

The Republic of Maldives

Fisheries and Agriculture Diversification Programme (FADIP)

Supervision report

Main report and appendices

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Abbreviations and acronyms

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

A. Introduction¹

1. The Fisheries and Agriculture Diversification Programme (FADiP) was approved by IFAD's Executive Board in April 2008, and entered into force on 15 September 2009. The total programme cost is USD 6.87 million, including USD 3.51 million from IFAD, USD 2.04 million from co-financers, and USD 1.32 million from the Government. The programme objective is to develop smallholder agriculture and Maldives fish processing value chains, to be achieved through three components: value chain development; financial services; and programme management. The Ministry of Fisheries and Agriculture (MOFA) is the lead programme agency (LPA). Following approval of an extension, the completion and loan closing dates are 30 September 2017 and 31 March 2018 respectively.

2. An IFAD supervision mission visited the Maldives during the period 10 – 20 March 2017, with the main objectives to: (i) assess performance and implementation progress since the last implementation support mission; (ii) review progress against the 2016 and 2017 APWBs and PPs; (iii) identify actual and potential/ emerging operational challenges; (iv) propose solutions and corrective measures; and (v) provide guidance to the PIU to prepare for the project completion review exercise and process.

3. Following an initial debrief and consultations with the LPA and key partners such as the Bank of Maldives (BML) and Maldives Monetary Authority (MMA), the mission spent five days in the field, visiting a representative sample of activities supported by FADIP, in particular 5 of 8 VCCOs with supported business plans. The mission held consultations in the field with farmer/ producers, management of cooperatives, private-sector actors and public officials. The final wrap-up meeting was held in Male on 19 March with the PIU, chaired by the Minister, MOFA.

4. The mission would like to express its gratitude to the Government of Maldives and the Minister of Fisheries and Agriculture especially, the PIU, partners, and programme beneficiaries for their cooperation and support during the mission. This Aide-Memoire reflects the main mission findings and recommendations, duly endorsed in the wrap-up meeting.

B. Overall assessment of programme implementation

5. The overall assessment of programme implementation *is rated as moderately satisfactory (4)*. The disbursement rate is 94% as of today, six months before the completion date; in terms of available funding, approximately USD 500,000 is available to be committed and disbursed. A significant turnaround in progress has been made since the last supervision, with the adopted change in the approach related to the provision of support to VCCOs and in the operationalisation of the line of credit.

6. The key result of FADIP, has been the evolution and development of an approach/ model to support cooperative (VCCO) development; the business-oriented approach has been rolled out for the first time in the Maldives, and is highly innovative; the approach has now been accepted and established, and should be leveraged for future up-scaling. The approach provisions for a combination of (public sector) grant support and facilitation of access to credit, on the basis of sound planning to produce coherent and feasible cooperative business plans (BPs). These BPs serve in the medium-term, as a benchmark and guidance for cooperative growth and development; the BPs identify the break-even point; investment needs; organizational, production and marketing strategies; and are aimed to ensure that the cooperative is operationally self-sufficient within a reasonable period of time and which enhances sustainability for future investment needs to be met. The practicalities of adopting this approach, should now be disseminated to become a benchmark or 'standard' model for engagement with, or provision of support to cooperative development.

¹ Mission composition: Mr Hubert Boirard, Country Programme Manager and Mission Leader; Ms Ayu Tamara Lampe, Institutional Specialist; Mr Alok Kumar, Rural Finance and Business Development Specialist; and Ms Anta Sow, Financial Management Specialist.

7. Today, under the evolved BP model, with the exception of one VCCO (VFCS), all² are making progress towards attaining operational self-sufficiency. On the basis of the BPs, 100% of the financing budgeted as investment costs have been transferred to the VCCOs; most of the approved operating cost grants have also been transferred, and cooperatives are now fully responsible for procurement and management functions. The evidence of the growing maturity of the VCCOs, lies in their increased production and closer alignment with sales projections as stipulated in the BPs. Notably, in January 2016, cumulative sales across seven VCCOs stood at USD 25,000; in one year, as at end January 2017, the cumulative sales increased to more than USD 326,000. Cumulative sales figures of seven VCCOs is given below, representing VCCO sales before and after programme support on the basis of the revised business plans (VCCOs received funds after June 2016, indicating cumulative sales covering six months before, and after). As indicated by the sales, following BP support, there has been a substantial shift with overall 62% increase in VCCO sales.

Table 1. VCCO sales as at 31 January 2017

	AMCS	BMCS	FDCS	FMCS	GAGCS	LFDCS	NCS
Before BP support	98,603.7	288.0	15,500.9	6,712.0	3,348.1	-	-
After BP support	121,212.3	16,782.7	14,480.2	25,278.3	7,359.4	15,696.6	1,352.9

8. The mission has however observed that there are still opportunities to improve cooperative performance and fine-tune their operational guidelines and procedures. In what remains of the programme lifetime, there are four priority areas to be pursued and which will have bearing on the break-even point and sustainability of the cooperative: (i) cooperative capacity for sound financial management and reporting; (ii) cooperative marketing strategy – i.e. the marketing arrangements, especially negotiations on pricing and grading (purchase price and sales price), balanced to better benefit the cooperative farmer members in terms of their incomes on the one hand, whilst also contributing to the efficiency and effectiveness of the cooperative's operations; (iii) governance and management; and (iv) issues around technical production and post-harvest handling. A 3-person technical assistance team comprising a marketing specialist/ manager, financial management specialist, and production and post-harvest specialist should be recruited for the remainder of the implementation period to provide support to the VCCOs.

9. Subsequently, the mission recommends that in order to consolidate the encouraging progress made to date, and in order to fully present a cooperative development model that can be systematically scaled-up by Government and other development partners, IFAD and the programme should explore the possibility of extending the programme by six months. This extension would allow for final results to be established and for lessons to be captured, packaged and widely disseminated.

10. It is now also timely to review the assumptions of the cooperative BPs, and to adjust the BPs with the modified realities if relevant. Despite the approaching project completion date, efforts should now be in place to ensure a more consistent and reliable mentoring of the VCCOs on the four priority areas stated above, to support their long-term sustainability and continued growth.

11. Under the financial services component, the key achievement has been the operationalisation of the line of credit to the target group; this has been a key feature in complementing VCCO development and providing VCCO members with opportunities to invest in agricultural and fisheries farming business. As of today, the full allocation of the line of credit in the amount of USD 450,000 has been fully disbursed in loans to 47 individual beneficiaries and 1 cooperative. To-date, there have only been two defaults of more than 60 days on interest payment.

12. Financial management at the PIU level was found to be deficient and efforts have to be made to ensure the accuracy and reliability of the financial data produced. As well, major weaknesses were observed in the VCCOs' financial management systems, as corroborated by the latest audit reports.

² The performance of NCS is also relatively lower than the other cooperatives, and will require special attention; by March 2017, sales have however increased with 11 new clients sourced.

13. The likelihood of achieving the development objective *is rated as moderately satisfactory (4)*. The programme, in the support to, and mentoring of cooperatives, is building a business-oriented culture and mindset as a critical element in the development of agricultural and fish processing value chains. The programme is supporting the promotion and uptake of improved production practices on the one hand, and more especially, is providing support to enhance the conditions to improve the negotiation capacity and marketing of produce by farmers/ cooperatives vis-à-vis actors further down the value chain (particularly end buyers); the facilitated access to value chain financing, is also building a practice of more formal linkages to the financial sector. Overall, there is evidence to suggest that the cooperatives are serving as entities spearheading/ catalysing development of agriculture and/ or fisheries within their island communities. Regarding incomes to farmers, the projected average increase in incomes still stands at MVR 10,000 per month.

Agreed action	Responsibility	Agreed date
Request FADIP extension of 6 months for results consolidation and explore mobilisation of additional financing	IFAD and MOFA	31 Mar 2017
Draft TORs and recruit TA team (marketing manager/ FM specialist/ production specialist)	PIU	15 Apr 2017
'Packaging' of lessons learned and tools for cooperative development	PIU	31 Aug 2017

C. Outputs and outcomes

14. **Component 1: Value Chain Development.** This component *is rated as moderately satisfactory (4)*. Key achievements include the establishment of the VCCs/ VCCOs engaged in agricultural activities and fish processing, and the roll-out of their operations on the basis of rigorous business planning (resulting in business plans) aiming to achieve operational self-sufficiency.

15. Today, an analysis of VCCO development and performance has been reviewed against four criteria, and which have bearing on the sustainability of the cooperative: (i) institutional/ governance structure and services to members; (ii) level of operational self sufficiency as reflected in realistic and feasible BPs; (iii) soundness of financial management and accounting records/ reporting (are they/ aren't they making money); and (iv) VCCO markets and customers/ clients (and opportunities for growth). Ahead of project completion, the mission recommends that each cooperative should undergo a final assessment on the four criteria, and corresponding final recommendations should be provided³. As well, lessons need now to be captured and standardised up-scaling tools should be developed to promote the business-oriented approach/ model more widely – the PIU needs to 'package' and showcase (or promote) the cooperative model with knowledge management and communication products (for example, the PIU could hire services to produce a short video on programme achievements and the cooperative business model).

16. **1.1 Establishment of VCCs and VCCOs.** As of today, FADIP has provided support for the establishment of eight VCCOs, six of whom are engaged in agricultural (vegetable) value chains, with the remaining two engaged in the fisheries sector (fish processing primarily). The Articles of Associations have been formulated for these VCCOs, and all eight are formally registered as business cooperatives; six of the VCCOs have also registered brand names, in accordance with local rules and regulations. Through their membership, the programme has outreach to 1779 households⁴; whilst there is still an opportunity for cooperatives to actively pursue efforts to mobilise (increase) membership, the limited population of island communities is a restrictive factor.

17. Over the implementation period, the operations and management of VCCOs have been overhauled to its current status of developing into a more professionally-run and business-oriented cooperative. This shift in approach and principle does require buy-in, and must be well understood and communicated. To this end, VCCO members should be more regularly consulted and informed

³ In the interim, the mission undertook a rapid assessment of the VCCOs, and has provided a separate set of detailed recommendations for each VCCO.

⁴ The revised appraisal targets set outreach to 400 fisheries sector households and 800 agricultural households.

through additional 'special' quarterly General Assemblies (GA); the mission recommends that a quarterly GAs be scheduled to further explain the business model to members, and to discuss emerging issues and challenges, with a view to finding timely solutions and actions. As well, operational manuals or guidelines should be developed for the cooperatives, including financial and administrative procedures to be followed. The mission recommends that the PIU draft a generic operational guideline, and modify the guidelines in consultation with, and to be tailored to each VCCO.

18. Regarding the departure from the originally conceived VCCs (companies), the mission noted that the establishment of the two VCCOs engaged in fisheries and undertaking their own marketing, was considered to be more favourable to establishing a 'VCC' (company) – whereby the VCC model foresaw a public-private partnership type model, with cooperatives expected to enter into partnership with private sector companies in a joint venture (with cooperatives holding company shares) for the marketing of their produce. The main reasons behind the shift from the VCC model are as follows: firstly, the implementation reality revealed that large-scale private sector co-investor interest had been very limited (contrary to what was anticipated at design); and secondly, establishing a 'company' from inception would require considerably more support and time due to the complexities and issues to be overcome in ensuring longer-term sustainability. Subsequently, the VCC concept did not take hold, and the VCCO model prevailed with the programme shifting to focus on supporting the VCCO to undertake marketing responsibilities.

19. 1.2 Value Chain Management Support. Through extensive programme-supported consultation, sensitization and training/ technical assistance, the VCCOs have gone through an evolution process in terms of their business perspective or mind-set, and which has been reflected in the business planning exercise. Today, all VCCOs have revised business plans (BPs), clearly identifying the following: sales targets; break-even points; growth/ development targets and milestones; investment needs; and production and marketing strategies.

20. The VCCO business plan (BP), is today, the underlying basis of the programme's provision of financial support to VCCOs. The mission undertook a rapid assessment of the cooperatives and on this basis, developed detailed recommendations for each VCCO shared with the PIU and VCCO management. On the basis of the recommendations, the VCCOs should now revise their business plans and submit these to the PIU and IFAD.

21. Overall, for the implementation of the business plans (BPs), FADIP supported the cooperatives in terms of fixed asset and operating cost grants. The cooperative business plans were reviewed and grants/ support was provided, based on, or conditional on the achievement of milestones; subsequently, agreements were signed between the VCCOs and the PIU for implementation (operationalisation) of the BPs. Under these agreements, cooperatives have been further empowered to procure their fixed assets needs and to manage their finances. The fixed asset investment has now been disbursed to VCCOs in full, in the amount of USD 245,565 for their capital investments; operating cost grants covering a few months was also provided subject to cooperatives meeting monthly key performance indicators. Based on the BP-based agreements with the VCCOs, whilst USD 149,131 in operating costs grants has been disbursed by the PIU to four VCCOs, a remaining amount of USD 31,644 is still pending for two VCCOs⁵. Based on an assessment of performance, the mission recommends that the second tranche operating grants are given to FDGS and GAGCS, though cancelled for VFCS. For well-performing VCCOs, the mission recommends that the PIU submit its recommendations/ proposal to provide additional support (investment/ operating costs) to these cooperatives for IFAD's no-objection; in parallel, a plan to address obsolete VCCO assets should also be proposed.

22. Today, all VCCOs are operational and have moved into a scaled up production phase; marketing has also improved and most, with the exception of VFCS, have commenced sales and sourced new markets (customers/ buyers). The mission has however observed that there are still some challenges faced, but also opportunities to improve cooperative performance. In some cases,

⁵ An amount of USD 7,335 in operating cost grants for VFCS has been cancelled.

the mission noted that VCCOs could benefit from more refined purchasing and sales strategies, on aspects such as grading, pricing by quality, and recommends that a market survey be undertaken by the VCCOs (for their products) if this has not yet been done. Furthermore, with scaled up production, establishing a marketing and sales linkage with the Male market is now becoming more relevant, especially as the demand for fresh produce is significant. Some technical issues of production and post-harvest handling have also emerged, which presents an opportunity to make efficiency gains.

23. The mission also noted that across the board, there are some lags in VCCO performance against BP targets – whilst seven VCCOs are well on track with only slight lags that are expected to be overcome within the coming few months, VFCS is experiencing more significant lags and performance issues. Those with some lags in performance require additional attention and support. For GAGCS and FDCS, issues of governance and management capacity have been the primary underlying factors hindering VCCO progress per their business plans⁶; these issues are now largely resolved. Staffing (capacity) is key to the success of cooperative business operations, and action to replace staff (in favour of more competent/ capacitated staff) should be taken where required.

24. In general, the mission noted in particular that the financial management and reporting (accounting records, cash flow, profit and loss, etc.) capacities of VCCOs are not yet up to expected standards, despite previous recommendations to provide VCCOs with specific and targeted financial management/ reporting training and support. These record-keeping and reporting weaknesses have the consequence of under-representing the real financial situation of the cooperative and with the risk of undermining the effectiveness of informed decision-making by cooperative management for long-term profitability and sustainability. The mission recommends that the programme should provide immediate support to the VCCO staff (manager, accountant; also Board members) with financial and accounting responsibilities in the form of professional training⁷; as well, the accounts and record-keeping of each VCCO should be reviewed and 'cleaned-up' where required and development of an accounting manual would also be required.

25. In summary, in what remains of the programme lifetime, there are four priority areas to be pursued and which will have bearing on the break-even point and sustainability of the cooperative: (i) cooperative capacity for sound financial management and reporting; (ii) cooperative marketing strategy – i.e. the marketing arrangements, especially negotiations on pricing (purchase price and sales price), balanced to better benefit the cooperative farmer members in terms of their incomes on the one hand, whilst also contributing to the efficiency and effectiveness of the cooperative's operations; (iii) governance and management; and (iv) issues around technical production and post-harvest handling.

26. In view of these priorities and VCCO needs, the PIU should engage a Technical Assistance team (consultants) comprising: (i) a marketing specialist/ manager; (ii) a financial management specialist; and (iii) a technical production and post-harvest specialist to provide a technical assistance, training and final support to VCCOs.

27. In addition, the mission recommends that the critical principles and elements of 'business planning' and the resulting business plan, should be packaged, in order to become best practice and support standardisation in supporting cooperative development in the Maldives. Lessons learned need to be identified, and basic training and 'how-to' materials should be developed.

28. 1.3 Associations and Farmers Training. The relatively recent development of the cooperatives, and the modesty of market penetration by VCCOs thus far, have not warranted a serious discussion on the necessity to establish 'Associations'. Furthermore, it is in the mission's estimation, that the development of Associations should be demand-driven, resulting from the needs of the VCCOs and their farmer members. However, it would be timely to pilot in the meantime, a central (marketing) distribution centre serving all (or most) cooperatives, and which would further market and distribute

⁶ Business development specialists (consultants) were hired for a 3-month basis to provide close mentoring, instigate change (including changes to the Board of Directors through AGMs, VCCO staffing, restructuring, etc.) and accelerate progress at the VCCO management level.

⁷ PIU staff should also receive basic training on financial management to actively monitor and provide guidance.

cooperative products, thereby also addressing transportation challenges. This centre would be handled by the Technical Assistance team, who would also be responsible for setting up new marketing and distribution channels, mainly to serve the Male market and other buyers at national level. In time and based on the results, this centre could serve as an Association or Apex of the cooperatives, though will require development of the ownership and governance structure, etc.

29. With regards to farmer training, training needs (both technical and managerial) were identified in the VCCO BPs and support has been provided to address these needs; in the case of three VCCOs, consultants/ service providers have been hired to provide the 'technical' or extension training for 3 months. In the remaining period, the TA team would be responsible for further training of farmers.

30. **1.4 Applied Research.** The Programme is required to support the promotion of new agricultural products to be identified by the VCCOs, including varietal trials, biological agriculture and processing techniques. In collaboration with MOFA, the islands and type of varietal crops to be tested have been identified; local procurement processes for the trials have been initiated and trials are now ongoing at BMCS. The results of these trials need to be captured and disseminated, with the MOFA extension services reporting on progress. The programme should also explore the means to strengthen the linkages between the VCCOs (and their members) and MOFA's extension services, particularly through the 'e-extension services'.

31. **1.5 Shares of Farmers/ Fish Processors.** Prior to the Programme Completion Date, it was expected that VCC/VCCO shares held by the Borrower would be formally transferred to Farmers or Fish Processors based on a criteria set by the NSC. As per the current programme model and approach, MOFA has now transferred capital assets to all the VCCOs; a formal documentation attesting to VCCO ownership should be made available. It is expected that these assets could be utilised by VCCOs as collateral for sourcing credit from Banks.

Agreed action	Responsibility	Agreed date
Prepare KM/ communication products, with outsourcing of service providers as needed	PIU/ M&E Officer	31 Aug 2017
Hold VCCO quarterly GAs for consultation and information dissemination with members	PIU	Quarterly
Develop VCCO operational guidelines and procedures	PIU/ Implementing Officer (with VCCOs)	30 Apr 2017
Revise all VCCO business plans	PIU/ VCCOs	30 Apr 2017
Undertake final VCCO performance assessment against 4 criteria – with September break-even target	PIU/ Implementing Officer	30 Jun 2017
Submit pending second tranche VCCO operating cost transfers for IFAD no-objection	PIU	31 Mar 2017
On the basis of revised BPs, submit proposal for additional support (investment/ operating costs) to performing VCCOs for IFAD no-objection	PIU	15 Apr 2017
Assess existing VCCO assets, and propose a plan to address obsolete assets	PIU/ Implementing Officer (with VCCOs)	15 Apr 2017
Prepare the TORs to engage the TA team, based on training needs assessment	PIU/ Project Director	30 Mar 2017
Develop a proposal for set-up of the Central Distribution Centre (marketing strategy, business plan and budget)	PIU	31 Mar 2017
Thematic mapping of programme interventions	PIU	30 Apr 2017

32. **Component 2: Financial Services.** This component *is rated as satisfactory (5)*. The component has been designed to support the provision of financial services through working capital and investment loans to farmers or cooperatives, equipment leasing to cooperatives and structured finance such as collateralized mortgage obligation. The provision is also made for BML to receive technical assistance for the development of products for structured finance or supply chain finance for small-scale farmers or VCCOs, food and fish processors. The key achievement has been the operationalisation of the line of credit at affordable rates to the target group, and in complement to the

support for VCCO development. As of today, the full allocation of the line of credit in the amount of USD 450,000 has been fully disbursed in loans to 47 individual beneficiaries and one cooperative.

33. The mission notes that the microfinance industry does not exist in the Maldives and the commercial banks have no such experience in lending to the FADiP target clients such as credit appraisal techniques to overcome the information asymmetry as well as use of substitute collateral. The BML is not willing to downgrade its product and services. The Government of Maldives (GoM) and the BML proposed fund management arrangement in which the GoM would bear the risk of default to overcome the impasse. IFAD provided the no-objection on the condition that the credit appraisal is done independently by the BML and the bank employs similar delinquency management procedures.

34. A line of credit has been set up at the Bank of Maldives (BML) under a Fund Management approach amounting USD 450,000; the related agreement was signed on 10 August 2016. The facility is being offered to the beneficiaries at 6% per annum on the declining balance, with BML paid 2% as administrative cost for undertaking credit appraisal and recovery procedures. The maximum loan size is MVR 400,000.00 and the client can borrow up to Rufiyaa 100,000 without any collateral under this facility for a maximum of 60 months with 6 months principal grace period.

35. As of today, all the fund has been disbursed to 47 individual borrowers and 1 cooperative for vegetable, fruit production and investment for greenhouse. Only 2 of the clients have defaulted so far, with delays in payment of interest of more than 60 days. The mission noted that the Maldives Monetary Authority (MMA) has a credit guarantee facility for small medium enterprises. Under this scheme, the banks can lend up to MVR 1 million of which 90% of the investment is guaranteed without collateral at an interest rate of 9%. The eligibility criteria for the business is to be registered as an SME and have experience in doing business with audited statements for last 3 years. The mission recommends exploring the possibility of cooperatives applying for loans under the credit guarantee scheme, to finance the investment needs of cooperatives and/ or on behalf of their members.

36. The mission observed also that the line of credit is not revolving in nature as well, the GoM needs to pay back the FADIP loan to IFAD in 59 equal installments by 2046. Based on the above, mission recommends for MOFA to advocate for the FADIP line of credit to be revolved for a minimum of 15-years.

37. Considering only 6 months remain until project completion, the mission also recommends that BML undertake a client feedback survey, and for the PIU to assess how access to credit has influenced both the client's and BML's behaviour patterns.

Agreed action	Responsibility	Agreed date
Discuss and amend the Fund Management Agreement to change the nature of lines of credit as a revolving fund for 15 years	PIU/ MOFA/ MOFT	30 Jun 2017
Propose the option for cooperatives to apply for the MMA credit guarantee scheme	PIU/ BML	Immediate
Conduct a client feedback (satisfaction) survey	BML	30 Jun 2017
Conduct assessment of (changes to) beneficiary and BML behaviour patterns	PIU	30 Jun 2017

D. Programme implementation progress

38. **Project Management** performance is assessed as *moderately satisfactory* (4). With the support of MOFA, the Programme Implementation Unit (PIU) for IFAD-financed projects has been restructured per the previous recommendation, and today comprises a full-time Project Director, Project Accountant, M&E Officer, and Implementing Officers. The restructured PIU have made a commendable effort in driving changes to adhere to the revised and business-oriented cooperative development model. Whilst some administrative and financial management procedures have been fine-tuned, the mission noted there are still some significant areas for improvement.

39. **Coherence between AWPB and Implementation** *is rated as moderately satisfactory (4)*. As at end December 2016, approximately 80% of physical activity had been achieved, which is consistent with the financial progress. The 2017 AWPB in the amount of USD 0.68 million (IFAD-financing) has also been reviewed, though in light of the mission's recommendations, should be revised to take into consideration the current priorities, and re-submitted for no-objection. A Steering Committee meeting should also be held.

40. **Monitoring and Evaluation** performance *is assessed as moderately satisfactory (4)*. A turnaround of M&E procedures has been implemented to improve systematic updating of M&E data and the monitoring of field activities at VCCO level with follow up; the system is also aligned with the updated logical framework and facilitates improved RIMS reporting. The M&E officer has undergone additional training in December 2016 and new M&E data collection templates have also been developed to improve the effectiveness and relevance of cooperative reporting to the PIU. During the mission, the PIU also shared the draft FADIP 2016 Annual Report, which is on time, and will be finalised before the end of March 2017.

41. As relates to the cooperative reporting, M&E has become more regular; following the transfer of funds to VCCOs, the cooperatives have had to submit monthly progress reports, financial cash flows, cooperative meeting minutes, staff attendance and M&E reports.

42. The mission has however noted that due to capacity issues at the cooperative level, some of the data being reported to the PIU is not fully reliable, particularly with respect to cash flow (purchase, sales, and balance sheet) reporting; this has implication for assessment of profitability and financial sustainability analyses of the VCCOs. Subsequently, there is need to provide training to those responsible for financial management and M&E at VCCO-level. The mission also recommends that the PIU now review the assumptions made under the VCCO BPs, to assess whether they still hold, and which requires focusing M&E on the operations of the cooperative in general (costs, expenses, purchases, sales, etc.), and on collecting real data on farmer/ producer production costs and production levels – where required, the M&E templates should be amended to ensure these aspects are covered. Qualitative information such as issues and challenges faced by producers and the cooperatives, whilst being captured, should be part of regular monthly reporting. As well, the institutional/ governance capacity and functions of the VCCOs should also be captured and analysed, to be in line with the four areas for assessing VCCO performance. In sum, analysis of these four criteria areas, including the profitability of 'farm-level' activities and of cooperative operations, will feed into packaging the lessons learned and promoting the cooperative business development model. Overall, the communication between cooperative management and members should also be strengthened and the M&E data will facilitate this.

43. As the programme nears completion, a priority for M&E will be to undertake the final outcome survey and make preparations for undertaking the project completion review (PCR) and the report, which is the responsibility of the Borrower. The mission has provided the PIU with guidance on the PCR process. To ensure a more efficient capturing, analysis and reporting of results and performance, the mission recommends that the PIU draft the TORs for the outcome survey, to include key priority elements and information that should feed into the PCR report. The final outcome survey report should be ready by mid August 2017.

44. **Gender Focus** *is rated as moderately satisfactory (4)*. The requested Gender and Social Inclusion Plan by VCCOs has not yet been forthcoming, and VCCOs need to be reminded to develop this plan; subsequently, there are some limitations to the overall gender mainstreaming strategy, with the bulk of the efforts encouraging women's membership in the VCCOs, and their representation in the executive management (i.e. as Board members). Whilst gender-disaggregated data on training and VCCO membership is being undertaken, there is scope to improve this by reporting on female participation in production and marketing. Despite the lack of a formal gender plan however, some of the production activities promoted by the cooperatives are quite favourable to women's participation, and there is an effort to include women in training plans and programmes. Furthermore, in terms of activities related to financial services, the results are more encouraging; women represent 62% of the

beneficiaries of loans facilitated through the FADIP line of credit. The mission recommends that analysis be undertaken of the impact of the loans on women's activities and socio-economic standing. In terms of VCCO management and staffing, the mission observes that there is an attention to the recruitment of female staff (mainly for positions of accountant, administration), and women comprise on average, 30% of the Board members.

45. **Poverty Focus** *is rated as moderately satisfactory (4)*. As previously observed, the selected islands and cooperatives (who in practice have close ties and generally represent the island community and their needs/ priorities) have relatively high incidences of poverty. Any deliberate selection of beneficiaries using poverty related criteria has not been the practice, and neither was it required, as almost all the community members are of similar socio-economic standing. The social cohesion and social capital element is central to the island community development model, and to this end, community members, whether strictly farmer/ producers or not, are encouraged to become shareholders and participate in the cooperative activities. Through the cooperative business orientation, cooperative profitability has been emphasized, in order to yield dividends to shareholders and additional income. To ease some of the financial and cash flow constraints of community households in the lower income brackets, services in the form of provision of inputs on credit (through buy back arrangements) are being provided by some of the cooperatives. In general, cooperatives are also contributing to island development initiatives.

46. **Effectiveness of Targeting Approach** *is rated as moderately unsatisfactory (3)*. The targeting approach is essentially an island geographic approach; membership by the cooperatives is open to the island population and there is no specific or systematic criteria-based selection of VCCO members. For future support and interventions, the mission recommends that there is need for a broader assessment to better understand the specific Maldives context related to poverty and targeting of the 'poorer' segments of the population. It would be incumbent on the PIU to consolidate existing data and analysis from public sector agencies and development partners on issues around poverty, food and nutrition security. Once islands or communities have been selected, a needs assessment would also generate a menu of options that could be more targeted to those households with 'lower' socio-economic standing.

47. **Innovation and Learning** *is rated as satisfactory (5)*. The programme has been very innovative in the Maldives context, spearheading the cooperative *business* development model (on the basis of sound and viable business plans) and promoting affordable micro-finance products/ services to cooperatives and small producers engaged in the agricultural and fisheries sector. These areas of programme intervention are new to MOFA, and capturing lessons learned and fine-tuning of the approach would allow for further up-scaling by the Government and/ or other development partners. The PIU should lead the efforts to package the model for dissemination and further promotion.

48. **Climate and Environment Focus** *is rated as moderately satisfactory (4)*. The VCCO activities are climate change neutral across the board, with some VCCOs promoting technologies that are more climate change resilient. Environmental impact is also taken into consideration, and activities pursued by VCCOs do not have any adverse impact. In future, 'procedures' which include systematic climate change or environmental assessments could be developed and implemented.

49. **Partnerships** *are rated as satisfactory (5)*. The key partnerships under FADIP are with the VCCOs themselves (and with high-end island Resorts), and with the Bank of Maldives (BML) as fund manager of the line of credit. The relationship between the PIU and the VCCOs has progressively grown in strength, and the cooperative development model has been refined and has evolved through the extensive sensitization and consultation processes and provision of training/ technical assistance. Communication has improved, with information flowing between the PIU and VCCOs with more regularity. The partnership with BML has also been strengthened in the last year, with a revised Agreement, and the line of credit has been fully disbursed in loans; the BML is also providing feedback (assessment) on the clients recommended for loans. Areas for further improvement however lie in more analytical reporting of loan beneficiaries by BML.

Agreed action	Responsibility	Agreed date
Revise the 2017 AWPB for IFAD no-objection and hold Steering Committee meeting	PIU/ Project Director	6 Apr 2017
Review VCCO BP assumptions	PIU/ Implementing Officer	30 Apr 2017
Amend M&E templates to capture 4 key areas of VCCO performance	PIU/ M&E Officer	15 Apr 2017
Draft TORs for the final outcome survey and prepare the PCR schedule	PIU/ M&E Officer/ Project Director	30 Apr 2017
Conduct a national (promotional) event on VCCO development model	MOFA/ PIU	31 Aug 2017
Prepare a proposal for establishing a revolving fund for the FADIP line of credit	PIU/ MOFA	30 Apr 2017

E. Fiduciary aspects

50. **Financial management** is rated as *moderately unsatisfactory* (3). Both FADIP and MEDEP financial and administrative management is handled by the Project Accountant and the Administrative and HR Officer, both assisted by the Administrative and Accounts Assistant⁸. With regard to the financial management of FADIP, the previous IFAD supervision mission (in February 2016) had issued a number of recommendations aimed at mitigating the risks associated with the use of Excel as an accounting system. Regrettably, most of these recommendations were not implemented by the PIU (e.g. separate ledgers by funding source and type of transaction, indication of the component on the payment vouchers, production of monthly expenditure reports by funding source, category, component and activity, monthly budget vs. actual review, reconciliation of MOFT and PIU accounting records, and verification of all monthly reconciliations by the Project Manager and MOFA Financial Controller). In many cases during our review, the AWPB reference on the payment vouchers were found to be different from the ones on the withdrawal application, which in turn did not match the Excel ledger or the AWPB itself. As a result, the verification of funds availability prior to engaging any expenditure is compromised. Additionally, during the mission, many errors were found in the Excel ledgers and financial reports produced by the PIU, leading to corrections and new versions of the ledgers/reports being produced on the spot. This casts a serious doubt as to the accuracy/completeness of financial data (particularly expenditure reports, allocation by category/component, and budget vs. actual statements), and, consequently, the degree of reliability that can be placed on these data. Finally, no financial analyses (such as budget monitoring, treasury management, monitoring and analysis of disbursement rates, etc.) are carried out, and financial reporting is minimal.

51. In light of the above, the mission strongly recommends that the QuickBooks (QB) accounting software installed by the PIU for MEDEP be used for FADIP as well. It will therefore be necessary to:

- Conduct a full verification of all FADIP transactions since project start, ensuring the correct funding source, expense category, component, and AWPB activity; make corrections as needed
- Fine-tune the customization of QB to allow for each transaction to be identified by funding source, expense category, component, and AWPB activity
- Input the annual budgets and actual expenditure since project start into the QB system
- Perform a monthly verification of accounts (described in detail in the appendix to this report), including a thorough verification of VCCOs' monthly financial reports
- Produce monthly expenditure reports by funding source, category and component, as well as monthly budget vs. actual statements
- Reconcile MOFT and PIU accounting data
- Submit (at least) quarterly withdrawal applications to IFAD
- Prepare a monthly financial report including analyses of disbursement rates by expense category, AWPB execution, treasury situation/forecast, cooperatives' financial situation, credit fund situation, procurement plan execution and administrative matters – to be used as a dashboard for both PIU management and MOFA
- Train the Admin & Accounts Assistant in the preparation of payment vouchers and the use of QB
- Visit each VCCO, verify accounts in detail, make corrections as needed and produce accurate financial reports (sales, expenditure, budget vs. actual, balance sheet, profit and loss)

⁸ Formerly Program Assistant and Office Assistant, respectively (these two positions were upgraded and the two incumbents were promoted accordingly)

- Increase the level of involvement of the Project Director in the review and control of financial information.

52. The Program Management and Accounts Implementation manual drafted by the PIU is not currently implemented. The procedures and workflows should be more detailed, and the manual revised to take into account the above recommendations, as well as to accurately reflect the procedures in place at the PIU.

53. Administrative management. The joint FADIP/MEDEP PIU⁹ currently has its full complement of seven staff, all paid from GoM funds. In addition, two Business Development Officers on short-term contracts are paid from IFAD loan funds. The mission noted that the ending dates of staff contracts are not aligned to the project completion date. Performance evaluations for 2016 have been completed for all staff. Assets purchased for the VCCOs have been formally handed over to them and the PIU now maintains a single assets register, which contains many old, obsolete or unused assets from the closed post-tsunami project. It was also observed that physical inventories are not properly carried out. The PIU has joined the Marine Research Center (MRC) local area network and PIU files are now backed up on the MRC server. However, files are not saved on any external device.

54. Based on the review of the programme administration, the mission makes the following recommendations:

- HR: completion/standardization of personnel files content and alignment of staff contracts to project completion
- Assets: disposal of obsolete/unused assets, update of assets register, and conduct of physical inventory (by staff other than the Admin & HR Officer and using blank inventory sheets) followed by reconciliation with the assets register by the Project Accountant
- IT: implementation of a backup routine on external device (with offsite storage by the Project Director) and electronic archiving of all files in view of project completion.

55. AWPB. The table below shows AWPB financial execution since project start (amounts in USD):

	Value chain development	Financial services	Project Management	TOTAL
2011 Budget	793 208	27 172	148 475	968 855
2011 Actual	101 014	0	90 802	191 816
% Execution	13%	0%	61%	20%
2012 Budget	1 234 386	450 000	279 635	1 964 021
2012 Actual	197 234	0	89 673	286 907
% Execution	16%	0%	32%	15%
2013 Budget	1 580 048	450 000	296 177	2 326 225
2013 Actual	210 664	0	108 076	318 740
% Execution	13%	0%	36%	14%
2014 Budget	1 634 522	0	422 427	2 056 949
2014 Actual	771 369	281 000	128 298	1 180 667
% Execution	47%	-	30%	57%
2015 Budget	1 309 500	281 000	487 000	2 077 500
2015 Actual	581 909	0	186 927	768 835
% Execution	44%	0%	38%	37%
2016 Budget	845 449	170 000	100 000	1 115 449
2016 Actual	694 350	169 105	74 395	937 850
% Execution	82%	99%	74%	84%

56. After several years of poor performance characterized by unrealistic budgets, the financial execution of the AWPB has improved greatly in 2016. Physical targets were met for the most part, except for technical assistance transferred to the VCCO budgets under their revised business plans. Actual expenditure in component 3 was lower than expected due to the resignation of one PIU staff, termination of contracts for 2 coordinators out-posted in the VCCOs, and savings on the audit fee.

⁹ Project Director, Project Accountant, M&E Officer, FADIP Project Implementation Officer, MEDEP Project Implementation Assistant, Admin & HR Officer and Admin & Accounts Assistant

57. As detailed in sections C and D, the mission has issued a number of recommendations to reorient the strategy and workplan until project completion. As a result, the 2017 AWPB will have to be revised. The mission recommends that a table showing total projected disbursements to completion by category and by component be attached to the AWPB when submitting to IFAD. In addition, the revised AWPB should include full documentation of assumptions and bases for cost estimates. Finally, in view of the decision to implement the QB software in FADIP, the PIU is advised to (i) revise the coding of AWPB activities to integrate components/subcomponents, and (ii) input the revised budget into QB once IFAD no objection is received.

58. Despite previous IFAD missions' recommendations, the PIU still has not implemented an efficient budget monitoring system, which would assist management in identifying bottlenecks and taking corrective actions as needed. This entails (i) recording both budget and actual expenditure in the QB system based on accurate AWPB referencing, (ii) generating a budget-to-actual statement by activity from the QB system on a monthly basis, and (iii) analysing budget variances during a monthly budget review meeting with the Project Director, Project Accountant, and technical implementation staff. A summary of this budget analysis would be included in the monthly financial report.

59. Treasury management. There is only one (special) account for FADIP, operated by the MMA. The previous mission recommendation to open a program account in local currency (as per the terms of the loan agreement) was not implemented, as such accounts are no longer allowed under the national financial regulations. The disbursement system (with approval of all payments at 3 levels: PIU, MOFA and MOFT, before processing by MMA) therefore continues to be cumbersome and lengthy. Despite the fact that the GoM has authorized a petty cash in the amount of USD 1 000 from loan funds, the PIU continues to hold large amounts of cash for staff travel and training. The Project Accountant (as petty cash custodian) only does a cash count when a replenishment request is prepared. The mission performed a physical count of cash on hand on 14/03/17 and found that cash from both MEDEP and FADIP petty cash, travel advances, refunds from advances, and pension contributions are all mingled together and kept in a small safe in the office. Total cash in hand that day was MVR 255 120 (≈ USD 16 500), and when attempting to reconcile to the Excel ledger, the mission noted a difference of MVR 113 224 (≈ USD 7 350) due to advances made for the supervision mission from cash withdrawn for another purpose.

60. With regard to the special account, the project has not experienced any cash tensions during the period under review. As recommended by the previous mission, the PIU now performs bank reconciliations on a monthly basis. However, since the Excel ledger does not have month-end balances¹⁰, errors in the reconciliation have remained undetected.

61. At the request of the mission, the project has prepared a cash forecast for the period March 17 to March 18 (loan closing) based on forecasted expenditure from the current AWPB and regular submission of WAs on a quarterly basis. No cash shortages are anticipated during the period. As project completion is set at 30/09/17, the mission also requested the project to prepare an initial advance recovery plan, according to which the USD 500 000 advance is expected to be fully recovered by March 18.

62. Based on the above findings, the mission makes the following recommendations:

- Acquisition of a larger, more secure safe and physical separation of cash from different sources
- Improvement of the management of cash: recording of transactions in QB, monthly cash count and reconciliation of petty cash (regardless of replenishment) by the Project Accountant and surprise cash counts (monthly on different dates) by the PD or staff designated by the PD
- Bank reconciliations to be completed using the correct procedure, with software-generated bank ledgers
- Signature/dating of bank reconciliations by the Project Accountant as preparer, and by the Project Director as approver
- Revision of the cash forecast and initial advance recovery plan based on the revised AWPB and submission to IFAD for approval
- Thereafter, revision of the cash forecast and recovery plan on a bi-monthly basis to reflect actual disbursements, commitments and updated expenditure forecasts.

¹⁰ The book balance on the reconciliation is derived (calculated) from the bank statement balance plus outstanding payment vouchers.

63. Cooperatives. The following table shows the funds invested in the VCCOs to date (in MVR):

VCCO	Equipment and tech. assistance	Investment capital ^o	Working capital	Total MVR	Total USD
BMCS	5 067 594	595 833	621 142	6 284 570	407 560
FMCS	2 752 820	456 667	230 435	3 439 921	223 082
GAGCS	2 506 498	100 000	256 550	2 863 048	185 671
FDCS	1 593 094	214 630	231 407	2 039 131	132 239
AMCS	1 188 756	693 015	0	1 881 772	122 034
LFDCS (initially SFCS)	1 274 610	649 938	549 539	2 474 087	160 447
VFCS	2 538 651	1 061 600	113 115	3 713 366	240 815
NCS	630 398	0	281 357	911 756	59 128
TOTAL	17 552 421	3 771 684	2 283 545	23 607 650	1 530 976

^o Funded 55% by IFAD and 45% by GoM

64. The field visits conducted by the mission have revealed major weaknesses in the financial management of the cooperatives: inadequate accounting systems, limited experience of accounting staff, lack of mastery of the accounting software, and erroneous financial reports. These findings are corroborated by the VCCOs 2015 audit reports: 6 out of 8 VCCOs¹¹ have submitted audit reports, and 5 out of those 6 were disclaimers, adverse or qualified opinions. VFCS and GAGCS have not submitted any audit report. This also illustrates the failure of the PIU to provide sufficient guidance and support to the VCCOs in the fiduciary area. The mission recommends that the PIU (i) recruit accountants for all the VCCOs where the position is currently vacant, (ii) provide qualified technical assistance on financial management and accounting to all VCCOs immediately, (iii) ensure that VCCOs audits for the year 2016 are conducted as soon as possible, (iv) ensure that FADIP auditors review the VCCOs' management of project funds, (v) ensure that each VCCOs submit a complete monthly financial report, and (vi) perform a thorough review of these reports.

65. **Disbursement is rated moderately satisfactory, (4)**¹². Disbursements from the FADIP loan as of 07/03/17 are shown in the following table (amounts in SDR):

Cat	DESCRIPTION	Allocated	Disbursed	WA #18 to be established*	% Disbursed	Available balance
			WA #1-17			
IA	VCCO Investment capital	270 000	261 699	3 141	98%	5 160
IB	VCCO Working capital	1 140 000	849 573	37 376	78%	253 051
III	Training and studies	230 000	245 587	12 732	112%	-28 319
IV	Incremental credit	300 000	321 017	0	107%	-21 017
V	Recurrent expenditure	230 000	215 160	6 480	96%	8 360
	Unallocated	180 000	0	0	0%	180 000
	Initial advance	0	324 301	0	-	-324 301
	TOTAL	2 350 000	2 217 336	59 729	97%	72 934

* Using latest SDR/USD exchange rate of 1.36

66. The overall disbursement rate per the IFAD status of funds as at 07/03/17 is 94% including the initial advance. When the unclaimed disbursements are taken into account, the rate goes up to 97% - 83% without the advance. Total uncommitted funds available in the loan amount to approximately USD 500 000 to be disbursed, for the most part, by completion date. The bulk of expenditure is expected to be under VCCO working capital and training & studies. Based on the revised AWPB to be prepared by the PIU, it is anticipated that the unallocated amount will have to be reallocated to the various categories as needed. The mission recommends that expenditure (particularly in Category III) be monitored very closely so as to avoid overspending beyond the 130% limit allowed by IFAD.

67. Withdrawal applications. The mission observed that the PIU has only submitted 2 WAs in the past year, and reminded the PIU that one WA must be submitted at least each quarter. The two WAs submitted and reimbursed by IFAD since the last supervision mission were reviewed, and the statement of expenditure (SOE) supporting documents were verified on a sample basis. The main findings include:

- The contract/invoice number and payment reference are not indicated on the WA forms 102
- In most cases, the AWPB reference in the WA does not match the one on the payment voucher or on the AWPB itself, or is erroneous (see also Financial Management section above)

¹¹ The latest audit report submitted by AMCS is for fiscal year 2014.

¹² This rating takes into account the 3-year extension of the project, from 30/09/14 to 30/09/17.

– Proof of completion (especially for services and travel) is not always available. Recommendations are issued accordingly.

68. Special account reconciliation. The special account reconciliation prepared by the PIU as of 28/02/17 is shown below (amounts in USD):

Initial advance (A)	500 000	
Balance of the Special Account at 28/02/17		391 574
Cash in hand		1 007
Amount disbursed not yet claimed (WA #18)		81 231
Total advance accounted for (B)		473 812
Difference (A) – (B)		26 188
Explanation: Deposit in transit (refunds on travel advance deposited in Public Bank Account)	24 221	
Refund from travel advances not yet deposited in Public Bank Account	453	
GST refund (from counterpart to special account)	2 670	
Unexplained difference	- 1 156	

69. The USD 24 221 deposit in transit represents refunds on travel advances deposited by the PIU into the PBA as early as December 15, and still not transferred from the PBA to the Special Account. The PIU has started claiming expenditure in the WAs net of taxes (GST), as recommended in the last mission. The USD 1 156 unexplained difference is claimed by the PIU to be an exchange rate difference. However, the mission has observed that this difference is not supported by any calculation, and rather serves as a 'plug' figure to balance the reconciliation. The mission reiterates its previous recommendation to monitor the exchange rate difference so that it is fully justified each month. Although they are now prepared monthly, special account reconciliations are neither signed by the Project Accountant, nor reviewed by the Project Director.

70. **Counterpart funds is rated satisfactory (5).** Government contribution to FADIP is in the form of cash (direct payment of salaries, operating costs, and 45% of VCCOs investment capital), duties and tax exemption and in kind contribution (office space and utilities). The cash portion of the contribution is subject to the delays inherent to the payment processing delay within the GoM (on average 3 to 4 weeks). As of 28/02/17, cumulative counterpart funding is evaluated at USD 1 148 476, composed of:

- Direct funding of project expenditure - USD 918 593.
- Duty exemptions on equipment procured for the VCCOs - USD 36 801.
- GST exemption – USD 46 519
- In kind contribution – USD 146 563 (based on the Project Accountant's estimate of the office rental value and the monthly utilities charges).

This represents a disbursement rate of 87% of the appraisal amount of USD 1.32 million, in line with the overall project disbursement rate. The mission reiterates its recommendation for the PIU to record all government contributions (including duties & tax exemptions and in kind contributions) in the project accounts, so as to accurately reflect GoM's funding share of project costs.

71. **Compliance with loan covenants is rated moderately satisfactory (4).** The project has complied with most loan agreement covenants, except for the opening of a program account in local currency (no longer allowed under the Public Finance Act) and the insurance of assets.

72. **Procurement is rated moderately satisfactory (4).** Procurement planning and monitoring. In the absence of a Procurement Officer in the PIU, procurement plans (PP) are prepared by the M&E Officer. The PP should be prepared by the Project Accountant and validated by the Project Implementation Officer (PIO) prior to approval by the Project Director. Most of the procurement included in the 2016 PP was carried out by the cooperatives under the oversight of the FADIP PIO. PIU procurement was very limited and conducted by the PIO with assistance from the Admin & HR Officer. The mission observed that:

- Some 'works' procurement is included in the PP as 'goods', and vice versa
- It is difficult to match the PP against the AWPB, especially for items under VCCO working capital
- The PP contains errors (double counting, misstatement of estimated cost, wrong AWPB reference)
- A few items from the AWPB were not included in the PP (e.g. audit, assets insurance, training needs analysis, gender inclusion plan)
- The PIU has no system in place for updating the PP and monitoring its execution.

The 2017 PP will have to be revised (jointly by the Project Accountant and the PIO) along with the AWPB revision, and the PIU must ensure that the above errors are not repeated. The PP should not include procurement to be carried out by the VCCOs; instead, each VCCO should develop its own PP

under the guidance of the PIU. Furthermore, the Project Accountant should update and monitor the execution of the PP on a real time basis.

73. Execution of the procurement plan. The 2016 PP (as corrected by the mission) amounted to USD 600 533, of which 61% was executed. The low execution rate is due to the fact that (i) most of the expertise planned for the year (marketing, pest disease control, social mobilization, agronomy and micro-finance) were included in the coops' revised BPs and were not recruited, and (ii) for various reasons, the coops did not procure all of the materials or equipment planned.

74. Procurement process. A sample of 10 out of 30 post review procurements were selected for detailed review. Many of these were conducted by cooperatives who do not always forward all relevant documents to the PIU. In addition, as noted in the previous mission, the review was made very difficult by the fact that most procurement records are written in the local language; it was therefore challenging to determine whether the process followed was in line with applicable procedures. For this reason, the mission reiterates its previous recommendation to have the auditors conduct a full review of FADIP procurement as part of the annual audit work. Furthermore, given the weaknesses in the fiduciary area and the lack of procurement specialist within the PIU, the mission is of the opinion that the prior review threshold of USD 100 000 set in the Letter to the Borrower is too high and recommends that it be revised and aligned to those of MEDEP (USD 50 000 for goods and works and USD 30 000 for consulting services).

75. Contract register and contract monitoring forms (CMF). The contract register is maintained by the Admin and HR Officer but is neither reviewed nor approved by the Project Accountant and Project Director. The register is missing some data (contract numbers, AWPB reference, expense category, IFAD no objection) and is not in chronological order. The CMF are prepared but not entirely updated. The mission urges the PIU to correct these lapses and to submit the updated register to IFAD on a monthly basis.

76. **Audit is rated satisfactory (5).** The audit for 2015 was conducted by Price Waterhouse Coopers who issued an unqualified opinion on the statement of receipts and payments, the procurement and the special account statement¹³. The management letter highlighted the poor performance against the AWPB and a 2013 invoice paid in 2015 (for MVR 10 000). The final report was submitted on time and the auditor performance was rated as satisfactory by IFAD.

77. Since PwC has been the FADIP auditor since 2010, IFAD has requested a change of auditor. The PIU sent a request for proposal to category 'A' audit firms listed on the Auditor General's website by email, but did not conduct any formal evaluation of proposals received. A new auditor was selected (from 4 proposals received) solely on a least cost basis¹⁴. The mission recommends that (i) the PIU revise the TOR to clarify the audit requirements on procurement and the cooperatives (see paragraph below), (ii) the PIU clearly define the selection criteria, (iii) the 4 bidders be requested to re-submit (within 1 week) revised proposals based on the revised TOR (including audit plan, methodology, team composition and CVs, duration and timing of the audit work, which must be completed by 31/05/17), (iv) the PIU constitute a procurement committee to evaluate the technical and financial proposals in accordance with the criteria set in the RFP, and (v) the PIU submit the combined evaluation report (along with the technical and financial proposals) to IFAD for prior review.

78. The PIU must ensure that the auditors, as part of their work, (i) visit all the cooperatives to assess their fund management capacity and verify the use of project funds and valuation of assets, and (ii) conduct a full review of procurement undertaken by the project, as recommended by the previous IFAD mission. The mission reminded the PIU that the final audit report must be submitted to IFAD by 30 June 2017.

Agreed action	Responsibility	Agreed date
Visit all VCCOs to verify accounts, make corrections and produce accurate financial reports	Project Accountant	30 Apr 17
Recruit accountants for all VCCOs where the position is vacant	Project Director	15 Apr 17
Verify all project transactions in order to clean up FADIP	Project Accountant	15 Apr 17

¹³ No separate opinion was issued on the SOE.

¹⁴ The price quoted by the audit firm selected (approx. USD 2 200) does not seem to be adequate to cover the audit of FADIP (including an examination of cooperatives' accounts and a full review of procurement).

accounts		
Install and customize QuickBooks accounting software for FADIP and input annual budgets and actual expenditure from project start	Project Accountant	30 Apr 17
Perform monthly verification of accounts (including reconciliations) and prepare complete monthly financial reports	Project Accountant	Continuous from Apr 17
Review and control all FADIP financial information and reports	Project Director	
Attach to the revised AWPB (i) a summary of projected disbursements to closing by category and component, and (ii) full documentation of cost estimates. Revise AWPB coding structure and input budget in QB	Project Accountant	6 Apr 17 30 Apr 17
Implement an efficient budget monitoring system	Project Accountant	30 Apr 17
Revise cash forecast and initial advance recovery plan based on the revised AWPB and submit to IFAD for approval; then update both on a bi-monthly basis	Project Accountant	30 Apr 17 / Continuous
Improve cash management procedures to increase control level over cash	Project Accountant	10 May 17
Ensure 2016 VCCO audits are completed, VCCOs submit monthly financial reports and the PIU reviews these reports thoroughly	Project Director Project Accountant	31 May 17 / Continuous
Closely monitor expenditure by category to avoid overspending beyond the 130% limit	Project Director Project Accountant	Continuous
Submit a withdrawal application at least once a quarter	Project Accountant	Continuous
Fully justify all differences in the special account reconciliation	Project Accountant	15 May 17
Reflect all GoM contributions in the project accounts	Project Accountant	Continuous
Revise the procurement plan based on the revised AWPB, excluding procurement to be conducted by VCCOs. Update the procurement plan on a real time basis and monitor its execution	Project Accountant PIO	6 Apr 17 Continuous
Revise the prior review thresholds in the Letter to the Borrower to align to those of MEDEP	IFAD	31 Mar 17
Revise audit TOR for 2016 to clearly state the need for verification of project funds managed by VCCOs and full review of project procurement as part of audit work	Project Director	Immediate
Define selection criteria for auditors based on revised TOR, solicit revised proposals from bidders and submit combined (technical/financial) evaluation report to IFAD for prior review	Project Director	Immediate
Dispose of unused/obsolete assets, update assets register, and conduct physical inventory with full reconciliation. Insure project assets	Admin & HR Officer Project Accountant	31 May 17
Align staff contracts to project completion date after decision on extension	Project Director	30 Apr 17
Backup project files on external device and store offsite	Project Director	Continuous
Revise the draft Program Implementation Manual	PIU	31 May 17

F. Sustainability

79. **Institutional Sustainability** *is rated as moderately satisfactory (4)*. The programme has invested resources in building institutions for community-based agriculture and fisheries cooperatives, spanning governance and management support, to fixed assets and operating costs on the basis of sound and feasible business plans. This support is serving to ensure sustainability of the cooperatives, promoting profitability and their operational self-sufficiency. Today, these cooperatives, with the exception of one, are expected to attain self-sufficiency in the medium-term. Notably, seven cooperatives are all operational and have improved their marketing. Compared to less than a year ago, sales have increased substantially to USD 326,000.

80. In terms of the line of credit, loans have been fully disbursed, and per the terms and conditions, loan repayments on principal and interest are expected to commence shortly. Whilst there is no revolving fund mechanism in place, the mission recommends that MOFA explore setting up this

mechanism, to allow funds to be utilised in further support of cooperatives and their small producers engaged in agriculture and fisheries.

81. **Empowerment and Social Sustainability** *is assessed as moderately satisfactory (4)*. Through the vehicle of the cooperative, island community members are presented with more opportunities to engage in agriculture and fisheries activities. Furthermore, the improved governance and management structures of the VCCOs is allowing for more representative voice and participation of the members in cooperative decision-making; for the cooperative as an entity in itself, the provision of space to undertake own procurement and management of finances is also critical for their empowerment. Finally, with improved cooperative performance, better services are being offered to members and social capital is strengthened.

82. **Quality of Beneficiary Participation** *is rated as moderately satisfactory (4)*. The cooperatives are the mechanism for outreach to the island community; as membership is open, participation by the island population in cooperative activities is highly encouraged. Whilst Annual General Assemblies are taking place, and which actively calls for participation in voting for executive committee members, the mission does recommend for a special GA to further solicit understanding and buy-in by members on the relatively 'new' business orientation of the cooperatives, and to present a forum for deeper discussion of emerging issues and challenges faced under this new model. Finally, as the cooperatives improve their performance, it is fully expected that members will be able to derive increasing dividends.

83. **Responsiveness of Service Providers** *is rated as moderately satisfactory (4)*. No further service providers have been contracted since the June 2015 supervision mission; all previous contracts have been completed.

84. **Exit Strategy** *is rated as moderately satisfactory (4)*. In the last year, the fundamental change to the cooperative development model, has been the focus on the business orientation of cooperative operations, towards its profitability and self-sufficiency, and which lends itself to sustainability after project completion. A formal exit strategy plan should now also be prepared by the PIU.

85. **Potential for Scaling-up and Replication** *is rated as moderately satisfactory (4)*. The continuous efforts to refine the cooperative development model and the facilitation of access to financial services through the line of credit, offer important lessons that need now to be well captured and packaged to promote replication and scaling up as a sustainable and standard approach for supporting cooperative development and growth. The process of cooperative business planning, and the supporting tools should be finalized for dissemination. Finally, a market study exploring opportunities for further potential scaling up of FADIP interventions following project completion, should also be undertaken.

G. Other

86. **Physical/ Financial Assets** *is rated as satisfactory (5)*. The programme has handed over the physical fixed assets to all VCCOs. The Programme has also encouraged the VCCO members to seek the possibility of using some of the physical assets of the VCCO to meet the collateral needs if the members are willing to take loans from the BML under the FADIP line of credit facility. In general, the line of credit facility has served to support beneficiary clients to invest in enhanced productive activities.

87. **Food Security** *is rated as moderately satisfactory (4)*. All cooperatives have started production and out these, five cooperatives have commenced sales to the Male market, thus contributing to local food production and food security.

88. **Quality of Natural Asset Improvement and Climate Resilience** *is rated as satisfactory (5)*. Natural asset management deals with how VCCOs manage the natural resources (land, water, soil, plants) in undertaking their BPs while safeguarding them for present and future generations. This is exceedingly important in the Maldivian context having a fragile environmental balance. None of the

BPs, as previously seen, adversely disrupts the surrounding natural resources. The enterprises are climate-smart as they are resilient to climate change and do not contribute to climate change. The current mission also observed that the Laamu VCCO is keen to manage island solid waste, which is contributing to improving the coastal environment.

H. Conclusion

89. In less than one year, FADIP has made a turnaround in performance; the disbursement level has increased to 94%, with six months remaining to the current project completion date of 30 September 2017. This disbursement level represents available funding in the approximate amount of USD 500,000 until closure.

90. Strong efforts are required however, in the programme's financial management, to ensure accurate financial information and to produce reliable financial reports that will support decision-making by PIU management.

91. The key result by FADIP, largely achieved in the last year, has been for the first time in the Maldives, the evolution and development of a business-oriented cooperative (VCCO) development model (based on coherent business plans), and facilitated access to affordable financial services through a line of credit facility.

92. The cooperative development model can now be considered the 'standard', and can be further replicated, scaled up and promoted. In order to provide the concrete evidence to support the promotion of this model, the priorities for FADIP in what remains of the programme lifetime are the following:

- (i) VCCO performance assessment: a final assessment based on four performance criteria needs to be undertaken, to better understand relevance and effectiveness of the model.
- (ii) Financial management, business mentoring and technical training: as progress and gains are being made, there is still need to provide additional support to improve: (a) cooperative capacity for sound financial management and reporting; (b) marketing and sales strategies (particularly to access the Male market); and (c) production and post-harvest handling. A three person Technical Assistance team (consultants) comprising a marketing specialist/ manager, financial management specialist and technical specialist should be recruited for the remainder of the programme to support the cooperatives to reach break-even by September 2017.
- (iii) M&E: a very strong focus on monitoring and evaluation is critical to validate VCCO business plan assumptions, capture cost of production and sales figures at farmer and cooperative levels, and to determine the impact for household incomes. Furthermore, the final outcome survey needs to be undertaken, and should feed into the project completion review (PCR) process.
- (iv) Central (marketing) distribution centre: despite the significant market potential for agricultural products (fruits and vegetables), transportation of perishable goods presents a challenge; the establishment of central distribution centre would ease supply and marketing. A proposal on the set up of the centre should be developed and submitted to IFAD for no-objection.
- (v) Line of credit: given the demand for credit, the establishment of a revolving fund (recycling the credit repayments) should be explored, which will benefit additional small producer/ farmers and support cooperative development.

93. In addition to the above, the mission is strongly of the opinion that in order to consolidate the encouraging progress made to date, and in order to fully present a cooperative development model that can be systematically scaled-up by Government and other development partners, IFAD and the Government should explore the possibility of extending the programme by six months,.

94. The IFAD team would like to extend again, its thanks to the Government, the PIU and programme beneficiaries for their warm welcome, cooperation and support during the mission. IFAD and the Government endorse the findings of the supervision mission.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Maldives	Project ID	1377 [1100001377]	Loan/DSF/Grant/ASAP FI No.	1000002931
Project	Fisheries and Agricultural Diversification Programme			Top-up Loan/DSF/Grant/ASAP FI No.	
Date of Update	21-Mar-2017				
Supervising Inst.	IFAD				
No. of Supervisions	6	No. of Implementation Support/Follow-up missions	11		
Last Supervision	21-Mar-2017	Last Implementation Support/Follow-up mission	06-Sep-2016		

					USD million	Disb. rate %
Approval	12-Sep-2007			Total financing	6.87	
Agreement	02-Apr-2008	Effectiveness lag	24.5	IFAD Total	3.51	
Entry into force	15-Sep-2009	PAR value	Not at risk	IFAD loan	3.51	94
First disbursement	11-Feb-2010			DSF grant		
MTR	23-Sep-2012	Last amendment	15-Dec-2011	IFAD grant		
Original completion	30-Sep-2014	Last audit		ASAP grant	0.00	0
Current completion	30-Sep-2017			Domestic Total	3.37	
Current closing	31-Mar-2018			National Govern	1.32	15
No. of extensions	2			Dom. Fin. Inst.	0.55	8
				Local private	1.50	0
				External Cofinancing Total		

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	3	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	4	2. Performance of M&E	4	4
3. Counterpart funds	4	5	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing 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	5	5	6. Effectiveness of targeting approach	4	3
			7. Innovation and learning	4	5
			8. Climate and environment focus	4	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. VCC Development	4	4	1. Institution building (organizations, etc.)	4	4
2. Financial Services	4	5	2. Empowerment	4	4
			3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	4	4

B.5 Justification of ratings

The programme is now nearing completion and over the last year, has made a turnaround in its performance. The roll-out of the *business-oriented* cooperative development model has been key, leading to substantial increases in cooperative sales/

marketing; this approach is also highly innovative in the Maldives context, as the business orientation has not been previously practiced, and is an outcome of continuous learning and refining of the approach – with the good results being achieved, there is good scope packaging the lessons and promoting the approach more widely. The other highly noticeable improvement is in the financial services component, which has taken off following re-engagement with BML; today, the entirety of the line of credit has been disbursed in loans to the target group. Areas that require improvement relate to the quality of financial management and targeting in general. In financial management, most of the last supervision recommendations were not implemented, and the mission had some hesitations of the accuracy/ reliability of financial data with the use of Excel as an accounting system. For targeting, sole geographic (island) targeting does not have depth.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	5	5
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience	5	5
C.4 Overall implementation progress (Sections B1 and B2)	4	4

Rationale for implementation progress rating

All the cooperatives have revised their BPs, with the intention of becoming self-sufficient and sustainable, and with evidence of improved marketing and sales. Today, the combined sales have increased from USD 25,000 to USD 326,000 and with the exception of one VCCO, are progressing positively, though some capacity challenges remain at VCCO-level. As the project nears completion, the BP assumptions will be reviewed and BPs adjusted to reflect the realities. The FADIP LOC was fully operational, and all funds have been disbursed in loans to target group bank clients.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	4
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Rationale for development objectives rating

FADIP, in the support to, and mentoring of cooperatives, is building a business-oriented culture and mindset as a critical element in the development of agricultural and fish processing value chains. The programme is supporting the promotion and uptake of improved production practices on the one hand, and more especially, is providing support to enhance the conditions to improve the negotiation capacity and marketing of produce by farmers/ cooperatives. These VCCOs are also serving as entities spearheading/ catalysing development of agriculture and/ or fisheries within their island communities. Regarding incomes to farmers, the projected average increase in incomes still stands at MVR 10,000 per month. It is expected that with additional strengthening of VCCO capacity, notably in financial management, and with some slight adjustments to their business plans, the majority of VCCOs would be able to reach self-sufficiency before project completion.

C.6 Risks Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	At the VCCO level, financial management and reporting capacity is mixed – training and a thorough review of the accounts is required; in addition, the FADIP audit should be extended to include a review of the VCCOs. At the PIU level, the use of Excel as an accounting system continues to present a risk in the absence of putting in place mitigation measures previously recommended; financial analyses also needs strengthening.
Project implementation progress	VCCO financial management and reporting capacity is a still relatively weak; the consequence is that VCCO management may not be able to make the best informed decisions in the absence of real data/ information.
Outputs and outcomes	Same as above.
Sustainability	VCCO self sufficiency requires further business mentoring and technical training, as well as financial management training.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
PCR	The final outcome survey needs to be undertaken, and should feed into the project completion review (PCR) process.	30 Apr 17	
Capacity building	A three person Technical Assistance team (consultants) comprising a marketing specialist/ manager, financial management specialist and technical specialist should be recruited for the remainder of the programme to support the cooperatives to reach break-even by September 2017.	Immediate	
Financial management	At the VCCO level, revisit all VCCOs to verify their accounts, make corrections and produce accurate financial reports.	30 Apr 17	
Consolidation	Government and IFAD to consider 6 month extension to consolidate achievements and monitor VCCO progress, and to align implementation with MEDEP timeframe	Immediate	

Additional observations

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

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions and Risks
OVERALL GOAL			
Reduce the smallholder agriculture and fish processing sectors' vulnerability by sustainably improving food and income security thereby reducing rural poverty ¹⁵	<p>Increase in asset ownership of actual target beneficiaries in the island communities by ...% based on the baseline information</p> <p>Reduction in the prevalence of underweight children under 5 years old of actual target beneficiaries in the island communities by ...% based on the baseline information</p>	<p>Project/RIMS Baseline and Impact surveys in the target groups/beneficiaries</p> <p>Secondary data from Ministry of Health, UNICEF, Department of National Planning</p>	Stable economic environment and no threat from natural disasters
PROJECT PURPOSE			
Develop smallholder agriculture/fish processing value chains that would improve and sustain the incomes of the smallholder farmers/fish processors	<p>Number of farmers, fishers /fish processors (by gender) involved in the value chain reporting production or yield increase</p> <p>Number of farmers, fishers /fish processors (by gender) involved in the value chain having higher (a)value of agricultural/fisheries products (sales) and (b) net earnings</p>	<p>Baseline Survey and Outcome Studies</p> <p>Project Reports</p>	Favourable market conditions
COMPONENT OUTCOMES and OUTPUTS			
Component 1: Value Chain Development			
Outcome 1.1 – Value chain cooperatives (VCCO) and value chain companies (VCC) strengthened as business entities	<p>Number of VCCOs/VCCs operating as business entities functional by the end of project¹⁶</p> <p>Increased number of shares sold</p>	<p>Baseline Survey and Outcome Studies</p> <p>Project Reports</p> <p>VCCOs/VCC financial reports</p>	Farmers & fish processors are working as a group
Output 1.1.1- VCCOs/VCCs established	<p>Number of VCCOs/VCCs organised</p> <p>Number of farmers/fish processors as members of VCCOs and VCCs</p> <p>Number of VCCOs/VCCs developed business plan</p>	<p>Project Reports</p> <p>VCCOs/VCC members registry</p> <p>Project Reports</p>	MOFA has sufficient technical expertise

¹⁵ Narrative summary for goal and project purpose is based on the restated financing agreement as of 30th November 2011

¹⁶ Key elements of a business entity and functional VCCO/VCC will be defined by the project

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions and Risks
<p>Output 1.1.2– VCCOs/VCCs implemented viable business plan that have action plans and marketing strategies.</p> <p>Output 1.1.3 – VCCOs/VCCs established their market</p> <p>Output 1.1.4 – VCCOs/VCCs members/farmers/fish processors and individuals trained on business and operational management.</p> <p>Output 1.1.5 – Qualified VCCOs/VCCs accessed to value adding facilities to expand their businesses</p> <p>Outcome 1.2- Improved productivity and quality of VCCOs/VCCs, farmers'/fish processors produce/products</p> <p>Output 1.2.1- VCCO members/farmers/fish processors trained on good farming/fish processing practices, quality standards and other technical needs.</p>	<p>Number of VCCOs/VCCs implementing the business plans eg: achievement of planned targets</p> <p>Number of VCCOs/VCCs having contracts with established market</p> <p>Number of supply and forward contracts signed by each VCCOs/VCCs</p> <p>Number of VCCOs/VCCs members/farmers/fish processors and individuals trained in business and operational management</p> <p>Number of VCCOs/VCCs with operational manuals</p> <p>Number of VCCOs/VCCs having functional value adding facilities</p> <p>Number and type of value added products produced through value adding facilities by each VCCOs/VCCs</p> <p>Number of VCCOs/VCCs, farmers'/fish processors with increase in sales due to volume and/or value</p> <p>Number of VCCO/VCC products certified by MFDA and other relevant certifying agencies</p> <p>Number of VCCOs members/farmers/fish processors trained</p> <p>(a) good farming/fish processing practices, (b) quality standards and (c) other technical needs.</p>	<p>VCCOs/VCCs annual reports</p> <p>Project Reports VCCOs/VCCs contract documents</p> <p>Training Reports Project Reports</p> <p>Project Reports</p> <p>Project Reports VCCOs/VCCs financial and annual reports</p> <p>Training Reports Project Reports</p> <p>VCCOs records Project Reports</p>	<p>Farmers/fish processors are willing to adopt new technologies.</p>

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions and Risks
Output 1.2.2 – VCCO members/farmers have access to updated agricultural information from Agricultural Information Desk	Number of AID with updated agricultural information Number of VCCO members and farmers using AID		
COMPONENT 2: Financial Services			
<u>Outcome 2- Small farmer producers, fishers and VCCOs invest in expanding their farm or fishing enterprise</u>	% of VCC/VCCO members have accessed to credits provided by implementing bank # of VCCs and VCCOs having accessed credits provided by implementing bank # of VCCOs/VCCs benefiting from the leasing corporations # of VCCO/VCC members benefiting from the equipment from VCCOs/VCCs	- Value Chain Companies records, Programme records, M&E reports, VCC/VCCO reports, Bank reports	-No political interference in loan repayment No misuse of fund (VCC), Clear and favorable financing terms
Output 2.1- Appropriate financing are available to farmers/ fishers/ cooperatives/ VCCs/VCCOs	# of SLA signed # of loan portfolio developed for specific client (e.g. small farmer producers/ agri-workers/VCCOs/VCCs)	Financing institutions records - Audit report	- Timely availability of loan resources and lease equipment - Misuse of Loans - Clear and favorable terms in financing - No political interference in giving loans
Output 2.2- Leased facilities are available to farmers/fishers/ VCCOs/VCCs	# of SLA signed # of lease agreements per year # of leased facilities with VCCOs/ VCCS	- M&E Reports - VCC/VCCOs sales report / Annual report / monitoring report / Work plan - MFLC loan records - Audit report	- Timely availability of loan resources and lease equipment - Misuse of Loans - Clear and favorable terms in financing - No political interference in giving loans

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

Action Area	Action Agreed	Whom	Date
Project Implementation	Revise the 2017 AWPB for IFAD no-objection and hold Steering Committee meeting	PIU/ Project Director	6 Apr 2017
	Review VCCO BP assumptions	PIU/ Implementing Officer	30 Apr 2017
	Amend M&E templates to capture 4 key areas of VCCO performance	PIU/ M&E Officer	15 Apr 2017
	Draft TORs for the final outcome survey and prepare the PCR schedule	PIU/ M&E Officer/ Project Director	30 Apr 2017
	Conduct a national (promotional) event on VCCO development model	MOFA/ PIU	31 Aug 2017
Outputs	Prepare a proposal for establishing a revolving fund for the FADIP line of credit	PIU/ MOFA	30 Apr 2017
	Prepare KM/ communication products, with outsourcing of service providers as needed	PIU/ M&E Officer	31 Aug 2017
	Hold VCCO quarterly GAs for consultation and information dissemination with members	PIU	Quarterly
	Develop VCCO operational guidelines and procedures	PIU/ Implementing Officer (with VCCOs)	30 Apr 2017
	Revise all VCCO business plans	PIU/ VCCOs	30 Apr 2017
	Undertake final VCCO performance assessment against 4 criteria – with September break-even target	PIU/ Implementing Officer	30 Jun 2017
	Submit pending second tranche VCCO operating cost transfers for IFAD no-objection	PIU	31 Mar 2017
	On the basis of revised BPs, submit proposal for additional support (investment/ operating costs) to performing VCCOs for IFAD no-objection	PIU	15 Apr 2017
	Assess existing VCCO assets, and propose a plan to address obsolete assets	PIU/ Implementing Officer (with VCCOs)	15 Apr 2017
	Prepare the TORs to engage the TA team, based on training needs assessment	PIU/ Project Director	30 Mar 2017
	Develop a proposal for set-up of the Central Distribution Centre (marketing strategy, business plan and budget)	PIU	31 Mar 2017
	Thematic mapping of programme interventions	PIU	30 Apr 2017
	Discuss and amend the Fund Management Agreement to change the nature of lines of credit as a revolving fund for 15 years	PIU/ MOFA/ MOFT	30 Jun 2017
	Propose the option for cooperatives to apply for the MMA credit guarantee scheme	PIU/ BML	Immediate
	Conduct a client feedback (satisfaction) survey	BML	30 Jun 2017
	Conduct assessment of (changes to) beneficiary and BML behaviour patterns	PIU	30 Jun 2017

Action Area	Action Agreed	Whom	Date
Fiduciary aspects	1. Installation of QuickBooks accounting software, including customization to allow for each transaction to be identified by funding source, expense category, component, and AWPB activity	Project Accountant	30 April 17
	2. Full verification of all FADIP transactions since project start, ensuring the correct funding source, expense category, component, and AWPB activity. Corrections to be made as needed	Project Accountant	15 April 17
	3. Input of all annual budgets and actual expenditure since project start into the QB system	Project Accountant	30 April 17
	4. Monthly verification of accounts including posting of outstanding transactions, checking of accounting records against journals and payment documents, verification of accuracy of transaction coding, reconciliation of IFAD status of funds with QB ledgers, bank reconciliation, designated account reconciliation, petty cash count and reconciliation, review/ageing of advances outstanding, reconciliation of commitments with contract register and contract monitoring forms, review of trial balance, review of assets register, review of VCCOs financial reports)	Project Accountant	Continuous from April 17
	5. Production of monthly expenditure reports by funding source, category and component, as well as monthly budget vs. actual statements for review by Project Director	Project Accountant Project Director	Continuous from April 17
	6. Reconciliation of MOFT and PIU accounting data on a quarterly basis	Project Accountant	Continuous
	7. Preparation of a withdrawal application at least every quarter for submission to IFAD	Project Accountant	Continuous
	8. Preparation of a monthly financial report including analyses of disbursement rates by expense category, AWPB execution, treasury situation/forecast, cooperatives' financial situation, credit fund situation, procurement plan execution and administrative matters to be used as a dashboard for both PIU management and MOFA	Project Accountant	Continuous from April 17
	9. Training of the Admin & Accounts Assistant in the preparation of payment vouchers and the use of QuickBooks		31 May 17
	10. Visit of each VCCO to verify accounts in detail, make corrections as needed and produce accurate financial reports (sales, expenditure, budget vs. actual, balance sheet, profit and loss)	Project Accountant	30 April 17
	11. VCCOs financial management: (a) Recruitment of accountants for all the VCCOs where the position is currently vacant,		15 April 17
	(b) Provision of qualified technical assistance on financial management and accounting to all VCCOs immediately,	Project Director	31 May 17
	(c) Verification that VCCOs audits for the year 2016 are conducted as soon as possible	Project Accountant	
	12. Timely and complete financial reporting from all VCCOs, using the standard PIU reporting format.	Project Director	Continuous
	Detailed review and verification of VCCOs' financial reports each month	Project Accountant	
	13. Increased involvement of the Project Director in the review and control of financial information	Project Director	Continuous
	14. Revision of the PIM with more detailed procedures and workflows, taking into account supervision mission recommendations	Project Director	31 May 17
	15. 2017 revised AWPB: (a) Structure of revised 2017 AWPB by detailed activity with specific coding for each activity (integrating component and subcomponent); (b) full documentation of unit cost assumptions in the AWPB; (c) inclusion in the AWPB of a schedule of total projected disbursements by category and by component till 31/03/18 (project closure)	Project Director Project Accountant	6 April 17
	16. Implementation of a reliable budget monitoring system including: (a) the input of the revised 2017 AWPB in	Project Director	30 April 17 and

	QuickBooks after IFAD approval; (b) the recording of actual expenditure by AWPB activity code in QuickBooks, (c) the generation of a budget-to-actual statement by activity on a monthly basis, and (d) an analysis of budget variances during a monthly budget review meeting with the Project Director, Project Accountant, and technical implementation staff	Project Accountant	continuous
	17. Preparation of monthly bank reconciliation using proper procedure with QB-generated bank ledgers; signature and dating of bank reconciliations by Project Accountant as preparer, and by the Project Director as approver	Project Director Project Accountant	Continuous
	18. Revision of cash forecast and initial advance recovery plan (based on the approved revised 2017 AWPB) and submission to IFAD for approval expenditure	Project Accountant	30 April 17 and Continuous
Action Area	Action Agreed	Whom	Date
Fiduciary aspects continued...	19. Update of cash forecast and initial advance recovery plan on a bi-monthly basis to reflect actual disbursements, financial commitments and updated expenditure forecast	Project Accountant	Continuous
	20. Petty cash: (a) Acquisition of a larger, more secure safe and physical separation of cash from different sources;		10 May 17 and Continuous
	(b) Improvement of the management of cash: use of petty cash request forms indicating AWPB activity code, recording of transactions in QB, monthly cash count and reconciliation of petty cash (regardless of replenishment) by Project Accountant	Project Accountant Project Director	
	(c) Surprise cash counts (monthly on different dates) by the PD or staff designated by the PD (for IFAD petty cash), and by the Project Accountant (for GoM petty cash)		
	21. Close monitoring of expenditure in the various categories (especially category 3) to avoid overspending beyond 130%	Project Accountant	Continuous
	22. Withdrawal applications: (a) Indication of contract/invoice number and payment reference in forms 102; (b) Verification that the AWPB reference in the WA matches the one on the payment voucher and on the AWPB itself; (c) inclusion of signed proofs of completion in support of expenditures	Project Accountant	Continuous
	23. Monitoring of exchange rate differences and full justification as part of the monthly special account reconciliation; Signature of the special account reconciliation by both the Project Accountant and the Project Director each month	Project Accountant Project Director	15 May 17 and Continuous
	24. Recording of all counterpart contributions in the project accounts including duties & tax exemptions and in kind contributions		Continuous
	25. Update of contract register (C10) ensuring sequential order and inclusion of all required data (contract numbers, AWPB reference, expense category, date of IFAD no objection); review and signature of C10 by Project Accountant and Project Director	Project Accountant Admin & HR Officer Project Acct - PD	Immediate Continuous
	26. Update of contract monitoring forms (C11) to reflect each payment	Project Accountant	Continuous
	27. Procurement Plan (PP): (a) Preparation of the PP by the Project Accountant excluding VCCO procurement, using proper classification of goods/works/services, and proper reflection of AWPB (with correct references); (b) Validation by the Project Implementation Officer and approval by Project Director; (c) Update of the PP on a real-time basis and monitoring of PP execution by Project Accountant; (d) Guidance to VCCOs for development of their own PPs	Project Accountant PIO Project Director	Continuous
	28. Revision of the 2017 procurement plan based on revised AWPB and submission to IFAD for approval		6 April 17

29. Revision of prior review threshold and alignment with MEDEP's (goods and works USD 50 000 / services USD 30 000)	IFAD	Immediate
30. Human Resources: (a) Standardization of personnel files content (including CVs, ID cards, and leave records); (b) Alignment of staff contracts with project completion date (for non-essential staff)	Admin & HR Officer Program Director	30 April 17
31. Fixed Assets: (a) Disposal of obsolete/unused assets (based on MOFA disposal procedures) (b) Update of assets register (ensuring it contains acquisition date, value and location); (c) Annual physical inventory in last week of December by M&E Officer and Admin & Accounts Assistant and using blank inventory sheets, followed by a reconciliation with assets register by Project Accountant; (d) Contracting of insurance policy for project assets	Admin & HR Officer M&E Officer, Admin & Accounts Assistant Project Director	31 May 17 31 December 17 30 April 17
32. IT and filing: (a) Implementation of a weekly backup routine on external device with offsite storage by Project Director (b) Electronic archiving of all project files in view of project completion	Project Director	Immediate and Continuous
33. 2016 Audit: (a) Revision of TOR to clearly state need for full review of procurement and assessment of VCCOs' fund management capacity / verification of use of project funds / valuation of assets; (b) definition of clear selection criteria for new auditors; (c) request for 4 bidders to re-submit proposals based on revised TOR (including audit plan, methodology, team composition and CVs, duration and timing of the audit work); (d) constitution of a procurement committee by PIU to evaluate technical and financial proposals as per RFP criteria; (e) submission of combined evaluation report (along with the technical and financial proposals) to IFAD for prior review; (f) submission of final audit report before 30/06/17	Project Accountant Project Director	Immediate 30 June 17

FADIP AGREED ACTIONS 2016

Component 1: Value chain development

Agreed action	Responsibility	Agreed date	Status	Comments
An assement shall be undertaken for the relase of second trache of opertaing cost grant upon fullfillment of the key targets as spelled out in the business plan.	PIU/VCCO Support Officer	December 2016	On going	The second trache of operating cost grant upon based on the performance of the VCCOs and the reporting of documents accordingly to the schedules per agreement. Based the reporting and performance the VCCOs, the project have transferred second second trache of operating cost to LFDGS and BMCS on 4 December 2016. In addition, PIU have transferred the second trache of operating cost to FMCS on 7 March 2017.
Strengthen the role of COOP's Executive Bodies and ensure conduct of AGM's of all cooperatives regularly to promote responsibility and accountability	PIU	October 2016	Partially completed	This work will be done once the VCCOs completed their audit report. According to MIRA guidelines, the VCCOS have to submit before June 2016. So far, 6 cooperatives managed to conduct AGM in 2016, while GAGCS, and NCS still failed to conduct the AGM

Recruit a marketing consultant	PIU	Immediately	Terminated	PIU had decided that there is no point of hiring Marketing Specialist as marketing plan has been already included in VCCO's revised business plans. The revision of the VCCOs Business plan, the marketing aspect and assistance they needed was incorporated individually in those coop who are in need As a result, PIU and IFAD agreed to remove this activity as it's no longer requirement. In addition, presently, the VCCOs having more production issues rather than unable to identify buyers for their products.
Issues Notices to the FDCS and NCS on the non-utilisation of capital and operating cost grant	PIU	Immediately	completed	The capital and operating cost grant has been utilized.
Conduct training on financial management	PIU/ Accountant	Immediate	Partially completed	The Project accountant have conducted financial training for BMCS, NCS and FMCS
Audit of all the cooperatives should be undertaken			Partially completed	5 cooperatives managed to complete the audit report, while VFCS GAGCS, and NCS still have not done an audit
Recruit if necessary 2 managers for FDCS and NCS start up	PIU	September	Completed	The project have recruited BIO for FDCS and NCS on 12 December 2016 and 18 December 2017, respectively
Audit all cooperatives for the 2016 financial exercise in order that these audits feed the FADIP 2016 Audit	PIU/ Accountant	January 2017		This has been included in Auditor TOR for 2016 audit. Auditor has been agreed with the auditor.
Ensure a close Monitoring and evaluation of the income / expenditure of all cooperatives	PIU	Immediate	On-going	The project accountant and M & E is closely monitoring the financial details and VCCOS sales monthly
Ensure at least a monthly support/training in Accounting of all cooperatives as well as a internal audit of their account.	Accountant	Immediate	Continuous	Financial trainings and support has been given for FMCS, NCS, BMCS and FDCS

Component 2: Financial services

Agreed Action	Responsibility	Agreed date	Status	Comments
PIU to seek NO objection from IFAD for utilizing the remaining fund for farmers' and VCCOs credit.	PIU	Immediate	Completed	IFAD have given NOL to remaining fund on 22 September 2016
BML to provide the monthly report on loans disbursed, loan repayment, amount in arrears, recovery measures	PIU	Immediate	ongoing	BML has been reporting loan disbursed information and quarterly report beneficiaries loan repayment details
To engage the BML for Microfinance technical Assistance and finalize the ToR			Completed	TOR is completed and sends IFAD for NOL. The Micro-finance specialist will be recruited based on the BML's requirement for technical assistance in micro-finance area

Proposes exit strategy for refinance Facility fund after the project completion	PIU/MOFA	Immediate	Project extension and additional funding request has been sent to MOFT to be forwarded to IFAD
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Component 3: programme management

Agreed action	Responsibility	Agreed date	Status	Comments
Appoint one empowered Project Director or Project Manager, answerable to Steering Committee, with full financial and administrative powers for implementation of approved AWP/Bs	MOFA, MOFT and IFAD	Immediate	Completed	New Project Director (Maryam Fazna) was appointed on 25 July 2016 and is actively working in PIU as a full-time employee.
Recruit marketing consultant for VCCOs	PIU	Immediate	Terminated	PIU had decided that there is no point of hiring Marketing Specialist as marketing plan has been already included in VCCO's revised business plans. The revision of the VCCOs Business plan, the marketing aspect and assistance they needed was incorporated individually in those coop who are in need. As a result, PIU and IFAD agreed to remove this activity as it's no longer requirement. In addition, presently, the VCCOs having more production issues rather than unable to identify buyers for their products.
Submit the restructuring proposal of PIU for IFAD NOL	MOFA	Immediate	Completed	The new structure was developed on September 2016 and PIU has started to apply the new structural plan on 1 January 2017 onwards.

Fiduciary Aspects

Agreed action	Responsibility	Agreed date	Status	Comments
Monthly bank reconciliations; monthly reconciliations of MOFT and PIU accounting records; reconciliations of PIU and IFAD status of funds	Program Manager Accountant	Continuous		Completed till February 2017
Inclusion in scope of 2016 audit of a review of VCCOs and submission of audit TOR to IFAD for clearance	Accountant	31/12/2016		NOL received on 24 Jan 2017

Sustainability

Agreed action	Responsibility	Agreed date	Status	Comments
Explore the mechanism to support the VCCOs by MOFA after the project completion	PIU	31 December 2016	Incomplete	MOFT has requested IFAD for project expansion to further develop cooperatives. With IFAD's decision on the request, exit strategy and sustainability of existing cooperatives is scheduled to be worked out in the 2nd quarter.

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

Results #	Objectives/Expected Results	Indicators						
			Unit	Revised (Total)	Planned (Annual)	Achieved (Annual)	%	% Achieved
1.1.1	Component 1 - Value chain development		MOFA					
1.1.2	1.1 Outcome : value chain cooperatives (VCCO) and value chain companies (VCC) strengthened as business entities							0.0%
	Output : 1.1.1 Revision of existing BP's						100%	89.4%
	A1-Submission of revised BP's with exit strategy	Developing new BP		7	7	7	6%	6.3%
	A2-Revised BP review by PIU	Developing new BP		7	7	7	6%	6.3%
	A 3- Finalizing the BPs with VCCOs at PIU	Developing new BP		7	7	7	6%	6.3%
	A 4-Send revised BPs to IFAD NOL	Developing new BP		7	7	7	6%	6.3%
	A 5-Procurement of Working capital in BMCS	No. of service provider		1	1	1	6%	6.3%

	A 6-Procurement of Working capital in FDGS	No. of service provider		1	1	1	6%	6.3%
	A 7-Procurement of Working capital in FMCS	No. of service provider		1	1	1	6%	6.3%
	A 8-Procurement of Working capital in GAGCS	No. of service provider		1	1	1	6%	6.3%
	A 9-Procurement of Working capital in NCS	No. of service provider		1	1	1	6%	6.3%
	A 10-Procurement of Working capital in VFCS	No. of service provider		1	1	0.3	6%	1.9%
	A 11-Procurement of Capital investment in AMCS	No. of service provider		1	1	1	6%	6.3%
	A 12-Procurement of Capital investment in BMCS	No. of service provider		1	1	1	6%	6.3%
	A 13-Procurement of Capital investment in FDGS	No. of service provider		1	1	0.9	6%	5.6%
	A 14-Procurement of Capital investment in FMCS	No. of service provider		1	1	0.8	6%	5.0%
	A 15-Procurement of Capital investment in GAGCS	No. of service provider		1	1	1	6%	6.3%
	A 16-Procurement of Capital investment in VFCS	No. of service provider		1	1	0.3	6%	1.9%
	Output : 1.1.2 Establish New Coops						100%	100.0%

	A 17-Finalizing the BPs	Developing new BP		1	1	1	10%	10.0%
	A 18-Send BPs to IFAD NOL			1	1	1	10%	10.0%
	A 19-Sign with LFCS	Signed agreement		1	1	1	10%	10.0%
	A 20-Brand Registration			1	1	1	10%	10.0%
	A 21-Procurement of Working capital in LFDCS	No. of service provider		1	1	1	30%	30.0%
	A 22- Procurement of capital investment of LFDCS	No. of service provider		1	1	1	30%	30.0%
	Output 1.1.3 VCCO/ VCC established						60%	80.0%
	A23 - Conduct regular meeting between PIU, Executive Committee(ExCo) members and General members of VCCO to implement and evaluate business activity	No of meetings		24	24	32	60%	80.0%
	Output 1.1.4 – VCCOs/VCCs implemented viable business plan that have action plans and marketing strategies						50%	50.0%
	A 24 – Develop / Review and Implement operational manuals (OM) for VCCOs and conduct awareness programme on OM for LFCS	No. of OM		1	1	1	50%	50.0%
	1.2 Value chain management support							0.0%
	Output : 1.2.1 Secure domestic and overseas market							

	A 25-Draft ToR for Marketing Development Specialist	Hire a consultant		1	1			
	A 26-Hire Marketing Development Specialist	Hire a consultant		1	1			
	A 27-Link coops marketing plan with MDS			1	1			
	Output : 1.2. 2VCCO/VCCs established their market						100%	34.6%
	A 28-Assist to identify and consult with potential markets for new VCCOs/VCC products	No.of new markets		24	24	22	35%	32.1%
	A 29 – Facilitate the signing of Supply Contracts (SC) between VCCO's and markets	No.of SC		1	1	0	25%	0.0%
	A 30 – Assist VCCOs to sign Forward Contracts (FC) between VCCO's and members	No.of FC		1	1	0	25%	0.0%
	A 31- Facilitate meetings to ensure continuous information exchange between the established market and the VCCOs	No.of meetings		12	12	2	15%	2.5%
	Output : 1.2.3 Enhance production							
	A 32-Draft ToR for Agriculture pest and disease expert/Horticulturist	Hire a consultant		1	1			
	A 33- Hire pest and disease expert/Horticulturist			1	1			
	Output : 1.2.4 Packaging of fish and food products							100.0%

	A 34-Facilitate packaging of fish/agri products			1	1	1	17%	100.0%
	A 35-Providing Materails for NCS	No of materials		1	1	1	1667%	100.0%
	A 36-Internal works for greenhouse in FMCS (constructing the base for system installation)	No of service provider		1	1	1	1667%	100.0%
	A 37-Installation of Double door for 3 greenhouse in BMCS	No of service provider		1	1	1	1667%	100.0%
	A 38- Construction and procurement of Store room and grow house in BMCS	No of service provider		1	1	1	1667%	100.0%
	A 39-Procurement of materials needed for greenhouse in BMCS	No of service provider		1	1	1	1667%	100.0%
	Output : 1.2.5 Handling and quality control							90.0%
	A 40-Ensure standardization and quality of products (SOPs for the whole process [from receiving to packaging])			1	1	0.9		90.0%
	Output : 1.2.6 Order fulfillment							37.5%
	A 41-Facilitate Coops in managing, resource, establish order management system, maintenance of inventory software for improve efficiency etc.			8	8	6		75.0%
	A 42 -Prepare SOPs for efficient order fullfillment			1	1	0		0.0%
	Output : 1.2.7 Logistics and transport support							12.5%

	A 43-Facilitate logistical arrangements to the VCCOs as per revised BP			24	24	3		12.5%
	Output : 1.2.8 Training of farmers and fish processors							6.3%
	A 44- Provide relevant technical training for farmers and fish processors	No. of trainings		16	16	1		6.3%
	Output : 1.2.9 Supply of production and irrigation facilities, including drip irrigation methods							22.5%
	A 45-Hydroponic system installation in FMCS (NFT system)			1	1	0.3		30.0%
	A 46-Supply and facilitate establishment of irrigation facilities as per the revised BP to the VCCOs			2	2	0.3		15.0%
	Output : 1.2.10 Application of fresh food preservation packaging technologies							75.0%
	A 47- Facilitate, strengthen and improve fresh food preservation methods as per revised BP			1	1	0.75		75.0%
	Output : 1.2. 11 Development of farm to market cold chains							
	A 48- Explore the possibility of sales point for all VCCO's at a suitable place in Male' with initial cost /rent covered from project to be gradually taken up by VCCOs							
	A 49-Facilitate in procurement of equipments to support the activity as per the revised BP			1	1	0		0.0%
	1.3 Association and farmers training							0.0%

	Output : 1.3.1 support the establishment of strengthening of associations of farmers and fish processors to enhance their role within the respective VCCOs						100%	70.0%
	A 50-Conduct new Training Needs Analysis for all VCCOs once the new BP are approved			1	1	0.5	60%	30.0%
	A 51 -Endorse and implement ToRs for all ExCo positions by all VCCOs			8	8	8	20%	20.0%
	A 52-PIU to draft a result based shcedule to be signed with VCCOs and share with legal			8	8	8	20%	20.0%
	A 53 -Submit the report on establishing a VCCO distribution point in Male'			1	1			0.0%
	A 54-Draft ToR for Social Mobilisation Specialist			1	1	1		0.0%
	A 55- Hire Social Mobilisation Specialist			1	1	0		0.0%
	Output : 1.3.2 VCCO AGM's						100%	42.0%
	A 56-Conduct 2014 AGM's			8	8	4	80%	40.0%
	A 57- Invite poorer households to join VCCO's			1	1	0.1	20%	2.0%
	1.4 Applied research							0.0%
1.2	Output : 1.4.1 Promotion of new agricultural products, including varietal trials, biological agriculture and processing techniques		MOFA				100%	50.0%

	A 58 -Conduct varietal testing on new crops and further research on potential cash crops			1	1	0.5	100%	50.0%
	1.5 Shares of Farmers/Fishers							100.0%
	Output : 1.5.1 Prior to program completion date VCC/VCCO's shares held by the borrower shall be transferred to the farmers or fish processors based on criteria set by the NSC							100.0%
	A 59 -Start planning the necessary steps to transfer all assets to the VCCO's . So that VCCO can start using these as colletral for sourcing credit from banks.			1	1	1		100.0%
	Component 2							0.0%
	2.1 loans to faremers and fish processors throughBML							
1.3	Output : 2.1.1 Microfinance		MOFA				100%	100.0%
	A 60-Draft ToR for Microfinance specialist from IFAD			1	1	1	10%	10.0%
	A 61- Re-negotiate and finalize SLA terms with BML and MoFT			1	1	1	20%	20.0%
	A 62-Revise loan criterion to facilitate farmers and fishermen in VCCO areas			1	1	1	70%	70.0%
	2.2 Loans to VCCO through MFLC							
1.4.1	Output: 2.2.1 Re-negotiation with MIB and other potential partners						100%	100.0%

	A 63 - Meetings with other potential partners to discuss and arrange leasing facilities for VCCO's			1	1	1	100%	100.0%
	2.3 Structure financing							10.0%
	Output : 2.3.1 Technical assistant to BML and others to provide finance for farmers and fishers						100%	10.0%
	A 64 - 1. Engage services of a micro-finance specialist to assist Bank of Maldives in developing necessary capacities and systems to run effective programme for MSMEs financing			1	1	0.1	100%	10.0%
	Component 3							
	Program Management							0.0%
	Gender focus						100%	25.0%
	A 65-Encourage women participation in production			1	1	0.5	30%	50.0%
	A 66- VCCOs require to prepare a gender and social inclusion plan	Develop a GSIP		1	1	0	70%	0.0%
	Innovation and learning							0.0%
	A 67-the cooperative concept and micro financing (ensuring to make the VCCO models a replicable model for further scaling up)			1	1	0		0.0%
	Administrative Management							100% 53.6%

	A 68-Valuate assets in order to transfer asset to VCCO's			1	1	1	10%	10.0%
	A 69 -conduct annual physical inventory			1	1	1	10%	10.0%
	A 70- insurance of all assets of PIU assets			1	1	0.05	10%	0.5%
	A 71- Provide salaries to experts, and PIOs			12	12	12	10%	10.0%
	A 72-Capacity Building on project related areas	No of trainings & No of beneficiaries		24	24	13	5%	2.7%
	A 73-Organize NSC			4	4	1	5%	1.3%
	A 74-Develop KM products (Leaflets, videos, posters)	No of materials		12	12	3	10%	2.5%
	A 75-Conduct an outcome impact survey			1	1	0	10%	0.0%
	A 76-Hire a PCR consultant to prepare the project completion report	Hire a consultant		1	1	0	10%	0.0%
	A 77-Audit	Hire an auditor		1	1	1	10%	10.0%
	A 78- Provide salaries for component coordinators			12	12	8	10%	6.7%
	WA						100%	100.0%

	A 79-Revise auditors ToR to include full procurement audit and review of VCCO's	Developing a TOR		1	1	1	100%	100.0%
	Exit Strategy						100%	0.0%
	A 80-Focus on scaling up and replication, handover the assets, food security, climate resilience	# materials produced		1	1	0	100%	0.0%

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

Table 5A: Financial performance by financier¹⁷ as at 28/02/17 (in USD '000)

Financier	Appraisal	Disbursements	Per cent disbursed
IFAD loan	3 505	3 237	92%
Private Sector	1 497	572	38%
BML / Bank	547	0	-
Government	1 322	1 148	87%
Total	6 871	4 957	72%

Table 5B: Financial performance by financier by component (USD) as at 31/12/15

Component	IFAD loan			Private Sector (VCCOs)			BML / Bank			Government			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Value Chain development	2 663	2 069	78	1 497	572	38	-	-	-	330	424	128	4 490	3 065	68
2. Financial Services	450	450	100	-	-	-	547	0	0	-	-	0	997	450	45
3. Program management	392	218	56	-	-	-	-	-	-	992	724	73	1 384	943	68
Initial advance	-	500	-	-	-	-	-	-	-	-	-	-	-	500	-
Total	3 505	3 237	92	1 497	572	38	547	0	0	1 322	1 148	87	6 871	4 957	72

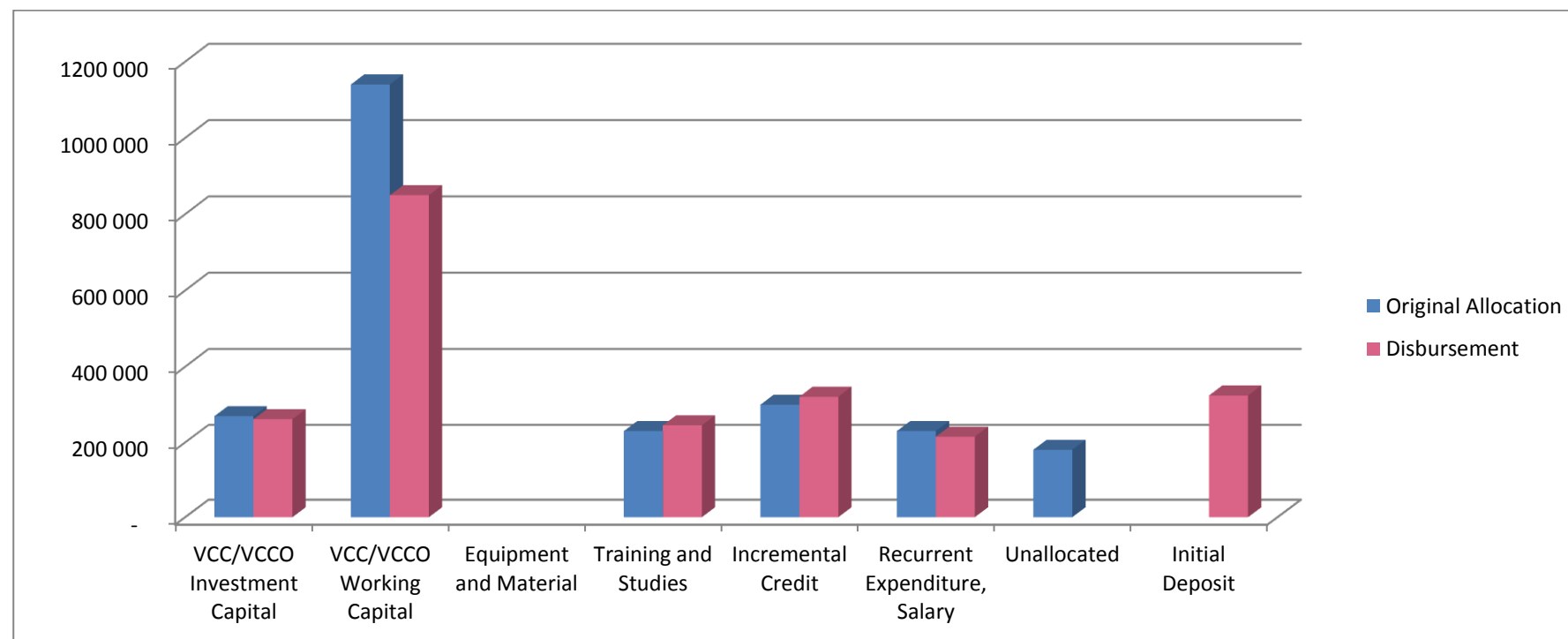
NOTE: The disbursement figures above (except for total IFAD disbursements in Table 5A) were provided by the PIU. They are mostly generated from the PIU's Excel accounts and could not be verified, as transactions are not recorded in the accounts by component. Private sector contributions are not recorded in the PIU accounts and were not verifiable.

¹⁷ Source of appraisal data: Final project design report (April 2008). The tables were prepared using the final PDR data, as no reliable data could be found on the 'revised' approval figures by financier and by component (different figures were found in the IFAD MTR mission report, IFAD supervision missions reports and PIU records).

Table 5C: IFAD loan disbursements as per status of funds (SDR, as at 07/03/17)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	Balance	Per cent disbursed
IA	VCC/VCCO Investment capital	100 000	270 000	261 699	8 301	97%
IB	VCC/VCCO Working capital	1 150 000	1 140 000	849 573	290 427	75%
II	Equipment & materials	5 000	0	0	0	-
III	Training and studies	365 000	230 000	245 587	-15 587	107%
IV	Incremental credit	335 000	300 000	321 017	-21 017	107%
V	Recurrent expenditures, salary & allowances	130 000	230 000	215 160	14 840	94%
VI	Unallocated	265 000	180 000	0	180 000	0%
	Initial deposit	-	-	324 300	-324 300	-
	Total	2 350 000	2 350 000	2 217 336	132 664	94%

Figure 1: IFAD loan disbursement, comparisons between revised allocation and actual disbursement



Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Loan Agreement				
Section 2.03	Opening & maintenance of a Special account in USD	Effectiveness condition	Complied	
Section 3.02	Submission of AWPB to IFAD for approval	Annually by 31 October	Complied	2017 AWPB submitted to IFAD on 26/09/16
Section 3.03	Opening & maintenance of a Program account in MVR, jointly operated by PC and PIU accountant	Effectiveness condition	Not complied	Program account cannot be opened due to provisions of Public Finance Act
Section 3.04 and Section 3.05	Provision of counterpart financing for the Project of approximately USD 1,322,000 and facilities, services and other resources	Throughout project implementation	Complied on an on-going basis	Cumulative disbursement at 28/02/17 amounts to USD 1 148 476
Section 3.06	Procurement to be carried out in accordance with Schedule 4 of the loan agreement	Throughout project implementation	Partially complied	Difficulty in assessing as procurement files are all in local language (see aide-memoire)
Section 4.01	Establishment of MIS and monitoring system	Latest 12 months after effective date	Partially complied	No MIS system in place but M&E procedures and templates have been developed (see aide-memoire)
Section 4.02	Submission of half-yearly and year-end progress reports to IFAD	3 months after each 6-month period	Complied	Reports submitted on time and quality has improved
Section 4.03	Midterm review to be carried out jointly by Lead Project Agency, co-investors and IFAD	36 months after effective date	Complied	
Section 4.04	Submission of Project Completion Report before Financing Closing Date to the Fund.	31 March 2018	Not yet due	
Section 5.01	Submission of half-yearly and annual financial statements to IFAD	3 months after each 6-month period	Complied	2015 financial statements sent on time 2016 financial statements not yet due
Section 5.02	Submission of final audit report to IFAD each year	30 June each year	Complied	2015 audit report submitted on 30/06/16
Section 7.01	Establishment of PIU, NSC and appointment of Project Coordinator; ratification of agreement and legal opinion	Effectiveness condition	Complied	
Schedule 2 6.	Establishment of VCC/VCCOs; signature of SLA and SLFA; approval of 1 st AWPB by IFAD	Withdrawal conditions	Complied	SLA replaced by a fund management agreement between MOFT and BML
Schedule 3 II 1	Mainstreaming of gender concerns in project activities	Continuous	Complied	
Schedule 3 II 2	Due consideration to indigenous people's concerns	Continuous	Complied	No ethnic minorities; all are indigenous
Schedule 3 II 9	Health and accident insurance for project staff; insurance of	Continuous	Partially complied	All staff covered by national insurance

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	vehicles and equipment			scheme. Insurance policy is being finalized for building and assets
GC Section 11.01	Loan funds to be exempted from all taxes and duties	Continuous process	Complied	

Appendix 7: Knowledge management: Learning and Innovation

Learning

Over the programme implementation period, learning has centred around the cooperative business model (see below on the innovative aspect of support to cooperatives), and on programme management in general.

Following implementation experience, some critical lessons learned include the following:

- (i) Financial management: at the VCCO level, an attention to strengthening financial management capacity of cooperative staff and management is fundamental, as capacities at island-level are in general weak and impair accurate entry and reporting of cash flow and financial data/ figures – this has further consequence on the ability of VCCO management to make informed decisions on VCCO operations.
- (ii) Maldives geographical and social/ cultural context is unique, and presents a challenge for effective targeting and monitoring; essentially, logistics is the issue. Travelling to and between islands can be expensive, and requires time; furthermore, the population on islands are limited, so increasing outreach and numbers is difficult. Island communities are furthermore, a strong entity, and in terms of targeting, projects must be inclusive in order to obtain community buy-in; the exclusive targeting of households in the lowest poverty band does not work so well.

Innovation: Describe any interesting innovation noted during supervision

The programme has been very innovative in the Maldives context, spearheading the cooperative *business* development model (on the basis of sound and viable business plans) and promoting affordable micro-finance products/ services to cooperatives and small producers engaged in the agricultural and fisheries sector. These areas of programme intervention are new to MOFA, and capturing lessons learned and fine-tuning of the approach would allow for further up-scaling by the Government and/ or other development partners. The PIU should lead the efforts to package the model for dissemination and further promotion.

With regards to cooperative business plans, these have been reviewed and refined throughout the programme lifetime, and are based on the observed realities – i.e. assumptions are adjusted where required. The BPs identify the break-even point; investment needs; organizational, production and marketing strategies; and are aimed to ensure that the cooperative is operationally self-sufficient within a reasonable period of time and which enhances sustainability for future investment needs to be met.

Assessment of VCCO (cooperative) performance has also been more structured and allows for improved monitoring of progress and capacities; today, cooperative performance relates to four priority areas: (i) cooperative capacity for sound financial management and reporting; (ii) cooperative marketing strategy – i.e. the marketing arrangements, especially negotiations on pricing and grading (purchase price and sales price), balanced to better benefit the cooperative farmer members in terms of their incomes on the one hand, whilst also contributing to the efficiency and effectiveness of the cooperative's operations; (iii) governance and management; and (iv) issues around technical production and post-harvest handling.
