

## India

---

### **Fostering Climate Resilient Upland Farming Systems in the North East (Mizoram and Nagaland States)**

#### **Partial Supervision Report**

Mission Dates: 6 December to 20 December 2022

Document Date: 11/02/2023

Project No. 2000001421

Report No. 6410-IN

Asia and the Pacific Division  
Programme Management Department



## Abbreviations and Acronyms

<b>AOS</b>	Annual Outcome Survey
<b>AWPB</b>	Annual Work plan and Budget
<b>CAHW</b>	Community animal health worker
<b>CCA</b>	Community Conservation Area
<b>CRP</b>	Community Resource Person
<b>CSS</b>	Centrally Sponsored Schemes
<b>DEA</b>	Department of Economic Affairs
<b>DMU</b>	District Project Management Unit
<b>DPCC</b>	District Project Coordination Committee
<b>DPM</b>	District Project Manager
<b>DPMU</b>	District Project Management Unit
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>FIGs</b>	Farmer Interest Groups
<b>FOCUS</b>	Fostering Climate Resilient Upland Farming Systems in the Northeast
<b>FPO/C</b>	Farmer Producer Organization/Company
<b>HH</b>	Household
<b>ICAR</b>	Indian Council of Agricultural Research
<b>IFR</b>	Interim Financial Reports
<b>MiRSAC</b>	Mizoram Remote Sensing Application Centre
<b>MSP</b>	Multi-Stakeholder Platform
<b>MTR</b>	Mid Term Review
<b>NCB</b>	National Competitive Bidding
<b>NoC</b>	No Objection Certificate
<b>PIM</b>	Project Implementation Manual
<b>PIT</b>	Project Implementation Team
<b>PMU</b>	Project Management Unit
<b>PoP</b>	Package of (technical) Practices
<b>PSC</b>	Project Steering Committee
<b>QCBS</b>	Quality and Cost Based Selection
<b>RFQ</b>	Request For Quotation
<b>SECAP</b>	Social, Environmental and Climate Assessment Procedures
<b>SoCRAM</b>	Society for Climate Resilient Agriculture in Mizoram
<b>SoCRAN</b>	Society for Climate Resilient Agriculture in Nagaland
<b>SOE</b>	Statement of expenditure
<b>SPD</b>	State Project Director
<b>SPMU</b>	State Project Management Unit
<b>SWC</b>	Soil and Water Conservation
<b>TA</b>	Technical Assistance
<b>TRC</b>	Terrace Rice Cultivation
<b>WA</b>	Withdrawal Application
<b>WRC</b>	Wet Rice Cultivation

## A. Project Overview

Region: Asia and the Pacific Division Project at Risk Status: Potential problem  
 Country: India Environmental and Social Category: Substantial  
 Project Name: Fostering Climate Resilient Upland Farming Systems in the North East (Mizoram and Nagaland States) Climate Risk Classification: Moderate  
 Executing Institution: Nagaland Civil Secretariat  
 Implementing Institutions: not available yet  
 Project ID: 2000001421  
 Project Type: Storage, processing and marketing  
 CPM: Han Ulac Demirag  
 Project Director: not available yet  
 Project Area: not available yet

Approval Date: 11/12/2017 Last audit receipt: 01/10/2022  
 Signing Date: 25/01/2018 Date of Last SIS Mission: 12/01/2023  
 Entry into Force Date: 25/01/2018 Number of SIS Missions: 8  
 Available for Disbursement Date: 13/04/2018 Number of extensions: 0  
 First Disbursement Date: 13/04/2018 Effectiveness lag: 1 month  
 MTR Date: 11/11/2021  
 Original Completion Date: 31/03/2024  
 Current Completion Date: 31/03/2024  
 Financial Closure: not available yet

### Project total financing

<b>IFAD Financing breakdown</b>	Asia and the Pacific Division	\$550,000
	IFAD	\$32,100,000
	IFAD	\$36,650,000
	Asia and the Pacific Division	\$450,000
<b>Domestic Financing breakdown</b>	Beneficiaries	\$6,271,900
	Other Local	\$53,777,900
	National Government	\$28,469,600
	Local Government	\$3,444,800
<b>Co-financing breakdown,</b>		
<b>Project total financing:</b>		<b>\$161,714,200</b>

### Current Mission

Mission Dates: 6 December to 20 December 2022  
 Days in the field: 15 days  
 Mission composition: Mr. Alok Kumar (Agribusiness and Rural finance specialist);  
 Mr. Norpulat Daniyarov (Regional Finance Officer, IFAD);  
 Mr. Amit Chhabra (Country Programme Assistant, IFAD India, M&E focal); Mr. Koji Arisawa (JPO IFAD India).  
 Field sites visited: Nagaland - Kohima, Longleng, Phek and Zunheboto districts And for Mizoram - Serchhip and Kolasib districts

## B. Overall Assessment

Key SIS Indicator #1	∅	Rating	Key SIS Indicator #2	∅	Rating
Likelihood of Achieving the Development Objective		3.82	Assessment of the Overall Implementation Performance		3.5

Effectiveness and Developmental Focus		4	Project Management		4
Effectiveness		3	Quality of Project Management		4
Targeting and Outreach		4	Knowledge Management		5
Gender equality & women's participation		4	Value for Money		3
Agricultural Productivity		4	Coherence between AWPB and Implementation		3
Nutrition		N/A	Performance of M&E System		4
Adaptation to Climate Change		4	Social, Environment, and Climate Standards requirements		3

Sustainability and Scaling-up		4	Financial Management and Execution		3
Institutions and Policy Engagement		4	Acceptable Disbursement Rate		3
Partnership-building		4	Quality of Financial Management		3
Human and Social Capital and Empowerment		4	Quality and Timeliness of Audit		3
Quality of Project Target Group Engagement and Feedback		3	Counterparts Funds		4
Responsiveness of Service Providers		4	Compliance with Loan Covenants		4
Environment and Natural Resource Management		3	Procurement		3
Exit Strategy		5			
Potential for Scaling-up		4			

<b>Relevance</b>		<b>4</b>
------------------	--	----------

## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

1. FOCUS is a six-year project which was approved in December 2017 and became effective on 25 January 2018 but started implementation with a delay of about one year and is scheduled for completion on 31 March 2024.
2. FOCUS-Mizoram has a total project outlay of USD 79.30 million and funded by an IFAD loan of USD 35.30 million and an IFAD grant of USD 0.45 million. In addition, the project is funded by the Government of Mizoram (GoM) with co-financing of USD 11.14 million, parallel financing through Central Sector Schemes (CSS) of USD 14.98 million, parallel financing of CSS by GoM of USD 1.98 million, convergence funding of USD 13.13 million and beneficiary contribution of USD 2.37 million. Based on savings realized due to exchange rates, a cancellation of USD 3.2 million (Mizoram) was processed from IFAD loan.
3. FOCUS-Nagaland has a total project outlay of USD 90.06 million (IFAD loan of USD 40.25 million, IFAD grant USD 0.55 million, the Government of Nagaland (GoN) USD 17.42 million, parallel financing through Central Sponsored Schemes (CSS) of USD 13.26 million, parallel financing of CSS by GoN of USD 1.55 million, convergence funding of USD 13.13 million and beneficiary contribution of USD 3.9 million). Based on savings realized due to exchange rates, a cancellation of USD 3.6 million (Nagaland) was processed from IFAD loan.
4. In Mizoram, the project covers 6 out of 11 districts namely Kolasib, Mamit, Serchhip, Champai, Saitual and Khawzawl. And in Nagaland 8 out of 11 districts namely Mon, Longleng, Zunheboto, Wokha, Kiphire, Mokokchung, Phek and Kohima(now bifurcated into two –Kohima and Tseminyu).
5. The goal of the project is to increase the agricultural income of 173,000 households (118,000 and 55,000 HHs respectively in Nagaland and Mizoram) and enhance their resilience to climate change. The project objective is to increase the environmental sustainability and profitability of farming systems practiced by highland farmers.
6. The project is in penultimate year of implementation and the current calendar year started with an ISM in March 2022, followed by two technical support missions in June 2022, and October 2022 took place and in between a SM in August and September was fielded. The partial supervision mission is fielded as the project is in problem project status.
7. The objectives of this partial Supervision Mission (PSM) are to: (i) review the physical and financial progress of the project against project targets; (ii) review the progress made so far, against the Annual Work Plans and Budgets and Procurement Plan, as well as actions taken on the recommendations of last SM of 2022 and Implementation Support Mission (ISM); (iv) review the project progress on key components particularly against recommendations and agreed actions during previous SM (SM, ISM and technical support mission); (v) review the progress made in ensuring fund flow for project implementation; (vi) review institutions and policy engagement; (v) Review of coherence between AWPB and implementation; (vi) review potential of scaling-up; (vii) review project exit strategy and sustainability; and (viii) Make recommendations to improve project performance and likelihood of achieving development objectives.
8. In Mizoram, the field visit took place from 7<sup>th</sup> to 8<sup>th</sup> December 2022, and the mission covered two districts. The mission interacted with key stakeholders including farmers, Deputy Commissioners (DC<sup>[1]</sup>s) at district level and respective line department's directors. The Mission met the honourable Chief Minister of Mizoram and the Finance commissioner. Finally, the mission had a wrap up meeting with Mr J. Hmingthanmawia, IAS, Secretary of Agriculture on 13 December 2022 in the presence of State Project Director and other Deputy Directors in the PMU.
9. In Nagaland, field visit took place from 15<sup>th</sup> to 16<sup>th</sup> December 2022, and team managed to visit four districts. The mission interacted with key stakeholders including farmers, DCs, respective line department's directors and the Finance commissioner. Finally, the mission had a wrap up meeting with Mr R. Binchilo Thong, IAS, Agriculture Production Commissioner<sup>[2]</sup> on 19 December 2022.
10. The findings and agreed actions of the PSM are recorded in this report and shared with the FOCUS management team. IFAD country office briefed the outcome of the mission to Dr Prasanna V. Salian, IES, Director, Department of Economic Affairs (DEA), Ministry of Finance on 20th January and DEA endorsed the findings. The mission expresses deep appreciation for the collaboration extended by the state government and the FOCUS teams.
11. <sup>[1]</sup> Deputy Commissioner of a district is the executive head of the district with multifarious responsibilities relating to development, panchayats, local bodies, civil administration, etc. They are also the chairperson of the FOCUS District Level Coordination Committee.
12. <sup>[2]</sup> Mr. R. Binchilo Thong, is the new APC who took over from the Mr. Y. Kikheto Sema, during the mission

### Key Mission Agreements and Conclusions

13. The Mission is pleased to note the progress made since the last SM, specifically in grading FIGs, component 1 activities specifically soil improvement activities such as low cost bunding, half-moon terracing, bench terracing; and hiring service providers for FPO formation. Also, preparatory work has been completed to launch the call for proposals for the Market Access Facility and Innovation Fund, pivotal activities in component 2, on which other significant activities hinge.
14. Moreover, the Mission notes that 49% of the activity under AWPB 2022-23 is planned for the third and fourth quarter precursor to Kharif Season and may achieve most of AWPB targets. With the consistent and close engagement of the PDT bearing fruits, a

trend of improving engagement and performance is visible in the improved rating of 11 performance indicators during the SM in August and further improvement in indicators reviewed during the current PSM, the continued handholding and support by IFAD ICO, will likely enable the project to move out of problem status before its completion.

15. The Mission logs that the next two quarters are critical for the project, which was emphasized during the warp-up, and necessary agreements reached to enable the project to achieve the objectives were:
- **Financial Management**
    - **Fund release:** The Slow or below-par release of funds from the state's finance department is a significant concern given the coming financial year is the last year of project implementation and most of the activities for the financial year 2022-23 are scheduled for the 3<sup>rd</sup> and 4<sup>th</sup> quarter implementation. Therefore, the mission met Finance Commissioner of both the states to come to an arrangement that can ensure adequate release of funds to PMU. As an outcome of the meeting, Finance Commissioner of the Mizoram assured to release INR 150 million (\$2million) every quarter till the end of the project. As well, Nagaland Finance Commissioner also assured fund release provided the PMU disburse the funds. Furthermore, in Mizoram, mission leader during a meeting with the Honourable Chief Minister of the state, briefed about the performance of the project and discussed importance of adequate fund allocation for successful implementation. The Chief Minister acknowledged the importance of fund release and assured the support of state's finance department. While flow of fund from state authority to PMU is important, the timely release of funds to DPMU is of equal importance. Mission observed that release of funds from PMU to DPMU is not timely that also impacts the implementation and achievement of quarterly targets. It was agreed that PMU will ensure that DPMUs receive monthly allocations within five working days from the start of the respective month.
    - **Financial Management within Mizoram PMU:** The financial management needs to be improved along with the flow of funds to support the project activities. Progress on crucial FM arrangements and systems as agreed during last SM has been slow. It was agreed that PMU will obtain services of internal auditors to rectify and put in place all the internal control systems along with the audit observations by March 2023.
    - **Partial Cancellation:** One of the objectives of the mission was to review the preparation of the draft AWPB for financial year 2023-24 and based on projects' capacity to absorb the remaining IFAD loan amount till project completion and the funds requirement during the closure period to arrive at an amount that can be partially cancelled from the remaining loan amount. The Mission notes as per the estimates, PMUs and State Governments will submit to Department of Economic Affairs, Government of India a request to cancel US\$ 9 million and USD 11 Million of IFAD funds from FOCUS Mizoram and Nagaland respectively. Though these figures may vary slightly once the budgetary requirement for AWPB for FY 2023-24 is formalised. The agreed deadline to initiate the process is 31<sup>st</sup> January 2023;
  - **Time-sensitive activities:** the Mission notes that 49% of AWPB for FY2022-23 activities are planned for the third and fourth quarters. The civil works, agriculture activities, soil conservation and market access facility are time sensitive as the precursor to the Kharif season, needs to be prioritized. Further many of the activities like works for soil and water conservation activities can only be done in dry season. And for both the states, rains starts as early as June and continue till September end and with forthcoming state assembly election, model code of conduct<sup>[1]</sup> will come into force during the dry season that may hamper the implementation of such activities for Nagaland in 4<sup>th</sup> Qtr of FY22-23 and for Mizoram 3<sup>rd</sup> Qtr of FY 23-24. Keeping in mind the timing of monsoon, election and agriculture season, it was agreed to initiate and complete such time-sensitive activities in 4<sup>th</sup> Qtr of FY 2023 and 1<sup>st</sup> Qtr of FY 2024.
  - **Human resource-** the Mission notes that the Nagaland PMU has started the process to fill the vacant position of field staff (last mile workers), which are critical for the project implementation. As well, the Mission notes that in Mizoram PMU, critical positions such as MIS officer and Account officer are vacant or about to get vacant. In the last leg of the project it is important to ensure that such positions if vacant are filled immediately or additional support is hired. Furthermore, given that the project will be completed on 31<sup>st</sup> March 2024, it is important that the critical data, anecdotal evidences, case studies and impact studies (as recommended) are conducted and well document, which entails additional support for KM manager. It was agreed to fill vacant positions **and hire additional support (as needed) on an urgent basis by January 2023.**
  - **Sustainability and Scaling Up-** The project have developed an exit strategy considering the sustainability of all key interventions and handover to relevant stakeholders. The project has also got approval through the Project Steering Committee. The mission notes that it is now critical to start communicating the strategy and its implementation (given 15 months remaining for the project completion) to DMUs, District authorities and the last mile workers. Furthermore, with a focus on scalability and sustainability project needs to:
    1. Project to commission specific studies and document important lessons
    2. know the rainwater runoff, moisture content, benefits and effects of bunding on soil;
    3. Yield improvement, soil fertility improvement;
    4. study on decreased downstream water flow and velocity of the water flow on water conservation;
    5. Document performance and lessons from activities related to land allocation to the landless and conduct a policy consultation with partner Departments and policymakers after preparing a policy brief (Mizoram)
    6. Detail out the exit strategy with implementation and preparation needed for a smooth exit, associated risks and the timeline with line departments and DCs
    7. Sensitising and strengthening the community on sustainability;
    8. Since many benefits to the community are of grant in nature, develop and implement a clear communication strategy to ensure continuity of activities, proper utilisation of assets created etc.,
    9. FIGs to evolve and consolidate to become FPOs/FPCs
16. <sup>[1]</sup> Model [Code of Conduct](#), which comes into force immediately on the announcement of the election schedule by the election commission of India, for the need of ensuring free and fair elections. The government may not lay any new ground for projects or public initiatives once the Model Code of Conduct comes into force.

## D. Overview and Project Progress

17. FOCUS has been in operation for four years and has completed 78% of its implementation period. Overall financial progress is 25% of a total financial outlay of US\$ 168.35 million. Disbursement of IFAD's resources is 32%. Of the cumulative financial progress made since the project started, 27% was completed in FY 2021/22, implying a steep increase in the third year. The two waves of the COVID-19 pandemic and associated lockdowns hampered project's implementation just after the start; moreover, to date the project has reached 114,114 HHs that represents 69% of overall outreach target which was revised post MTR to 173,000 households.

### 18. Component 1: Improved Jhum Management

#### 19. Mizoram

20. Current Jhum Improvement: Out of the total target 2199 HH, low cost bunds have been constructed covering 1380 HH which is 62.76%. This has benefited 458.5 Ha of land covering 121 FIGs at 49 villages. The remaining 819 HH will be covered during 4th quarter. The Mission observed that data related to rain water runoff, moisture content, benefits and effects of bunding on soil is not available with the project, hence recommends undertaking specific study. This study would provide further evidence on scale up and reports to be shared by government, for scale up.

21. Village Forest Conservation Construction of Check Dam under Protection of Water Sources have been completed at 54 sites which is 28.13% of the total target (192 sites). This benefits 125 Ha of land covering 14 FIGs at 12 villages. Constructions at 142 sites are ongoing. The data related to decreased downstream water flow and velocity of water flow not available, hence the Mission recommends undertaking specific study on the same.

22. Irrigation Support 63 systems under Water Storage & Delivery System (WRC/TRC and Settled/Orchard) have been constructed and supplied which is 24.70% of the total target (255 systems). This benefits 947 beneficiaries at 35 villages covering 46 FIGs. These Irrigation Support systems will irrigate 511 Ha of land. Constructions of 177 system are ongoing and the remaining 95 systems will be completed during 4th quarter.

23. Support to Landless Households Bench Terracing has been constructed at 51 Ha of land which is 24.40% of the total target (209 Ha). This activity benefitted 143 farmers at 7 villages covering 8 FIGs. Construction of bench terracing at 99 Ha is ongoing and the remaining 70 Ha will be completed during 4th quarter. The mission observed, bench terracing the upper soil is being damaged and have an impact of yield and productivity. Hence, the Mission recommends under bench terracing, fertile top soil should be removed, stored in an isolated area away from construction activities, and covered with plastic to prevent run off/erosion. Upon completion of construction, top soil should be restored.

24. Also, 37 units under Water Harvesting Structures and other irrigation structures have been constructed and supplied which is 29.60% of the total target (125 units). This benefits 478 beneficiaries at 28 villages covering 36 FIGs. These water harvesting structures and other irrigation structures will irrigate 244.6 Ha of land. The Construction of 47 units is ongoing and the remaining 42 units will be completed during 4th quarter.

25. Furthermore, 17 units under Elevated Water Structures have been constructed which is 85% of the total target (20 units). This benefits 144 farmers at 4 villages covering 11 FIGs. These water harvesting structures and other irrigation structures will irrigate 57 Ha of land. Constructions of 3 elevated water structures are ongoing.

26. The Mission Notes that the majority of the target activities under LR, S&WC are set for 3rd and 4th Quarter as most of them are construction work. The Mission recommends to prioritize these activities on war-footing, as in 2023 and 2024 after monsoon the model code of conduct for state and general election will hamper the completion of these activities.

27. Jhum improvement- fallow management (Soil Fertility Management) The Mission notes that fellow management, slaked lime was distributed with the aim of improvement of soil in Jhum fields and to increase the crop production of farmers. Under this activity, farmers' who cultivate on the same plot of land for the second year were identified and were distributed @3quintals per HH. (0.25Ha per HH). A total of 220 HH covering 55Ha was carried out during the year 2022.

28. Current jhum improvement: Under the current jhum improvement, remaining households who are member of FIG but did not receive support from the Project are planned to be covered. The Project have planned to provide seeds to HHs, for them to undertake cultivation of cereal and pulse crops for local consumption and to increase their income. A total of 7300 HH is planned to be supported by the Project during the 4th quarter.

#### 29. Nagaland

30. Under Land use and Planning, the AWPB targeted to i) train staff on GIS mapping (achieved 19%), ii) Restructuring and capacity building of farmers and PLUP incorporating IFS model /b (achieved 24%), iii) and lead farmers training on the nursery and bookkeeping (zero achievements). These activates needs to be priorities and completed by last quarter to facilitate that FIG are empowered to make their own decisions.

31. Under current Jhum Improvement, 42% of bench Terraces in jhum areas converting to settled farming have been completed for this year. Also, 33% and 166% of achievements have been reported under the supply of legumes/climate-resilient crop seeds for Kharif/ Rabi and low cost bunding respectively. The Mission acknowledges that Training and demonstration on farming technology under CSS has achieved 821% under convergence. Furthermore, the Mission observed that the terrace walls needs to be reinforced to reduce runoff and soil losses. Also, the mission advices intensification of terraces using agro-ecological approaches and adopting zero or minimum tillage practices.



32. As well, the Mission observed that the data concerning the increase in yield and soil quality improvement is unavailable; hence, the Mission recommends undertaking studies to measure the soil and yield improvement.
  33. Furthermore, the Mission observed during the field visit to Pekh District that the Rabi crop is not grown even with water availability. The high labor-intensive activity regarding land preparation is the primary reason for farmers not engaging in Rabi crops. The farmers requested power tillers to enable them to prepare land for Rabi and Kharif to increase production and warehouse to keep the grains for storage. The Mission encourages the FIG to apply under Market Access Facility Fund to avail of this equipment and infrastructure.
  34. The Mission also acknowledges project efforts in converting the jhum lands into orchards and technically conserving and reducing carbon footprint. However, the data regarding area conserved, carbon savings and the impact of the activity need to be captured; hence the Mission recommends undertaking a specific study. Moreover, The Mission observed that the trees are facing nutritional deficiency as the leaves of the trees are turning pale. The Mission notes that the PIT have specific measures plan for 2023 AWPB to improve the soil, by adding bio fertilizers and Green manuring to revitalize the nutrients of the soil. The Mission notes that the interventions are regenerative in nature and does not require regular repetition. Furthermore, as the activity is time-sensitive and implementation during rainy season would have minimal impact, hence the Mission recommends to take this activity on priority during Q4 of 2022-23 and Q1 of FY 2023-24. As well, the Mission recommends specific Training for the farmers on "Identifying nutritional deficiencies and measures".
  35. The Mission notes that Project is promoting the seed bank as part of conserving local seeds and commercializing the local seed. The Mission visited a seed bank in Kohima district. As of now, the seed bank is more of an exhibit than meeting the stated real purpose. The need is to have a business planning and commercialization model for the seed fund. The IFAD India will facilitate one-day zoom training on business planning and economic model.
- 36. Sub-Component 1.2 Support to Settled Agriculture**
- 37. Mizoram**
38. Support to Orchard the project has supported 1367 orchard FIGs with 24119 farmers. Under the support of existing orchards, the project has provided plats and cuttings of Arecont, grapes, Mizo chili, apple to 3258 HHs. Moreover, the Mission observed that under Soil and water conservation (half-moon terrace), 205 units are planned for execution during 3rd and 4th quarter, and needs to be prioritised.
  39. Support to fish farming: the Mission notes that the project has supplied fingerlings (IMC, Exotic carp) for pond purpose and paddy cum fish farming is undertaken in this activity. 2451HH for pond purpose and 549HH for paddy cum fish). These activities are not undertaken in commonly owned water bodies but as an individual. Furthermore, the activity is undergoing convergence with MGNREGS where the pond is constructed by MGNREGS and fingerlings given by the FOCUS Project. A total of 3000HH has benefitted under this activity belonging to WRC/TRC FIG and Settled FIG. The Mission's major concern is that the state does not have hatchery and, the fingerlings supplied by the project comes from Assam. The Mission recommends in the project to identify the farmers which are doing their own fingerling production, and encourage them to apply under Innovation Fund to set-up commercial hatchery in the state.
  40. Support for wetland agriculture WRC/TRC: this support is provided based on the requirements submitted by the WRC/TRC FIG. Procuring irrigation pipeline for water distribution and syntax for water harvesting to irrigate the crops during prolonged dry season is the main support provided by the Project. Under this activity, land levelling of existing field with tractor and power tiller and land improvement of WRC area were also carried out in various districts. During the 4th quarter, the Project intends to support 238Ha (0.5Ha per HH)
  41. Expansion of WRC Area in flatland- Many of the flatlands in the district remains untouched and need to be developed for cultivation of rice. Moreover, the existing WRC areas in the district are divided into small plots which make it difficult for movement of farm machineries etc. The project plans to undertake 70 Ha ie. 140HH (0.5Ha per HH) during the 4th quarter for WRC/TRC FIG members. Finally, The Mission recommends to undertake study to the yield improvement and soil improvement due the measures taken by the project.
- 42. Nagaland**
43. The Mission appreciates the overachievement of convergence activities for the current financial year for Soil fertility improvement practices- Green manuring, problem soil treatment etc. (achieving 1790 ha – 511% of the target) and Supply of HYV seeds under CSS (achieving 607 ha - 61% of the target). The achievement against the activity to promote double cropping and soil fertility enhancement with legume crops in Rabi and Kharif has not been reported. The Mission notes that the activities that are time sensitive to catch up with the farming season (Kharif and Rabi) need to prioritize both in terms of implementation and release of funds. Further, the Mission recommends undertaking a specific study to measure yield's impact.
  44. Against the target of 36 under AWPB, 185 paddy cum fish culture have been setup. The Mission visited fish cum paddy sites in Kohima and Pekh districts. The farmers appreciate the programme as they have been engaged for the very first time. One of the lady farmers reported that she sold around 90 kg of fish and fingerlings and reported an income of INR 27,000 this year. However, this critical data is not being captured by the Project. Thus, the Mission recommends developing a template and training the lead farmer to capture data regularly.
  45. Further, mission also recommends to do assess the scale-up potential of PFC wherever TRC is being practiced since this particular activity has high potential for scale-up and the engagement with Government stakeholders at District through DLCC

and at State through PMC and PSC can be advocated for a state-wide adoption to augment Smallholder farmers income.

46. Like Mizoram, Nagaland also does not have hatchery and, the fingerlings supplied by the project comes from Assam. The Mission recommends in the project to identify the farmers which are doing their own fingerling production, and encourage them to apply under Innovation Fund to set-up commercial hatchery in the state. PMU to also consider providing support to farmers through state scheme **CM Micro-finance Initiative**<sup>[1]</sup> for any additional access to finance.
47. Under Half-moon terracing, 81 ha (24% of target) out of targeted 1297 ha of fruit orchard have been established (50% of the target). The Mission observed that half-moon terracing is not done properly where the base of the terrace has not been strengthened, and eventually would lead to upper soil erosion.
48. The data regarding seasonal production is unavailable in both states. The absence of production data emanates because component 1 and 2 activities are carried out in silos, not in complementarity with each component. The Mission recommends collecting data on the Farmers' production capability for each village month-wise. **The data would help the Project address supply-side negotiations with the buyers.**
49. The Mission notes that most activities are input driven and channeled through the FIG to individual farmer members. Keeping in view sustainability and exit strategy, the Mission recommends that the Project in both states establish a payback mechanism at the FIG level for the inputs received by the Project. The Project should facilitate the decision through the FIG meeting on how much percentage to pay back for the benefits to FIG. The payback mechanism would lead to more solidarity among the FIGs and eventually increase the availability of working capital. Moreover, the training of lead farmer on bookkeeping is advice to be prioritized to ensure that the FIGs books are properly maintained.
50. Finally, the Mission observed that high achievement of AWPB activities is under convergence specifically in Nagaland. The analysis of targets reflects the convergence targets were underquoted, the Mission notes the issue of underquoting of convergence data is due to lack of coordination between allied departments and project while target setting during AWPB preparation. The Mission recommends sharing and exchanging the AWPB for each district with the allied department before finalization of AWPB for year 2023/24.

## 51. Component 2: Value Chain and Market Access

### 52. Sub-component 2.1 Value Chain Development

53. The Mission is pleased to note that the project has finished critical preparatory work on i) grading of FIGs specifically in Mizoram, ii) amendment/ No objection of Innovation Fund guidelines based on the first pilot, iii) guidelines on Market access facility fund, iv) hiring of service provider for FPOs. These were key steps before component 2 activities to be implemented.

### 54. Mizoram

55. **Market Access:** The Mission visited banana clusters in Khumtung Village with a potential to supply over 3 MT per week of bananas. The Mission notes that all the FIGs members are selling individually. The middlemen come three times a week and purchases banana for INR 2 per piece from the farm near the road as well other fruits such as papaya, guava. The Mission met the middlemen, she hires a mini-truck for transporting the goods from farm to her warehouse. She employs one person who helps her in sorting, grading, loading and uploading. The aggregated fruits she supplies to Assam Rifles cantonment and to a trader in Aizawl. Furthermore, she complains about farmers plucking unripe bananas. Whereas the farmers complain about the lack of market.
56. Similar issues were observed at the vegetable cluster in Serchip's Vaivenga village. These famers are the largest producing cluster of vegetables in Mizoram, known as vegetable basket of Mizoram. The farmers sell individually to middlemen which comes two days per week. The farmers supply the vegetables to the traders on credit and receive the cash after deduction of wastages when traders come next time. The farmers complained bitterly that the only problem they have is with regards to market, and production is not an issue for them.
57. The Mission met Farm-Kart, a private company which is selling vegetables in Aizawl through the retail stores and online portal. The Farm-Kart showed willingness to buy the produce directly from FIGs/ FPOs. The Mission notes that there is a scope and opportunity to find market within state. Also, military barracks, schools and hospitals can be institutional buyers of vegetables and fruits.

### 58. Nagaland

59. The Mission observed that the unit economics specifically for large cardamom, could work in favour of the farmers. As of today, the farm gate, the price was INR 430, whereas, on the same day, the wholesale price at Bara Bazar mandi in Kolkata was INR 670. The margin can cover the cost of transportation provided available volume is marketable (minimum 3 MT), then trade can be profitable. However, the ginger farm gate prices were INR 20, whereas the wholesale price at Bhubaneswar, Kolkata and Dhanbad Mandi was INR 24-27. The farmers bitterly complained that last year's prices were as low as INR 7. For the Ginger of Nagaland to compete with the Ginger from the other parts of the country, the marketable weight requirement is very high to reduce the transport cost to Guwahati or Kolkata mandi, which is unfortunately not possible as of now due to rugged terrain. The cost of transportation from the village to Dimapur is more than that from Dimapur to Guwahati. The cost further increases due to the local taxes or levies imposed by local districts on vehicles.
60. Further, Nagaland does not fall in the conventional coffee belt (between the tropic of cancer and the tropic of Capricorn), and naturally (scientifically) cannot have the same production as the areas under the coffee belt. Hence, Nagaland cannot compete in

terms of yield, but the Mission believes that instead of competing on yield, the farmers can position themselves as specialist coffee producer. Specialty coffee requires more hand touches but fetches a reasonable price from the roasters.

61. The real issue is aggregation and the cost associated with reaching a market volume, where the transport cost coupled with farm gate price becomes competitive for wholesale buyers. The black cardamom, Naga chilly and coffee, with a minimum market volume of 4 tons per batch, have good demand in the nearest wholesale markets of Kolkata and Guwahati. Also, the Mission met the ETE<sup>[2]</sup> coffee roaster, based in Kohima, which is struggling to meet the demand for specialty coffee and is willing to collaborate under a 4Ps arrangement with coffee farmers providing extension and training support, and buyback for specialist coffee. ETE coffee has more demand than supply and already supplying to more than 11 cafes and have plans to expand to other northeastern states.
62. However, the challenge of Ginger is more founded as the farmers' have to compete with farmers from the flat land, which have more cost advantages. The Mission also notes that the ITC in 2021 was willing to buy only if it is sliced and dried. The ginger clusters will not be profitable until and unless the second level of value addition is carried out. The farmers met by the Mission sounded the same sentiment. The farmers complained bitterly about the farm gate price, as low as INR 7 to 14 for one kg.
63. Nevertheless, the Mission was appraised in the Jakhama village, Kohima district about the villagers selling ginger to nearby army cantonment last year at INR 40 per kg, whereas the farmers in some districts were selling the ginger as low as INR 7 per kg. The Mission notes that domestic markets do exist in form of Military barracks, schools, Anganwadi centers, hostels and hospitals while currently being untapped. The Pekh DC expressed to use his good office to facilities such as engagement. Hence, the Mission recommends piloting two collective marketing initiatives and explored engagement with Army barracks and other local institutional buyers for selling arrangement.
64. The proposed FPOs formation in both states would solve the problem only if they replaced the middlemen and provide the same services as the middlemen. The FPO services should involve aggregations, cash on the spot, warehousing, primary processing (sorting, cleaning and grading) and, in the case of Ginger, secondary processing (such as ginger powder).
65. The FPOs/FIG can replace the middlemen by simply starting the collective marketing. The mission recommends collective marketing approach, where the FIGs can aggregate, sort and clean their produce and sell directly to Farm-Kart (Nagaland) or supply to Military barracks/ Hospitals etc. For aggregation, the FIG can employ a laborer and hire transport for moving goods from the aggregation centers to the buyers.
66. **FIG promotion Mizoram** - The Mission notes that the project has finished grading of all 2162 FIGs and plans to disburse INR 30,000 to Grade "A" FIGs. The FIGs visited by the Mission are found to be maintaining the books and have kept records of the transactions, in line with last SM findings. The Mission recommends to priorities disbursement of the revolving fund to the grade "A" FIGs on a priority basis.
67. **Nagaland** - FIGs visited by the Mission were found to be utilising Revolving fund as inter-loaning or as working capital. The Mission is pleased to note that bookkeeping, minutes being recorded and maintained well but would need further strengthening in last leg of project for sustainability. The working capital for the FIG to engage in collective marketing and primary processing may come from revolving fund for both the states.
68. Moreover, the Mission notes that in Nagaland, the project in some villages have initiated formation of Village Farmers Group, by consolidating the different FIGs in village. The Mission acknowledges the approach to give farmers better bargaining power and economies of scale. However, the Mission strongly recommends against infusing of grant equity from the project's end to Village Farmers Group.
69. Also, Member support through patronage and capital investment is also essential for the FIG's economic health for both states. Hence, the Mission recommends FIG's members for the monthly/quarterly equity contribution that will ensure their sustainability beyond March 2024.
70. **FPO Formation**: the Mission notes that the project has hired the service provider "Synergy Technofin Pvt. Ltd" for the formation of 16 FPOs and 4 FPOs in Nagaland and Mizoram. The contract was assigned in November 2022, and the field work is expected to commence in the last quarter of 2022. The Mission met Synergy team via zoom, and requested to expedite the process of forming FPOs. Furthermore, the Mission requested for the submission of the last quarter activity plan to the project. The Mission appraised the Synergy team on the market opportunities that exists within the states and encourages to tap the market by using the good office of SPD and Deputy Commissioner (DCs). Also, the Mission recommended the project to submit the list of villages and districts where FPOs can be formed for verification and feasibility to expedite the process of the FPO formation.
71. Furthermore, based on the field observation of the Mission, the proposed FPOs should be able to act as a middleman, providing aggregation, cash payment on the spot, primary and secondary processing and market access. The proposed FPOs should generate equity from the members. Synergy team would help the FPOs to produce business plans showing financial gap arising out from working capital shortage and capital investment needs. Also, the FPOs should be run by professionals and their cost is also to be factored in the financial projections. The project may support the FPOs based on business plans from seed fund for working capital shortage and capital investment needs through Market Access facility and Innovation Fund. Also, the Mission recommends FPOs to have diversified products and should have business activity for full 12 months. Lastly, central and state schemes for access to finance can also be explored like Nagaland CMMFI, NABARD 10,000FPOs<sup>[3]</sup>

72. **Innovation Fund, Mizoram**- the project in Mizoram has so far supported three projects under Innovation fund, and have recently received no objection on the revised IF guidelines, which enables start-up affiliated with Incubation centers to apply for the IF. As well, the lower threshold limit has been revised for the IF to finance even proposals with smaller budget requirement.
73. The Mission visited construction of Arecanut facility, financed under Innovation fund. The Mission notes that the two tranches of the fund have been released but utilization certificate of second tranche has not been provided and work is very slow. The Mission recommends the project to issue show cause notices and follow up with the FOs for the completion of the project and submission of Utilisation Certificate (UC).
74. Also, the Mission visited the incubation center of Mizoram state University, and notes that incubation center is working on five potential start up ideas. The Mission encourages the incubation center to apply for the Innovation Fund.
75. **For Nagaland**, the Mission notes that the guidelines for the Innovation Fund has been submitted for IFAD NO. IF guidelines, would enables start-ups and promising business ideas to apply for the IF. As well, the lower threshold limit would enable the small FIGs and FPOs to apply for the IF fund. The Mission recommends launching the IF in Jan 2023.
76. **Value Chain focused Livestock production support.** Mizoram - This year 26 pig breeding units against the planned 62 pig breeding stocks have been achieved. Also, 14 pig housing unit against planned 50 is achieved under this financial year. The Mission visited the Pig breeding unit and observed that due to ASF most of the farmers have lost their stock, and the project activity become very relevant in re-populating the pig stocks in the state. The Mission recommends completion of the planned activity in prioritized manner.
77. Furthermore, the Mission visited the goatary piloted farm HH, the mission notes that the last year the farmer has lost over 10 kids due to disease. The high mortality was due to wrong construction of shades, failure to do de worming, quality of stock and buck etc. the Mission believes that the mortality of the goats can easily be controlled but requires specific training on disease and shade management. The Mission recommends specific goat rearing training of trainers for the beneficiaries and line department officials.
78. There was 272 CAHW engaged in the field of Veterinary under FOCUS, they have provided their service for a good three years. They were provided technical training, theoretical and practical demonstration. As of now as per the implementation manual their monthly honorarium was terminated after three years of service. But they were expected to involve in community level implementation of livestock activities and they were expected to sustain themselves with their skill and experience. The project also opens a provision for starting up their own entrepreneurship under innovation fund if they are interested. Moreover, a refresher training was provided for 248 graded CAHW, and they will be involved in training their fellow farmers. Many of the CAHWs' have performed their roles and responsibilities very well and still involve in project activities
79. **Nagaland**
80. Under pig breeding, the project is supporting individual HHs by providing 3 sow and 1 bore and construction of permanent pig house. For the current financial year, the project has achieved 74% and 51% by giving pig breeding stock and pig houses respectively. The Mission notes that these activities are essential in re stocking the pig population after the ASF outbreak. However, the Mission noted that in the Pholami village of Pekh district, that the project has provided support to 29 HHs for pig breeding stock and houses. The 29 HHs have formed an association and paid back INR 3000 to the association for each pig received from the project. The association in the village intends to start buying the pig feed in bulk and sell to the individual member breeder. The village produces maize, wheat, soya, rice, essential part of pig feed. The Mission recommends the project to adopt pig breeding entry point with more focused approach of selecting the villages with good feed production and creating value through economies of scale. The Mission also recommends for such HHs to diversify to other livestock such a poultry and goatary and also include fish that can help association to initiate development of meat cluster.
81. Also, the Mission notes that backyard poultry is promoted where 20 chicks of layer is provided to the HHs and this year achievement is only limited to 10%. The PIT of the livestock lead, expressed concern on not being able to meet the large demand of institutional buyers such as Military units due to small scale.
82. Moreover, The Mission notes CM Microfinance Scheme which has many loan products similar to the activities being promoted under the project. The schemes have 60:30:10 ratio as 60% loan principal, 30% principal subsidy and 10% beneficiary contribution. In addition, an interest subvention of additional 4% by state government and 3% by Gol is being provided. The Mission recommends scaling up two poultry projects in Khoima and Pekh district for 500 chicks in the current financial year by aligning with CMMFI scheme.
83. Sub-Component 2.2. Market Access Infrastructure
84. The FIGs visited by Mission in both states, have requested for market access facility. The FIGs showed interest for a different type of facility such as electric drying facility, warehouse, aggregation centers. The Mission notes that Mizoram and Nagaland have already submitted the Market Access facility fund guideline for IFAD NO objection. The process to apply, entails calls for proposal and filling out simple business plans and beneficiary contribution. The Mission notes that the FIG does not have the skill set to produce the business plans and comply with the requirement. Moreover, the Nagaland PMU suggested MBA or Agri Institutes to support project in handholding targeted groups at last mile.
85. Hence, the Mission recommends hiring of such institutions/ individuals to help willing FIGs to prepare the business spans based on the need and demand. As well, the Mission encourages projects to encourage FIGs to apply for the facility even if they do not have 100% of eligibility criteria. The rejected application would enable project and IFAD to analyze the pilot, and hence provide

substantial evidence for course correction if any.

86. **Nagaland-** Drudgery reduction: The Mission notes that project has undertaken an assessment based on the FIGs request and have come out with the requirements. Nevertheless, the Mission observed that the assessment may not presenting the real drudgery reduction need of women; hence recommends to undertake specific need assessment with planned outcome survey. The Mission encourages to use PRA tools with women group to capture the drudgery need based on frequency of the activity, and hardship.
87. [1]<https://cmmfi.nagaland.gov.in/#about> - To increase farmer's income, encourage self-employment and entrepreneurship development, inculcate a sense of credit discipline, boost private enterprise and improve the agri marketing network and infrastructure in Nagaland.
88. [2] Été Coffee is the first coffee roasting company in Nagaland, established in the year 2016.
89. [3]<https://www.nabard.org/news-article.aspx?id=25&cid=552&NID=414> - The Government had, in February 2021, launched a new Central sector scheme titled 'Formation and promotion of 10,000 FPOs' with a clear strategy and committed resources to promote 10,000 new FPOs in the country with budgetary provision of ₹6,865 crore

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Revolving Fund – Mizoram</b> Transfer the revolving fund of INR 30,000 to the grade A FIGs	PMU	01/2023
<b>Convergence – Nagaland</b> Pragmatic target setting for Q4 and FY 2023-24 AWPB under convergence targets and share detailed village level plan with allied departments along with format of reporting.	DPMU	01/2023
<b>Market Access Facility (both states)</b> Organized training on DMU/ VLW staff and to support groups to apply for MAF build the proposal etc	PMU	01/2023
<b>Collective Marketing (both states)</b> Implement of two FIG led collective marketing in each state, and explored engagement with Army barracks and Farm-kart (Nagaland) for selling arrangement.	PMU	03/2023
<b>Business Plans of FPOs (both states)</b> Prepare all the 4 and 6 Business Plan for the FPOs Mizoram and Nagaland respectively	Synergy/FPOs	03/2023
<b>Capacity Building (both states)</b> Training/capacity building to be completed in the Q4; In last leg of the project and from sustainability point – exit plan to incorporate certain essential trainings to target groups to make them self-sustainable beyond March 24	PMU	03/2023
<b>Scaling-up of livestock activities – Nagaland</b> Identify two beneficiaries willing to scale up backyard chicken poultry to commercial level by leveraging CM Microfinance Scheme. And explore synergies for market access and scaling up in other interventions	PIT livestock/ PMU	03/2023
<b>Jhum Improvement – Mizoram</b> Incorporate training of tree pollarding and pruning practice in training of current jhoom cultivation.	DPMU	06/2023
<b>Incorporate Specific Training on (both states)</b> <ul style="list-style-type: none"> <li>- Pest and disease management of dragon fruit,</li> <li>- Pruning of grapes orchard</li> <li>- Goatary Disease management</li> <li>- Post-harvest practices on vegetables and fruits</li> <li>- Selection of animals</li> <li>- Selection of site and housing</li> <li>- Detection of diseases</li> <li>- First aids</li> </ul>	PMU	06/2023
<b>Bench terracing/Terrace Farming (both states)</b> Fertile top soil should be removed, stored in an isolated area away from construction activities, and covered with plastic to prevent run off/erosion. Upon completion of construction, top soil should be restored.	PMU	06/2023

## E. Project implementation

### a. Sustainability and Scaling up

**Institutions and Policy Engagement****Rating: 4****Previous rating: 3****Justification of rating**

90. Increased from 3 (moderately unsatisfactory) in the previous SM to 4 (moderately satisfactory). The Mission notes an improvement in rating since last SM. The project has in-built policy consultation mechanism, in form of District level core committee meeting (DLCC), which is chaired by the District Commissioner and attended by the representatives of other line departments and project DPMU. The Mission noted micro/ district level policy issues are now being brought to the attention of concerned officials and positive actions are being taken due to project's structure accessing last mile targeted groups and in-built mechanism to discuss such issues with the State authorities.

**Main issues**

91. The Mission notes that in Nagaland, the issues of transport tax levies by the towns for inter districts movement of goods are a logistical concerns and more when it comes to smallholder farmers. These taxes increase the landing cost of agriculture produce making them less competitive. This issue was raised during DLCC meeting, resulting into escalation that led to Agriculture Producer Marketing Committee providing exemption certificates to FIGs to transport their goods within the states without any levy or taxes.
92. Similarly, in Mizoram, the Mission notes that Kolasib district farmers faced a significant issue with Arecanut sales as the Cachar District of Assam is not allowing the movement of Arecanut to Assam, resulting in massive losses for smallholders. This issue was brought out in DLCC platform, resulting in DC-level meetings between two Districts to resolve the issues.
93. Moreover, the FIGs approach provided farmers with an opportunity to collectively market and sell, and coming together gave villagers a voice. The mission notes that the FIGs are making representation to the project and to district authorities to voice their concerns. As well, the economic landscape and social activity of the villages have changed due the formation of these FIGs, leading to collective selling and better bargaining power.
94. During the MTR it was agreed to conduct a policy brief based on the outcome of the assessment on performance and impact of waterbodies and farm link but this has not been completed. The mission advised to expedite this process as the outcome of this will determine how to resolve the current water shortage in most of the project area.
95. Furthermore, for Mizoram, based on MTR recommendation the project has initiated work on preparing policy paper on the lessons from activities related to land allocation and conduct a policy consultation with relevant department basis that. The Mission recommends hiring a consultant on priority basis to complete the study and prepare policy paper.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Policy consultation with partner - Mizoram</b> Document performance and lessons from activities related to land allocation to the landless and conduct a policy consultation with partner Departments and policy makers after preparing a policy brief.	SPD and KM	03/2023
<b>Policy consultation with partner Directorates- Nagaland</b> Hire a service provider and finalize the study on the water bodies and farm link roads and organize the workshop on the policy brief.	PIT-Agriculture and SPD	03/2023

**Exit Strategy****Rating: 5****Previous rating: 4****Justification of rating**

96. The rating is increased from 4 (Moderately satisfactory) in last SM to 5(Satisfactory). The major agreed action of obtaining stakeholders agreement incorporated in the strategy through Project Steering Committee has been completed. Subsequent to which a consultative meeting with the agri-allied departments was completed during the Project Management Committee meeting to discuss the modality of implementation on 4th November 2022 in Nagaland. And in Mizoram the same is scheduled in the month of January 2023.

**Main issues**

97. Furthermore, for sustainability of community based institution formed under the project i,e Farmers Interest Groups (FIGs) and scaling up of the economic activities they are engaging in, FPOs are being promoted under the project. The same is being facilitated by the service provider "Synergy Technologies" on boarded in November this year.
98. For the last mile extension workers CAHW grading has been completed and majority of them have been provided refresher training for an effect and continued support to the livestock farmers in FOCUS villages.
99. The project is yet to discuss and share the exit strategy with Deputy Commissioner (Chairperson of District Project Coordination Committee). Formal communication and discussion on the same will be carried out in forthcoming DPCC meetings.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Discussion in DLCC/ DPCC</b> Discussion on exit strategy in next District Level Coordination Committee to ensure implementation in the last leg of the project	District Project Managers and SPD	03/2023
<b>Communication with community on sustainability</b> Develop and implement a clear communication strategy to communities under the project ensure continuity of activities, proper utilisation of assets created beyond project completion	SPD and KM (with DPMs)	03/2023

**Potential for Scaling-up**

**Rating: 4**

**Previous rating: 3**

#### Justification of rating

100. The Mission notes an improvement in potential for scaling up since last SM. In both states the FIG approach is being leveraged by other agencies as entry point for economic activities. Furthermore, some of the agri and allied agencies in Mizoram are considering expanding livestock and soil improvement programmes. The start-up supported by the project under Innovation Fund has expanded their operations to pan state and being supported by the government agencies.
101. In Nagaland, improved agriculture practices through – bench terracing, paddy cum fish culture, liquid micronutrient and Green manuring etc have shown interest by the line departments for expansion. In addition, CM Microfinance Scheme which is aligned with the project activities provides opportunities to scale up activities for FOCUS villages and a readily available platform for scheme’s nodal agency to leverage the community-based organisation formed under the project.

#### Main issues

102. The Mission notes that the FIGs model is being leveraged by other agencies and private sector to address the aggregation and economies of scale challenge in the state. The Institutional buyers specifically in Dragon Fruit and Areca-nut have shown interest in working with FIGs for purchases. Moreover, the Mission notes NEIDA<sup>[1]</sup> (a TATA Group<sup>[2]</sup> promoted NGO) has leveraged FIGs promoted by the project in Khutung Village (Serchip Districts) for irrigation support to the village. In Nagaland, the officials of the NEIDA met with SPD and has shown interest in working with FIGs as an entry point in the three project districts (Pekh, Kiphire and Kohima), where they operate.
103. Furthermore, the government of Nagaland has come out with “one village-one cooperative” scheme and leveraging the FIGs model to consolidate them into VFGs rather than reaching out to individual HHs in non-project areas.
104. The Mission notes that the “Foods Myco Lab<sup>[3]</sup>” a venture supported by the Mizoram Innovation Fund, Organizes Mushroom Cultivation training for the FIGs, SHGs, NGO, Students, and Individual and successfully trained 480 trainees (Smallholder farmers) within the project areas. It also captures the 40% market share within Mizoram when it comes to sales of mushroom spawns. Another venture supported by IF “Thinglangpa Foods<sup>[4]</sup>”, is procuring mizo and bird eye chilli from FOCUS farmers as well as processing it into chilli flakes. It is also being supported by the GoM (Horticulture Department) through inclusion of products at national level exhibits, providing a platform to expand business at national level. Moreover, the Mission notes that the Veterinary department is considering to expand backyard poultry and pig model to other non-project districts.
105. However, the Mission notes that more documentation to exhibit success stories is needed specifically on soil improvement and settled farming will support advocacy with Government and other stakeholders for scale up. The Mission recommends i) Carrying out a specific study on soil improvement, yield improvement, and runoff water discharge, ii) Disseminating results of the study and document developed within the project, and iii) Policy dialogues with DoA, SWC.
106. <sup>[1]</sup><https://www.neida.org.in/> - The North East Initiative Development Agency (NEIDA) is a not-for-profit organization and works in the North-eastern states of Arunachal Pradesh, Mizoram and Nagaland since 2012. The overall goal of NEIDA is to improve the quality of lives of communities they work with. NEIDA has been promoted by the Tata Trusts and is one of the Associate Organization of the Trusts.
107. <sup>[2]</sup><https://www.tata.com/> - The Tata Group is an Indian multinational conglomerate established in 1868, it is India's largest conglomerate, with products and services in over 150 countries
108. <sup>[3]</sup> Foods Myco Laboratory - Manufacturer of mushroom spawn & other mushroom based products
109. <sup>[4]</sup> Mizo/Bird eye chilli processing company and a wholesaler of raw chilli



<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>POP</b> Provide complete package of practices(POP) on new items/systems	DPMU/SPD	03/2023
<b>Undertake Study/ Research</b> know the rain water runoff, moisture content, benefits and effects of bunding on soil; • know the rainwater runoff, moisture content, benefits and effects of bunding on soil; • Yield improvement, soil fertility improvement; • study on decreased downstream water flow and velocity of the water flow on water conservation; a. Initiate the preparatory work like hiring of agency to carry out the studies b. Carryout the study	KM and DD/TO/PIT Soil	03/2023

## b. Project Management

<b>Coherence between AWPB and Implementation</b>	<b>Rating: 3</b>	<b>Previous rating: 3</b>
--	------------------	---------------------------

### Justification of rating

110. Nagaland- Coherence between AWPB and implementation remains moderately unsatisfactory (score =3). The project has achieved 40% of the budget FY 2021-22 for all funding sources. The achievement of AWPB 22-23 is at 32% as of 30 November 2022. However, it is expected that the implementation has picked up in the third quarter. Therefore, there is a high likelihood of achieving the AWPB targets by the end of FY 22/23. The mission discussed in detail AWPB for FY 23-24 and the remaining period of FY 22-23.

111. Mizoram- The project has achieved 82.24% of the budget FY 2021-22 for the GoM and IFAD funding. The achievement of AWPB 22-23 is at 24% as of 30 November 2022. However, it is expected that the implementation has picked up in the third quarter and with the available funds, there is a high chance of achieving the AWPB targets by the end of FY 22-23. The mission discussed in detail AWPB for FY 23-24 and the remaining period of FY 22-23.

### AWPB Inputs and Outputs Review and Implementation Progress

112. Nagaland

113. Overall the coherence between AWPB and implementation has been improving over the years. However, for the 2021-22 AWPB, the project spent 40% of the AWPB due to restricted budget allocations from the local government. Moreover, the achievement of AWPB 22-23 is at 32% only as of 30 November 2022. However, the GON has agreed to support FOCUS Nagaland during the remaining period of FY 22/23. In addition, IFAD will release additional advances after consultations with DEA to support the project. Therefore, implementation is expected to pick up from Q3 FY 22-23.

114. The mission discussed detailed AWPB for the remaining part of FY 22/23 and FY 23/24. The current plans envisage that the project will spend INR 220 million in Q4 of FY 22/23 and INR 900 million in FY 23-24. Therefore, the project team will need to put every effort into achieving planned targets until project completion in March 2024.

115. Mizoram

116. Overall the coherence between AWPB and implementation has been improving over the years. For the 2021-22 AWPB, the project spent 82.24% of the AWPB. The achievement of AWPB 22-23 is at 24% as of 30 November 2022. However, the GOM has sanctioned several transfers for FOCUS Mizoram in December 2022. Therefore, implementation is expected to pick up from Q3 FY 22-23.

117. The project is operating MIS for monitoring the physical outputs of activities. It also has accounting software for financial management. However, it has been noted that the actual financial achievements are not consistent with physical achievements reported. Therefore, PMU will need to analyze regularly and make necessary adjustments to relevant reports.

118. The mission discussed detailed AWPB for the remaining part of FY 22-23 and FY 23-24. The current plans envisage that the project will spend INR 150 million in Q4 of FY 22-23 and INR 481 million in FY 23-24. Therefore, the project team will need to put every effort into achieving planned targets until project completion in March 2024.

## c. Financial Management & Execution

<b>Acceptable Disbursement Rate</b>	<b>Rating: 3.0</b>	<b>Previous rating: 3</b>
-------------------------------------	--------------------	---------------------------

### Justification of rating

119. Mizoram: The disbursement of FOCUS-Mizoram under the IFAD Loan is USD 10.55 million, which is about 32.88 percent of the total revised fund allocation of USD 32.1 million. The current disbursement rate is far below the target rate of 71 % for similar

projects at this stage of project implementation. Automated rating based on IFAD disbursement data. Nagaland: The disbursement of FOCUS-Nagaland under the IFAD Loan is USD 11.45 million, which is about 31.25 percent of the total revised fund allocation of USD 36.65 million. The current disbursement rate is far below the target rate of 71 % for similar projects at this stage of project implementation.

### Main issues

120. Mizoram: As of 30 November 2022, the total disbursement is USD 10.55 million under the IFAD loan, which is about 32.88 percent of the total revised fund allocation of USD 32.10 million after the cancellation of USD 3.20 million. The total IFAD loan expenditures, including UD 0.46 million (Rs 3.75 Crores) incurred in the third quarter of FY 2022-23 and yet to be reimbursed, are USD 11.01 million, which is 34.3 percent of the revised allocated IFAD loan.

The project was able to improve disbursements in FY 21/22. However, the disbursement rate is still far below the target of 71% for similar projects at this stage of the implementation due to a slow start at the beginning and not timely allocation of funds for the project by the local government. Moreover, funds from SCRUM to DPMUs are also being transferred with significant delays. Given the current disbursement status and capacity of the project team to absorb funds, it has been concluded that the project can spend a maximum of US\$ 11 million from January 2023 until project completion in March 2024. However, the project will have a net unspent amount of approximately US\$ 20 million from IFAD funds at the end of 2022. Therefore, IFAD will cancel about US\$ 9 million.

121. Nagaland:

122. As of 30 November 2022, the total disbursement is USD 11.45 million under the IFAD loan, which is 31.25 percent of the total revised fund allocation of USD 36.65 million after the cancellation of USD 3.60 million. The total IFAD loan expenditures, including USD 0.69 million (Rs 5.65 Crores) incurred in the third quarter of FY 2022-23 and yet to be reimbursed, are USD 12.14 million, which is 33.1 percent of the revised allocated IFAD loan.

123. The project was able to improve disbursements in recent years. However, the disbursement rate is still far below the target of 71% for similar projects at this stage of the implementation due to a slow start at the beginning and not timely allocation of funds for the project by the local government.

124. Given the current disbursement status and capacity of the project team to absorb funds, it has been concluded that the project can spend a maximum of US\$ 14 million from January 2023 until project completion in March 2024. However, the project will have a net unspent amount of approximately US\$ 25 million from IFAD funds at the end of 2022. Therefore, IFAD will cancel about US\$ 11 million from FOCUS Nagaland loan allocations.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Nagaland: Request for IFAD advance</b> In line with the cash forecasts for the next two quarters, PMU will send a withdrawal application to IFAD for further advance after consultations with DEA.	PMU	01/2023
<b>Nagaland: Cancellation of funds</b> PMU and State Government will submit to DEA/MOF a request to cancel US\$ 11 million of IFAD funds from the FOCUS Nagaland.	PMU	01/2023
<b>Mizoram: Request for funds release</b> The PMU will ensure that the US\$ 2 million equivalent of funds are released by GoM each quarter.	PMU	03/2023
<b>Mizoram: Timely transfer of funds to DPMUs on a monthly basis</b> SCRUM/PMU will ensure that DPMUs receive monthly allocations within five working days from the start of the respective month.	PMU	03/2023

### Fiduciary aspects

Quality of Financial Management

Rating: 3

Previous rating: 3

### Justification of rating

125. Mizoram: There has been little progress in crucial FM arrangements and systems since the last supervision mission conducted in August 2022. Slow progress is due to the FM team's low capacity and insufficient resources and skills at the PMU level. Also, the timely allocation of funds to pre-finance FOCUS activities still needs to be addressed. Most of the internal auditor observations are not addressed. Tally software is not fully functional. Accounts are not reconciled on a regular basis. Nagaland: FOCUS Nagaland team has maintained accurate accounting records for the project. In particular, the FM team is experienced and has the necessary skills and capacity, the team maintained accurate records in Tally software, and key legal agreement covenants have been complied with.

## Main issues

126. Mizoram: The project has FM staff on board. However, the FM team needs more resources and skills to maintain reliable and accurate accounting records. The project is keeping accounts using customized Tally accounting software at PMU and DMUs following the cash basis of accounting per the chart of accounts developed for the project. However, reports are not reconciled, and the software is not maintained on a regular basis. Moreover, FM does not close and reconcile accounts on a monthly basis.
127. The internal audit reports of FY 2021-22 listed various internal control weaknesses and non-compliance with legal requirements. Most of the issues reported still need to be addressed.
128. The project has not submitted an Unaudited annual financial statement for 2021-22, which is to be submitted within four months from year-end to IFAD. In addition, the project did not submit IFRs for Q 2 FY 22/23 on time.
129. Given the continued non-compliance with the IFAD's FM requirements, it has been decided that the project needs additional resources and skills to improve FM arrangements. Therefore, it has been recommended to sign an amendment with the internal auditors of the project to expand its services to address internal control weaknesses reported earlier.
130. Nagaland: FOCUS Nagaland team has maintained accurate accounting records for the project. However, the project has been experiencing difficulties accessing necessary funds from the local government, which will be addressed by disbursing additional advances by IFAD. In addition, internal auditors observed minor internal control issues, including inadequate supporting documents for transactions and inconsistent accounts reconciliations. The project team must introduce monthly account closure procedures to detect and correct inconsistencies and errors timely.
131. The project has submitted timely an Unaudited annual financial statement for 2021-22, audit reports for FY 21/22, and quarterly IFRs.
132. It has been agreed that the project FM team needs to further improve its controls over the spending of project resources. Therefore, it has been agreed that the FM team will verify the physical progress of high-risk financial transactions, such as payments for civil works and cash transfers to FIGs.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<p><b>Mizoram: Signing amendment with internal audit consultants</b></p> <p>PMU will sign an amendment with the consultants to address all internal control weaknesses and maintenance of Tally software</p>	PMU	12/2022
<p><b>Mizoram: Cancellation of funds</b></p> <p>PMU and State Government will submit to DEA/MOF a request to cancel US\$ 9 million of IFAD funds from the FOCUS Mizoram.</p>	PMU	01/2023
<p><b>Nagaland: Monthly accounts closure</b></p> <p>PMU will introduce monthly accounts closure procedure starting from January 2023 and address all existing internal control issues</p>	PMU	03/2023
<p><b>Nagaland: Physical progress verification</b></p> <p>The finance team will verify the physical achievements of high-risk transactions such as civil works and cash transfers to FIGs</p>	PMU	03/2023
<p><b>Mizoram: Customize and roll out accounting software</b></p> <p>Update from MTR Nov-Dec 2021: As noted previously, the project has been in touch with M/s Tristar Software and Solution Pvt. Ltd. Due to the Supplier reluctant to carry forward on the the agreed contract, there was a delay. The contract is in the final stage of completion and an amendment of the contract for extension upto 30 November 2021 was signed on 17 November 2021.</p> <p>Dec 1, 2021 update: The customization is not completed. The revised deadline is Dec 31, 2021.</p> <p>Agree with the supplier to customize and roll out the customized Tally software in PMU and all DMUs to generate WA and SOE and information required for preparation of financial reports and monitor expenditure against AWPB and compare actual vs. budget</p> <p>March 2022 ISM update: The accounting software development is being monitored by IFAD consultant. Final decision on the next steps will be agreed by the end of April 2022</p> <p>Dec 22 update: consultants will be hired to help to finalize customization.</p>	SPD/FM/Supplier	06/2023
<p><b>Mizoram: Rectify the flaws for synchronization of DMUs data with PMU</b></p> <p>Rectify the flaws in synchronization of DMUs data with PMU so that the consolidated information for preparation of WA, IFR and financial statements can be generated by the Tally Accounting Software.</p> <p>Dec 22 update: consultants will help to complete this task.</p>	SPD/Finance Manager/Supplier	06/2023
<p><b>Mizoram: Timely submission of financial reports</b></p> <p>Submit all required financial reports to IFAD within agreed deadlines and comply with the legal agreement covenants.</p>	PMU	09/2023

**Quality and Timeliness of Audit**

**Rating: 3**

**Previous rating: 3**

**Justification of rating**

133. The audit report of the project was submitted within deadline on 1 July 2022 for Nagaland and one day delay on 1 October 2022 for Mizoram

**Main issues**

134. **Nagaland:** The audited financial statements and report were received within deadline with an unqualified opinion, but with emphasis on matter. There are no audit observations on not providing complete reconciliation statement of WAs with IFAD, the IFAD loan and grant allocation and disbursement statements and yearly procurement in the Notes to accounts.

135. **Mizoram:** The audited financial statements and report were received one day after deadline on 1 October 2022 with an unqualified opinion. There are no audit observations on not providing the IFAD loan and grant allocation and disbursement

statements and yearly procurement in the Notes to accounts. However, the auditor expressed concerns over internal controls, including not reliable controls over Tally maintenance and fixed assets register, tax compliance and collection and filing of supporting documents.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<p><b>Nagaland (ML#1): non-filing of return of Income under the Income Tax Act, 1961</b></p> <p>Nagaland: Society for Climate Resilient Agriculture Nagaland has not obtained Income Tax exemption order u/s 12A of the Income Tax Act, 1961 and no record for filing of Return of Income Tax has been found on record from the date of its incorporation.</p>		
<p><b>Nagaland (ML#2): Statutory Recognition</b></p> <p>Nagaland: The validity for the Society Registration has not been renewed within 3 months from the date of validity period.</p>	PMU/DMUs	
<p><b>Nagaland (ML# 3): Journal entry</b></p> <p>Nagaland: The Society has maintained the books of accounts in customized Tally Prime ERP Software. Proper supporting documents have not been kept along with the journal vouchers at the Society level ( i.e. Both at State and District Level)</p>	PMU/DMUs	
<p><b>Nagaland (ML# 4): Beneficiary Contribution</b></p> <p>Nagaland: During the current financial year, the Society has booked an amount of Rs.33,242.413 in kind beneficiary contribution but proper complete documents along with supporting was not produced during the period of audit.</p>	PMU/DMUs	
<p><b>Nagaland (ML# 5): Internal Control</b></p> <p>Nagaland: Internal Financial Control is the plan of organization and all of the co-ordinate methods and procedures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to the prescribed managerial policies. But during the period of audit, lack of Internal Financial Control has been observed at overall project level. Therefore, project is losing the advantage of the overall Internal Financial Control System (Like, Internal control helps to protect the funds released from IFAD out of misuse, its effectiveness in project implementation and suggest improvements, if required. It also helps to implement good management policies to attain overall goals, and also it helps for detecting all kinds of possible errors and frauds which may have been committed or to be committed). It has been observed that the Society has appointed the Internal Auditor, in order to improve the internal financial control, but due to non-compliances/rectification etc. of the Internal Audit observations within the timely manner, the lack of Internal Control Position has not been improved as compared with the prior years.</p>	PMU	
<p><b>Nagaland (ML# 6): Reconciliation and balance confirmation of Withdrawal Applications:</b></p> <p>Nagaland: The total reimbursable expenditures that have been incurred for the financial year 2021-22, needs to be reconciled with the expenditures that have been reimbursed through the withdrawal application by the Society. However, the Society is yet to reconcile all the withdrawal applications along with the periodic balance confirmation.</p>	PMU	
<p><b>Nagaland (ML# 7): District Level Annual Work Plan ad Budget (AWPB)</b></p> <p>Nagaland: During the current financial year, all the districts have been operated without having approved AWPB and hence the performance of the districts could not be measured.</p>	PMU/DMUs	

<p><b>Nagaland (ML# 8): Non-adherence of IFAD Procurement Guidelines</b></p> <p>Nagaland: It has been observed both at State and District Level Non-adherence of IFAD's Procurement Handbook Module F1: procurement methods for Goods, Works &amp; Non-Consulting Services, like Compliance of Standard Contract Terms and Condition, less active participation, etc.</p>	PMU/DMUs	
<p><b>Nagaland (ML# 9): Cash Expenditure</b></p> <p>Nagaland: It has been observed that at District level, several programs have been carried out either through cash advances or through cash.</p>	PMU/DMUs	
<p><b>Mizoram (ML# 1): Non-compliance with Finance Agreement, Project agreement, PIM, and FM Manual/delegation of power.</b></p> <p>Mizoram: FM manual is yet to be prepared, which is under process. There has been long delay in approving PIM. PIM is said to be approved very recently and as per discussion with the officials, lots of amendments are warranted. Cheque Signing Powers for PMU Bank Account has been specified in the PIM which states that the 1st Signatory shall be Finance &amp; Accounts Specialist (FAS) and the 2nd Signatory shall be the State Project Director (SPD). During our review, we have found that FAS is not signing the cheques. SPD along with Dy Director are the two signatories which is not matching with the PIM. Financial Powers of SCRAM are specified neither in PIM nor In the Bye Laws and other Governing Documents of the Society.</p>	PMU	
<p><b>Mizoram (ML# 2): Non-compliance with Statutory &amp; Legal Matters</b></p> <p>Mizoram: The Society is to be registered in the provident Fund to ensure necessary compliance of PF law. Income Tax TDS is neither deducted from eligible payments made during the year nor exemption certificates has been obtained. Project is not deducting GST TDS from eligible payments (where GST is charged on the Bill &amp; contract value exceeds Rs.2.50 lacs. Professional Tax has not been deducted &amp; deposited from Employee's Salary.</p>	PMU	
<p><b>Mizoram (ML# 3): Maintenance of books of accounts</b></p> <p>Mizoram: The Society has used crack version of Tally for maintaining accounts for FY2021-22. There is no password protection while the tally accounts of SCRAM &amp; PMU. Manual books of are not maintained by PMU. Cash book at PMU is maintained/printed on just plain paper instead of the prescribed format. Manual books of accounts are maintained at DMU levels. No ledgers are found to be maintained. As stated in PIM, the PMU/DMUs shall take periodical printouts of the books of accounts viz. Cash Book, Bank Book, Journal, Ledger, Trial Balance, Bank Reconciliation statement, expenditure by components and expenditure by categories but same is not found to be followed. Regular back up of the data shall be taken and stored off site as instructed in the manual, which is not found to be followed. The categories of expenditures and the financiers shall be used as Cost Centers. This will enable the project to generate expenditure statement by category and by financier on perusal of the accounts but it has been noticed that the financiers as cost centers categorization have not been done.</p>	PMU/DMUs	
<p><b>Mizoram (ML# 4): Computerized financial management system (Tally) not used in all cost centers</b></p> <p>Mizoram: Data entries in Tally are up to date at PMU level but Tally is not maintained at DMU levels. Pay-roll accounting system is not done in Tally. Cost centers are not used for the current Tally Accounts maintained for FY 2021-22 but it is proposed to be done in the Tally customization being done now and to be adopted in future. Chart of Accounts &amp; Approved annual budget are not uploaded in Tally Accounts maintained for FY 2021-22 but it is proposed to be done in the Tally customization being done now and to be adopted in future. The classification based on the group, sub-group, head, sub-head and ledger in Tally is being taken care of in the Tally customization being done now and to be adopted in future.</p>	PMU/DMUs	

<p><b>Mizoram (ML# 5): Register &amp; records not properly maintained.</b></p> <p>Mizoram: Registers of fixed assets, advances, and stock/stationery and vehicle log books are required to be improved. Tax and tour registers are not maintained</p>	PMU/DMUs	
<p><b>Mizoram (ML# 6): Assets are not properly managed</b></p> <p>Mizoram: Fixed assets records maintained by PMU needs to be updated. Codification of assets (assets identification code) are yet to be done for all the assets. Assets are not insured. Physical verification records of the assets are not found to be maintained. Assets movement register/records has not been maintained. register.</p>	PMU/DMUs	
<p><b>Mizoram (ML# 7): IT &amp; Security is to be strengthened</b></p> <p>Mizoram: AMC of computer &amp; IT equipment has not been taken. Anti-Virus has not been installed in the PCs/Laptops etc. Fire extinguishers are not installed. No insurance has been obtained for assets &amp; cash held by the society. CCTV has not been installed in the offices covering important areas There exists no defined password policy for the Society. Preventive maintenance of IT equipment not followed</p>	PMU/DMUs	
<p><b>Mizoram (ML# 10): Vouchers are not properly maintained</b></p> <p>Mizoram: Paid &amp; cancelled seal are not affixed on some of the vouchers. Revenue stamp is not affixed even where value of payment exceeds Rs.5,000. The reasons for adjustments in codes are not mentioned in the sanction order or the accounts. Commonly noted observations on review of vouchers &amp; supports at DMU level are: (1) many bills/cash memo/invoices are non-GST and un-numbered and un-dated, (2) receiver's signatures are missing from money receipt, (3) money receipts, bills, utilization certificates etc. are not available for many beneficiaries, (4) FIG's signature is missing from payments voucher, (5) bills from suppliers of the Arecanut seeds are un-numbered and Non-GST, (6) goods receipt acknowledgement is not available in bills or anywhere else. (7) utilization certificates are not available in certain cases.</p>	PMU/DMUs	
<p><b>Mizoram (ML# 11): Lack of variance analysis</b></p> <p>Mizoram: Variance showing physical and financial achievement in the light of approved action plan and budget is yet to be prepared by the society.</p>	PMU/DMUs	

**Counterparts Funds**

**Rating: 4**

**Previous rating: 3**

**Justification of rating**

136. Mizoram: The GoM released Rs. 28.53 Crores against an allocated budget of Rs. 63.20 Crores and a revised budget of Rs 57.73 Crores in FY 2021-22. The project has received only about 11 Crores for FY 2022-23 against AWPB of Rs 71 Crores. The project has not been reporting accurate financial data for beneficiaries' contributions. Nagaland: The GoN released Rs. 19.5 Crores against an allocated budget of Rs. 63.60 Crores in FY 2021-22. As of November 30, 2022, the project has received only 21.1 Crores for FY 2022-23 against AWPB of Rs 66.5 Crores. The project needs to improve overall reporting of beneficiary and government in-kind contributions.

**Main issues**

137. Mizoram: GoM has been pre-financing the expenses of the project. The state government needs to allocate more financial resources to finance planned activities as per approved AWPB. However, the project managed to collect data from line departments for convergence funds, and quarterly reports are being collected to consolidate convergence funds into project IFRs.

138. The PMU must follow up with state government officials to receive timely budget allocations to pre-finance project activities.

139. Nagaland:

140. GoM has been pre-financing the expenses of the project. The state government needs to allocate more financial resources to finance planned activities as per approved AWPB. In addition, the project needs to improve collection of data from line departments for convergence funds to consolidate them into quarterly reports.

141. The PMU must follow up with state government officials to receive timely budget allocations to pre-finance project activities.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Nagaland: Reporting of convergence expenditures</b> Obtain statement of expenses incurred for the activities from all financing sources for reporting actual beneficiaries' contribution received in cash and kind based on this statement. Deadline: January 2022 onwards  Feb 28, 2022 update: Q 3 2021-2022 IFRs will have all financing sources. Dec 2022 update: PMU will work with state line departments to collect data.	SPD, DPM and Finance Manager	06/2023

#### Compliance with Loan Covenants

Rating: 4

Previous rating: 4

#### Justification of rating

142. The project has mostly complied with the legal covenants with regards to submission of IFRs, the appointment of the auditor, submission of unaudited project financial statements, and audit report of FY 2021-22. However, the GoN has not met its obligation to release enough funds to pre-finance project activities.  
Mizoram - The project has partially complied with the legal covenants concerning budget release, delay in submission of IFRs, the appointment of the auditor, submission of unaudited project financial statements, audit report of FY 2021-22, AWPB & procurement plan (PP), insurance of project assets, development of MIS.

#### Main issues

143. Nagaland- The Project has improved compliance with the legal agreement covenants during FY 22-23. In particular, the audit reports and IFRs are submitted on time. However, the GoN has not met its obligation to release enough funds to pre-finance project activities.  
144. Mizoram- The Project has not improved compliance with the legal agreement covenants since August 2022 Supervision. In particular, the budget as per allocation is not released. The quarterly IFRs of FY 2021-22, to be submitted within 45 days after the period's end, were submitted after the due dates. The audit reports for FY 2021-22 to be submitted within 6 months of the end of the relevant FY were not sent on time. AWPB and PP of FY 2022-23, to be submitted to IFAD within 60 days before the beginning of the project year for No-objection, were not sent on time. Some flaws were noted in the management information system, which is yet to be rectified; hence, it is not fully functional. Unaudited project financial statements for FY 2021-22 has not been submitted.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Compliance with loan covenants</b> Comply with the provisions of the Financing Agreement, Letter to the Borrower/recipient and General Conditions for Agricultural Development Financing.	SPD/PMU/FM	

#### Procurement

### F. Agreed Actions

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Overview and Project Progress</b>		
<b>Revolving Fund – Mizoram</b> Transfer the revolving fund of INR 30,000 to the grade A FIGs	PMU	01/2023
<b>Convergence – Nagaland</b> Pragmatic target setting for Q4 and FY 2023-24 AWPB under convergence targets and share detailed village level plan with allied departments along with format of reporting.	DPMU	01/2023
<b>Market Access Facility (both states)</b> Organized training on DMU/ VLW staff and to support groups to apply for MAF build the proposal etc	PMU	01/2023



<b>Collective Marketing (both states)</b> Implement of two FIG led collective marketing in each state, and explored engagement with Army barracks and Farm-kart (Nagaland) for selling arrangement.	PMU	03/2023
<b>Business Plans of FPOs (both states)</b> Prepare all the 4 and 6 Business Plan for the FPOs Mizoram and Nagaland respectively	Synergy/FPOs	03/2023
<b>Capacity Building (both states)</b> Training/capacity building to be completed in the Q4; In last leg of the project and from sustainability point – exit plan to incorporate certain essential trainings to target groups to make them self-sustainable beyond March 24	PMU	03/2023
<b>Scaling-up of livestock activities – Nagaland</b> Identify two beneficiaries willing to scale up backyard chicken poultry to commercial level by leveraging CM Microfinance Scheme. And explore synergies for market access and scaling up in other interventions	PIT livestock/ PMU	03/2023
<b>Jhum Improvement – Mizoram</b> Incorporate training of tree pollarding and pruning practice in training of current jhum cultivation.	DPMU	06/2023
<b>Incorporate Specific Training on (both states)</b> - Pest and disease management of dragon fruit, - Pruning of grapes orchard - Goatary Disease management - Post-harvest practices on vegetables and fruits - Selection of animals - Selection of site and housing - Detection of diseases - First aids	PMU	06/2023
<b>Bench terracing/Terrace Farming (both states)</b> Fertile top soil should be removed, stored in an isolated area away from construction activities, and covered with plastic to prevent run off/erosion. Upon completion of construction, top soil should be restored.	PMU	06/2023
<b>Sustainability and Scaling up</b>		
<b>Policy consultation with partner - Mizoram</b> Document performance and lessons from activities related to land allocation to the landless and conduct a policy consultation with partner Departments and policy makers after preparing a policy brief.	SPD and KM	03/2023
<b>Policy consultation with partner Directorates- Nagaland</b> Hire a service provider and finalize the study on the water bodies and farm link roads and organize the workshop on the policy brief.	PIT-Agriculture and SPD	03/2023
<b>Discussion in DLCC/ DPCC</b> Discussion on exit strategy in next District Level Coordination Committee to ensure implementation in the last leg of the project	District Project Managers and SPD	03/2023

<b>Communication with community on sustainability</b> Develop and implement a clear communication strategy to communities under the project ensure continuity of activities, proper utilisation of assets created beyond project completion	SPD and KM (with DPMs)	03/2023
<b>POP</b> Provide complete package of practices(POP) on new items/systems	DPMU/SPD	03/2023
<b>Undertake Study/ Research</b> know the rain water runoff, moisture content, benefits and effects of bunding on soil; • know the rainwater runoff, moisture content, benefits and effects of bunding on soil; • Yield improvement, soil fertility improvement; • study on decreased downstream water flow and velocity of the water flow on water conservation; a. Initiate the preparatory work like hiring of agency to carry out the studies b. Carryout the study	KM and DD/TO/PIT Soil	03/2023
<b>Financial Management &amp; Execution</b>		
<b>Mizoram: Signing amendment with internal audit consultants</b> PMU will sign an amendment with the consultants to address all internal control weaknesses and maintenance of Tally software	PMU	12/2022
<b>Mizoram: Cancellation of funds</b> PMU and State Government will submit to DEA/MOF a request to cancel US\$ 9 million of IFAD funds from the FOCUS Mizoram.	PMU	01/2023
<b>Nagaland: Request for IFAD advance</b> In line with the cash forecasts for the next two quarters, PMU will send a withdrawal application to IFAD for further advance after consultations with DEA.	PMU	01/2023
<b>Nagaland: Cancellation of funds</b> PMU and State Government will submit to DEA/MOF a request to cancel US\$ 11 million of IFAD funds from the FOCUS Nagaland.	PMU	01/2023
<b>Nagaland: Monthly accounts closure</b> PMU will introduce monthly accounts closure procedure starting from January 2023 and address all existing internal control issues	PMU	03/2023
<b>Nagaland: Physical progress verification</b> The finance team will verify the physical achievements of high-risk transactions such as civil works and cash transfers to FIGs	PMU	03/2023
<b>Mizoram: Request for funds release</b> The PMU will ensure that the US\$ 2 million equivalent of funds are released by GoM each quarter.	PMU	03/2023
<b>Mizoram: Timely transfer of funds to DPMUs on a monthly basis</b> SCRUM/PMU will ensure that DPMUs receive monthly allocations within five working days from the start of the respective month.	PMU	03/2023

<p><b>Mizoram: Customize and roll out accounting software</b></p> <p>Update from MTR Nov-Dec 2021: As noted previously, the project has been in touch with M/s Tristar Software and Solution Pvt. Ltd. Due to the Supplier reluctant to carry forward on the the agreed contract, there was a delay. The contract is in the final stage of completion and an amendment of the contract for extension upto 30 November 2021 was signed on 17 November 2021.</p> <p>Dec 1, 2021 update: The customization is not completed. The revised deadline is Dec 31, 2021.</p> <p>Agree with the supplier to customize and roll out the customized Tally software in PMU and all DMUs to generate WA and SOE and information required for preparation of financial reports and monitor expenditure against AWPB and compare actual vs. budget</p> <p>March 2022 ISM update: The accounting software development is being monitored by IFAD consultant. Final decision on the next steps will be agreed by the end of April 2022</p> <p>Dec 22 update: consultants will be hired to help to finalize customization.</p>	SPD/FM/Supplier	06/2023
<p><b>Nagaland: Reporting of convergence expenditures</b></p> <p>Obtain statement of expenses incurred for the activities from all financing sources for reporting actual beneficiaries' contribution received in cash and kind based on this statement.</p> <p>Deadline: January 2022 onwards</p> <p>Feb 28, 2022 update: Q 3 2021-2022 IFRs will have all financing sources.</p> <p>Dec 2022 update: PMU will work with state line departments to collect data.</p>	SPD, DPM and Finance Manager	06/2023
<p><b>Mizoram: Rectify the flaws for synchronization of DMUs data with PMU</b></p> <p>Rectify the flaws in synchronization of DMUs data with PMU so that the consolidated information for preparation of WA, IFR and financial statements can be generated by the Tally Accounting Software.</p> <p>Dec 22 update: consultants will help to complete this task.</p>	SPD/Finance Manager/Supplier	06/2023
<p><b>Mizoram: Timely submission of financial reports</b></p> <p>Submit all required financial reports to IFAD within agreed deadlines and comply with the legal agreement covenants.</p>	PMU	09/2023
<p><b>Compliance with loan covenants</b></p> <p>Comply with the provisions of the Financing Agreement, Letter to the Borrower/recipient and General Conditions for Agricultural Development Financing.</p>	SPD/PMU/FM	
<p><b>Nagaland (ML#1): non-filing of return of Income under the Income Tax Act, 1961</b></p> <p>Nagaland: Society for Climate Resilient Agriculture Nagaland has not obtained Income Tax exemption order u/s 12A of the Income Tax Act, 1961 and no record for filing of Return of Income Tax has been found on record from the date of its incorporation.</p>		
<p><b>Nagaland (ML#2): Statutory Recognition</b></p> <p>Nagaland: The validity for the Society Registration has not been renewed within 3 months from the date of validity period.</p>	PMU/DMUs	
<p><b>Nagaland (ML# 3): Journal entry</b></p> <p>Nagaland: The Society has maintained the books of accounts in customized Tally Prime ERP Software. Proper supporting documents have not been kept along with the journal vouchers at the Society level ( i.e. Both at State and District Level)</p>	PMU/DMUs	

<p><b>Nagaland (ML# 4): Beneficiary Contribution</b></p> <p>Nagaland: During the current financial year, the Society has booked an amount of Rs.33,242.413 in kind beneficiary contribution but proper complete documents along with supporting was not produced during the period of audit.</p>	PMU/DMUs	
<p><b>Nagaland (ML# 5): Internal Control</b></p> <p>Nagaland: Internal Financial Control is the plan of organization and all of the co-ordinate methods and procedures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to the prescribed managerial policies. But during the period of audit, lack of Internal Financial Control has been observed at overall project level. Therefore, project is losing the advantage of the overall Internal Financial Control System (Like, Internal control helps to protect the funds released from IFAD out of misuse, its effectiveness in project implementation and suggest improvements, if required. It also helps to implement good management policies to attain overall goals, and also it helps for detecting all kinds of possible errors and frauds which may have been committed or to be committed). It has been observed that the Society has appointed the Internal Auditor, in order to improve the internal financial control, but due to non-compliances/rectification etc. of the Internal Audit observations within the timely manner, the lack of Internal Control Position has not been improved as compared with the prior years.</p>	PMU	
<p><b>Nagaland (ML# 6): Reconciliation and balance confirmation of Withdrawal Applications:</b></p> <p>Nagaland: The total reimbursable expenditures that have been incurred for the financial year 2021-22, needs to be reconciled with the expenditures that have been reimbursed through the withdrawal application by the Society. However, the Society is yet to reconcile all the withdrawal applications along with the periodic balance confirmation.</p>	PMU	
<p><b>Nagaland (ML# 7): District Level Annual Work Plan ad Budget (AWPB)</b></p> <p>Nagaland: During the current financial year, all the districts have been operated without having approved AWPB and hence the performance of the districts could not be measured.</p>	PMU/DMUs	
<p><b>Nagaland (ML# 8): Non-adherence of IFAD Procurement Guidelines</b></p> <p>Nagaland: It has been observed both at State and District Level Non-adherence of IFAD's Procurement Handbook Module F1: procurement methods for Goods, Works &amp; Non-Consulting Services, like Compliance of Standard Contract Terms and Condition, less active participation, etc.</p>	PMU/DMUs	
<p><b>Nagaland (ML# 9): Cash Expenditure</b></p> <p>Nagaland: It has been observed that at District level, several programs have been carried out either through cash advances or through cash.</p>	PMU/DMUs	
<p><b>Mizoram (ML# 1): Non-compliance with Finance Agreement, Project agreement, PIM, and FM Manual/delegation of power.</b></p> <p>Mizoram: FM manual is yet to be prepared, which is under process. There has been long delay in approving PIM. PIM is said to be approved very recently and as per discussion with the officials, lots of amendments are warranted. Cheque Signing Powers for PMU Bank Account has been specified in the PIM which states that the 1st Signatory shall be Finance &amp; Accounts Specialist (FAS) and the 2nd Signatory shall be the State Project Director (SPD). During our review, we have found that FAS is not signing the cheques. SPD along with Dy Director are the two signatories which is not matching with the PIM. Financial Powers of SCRAM are specified neither in PIM nor In the Bye Laws and other Governing Documents of the Society.</p>	PMU	

<p><b>Mizoram (ML# 2): Non-compliance with Statutory &amp; Legal Matters</b></p> <p>Mizoram: The Society is to be registered in the provident Fund to ensure necessary compliance of PF law. Income Tax TDS is neither deducted from eligible payments made during the year nor exemption certificates has been obtained. Project is not deducting GST TDS from eligible payments (where GST is charged on the Bill &amp; contract value exceeds Rs.2.50 lacs. Professional Tax has not been deducted &amp; deposited from Employee's Salary.</p>	PMU	
<p><b>Mizoram (ML# 3): Maintenance of books of accounts</b></p> <p>Mizoram: The Society has used crack version of Tally for maintaining accounts for FY2021-22. There is no password protection while the tally accounts of SCRAM &amp; PMU. Manual books of are not maintained by PMU. Cash book at PMU is maintained/printed on just plain paper instead of the prescribed format. Manual books of accounts are maintained at DMU levels. No ledgers are found to be maintained. As stated in PIM, the PMU/DMUs shall take periodical printouts of the books of accounts viz. Cash Book, Bank Book, Journal, Ledger, Trial Balance, Bank Reconciliation statement, expenditure by components and expenditure by categories but same is not found to be followed. Regular back up of the data shall be taken and stored off site as instructed in the manual, which is not found to be followed. The categories of expenditures and the financiers shall be used as Cost Centers. This will enable the project to generate expenditure statement by category and by financier on perusal of the accounts but it has been noticed that the financiers as cost centers categorization have not been done.</p>	PMU/DMUs	
<p><b>Mizoram (ML# 4): Computerized financial management system (Tally) not used in all cost centers</b></p> <p>Mizoram: Data entries in Tally are up to date at PMU level but Tally is not maintained at DMU levels. Pay-roll accounting system is not done in Tally. Cost centers are not used for the current Tally Accounts maintained for FY 2021-22 but it is proposed to be done in the Tally customization being done now and to be adopted in future. Chart of Accounts &amp; Approved annual budget are not uploaded in Tally Accounts maintained for FY 2021-22 but it is proposed to be done in the Tally customization being done now and to be adopted in future. The classification based on the group, sub-group, head, sub-head and ledger in Tally is being taken care of in the Tally customization being done now and to be adopted in future.</p>	PMU/DMUs	
<p><b>Mizoram (ML# 5): Register &amp; records not properly maintained.</b></p> <p>Mizoram: Registers of fixed assets, advances, and stock/stationery and vehicle log books are required to be improved. Tax and tour registers are not maintained</p>	PMU/DMUs	
<p><b>Mizoram (ML# 6): Assets are not properly managed</b></p> <p>Mizoram: Fixed assets records maintained by PMU needs to be updated. Codification of assets (assets identification code) are yet to be done for all the assets. Assets are not insured. Physical verification records of the assets are not found to be maintained. Assets movement register/records has not been maintained. register.</p>	PMU/DMUs	
<p><b>Mizoram (ML# 7): IT &amp; Security is to be strengthened</b></p> <p>Mizoram: AMC of computer &amp; IT equipment has not been taken. Anti-Virus has not been installed in the PCs/Laptops etc. Fire extinguishers are not installed. No insurance has been obtained for assets &amp; cash held by the society. CCTV has not been installed in the offices covering important areas There exists no defined password policy for the Society. Preventive maintenance of IT equipment not followed</p>	PMU/DMUs	

<p><b>Mizoram (ML# 10): Vouchers are not properly maintained</b></p> <p>Mizoram: Paid &amp; cancelled seal are not affixed on some of the vouchers. Revenue stamp is not affixed even where value of payment exceeds Rs.5,000. The reasons for adjustments in codes are not mentioned in the sanction order or the accounts. Commonly noted observations on review of vouchers &amp; supports at DMU level are: (1) many bills/cash memo/invoices are non-GST and un-numbered and un-dated, (2) receiver's signatures are missing from money receipt, (3) money receipts, bills, utilization certificates etc. are not available for many beneficiaries, (4) FIG's signature is missing from payments voucher, (5) bills from suppliers of the Arecanut seeds are un-numbered and Non-GST, (6) goods receipt acknowledgement is not available in bills or anywhere else. (7) utilization certificates are not available in certain cases.</p>	PMU/DMUs	
<p><b>Mizoram (ML# 11): Lack of variance analysis</b></p> <p>Mizoram: Variance showing physical and financial achievement in the light of approved action plan and budget is yet to be prepared by the society.</p>	PMU/DMUs	

## India

---

### **Fostering Climate Resilient Upland Farming Systems in the North East (Mizoram and Nagaland States)**

#### **Partial Supervision Report**

#### **Appendix 7: Integrated Project Risk Matrix (IPRM)**

Mission Dates: 6 December to 20 December 2022

Document Date: 11/02/2023

Project No. 2000001421

Report No. 6410-IN

Asia and the Pacific Division  
Programme Management Department





## Overall Summary

<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<b>Country Context</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Political Commitment</i>		<i>No risk envisaged - not applicable</i>
<i>Governance</i>		<i>No risk envisaged - not applicable</i>
<i>Macroeconomic</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Fragility and Security</i>	<i>Moderate</i>	<i>Moderate</i>
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Moderate</b>
<i>Policy alignment</i>	<i>Low</i>	<i>Low</i>
<i>Policy Development and Implementation</i>	<i>Substantial</i>	<i>Substantial</i>
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Project vulnerability to environmental conditions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project vulnerability to climate change impacts</i>	<i>High</i>	<i>Moderate</i>
<b>Project Scope</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Project Relevance</i>		<i>No risk envisaged - not applicable</i>
<i>Technical Soundness</i>	<i>Substantial</i>	<i>Moderate</i>
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>High</b>	<b>Substantial</b>
<i>Implementation Arrangements</i>	<i>High</i>	<i>Substantial</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>High</i>	<i>Substantial</i>
<b>Project Financial Management</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Project Organization and Staffing</i>	<i>Moderate</i>	<i>Low</i>
<i>Project Budgeting</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>High</i>	<i>Moderate</i>
<i>Project Internal Controls</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Accounting and Financial Reporting</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project External Audit</i>	<i>Substantial</i>	<i>Low</i>
<b>Project Procurement</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Legal and Regulatory Framework</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Accountability and Transparency</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Capability in Public Procurement</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Public Procurement Processes</i>	<i>Substantial</i>	<i>Moderate</i>
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Moderate</b>
<i>Biodiversity Conservation</i>		<i>No risk envisaged - not applicable</i>
<i>Resource Efficiency and Pollution Prevention</i>		<i>No risk envisaged - not applicable</i>
<i>Cultural Heritage</i>		<i>No risk envisaged - not applicable</i>
<i>Indigenous People</i>	<i>Low</i>	<i>Low</i>
<i>Labour and Working Conditions</i>		<i>No risk envisaged - not applicable</i>

<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<i>Community Health and Safety</i>		<i>No risk envisaged - not applicable</i>
<i>Physical and Economic Resettlement</i>		<i>No risk envisaged - not applicable</i>
<i>Greenhouse Gas Emissions</i>		<i>No risk envisaged - not applicable</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>	<i>Substantial</i>	<i>Moderate</i>
<b>Stakeholders</b>	<b>Low</b>	<b>Low</b>
<i>Stakeholder Engagement/Coordination</i>	<i>Low</i>	<i>Low</i>
<i>Stakeholder Grievances</i>		<i>No risk envisaged - not applicable</i>
<b>Overall</b>	<b>Substantial</b>	<b>Moderate</b>

<b>Country Context</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Political Commitment</b>		<i>No risk envisaged - not applicable</i>
The two states of Nagaland and Mizoram are committed to the project which contributes to their respective strategy of transition jhum farming to more sustainable production system and improving productivity of upland farming and profitability of agri activities. The main challenge is availability of budgetary resources to prefinance project activities.		
<b>Governance</b>		<i>No risk envisaged - not applicable</i>
The project governance system is now in place and operational.		
<b>Macroeconomic</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Risk:</b> Growth in the non-farm sector may result in fewer households than anticipated participating in project activities.	Low	Low
<b>Mitigations:</b> Expansion of the project to additional districts and incorporation of non-farm activities in its scope.		
<b>Risk:</b> Partial approval of annual budget of the project by the State of Mizoram and Nagaland and ad hoc release of funds, due to budgetary and fiscal constraints at state government level. Lack of Government funds is also affecting disbursement of centrally sponsored schemes and potential convergence with the FOCUS project in the two states. Given that this situation has been persisting since project effectiveness, the inherent risk is classified HIGH.	High	Substantial
<b>Mitigations:</b> The project is still rated as a problem project. The mission recommended restructuring at the mid term review which is expected during November-December, 2021 and advised the major preparatory works prior to the MTR. During mid-term review it is expected to resize the project in both states based on the absorptive capacity of the States. With the implementation of these measures the residual risk is classified as substantial.		

<b><i>Fragility and Security</i></b>	<b><i>Moderate</i></b>	<b><i>Moderate</i></b>
<b>Risk:</b> Long history of insurgency in Nagaland putting pressure on the Government to comply with their demand for funds.	Moderate	Moderate
<b>Mitigations:</b> Transferring project funds to community groups ensuring that project investments take place through these groups to reduce interference from insurgent groups as project activities become community owned and driven.		
<b>Sector Strategies and Policies</b>	<b><i>Moderate</i></b>	<b><i>Moderate</i></b>
<b><i>Policy alignment</i></b>	<b><i>Low</i></b>	<b><i>Low</i></b>
<b>Risk:</b> Policy changes discourage market engagement.	Low	Low
<b>Mitigations:</b> Marketing units in the Departments of Agri/Horticulture to provide policy advice for pro-market strategies of GOI.		
<b><i>Policy Development and Implementation</i></b>	<b><i>Substantial</i></b>	<b><i>Substantial</i></b>
<b>Risk:</b> Lack of a sharing pattern between land owners and share croppers in Nagaland for long term tree crops and orchard/plantation cultivation in jhum system, likely to deter jhum farmers who are share croppers.	Substantial	Substantial
<b>Mitigations:</b> Government of Nagaland will consult community institutions and develop a system of sharing between land owners and share croppers for long term tree crops, orchards and plantations.		
<b>Environment and Climate Context</b>	<b><i>Substantial</i></b>	<b><i>Moderate</i></b>
<b><i>Project vulnerability to environmental conditions</i></b>	<b><i>Moderate</i></b>	<b><i>Moderate</i></b>
<b>Risk:</b> The risk is for the project to have adverse impact on the environment.	Moderate	Moderate
<b>Mitigations:</b> Planting and maintenance of 15,720 ha village forests along with water development facilities; Jhum plots to be planted with annual and perennial spices; Jhum fallow land to be planted with annual and perennial legumes to enhance soil fertility; 127,000 ha of jhum and low land treated with soil and water conservation measures; Wetland treated with soil fertility enhancement measures. Farm to market roads to be improved using existing road alignments and no felling or clearing of existing jungles or excavation of new road alignments. Road improvement work to include adoption of climate resilient features such as protection of side slopes, construction of cross drainage structures and side drains, etc.		
<b><i>Project vulnerability to climate change impacts</i></b>	<b><i>High</i></b>	<b><i>Moderate</i></b>
<b>Risk:</b> Climate change may make farming unattractive.	High	Moderate

<b>Mitigations:</b> Project interventions to increase productivity and resilience of crops to climate change.		
<b>Project Scope</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Project Relevance</b>		<b>No risk envisaged - not applicable</b>
The project is highly relevant to the two states.		
<b>Technical Soundness</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Risk:</b> 1) Farmers do not find it worthwhile to adopt improved methods for jhum cultivation and settled agriculture; 2) farmers are not prepared to replicate project pilots and demonstrations using own resources; 3) reduced levels of income from settled agriculture due to lack of appropriate knowledge and investment in improved productivity; 4) high marketing transaction costs due to small volume and remote location; 5) expansion of pig and poultry production constrained by competition from other states; 6) Breeding animals/day-old chicks not available; 7) Government does not support role of CAHW in veterinary care.	Substantial	Moderate
<b>Mitigations:</b> 1) Promote improved methods based on proven practices which are already adopted in some locations; 2) careful monitoring of results of demonstrations with profitable technologies disseminated via training and extension efforts in each village; 3) project support through training and provision of materials and technology to demonstrate profitability of settled agriculture; 4) build production clusters and aggregation centres, with improved road communications; 5) increased efficiency and lower feed costs to make local production of pigs and poultry more competitive; 6) village level production of breeding pigs and chicks to be promoted; 7) strong links with State agencies to reassure government about the performance of the CAHW.		
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>High</b>	<b>Substantial</b>
<b>Implementation Arrangements</b>	<b>High</b>	<b>Substantial</b>
<b>Risk:</b> The two State Governments do not have prior experience with externally aided agricultural investment projects. The two Societies for Climate Resilient Agriculture were established for the purpose of project implementation.	High	Substantial
<b>Mitigations:</b> The main mitigation strategy is capacity building of the two Societies inter alia through the provision of technical assistance, and frequent follow-up with the State Governments.		
<b>Monitoring and Evaluation Arrangements</b>	<b>High</b>	<b>Substantial</b>
<b>Risk:</b> The main risk is the delay in setting up a functional M&E system for the project.	High	Substantial
<b>Mitigations:</b> Mobilization of FAO assistance to help the two Societies in the development of the MIS and in conducting the baseline survey.		
<b>Project Financial Management</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Project Organization and Staffing</b>	<b>Moderate</b>	<b>Low</b>

<p><b>Risk:</b></p> <p>Nagaland: All FM staffs with required qualification and minimum job experience have been recruited. The Finance staffs at DMUs still need guidance on the accounting and reporting requirement of the project and IFAD due to lack of experience.</p> <p>Mizoram: All FM staffs with required qualification and minimum job experience. They have an appropriate knowledge in the working donor funded project except the newly recruited Asst. Finance Managers.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Nagaland: Provide regular guidance and handholding support to Accounts officers of the DMUs from time to time on need basis.</p> <p>Mizoram: Provide regular guidance and handholding support to Accounts officers of the DMUs from time to time on need basis</p>		
<p><b>Project Budgeting</b></p>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Nagaland: The AWPBs of all fiscal years were submitted beyond due date. The AWPB has been prepared in prescribed format showing category, component and financiers. The State Government allocated budget of Rs. 350 million against revised budget of Rs. 872.77 million for FY 2020-21, Rs.920 million against revised budget of Rs. 731.81 million for FY 2021-22 and Rs. 920 million against revised budget of Rs. 532.24 million excluding government salary, convergence and beneficiaries' contribution of Rs.304.32 million.</p> <p>The AWPB of FY 2022-23 was submitted on 21 April 2022 due to delay in finalization of cost table and No-objection was provided on 2 May 2022. The revised AWPB of 2022-23 was submitted on 5 August 2022 and no-objection was provided on 12 August 2022.</p> <p>The budgeted expenditures could not be incurred due to delay in funds release and funds released less than the budgeted amounts by the state government causing slow implementation progress. There was no systematic monitoring system of AWPB execution, the budgetary performance was being monitored through manual records due to lack of management information system. The customized Tally software can generate actual vs. budgets to monitor budget variance but it is not being monitored. An appropriate management information system is yet to be established to monitor AWPB execution. Variance analysis needs to be carried out to observe periodic planned vs. actual expenses.</p> <p>Mizoram:AWPB is prepared with realistic cost estimates. The AWPBs of all fiscal years were submitted beyond due date for No-objection to IFAD and approval of PSC. The No-objections were received after start of the fiscal year. The AWPB has been prepared in prescribed format showing category, component and financiers. There is no systematic monitoring system of AWPB execution and hence the budgetary performance is being monitored through manual records due to lack of management information system. Variance analysis has not been carried out to observe periodic planned vs. actual expenses.</p> <p>The State Government allocated budget of Rs 600 million, Rs 620.30 million, Rs.631.95 million and Rs.632 million against required budget of Rs 886.19 million for FY 2019-20, Rs 842.24 million for FY 2020-21, Rs. 647.61 (revised budget of Rs 572.92 million) for FY 2021-22 and Rs. 1,301.48 million for FY 2022-23 respectively. The government did not provide fund as per approved budget and budget sanction. The government released funds of Rs 629.76 million for FY 2019-20 and Rs. 157.46 million for FY 2020-21 and Rs 285.29 million has been released for FY 2021-22. The GoM agreed to release Rs. 318.60 million on 31 August 2022 but it is yet to be released. The activities not foreseen originally but recommended by the supervision missions need to be included in the revised AWPB and hence the AWPBs have been revised every year. Due to delay and irregular release of funds and COVID pandemic, the implementation progress of the project is very slow and far behind the target.</p> <p>Procurement Plan of FY 2022-23 was submitted on 30 March 2022 and IFAD provided no-objection on 25 May 2022. The Revised Procurement Plan was submitted on 26 July 2022 and NoC obtained on 07 August 2022.</p>	Substantial	Moderate

<p><b>Mitigations:</b></p> <p>Nagaland: • Prepare AWPB in sufficient advance for submission to IFAD 60 days before the year-end and for approval to PSC before start of fiscal year.</p> <ul style="list-style-type: none"> <li>• Use the customized accounting software for monitoring expenditures vs budget on monthly basis.</li> <li>• Provide funds as per approved AWPB to implement planned activities and achieve the intended objectives of the project.</li> <li>• Develop MIS to monitor and analyze budget vs actuals on monthly basis.</li> </ul> <p>Mizoram: • Prepare AWPB in sufficient advance for submission to IFAD 60 days before the year-end and for approval to PSC before start of fiscal year.</p> <ul style="list-style-type: none"> <li>• Complete development of MIS and customization of accounting software to monitor and analyze budget vs actuals on monthly basis.</li> <li>• Include the activities recommended by the supervision missions in the second revised AWPB.</li> <li>• Request GoM for timely release of pre-financing of IFAD loan, government counterpart funds and CSS funds as per approved AWPB.</li> <li>• Submit procurement plan and obtain no-objection before the start of the fiscal year.</li> </ul>		
<p><b>Project Funds Flow/Disbursement Arrangements</b></p>	<p><b>High</b></p>	<p><b>Moderate</b></p>

<p><b>Risk:</b></p> <p>Nagaland: The funds are not received as planned from the multiple financiers. Gol received initial advance of USD 2 million (Rs. 131.30 million) on 13 April 2018 which was provided to the project on 3 December 2018. The initial advance of 1,975,230.59 was recovered and advance of USD 1,968,850.59 was again provided on March 11, 2022. The project received Rs.216.67 million for revised budget of Rs.705.76 million for FY 2019-20, Rs. 282.83 million for revised budget of Rs. 872.76 for FY 2020-21, Rs. 20.64 million against revised budget of Rs.731.81 million for FY 2-021-22 and Rs. 50.72 million for revised budget of Rs. 532.24 million for FY 2022-23.</p> <p>The IFAD has disbursed expenditures incurred up to March 2022 excluding Rs.72.04 million incurred for construction of farm roads and water bodies and has disbursed excess claim of USD 0.69 million (Rs 5.11 Crores) for goods, training and salaries, allowances &amp; operating cost as per reconciliation of expenditures incurred and amounts disbursed. PMU transfers funds to the bank accounts of DMUs for operating cost on trimester basis and for investment cost as and when required based on availability of funds instead of quarterly basis. The State Government could not provide required fund because of liquidity problem. Due to delay in release of funds and funds released less than the budgeted, implementation of activities has been delayed. The counterpart funding received in cash and in kind from the GoN and beneficiaries are reported in the project financial statements. There is also delay in approval of AWPB causing delay in budget release.</p> <p>Mizoram: Rs. 157.46 million was received in FY 2020-21 against AWPB of Rs 620.30 million excluding convergence and beneficiaries' contribution. During 2021-22, the Project received an amount of Rs 250 million from GoM. Other financier sources of CSS-Gol amounting to Rs 31.76 million and CSS-GoM of Rs.3.53 million, Convergence amounting to INR 25.02 million and Beneficiary of Rs 17.59 million. The project has not received funds for FY 2022-23 as there was cash &amp; bank balance of Rs. 262.59 million excluding advance of Rs. 20.24 million as on 31 March 2022 and Rs.196.37 million excluding advance of Rs.41.07 million as on 31 July 2022. The GoM agreed to release Rs. 318.60 million on 31 August 2022. The initial advance of USD 2.00 million has been recovered in the FY 2020-21.</p> <p>The PMU transfers funds to the bank accounts of DMUs as and when required instead of quarterly basis. The State Government could not provide required fund on time resulting in liquidity constraints in the beginning of the project but after budget release of funds based on availability of fund balance, there was no liquidity constraints. However, the project could not utilize the available funds for implementation of activities, which has resulted in low physical progress. The counterpart funding received in cash and in kind from the GoM are reported in the project financial statements. The project has reported beneficiaries' contribution of Rs 17.65 million up to 31 March 2022. The convergence expenditures of Rs 103.45 million incurred for activities other than Market Access Infrastructure up to 31 March 2022 have been reported against project design. The Project requests quarterly report from the line departments for CSS and Rural Development Department for Convergence but first quarter report of FY 2022-23 for convergence has not been received due to nil expenditure. The contributions made by the beneficiaries are being captured and accounted at the DMUs based on the statement of expenses and utilization certificate valued at the prevailing wage rates and market prices of the local materials in the respective districts.</p>	High	Moderate
---	------	----------

<p><b>Mitigations:</b></p> <p>Nagaland: • Adjust the excess amounts disbursed from the subsequent withdrawal application</p> <ul style="list-style-type: none"> <li>• Release budget to the project on quarterly basis as per approved AWPB to implement activities planned in the AWPB.</li> <li>• All supporting documents should be obtained for expenditures incurred to substantiate the eligibility of the expenditures and they should be made available for review.</li> <li>• Amount double claimed with IFAD should be adjusted in the next WA.</li> <li>• Obtain statement of expenses incurred for the activities from all financing sources for reporting actual beneficiaries' contribution received in cash and kind based on this statement.</li> </ul> <p>Mizoram: • Submit quarterly fund requirement as per approved AWPB to the government and request for release of funds accordingly.</p> <ul style="list-style-type: none"> <li>• Release budget to the project on quarterly basis as per approved AWPB to implement activities planned in the AWPB.</li> <li>• Ensure timely release of counterpart funding of GoM and GoI.</li> <li>• All supporting documents should be obtained for expenditures incurred to substantiate the eligibility of the expenditures and they should be made available for review.</li> <li>• Adjust the amount of advance already claimed with IFAD against eligible expenditures in the next withdrawal application.</li> <li>• Recover excess payments made to the suppliers and the staff.</li> <li>• Prepare bank reconciliation of the project bank account at PMU and DMUs on monthly basis.</li> <li>• Obtain statement of expenses incurred for the activities from all financing sources for reporting actual beneficiaries' contribution received in cash and kind based on this statement.</li> <li>• Obtain statement of expenditures of convergence from the respective government offices on quarterly basis.</li> </ul>		
<b>Project Internal Controls</b>	<b>Substantial</b>	<b>Moderate</b>



<b>Risk:</b>	Substantial	Moderate
<p>Nagaland: Internal control mechanism has been designed in the PIM by segregating duties, accounting and reporting of financial transactions. There are segregation of duties from preparation to approval of transactions at PMU but there is no segregation of duties in the DMU as there is only one Accounts Officer. The following internal control weaknesses were noted during review: (i) attendance sheet and boarding pass, (ii) Rs 220,000 double claimed with IFAD under training category in WA 19, and (iii) payments for seeds purchase were considered 90 percent for claiming with IFAD in WAs without confirming 10 percent beneficiaries' contribution. Physical verification of fixed assets of PMU was conducted on 30 June 2022. The project has not complied with some of the provisions of the legal covenants. The fixed assets and key staff against health and accident are not yet insured. The internal audit report of 1st quarter of FY 2022-23 is yet to be received.</p> <p>Mizoram: The Project Implementation Manual (PIM) has been amended but it is yet to be approved by the PSC and no-objection of the IFAD has to be obtained.. Internal control mechanism has been designed in the PIM by segregating duties, accounting and reporting of financial transactions. There are segregation of duties from preparation to approval of transactions at PMU but there is no segregation of duties in the DMU as there is only one Accounts Officer.</p> <p>The goods received notes of some of the goods purchased were not made available to confirm that goods received notes are being issued to acknowledge receipts of goods. The distribution list of seeds and other materials to the beneficiaries are prepared but all distribution lists were not made available. Supporting documents of expenses and utilization certificates of existing orchards area expansion of grapes, pig breeding, &amp; planting materials were not provided for review. Payments are usually made on time.</p> <p>The contract register is being updated. The physical verification of fixed assets of PMU was only conducted. Fixed asset register has been updated. The project has not complied with some of the provisions of the legal covenants. The fixed assets except vehicles are not yet insured. Bank reconciliation statements being prepared on quarterly basis. The internal audit reports of FY 2021-22 have pointed out many internal control weaknesses and non-compliance of Laws. The internal auditor has not been hired for FY 2022-23. The expenses incurred without supporting documents will be declared ineligible if the supporting documents are not provided. The project has not taken any action to address the audit observations and recommendations.</p>		
<p><b>Mitigations:</b></p> <p>Nagaland: • Make payment of honorarium to lead farmers and CAHW on monthly basis.</p> <ul style="list-style-type: none"> <li>• Develop policy about insurance of fixed assets.</li> <li>• Insure the staff as per approved AWPB 2022-23</li> <li>• Obtain and maintain all supporting documents of the expenditures incurred.</li> <li>• Develop policy about insurance of fixed assets.</li> <li>• Mention the quantity and rate in the receipt/invoice for the food expenses</li> <li>• Conduct physical verification of fixed assets every year and reconcile with the fixed assets register.</li> <li>• Comply with the provisions of the Financing Agreement, Letter to the Borrower/recipient and General Conditions for Agricultural Development Financing.</li> <li>• Obtain internal audit report for April to June 2022.</li> </ul> <p>Mizoram: • Obtain the no-objection of the IFAD and approve the amended PIM by the Governing Council meeting of SCRAM.</p> <ul style="list-style-type: none"> <li>• Issue goods received notes to acknowledge receipt of goods.</li> <li>• Obtain signatures of the receivers on the distribution list of seeds and other materials to acknowledge receipts.</li> <li>• Conduct the physical verification of the fixed assets of PMU and DMUs once at the end of the year and of inventory on periodic basis.</li> <li>• Comply with the provisions of the Financing Agreement, Letter to the Borrower/recipient and General Conditions for Agricultural Development Financing.</li> <li>• Obtain and maintain all supporting documents of the expenditures incurred.</li> <li>• Recover excess payments from the concerned staff and supplier.</li> <li>• Adjust the advance amounts and excess payments claimed with IFAD from the eligible expenditures in the next withdrawal application</li> <li>• Hire internal auditor to conduct internal audit on periodic basis as per terms of reference for 2022-23.</li> <li>• Take appropriate action to address the audit observations and recommendation of the internal auditor.</li> </ul>		

<b>Project Accounting and Financial Reporting</b>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Nagaland: The project follows cash basis of accounting acceptable to IFAD and maintains accounts using customized Tally accounting software to generate statement of WA and required information for preparation of Interim Financial Reports (IFR) and financial statements. There is no synchronization of DMUs data with the PMU. The software can generate report of actual vs. budget to monitor budget variance. The project prepares the WA, IFR and annual financial statement based on information generated by the software in excel spreadsheets. The counterpart funding and beneficiary contributions are reported based on the statement of expenses and utilization certificates submitted by the respective DMUs. The Government staff salaries and allowances reported are more than the rates specified in the cost table. The beneficiary contribution in kind is valued as per the prevailing rates. The project has reported convergence based on the statement of expenditures.</p> <p>The project has not prepared quarterly physical progress reports to be submitted to IFAD, Nodal Department of the project and State Finance Department. The quarterly IFRs have been submitted up to first quarter of FY 2022-23. The unaudited annual financial statements of FY 2021-22 were not submitted as the audited project financial statements were submitted on 1 July 2022. The assessment of reasonable alignment between disbursement rates of recurrent cost versus investment costs is not done.</p> <p>Mizoram: The project is maintaining accounts using Tally accounting software at PMU and DMUs following cash basis of accounting. The Tally software has been customized but there are some problems in synchronization of DMUs data with PMU, which needs to be rectified.</p> <p>Fixed assets register has been updated. Physical verification of fixed assets of PMU was only conducted on 26 August 2022. The bank accounts are being reconciled on quarterly basis instead of monthly basis.</p> <p>The Government staff salaries and allowances reported are more than the rates specified in the cost table. The beneficiaries contribution is being valued as per the rates approved by the state government for kind or labour while monetary contribution from beneficiary is being reported based on the expenditures reported by the beneficiaries. The project has reported beneficiaries' contribution of Rs 17.65 million up to 31 March 2022. The convergence expenditures incurred for Market Access Infrastructure activities should only be reported but convergence expenditures of Rs 103.45 million incurred for activities other than Market Access Infrastructure up to 31 March 2022 have been reported. The Project is now preparing quarterly physical report in quantitative format without narratives.</p> <p>The quarterly interim financial reports (IFRs) of FY 2021-22 have been submitted to IFAD with some delay. The first quarter IFR of the FY 2022-23 prepared in the new format except cash forecast, yearly and cumulative variance analysis, and contract register was submitted. The unaudited annual financial statements of FY 2021-22 have not been prepared for submission to IFAD. The assessment of reasonable alignment between disbursement rates of recurrent cost versus investment costs is not done.</p>	Substantial	Moderate

<p><b>Mitigations:</b></p> <p>Nagaland: • Add feature of synchronization of DMUs data with PMU so that the consolidated data can be generated by PMU.</p> <ul style="list-style-type: none"> <li>• Obtain statement of expenses incurred for the activities from all financing sources for reporting actual beneficiaries' contribution received in cash and kind based on this statement.</li> <li>• Submit quarterly interim financial reports in the new format within the due date.</li> <li>• Prepare and submit quarterly progress report with required information as specified in Section 8.03 (a) of General Condition to IFAD, Nodal Directorate of the project and State Finance Department.</li> <li>• Compare the information reported in the Financial Statements against the information reported in the progress reports.</li> </ul> <p>Mizoram: • Rectify the flaws in synchronization of DMUs data with PMU so that the consolidated information for preparation of WA, IFR and financial statements can be generated by the Tally Accounting Software.</p> <ul style="list-style-type: none"> <li>• Reconcile bank accounts on monthly basis.</li> <li>• Report convergence expenditures incurred for Market Access Infrastructure activities only.</li> <li>• Obtain statement of expenses incurred for the activities from all financing sources for reporting actual beneficiaries' contribution received in cash and kind based on this statement.</li> <li>• Prepare and submit quarterly IFRs prepared in the new format as specified in the Letter to the Borrower within due dates</li> <li>• Prepare and submit quarterly physical progress report to IFAD, Nodal Department of the project and State Finance Department.</li> <li>• Submit unaudited annual financial statement of each fiscal year to IFAD within 4 months from the end of the fiscal year.</li> <li>• Compare the information reported in the Financial Statements against the information reported in the progress reports to check accuracy.</li> </ul>		
<p><b>Project External Audit</b></p>	<p><b>Substantial</b></p>	<p><b>Low</b></p>
<p><b>Risk:</b></p> <p>Nagaland: The audit report of FY 2021-22 was submitted within due date on 1 July 2022. The audit coverage was complete. The auditor expressed an unqualified opinion on the financial statements for both financing instruments with emphasis on matter. The WAs statement has been reported for the current fiscal year only. The complete reconciliation of withdrawal application amounts submitted and disbursed, the IFAD loan and grant allocation and disbursement statements and yearly procurement statements are not reported in the Notes to accounts. The management letter includes follow-up on previous audit recommendations and the internal controls weaknesses with regard to (i) non-filing of return of Income tax, (ii) not keeping proper supporting documents at state and district level, (iii) lack of complete supporting documents of beneficiary contribution of Rs. 33,242,413, (iv) lack of Internal Financial Control at overall project level, (v) need to reconcile reimbursable expenditures with amounts claimed in WA, (vi) lack of district level AWPB, (vii) non-adherence of IFAD Procurement Guidelines, and (viii) carrying out several programs either through cash advances or through cash expenditure at district level.</p> <p>Mizoram: The Comptroller and Auditor General of Mizoram conducted the first external audit of FY 2018-19 &amp; 2019-20. Disclosure of allocation &amp; use of funds of the loan and grant is missing in the notes to the financial statements of FY 2018-19 &amp; 2019-20. The audit of FY 2020-21 was conducted by Akas &amp; Associates, Chartered Accountants and the Audit report was submitted to IFAD on 14 February 2022. The auditor has expressed an unqualified opinion on the financial statements for both financing instruments with emphasis on matters. Disclosure of allocation &amp; use of funds of the loan and grant is missing in the notes to the financial statements of FY 2020-21. The withdrawal application statement has been provided in local currency. There was no follow up on the audit observations of the previous fiscal years and no management response on the audit observations.</p> <p>The audit of FY 2021-22 has been conducted but the financial statements have not been finalized causing delay in issuance of audit report.</p>	<p>Substantial</p>	<p>Low</p>

<p><b>Mitigations:</b></p> <p>Nagaland: Submit realistic plan to strengthen internal control and resolve all audit observations.</p> <p>Mizoram: • Submit audit report, audited project financial statements and management letter with management response on the management letter of FY 2021-22 within 30 September 2022.</p> <p>• Resolve the audit observations during the audit of FY 2021-22.</p>		
<b>Project Procurement</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Legal and Regulatory Framework</b>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The risk that the Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>1). Review periodically the application procurement in accordance with the Project Procurement Manual.</p> <p>2). Review and clear project procurement plan (consolidated) encouraging the use of competitive procurement methods</p> <p>3). Provide consolidated procurement information on project website (opportunities and awards)</p>		
<b>Accountability and Transparency</b>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>1). Provide confidential report of complains received, under investigation and resolved.</p> <p>2). Establish appropriate level of procurement reviews post and prior based on risk</p> <p>3). Identify and report on risk flags during procurement supervision</p> <p>4). Use IFAD standard bidding documents which include provisions for prohibitive practises and safeguards</p>		
<b>Capability in Public Procurement</b>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The risk that the implementing agency does not have sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>1). Retain procurement professional to support intermittently</p> <p>2). Periodic training and support to be provided to various implementing agencies teams.</p> <p>3). Ad-hoc offsite coaching by IFAD accredited procurement consultant.</p>		
<b>Public Procurement Processes</b>	<b>Substantial</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>The risk that procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>Focus Nagaland</p> <ol style="list-style-type: none"> <li>1). Maintaining of procurement files to be actioned by PMU on continues basis.</li> <li>2). Update Procurement Plan to be actioned by by PMU</li> <li>3). Update Contract register to be action by PMU</li> <li>4). Ensure to use compliance with letter to borrower on prior review requirements to be actioned by PMU - continuously</li> </ol> <p>Focus - Mizoram</p> <ol style="list-style-type: none"> <li>1). Manual for community procurement to be actioned by PMU - as soon as possible.</li> <li>2). Arrange training of community procurement committee to be actioned by PMU as soon as possible.</li> <li>3). Update contract register to be actioned by PMU - continuously</li> <li>4). Maintaining adequate of procurement files to be actioned by PMU - as soon as possible.</li> <li>5). Update procurement plan to be actrioned by PMU - as soon as possible</li> </ol>		
<p><b>Environment, Social and Climate Impact</b></p>	Moderate	Moderate
<p><b>Biodiversity Conservation</b></p>		<i>No risk envisaged - not applicable</i>
<p>The project has activities that promote biodiversity for example the CCA activities under component 1.1. of project. It also conserves genetic biodiversity and crop diversity of jhum farming.</p>		
<p><b>Resource Efficiency and Pollution Prevention</b></p>		<i>No risk envisaged - not applicable</i>
<p>Package of practice promoted does not lead to pollution and low external input farming is being promoted as well as organic farming.</p>		
<p><b>Cultural Heritage</b></p>		<i>No risk envisaged - not applicable</i>
<p>The project has no adverse impact on cultural heritage.</p>		
<p><b>Indigenous People</b></p>	Low	Low
<p><b>Risk:</b></p> <p>The risk that the project may cause significant adverse physical, social, or economic impacts on tribal peoples, or in threats to or the loss of resources of historical or cultural significance to them especially in relation to shifting cultivation (jhum) being abolished, as it is perceived as part of the ethos and culture of communities in Nagaland and Mizoram.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>The risk mitigation strategy is to adopt IFAD's strategy for Indigenous People in terms of Free Prior and Informed Consent (FPIC); building knowledge of farmers on better and more sustainable management of jhum farming.</p>		
<p><b>Labour and Working Conditions</b></p>		<i>No risk envisaged - not applicable</i>

The project does not have adverse implications on labour conditions. It is worth mentioning that rural wages are higher in Nagaland compared to other states in India.		
<b>Community Health and Safety</b>		<b>No risk envisaged - not applicable</b>
Risks to health are addressed as part of the project investments in veterinary care to limit transmission of animal borne diseases to humans. The recent outbreak of African Swine Fever has underscored importance of incorporating one health activities and this is part of the project technical scope. With regards Covid outbreak, project is supporting state efforts for awareness raising and implementation of social distancing, and finding alternatives to conventional farmer training.		
<b>Physical and Economic Resettlement</b>		<b>No risk envisaged - not applicable</b>
Activities do not lead to any resettlement.		
<b>Greenhouse Gas Emissions</b>		<b>No risk envisaged - not applicable</b>
Project activities promote carbon sequestration.		
<b>Vulnerability of target populations and ecosystems to climate variability and hazards</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Risk:</b> The risk is substantial. The project area is prone to heavy rainfall, landslides, drought spells, drying up of spring sources.	Substantial	Moderate
<b>Mitigations:</b> The project is promoting climate smart agriculture as well as protection of water sources. Market infrastructure and roads financed by the project will be climate proofed - for example in case of roads, there is strong focus on drainage structures and bank protection.		
<b>Risk:</b> The risk is substantial. The project area is prone to heavy rainfall, landslides, drought spells, drying up of spring sources.	Substantial	Moderate
<b>Mitigations:</b> The project is promoting climate smart agriculture as well as protection of water sources. Market infrastructure and roads financed by the project will be climate proofed - for example in case of roads, there is strong focus on drainage structures and bank protection.		
<b>Risk:</b> The risk is substantial. The project area is prone to heavy rainfall, landslides, drought spells, drying up of spring sources.	Substantial	Moderate
<b>Mitigations:</b> The project is promoting climate smart agriculture as well as protection of water sources. Market infrastructure and roads financed by the project will be climate proofed - for example in case of roads, there is strong focus on drainage structures and bank protection.		

<b>Stakeholders</b>	<b>Low</b>	<b>Low</b>
<b>Stakeholder Engagement/Coordination</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The risk that relevant stakeholders are not identified, and/or consulted to secure their buy-in on project objectives leading to opposition thereby, or duplication/inconsistencies between partners working in the same target area that may undermine project implementation and achievement of project development objectives</p>	Low	Low
<p><b>Mitigations:</b></p> <p>Intensive consultation process took place with community organizations (FPIC, participatory land use planning, and participatory monitoring).</p>		
<b>Stakeholder Grievances</b>		<b>No risk envisaged - not applicable</b>
<p>The project follows a participatory approach using FPIC to prioritise activities and obtain community buy-in. It also carries out beneficiary assessment and has conducted its first annual outcome surveys and in the preparation phase for the second AOS.</p>		