Independent Office of Evaluation

IFAD Investing in rural people

Project Completion Report Validation

Fisheries and Agricultural Diversification Project
Republic of the Maldives
Date of validation by IOE: July 2019

I. Basic project data

			Approval (US$ m)		*Actual (US$ m)*	
Region	Asia and the Pacific	Total project costs	6.8		4.92	
Country	The Republic of the Maldives	IFAD loan and percentage of total	3.51	51%	3.34	67%
Loan number	726-MV	Borrower	1.32	19%	1.01	21%
Type of project (subsector)	Fisheries	Cofinancier 1: private investors	1.5	22%	.57	11%
Financing type	Loan	Cofinancier 2: Bank of the Maldives	.5	7%		
Lending terms*	Highly concessional	Cofinancier 3				
Date of approval	12 Sept 2007	Cofinancier 4				
Date of loan signature	2 April 2008	Beneficiaries				
Date of effectiveness	15 Sept 2009	Other sources				
Loan amendments	2	Number of beneficiaries	Target 8400		Achievement 3324	
Loan closure extensions	3					
Country programme managers	Sana Jatta Ya Tian Mr Hubert Boirard	Loan closing date	30 Sept 2018			
Regional director(s)	Thomas Elhaut Hoonae Kim Nigel Brett	Mid-term review			Sept 2012	
Project completion report reviewer	RL Stirrat	IFAD loan disbursement at project completion (%)			97%	
Project completion report quality control panel	Shijie Yang Fabrizio Felloni	Date of the project completion report			19 Sept 2018	

Source: President's Report and Supervision Report 2018.

* There are four types of lending terms: (i) special loans on highly concessional terms, free of interest but bearing a service charge of three fourths of one per cent (0.75%) per annum and having a maturity period of 40 years, including a grace period of 10 years; (ii) loans on hardened terms, bearing a service charge of three fourths of one per cent (0.75%) per annum and having a maturity period of 20 years, including a grace period of 10 years; (iii) loans on intermediate terms, with a rate of interest per annum equivalent to 50 per cent of the variable reference interest rate and a maturity period of 20 years, including a grace period of five years; (iv) loans on ordinary terms, with a rate of interest per annum equivalent to one hundred per cent (100%) of the variable reference interest rate, and a maturity period of 15-18 18 years, including a grace period of three years.

II. Project outline

1. **Introduction.** The Fisheries and Agricultural Diversification Programme (FADIP) was approved in April 2008 and became effective on 15 September 2009. As originally conceived, the project was to be completed in 2014 with a mid-term review (MTR) in 2012. After three extensions project completion was finally set for 31 March 2018 with the loan closing date of 30 September 2018.

2. **Project area.** The geographic focus of the project was on two groups of atolls in the Maldivian archipelago. The first of these, Skipjack Development Zone 1, comprised four atolls in the north of the archipelago. The second, Skipjack Development Zone 3, focused on six atolls in the south-central zone. According to the Project Completion Report (PCR), these areas were generally poorer than other parts of the country, had relatively large populations with potential for fish processing and agricultural production, and supported both commercially leased agricultural islands and smallholder farmers. Finally, there were several tourist resort islands in these areas and two Agricultural Centres.

3. **Project goal, objectives and components.** The **goal** of the project was, 'to lessen the vulnerability of smallholder agricultural producers and the processors of Classic Maldive Fish by improving their food and income security in a sustainable way, and thereby reducing poverty'.[1] The **objective** was, 'to develop value chains for smallholder agricultural production and Maldive Fish processing using a market-driven commercialisation and diversification strategy that will bring sustainable improvement in the incomes of producers and processors'.[2]

4. There were three **components** to the project:

    a. *Value chain development*. As originally envisaged, this involved the establishment of commercial companies to manage value chains concerned with fresh agricultural products, processed agricultural projects and Maldive Fish[3]. These companies would make agreements with niche market customers (e.g. tourist resorts; export markets) and thus provide producers and processors access to premium prices. Although not mentioned in the President's Report, this component also included financial assistance to establish the companies and inputs into technical training for producers.

    b. *Financial services*. This involved credit being provided to both producers/processors and companies for inputs and marketing needs.

    c. *Programme management*. This consisted of a small team to oversee implementation plus some strengthening of capacity in the Ministry of Fisheries, Agriculture and Marine Resources (MOFA).

5. **Target group.** The target group was the general population of the atolls in the target areas who were engaged in agriculture and fish processing. It was envisaged that the project would reach 8,400 people (1,200 households) of whom 5,600 were agricultural producers and 2,800 processors. Furthermore, around 600 households would be female headed.[4]

6. **Financing.** The figures given in the PCR are inconsistent with each other and with other sources.[5] The tables below are derived from the 2018 Supervision Report (SR) and refer to the situation in December 2017.

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[1] President's Report (2007).
[2] President's Report (2007).
[3] Maldive fish is a form of processed tuna which is primarily sold in Sri Lanka and the Maldives.
[4] President's Report (2007).
[5] Where the source is given in the PCR, the figures on expenditure appear to have been derived from the March 2017 SR.

Table 1
Project costs (US$)

Financier	*Planned expenditure*	*%*	*Actual expenditure*	*%*
IFAD	3.525m	51	3.34m	67
Government of the Maldives	1.322m	19	1.01m	21
Private Investors	1.5m	22	0.57m*	11
Bank of the Maldives	0.547m	7		
Total	6.894m		4.92m	

Source: 2018 SR.

* Although not made explicit, these are presumably inputs from the VCCOs (Value Chain Cooperatives).

Table 2
Component costs (US$)

	Original allocation		*Actual*	
Value chain development	4.506	65%	3.348	68%
Financial Services	1.005	15%	0.450	9%
Project management	1.38	20%	0.825	17%
Total	6.891		4.926	

Source: 2018 SR.

7. **Project implementation.** The project was managed by a Project Implementation Unit (PIU) which came under MOFA with an inter-ministerial steering committee providing policy guidance and advice. The project was extended three times.

8. During the life of the project there were a number of changes. First, the target area was modified to focus on 'all inhabited islands except Male in Kaafu atoll'.[6] Secondly, and probably most important, there was a shift from supporting 'Value Chain Companies' (VCC) to 'Value Chain Cooperatives' (VCCO) in 2010 (See below, Paragraph 21). Thirdly, in 2011 there were alterations to the loan agreement essentially recognising the shift from VCCs to VCCOs. Other changes included the deletion of equipment and materials financing from disbursement categories, a reduction in allocations for training, studies and incremental credit were reduced whilst the allocations for recurrent expenditures and salaries were increased. However, the overall loan amount remained the same. There were also minor changes which recognised the difficulties that VCCOs faced in financing activities, and issues arising from the Bank of the Maldives lack of experience in micro-finance. Reflecting these changes, the project logframe was revised on a number of occasions following the 2013, 2015 and 2017 Supervision Missions. Whilst the overall goal and objectives remained broadly the same, mention of increasing the capacity of MOFA was dropped after the MTR and much greater stress was placed on supporting the development of VCCOs.

9. **Intervention logic.** The logic underlying the project was straight forward: that by developing market chains focusing on high quality niche markets where premium prices could be obtained and improving production techniques, the sustainable incomes of small-scale farmers and fish processors would be improved. In the original iteration of the project, improvements in market chains would be gained by support being given to three private sector companies which would act as links between the producers and the consumers as well as giving producers technical assistance and advice. These VCCs would sign marketing agreements with agricultural producer and fish processor cooperatives to ensure high-quality supplies, which would command premium farm gate prices. The VCCs would

[6] PCR (2018).

develop and own specific trademarks which would meet exacting quality and food safety standards, compatible with high end market positioning. In this structure, producers would enjoy the use of specialized equipment financed under the programme and the use of specialized services (e.g. technical training and financial service).[7]

10. **Delivery of outputs.** After VCCs had been abandoned (see below, paragraph 21), the project had two main outputs: the establishment of VCCOs and the provision of credit both to individuals and to the VCCOs.

11. By the time of the PCR, eight VCCOs had been established.[8] Five were concerned with agricultural value chain activities (one with producing compost), and two with fisheries value chains. The final cooperative was a distribution centre in the capital, Male. By the end of the project, none of the VCCOs had reached their break-even points (as determined by their business plans) and only one had achieved 'positive retained earnings'. However, the PCR concludes that, 'there is good potential to achieve this level of financial performance in future', a prediction based on a rapid rise in sales figures. Of the seven VCCOs, five had established market linkages. However, almost 50 per cent of the 21 market linkages were associated with one VCCO.

12. In addition, the project supported fixed investment and the provision of working capital to VCCOs and provided training in financial management to VCCO staff.

13. Finally, some support was given to applied research in 'climate smart' farming methods and evaluation of novel horticultural species.

14. As far as the financial component of the project was concerned, this only became effective after 2016. By the end of 2017 loans had been made to 48 individuals and one VCCO, the majority (33) for greenhouse farming.

III. Review of findings

A. Core criteria

Relevance

15. **Relevance of objectives.** At appraisal, FADIP was broadly in line with both IFAD and government policies. The proposal to support VCCs was consistent with IFAD's strategy to encourage private sector development and partnerships with the private sector, and with IFAD's strategic objective of promoting producers' and processors' access to niche markets. As far as the government was concerned, the project was aligned with the Seventh National Development Plan (2006-2010) and the Agricultural Development Master Plan (2006-2020).[9] Whether it was relevant to the needs of the rural poor is open to question. The reviewer is not aware of any evidence that consultations were held with the inhabitants of the atolls in the project area prior to the inception of the project.[10]

16. **Relevance of design.** Project design was radical in the context of the Maldives both in terms of the establishment of VCCs and in terms of creating a system of microcredit. As far as the VCCs are concerned, these were to be private sector organisations. According to the PCR, the original design involved establishing 'island level cooperatives which would then form and organise VCCs.' VCCs would supply technical support to members of these cooperatives and act as marketing agents for these small-scale producers. They would guarantee the quality of the products and facilitate contractual agreements between producers and buyers. The

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[7] PCR 2018.
[8] In addition, at least two VCCOs had been established but had failed to be run in a satisfactory fashion and thus lost support from the project. In addition, the one VCC which was established was not run in a satisfactory fashion and also lost project support.
[9] President's Report (2007).
[10] There are references to participatory rural appraisal and needs assessment activities in the MTR but no evidence as to what findings were arrived at.

PCR goes on to state that, 'expressions of definite interest in co-investing in the new VCCs were obtained from fish processing and exporting enterprises, tourist resorts and supermarkets.'[11] However, the assumption that private sector companies would be interested in such a venture proved false. In practice only one VCC was established, and this was not successful. This failure suggests that project design failed to recognise the specific issues involved in developing commercial agriculture in the Maldives. Furthermore, it is not clear what benefits the VCCs would gain from the project, their role being limited to acting as agents for small producers.

17. By the time of the MTR in 2012 the project had switched its focus to supporting cooperatives to perform the functions originally ascribed to the VCCs. After 2016 particular stress was placed on instilling a 'business approach' in VCCOs to improve their effectiveness and long-term sustainability. The major assumptions underlying the project were that Maldivian farmers and fish processors were willing to form cooperatives and were able to produce the high-quality products demanded by the final buyers, in particular tourist resorts, on a regular basis.

18. There were also issues concerning the relevance of the proposals for supplying credit to both individual producers and to the VCCs. The microfinance component only got under way in 2016, almost seven years after the project was established. As late as 2015 it is reported that there was almost no interest in credit amongst potential eligible borrowers in the project area.[12] At the same time, the commercial banks had no experience of lending to the FADIP target clients and lacked the credit appraisal techniques needed to overcome information asymmetry as well as the ability to establish alternative systems for loan collateral.[13] There were also institutional problems concerning the role of the Bank of the Maldives and its relationship with MOFA. These difficulties were resolved in the last few years of the project, but the delays indicate a lack of fit between project design and the institutional structure within which it was embedded.

19. **Relevance of targeting**. Targeting was on an area basis, the original atolls selected because they were thought relatively poor. However, the reviewer is not aware of any attempt at carrying out poverty analyses prior to the project being established (or indeed, during the life of the project) nor any attempt to determine whether the type of intervention proposed was suitable for the project areas.

20. **Relevance of design revisions**. There were three main modifications in the original design of the project. The first was the replacement of the VCCs by the VCCOs. According to the PCR, the failure of the VCCs was the result of the political climate in the Maldives not being conducive for the establishment of private ventures in this sector nor for the establishment of public-private ventures.[14]

21. The shift of focus away from the VCCs meant that the VCCOs became the units involved in negotiating contracts with buyers and managing their finances. But given the general lack of experience of VCCO members in such activities, this meant that the PIU had to take on many of the functions previously considered the remit of the VCCs, including training VCCO staff in the management of cooperative ventures and their financial activities as well as developing business plans. Given that there is little history of cooperatives in the Maldives, and given the resources available, this was a major challenge for the PIU.

22. The second major revision, according to the PCR, was much greater stress being placed on the production of viable and realistic business plans for the VCCOs after

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[11] PCR (2018).
[12] According to the 2015 SR this was due to a number of factors: the 9 per cent interest rate being seen as unaffordable for small scale producers, the lack of assets which could be used as collateral, and, for the VCCOs, a lack of clarity over responsibility for repayment.
[13] PCR (2018).
[14] PCR (2018).

2016. All previous business plans were reviewed and revised, and much greater stress placed on the viability of the business models. This involved both inputs into production techniques but also the development of the negotiation skills necessary for the VCCOs to obtain contracts with buyers and training in financial management.

23. The third major revision concerned IFAD's financial inputs into project activities. In the original design the proposal was that 70 per cent of the costs of setting up producer cooperative organisations was to be met by the project with the balance coming from the producers. However, given the novelty of cooperatives in the Maldivian context, this balance proved difficult to achieve and the project shifted to a situation where IFAD met all these costs. Later this support was extended, IFAD also supporting operational costs. The PCR reports that these revisions were accepted by the producer organisations but the PCRV has concerns that these revisions in cost sharing threatens the sustainability of producer organisations after the project closes, if there is no continuing support.

24. As far as financial services were concerned, the lack of experience of micro-finance in the Maldives meant that the Bank of the Maldives was reluctant to become involved. This led to the government agreeing to take on the risk of default. Only after 2016 did the credit component of the project begin to operate.

25. In summary, although the project was relevant to the broad aims of IFAD and the government, it was not based on sound institutional analysis nor relevant feasibility studies. The result was that it had only limited relevance to the specific issues faced by the agricultural and fisheries sectors in the Maldives. Thus relevance is rated as 3, '**moderately unsatisfactory**', the same as the PCR.

Effectiveness

26. As the PCR notes, the length of time between the design and approval of the project and its conclusion (ten years) plus the changes in design of the project (the move from VCCs to VCCOs) and the lack of any systematic determination of end targets means that any comparison of progress against indicators and targets in the logframes is 'challenging'.[15] Furthermore, the available data are concerned with outputs rather than outcomes.

27. In terms of gross numbers, Table 3 indicates the effectiveness of the project in terms of numbers of households and individuals classed as project beneficiaries. This, however, provides little more than a head count of members of the VCCOs.[16]

Table 3
No of beneficiaries

Targets at appraisal and achievement at PCR

Target group	Appraisal targets		Achievement at completion		
	Households	Individuals	Households	Individuals	% of female beneficiaries
Fisheries sector processors	400	2,800	241	472	55
Agricultural producers	800	5,600	1,483	2,904	52
Total	1,200	8,400	1,724	3,324	52

Source: PCR.

[15] PCR 2018.
[16] It is also unclear as to the relationship between households and number of beneficiaries. At appraisal it appears that beneficiaries were thought to number seven per household. At completion it appears that households consisted of 1.95 members.

28. **Value chain development and linkages.** In total, seven VCCOs, plus the cooperative in Male,[17] existed at the time of project completion.[18] All VCCOs had business plans which were revised in 2017 and all had received capital grants, financial support and training inputs in, *inter alia*, financial management. However, only one of these VCCOs was considered self-supporting at the time the PCR was completed.

29. In terms of linkages with buyers, two VCCOs had no linkages at the time of the PCR. The rest had 21 market linkages but 10 of these had been created by one VCCO. Why this one VCCO should have been so successful in creating market linkages is not clear from the available documents.

30. Through the life of the project, only one VCCO appears to have been run successfully: the Addu Meedhoo Cooperative Society. As early as the time of the MTR in 2012 this VCCO was hailed as a 'success story': no other VCCO was able to emulate its success.[19] Basic training on financial management was provided to the VCCOs and follow up on their performance was conducted in the succeeding year. Regrettably, some of the trained staff left their jobs, which caused a setback to the performance of the VCCOs.[20]

31. **Financial services.** The PCR reports that 49 loans were made, one to a VCCO and the remainder to individuals. The loan to a VCCO was to support a water harvesting facility whilst of the rest, the majority were to support greenhouse farming (33) whilst smaller numbers obtained credit to support banana and vegetable production (6), fish processing (4), agricultural inputs (3) and goat farming (1). However, according to the Outcome and Impact Assessment Survey, quoted in the PCR (2018) 'only 50 per cent of the borrowers used the loan for the purpose for which it was borrowed', and instead used the available funds to buy a vehicle, invest in another business unconnected with the project, or simply not used the loan. Furthermore, the PCR reports that 61 per cent of the portfolio was at risk (i.e. over 30 days overdue) and 14 borrowers had defaulted for more than one year.

32. By the end of the project only one VCCO was considered self-supporting, little progress made in the financial services component, and even less in the sub-component concerned with research. Given this, it must be concluded that the likelihood of the project achieving its objectives is low. Thus, the overall effectiveness of the project must be rated as a 2, '**unsatisfactory**' one point below the rating given by the PCR.

Efficiency

33. **Timeline**. The project got off to a very slow start. This was largely due to the failure of the VCC approach. Even after the focus had shifted to VCCOs, progress continued to be slow and three extensions were necessary for the project to produce results. As a result, what was originally conceived as a five-year project took nearly a decade to reach completion. This tardiness was in large part due to the failure of the PIU to be effective in managing the project (see below, paragraph 38).

34. **Cost benefit analysis**. According to the PCR, the overall economic internal rate of return was 16 per cent. The net present value at a 7 per cent discount rate was estimated to be 14.66 million MVR and the benefit cost ratio to be 1.36. At design, the internal rate of return was estimated at 58 per cent, the net present value at 94.23 million MVR and the benefit cost ratio at 1.41. This, as the PCR notes,

[17] This was established in 2017 to act as a centre which the various VCCOs in the islands could use to sell their products.
[18] Nine were established but one failed. Furthermore, Table 4 of the PCR indicates that only six VCCOs (including one fish processing VCCO) were operational by the end of the project.
[19] From the documents, it is not possible to establish why the Addu Meedhoo Cooperative Society was a success. In terms of market linkages, it was totally dependent on one buyer. It is also reported that since the project ended, two other VCCOs are 'doing well'.
[20] PCR 2018.

appears to indicate that the assumptions used to estimate benefits at the design stage were false. The PCR also conducted sensitivity analyses involving delayed realization of benefits and increase of costs. These indicate, according to the PCR, that 'FADIP investments … appear to be risky and vulnerable especially to any decline in benefits.'

35. **Disbursement performance.** By the time of the MTR in 2012 only 8.9 per cent of the budget had been spent. Disbursement continued to be a problem (mentioned for instance in the 2013 SR) and only after 2016 did disbursement speed up. By the end of the project, in August 2018, the disbursement rate stood at 97 per cent according to the PCR. Prior to the MTR, the major issue appears to have been the failure of the VCC approach, but even after the shift to VCCOs, the rate of disbursement was less than expected until the last two years of the project. This appears to have been due to a number of factors including delays in agreements being reached with financial institutions and uncertainties in project design[21] as well as an inefficient disbursement system.[22]

36. **Cost per beneficiary.** Estimating costs per beneficiary is difficult given the different figures given in various documents for numbers of beneficiary households and individuals.[23] At Design, the expected number of beneficiaries was 8,400. The planned cost per beneficiary was US$809 and the cost to IFAD was estimated as US$417. According to the PCR, 1,724 households and 3,324 individuals were beneficiaries. Thus, the total cost per beneficiary was US$1,480, the cost to IFAD being US$1,004. The comparative figure for PT-AFREP, also in the Maldives and active around the same time, totalled US$735.[24]

37. **Project management efficiency.** Figures in the PCR suggest that 5.8 per cent of the total cost of the project was spent on project management. However, 12 per cent of the IFAD contribution is estimated to have supported project management. The PCR and various Supervision Reports (e.g. 2016) comment on the weakness of financial controls, issues concerning the accuracy and completeness of financial data and the relationship between budgets and actual expenditure.

38. The PIU faced a major challenge with the decision to support the formation of VCCOs rather than VCCs. This involved the PIU having to deliver services and support to producers which had not been envisaged in the original project plans and, as noted in the 2016 SR, led to an overly dependent relationship between VCCOs and the PIU.

39. The SRs raise a series of criticisms of the PIU. In 2013 it was seen as risk averse and failing to support the VCCOs; in 2015 it lacked the capacity to produce good business plans; in 2016 it continued to lack capacity and was inadequately staffed. The PIU at times lacked suitably trained staff as well as having to deal with high staff turnover. This led to poor financial management and an inability to provide the VCCOs with suitable support. After 2016 there were improvements, notably involving PIU staff spending more time in the field.

40. In sum, from various perspectives project efficiency has been relatively low. Much of this is the result of a change in focus from VCCs to VCCOs and the difficulties that this presented the PIU. It was further eroded by a lack of suitable skills amongst PIU staff. In the latter stages of the project efficiency did improve but there were continuing problems, notably in financial management and monitoring

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[21] MTR 2012.
[22] SR 2016.
[23] The most recent Results and Impact Management System available data give the number of beneficiary households as 1,904 and beneficiary individuals as 3,603. The 2018 SR lists 1,845 households, whilst the PCR gives the figures as 1,724 households and 3,324 individuals. There is also a problem in relating numbers of individuals to numbers of households. At appraisal the ratio appears to be 7:1 and presumably relates to the average household size. But in the 2016 Results and Impact Management System data the ratio between the two is 1.89:1 and in the PCR as 1.95:1. How these figures are arrived at is not clear.
[24] IFAD 2017.

of project progress. Overall, efficiency was '**unsatisfactory**', a 2, compared with the rating of the PCR which was 'moderately unsatisfactory', 3.

Rural poverty impact

41. **Household income and assets**. The only evidence available on this topic comes from the 2018 'Outcome and Impact Assessment Survey' (2018) cited in the PCR. At face value, this appears to indicate that incomes of project beneficiaries have risen, and that the poorest and the richest have benefited most. The figures presented in the PCR are difficult to interpret but they seem to indicate that 14 per cent of the poorest households show a rise in incomes whilst 12 per cent of the richest benefited in terms of incomes. Household assets such as the ownership of refrigerators and bicycles also increased. But the PCR goes on to note that, 'These increases in incomes can not be attributed to FADIP interventions at all'. The PCR also presents data on stunting, wasting and underweight indicators amongst children but acknowledges that the data are suspect in that there was no baseline and household sampling was likely to have a sampling error.

42. **Human and social capital and empowerment**. Especially in the later stages of the project, considerable effort went into building the capacity of members of the VCCOs to manage their organisations, develop basic business and negotiating skills and gain the ability to run the financial aspects of the cooperatives. How successful these have been is unclear. Some limited evidence is available concerning the financial management of the VCCOs and this is reported as being 'very weak'. These figures refer to 2015 but even the 2018 SR reports that 'capacities still need to be strengthened'.

43. As far as social empowerment is concerned, little evidence was made available to this reviewer. The 2018 SR claims that the involvement of 1800 households spread over seven islands indicates that there is a desire to 'improve social cohesion', but there is no evidence to support this view nor that 'social cohesion' improved. How VCCOs are actually run is not mentioned in any of the documents although the 2016 SR reports that only a small number of members are 'running the show' and the 2018 SR refers to the need to strengthen the 'voice' of VCCO members. There is also the issue of foreign labour being employed to do the actual farming. This is raised by the MTR but not mentioned in subsequent reports. Most agricultural work appears to be done by migrants from South Asia, incomes from agricultural labour being too low to attract Maldivians.

44. **Food security and agricultural productivity**. The project aimed to increase the incomes of islanders through improving techniques of production and marketing facilities not through increasing production for direct consumption. As the PCR states, 'all households have access to food and no hungry seasons were reported by the outcome survey'. There is some evidence that the project succeeded in raising levels of production amongst members of the VCCOs, partly through technical innovations such as drip irrigation and partly through creating market linkages. Beneficiaries reported that access to markets had improved through the use of cold storage, better transport and improved knowledge of consumers' preferences. At the same time, the PCR points out that at times the VCCOs could not compete on price with imported sources of fresh fruit and vegetables.

45. **Institutions and policies**. The PCR considers the development of the VCCO model as the 'key result' of FADIP. Grant support plus access to credit and 'feasible business plans', could become, it considers, a 'benchmark or standard model for engagement with, or provision of support, to cooperative development'. However, no evidence is presented in the documents available to this reviewer which support this view nor is any evidence presented that this model has or is influencing activities elsewhere in the Maldives. The PCR claim that the project has had a

policy impact by reinforcing 'government policy in support of cooperative development' is presented without any supporting evidence.[25]

46. **Summary.** Given the paucity and unreliability of the available data, it is extremely difficult to arrive at a clear conclusion as to the impact of the project on rural poverty either in terms of income or assets. Overall, it is probable that there has been a positive impact, but this has been variable. Given these issues, '**moderately unsatisfactory**', a 3, is probably a fair judgement and is the same as the PCR.

Sustainability of benefits[26]

47. **Institutional sustainability.** The 2018 SR estimated that by project completion, only one VCCO would be operationally self-sufficient. Even so, the PCR (quoting the 2017 SR) expected that seven VCCOs would attain self-sufficiency 'in the medium term'. This reviewer is not aware of any hard evidence to indicate that any VCCOs were self-sufficient at project completion nor is there any evidence which indicates the likelihood of this in the future. Indeed, the PCR makes clear, the VCCOs need 'continued support for building of institutional capacity in order to address the sustainability of the VCCOs as viable business enterprises.' However, it should be added that all VCCOs now have operational by-laws and operation manuals.

48. **Political sustainability**. Although the government through MOFA and the Bank of the Maldives supported the project, there is no evidence that there are plans in place for future support to the sector despite the obvious need to strengthen aspects of VCCO organisation. Although there is hope that the VCCO model of business-oriented cooperatives could and should become the model for cooperative development in the Maldives, the reviewer has not been made aware of any evidence that this has happened at a political level.

49. **Social sustainability**. The long-term success of this project depends upon the ability of the VCCOs to continue to exist in an effective fashion, negotiate contracts with buyers and produce quality products. Although there is evidence that, following the reforms of the project brought into play after 2016, the VCCOs are becoming more effective, there is no evidence that these improvements will continue after the end of the project nor that the VCCOs are functioning in an effective fashion. What little evidence is available in the documents indicates that there are issues as to how far members are allowed 'voice' and actively participate in the management of the VCCOs.

50. **Economic and financial sustainability.** With only one VCCO being self-sustaining in financial and economic terms at the time the project closed, it is probably optimistic to see the other VCCOs being economically and financially self-sustainable in the long run, and their future existence will probably depend on further funding or technical assistance. The relevant paragraph of the PCR (which actually refers to the situation discussed by the MTR in 2012) indicates that there are uncertainties as to land rights which may discourage investment. There is no evidence on the willingness of buyers to continue to engage in long-term contracts with VCCOs and their members and the PCR notes that issues concerning reliability, continuity and quality make resorts reluctant to depend on the VCCOs. Without continuing support, it is difficult to see how the VCCOs can have a long-term future.

51. Overall, sustainability is rated as **unsatisfactor**y (2) compared with the PCR's rating of 3.

[25] The paragraph in the PCR dealing with this topic reproduces the relevant paragraph of the MTR.
[26] There are problems with the section of the PCR which covers sustainability. Of the six relevant paragraphs, two reproduce sections of the 2017 SR and three reproduce paragraphs from the 2012 MTR.

B. Other performance criteria

Innovation

52. The project concept was highly innovative. The original conception of three private companies (VCCs) acting as intermediaries between small-scale producers and markets for high quality, was extremely original, but unfortunately was unsuitable for this particular context. The replacement of the VCCs with the VCCOs was also highly innovative in Maldivian context. Producers' cooperatives or indeed any form of cooperative was novel and in principle provided a means of linking producers to markets and increasing rural incomes. Where successful linkages were created, these do seem to have encouraged farmers to innovate in terms of crops grown, methods used and sources of inputs. What is not clear from the documents is the scale of these innovations.

53. Secondly, the project was innovative in introducing the concept of micro-credit to both agricultural producers and the fisheries sector in the Maldives, but the take-up rate was low.

54. Overall, the project was innovative if unrealistic, and thus is rated as '**moderately satisfactory**' (4) the same as the PCR.

Scaling up

55. As yet, there is little evidence from the project documents that the models developed by the project, in particular use of a business plan model to make cooperatives more commercially oriented, have had any impact outside the project. Even so, there were hopes that these models would become 'a benchmark or "standard" model for engagement with, or provision of support to, cooperative development'.[27] This may be so, but no evidence is presented in the PCR that this hope is about to be realised and no analysis presented concerning the issues and challenges which implementing this model would involve. More generally, no exit strategy was ever formally elaborated to provide a basis for scaling-up after project completion.

56. Given the lack of progress in this area, 'potential for scaling up' is rated as '**unsatisfactory**' (2) compared with the PCR's ranking of 'moderately satisfactory' (4). The PCR's rating of 4 as justified by the argument that the cooperative development model and the facilitation of access to financial services offer important lessons for future projects. However, this cannot be considered as scaling up according to IFAD's definition.

Gender equality and women's empowerment

57. The President's Report placed considerable stress on gender concerns and the role of women in the project. One of the targets of the project was 'vulnerable women': over 50 per cent of beneficiaries were to be women and women's development committees were to be formed. Priority was to be given to women in training and women would be encouraged to take on leadership roles. Priority was also to be given to qualified women in appointments to project staff positions where, all things being equal, preference would be given to female candidates.

58. In practice, the picture which emerged during project implementation was very mixed. After the shift from VCCs to VCCOs, efforts were made to ensure women's participation. The MTR reports that each management committee had to have two female members and FADIP shares in the cooperatives were distributed on a 60:40 basis to women and men. According to the 2018 SR, 66 per cent of trainees were women and 62 per cent of loans to individuals went to women, whilst the PCR reports that 55 per cent of beneficiaries in the fisheries sector and 52 per cent in

[27] PCR 2018, SR 2017.

the agricultural sector were women.[28] Furthermore, 'some of the activities promoted by the cooperatives are quite favourable to women's participation'.

59. Despite these figures, from the time of the MTR onwards there are continual criticisms of the degree to which women have an active role in the VCCOs. The MTR states that women's involvement in executive committees 'appears constrained'. In 2013 the SR can find no evidence that women are involved in cooperative business activities, especially leadership and decision making, and this conclusion is echoed in the 2015 SR.[29] This SR recommends that each VCCO should produce a 'gender and social inclusion plan', but as late as 2017 these had not been produced and there is no evidence that they ever were. The last SR, in 2018 recommends that there should be a gender analysis in the Impact Survey, but again, no evidence was presented to this reviewer that this was produced or what it contained.

60. As far as project management is concerned, despite the express statement in the President's Report that women should have priority in appointments, there is no evidence that this occurred, and no data are available to come to a firm conclusion as to the gender balance in the PIU. However, visits to the PIU in connection with the Project Performance Evaluation of PT-AFREP did indicate that women were employed in senior positions in the PIU.

61. In sum, although an attempt was made to include women as beneficiaries of the project, little systematic effort appears to have been made to ensure that they had access to positions of authority within either the VCCOs or project administration, and as such female empowerment was considerably constrained. What was lacking was a systematic approach to gender and issues concerning the empowerment of women.

62. Overall, the project's record in this area is rated as '**moderately unsatisfactory**' (3) compared with the PCR ranking of 4.

Environment and natural resources management

63. The PCR pays little attention to environment and natural resource management, arguing that 'VCCOs have no negative effect'. This is probably the case: there is little evidence in the SR reports or elsewhere of any effects, either positive or negative, on the environment and natural resources. However, given the fragile state of the environment in the Maldives, it is perhaps surprising that more attention was not paid to environmental and natural resource issues. To a certain extent these were raised in the MTR which raised the potential problem arising from wood being used to produce Maldive fish and, presumably, the potential this might have on the very limited wood supplies in the Maldives. It also raised the issue of the potential over-use of inorganic fertilizers. These issues do not seem to have been taken up. On the plus side, however, note should be taken of one VCCO's efforts to produce compost. There was also training in soil and water conservation and in dealing with fish waste.[30]

64. In sum, a rating of '**moderately satisfactory**' (4) is appropriate, the same as that given in the PCR.

Adaptation to climate change

65. Again, the PCR pays little attention to this issue.[31] Again, in some ways this is surprising given that the Maldives is extremely susceptible to the effects of climate change. On the other hand, as a series of SRs point out, project activities could be described as 'climate smart' in that they did not contribute to climate change (at

[28] The source of these figures is not given.
[29] To be fair, this SR does mention one exception, the *Funaadhu* Development Cooperative Society, which produces taro chips.
[30] SR 2013.
[31] The paragraph in the PCR covering this is identical to that covering environment and natural resource management.

least in any appreciable way) and are resilient to climate change (at least in the short run). Furthermore, given that many activities aim at producing for local tourist markets, it could be argued that they are reducing the need for long distance transport and the negative impacts this can have on climate change.

66. Again, a rating of '**moderately satisfactory**' (4) is appropriate which concurs with that given by the PCR.

Overall project achievement

67. This was an ambitious and innovative project and if it had succeeded, it would have had a major impact not only in the Maldives but as a model for emulation elsewhere. But it was poorly conceived and poorly implemented. As far as project planning was concerned, VCCs were not viable within the Maldivian context at the time the project was established, and it is difficult to see what evidence there was to support such an intervention. VCCOs were perhaps a more realistic approach but even so there was no tradition of cooperatives in the Maldives on which to build, and they did not receive the support which might have made their activities viable. Whilst an interesting and innovative approach, the implications for the PIU of establishing and supporting the VCCOs was not fully appreciated. Finally, the financial component of the project was similarly based on a lack of understanding of the problems that involving entities such as the Bank of the Maldives would involve.

68. There were also problems in project implementation. The PIU lacked the capacity to effectively support the VCCOs. Despite continual comments from successive SRs, it was only in the final two years of the project that the PIU became effective.

69. Over the life of the project market linkages were created, mainly between VCCOs and tourist resorts, and output of marketable commodities did grow. But after ten years, only one VCCO was considered to be financially viable. Overall, the PCRV rates project achievement as a '**moderately unsatisfactory**' (3).

C. Performance of partners

70. **IFAD. Project design was poor.** It was based on a series of false assumptions, presumably shared with the Maldivian partners, most notably that there was an interest amongst potential partners in establishing VCCs and both a demand for micro-credit and the means of delivering it. The shift in emphasis to VCCOs was sensible and did lead to a more cohesive and realistic project.

71. **IFAD made major efforts to improve the effectiveness and efficiency of the project.** From the MTR onwards, Supervision Reports were meticulous and clearly recognised the issues the project was facing.[32] However, many of the recommendations made in these reports were either not acted upon or were delayed in their implementation. As the PCR notes, 'Stronger action and more clarity and regularity of communication with national authorities may have better served the project'.

72. **IFAD did attempt to be responsive to the needs of beneficiaries.** Thus, all Supervision Missions visited at least one VCCO and attempted to identify the problems faced by VCCO members and officials. But this did not lead to a greater sense of ownership and drive on the part of the VCCOs.

73. In summary, IFAD performance is rated as '**moderately unsatisfactory**' (3)

74. **Government.** The Government of the Maldives performance was mixed. Whilst overall it was supportive of the project, gave it financial backing and was willing to

[32] According to the main text of the PCR, there were ten supervision missions, one mid-term review and one 'Implementation Support Mission'. However, in an Appendix, the PCR refers to eight supervision missions and eleven follow up missions. Although the MTR took place in 2012 the report is dated 2015. However, the 2012 SR is identical with the MTR.

adjust to a shift in orientation of the project, there were areas where performance was not satisfactory.

75. Throughout the life of the project the performance of the PIU was weak. Through most of the project, MOFA appears to have been unable to take decisions and implement them in a timely fashion and there was a lack resolve to implement supervision mission recommendations. This was exacerbated by the lack of qualified staff and at times a high turnover of staff. Until late in the project it was exacerbated by a tendency to avoid visiting project sites. Financial management was weak and monitoring and evaluation poor (see above paragraph 37).

76. Government was slow to deal with issues concerning the financial services component of the project. The result was that action to deal with these problems was delayed until the final two years of the project and even then, does not seem to have supported the sorts of productive investment the project was designed to address. However, over these final years MOFA has been much more responsive to suggestions from IFAD missions and has encouraged the PIU to work in a more proactive manner. MOFA has also been providing counterpart funds in a timely fashion and undertaking critical reviews of the progress of the project.

77. In summary, government's performance is rated as '**moderately unsatisfactory**' (3).

IV. Assessment of PCR quality

Scope

78. The PCR is a comprehensive overview of the project. It covers the key questions identified in the PCR guidelines and on the whole presents the description and analysis in a clear fashion. Overall, the scope of the PCR is '**satisfactory**', (5).

Quality

79. The quality of the PCR is uneven. There is a very detailed economic and financial analysis, but less information is given on how the project was seen by the beneficiaries. There is a rather worrying use of material from previous reports (stretching back to the MTR in 2012) which is presented without reference and thus appears to refer to the situation in 2018. This is particularly noticeable in the section on sustainability. Finally, it is often difficult to reconcile figures in different sections of the report, and between the report and other sources of information.

80. Given these issues, the quality of the PCR has to be seen as '**moderately unsatisfactory**' (3).

Lessons

81. The PCR ends with a long list of lessons learnt. Most of these are very specific to the Maldivian context (e.g. the need for a National Land Management Policy) whilst others are of general import – and often obvious (e.g. that women are effective managers). Perhaps the most important are:

    a. Creating organisations such as VCCOs requires considerable time in terms of financial support and monitoring.

    b. 'Social auditing' is key in preventing abuse of office within cooperatives.

82. Overall, the list of lessons learnt warrants a rating of 4: '**moderately satisfactory**'.

Candour

83. Overall, the PCR is a reasonable attempt at candour. However, there are certain problems which have been alluded to above. These include:

    a. The tendency to present material from earlier reports as if they refer to the situation in 2018. No justification is given for this.

b. The claim that major achievement of the project was the development of the VCCO model is questionable given that only one VCCO appears to be financially viable and its success appears to predate the project.

c. A tendency to contrast what is seen as the successes of later years with the failures of early years in the life of the project.

84. However, whilst there are such issues, the PCR does present data, which allows for a judgement on its conclusions to be reached. Given these issues, a rating of '**moderately satisfactory**' (4) is appropriate.

V. Final remarks and lessons learnt

Final remarks

85. FADIP was an extremely ambitious project in terms of the Maldivian context. Introducing commercial agriculture and developing value chains was innovative and challenging. The overall result was, however, disappointing. By the time the project ended, only one VCCO was functioning in a sustainable manner and how far its success was a matter of project interventions is an open question. It is extremely doubtful that the model of commercially oriented cooperatives involved in dynamic value chains is appropriate to the Maldives, at least in the fashion adopted by the project.

86. There was no investigation of poverty in the Maldives either before or during the project which could be used to identify those most in need of assistance and might have produced a project. That agriculture in the Maldives appears to be largely carried out by non-Maldivian migrant labour only complicates the picture. Project beneficiaries appear to be those who had the resources, both physical and social, to take advantage of project interventions to increase their incomes whilst productive activities continued to be carried out by relatively poor migrant labour.

Lessons Learned

87. There are two major lessons to be learnt from this project, neither new. The first is the importance of effective planning. This project was based on a misunderstanding of the situation in the Maldives and was premised on the belief that VCCs were viable, and that there was a demand for small-scale credit amongst island farmers and fish processors. Both were wrong, but both could have been avoided if project identification and planning had been carried out in a more effective fashion.

88. The second lesson from this project is that projects have to be managed in an effective fashion. In this case the PIU appears to have been overwhelmed by what was demanded of it, with the result that the recommendations of successive SRs were not acted upon.

89. The third lesson, following on from the last, is the importance of effective coordination between IFAD and the host government. Progress in the early years of this project was highly unsatisfactory partly because of the failure by IFAD and the government to communicate effectively and address issues in a timely fashion.

90. Finally, whilst cooperatives are frequently an effective form of intervention, in situations where there are no factors predisposing local producers to work in a cooperative fashion, introducing cooperatives may not be viable in the short run and a much longer timescale may have to be adopted.

Definition and rating of the evaluation criteria used by IOE

Criteria	*Definition* *	*Mandatory*	*To be rated*
Rural poverty impact	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.	X	Yes
	Four impact domains		
	• Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time.		No
	• Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process.		No
	• Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition.		No
	• Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.		No
Project performance	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.	X	Yes
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.	X	Yes
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.	X	Yes
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.	X	Yes
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.	X	Yes
Other performance criteria			
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods.	X	Yes
Innovation	The extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.	X	Yes
Scaling up	The extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies.	X	Yes
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide.	X	Yes
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.	X	Yes

Criteria	*Definition* *	*Mandatory*	*To be rated*
Overall project achievement	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change.	X	Yes
Performance of partners			
• IFAD • Government	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.	X X	Yes Yes

* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

Rating comparison[a]

Criteria	*Programme Management Department (PMD) rating*	*IOE Project Completion Report Validation (PCRV) rating*	*Net rating disconnect (PCRV-PMD)*
Rural poverty impact	3	3	0
Project performance			
Relevance	3	3	0
Effectiveness	3	2	-1
Efficiency	3	2	-1
Sustainability of benefits	3	2	-1
Project performance[b]	3	2.4	-.6
Other performance criteria			
Gender equality and women's empowerment	4	3	-1
Innovation	4	4	0
Scaling up	4	2	-2
Environment and natural resources management	4	4	0
Adaptation to climate change	4	4	0
Overall project achievement[c]	**3**	**3**	**0**
Performance of partners[d]			
IFAD	3	3	0
Government	3	3	0
Average net disconnect			**-0.5**

[a] Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.
[b] Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.
[c] This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender, innovation, scaling up, environment and natural resources management, and adaptation to climate change.
[d] The rating for partners' performance is not a component of the overall project achievement rating.

Ratings of the project completion report quality

	PMD rating	*IOE PCRV rating*	*Net disconnect*
Candour		4	
Lessons		4	
Quality (methods, data, participatory process)		3	
Scope		5	
Overall rating of the project completion report		4	

Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

Abbreviations and acronyms

FADIP	Fisheries and Agriculture Diversification Programme
IFAD	International Fund for Agricultural Development
MVR	Maldivian Rufiya
MOFA	Ministry of Fisheries, Agriculture and Marine Development
MTR	Mid Term Review
PCR	Project Completion Report
PIU	Project Implementation Unit
PT-AFREP	Post-Tsunami Agricultural and Fisheries Rehabilitation Programme
SR	Supervision Report
VCC	Value Chain Companies
VCCO	Value Chain Cooperatives

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Supervision Reports prior to 2012 were not made available to the reviewer, nor was the 'Outcome and Impact Assessment Survey' reportedly carried out in 2018.