies. In case of agriculture produce it may include improved storage and in case of livestock it may include better health management and insurance coverage. Those at level three would require training on simple value addition practices such as cleaning, sorting and grading, to get higher price realisation. Those at level four may require support in the form of identification and linkages with bulk buyers who offer better prices. Finally, those at level five may require financial and technical support for setting up viable value chain infrastructure.

Agreed Action	Responsibility	Agreed date
Provide guidance on role and responsibilities of consultative groups. Conduct product specific cluster level meetings to shortlist key 3-4 value chain field actions	OSD (MI)	October 2016
Placement of cluster level business volunteers and selection of one lead farmer per village for managing value chain field operations. Train business volunteers and lead farmers on value chain operations	OSD (MI)	November 2016
Engage competent agencies to support value chain development clusters where internal capacities are inadequate	OSD (MI)	December 2016
Pilot collective marketing interventions for identified value chain products in the upcoming season	OSD (MI)	January 2017 onwards
Implement capacity building initiatives that suit the different levels of producers in the value chains for market entry. Launch campaigns to inform producers on how to participate.	OSD MI	ongoing

**Livestock development:** The performance under this sub-component is rated moderately unsatisfactory (3).

**23.** Training was given to 6.6% of registrants for piggery and 9.3% of registrants for poultry in the 18 identified blocks. Livestock interventions in the field (apart from training) have not started yet under LAMP. Against a target of setting up 120 LDCs under the LAMP, 11 locations have been shortlisted. Launch of first LDC is proposed by December 2016 and ten more by March 2017. A task force committee (TFC) appointed by the minister for Animal Husbandry has been meeting regularly to approve the integration of veterinary department in the proposed management structure of LDCs. The proposal includes partial deployment of AVHOs at the block level. Convergence with Veterinary department will ease supply problems relating to medicines, vaccines as also veterinary services and provide access to their training facilities. Studies by MIE show that a minimum 360 animals are required to make a LDC viable. However, a proper assessment of willingness of villagers to pay for LDC services should be carried out. The Chief secretary advised the project to explore possibility of dairy clusters in feasible pockets in the state.

**24. Constraints for promoting livestock sector:** The only local feed manufacturing unit sources the raw materials from outside the state only. Trader's cartel reportedly ensures that prices remain high for the feed in the state. Local breed piglets are sold by a private breeding farm. ICAR Barapani is developing a CSF vaccine with Meghalaya strain, which is undergoing trial. When approved, this vaccine could prove effective in treating such cases in the North East. Currently, Meghalaya requires around 2 lac doses of vaccine per year but only 20,000 doses are available from other states resulting in high mortality of pigs every year. Insurance companies don't offer insurance cover for pigs citing procedural requirements. An integrated insurance package for piggyery should be finalised and launched soon.

Agreed action	Responsibility	Agreed date
Expedite the launch of LDCs by securing early agreement with state veterinary department.	OSD MI/Livestock	December 2016
Explore procurement of vaccines, alternate arrangements for feed and fodder for piggyery	OSD MI/Livestock	Ongoing
Finalise business viability model of LDCs after studying inclination of farmers to pay for services	OSD livestock	November 2016
Finalise piggyery insurance pilot - with LDCs/IVCS involved as insurance agents	OSD Livestock	December 2016
The ongoing discussion on piggyery insurance should be concluded and the insurance product launched early.	OSD Livestock/OSD FSD	November 2016
Explore possibility of dairy clusters in select pockets	OSD Livestock	Ongoing

**Market access infrastructure:** The performance under this sub-component is rated satisfactory (5).

**25.** Based on the criteria for selection of roads connecting villages to markets, proposals were received from districts, which are examined to shortlist the most suitable ones. A target of 120 km of roads has been fixed under AWPB 2016/17 against which proposals for 88 km have been approved. Advance for initial mobilisation has been released to the districts. Some of the roads are done with plastic tile technology, which is reportedly more durable. The targets for roads in the current year are likely to be achieved.

**26.** The markets related activities have made good progress. Of the target of 55 markets, 26 have been identified based on sound criteria and field information of which 13 are to be taken up in this year. A strategy for negotiation with market stakeholders has been prepared. Negotiations are in different stages of progress in 7 markets. Suitable strategies for negotiating with markets in control of District Autonomous Councils should be thought of. District staffs seem under-informed of the market component and its possibilities. While developing the market infrastructure, provision of banking and other facilities for daily markets should be included. The requirement of readymade information brochure on expected changes in governance and market practice was felt.

Agreed action	Responsibility	Agreed date
Train District Staff on market development issues and possibilities and identify a nodal person under DPM for markets component.	OSD Markets	30 October 2016
Include banking and other facilities required by traders in markets that would operate daily.	OSD Markets	on-going
Draft a governance code for market committees, code of market conduct for users, especially traders and information in local language to inform villagers in identified market catchment areas on how they can benefit.	OSD Markets	15 October 2016
Prepare a mobilisation and communication plan for informing villages and users on how to benefit from the developed markets.	OSD Markets	30 October 2016

## Rural finance

27. The performance under this sub-component is rated moderately satisfactory (4). A core team of 11 members was formed recently for giving direction to this component and the team has been active. The core team has been trained by Bankers Institute of Rural Development, Lucknow (BIRD) along with an exposure visit to cooperatives in Kerala. Model bye-laws for the IVCS have been notified. The area of operation of existing PACS had been examined and the unserved villages have been deleted to pave the way for formation of IVCS in suitable locations. 36 out of 54 Societies registered as IVCS in the past without valid criteria have been studied to explore feasibility of making them qualify as IVCS as intended under the project. The remaining 18 will be studied by 10 October. 40 Cluster Level Federations have also been identified for conversion into IVCS. BIRD, Lucknow has been identified as the technical service provider and the process of their engagement is underway. The first 14 IVCS are proposed to be launched in November 2016. While the deadline is near, a number of activities need attention. The technical guidance note lists and prioritises some of these actions. .

28. As per the recommendations of previous Missions, the project had created a Financial Services Division to lead the financial linkage initiatives and IVCS formation. Till June 2016, 672 loans were facilitated for Rs 17.8 million. MUDRA loans had been facilitated by EFCs to 667 entrepreneurs amounting to Rs 22.3 million in the last one year. Training of ERPs, FBAs on bank linkage is being arranged. FSD has approached different banks to forge linkages. Staffing needs of FSD in headquarters and districts has to be met to intensify the credit linkage effort.

Agreed actions	Responsibility	Agreed date
Prepare a work plan with timelines for each stage of the plan for the initial 14 IVCS	Core team	7 October 2016
Complete the visits to remaining 18 old IVCS and decide on their upgradation to IVCS in the new format	Core team	30 October 2016
Finalise the hiring of Technical Service Provider for IVCS	APD/OSD FSD	30 October 2016
Complete staffing arrangements of FSD and intensify bank linkage efforts	APD/OSD FSD	15 October 2016
Prepare local languages information brochures for use during mobilisation of members; prepare the documentation set for registration of IVCS, and keep ready the set of documents, books and registers required to start operations	OSD FSD/ core team	30 October 2016

### Component 3: Knowledge services

29. The performance for this component is rated as Satisfactory (5). The Knowledge Services Unit has been systematically enmeshing itself in the operations of the project and has been supporting the project comprehensively. The KS team works closely with all other units in the project including the M&E unit. The programme has mostly over-achieved the targets for the current 2016-17 AWPB. As part of the **internal dissemination** agenda, the unit has been publishing LAMP Newsletter, including useful information for implementers. So far 4 bi-monthly issues have been circulated while the fifth issue is under preparation. This is being widely disseminated. The structure of the Newsletter needs to be standardised. with the logo of both Megha LAMP and IBDLP to establish brand identity of both programmes. The team has created a catalogued database of MBDA knowledge documents including reports, Minutes of Meetings, publications, thematic email discussions, project documents etc. and shared the database with downloadable hyperlinks via Google Spreadsheets with MBDA team. To avoid information overload and remove sensitive information from the public domain, the KS team should consult the programme teams to understand their priority areas and tailor the database accordingly.

30. For **community level communication**, a set of activities and products have been rolled out. Community Dialogue as a method of gleaning traditional knowledge and harvesting local innovations has been tested with two dialogue events. The outcome of the initiative has been encouraging: a MoU has been signed with the National Innovation Foundation for documenting traditional knowledge as well as traditional / modern innovations in rural communities. Similarly, village level eco-tourism

activities have been initiated in some communities; Stayzilla<sup>2</sup>- India's largest platform for Homestays- has been in touch with them and homestay process has begun.

31. A number of documents and posters have been translated in Khasi and Garo already with the help of roster of translators maintained by the project. Video kits too have been prepared in Khasi and Garo. The project has been airing success stories and knowledge related to enterprises and livelihoods through radio and so far 26 episodes have been aired. The project may explore the possibility of introducing community radio programmes after studying the regulatory aspects thereof.

32. For **Public dissemination**: the project has prepared a wide range of Publications:

- Two issues of the MBDA publication series *In Conversations* have been published and a third one on piggery is underway;
- The annual publication 'Report to Citizens' which provides a comprehensive overview of all Basin initiatives including Megha-LAMP has been resumed
- 'Storybook' series to highlight success stories of partners/entrepreneurs has been started;
- ToRs for new website and online knowledge portal has been prepared; bidding and contracting of new website development agency is done ;
- Prototype of new website already developed; dynamic, searchable, interactive, user-friendly new Website is up and under live testing

33. Despite having the provision to engage external agencies for publications, all original content and formatting of MBDA publications is being done in-house since last year to build internal capacity, ensure high quality and cut costs. Nodal officers for KM have been identified in each district units and currently work closely with the KSD in Shillong. They need to be oriented periodically to explain their role and responsibility vis a vis the BDUs, EFCs etc. on the one hand and the KSD on the other.

34. As the implementation of various programme components expand, the role of the KSD will also need to respond to the emerging need for information to support natural resources management and governance; enterprise development; and technology testing and action research to generate information on new technologies and solutions to NR and enterprise problems.

Agreed action	Responsibility	Agreed date
Standardize the appearance, content/ layout and size of the newsletter and keep the frequency as quarterly.	Sr. Manager KM	Ongoing
Prepare thematic calendars in consultation with different programme units and place them at EFCs for dissemination	Sr. Manager KM	Dec 2016
Organise orientation of district KM Nodal officers	Sr. Manager KM	Oct 2016
Explore the possibility of introducing Community Radio Programmes	Sr. Manager KM	January 2017
Based on identified priorities of EFCs prepare training videos for community based trainings in remote areas.	Sr. Manager KM	April 2017

## D. Project implementation progress

35. **Programme management performance**: The performance for this component is rated as moderately Satisfactory (=4). Megha LAMP has made significant progress since the last Supervision Mission in filling up most staff positions. There are some vacancies at the level of ERPs and Programme Associate. The plan of having part time OSDs for most of the components supported by a team of other staff has proved to be effective as it allows for a good balance between external expertise and local knowledge. The turnover of staff in the project is low at 6.68%. The need for additional staffing and reworking the ToRs of the existing staff has emerged as programme implementation picks up speed.

36. Megha LAMP has complied with most agreed actions of the last Supervision Mission (2015). The APD, the nodal point through whom all project information flows, sanctions and finances. This will

2 [http://www.afaqs.com/news/company\\_briefs/?id=59692\\_Stayzilla-expands-presence-in-North-East-Sikkim-and-Bengal](http://www.afaqs.com/news/company_briefs/?id=59692_Stayzilla-expands-presence-in-North-East-Sikkim-and-Bengal)

help reduce the burden on the DPMs who were earlier receiving communications from different teams at the state level. A team for financial linkages has been formed (FSD) and this needs to be reflected in the Organogram. At the state level, the position of OSD Procurement and internal audit has not yet been filled up. The position has been advertised in online platforms such as *devnetjobs*. Once recruited, the OSD Procurement should go for training to a reputed institution and/or for hands-on learning to another IFAD project. The project has engaged fresh graduates as interns with a view to hire them as Programme Associate after they acquire the necessary experience. The project provides opportunity for staff to professionally grow and move up. MBDA/MBMA has been issuing 2-year contract to staff that have been appointed up to 2015 and have proven their capability. These are good HR practices as they not only help attract young talent but also help the project to retain them.

37. The reviews of progress as well as staff performance is carried out at frequent intervals. There is a need to structure these reviews with data support from M&E to facilitate inter-district and inter-component comparisons. At the district levels too, the reviews by DC should be structured and data based.

38. Co-ordination at the field level needs to be strengthened with better inter-linkages between the activities around markets, value chains, NRM and EFCs. This will require: (i) better information sharing between the OSDs and their teams (ii) identification of nodal officers for each component at district level - NRM, Markets and Value Chains and Gender and (iii) establishing a system at the District and BDU level for regular interaction and joint planning.

39. The need for more decentralisation in decision-making was expressed by the District/ BDU staff. A financial powers devolution plan is under preparation. This should be completed and notified to all staff and an orientation workshop should be organised for all staff regarding their responsibilities under the revised financial powers. The DPMs should be provided District level AWPBs and involved in the preparation of future AWPBs. A system needs to be put in place for standardizing the process of planning, monitoring and review of progress at all levels.

40. The project's strategy of having the Deputy Commissioners (DCs) as the *ex officio* Project Co-ordinator Megha LAMP and another executive as nodal officer of IBDLP at District level has generated greater ownership of the programme activities, facilitating better convergence. The DPMs are reporting to the DCs or the Nodal officer designated by the DC, but the review process is currently *ad hoc* in nature. Similarly the DPMs also do not have a regular system for reviewing the performance of the BDU staff.

41. The HR unit has been organising trainings for the project staff. It would be useful to assess the training needs of different groups of staff and work with the APD and respective OSDs to prepare a training calendar so that staff can receive both technical training as well as soft skills training.

42. During the course of the Mission an order was issued on 23<sup>rd</sup> Sept, 2016 by the office of the ED, MBDA appointing Mr Jun Momin, OSD- EFC& Livelihood Promotion, as OSD- Co-ordination: Megha-LAMP. As this position is not part of the original organogram it would be important to outline the responsibilities related to the position.

Agreed action	Responsibility	Agreed date
Review and Finalise organogram with clear reporting lines.	PD	10 Oct, 2016
The periodic reviews at PMU and BDU should be structured with a clear agenda and supported by data.	APD/M&E	October 2016
Fill up key vacancies at the PMU, District and BDU level	PD/ APD	30 Nov, 2016
Complete job descriptions for all staff at the district and BDU level. Standardise job descriptions for all staff positions and indicate the extent of their time division between Megha LAMP and IBDLP	OSD HR	30 Nov, 2016
Complete process for devolution of powers to the Districts/ BDU, notify staff and orient them on their responsibilities.	APD and OSD HR	Dec 2016



Agreed action	Responsibility	Agreed date
Appoint/ notify nodal officers at the BDU level for NRM, IVCS, Value Chains and Gender and provide customised trainings	APD and OSD HR	30 Oct, 2016 / March 2017
Institute bi-monthly reviews between DPM and the BDU team; and quarterly review of the programme by the DC/ Nodal Officer.	APD	1 Jan 2017
Prepare district wise AWPBs in consultation with DPMs and monitor progress based on the AWPBs	APD	Feb 15, 2017
Prepare training calendar for Megha LAMP staff in consultation with respective OSDs and support in organising the trainings.	OSD HR	31 Dec, 2016

#### 43. Coherence between AWPB & implementation

: The performance for this sub-component is rated as moderately unsatisfactory(3). The project has undertaken significant preparatory work under various components, however results planned for the year are far from being achieved. Disbursement is only 3.33%. The project emphasized that expenditure will pick up at the end of the rainy season, from October onwards. For future, the project is advised to plan its AWPB in a manner that takes the rainy season and its impact on activities and expenditure into consideration.

**44. Monitoring and Evaluation (M&E). This is rated moderately satisfactory (4).** Prototype MIS in excel has been designed and expected to be ready by first week of October 2016. These spreadsheets can be incorporated into the customised software later. The first module will be for Enterprise Development, encompassing EFCs, followed by module on tracking physical progress through AWPB. A short-term consultant engaged to advise and design MIS structure has submitted an approach paper, information architecture and prototypes for the LAMP MIS, which is under consideration of the project.

**45.** M&E field staffs were recruited and deputed to all the 11 districts. A thematic AOS on EFCs was carried out and the results have been disseminated and taken into account for determining future strategies of EFCs. The annual progress report has been sent to IFAD. The project should explore digitisation of data collection for MIS and encourage the field teams to capture data in electronic form and transmit the same as electronic files so as to improve accuracy and reduce costs.

**46.** The periodic reviews undertaken at PMU/BDU should be supported with data on component and district wise performance against targets as also deviance from normal performance parameters. M&E should draw up a template for reporting progress to the review meetings and ensure that each meeting is provided with the data to facilitate an informed review backed up by evidence.

Agreed action	Responsibility	Agreed date
The MIS architecture should be finalised at an early date. Necessary follow up action to implement the consultant's report with whatever modifications necessary should be initiated. A functional software based MIS should be in place by January 2017.	OSD M&E	December 2016
Remaining modules of LAMP database MIS should be rolled out.	OSD M&E	November 2016
Digitisation of data collection should be explored to reduce costs of data handling, ensure timeliness and improve accuracy	APD/OSD M&E	January 2017
Prepare a template for reporting of component and district wise progress on key indicators to facilitate a structured review.	OSD M&E	October 2016
The Baseline survey should be expedited	OSD M&E	November 2016
AOS for 2016 should be carried out in the standard format	OSD M&E	January 2017

**47. Gender focus:** This is rated Moderately satisfactory (=4). The Gender team has been very prompt in preparing a Gender strategy and a six month Gender Action Plan for October 2016- March

2017. Four Facilitators Manuals have been developed which are being integrated into the trainings organized by MBDA and MIE. 381 persons have been trained on various aspects of Gender.

48. An Internal Complaints Committee (ICC) under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, has been set up. External members to the committee have yet to be appointed. Simple information briefs on the Act and related posters need to be prepared and disseminated. The project is working hard to increase women's participation in Dorbars and other traditional community institutions. Exposure to other IFAD projects where women have been participating in community and political institutions, such as Tejaswini, Maharashtra could help in building their confidence. It may also be useful to have sensitization programmes for the menfolk from these institutions.

Agreed action	Responsibility	Agreed date
Appoint Gender focal persons in each district	APD	Nov, 2016
Organise exposure visit for male/ female leaders to MAVIM, Maharashtra	Mgr. Gender	Mar 2017
Prepare information briefs on Vishakha Guidelines and disseminate	Mgr. Gender & Sr. Mgr KSD	June 2017

49. **Poverty focus:** The performance is rated moderately satisfactory (4). Almost the entire population served by the project consists of tribal communities, most of whom are poor. Thus, most components do not have a specific poverty focus. INRM plans involve the entire community to ensure equity in access to natural resources.

With a demand based approach followed in EFCs and market oriented initiatives in value chains, the project encourages a self-targeting approach which has the risk of better-off segments taking advantage. However, efforts such as outreach through EFCs to bring remote communities into the project fold are being made to ensure that the poorer communities are included. Also, given the predominantly egalitarian nature of society and harmonious relations within the communities, the poor and women tend to get their due. Further INRM will address the natural resource management issues that will benefit the poorer sections that depend more on such resources.

50. **Targeting performance: The performance is rated moderately satisfactory (4) .** Over 120,450 partners have registered with the EFCs up to August 2016 (including about 70,000 members who had registered before the launch of Megha LAMP). Roughly, 12% of the registrants have been trained. The project should record the number of EFC partners who have been supported in one or more ways and strategize on ways to reach out to the remaining members. With the exception of South Garo and West Garo Hill districts, the registration of women at EFCs is lower than men. The situation is particularly grim in East Jaintia and South West Garo Hill districts. However this gender disaggregated data is only available since January 2016. The earlier data on registrants should be updated on MIS.. The project should make a realistic assessment of the number of partners who could be supported for either enterprises or livelihoods and accordingly readjust the numbers. As activities expand to include INRM, Value Chains and Marketing the project should maintain a record of the different services each HHs has received from the project.

Prioritise vulnerable households' participation in value chains, livestock and IVCS. Update gender disaggregated data for EFCs in the MIS	OSD M&E	Dec 2016
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51. **Innovation and learning.** The performance is rated satisfactory (score=5) and the justification for this score is provided in the description and analysis of component 3 above (para 28 to 32). As the project has a dedicated component on Knowledge Services it subsumes the activities usually reported under innovation and learning. The identified examples of innovations and learning are also captured in Appendix 7.

52. **Climate and environment. The performance is rated as moderately satisfactory (4).** The village communities prepare Integrated Natural Resource Management Plans under the project. The plans will focus on water, fuel wood and food security in a manner consistent with climate resilience measures and environmental protection. Some villages have piloted initiatives on springhead

protection, catchment area treatment, afforestation, soil and water conservation and equitable access to natural resources.

**53. Partnerships. The performance is rated as moderately satisfactory (4).** LAMP has forged partnerships with a number of agencies for implementing key activities. These include NRCP for piggery and BIRD for IVCS. A possible collaboration with ICAR, Barapani is being explored for CSF vaccines for pigs. LAMP is working with two IFAD grant partners: CIP (for potatoes) and ICIMOD (on mountain agriculture). It has already enlisted a number of local NGOs and national RANGO to strengthen the capacity of EFCs.

## **E. Fiduciary aspects**

**54. Financial Management:** The performance of this activity is rated as Moderately Unsatisfactory (Score=3). The department has adequate staff. The project prepares its accounts on an accrual basis. The mission reviewed the internal controls and found these to be generally satisfactory. Adequate controls are in place and authorizations and authentication at appropriate levels were observed in respect of funds receipts, transfers, payments or assets procured. The conditions stipulated in the Minutes of Negotiations dated 25<sup>th</sup> March 2014 have been fulfilled in respect of fiduciary aspects. Most of the recommendations in the last supervision mission have been complied with and the rest are under compliance. Bank Reconciliation Statements (BRS) were prepared in the SPMU on a monthly basis and no un-reconciled items were found. Fixed Assets Registers have been maintained. All the Fixed Assets have been procured from the SPMU and there was no procurement in the DPMU offices.

**55.** The rating of the performance of the project financial management as moderately unsatisfactory is based on the current situation whereby the books of accounts are currently maintained manually in the project (in excel sheets) and customisation and launching of accounting software is yet to be done. The SPMU office also maintains a manual cashbook in addition to the excel sheet. No books of account have yet been opened so far in any of the DPMU offices for the LAMP project.

**56.** The project intends to introduce Tally accounting software in the project and is currently interacting with the vendor in this regard. On consultation with all the DPMU offices, the entire chart of accounts of the project is under finalization and should be handed over to the vendor after concurrence of IFAD. Based on the mission discussions with the Financial and Management Division in IFAD, it is recommended that the Tally software be installed at state and district level. The deployment of the Tally software should be done in conjunction with relevant training to all accounts and finance staff across the project. As indicated below, the Tally software should also be customized for the automatic generation of WAs.

**57.** As per the new requirements of IFAD's Financial Services and Management Division (**FMD**), henceforth the project would be required to prepare Smart SOEs in the form and manner as prescribed which *inter alia* would include the linking of each cost item with the AWPB, accounting software payment reference and the payment reference. The project needs to interact with the Tally Vendors so that appropriate customization may be made to generate such Smart SOEs automatically from the system in order to prepare WAs for claims to be submitted to IFAD.

**58.** As per the recommendation made in the IFAD Supervision Mission 2015, 65 % of the salaries of the staff of IBDLP are charged to Megha LAMP. The mission examined the WA prepared by the project and found that these stipulations were adhered to.

**59.** The project has made payments to the NGOs based on their contractual terms. The payments of the NGOs are made from the SPMU. Till date the amount outstanding to NGOs for their dues aggregated to INR 0.43 million which included INR 0.30 million for the month of July 2016 and the balance INR 0.13 million for the months of April and August 2016. Six out of eight NGOs are yet to submit their claims for the month of August 2016.



**60. Project Financial Statements. (PFS).** MBMA is a company incorporated under Section 8 of the Companies Act 2013 is implementing LAMP. As apparent from the PFS for the year ended 31.3.2015, the financial information normally required for any IFAD project namely sources of funds, category wise and component wise break up of expenditure, (for the year and accumulated till the year end date), budgeted costs, variation and analysis of reasons thereof, list of withdrawal application with category wise break up, etc., are not forthcoming. The mission recommends that from the year ended 31.3.2016, the PFS of MBMA should be supplemented with a PFS prepared separately for the LAMP project in an appropriate format to capture the above information. The mission shared the formats for the proposed PFS of the LAMP project with the OSD and gave the necessary guidance. The delay in preparation of PFS for the year-ended 31.3.2016 should have been avoided.\_\_\_\_

**61. Withdrawal Applications (WA).** IFAD has released a sum of USD 1.5 million on 8<sup>th</sup> January 2016. As per clause 6 of Section B of the Finance Agreement, such sum should have been adjusted within one year from such release. Till date only two WAs have been submitted by the project aggregating INR 88.29 million (USD 1.31 million) covering the period December 2014 to June 2016 which is 87.5 % of the initial deposit. The project should liquidate the balance of the initial deposit in the next withdrawal application to adhere to the stipulated time limit. The mission examined the WAs and found these to be satisfactory. \_\_\_\_\_

**62. Requirement for Additional Initial Advance.** During the previous ISM, the project and GOM were desirous of an additional advance deposit of USD 3 million. GOM needs to make an application to the DEA in this respect with appropriate documentation justifying the request for this additional initial deposit.

**63.** As per recommendation of the last supervision mission, a Financial Manual (including a Delegation of Powers) has been prepared by the project, which the mission found to be exhaustive and comprehensive. The Financial Manual has been forwarded to the Board of Directors of MBMA for its approval.

**64.** So far only the OSD and the FM have received training from IFAD in financial management and procurement. Most of the accounts and finance staff of the project have little experience in IFAD funded projects and should be trained in these aspects.

**65. Disbursement.** The performance is rated as Unsatisfactory (Score =2). Till 31<sup>st</sup> August 2016, IFAD has reimbursed an amount of SDR 1.08 million (USD 1.5 million). The rate of disbursement is 3.33%.

**66. Counterpart funds.** The performance of this activity is rated as Satisfactory. (Score = 5). The Government of Meghalaya (**GOM**) provides advance funding to the Project as per the approved AWPB. As advance funding is not segregated between IFAD financing and government counterpart funding, the difference between the reported expenditure and IFAD disbursement may be construed as the government counterpart contribution. The total expenditure of the project till 30<sup>th</sup> June 2016 (the date till which the break-up of GoM share and IFAD share for the expenses is readily available) amounted to INR 167.69 million out of which IFAD's share was INR 88.16 million and the GOM's share INR 79.53 million. Till 30<sup>th</sup> June, 2016 the GOM has advanced to the MBMA, an aggregate sum of INR 235.39 million (which includes a sum of INR 140 million as its counterpart share) as against the actual government's share of expenses of INR 79.53 million till such date.

**67. Compliance with loan covenants.** The performance of this activity is rated as moderately satisfactory. (Score=4). The Project has complied in general with the loan covenants except that the auditors for 2015-16 were not appointed within the time stipulated (Para 26 of the Letter to the Borrower), the AWPB for 2015-16, the un-audited financial statements for 2015-16 and the audited accounts for 2014-15 were not sent to IFAD within the time stipulated (Sections 7.01, 9.01 and 9.03(a) respectively of the General Conditions) and insurance of the key project personnel have not been done ( Section 7.11 of the General Conditions).

**68. Procurement.** The performance of this activity is rated as Moderately Satisfactory (Score=4). The project has made procurement of goods, equipment and consultancy services. The procurement

procedures adopted by the project were found to be in consonance with IFAD Procurement Guidelines and in adherence to the principles of ethics, accountability, competition and transparency. Goods and equipment were procured on Request for Quotation (RFQ) method while for consultancy services, the QCBS method was adhered to. The mission reviewed the procurement procedures with respect to related documents and found these to be generally satisfactory. IFAD's no objection was obtained wherever necessary. The recruitment of a procurement manager and the preparation of a Procurement Manual agreed to with the previous mission have yet to be implemented.

**69. Audit.** The implementation performance of this activity is rated as Moderately Unsatisfactory (Score=3). Audit for MBMA for the year ended 31<sup>st</sup> March 2015 was carried out through a firm of Chartered Accountants selected by the CAG. The audit opinion on the Financial Statements was unqualified. However it was noticed that the audit report was issued according to the Income-tax Act 1961 and not according to the Companies Act, 2013 although MBMA is a company. Till 31<sup>st</sup> March 2015, no WA was submitted by the project and therefore no separate opinion of the auditors on the (Statement of Expenditure (SOE) was warranted. The auditors have not issued a Management Letter, which is a mandatory deliverable for any IFAD project audit. For the audit of 2015-16, the TOR of the auditors should require, as part of the deliverables, a separate opinion on the Financial Statements prepared for LAMP as a supplement to the MBMA Financial Statements, on the SOE s submitted by the project and a Management Letter. The project would need to get the TOR of the auditors approved from IFAD. The project would also need to maintain Summary Audit Log and Detailed Audit Log in respect of observation highlighted by the auditors. The mission shared the formats of these with the project and provided the necessary guidance. The audit report with Project Financial Statements for the year 2015-16 has not yet been submitted to IFAD and the project to take priority steps to submit the audit report at the earliest and should comply with timely submission of audit report in the following years.

**70.** The mission recommends the introduction of internal audit function in the project either by establishing an internal audit department or by the engagement of independent CA firms. The Financial Manual prepared by the project envisages an internal audit function.

Agreed Action	Responsibility	Agreed Date
The next Withdrawal Application should be submitted early to adjust the remainder of the initial deposit within stipulated time.	OSD (FM)	October 2016
GOM to apply to the DEA for additional initial deposit of USD 3 million and provide adequate justification for this request	APD / OSD (FM)	November 2016
Un-audited PFS to be sent to IFAD	OSD (FM) / FM	Immediate
<b>Tally Accounting Software</b>		
(a) Chart of Accounts to be reviewed by IFAD and given to the Vendor	OSD (FM)	October 2016
(b) To be customized to enable generation of SMART SOEs as per IFAD's latest requirement	OSD (FM)	November 2016
(c) All F&A to be trained in Tally	OSD (FM)	December 2016
Financial Manual should be sent to IFAD for review and no objection	APD / OSD (FM)	December 2016
Training on Financial Management and procurement to be provided to all F&A staff	OSD (FM)	December 2016
<b>Procurement</b>		
(a) Procurement Manager needs to be recruited	Senior Manager (HR)	November 2016
(b) Procurement Manual needs to be prepared and sent to IFAD for review and no objection.	APD	November 2016
<b>Audit</b>		
(a) Audit Report of MBMA should be according to the Companies Act 2013. Audit report and financial statements of LAMP to comply with IFAD Guidelines on PFS and additional information.	OSD (FM) / FM	on-going
(b) Audit report for the year 2015-16 to be submitted to IFAD	PD/APD	Immediate
(c) Audit Log to be maintained.	FM	on-going
An internal audit function should be set up.	APD/OSD FM	November 2016

## F. Sustainability

71. The project is embedded in the larger IBDLP project of GOM and hence at the end of LAMP, activities and institutions will continue to get necessary support. The project created entities such as IVCS, and LDCs are designed to be sustainable entities with identified revenue streams.. The future of EFCs is being studied and transforming them into incubation centres is under active consideration. The project activities are designed mostly to be oriented to the market at the household level..

72. **Institution building** is rated as moderately satisfactory. No institutions have yet been formed or restructured. The project will build Integrated Village Cooperative Societies and work with local produce markets and their governance structures to reform them. The institutions being in public space, preparatory work has taken time. The approach of the project is geared towards securing voluntary participation in these institutions, which will ensure their long-term sustainability.

73. **Empowerment and social sustainability** is rated moderately satisfactory (Score =4). The project largely focuses on women and development of community institutions. While the project is involving local communities in project processes, it has ensured space for women in governance in all activities. The managing Committee of IVCS will have women members as per model byelaws. Village Executive Councils have women participating. The market committees will have women members to ensure that interest of women buyers and sellers are taken care of. The mobilisation efforts of the project are inclusive and designed to enthuse disadvantaged people to participate.

74. **Quality of beneficiary participation** is rated satisfactory (Score=5). The project has used participatory processes to induce households to participate in project activities. More than 125000 people voluntarily registered with EFCs indicating the nature of their enterprise development requirements. With negotiation and awareness building as pre-launch strategies, the project seeks to make households and market players enrol in IVCS and endorse changing market structures. Preparation of IVDPs uses an intensive process of community participation facilitated by a local volunteer.

75. **Responsiveness of service providers** is rated Moderately Satisfactory (Score=4). NGOs used in the project so far have been able to deliver expected results on the ground. The training service providers for EFCs in some cases could have improved the design of courses with more practical skill oriented sessions. The service providers were receptive to feedback and willing to respond positively with suitable changes in their service delivery.

76. **Exit strategy** is rated Satisfactory (Score=5). Exit strategy involves building self-standing IVCS, reformed markets that balance the interests of all stakeholders, strong value chains with several players that can operate without any external support and village communities continuing to engage in NRM activities with a long term vision. In all these cases, the project has a built in market orientation, subsidy averse resource raising, community based governance, self-monitoring and review, development of local service providers with necessary skills provision to reduce dependence on external agencies. LAMP is embedded in the larger IBDLP project of GOM. Beyond the project period the institutions and practices developed by LAMP will continue to be nurtured by IBDLP.

77. **Potential for scaling up and replication** is rated Satisfactory (Score=4). The IVCS model and market development models will find application in several states in the North East, which have similar problems in financial services and market access in rural areas. Hence there is high replication possibility. Scaling up is possible in market development and value chains. In respect of Livestock Development Clusters, IVDPs and IVCS, the GOM is examining coverage of all feasible villages, beyond the project area.

## G. Other

78. **Impact on physical and financial assets** is rated moderately satisfactory (4). During the field visits, the mission came across successful enterprises set up with training arranged through EFC in piggyery, fast food café, fish pickling, candied fruits and collective marketing. The quality and

conditions of the assets were seen to be good. The income reported in these enterprises even in their initial period was encouraging to the households.

**79. Impact on food security** is rated as moderately satisfactory. The implementation activities relating to this aspect are yet to take root in the field. The thematic AOS carried out did not cover the food security aspect. The project activities under INRM will promote food security and the value chain activities also include food crops, which will improve food and income availability for households.

**80. Quality of natural asset improvement and climate resilience.** This aspect is rated Moderately Satisfactory (Score=4). A number of examples of catchment area conservation, afforestation, springshed development and rejuvenation were seen during the mission visits. The project activities promote climate resilient agricultural production systems, low input use and organic modes of cultivation. Community action planned as part of INRM will protect local environment and equitable access to natural resources will provide better coping abilities to deal with climate aberrations.

## **H. Conclusion**

**81.** The project was initially slow in making preparatory arrangements, but the pace of work has been stepped up in the last six months to compensate for initial delays. A management structure is in place and key staff have been recruited. Most of the initial work required under various components has been carried out. However the rate of disbursement is a cause for concern. In 2015-16, the first year of the project, utilisation against the AWPB was 13.7%. During the current year, the utilisation against the AWPB is only 2.2% till August 2016. The Mission recognises that bulk of the expenditure is likely to be incurred once the monsoon season is over. However, this requires constant follow up by project authorities.

**82.** Various components are moving at different pace. The Enterprise Facilitation Centres (EFCs) have managed to secure voluntary participation and interest of people in the project, but their requirements should be attended to without raising expectations. The EFCs future role should be examined in light of different project components engaging the EFC registrants. The project will need to speed up preparation of Integrated Natural Resource Management Plans (INRMPs) through adoption of simple processes and ensure ownership of village households. Integrated Village Co-operative Society (IVCS) formation, after tardy initial progress, is set to move fast. Engagement of technical service provider should be expedited to enable quality skill development and handholding for the IVCS staff and governance boards. The market development and connectivity activities are progressing satisfactorily. Value chain related mobilisation and activities should be planned and delivered in an inclusive manner where all players can find opportunities to grow.

**83.** Programme management is getting stabilised with most staffing needs having been met. Establishment of nodal person at BDU level for each component, increased financial power at district level, introduction of structured reviews and upgrading the skills and exposure of District Project Managers are some aspects that require immediate attention. The project MIS is lagging and needs attention; the proposed software implementation should be expedited. Mission field visits, as well as reports from IBDLP, show that the interventions under LAMP, are beginning to generate benefits in terms of increases in household income and assets and in increasing resilience to climate change. This needs to be systematically assessed and documented.

## Annex 1

Component-wise performance Rs. millions (End August 2016)

<b>Components</b>	<b>Amount in INR '000</b>		
	<b>Amount per Project Design</b>	<b>Actual up to 31.8.2016</b>	<b>%</b>
Integrated Natural Resource Management	2,153,635	294	0.01
Integrated Village Cooperatives	837,885	837	0.10
Enterprises Development	3,341,914	60,620	1.81
Integrated Production and Marketing	1,076,038	-	-
Livestock Development	412,472	-	-
Access to Markets	1,633,081	33,518	2.05
Knowledge Services	407,076	4,122	1.01
District Project Management Units	174,743	52,592	30.10
Project Management Unit – Shillong	497,251	65,083	13.09
	<b>10,534,095</b>	<b>217,066</b>	<b>2.06</b>

## Appendix 1: Summary of project status and ratings

### A. Basic Facts

Country	India	Project ID	1715	Loan number	2000000648
Project	Meghalaya Livelihood and Access to Markets Project			Supp. Loan/Grant	
Date of Update:	4-Dec-16	Last Supervision	24 Aug 2015	Financing terms	Blend
Supervising Inst.	IFAD	No. of Supervisions	2		
				USD m	Disb. %
Approval	08-Apr-2014			<b>Total costs</b>	
Agreement	19-Nov-2014	Effectiveness lag		IFAD loan	50.0 29 3.00
Effectiveness	09-Dec-2014	Problem project	No	Nat. Govt	49.7 29 4.43
First disbursement	27-05-2015			Dom Fin Inst	29.3 17 2.08
MTR	-			Other dom	28.2 17 *
Current completion	31-Dec-2022	Last Amendment		Beneficiaries	12.7 7% *
Current closing	30-Jun-2023	Last Audit		<b>Total</b>	<b>169.9 100 2.54</b>
No. of extensions	-				
<ul style="list-style-type: none"> <li>While beneficiary contribution has been collected in some cases and convergence has been enabled, the contributions on these two counts have not been captured. Project has been advised to introduced MIS and accounting therefor.</li> </ul>					

### B. Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	3	3	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	2	2. Performance of M&E	4	4
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	3	3
4. Compliance with loan covenants	4	4	4. Gender focus	3	4
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	3	3	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	5	5
			8. Climate and Environment Focus	4	4
B.3 Outputs and outcomes	Last	Current		Last	Current
1. Natural Resources and Food Security livelihood	4	3			
2. Livelihood Support	4	4			
3. Knowledge Services	4	5			
B.4 Sustainability	Last	Current	B.5 Impact	Last	Current
1. Institution building	n.a	4	1. Physical/financial assets	n.a	4
2. Empowerment	n.a	4	2. Food security	n.a	4
3. Quality of beneficiary participation	n.a	5	3. Increase in incomes	n.a	4
4. Responsiveness service providers	4	4			
5. Exit strategy	5	5			
6. Potential for scaling up/replication	5	5	B.6 Partnerships	5	4
C. Overall Assessment and Risk Profile					
C 1 Overall <b>implementation progress</b> (Sections B1 and B2)				4	4
C 2 Likelihood of achieving the <b>development objectives</b> (section B 3 and B4)				4	4
C 3 Quality of Natural Asset Improvement and Climate Resilience				4	4
<b>Rationale for implementation progress rating.</b> The project has carried out elaborate preparatory work so that field roll-out can be problem-free. Where appropriate ratings are based on the preparations made for implementation. The rating for disbursement reflects the fact that only 3% of the IFAD loan has been disbursed (USD 1.5 million out of USD 50 million). However the current AWPB is likely to witness significant expenditure and consequently requests for disbursements from IFAD. Some of the components have made good progress while others are about to launch field implementation.					
<b>Rationale for development objectives rating.</b> The initial phase of work in Market development, roads, IVCS and value chains have been done well laying a good foundation geared to produce sound development results. While it is too early to rate sustainability and impact, the field missions gave confidence that implementation steps clearly aim at development outcomes. The support from the government's basin programme (IBDLP) enables the project to secure convergence support wherever required. The IBDLP will also be a key positive factor in exit strategy and scaling up.					

C 4 Risks	
Fiduciary aspects	The financial management systems have been set up. LAMP expenditure is being recorded separately and specific financial controls are in place. However the district units are yet to be conversant. A draft financial management manual has been sent to IFAD for review and no objection. An internal audit system will need to be put in place.
Project implementation progress	Initial progress has been elaborate than was envisaged in project design, but is not seen as a risk. The preparation will enable fast roll-out of different components and the project is likely to catch up with the phased targets soon. Skill availability in staff and suitability of technical service providers that might be engaged are risks in implementation that need to be dealt with in the project.
Outputs and outcomes	The assessment is that the projected outputs and outcomes would be achieved. Initial feedback from field shows significant increases in production and income. The EFCs may have to change their role, as the value chain and INRM components start providing support to households including those already registered with EFCs. However this will not impact projected outcomes.
Sustainability	LAMP has a built-in exist strategy as it is embedded in a larger project UBDLP of the Government of Meghalaya. The project institutions are designed to be sustainable, but it is too early to comment on their status.

Issue/ problem	Recommended Action	Status/Timing
Start-up of INRM plans	Develop a simplified format and complete INRM plans in 325 villages	March 2017
Start of value chain development	LAMP should engage agencies to support value chain development clusters where internal capacities are inadequate  Complete the discussion with the Ministry of Animal Husbandry and launch the initial Livestock Development Centres	December 2016
Capacity building	Define roles of Cluster Consultative Group on value chains, train the volunteers, lead farmers and staff of the project on value chain activities	On-going
Market development	Develop a governance code for market committees, code of market conduct for users, and prepare a mobilisation plan for informing villagers in identified market catchment areas	November 2016
Financial inclusion and financial services	Launch the initial IVCS as agreed in November 2016. Complete engagement of Technical Service Provider.	November 2016
Project management	Complete the process of decentralisation of powers in favour of districts	October 2016
	Introduce MIS based, structured reviews at PMU and district levels	October 2016
MIS	Take early decisions on the consultant's report on MIS architecture and software requirements and implement the same  Capture data on convergence funding and beneficiary contribution to the project and integrate with financial performance data of LAMP	December 2016  October 2016
M&E	Complete the baseline survey  Complete AOS on standard format for 2016	November 2016  January 2017
Financial management	Complete the audit for the year 2015-16 and forward the audited accounts to IFAD	October 2016

Set up an internal audit function	November 2016
Procurement Recruit a Procurement Manager	November 2016
Forward the Procurement Manual/Policy to IFAD India Country Office.	November 2016



## Appendix 2: Updated logical framework

Narrative summary	Key performance indicators	Means of verification	Achievement	Risks
<b>Goal</b> Higher family incomes & better quality of life in rural Meghalaya for 143,000 households	30% increase in household asset index (RIMS anchor)# Reduction in child malnutrition (RIMS anchor) 75% of households* report increased income, food security and quality of life	Baseline and impact assessment surveys	Too early for evidence on this.	Relative stability in general economic conditions are conducive to poverty reduction
<b>Objective</b> Expanded sustainable livelihood opportunities adapted to the hill environment and to the effects of climate change	At least 50,000 households* adopt new livelihood opportunities linked to markets and have increased average farm or enterprise income by at least 50%#	Baseline and impact assessment surveys  Annual outcome surveys (EFC & NRM, IPM clusters)	1687 households have started adopting new opportunities. Too early for evidence on incomes.	Slow response in the initial stages
<b>Outcomes</b>				
1.1 Improved access to water and increased production of food crops	20,000 households* report reduced time to collect domestic water.  50,000 farmers* report increased crop production  200,000 ha under improved management for watershed/forest conservation	Annual Outcome Survey (NRM)  Annual Outcome Survey (NRM)  MIS (IVDP)	Too early for collection of evidence	Changes in weather patterns do not seriously affect farming. Being a net importing state, demand and prices remain high.
2. 1 Improved access enterprise development	47,000 entrepreneurs* supported by EFCs start or expand an enterprise  80% of enterprises* receiving investment support operate profitably three years later	Annual Outcome Survey (EFC)	Early evidence in thematic AOS found that 22% of the surveyed sample started new enterprises and 13% expanded their enterprises.	Banks come forward provide required credit to start enterprises
2.2 Expansion of clusters producing commodities for the market	Sales of commodities by 54 clusters increases by 50 % over the project period	Annual outcome surveys (IPM) Cluster progress reports & case studies	The AOS will be conducted during the current year and data available during next SM.	Households have adequate labour for the expansion of enterprise and good returns in sub-sector
2.3 Improved livestock production	32,500 households* increased annual sales of livestock from Rs5, 000 to Rs20, 000	Annual Outcome survey (livestock)	The AOS will be conducted during the current year and	Vaccines are available to control infectious diseases

<b>Narrative summary</b>	<b>Key performance indicators</b>	<b>Means of verification</b>	<b>Achievement</b>	<b>Risks</b>
			data available during next SM.	
2.4 Improved access to rural markets	Annual sales in 41 markets increase by 50% Transport cost on improved roads decline	Thematic/ case studies of markets and roads	The first few markets are to be developed during the current year.	Willingness of market committees to make changes in governance
2.5 Increased use of financial services by rural households	210 IVCS are financially sustainable and have loan recovery rates of at least 95%. IVCS have 90,000 savers* and 60,000 borrowers*	MIS (IVCS) & ICVS audit reports	1339 loans to the tune of Rs 40.1 million have been provided by banks	Meghalaya Cooperative Apex Bank and Meghalaya Rural Bank provide required finance and other support.
3. Information hub providing useful data	producers* benefiting from information services	KM progress reports	Anecdotal evidence of material on production practices in beekeeping and piggyery being found very useful.	Timeliness and relevance of information for households
<b>Outputs</b>				
<u>1. Natural Resources and Food Security</u>				
1.1 Capacity development & natural resource planning	1350 NRMPs implemented	MIS (IVDP) reports	No progress yet as the first plans are likely to be ready next month.	Willingness of village to come together
1.2 Land, water resource and food crop development	Water-related interventions in 1000 villages Land use management plans implemented by 50,000 farmers* involved in crop interventions.	MIS (AWPB / IVDP)	Anecdotal evidence on community seed banks shows good receptivity in the clusters. More data likely to be available next year.	Adequacy of funds for implementation of activities from convergence.
<u>2. Livelihood Development</u>				
2.1 Enterprise Development	300,000 entrepreneurs* register with EFCs 100,000 applications submitted for loans and convergence funding are approved* 60,000 entrepreneurs* trained	MIS (EFC)	About 125000 entrepreneurs have registered.	Capacity to deliver technical support to scattered entrepreneurs; Convergence funds availability
2.2 Integrated production and marketing support	54 village clusters implement commodity-based production and marketing plans 1350 Lead Farmers* trained by commodity 20,000 households* participating in cluster based production	MIS (AWPB) IPM progress reports	17 value chains and 54 clusters identified; gap analysis carried out in some clusters	Viability of identified value chains; technical capacity to support households
2.3 Livestock development	120 livestock clusters covering 720 villages 120 CLF* and 720 VLRP* trained & providing	MIS (AWPB, livestock)	Discussions with Dept. of Animal Husbandry on	Changes to regulations on VLRP identification and training; fixing of

<b>Narrative summary</b>	<b>Key performance indicators</b>	<b>Means of verification</b>	<b>Achievement</b>	<b>Risks</b>
	services 43,200 households* trained and participating		collaborative setting up of Livestock Development Centres	remunerative user charges for services
2.4 Market Development	55 improved markets built 55 markets with maintenance plans 41 markets establish a procedure for maintenance by using the revenue collected	MIS (AWPB)	A framework for negotiations prepared; 11 markets identified and negotiations on-going with 7 markets	Traditional leadership allows market development
2.5 Communications Infrastructure	250 kms of village roads, 20 bridges and 10 ropeways built 8,000 households have access to village roads built under the project*	MIS (AWPB)	88 km of roads approved for construction	Villagers and traditional leaders provide land for road construction
2.6 Rural finance	IVCS societies cover 1350 villages with 120,000 members*.	MIS (IVCS)	20 locations identified for the initial IVCS launch in November 2016	Support from the Department of Cooperatives and quality handholding from MCAB
<u>3. Knowledge services</u>				
3.1 Lesson learning	100 knowledge products and events generated by project	KM progress reports	Newsletter, videos and published documents circulated	Useful lessons available for dissemination
3.3. Information hub	Information collected, collated and stored in the information hub.	KM progress reports	A searchable web-based facility being created	Relevant information is available for collection by hub

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

Action area	Action agreed	Date	Whom
Start-up of NRM activities	Adopt a simplified format and complete INRM plans in 325 villages	March 2017	OSD NRM
Start of value chain development	LAMP should engage agencies to support value chain development clusters where internal capacities are inadequate Complete the discussion with the Ministry of Animal Husbandry and launch the initial Livestock Development Centres	December 2016	APD OSD Livestock
Capacity building	Define roles of Cluster Consultative Group on value chains, train the volunteers, lead farmers and staff of the project on value chain activities	Ongoing	OSD value chains
Market development	Draft a governance code for market committees, code of market conduct for users, and prepare a mobilisation plan for informing villagers in identified market catchment areas	November 2016	OSD markets
Financial inclusion and rural financial services	Launch the initial batch of IVCS as agreed in November 2016. Complete engagement of Technical Service Provider.	November 2016	Core team & APD
Access to loans for enterprise development	Intensify credit linkages for entrepreneurs through the newly formed Financial Services Division	Ongoing	APD
Project management	Complete the process of decentralisation of powers in favour of districts	October 2016	PD
	Introduce MIS based, structured reviews at PMU and district levels	October 2016	APD
MIS	Take early decisions on the consultant's report on MIS architecture and software needs and implement the same Capture data on convergence funding and beneficiary contribution to the project and integrate with financial performance data of LAMP	December 2016  October 2016	OSD M&E  OSD M&E, OSD FM
M&E	Complete the baseline survey Complete AOS on standard format for 2016	November 2016 January 2017	OSD M&E
Financial management	Complete the audit for the year 2015-16 and forward the audited accounts to IFAD	October 2016	APD, OSD FM
	Set up an internal audit function	November 2016	PD/APD
Procurement	Recruit a Procurement Manager	November 2016	PD
	Forward the Procurement Manual/Policy to IFAD India Country Office	November 2016	APD/OSD(F)

## Appendix 4: Physical progress measured against AWP&B 2015-16

	AWPB for FY 2015-16		Total project target		Actual achievement during the FY (2015-16)			Achievement (in %)
	Phy	Fin (Rs'000)	Phy	Fin (Rs'000)	Phy	Fin (Rs'000)	%	
<b>INRM</b>								
1. Technical Service Provider - Pigs & Poultry (ILRI)	1	5000	3	49800	0	0	0%	
Resource NGO	6	3,000	9	4,500	0	0	0%	
Cluster level facilitating agency	58	11,679	115	42,304			0%	
Facilitating agency at cluster	27	10,139	108	40,554	0	0	0%	
Training staff of facilitating agency	4	1,000	7	1,750	0	0	0%	
Mobilisation of VECs, Lead Farmers etc	27	540			0	0	0%	
Village Institutions								
<b>1. Training /b</b>	835	26,315	1,870	58,230			0%	
Training village facilitators- 6days	40	1,440	70	2,520	0	0	0%	
Training village Leaders- 4 per village, 3 days	40	720	240	4,320	0	0	0%	
Lead farmer training-7 days, 2 per village	40	2,800	140	9,800	0	0	0%	
Training power tiller operators/ 14 days, 1 per village	40	4,480	70	7,840	0	0	0%	
PRA Exercise for preparation of INRMP	675	16,875	1,350	33,750	0	0	0%	
<b>2. VEC operating costs including payment to VF (6 months)</b>	675	81,000	6,750	3,37,500	0	0	0%	
<b>3. Village Development Fund</b>								
VDF First Instalment	675	1,35,000	70	2,70,000	0	0	0%	
VDF Second Instalment	-	-	240	2,70,000	0	0		
<b>4.Social Development Fund</b>	0.2	10,000	240	4,320	0	0	0%	
<b>5. Convergence from MGNREGS and others</b>	100	30,000	240	4,320	0	0	0%	
<b>IVCS State level costs</b>								

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Appendix 4: Physical progress measured against AWP&B

Tool kits, operations manual, training course design	1	2,500	2	5,000	0	0	0%	
Training MCAB & Department Facilitators	2	500	3	750	0	0	0%	
Training IVCS staff (300 secretaries)	5	750	24	3,600	0	0	0%	
Training IVCS Board members	2	100	80	4,000	0	0	0%	
Cooperative development support agency	1	9,000	4	36,000	0	0	0%	
<b>A. Enterprises Facilitation Centres</b>								
Training of FBA	4	1,200	4	1,200	0	0	0%	
Training of ERPs	2	400	8	1,200	0	0	0%	
Entrepreneur training (Batch of 30 for 6days)	25	3,750	720	36,000	0	0	0%	
RNGO for EFCs (ILRT continuing Contract)	1	20,000	3	60,000	1	9,259	46%	15%
<b>B. Financing enterprises</b>								
Bank loans to entrepreneurs	1,560	92,820	15,795	9,39,803	0	0	0%	
Convergence support	1,560	18,330	47,385	5,56,774	0	0	0%	
Entrepreneurs contribution	1,560	15,600	47,385	4,73,850	0	0	0%	
LAMP Matching Grant	1,560	15,600	47,385	4,73,850	0	0	0%	
Enterprise support agency	10	9,000	32	28,800	8	5,767	64%	20%
RNGO for Enterprises Support Agencies (ILRT)	1	20,000	3	60,000	1	2,469	12%	4%
<b>EFC recurrent costs</b>								
Assistant Manager (EFC Manager)	468	13,478	3,744	1,07,827	0	0	0%	
Programme Associate/Intern (Field Business Advisor)	468	10,787	3,744	86,299	0	0	0%	
Programme Associate/Intern (Enterprises Resource Persons)	468	10,787	3,744	86,299	0	0	0%	
Multi-Tasking Asst (Office Assistants)	468	6,154	3,744	49,234	0	0	0%	
EFC operating costs	468							
<b>Pig clusters</b>								
Year 1 services (as per Annex 3, WP - 6) (Pig)								
Training of Community Livestock Facilitator	1	80	4	320	0	0	0%	

Training of Pig Keepers	6	300	24	1,200	0	0	0%	
Training of Village Livestock Resource Persons	132	26,400	1,440	2,88,000	0	0	0%	
Exposure visits	10	1,500	120	18,000	0	0	0%	
Pig Development Kit (VLRPs)	11	110	120	1,200	0	0	0%	
Veterinary Kit for CLF	11	110	120	1,200	0	0	0%	
Feed Development	11	22	120	240	0	0	0%	
Critical inputs for Health Care	11	33	120	360	0	0	0%	
Honorarium of VLRP	132	330	1,440	3,600	0	0	0%	
Salary to CLF	132	2,640	1,440	28,800	0	0	0%	
Year 1 services (as per Annex 3, WP - 6 - Pig Breed Improvement)	18	900	600	30,000	0	0	0%	
Livestock Development Centres	11	8,965	120	97,800	0	0	0%	
Pick up Vehicles	2	1,960	2	1,960	0	0	0%	
Year 1 services (as per Annex 3, WP - 6) (Goat)								
Training of Community Livestock Facilitator	1	80	4	320	0	0	0%	
Training of Village Livestock Resource Person	1	50	24	1,200	0	0	0%	
Training of goat keepers	12	2,400	1,440	2,88,000	0	0	0%	
Exposure visits	2	300	120	18,000	0	0	0%	
Goat Development Kit (VLRPs)	1	10	120	1,200	0	0	0%	
Castrators and Balances	1	10	120	1,200	0	0	0%	
Fodder and Feed Development	1	2	120	240	0	0	0%	
Critical inputs for Health Care	1	3	120	360	0	0	0%	
Feeding of Bucks	1	2	120	288	0	0	0%	
Honorarium of VLRP	360	900	1,440	3,600	0	0	0%	
Salary to CLF	360	7,200	1,440	28,800	0	0	0%	
Laptops	5	240	5	240	0	0	0%	
Printers	2	26	2	26	0	0	0%	
Desktops	3	129	3	129	0	0	0%	

Cupboards	5	45	5	45	0	0	0%	
<b>RNGO Management costs</b>	3	767		25,562	0	0	0%	
Operating costs								
Livestock Programme Manager from RNGO	3	1,080	55	19,800	0	0	0%	
Staff travel and other costs	3	144	55	2,640	0	0	0%	
<b>Markets and rural roads</b>								
Identification of markets and road stretches	-	-	11	2,200	0	0		
Negotiation with the community	-	-	33	1,650	0	0		
Exposure visits to other states	50	5,000	120	2,400	0	0	0%	
Exposure visits to markets-abroad	50	7,500	50	5,000	0	0	0%	
Improvement of Rural roads (concrete roads)	120	3,60,000	250	7,50,000	11	33,000	9%	4%
Experience sharing workshop	4	200	28	1,400	0	0	0%	
Training Programmes	2	100	30	1,500	0	0	0%	
Market facilities - Entry Point Activities	13	13,000	26	26,000	0	0	0%	
Improvement of 5 units of Agricultural Markets (in 5 Different Blocks)	5	12,500	-	-	0	0	0%	
Operational expenses - Travelling expenses	12	480	84	1,680	0	0	0%	
Market Initiatives Consultant	24	3,600	180	27,000	0	0	0%	
Programme Associates (Marketing Initiatives)	36	830	252	581	0	0	0%	
Manager (Marketing Initiatives)	60	2,073	420	1,451	0	0	0%	
Resource Agency - Agri Business	1	2,700	7	18,900	0	0	0%	
Support for Value Chains	5	10,000	10	20,000	0	0	0%	
Training on value Chains	5	280	35	1,960	0	0	0%	
Exposure visits - Within State	4	400	40	4,000	0	0	0%	
<b>Knowledge services management</b>								
Vehicles	1	1,200	2	2,400	0	0	0%	
Equipment & furniture			1	200	1	1,056	#	528%
<b>information for NRM &amp;</b>								



<b>governance</b>								
GIS unit equipment			2	600	0	0		
village maps from remote-imagery			1,500	60,000	0	0		
GPS equipment			1	100	0	0		
Collation of bio-environmental data			8	800	0	0		
Collation of NRM good practices	1	100	8	800	0	0	0%	
Infra for Enterprises development								
<b>1. Data collection</b>								
Value-chain & market studies	21	5,250	10	5,000	0	0	0%	
Collection of enterprises & market data			8	1,200	0	0		
2. Preparation of manuals & guidelines	6	1,800	12	6,000	0	0	0%	
<b>3. Telephone support unit</b>								
Needs assessment, design support			2.5	2,500	0	0		
4. Support to Meghalaya Trade Promotion Organisation			8	6,400	0	0		
Technology testing and action research								
Crop sector ( 6 months)	2	2,500	7	8,750	0	0	0%	
Livestock sector ( 6 months)	4	4,000	7	7,000	0	0	0%	
Non-farm sector ( 6 months)			7	1,400	0	0		
Environment & energy sectors ( 6 months)	3	900	7	2,100	0	0	0%	
Research management & review ( 6 months)			7	2,100	0	0		
<b>Monitoring and evaluation</b>								
Computer & other equipment	1	300	3	900	0	0	0%	
Vehicle			1	1,200	1	841		70%
Motor cycles	11	660	10	750	0	0	0%	
Other equipment, crop cutting etc	1	100	1	100	0	0	0%	
Staff capacity building	3	120	10	400	0	0	0%	

Baseline survey	1	6,000	1	5,000	0	0	0%	
Rapid Assessment Study					1	549		
Thematic Annual Outcome Survey (Enterprise Development)	1	500			1	355	71%	
Annual Outcome Survey	1	1,000			0	0	0%	
Short-term specialist	8	1,600	66	13,200	1	89	6%	1%
Consultant - MIS Development , Deployment & Maintenance	12	3,000			0	0	0%	
Exposure visit to other similar projects with established M&E systems Domestic	5	900			0	0	0%	
Exposure visit to other similar projects with established M&E systems International	2	900			0	0	0%	
KM and lessons learning								
<b>1. Staff level</b>								
Monthly meetings at Block level			1,620	8,100	0	0		
Monthly meetings at district level			990	7,920	0	0		
Quarterly meetings at state level			30	600	0	0		
Training in KM methods for sharing	2	60	7	210	0	0	0%	
Development of KM strategy			1	200	0	0		
<b>2. Participant level</b>								
Focus group & participatory M&E	22	110	473	2,365	0	0	0%	
Dissemination and communication								
Printing and designing of various Publications	1	1,416			21	595.63	42%	
Printing and designing of various Videos	1	1,600			9	303.095	19%	
Radio Programmes	1	200			0	0	0%	
Case Studies	1	200			0	0	0%	
Knowledge Network	1	1800			0	0	0%	
Village information kit			1,350	13,500	0	0		

Translation of technical materials	1	500	5	2,500	0	0	0%	
LAMP website design & operation	1	300	8	6,400	0	0	0%	
KM & Communication Support Agency	1	2,000	6	12,000	0	0	0%	
<b>A. Knowledge management service</b>								
KM Consultant	12	1,200	90	9,000	0	0	0%	
Programme Associate/ Intern (Project Assistants)	12	277	90	2,075	0	0	0%	
Driver	12	172	90	1,287	0	0	0%	
Vehicle running costs	12	240	90	1,800	0	0	0%	
Office expenses	12	96	90	720	0	0	0%	
<b>B. Information for NRM &amp; Governance</b>								
NRM Consultant			90	9,000	0	0		
Asst Manager (GIS unit operator)			96	2,765	0	0		
<b>C. Information for enterprises development</b>								
Enterprises Facilitation Centre and Livelihood Consultant	12	1,800	90	13,500	0	0	0%	
<b>D. Monitoring &amp; evaluation</b>								
M&E Consultant	12	1,800	96	14,400	0	0	0%	
Manager (Data Analyst)	12	415	90	3,110	0	0	0%	
Manager(MIS operator)	12	415	90	3,110	0	0	0%	
Prg Associate/Intern (Project Assistants)	12	277	180	4,149	0	0	0%	
Prg Associate/Intern (Field monitoring officers)	132	3,043	630	14,522	0	0	0%	
Operating expenses	1	800	8	2,400	0	0	0%	
<b>E. Dissemination &amp; communication</b>								
KM & Communications Manager			90	9,000	0	0		
<b>District Project Management Units</b>		<b>87,574</b>		<b>364098.5</b>		<b>102644</b>		
<b>Total</b>		<b>11,70,656</b>		<b>6462196.71</b>		<b>156928</b>	<b>13%</b>	<b>2%</b>



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

**Table 5A : Financial performance by financier as at 31-08-16**

Financier	As per Appraisal (USD'000)	Disbursements (USD'000)	% against Amount as per Appraisal
IFAD Loan	50,0	1,5	
	63	00	3.00
Government of Meghalaya	49,6	2,2	
	65	01	4.43
Convergence	28,1		
	75	-	-
Bank	29,3		
	19	610	2.08
Beneficiary	12,6		
	82	-	-
<b>Total</b>	169,90	4,3	
	4	11	2.54

Note:

Exchange rate for disbursements taken to be 1 USD = 63.592, applicable as on the date of transfer of advance by IFAD.

Table 5B – Financial Performance by Financier by Components (USD '000)

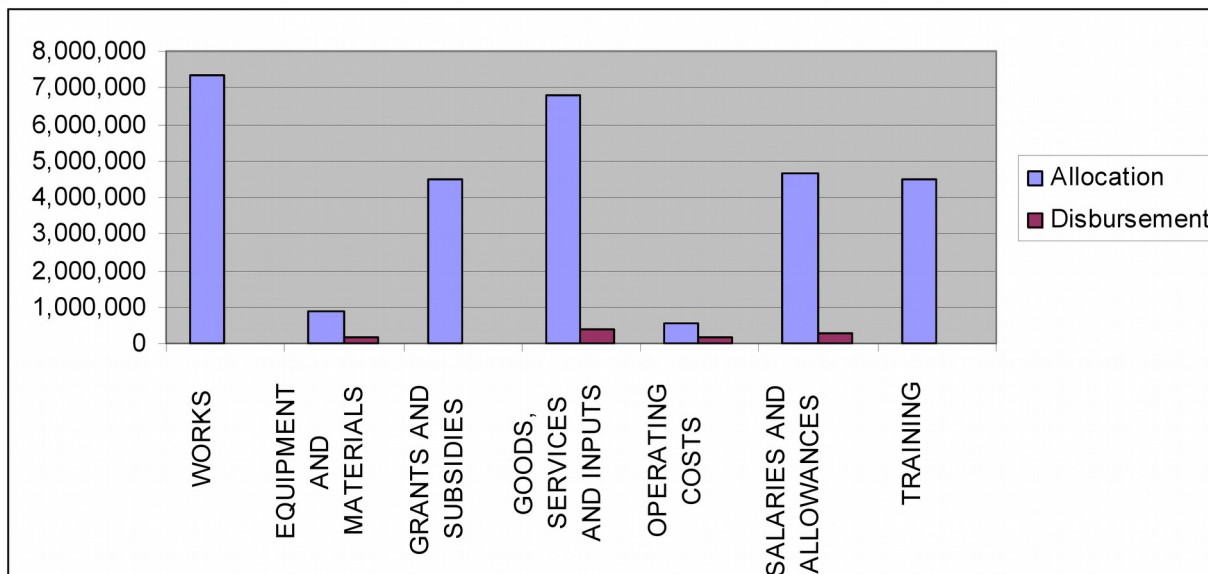
Components	IFAD Loan			Government			Convergence			Bank			Beneficiary			Total		
	Apprsl	Actual	%	Apprsl	Actual	%	Apprsl	Actual	%	Apprsl	Actual	%	Apprsl	Actual	%	Apprsl	Actual	%
<u>A. Natural Resources &amp; Food Security</u>																		
1. Integrated NRM	8,759	3.73	0.04	7,679	0.66	0.01	6,555	-	-	-	-		1,742	-	-	4,736	4.39	0.01
<u>B. Livelihood support</u>																		
1. Integrated village cooperatives	774	11.25	1.45	3,063	1.26	0.04	-	-		9,677	-		-	-	-	3,514	12.51	0.09
2. Enterprises development	7,688	250.75	3.26	4,433	44.24	0.31	8,980	-	-	5,158	609.59		7,643	-	-	3,902	904.58	1.68
3. Integrated production & marketing	3,756	-	0.00	4,455	-	0.00	2,613	-	-	3,919	-		2,613	-	-	7,355	-	0.00
4. Livestock Development	4,720	-	0.00	1,255	-	0.00	-	-		565	-		113	-	-	6,653	-	0.00
5. Access to markets	15,002	276.80	1.85	1,739	221.83	2.07	27	-		-	-		572	-	-	6,340	498.64	1.89
<u>C. Knowledge Services</u>																		
1. Knowledge services	4,762	50.07	1.05	1,804	11.27	0.62	-	-		-	-		-	-	-	6,566	61.34	0.93
																-	-	
<u>D. Project Management</u>																-	-	
1. Project Management Unit, Shillong	1,301	407.82	31.35	1,518	561.32	36.98	-	-		-	-		-	-	-	2,818	969.13	34.39
2. District Project Management Units	3,301	378.47	11.47	4,719	403.95	8.56	-	-		-	-		-	-	-	8,020	782.41	9.76
<b>TOTAL</b>	<b>50,063</b>	<b>1,378.89</b>	<b>2.75</b>	<b>4,9665</b>	<b>1,245</b>	<b>2.51</b>	<b>2,8175</b>	<b>-</b>	<b>0</b>	<b>2,9319</b>	<b>609.59</b>		<b>1,2682</b>	<b>-</b>	<b>-</b>	<b>16,9904</b>	<b>33.00</b>	<b>1.90</b>

Appendix 5

Table 5C: IFAD Loan Disbursements (in SDR as on 31.8.2016)

Category	Category Description	Allocation	Disbursement	%	Available Balance
200003	WORKS	7,340,000	-	0.00	7,340,000
200011	EQUIPMENT AND MATERIALS	880,000	139,206	15.82	740,794
200012	GRANTS AND SUBSIDIES	4,490,000	-	0.00	4,490,000
200013	GOODS, SERVICES AND INPUTS	6,780,000	398,270	5.87	6,381,730
200016	OPERATING COSTS	530,000	145,828	27.51	384,172
200018	SALARIES AND ALLOWANCES	4,650,000	262,602	5.65	4,387,398
200019	TRAINING	4,480,000	-	-	4,480,000
270001	AUTHORISED ALLOCATION	-	134,015	-	-134,015
290001	UNALLOCATED	3,250,000	-	-	3,250,000
		<b>32,400,000</b>	<b>1,079,921</b>	<b>3.33</b>	<b>31,320,079</b>

**Figure 1: IFAD loan/grant disbursement, comparisons between allocations and actual disbursement**





## Appendix 6 – LAMP - Compliance with Legal Covenants

Article/ Section of Financing Agreement	Covenant	Status	Remarks
Section B -6	There shall be an accounts denominated in USD designated to receive a one-time initial advance of USD 1.5 million to be settled by the borrower in the first twelve months following the disbursement.	Complied.	
Section B - 7	There shall be a project account denominated in local currency opened and operated by the State Project Management Unit ( SPMU ) which shall be in a bank mutually acceptable to the Fund and the State Government. .	Complied.	
Section B - 8	There also shall be sub project accounts denominated in local currency opened and operated by the District Programme Management Units ( DPMU) which shall be in a bank mutually acceptable to the Fund and the State Government.	Complied	
Section E- 2	The following are designated as additional general conditions precedent to withdrawal: a) The State Level Project Committee (PMC) and the SPMU shall have been duly established b) A project Director shall have been duly appointed c) An Additional Project Director shall have been duly appointed d) Key Project finance staff shall have been duly opened at SPMU level e) The Project Account shall have been duly opened in the SPMU f) The Project Agreement shall have been duly concluded between the Fund and the State of Meghalaya	Complied  Complied Complied Complied Complied Complied	
Schedule 1 Section II – para C (in addition)	g) A PIM has been prepared and approved by the Board of Directors of MBMA and the Fund	Complied	

Article/ Section of Financing Agreement	Covenant	Status	Remarks
Schedule 1 , Section II , para 2	A Project Management Committee will be constituted.	Complied	
Schedule 1 , Section II , para B- 8.1	The State of Meghalaya shall enter into a Memorandum of Understanding with the MBMA mutually acceptable to the State and the Fund	Complied. .	
Schedule 1 , Section II , para B - 8.1 (a)	The State shall transfer the proceeds of the Financing and State's Counterpart funds as Grants in Aid as per the approved AWPB to MBMA in advance.	Complied	
Schedule 1 , Section II , para B 8.1 (c)	The MOU between the State of Meghalaya and MBMA shall provide that the financial statements of MBMA may also be audited by the Office of the Comptroller and Auditor General of India and observations resulting from the audit and the action thereof shall be communicated to the Fund within a reasonable time.	Complied	
Schedule 1 , Section II - para C	The MBMA shall prepare a draft PIM to be approved by the BoD of MBMA and the Fund.	Complied	
Schedule 1 , Section II - para D and Section 8.03 (b) of the General Conditions.	The LPA and the Fund shall jointly carry out a review of the project implementation no later than the fourth anniversary of the date of entry into force (the Mid Term Review)	Not Yet Due	
LTB Para 8	Before withdrawal can begin IFAD needs to receive from the Joint Secretary, Department of Economic Affairs, Ministry of Finance, a letter designating the name(s) of official(s) authorized to sign withdrawal applications, which includes the authenticated specimen signature (s)	Complied	
LTB Para 14	The first 18 months procurement plan shall have been submitted to IFAD	Complied	
LTB Para 26	The first auditors shall be appointed no later than 120 days after entry into force.	Complied	

Article/ Section of Financing Agreement	Covenant	Status	Remarks
LTB Para 26	For every fiscal year the auditors shall be appointed no later than 120 days after the beginning of each fiscal year.	Not Complied	Auditors for the year 2015-16 were appointed by the CAG Office vide their letter dated... which date can be deemed to be the date of appointment of auditors. The project has no say in the appointment of auditors.
Section 7.01 – General Conditions	The LPA shall submit the draft AWPB to the Fund no later than sixty days before the beginning of the relevant project year.	Not Complied.	AWPB for 2016-17 sent to IFAD on 1 <sup>st</sup> March, 2016
Section 7.08 (a) – General Conditions	The LPA shall insure all goods and buildings used in the Project	Complied	Vehicles have been insured. The Project does not have any building in its ownership
Section 7.11 – General Conditions	The Borrower/Recipient or the Lead Project Agency shall insure key project personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of its national civil service, whichever is applicable.	Not Complied	
Section 8.03	The LPA shall furnish to the Fund periodic Progress Reports containing at least the minimum information specified in this Section.	Complied	
Section 9.02 – General Conditions	The Borrower shall deliver to the Fund detailed Financial Statements within four months of the end of each Fiscal Year	Not Complied	
Section 9.03 (b)	Within six months of the end of each fiscal year the Borrower shall furnish to the Fund , a certified copy of the audit report	Not Complied	Audited Accounts for 2014-15 were not sent to IFAD within 30 <sup>th</sup> September 2015. The audit report was signed only on 26 <sup>th</sup> April 2016.

## Appendix 7 Knowledge Management – Learning and Innovation

The EFCs are a novel concept for the state of Meghalaya and possibly for the country too. Serving as a one stop shop for aspiring entrepreneurs, EFCs symbolize a paradigm shift in the way the state government proposes to enhance livelihoods and incomes to address poverty. Stories of success have started to emerge which not only demonstrate the aspirations of the poor, but also the potential that exists within them to improve their situation.



**(i) The story of Kong Bross Myrboh:** a resident of Pdnengshnong locality of Mawryngkneng, she is a progressive farmer who cultivated a variety of vegetables in her farm including tomato, pineapple, chilies and assorted beans. Kong Bross used part of the produce from her farm for consumption by her family and sold the rest at a nearby village market as a source of income. However, she aspired to send her children to a good school but realised that this was not possible with the meagre income from farming. So, she decided to look for an alternative source of livelihood. In 2014 Kong Bross visited the EFC at Mawryngkneng hoping to get some subsidy. But what she was offered was training, handholding and other

support to pursue a livelihood of her choice. She registered herself at the EFC and participated in two trainings: on Pig Breeding and Book keeping at RRTC, Umiam and at Kyrdemkulai. Further, the EFC also supported her with bank linkage and she was able to get a loan of Rs. 2 Lakhs.

With the loan she received, she bought 1 male piglet and 2 female piglets which she would eventually use for multiplication, and also constructed a shed for the pigs. Using her new skills on book keeping, she meticulously kept an account of all expenditures which included feed for pigs, vaccination, medicines and the interest that she had to pay to the bank. Today, Kong Bros keeps piglets which she sells to other breeders. Others would be kept till maturity and then sold off to traders. Old male pigs sell at a price of Rs 18,000/- to 20,000/- each, mature female pigs at Rs.15,000/- while piglets sell at Rs 3,000/-. Within 2 years, Kong Bross was able to clear off her loan while also earning good profit from her piggery business. In 2015, she decided to venture into candle making business and once again approached the EFC at Mawryngkneng. She got training on candle making at St. Mary's, Shillong and with the support of EFC was able to avail another loan of Rs. 2 Lakh. With the help of her husband and children, she is able to make a variety of candles, earning up to Rs. 200 per day depending on demand.

Today, Kong Bross is able to send her children to a school outside the village and has inspired many villagers to register at the EFC and explore opportunities for better livelihoods themselves.



**Kong Rukhimai Khyriem:** Kong Rukhimai is a formally educated 25 year old woman from Thangbuli village of Amlarem Block in West Jaintia Hills District. She lives with her parents and three other siblings who rely on a small family owned grocery store for their livelihood. She is quite unlike most others her age who seek employment after completing their studies. Rukhimai completed her Degree in Arts but instead of looking for a routine job she chose to set up her own enterprise.

She registered at the EFC in her area and in January 2016, she opted for a training in fast food making. After attending a 20 day long training at the Indian Institute of Hotel Management in Shillong, she set up an eating joint, where she now sells high demand fast food items such as Momos, Noodles, and Rice cakes. While she cooks most of the food herself she does not hesitate to add in some items from the market keeping the



typical items which were sold by other shops. Thus the customers were usually those who lived close by and came to the store for reasons of proximity. Now as the customer base of her eating joint expands, and people come from near and far, the grocery store has also started doing better business.



customers' preference in mind. To help run the eatery, she has taken the help of one of her siblings, who assists with preparation of food and managing the shop. Today, Kong Rukhimai is able to earn between Rs. 1,500 to Rs. 2,000 per day. Interestingly Rukhimai decided to set up her eating joint close to the family owned grocery store. In earlier years when her parents managed the shop, it had limited clientele as they sold

## **Appendix 8: Technical guidance note I**

### **Integrated Natural Resource Management**

*“Integrated natural resource management (INRM) is a process of managing natural resources in a systematic way, which includes multiple aspects of natural resource use (biophysical, socio-political, and economic) to meet production goals of producers and other direct users (e.g., food security, profitability, risk aversion) as well as goals of the wider community (e.g., poverty alleviation, welfare of future generations, environmental conservation).”*

INRM can be used by institutions to modify their way of doing business. INRM's methodology involves developing practical, context-specific (i.e. local) solutions in partnership with farmers together with an array of local and international partners. Furthermore, INRM focuses on sustainability and at the same time tries to incorporate all possible stakeholders from the planning level itself, reducing possible future conflicts.

In many ways, INRM is an approach that builds the capacity of farmers and other natural resource managers to manage change in sustainable ways. The conceptual basis of INRM has evolved in recent years through the convergence in diverse areas such as sustainable land use, participatory planning, integrated watershed management and adaptive management.

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Keeping these principles in mind, the following steps are proposed for preparation of NRM plans at the village level.

#### **Step- wise Process for Preparation of NRM Plans at Village Level:**

- a) Arrange for training of village facilitators/ volunteers to sensitize them on the needs and methods of planning and documentation
- b) Village facilitator to organize focus group discussions (FGDs) on land/soil, water, forest resources in the village.
- c) Preparation of maps highlighting the natural resources available (in case it has not been done along with the Integrated Village Development Project [IVDP]).
- d) The focus on food, water and fuel wood security would enable village communities to prioritize activities in the proposed plan
  - For example, water security could refer to spring development/ rejuvenation, additional wells for drinking water, diversion channels for increasing area under irrigation.
- e) Fuel wood security could refer to afforestation in wastelands, village forest lands and clan/community forest lands; and safe ways of exploitation of the forest for fuel wood, with equity in access

- f) Food security could refer to identifying households where paddy production is not adequate to meet the annual requirement .How other alternate crops like potato/ cassava can be cultivated for bridging gaps in periods when paddy is not available at household level.
- g) Based on the above assessment, the NRM plans may be prepared by the VECs. These NRM plans are vetted/ reviewed by technical officers at the block/ district level who will assist in preparation of cost estimates also.
- h) These plans can be approved by the DC/ Chairman at the district level for implementation under the convergence funding (NREGS).
- i) After approval, the NRM plans will be collated by the state PMU (OSD NRM and his team) and captured in the proposed database. They can be further analysed for investments in food, water and fuel wood sectors.
- j) An initial amount for cost of preparation plan may be released to the facilitators based on a procedure decided by the INRM team. Once the DC/ Chairman at district level has approved the NRM plan for the village, PMU can release the first instalment of village development fund of Rs2 lakhs to the VEC bank account.
- k) This village development fund should be utilized for making payments under the approved NRM convergence plans or for similar purposes.

The draft template for NRM plans has been prepared for use of the State PMU. They can be suitably modified/ adapted after field-testing. These are in addition to the participatory resource maps presently being prepared with the village community.

**Name of the village:** \_\_\_\_\_

Baseline and Planned targets with NRM measures

Land use pattern

Ref	Particulars	Unit	Present	Planned
1	Total geographical area	Ha		
2	Water bodies	Ha		
3	Forests –reserve, village	Ha		
4	Land under misc. tree crops and groves	Ha		
5	Culturable wastelands	Ha		
6	Fallow land	Ha		
7	Net sown area	Ha		
8	Net irrigated area	Ha		
9	Area under horticulture crops	Ha		

#### I. Food, Water and Fuel wood security

**Area proposed to be treated with NRM measures (ha.):**

Ref	Particulars	No. of new units	Avg. cost of new units	Total cost (Rs lakhs)	Source of funds	
					NREGS	Community Contribution
1	Soil and Water conservation measures including spring shed development ( ha)					
2	Soil improvement and productivity enhancement measures (ha)					
3	Sustainable NRM farming practices including livelihood /food security activities					
4	Capacity building and institution strengthening					

#### II. Soil and Water conservation investment plan

Ref	Measures <sup>@</sup>	No. of new units	Av. cost of new units	Total cost (Rs lakhs)	Source of funds	
					NREGS	Community contribution
1	Afforestation					
2	Soil conservation measures					
3	Water conservation measures					
4	Spring shed development					
5	Other measures					

Note: <sup>@</sup> it is necessary to expand activities under each sub-head based on local requirements.

**Soil and Water conservation measures- activity-wise technical norms**



Sl.no	Activity Name	Technical norms

### ***Soil Improvement and Productivity enhancement measures***

Re f	Measures	Proposed	Av.cost of new units	Total cost (Rs lakhs)	Source of funds	
					NREGS	Community contribution
1	Soil fertility	Green manure, manure /silt application				
2	Agronomi c measures	Sowing methods, inter cultural operations				

### ***Soil improvement and Productivity enhancement measures-activity wise technical norms***

Sl.no	Activity Name	Technical norms

Sustainable NRM farming practices including livelihood and Income Generation Activity promotion investment plan (non-traditional activities)

S. N	Activity name	Unit	Pre-project		Post -Project		Source of finance	
			No of units	People employed	No of units	People employed	NREG S	Community Contrib
Enterprise level activity*								
1								
Diversified HH level activity								
1	Bio-gas units							
2	Vermi-composting							
3								

Select activities directly dependent or related to soil improvement and impact thereof

### ***Livelihood and IGA activities - Activity wise technical norms***

S.No.	Activity Name	Technical Norms and Cost Norms

Food and nutritional security  
Baseline and targets

S. No	Particular	Pre project	Post project
1	BPL families (No.)		
2	Families getting regular supply from PDS (Nos.)		

3	Families Not getting two meals a day		
4	Health cards issued		
5	HH with backyard piggery/ poultry/ fisheries/ kitchen garden		
6	HH with at least one person with nutrient deficiency due to non-availability of food or capacity to pay		

Food and Nutritional Security - (current level)

Sr. No.	Commodity for food and nutritional security	Annual Per Capita Requirement		Total requirement for food sufficiency (population X per capita requirement)		Current Production in the village	Production retained for self-consumption	Distributed through PDS	Shortfall in production	Short fall in consumption
		Unit	Qty	Unit	Qty					
					A	B	C	D	E = B-A	F = A-C-D
		Unit	Qty	Unit	Qty	Qty	Qty	Qty	Qty	Qty
1										
2										
3										
4										

Target for Food and Nutritional Security Post project

Target for Food and Nutritional Security Post project													
Sr no.		Commodity for food and nutritional security		Annual Per Capita Requirement		Total requirement for food sufficiency		Shortfall in production		Import into the village with increased income		Net shortfall if any	
							A		B				A - B
				Unit	Qty	Unit	Qty		Qty		Qty		
1													
2													
3													

Note: It is not necessary to get some numbers in every statement and column and row. Only where the village has a requirement, the related table should be filled up. If some aspects of NRM are not relevant in specific villages, those aspects need not be part of the plan. In the notes to the plan such facts may be explained.

## Technical guidance note II

### Promoting value chains

Based on the existing project status following four steps are proposed to kick start and pilot value chain interventions.

**Step 1:** To start/pilot the value chain development interventions in the field it is important to list out key action points that would result in overall higher incomes to primary producers/collectors. Such key action points could either bring efficiencies (reduce expenses) in the existing processes or establish

new linkages for higher price realisation. It is also important to assess how much each of these interventions likely to result in higher price/income (in percentage terms) realisation to producers/collectors. Some of these interventions could include:

- Reduce expenses by improving efficiencies (i.e. better storage practices)
- Identify buyers willing to offer higher prices
- Introduce primary level value additions such as cleaning, sorting and grading
- Establish direct market linkages with bulk buyers/processors/exporters/niche institutions
- Productivity enhancement through better package of practices
- Value addition through setting up processing units

**Step 2:** While deciding any key action point it is also important to profile producers/collectors based on their existing knowledge, experience, skills and attitude. Some of the following questions could help in understanding the producers/collectors better:

- Are producers aware of product prices in various markets?
- Are producers/collectors aware of end markets?
- Do they negotiate prices with traders?
- Do they depend on single traders only?
- Are they aware of trade practices?

#### **Key challenges of producers/collectors**

During the field visits mission observed some of the following key issues that include:

- Sale of produce without counting and proper weighing
- Lack of price information beyond the first transaction
- Lack of overall market information about the product
- Lack of information on costs involved in production/collection process
- Dependence on single trader
- Tied sales to traders who offer advance money
- Losses due to poor storage practices
- Lack of entrepreneurial attitude
- Lack of information on benefits of simple value additions such as cleaning, sorting and grading
- Dependence on village level agents/aggregators for sale
- Inability to negotiate price with traders
- Limited local markets for agriculture produce

Project team can list out such product specific challenges faced by producers to develop general and specific training needs and interventions.

**Step 3:** The next step is to match (Step 1 and Step 2) to shortlist product wise key actions points for piloting. Following points could be used to complete this step.

- List out all issues/problems product wise highlighted in the existing value chains report
- List out all recommendations given product wise in value chains report
- Carry out Step 2 in the proposed **product specific cluster workshops**
- List out product specific key action points
- Develop procurement (from producers) and delivery (to buyers) systems
- Legal requirements such as entity bank account, PAN/VAT, transportation permits etc.

**Step 4:** Plan long-term value chain interventions

- Analyse the results of pilot interventions to refine interventions
- Ensure inclusion of step 1 and step2 points in in training modules developed and conducted by project team and/or external agencies.

- Upscaling the value chain interventions
- Develop value chain interventions for all 17 product clusters
- Establish linkages with international border markets

### **Technical Guidance Note III**

#### **Formation of Integrated Village Cooperative Societies**

The core team formed for the purpose of implementation of the IVCS component of LAMP has moved at a good speed. The bye-laws have been notified. 36 out of 54 cooperatives registered as IVCS (without any preparation) have been visited. 40 Cluster Level Federations have been identified for conversion into IVCS. The Cooperatives Department has also considered the area of operation of the existing Primary Agricultural Credit Cooperative Societies and has taken action to delete the unserved villages from their jurisdiction. As a result of all these actions the preparedness to form IVCS has improved significantly in the last three months' time.

The core team has decided to engage volunteers from identified villages to start the mobilisation of people. The volunteers will be trained Meghalaya Cooperative Training Institute. A training course for the purpose has been designed by a sub-committee of the core team. The core team supported by Cooperative department will oversee the mobilisation process. The engagement of Bankers Institute of Rural Development, Lucknow as a technical service provider is at an advanced stage as reported by the core group.

The registrar of cooperatives and the core team have decided to launch the first set of IVCS (at least 14) in the month November during the Cooperative Week. The first set of cooperatives will be from among those already registered as IVCS and from Cluster Level Federations of SHGs. This involves considerable preparatory work.

- Identification of locations with good existing institutions that are ready for conversion in to IVCS
- Mobilisation of existing members and other non-member households to be members of the IVCS
- Identification of potential board members that can provide direction and govern the IVCS
- Identification of a local youth to work as secretary of the IVCS
- Collection of share capital
- Opening of bank account and deposit of collected share capital in to the bank
- Finalise the set of initial documents required for registration
- Provide guidance on share issue process –also help in printing of share certificates
- List the first set of books and registers required by the IVCS and arrange to supply the same on commencement of the society
- Work with BIRD to finalise training courses for the IVCS secretary on business and administrative issues; training for board members on governance and strategy
- Decide on parameters required to fulfilled before IVCS can be registered
- Decide on government support to IVCS on the day of its formation

The IVCS will require an operational manual for its functioning from the day of its registration. The guidance required will be initially with regard to the following aspects:

- New member enrolment processes, form of application, share application, issue of shares, accounting for share capital collected
- Opening of bank account with MCAB or other near-by bank branch, transactions in the bank account
- Rules for collection of savings from members, dealing with amounts collected, payment of interest on savings, linkages with MCAB for safety of member savings
- Rules on loans to members – products with details of purpose, term, interest rate, process of application, sanction and disbursement, monitoring methods and frequency
- Borrowing from MCAB and other banks for financing members – internal policies relating to amount of loans, rates of interest, period of borrowing etc.
- Rules of conduct of consumer stores and input stores
- Rules on conduct of marketing business of members produce
- Rules on agency business for insurance, pension accounts, etc.

The TSP should be requested to prioritise the drafting of suitable manual – if necessary more than one by splitting up the business areas – so that IVCS are able to get a reference book to guide their operations. The manuals should be used in training the IVCS secretaries.

### **Role of MCAB**

Meghalaya Cooperative Apex Bank is the higher-level institution to which all the IVCS will have to be affiliated. The MCAB will have the following roles and responsibilities towards the IVCS:

- Opening bank accounts
- Accepting deposits representing surplus funds of the IVCS
- Provide bulk loans to IVCS to take care of member loan needs up to a certain threshold fixed from time to time in discussion with IVCS
- Provide larger loans to members of IVCS above the threshold fixed – using the IVCS as a Business Correspondent
- Accept larger deposits from individual customers, using the IVCS as a BC
- Market pension, remittance and insurance products through the IVCS (as BC)
- Act as a channel for funds provided by Government of Meghalaya to the IVCS for share capital, viability gap funding and other purposes

### **Responsibilities of MCAB**

- ❖ MCAB will depute its senior officials to be part of the core committee of LAMP project to guide the formation of IVCS
- ❖ MCAB will depute some officials to be trained as master trainers who will guide field volunteers in the IVCS mobilisation
- ❖ MCAB will support IVCS in preparation of their business development plans and monitor implementation of the plans

- ❖ MCAB will assess the training needs of Board members of IVCS and secretaries from time to time, prepare plans for meeting the training requirements
- ❖ MCAB will support the IVCS in training on common accounting system and any computerisation of their accounts and MIS
- ❖ MCAB will carry out supervisory visits to guide the IVCS – in its capacity as a cooperative apex bank. For this purpose a customised training can be arranged through the Technical Service Provider
- ❖ MCAB will provide representation to IVCS in its board

## Appendix 9: Fiduciary Aspects.

1. **Financial Progress:** The total estimated programme funding is USD 169.90 million, which comprises contribution of USD 50.06 million from IFAD Loan, USD 49.67 million from GoM, ADB, USD 28.17 million from Convergence, USD 29.32 million from Banks and USD 12.68 million from Beneficiaries. Till 31<sup>st</sup> August 2016, the expenditure incurred was INR 217.07 million (USD 3.233 million), which is 2.06 % of the total costs projected in the project design. The break-up of this is indicated in the table below: -

**Table: Financial Progress by Component - Cumulative up to 31.8.2016**

Components	Amount in INR '000		
	Amount per Project Design	Actual up to 31.8.2016	%
Integrated Natural Resource Management	2,153,635	294	0.01
Integrated Village Cooperatives	837,885	837	0.10
Enterprises Development	3,341,914	60,620	1.81
Integrated Production and Marketing	1,076,038	-	-
Livestock Development	412,472	-	-
Access to Markets	1,633,081	33,518	2.05
Knowledge Services	407,076	4,122	1.01
District Project Management Units	174,743	52,592	30.10
Project Management Unit – Shillong	497,251	65,083	13.09
	<b>10,534,095</b>	<b>217,066</b>	<b>2.06</b>

2. The AWPB for the year 2016-17 was INR 881.436 million against which an amount of INR 60.14 million (6.82%) has been disbursed as indicated in the table below.

**Table: Component Wise Budget Utilization**

Components	AWPB 2016-17 (INR'000)	Total Budget Utilized (INR'000)	% of Utilization
Integrated Natural Resource Management	80,260.00	294	0.37
Integrated Village Cooperatives	20,203.00	837	4.14
Enterprises Development	242,228.00	43,125	17.81
Integrated Production and Marketing	-	-	-
Livestock Development	37,390	-	-
Access to Markets	393,454	518	0.13
Knowledge Services	49,248	333	0.68
District Project Management Units	39,893	1,020	2.56
Project Management Unit – Shillong	18,760	14,013	74.70
<b>Total</b>	<b>881,436</b>	<b>60,140</b>	<b>6.82</b>

3. The year wise achievement as against the AWPBs is as per the Table below.

**Table: Year wise achievement**

Year	(INR in millions)		
	AWPB	Actual	Achieved %
2015-16	317.59	156.93	49.41
2016-17 (Actuals up to 31.8.16 only)	881.44	60.14	6.82
<b>Total</b>	<b>1,199.03</b>	<b>217.07</b>	<b>18.10</b>



**4. Finance and Accounts personnel.** The accounts and finance department of the project comprise is headed by an Officer on Special Duty (OSD) who is a Chartered Accountant, a Finance Manager (FM), two Assistant Finance Managers (**AFM**), a Company Secretary and a Programme Associate who are all based in the SPMU office. One of the AFM is entrusted mainly with the responsibility of procurement related tasks. In each of the eleven districts of the project, there is one Administrative Associate (**AA**) (Finance and Accounts) who is in charge of the accounts of the project. Currently the posts of AA are vacant in South West Khasi Hills and West Garo Hills. These posts need to be filled up at the earliest.

**5. Skill Assessments of Accounting Staff.** The mission assessed the experience, knowledge level and the technical skills of the accounting staff at the SPMU and district offices visited namely East Khasi Hills, East Jaintia Hills and West Jaintia Hills. and gives the following rating .

Areas of Assessment	Assessment Rating	
	SPMU	District Offices
Qualifications	Medium to High	Medium
Total Experience	Medium	Medium
Experience with Foreign Donor	Low	Low
Experience in IFAD Project	Nil	Nil
Accounting Knowledge- General	Medium	Low
IFAD Specific Knowledge – Accounts / Finance and Procurement	Nil to Low	Nil
IFAD Anti-Corruption Policy	Nil to Low	Nil

The above chart brings out the importance of training of the Finance and Accounts personnel in the project.

**6. Books and Records checked at the SPMU Offices:**

- (a) Cash Book
- (b) Bank Statements / Pass Books
- (c) Bill Vouchers
- (d) Expense Statements
- (e) Invoices
- (f) Note Sheets
- (g) Cheque Issue Register/ Counterfoils
- (h) Advance Register
- (i) Bank Reconciliation Statements
- (j) Fixed Assets Register
- (k) Contracts / Agreements
- (l) Audit Reports
- (m) Documents evidencing receipts from government.

**7. Books and records checked at the DPMU Offices**

- (a) Bank Pass Books
- (b) Expense Statements
- (c) Note Sheets
- (d) Fixed Assets Register

**8. Counterpart Funding**

The Government of Meghalaya (**GOM**) provides advance funding to the Project as per the approved AWPB. As advance funding is not segregated between IFAD financing and government counterpart funding, the difference between the reported expenditure and IFAD disbursement may be construed as the government counterpart contribution. The following Table shows the details in this regard: -

Received from GoM	
-------------------	--

For the year	( INR '000)
2014-15	140,000
2015-16	95,390
2016-17	0
Total	235,390

Expenses	Amount ( INR '000)
<b>2014-15</b>	
Government Share	4,560
IFAD Share	1,600
<b>2015-16</b>	
Government Share	69,520
IFAD Share	81,250
<b>2016-17 ( Up to 30.6.2016)</b>	
Government Share	5,449
IFAD Share	5,307

## 9. Audit Status

1. (a) Name of the Auditing Entity:	2. Kiran Joshi & Associates
3. (b) Status:	4. Chartered Accountants
5. (c) Year of audit	6. Year ended 31 <sup>st</sup> March 2015
7. (d) Date of Report	8. 26 <sup>th</sup> April 2016
9. (e) Report Qualified	10. No
11. (f) Management Letter Issued	12. No
13. (g) Audit Log Maintained	14. No observation in the audit report to warrant for the same. But in future Audit Log (Summary and Detailed) would be needed to be maintained
15. (h) Coverage:	16. Full MBMU
17. (i) Status of disposal of issues	18. No issue highlighted and hence not applicable.

## 10. Withdrawal Application Status till date (IFAD and GON together)

Till date the project has submitted 2 (two) Withdrawal Applications the details of which are as elucidated in the Table below: -

Table: Status of WA replenished

WA No.	Date	Total Claim (INR)	Total Claim (USD)	Received Amount (USD)
1	23/5/2016		1,232,444	1,232,444
2	21/7/2016		81,409	81,409

11. As per recommendation of the last supervision mission, a Financial Manual (including a Delegation of Powers) has been prepared by the project. The mission reviewed the Financial Manual and found this to be exhaustive, comprehensive and finely detailed. The Financial Manual has been forwarded to the BoD of MBMA for its approval. Till date such approval is awaited.

## 12. Advances

The mission reviewed the Loans and Advances outstanding in the books of the project as on 31<sup>st</sup> August 2016. The total advances as on this date amounted to INR 269,720, which represented advances for advance to staff to finance expenses on exposure visit, short film production and other advances. All the advances were given during the months of July and August 2016 and there were no old advances. However the SPMU has advanced an amount of INR 3 million during January/ February 2016 to each of the eleven districts aggregating INR 33 million for construction of roads. Till date no expenditure has been incurred against this. The project needs to ensure that these advances are liquidated at the earliest, against expenses.

## 13. Internal Audit

Currently the project does not have an Internal Audit Department neither has any external Chartered Accountants (CA) firm been appointed so far to carry out internal audit. In view of the project taking off shortly, the operational and the financial activities are likely to increase manifold, warranting an independent review of the internal controls, financial transactions/ balances, legal and other procedural compliance and the operational activities of the project, through an internal audit. As per the Financial Manual prepared by the project (which is subject to approval of the BoD of MBMA) there would be an independent audit committee empowered to set up an internal audit department or engage CA firms for the same. The mission recommends the introduction of internal audit function in the project either by establishing an internal audit department or by the engagement of independent CA firms. In case it is decided to appoint a CA firm for this purpose the TOR of the internal auditors should be shared with IFAD. The mission shared a "Guidance for TOR of the Internal Auditors" with the project, which may be used while preparing the TOR of the Internal Auditors. (Refer " Attachment 'A' to Working Paper – Fiduciary")

## 14. List of Major Procurements made

Procurement	Method of Procurement	Costs Involved	IFAD'S Prior NOC Required ? (Yes/ No)	IFAD's NOC received on	Contract Date
Motor vehicles	L.C.B.	16,774,901	Yes	19.11.2015	24.11.2015
Laptop Computers	L.C.B.	765,000	No		26.3.2016
Desk Top Computers	L.C.B.	779,264	No		17.5.2016
Consultancy for Rapid Assessment Study	QCBS	548,910	No		11.8.2015
Consultancy for Design and Structuring of MIS System.	QCBS	446,000	No		21.1.2016

## Other Agreed Actions

Agreed Action	Responsibility	Agreed Date
The posts of Administrative Associate (AA) (Finance and Accounts) in South West Khasi Hills and West Garo Hills need to be filled up	APD/ FM	December, 2016
Contract Register to be maintained for any type of contract	OSD (FM)	Ongoing basis
The advance of INR 33 million given by the SPMU to the DPMU s need to be liquidated	OSD (FM) / FM	March 2017



### Statement of Expenditure (SOE) Review Checklist

A key element of every mission is to check the validity of expenditures claimed under the SOE since the last supervision mission. The SOE review may result in findings such as i) inadequacy/unavailability of supporting documents, ii) ineligible expenditures, iii) misallocation of costs by category and iv) application of wrong percentages.

The methodology and check-list outlined below serve as a **guidance**, and are designed to capture the most relevant actions to be undertaken and questions to be asked by the FMS when carrying out the review.

#### Methodology

- i) **Identify** and **select** a random sample of SOEs from each WA covering
  - a. all expenditure categories, with particular focus on the categories considered to be 'risky' and
  - b. at least **30%** of the total value of the items claimed under SOEs. This is deemed acceptable, irrespective of risk rating (as we have different levels of up-front controls already by risk rating) in that:
    - i. If errors are found then the % should be increased,
    - ii. Recurring expenditures can be test-checked: if one month's salary is checked in detail and is fine, then we do not need to check the other 11 months provided the monthly cost is fairly constant.
- ii) **Review** all the supporting documentation for the selected sample.
- iii) **Document** all the discrepancies and ineligible expenditures noticed during the review and discuss them with the project's financial manager.
- iv) Based on the review determine if the SOE thresholds are adequate and reflect the project risk?

Project: LAMP Meghalaya, India

WA Selected for this purpose

WA: 2

Amount Involved: INR 88.25 million

Total No of WA sent during the period: 2  
December 2014 to June 2016

Total Amount of WA: INR 88.25 million

Coverage: 100 %

## Checklist

	SOE Element	Comments
1.	Are the expenditures properly accounted for in the books and financial reports of the project, and can they be cross-referenced in the SOE to relevant documentation (e.g. vouchers)? Does presentation of information in the SOEs allow for ready access to the files for review and audit purposes?	Yes
2.	Are all the invoices stamped Paid?	Invoices are not stamped as paid by for every payment money receipt is obtained from the respective vendor.  It was suggested to the project to stamp every invoice with “ Paid” stamp for payment against every invoice, henceforth.
3	(i) Review documentation supporting payments and for all cases described in (ii) through (iv) below, ensure existence of:	
	✓ a signed contract or confirmed purchase order – showing the specified amount that is due to be paid	Exists
	<ul style="list-style-type: none"> <li>✓ evidence of receipt, invoice or performance</li> <li>✓ a bank guarantee for advance payment, as specified in the contract documents</li> <li>✓ a bank guarantee for performance, as specified in the contract documents</li> <li>✓ copies of communications sent by the IFAD country programme manager to the lead project agency providing the ‘no objection’ (whether post or prior) to the contract award; and</li> <li>✓ evidence of payment/bank statements</li> <li>✓ accounting records of approvals, disbursements, and balances available</li> <li>✓ Procurement documents (bid documents, invitation, evaluation, award, add in a newspaper), if applicable.</li> <li>✓ for recurrent costs (operation cost and PIU staff salaries), ensure existence of recurrent costs records</li> </ul>	<p>Exists</p> <p>Exists</p> <p>No such contract to entail bank guarantees.</p> <p>Yes. IFAD no objection has been received wherever required</p> <p>Exists</p> <p>Exists</p> <p>Exists</p> <p>Exists</p>

	SOE Element	Comments
	<p><b>(ii) For payment of goods</b>, in addition to (i) above, ensure existence of:</p> <ul style="list-style-type: none"> <li>✓ a supplier's invoice, duly certified for payment by the project director – specifying the goods, their quantities, and prices</li> <li>✓ bills of lading or similar documents; and shipping or import documents and inspection certificates , if applicable</li> <li>✓ a certificate of delivery, as appropriate, to include condition of goods on delivery.</li> </ul> <p><b>(iii) For payment of consultants' services and other services</b>, in addition to (i) above, ensure the existence of:</p> <ul style="list-style-type: none"> <li>✓ the supplier's or consultant's claim, duly certified for payment by the project director and showing sufficient detail. If such services relate to the importation of goods (for example, freight and insurance payments), adequate reference should be given to enable the Fund to relate each of these items to specific goods whose cost has been or is to be financed by the financing closing date; and</li> <li>✓ a certificate of delivery, as appropriate, of satisfactory services.</li> </ul> <p><b>(iv) For progress and retention payments of civil works</b>, in addition to (i) above, ensure existence of:</p> <ul style="list-style-type: none"> <li>✓ a claim by the contractor, including a financial progress report, stating the work performed and the amount due;</li> <li>✓ a certificate – signed by the project consultants or owner's representative, if any, or by the borrower's chief engineering officer or resident supervising engineer assigned to the project, to the effect that the work performed is satisfactory and the payment claimed is due in accordance with the terms of the contract; and</li> <li>✓ a copy of the contract payment monitoring form (<b>Form C-11</b>) signed in original by the certifying officer.</li> </ul>	<p>Exists</p> <p>Not Applicable, no imports.</p> <p>NA</p> <p>Payments certified by the APD as per Delegation of Authority</p> <p>Not applicable, however execution of work is substantiated based on deliverables agreed.</p> <p>Not Applicable as no Civil Work has yet been done. Moreover the construction of roads for the project (the only civil work will be done through PWD, a government organization.</p> <p>Not Applicable as of now since no works costs have been incurred and are not likely to be incurred through contractors but through PWD as mentioned above.</p>

	SOE Element	Comments
	<p><b>(v) Credit lines/equity:</b></p> <ul style="list-style-type: none"> <li>✓ review Subsidiary Agreement with the Project Party (i.e. Micro Finance Institutions, banks, equity companies etc.)</li> <li>✓ review documentation evidencing proof of activities as described within the Subsidiary Agreement and/or any sub-agreement</li> <li>review bank statement(s) recording funds flow</li> </ul>	<p>NA</p> <p>NA</p> <p>NA</p>
4.	<b>Question to address in review are:</b>	
4.1	Is the documentation readily available?	Yes
4.2	Does it indicate that the expenditure was approved by an authorized official?	Yes
4.3	Is it in original form?	Yes
4.4	Does it relate to the project concerned?	Yes
4.5	Are the computations correct and are there any errors or alterations?	Yes. No errors appeared as far as our checking of payment of various types on test basis.
4.6	Are the type of costs charged appropriate for the category and have the disbursement percentages been used correctly?	Yes
4.7	Are there any duplicate invoices?	No, No such case appeared as far as our checking of payment of various type on test basis
5.	Verify eligibility of expenditures. The review determines whether the expenditures are properly supported and are eligible for IFAD disbursement in accordance with legal agreements.	Verified. No ineligible expenditure was found to have been claimed as far as appears from our checking on test basis.
6.	Determine whether any payments were made in advance of receipt of good or delivery of services, and if so, is this consistent with contract provisions?	No such advances paid for goods and services.
7.	Payments exceeding defined SOE limits should be fully supported with related documentation.	Yes, fully documented.
8.	<p>Check for payments for items that are not procured in accordance with the legal agreements or signed contracts, such as:</p> <ul style="list-style-type: none"> <li>✓ Payments for items not specified in the Financing Agreement and the AWPB, including the procurement plan approved by IFAD;</li> <li>✓ Payments made prior to credit signing or before the eligible date specified for retroactive financing;</li> <li>✓ Commitments made before completion date (excluding winding up expenditures) and payments made for the expenditures incurred after closing date;</li> </ul>	<p>No such expenditure came to our notice</p> <p>NA</p> <p>NA</p>



## **Attachment “A” to Working Paper on Fiduciary aspects**

### **Guidance for TOR of the Internal Auditors**

The TOR of the auditors should be drafted in keeping with the following principles:-

1. Risk Assessment  
Every organization is vulnerable to risks. The key to an organization’s success is to manage those risks effectively - more effectively than competitors and as effectively as stakeholders demand. To evaluate how well risks are being managed the internal auditor will assess the quality of risk management processes, systems of internal control and corporate governance processes, across all parts of an organization
2. Assisting management in the improvement of internal controls  
An internal auditor’s knowledge of the management of risk also enables him or her to act as a consultant providing advice and acting as a catalyst for improvement in an organization’s practices.
3. Analyzing operations and confirm information  
Achieving objectives and managing valuable organizational resources requires systems, processes and people. Internal auditors work closely with line managers to review operations then report their findings. The internal auditor must be well versed in the strategic objectives of their organization and the sector in which it operates in, so that they have a clear understanding of how the operations of any given part of the organization fit into the bigger picture.
4. Financial Propriety, authenticity and authority of transactions  
The Internal Auditor will verify If the transactions are:-
  - (a) undertaken on the basis of proper authority
  - (a) duly supported by proper supporting documents.
  - (c) recorded on principles of commercial accounting
  - (d) Justified in terms of financial propriety
  - (e) in adherence to IFAD guidelines wherever applicable.
5. Compliance with relevant statutes  
The Internal Auditor will ensure that the project has adhered to all legal stipulations like Income Tax Act, Government Regulations and report wherever non-compliance noticed.
6. Ensure ownership, custody and workability of assets of the project
7. Ensure recoverability or otherwise of receivables like Advances based on age wise analysis and other procedures
8. Ensure that no fraud or misappropriation or any other corrupt practice remains unreported
9. Review Financial Statements by resorting to analytical procedures
10. Review Bank Reconciliation Statements to identify suspicious items.
11. Review Data Security and Data protection procedures.
12. Review the reports of NGO s for consistency and rationale of expenses claimed based on contractual stipulations.
13. Review Procurement procedures and report for non-adherence to IFAD procurement guidelines
14. Review activities at the VDC s vis-à-vis funds transferred to them.

15. Review the books and records at VDC for soundness and genuineness of financial transactions.
16. Report for unmoved funds in VDC s
17. Review the MIS and report on apparent inconsistencies with financial numbers
18. Checking of cost data with physical achievement data to monitor project progress.
19. Review Contract documents and adherence to the terms of contract
20. Review the Contract Payment Monitoring form
21. Check Investment procedure in the PMU and report for prudence or otherwise in invest decisions
22. Suggesting revision in forms and formats from time to time

### Financial Management Assessment at Supervision – Guidance Questionnaire<sup>3/4</sup>

<b>Country: India</b>	<b>Loan : 2000000648</b>
<b>Project Name: LAMP</b>	
<b>Executing Agency ; MBMA</b>	<b>CPM: Mrs Rasha Omar</b>
<b>Reviewing Finance Officer/FMS: Kajal Chakraborty</b>	<b>Date of this review: 15.9.16 to 27.9.16</b>

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
<b>A. Inherent Risks</b>			
<b>B. Control Risks</b>			
<b>1. Organization and Staffing</b>			
a.	Adequacy of organizational structure to meet functional needs of the project.	L	Organization Structure of the Finance Function exists
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	Yes ,the role and the job description of the finance staff are mentioned in their contract letters.
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	M	Administrative Associate posts are vacant in West Garo Hills and South West Khasi Hills and these are needed to be filled up
d.	Availability and adequacy of operating manuals and guidelines for staff.	L	Project Implementation Manual exists . A separate Financial Manual has been prepared and is awaiting approval from the BoD of MBMA.
e.	Existence of a performance based evaluation system in place and timely completion of performance evaluation for all staff.	L	All the project staff are engaged on contractual basis except for a few Officers on Special Duty , being government employees working on deputation. The APD and the PD are from the IAS cadre of the Government of India. Performance Evaluation of government employees are done in accordance with government rules. Performance evaluation for contractual staff are made on an annual basis and based on such evaluation the contracts are renewed along with financial appraisals and rewards.

<sup>3</sup> This questionnaire should be used as guidance for and in support of the Summary Project Fiduciary Risk Assessment at Supervision. It is to be completed during the Mission.

<sup>4</sup> Include relevant findings of project supervision and progress reports, field visits, and audit report findings

f.	Adequacy of health insurance coverage for all staff (where applicable).	M	Not done from project so far but this is under consideration.
g.	Timely payment of social security fees (where applicable).	M	GOI / GOM staffs get provident fund benefits.  Project staff are not entitled to such benefits so far. However this is under consideration.
h.	Staff adequately informed about IFAD's national and anti-corruption policy and relevant contact details.	M	Senior staff are aware of this and such knowledge but the junior staff including the staff at the districts have little knowledge on this.  The senior staff need to be disseminate this down the line coupled with training on IFAD Financial Management / Procurement and IFAD national and anticorruption policy.
<b>2. Budgeting</b>			
a.	Timely preparation and approval of AWPB.	M	There was slight delay in sending the AWPB of AWPB of 2016-17 to IFAD. ( Sent to IFAD on 1.3.2016 ) . This will be needed to be avoided in future.
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	L	Yes
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	Yes
d.	Linkage between AWPB and Procurement plan are identified (for cost estimate and activities). Check assumptions to support cost estimates. Test check high value items.	L	Done. Our review on test basis yielded no issue in this regard.

<b>3. Fund flows and Disbursements / Withdrawals</b>			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	L	Apart from IFAD , the Government of Meghalaya ( GoM ) is the other financier of the project.  The GoM allocates in its state budget the funds for the project on an annual basis based on the AWPB.  The GoM makes provision for the total budget and releases the funds in advance. No distinction can be made from the IFAD funds and the GoM funds. Till 31st August 2016, the total amount received from GoM is much higher than what is due as its share of counterpart contribution (that is it's actual share of its expenses ,

			out of actual expenses incurred till date).
b.	Timeliness of counterpart funds disbursed.	M	<p>The financial year of the GoM and the project is on April to March basis.</p> <p>The GoM provides for the funds for the project by February / March of the previous financial year.</p> <p>However the actual fund release happens only during August/ September of the relevant financial year.</p> <p>In order to ensure that there is no dearth of working capital , the GoM would make an application of DEA , Govt Of India for an additional initial deposit of USD 3 million from IFAD which fund would also flow to the project from the GoM.</p>
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	L	<p>The funds flow can be clearly traced in the Bank Statement of the project.</p> <p>The factors of efficiency and timeliness have been dealt with, while responding to the queries in the preceding paragraphs.</p>
d.	Efficiency of the funding channels for credit lines. Timeliness and traceability of funds flows, if applicable.	NA	No such case.
e.	Special Account(s)/Dedicated Account(s) Management, Disbursements.		
	i) Adequacy of the authorized allocation to ensure a smooth flow of funds	NA	Not Applicable at the project level , since the Special Account is maintained by CAAA
	ii) Appropriateness of disbursement methods used	L	So far only the reimbursement method has been used. .
	iii) Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments. (refer to Appendix IV and complete, reflecting finding in rating).	L	Yes , documentary evidence was found to be adequate so far as checking of the expenses indicated in the SOE on test basis. No direct payment made so far
	iv) Timely preparation and accuracy of Withdrawal Applications	L	<p>WA s have been made covering expenses for the period ending June 2016.</p> <p>The next WA would be made for the quarter ending 30<sup>th</sup> September 2016.</p>
	v) Authorization of WA preparation.	L	Yes , appropriately authorized.
	vi) Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	L	<p>Not Applicable since the Special Account is maintained by CAAA.</p> <p>However only two WA s have been</p>

			made so far by the project and the entire claim has been allowed. Thus there is no scope of any old item at present.
	<b>vii)</b> Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	NA	Not Applicable at the project level , since the Special Account is maintained by CAAA.
	<b>viii)</b> Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time. Provide comments as appropriate	M	Disbursement rate so far ( that is up to 30 <sup>th</sup> June , 2016 is not satisfactory compared to the AWPB.  However there are still nine months for the financial year , claims for the expenses for which period would be made by the project.  Considering the fact that the project is now in a take off stage , there is high possibility that disbursement rate vis-à-vis AWPB for 2016-17 may improve significantly.
	<b>ix)</b> Recovery of SA balances by loan closure	NA	Not Applicable at this stage

#### 4. Internal Controls

a.	Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization of a transaction (ii) execution of a transaction (iii) recording of the transaction; and (iv) custody of assets involved in the transaction.	L	Yes
b.	Clarity and adequacy of decision processes and sequence of events for control functions in project implementation reflected in the Financial Manual (or equivalent there-of).	L	Payment process is adequately documented in the files
c.	Adherence to Financial Manual.	L	A Financial Manual (including a Delegation of Powers) has been prepared by the project.  The mission reviewed the Financial Manual and found this to be exhaustive, comprehensive and finely detailed.  The Financial Manual has been forwarded to the BoD of MBMA for its approval and this is expected to be cleared by November 2016.  Adherence to the Financial Manual

			<p>will go a long way in establishing the financial systems and internal control in the project.</p> <p>The Financial Manual should be reviewed on an annual basis and amended in the light of current financial situation and requirements of the project.</p>
d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	L	Apart from IFAD the only other source of funding is GoM which directly transfers funds to the bank account of MBMA. .
e.	Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.	L	<p>Contract Payment Monitoring Form not warranted till this stage as there has been no works contract entered into , between the project and any contractor.</p> <p>Contract Payment Monitoring Form should also be maintained once works contracts are entered into.</p> <p>However the Register of Contracts should be maintained irrespective of the nature of contract ( which is not being done now ) .</p>
f.	Effectiveness and efficiency of internal controls over expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.)	L	Yes, controls on payments for goods and services exist as evidenced from our checking of expenses on test basis.
g.	Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	L	Yes , documentary evidence available for goods and services delivery. No expenditure on works so far.
h.	Physical controls over cash, documents and records. Adequacy of filing systems. Is the petty cash subject to monthly reconciliation as well as surprise checks; custody of cash box and control of keys.	L	Cash transaction is minimum in the project. However controls exist for custody and control of cash.
i.	Adequacy of physical management of cash.	L	This is assessed to be adequate
j.	Timely payment to suppliers and consultants.	L	No issue arose in this respect. Payments have been made on time. Minimum liabilities are outstanding.
k.	Eligibility of expenditures with respect to Financing Agreements.	L	No issue rose in this respect as far as our review of expenses made on test basis.
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	L	Only travelling advances are given and there was no old outstanding as on the date of our review.
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	M	<p>The auditors for 2015-16 were not appointed within the time stipulated (Para 26 of the Letter to the Borrower) , the AWPB for 2015-16 ,</p> <p>The un-audited financial statements</p>

			<p>for 2015-16 and t (Sections 7.01, of the General Conditions ) were not submitted to IFAD till 31<sup>st</sup> August, 2016.</p> <p>The insurance of the key project personnel have not been done ( Section 7.11 of the General Conditions)..</p> <p>The project will need to ensure the compliance of all loan covenants in future.</p>
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	L	This appears to be adequate.
o.	<p>Adequacy of controls concerning project assets including:</p> <p>i) Vehicle and other assets management (are assets property tagged, is a physical inventory count done on a regular basis?)</p> <p>ii) Fuel management (do drivers maintain a log book?)</p> <p>iii) Travel authorisations (incl. DSA paid to staff)</p>	L	<p>Fixed Assets (<b>FA</b>) have been given unique identification number and recorded in the FAR. Hereinafter these FA should be physically verified once a year.</p> <p>Yes Vehicle log books are maintained..</p> <p>Authorization process exists and is found to be adequate.</p>
p.	Adequacy of vehicles and assets insurance.	L	Motor Vehicles are insured.
q.	<p>Workshops:</p> <p>i) Availability of list of participants</p> <p>ii) DSA paid to participants</p> <p>iii) Receipts for workshop expenditure</p>	L	Relevant documentary evidences exist to the extent available
r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts – non-special account.	L	Adequate controls exist in this respect.
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	L	Bank Reconciliations have been made on a regular monthly basis. .
t.	Existence of a proper IT support unit in place.	L	Not yet applicable as the accounts of the project are still maintained manually. .
<b>5. Accounting</b>			
a.	Basis of accounting (cash, accrual) and whether accounting standards are in line with IFAD's requirements (e.g. IFRS/IPSAS/IPSAS cash).	L	Accrual basis of accounting is followed.
b.	Adequacy and reliability of accounting system, (is double entry accounting used, specify software used, is budget data entered into the accounting system, can the accounting system produce regular automated financial reports?).	M	<p>So far only manual accounts are maintained in Excel Sheets. The project is in the process of installing Tally Accounting software which is a double entry accounting software.</p> <p>The project expects to generate FS from Tally from the following year.</p>



b.	Recordkeeping (including documentation and filing/archiving)	L	Record keeping was found to be generally satisfactory.
c.	Fixed assets register maintained and reconciled (sample and physical check).	L	Yes , maintained both in the SPMU and DPMU offices.
d.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	M	The MIS is currently maintained in MS Excel as are the financial accounting.  Back ups are taken in Flash Drives/ Other computers.
e.	Adequacy of chart of accounts for project accounting purposes	M	The Chart of Accounts is in the process of finalization and is subject to the concurrence of IFAD.
f.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	L	These aspects are well controlled.
g.	Appropriate/ adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	L	Records in respect of Government Counterpart Contribution are maintained properly.  Contribution against convergence and Beneficiaries' contribution would not be routed through the finance function as these would have no connection with the project finance and accounts function.  The project is in the preparation of MIS that will capture these information.

<b>6. Financial Reporting &amp; Monitoring</b>			
a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	M	<p>MBMA is a company incorporated under Section 8 of the Companies Act 2013 of which the LAMP project is an integrated part. Consequently the PFS of MBMA are prepared in the manner as per statutory requirements.</p> <p>As apparent from the PFS for the year ended 31.3.2015, the financial information normally required for any IFAD project namely sources of funds, category wise and component wise break up of expenditure, (for the year and accumulated till the year end date), budgeted costs, variation and analysis of reasons thereof, list of withdrawal application with category wise break up etc. are not forthcoming.</p> <p>The mission recommends that from the year ended 31.3.2016, the PFS of MBMA should be supplemented with a PFS prepared separately for the LAMP project prepared in an appropriate format to capture the above information.</p> <p>The mission shared the formats for the proposed PFS of the LAMP project with the OSD and gave the necessary guidance.</p> <p>The PFS for the year ended 31.3.2016 are under preparation.</p>
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	M	<p>The project was supposed to send the un-audited financial statements of 2015-16 to IFAD within 31<sup>st</sup> July 2016 . But this has not been done.</p> <p>The projects needs to adhere to this requirement from the next year on a mandatory basis.</p>
c.	Preparation of reports showing actual vs budget income/expenditure and AWPB execution rate.	M	As indicated in the response to para 6(a) above , this information is not forthcoming and needs to be incorporated in the PFS of 2015-16
d.	Follow up of previous aide-memoirs fiduciary recommendations. `	L	Mostly all recommendations have been implemented and the balance recommendations are being worked on.

e.	Reasonable alignment between disbursement rate of recurrent versus investment cost categories.	L	Not really assessable at this stage as the total disbursement is only 3.3% .
7.Internal Audit			
a.	Existence of Internal Audit arrangements.	M	Currently the project does not have an Internal Audit Department neither has any external Chartered Accountants ( <b>CA</b> ) firm been appointed so far to carry out internal audit.  In view of the project taking off shortly , the operational and the financial activities are likely to increase manifold, warranting an independent review of the internal controls , financial transactions/ balances , legal and other procedural compliance and the operational activities of the project , through an internal audit.  The introduction of Internal Audit function in the project is imperative. ( <i>Guidance for TOR for Internal Auditors elucidated in “Attachment A” to Working Papers”</i>
b.	Adequacy of internal audit arrangements (organization - staff capacity).		
c.	Adequacy of internal audit scope of work and quality of reports.		
d.	Assessment of matters raised in audit reports.		
8. External Audit <sup>5</sup>			
a.	Adequacy of scope and ToR.	M	Audit for 2014-15 was done by a CA firm. The report was unqualified but no management letter was issued.  From 2015-16 audit ,the TOR of the auditors should require a separate opinion on the PFS prepared for LAMP project as a supplement to the MBMA PFS , on the SOE s submitted and also a Management Letter.  The project would need to get the TOR of the auditors approved from IFAD.
b.	Adherence to ToR.	M	Please refer to the response in 8(a) above.
b.	Timeliness of audit report.	M	The audited accounts for 2014-15 were not sent to IFAD within the time stipulated
c.	Quality of audit.	L	Satisfactory based on the quantum of transactions .
d.	Implementation of audit recommendations/agreed action plan in place to address these.	L	No observation was highlighted in the audit report for the audit of the

5 Refer to IFAD audit review.

		PFS of 2014-15.
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## Summary of Project Fiduciary Risk Assessment at Supervision<sup>6</sup>

	Risk Assessment H/M/L	Proposed Mitigation
<b>Inherent Risk</b>		N/A
<b>Control Risks</b>		
1. Organization and Staffing	L	The agreed actions as indicated in the Aide Memoire and the Working Papers
2. Budgeting	L	
3. Funds flow & Disbursement Arrangements	M	
4. Internal Controls	L	
5. Accounting	M	
6. Financial Reporting and Monitoring	M	
7. Internal Audit	M	
8. External Audit	M	
<b>Overall Project Fiduciary Risk</b>	<b>M</b>	

H=High, M=Medium, L= Low

<sup>6</sup> This is a summary of the findings documented in the 'Project Supervision Financial Management Assessment – Guidance Questionnaire – see Appendix I. It is to be completed by the Finance Officer.

## Appendix 10: Summary Audit Log

Financial Year	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	Numbers	Value (BDT)	Numbers	Value (BDT)	Numbers	Value (BDT)
2013-14	0	Nil	0	Nil	0	Nil
2014-15	0	Nil	0	Nil	0	Nil
Total :	0	Nil	0	Nil	0	Nil

