



Investing in rural people

The State of Eritrea

Fisheries Development Project (FDP)

Supervision report

Main report and appendices

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Contents

Abbreviations and acronyms	iii
A. Introduction	1
B. Overall assessment of FDP implementation	2
C. Outputs and outcomes	3
D. FDP implementation progress	5
E. Fiduciary aspects	7
F. Sustainability	11
G. Conclusion	11

Appendices

Appendix 1: Summary of project status and ratings	13
Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs	17
Appendix 3: Summary of key actions to be taken within agreed timeframes	25
Appendix 4: Financial – Actual financial performance by Financier, by Component and Disbursements by Category	27
Appendix 5: Compliance with Legal Covenants: Status of Implementation	29
Appendix 6: Knowledge Management – Learning and Innovation	33
Annex I: List of People Met	34
Annex II: Financial Management Assessment at Supervision	35
Annex III: Summary of Project Fiduciary Risk Assessment at Supervision	39

Abbreviations and acronyms

AEZ	Agro-Ecological Zone
AWPB	Annual Work Plan and Budget
CCU	Cooperatives Credit Unit
COMSAT	College of Marine Science and Technology
COSOP	Country Strategy Opportunities Paper
CPM	Country Programme Manager
CSU	Cooperative Support Unit
EC	European Community
EEZ	Exclusive Economic Zone
ERN	Eritrean Nakfa
EU	European Union
FAD	Finance and Administrative Division
FAO	UN Food and Agriculture Organization
FDP	Fisheries Development Project
FDSC	Fisheries Development Steering Committee
FDTC	Fisheries Development Technical Coordinating Committee
FMP	Fisheries Management Plans
FRDD	Fisheries Resources Development Department
FRSD	Fisheries Resources Regulatory Services Department
GOE	Government of Eritrea
HFTC	Hirgigo Fisheries Training Centre
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICAM	Integrated Coastal Area Management
ICAMP	Integrated Coastal Area Management Plan
ICT	Information and Communication Technology
IDP	Internally Displaced People
I-PRSP	Interim Poverty Reduction Strategy Paper
M&E	Monitoring and Evaluation
MLWE	Ministry of Land, Water and Environment
MMR	Ministry of Marine Resources
MOA	Ministry of Agriculture
MSY	Maximum Sustainable Yield
MTR	Mid-Term Review
NFC	National Fisheries Cooperation
NPCO	National Project Coordination Office
NEPFP	National Economic Policy Framework and Programme
NGO	Non-Governmental Organization
NNSS	National Nutrition Surveillance System
NSC	National Steering Committee
NUEW	National Union of Eritrean Women
OCHA	Office for the Coordination of Humanitarian Affairs
PCC	Programme Coordination Committee
PCO	Programme Coordination Office
PIM	Project Implementation Manual
PY	Project Year
SEPSS	Socio-Economic and Production System Survey
TA	Technical Assistance
UNDP	United Nations Development Project
USD	United States Dollars
WB	World Bank
WHHs	Woman Headed Households
ZNRS	Zoba Northern Red Sea
ZSRS	Zoba Southern Red Sea

A. Introduction¹

1. The International Fund for Agricultural Development (IFAD) and the Government of Eritrea (GoE) fielded a joint Mission to the country during the period 12th – 25th June 2016 to review implementation progress and, where required, provide implementation support to the Fisheries Development Project (FDP). The goal of the project is to contribute to national and household food and nutrition security and the alleviation of rural poverty, in line with the major development priorities of the GoE. The objective is to raise production and productivity of artisanal fishers while conserving fishery and other marine resources.

2. The overall Project implementation and coordination is the responsibility of the Ministry of Marine Resources (MMR) and this is supposed to be done in coordination with the two participating Zoba administrations (Zoba Northern Red Sea and Zoba Southern Red Sea). The Project total costs, over 6 years, were estimated at USD 18.14 million. FDP is being financed by an IFAD DSF grant of USD 12.58 million (69.35%), the Government of Eritrea contribution of USD 1.96 million (10.8%), and the beneficiaries contribution of USD 0.18 million. It had been foreseen that an amount of USD 3.43 million (18.91%) would be financed using reflows from the revolving account. The FDP Financing Agreement between IFAD and GoE was signed and became effective on 14th September 2010 and, accordingly, Project Completion is scheduled for 30th September 2016 and Project Closure is slated for 31st March 2017. The FDP underwent a Mid-Term Review (MTR) in May 2014 and benefited from a post-MTR follow up and implementation support Mission in September 2014. In July 2014, December 2014 and February, June and September 2015, in the context of the joint FAO/IFAD Initiative on Capacity Development for better Management of Public Investments in small-scale agriculture in developing countries, of which IFAD supported projects in Eritrea are among the recipients, FAO Implementation Support Missions were fielded to Eritrea. Areas of hands-on implementation support to FDP were: a) support to MMR on result-based planning, monitoring and Evaluation both at central and decentralised (Zoba) level; and b) provide capacity development to the Cooperative Credit Unit of the MMR aimed at improving fisher cooperative establishment and their access to credit.

3. The key objectives of the Mission were to: a) review the overall Project implementation progress and the achievement of outputs and outcomes by the Project; b) review and assess progress made in implementation of the agreed actions and recommendations emerging from the November 2015 Mission; c) assess the proposed criteria and guidelines for accessing fishing inputs and ensure the targeting effectiveness of beneficiaries; d) review the level of attainment by the Project of prerequisites for providing fishing inputs to beneficiary groups; e) review the 2016 Annual Work Plan and Budget (AWPB), taking into account the fact that Project activity implementation is due for completion by 30th September 2016. Propose any activities that could be added to the AWPB to help contribute to bringing the Project to a logical conclusion; f) focussing on winding up activities, identify and discuss potential and emerging constraints, and agree on solutions and improvements during the remaining Project period as well as responsibility for implementation; g) develop activity schedule for the Project Completion Report which should be undertaken after September 2016 and provide the necessary support with regard to orderly completion and closure of the Project; h) review the financial and accounting systems, audit arrangements and other fiduciary aspects; i) review compliance with the covenants of the Financing Agreement; j) overview of issues affecting sustainability related to institution building, rural poor empowerment, beneficiary participation, responsiveness of service providers and exit strategy.

4. Given that Project implementation is due for completion by 30th September 2016 and closure by 31st March 2017, the Mission placed particular emphasis on the Project's winding down activities, orderly closure and to foster seamless transition between the FDP and the Fisheries Resources Management Programme (FReMP), the follow on Programme that is being designed.

¹ Mission composition: The Mission was led by Mr Eric Rwabidadi, Associate Country Programme Manager and Task Manager for the Eritrea Portfolio with the participation of the following team members: Mr Shakib Mbabaali, Agricultural Economist/Project Management Specialist; Mr Richard Batamanye, Financial Management Specialist; and Mr Waseem Shahzad Khan, IFAD/UNV Procurement Specialist. Members of the NPCO fully participated in the Mission. Hereafter, any reference to the "Mission" refers to the GoE and IFAD teams.

5. The Mission held discussions with His Excellency Tewelde Kelati, Minister of the Ministry of Marine Resources, on fundamental Project implementation issues. Discussions were also held with Mr Tewelde Woldemikael, Director General, Development Department; Mr Tecele Alemseghed, Director General, Regulatory Services Department; and the staff of the National Project Coordination Office (NPCO). A list of people met by the Mission is presented in Annex I.

6. The Mission was launched in Asmara on 12th June 2016 and had working sessions with key Ministry of Marine Resources (MMR) officers and FDP implementers both at the headquarters and Zoba level.

7. The findings and recommendations of the Mission were discussed with His Excellency the Minister of Marine Resources and members of the NPCO during a wrap-up meeting held in Asmara on 25th June 2016.

8. The Mission wishes to express its appreciation to GoE, MMR and NPCO staff for allowing frank and cordial exchanges and for the courtesies, hospitality and support provided.

B. Overall assessment of FDP implementation

9. The Project's activity implementation is slated for completion by 30th September 2016 and overall performance is rated as moderately satisfactory. Although FDP experienced a slow start, the pace of implementation that was created after reorientation by the May 2014 MTR has largely contributed to enabling the Project to make big strides towards achieving its goal and development objective. The progress made is reflected in FDP's cumulative disbursement of the IFAD Grant. As of 31st May 2016, cumulative disbursement (actual and pending WAs to be claimed for reimbursement) stood at about SDR 5.33 million representing 65% of total grant allocation at appraisal. However, taking into account the Project's firm commitments (as per signed contracts), the disbursement picture changes tremendously. As of the same date, firm commitments amounted to SDR 2.83 million (or USD 4.20 million). Thus, by the completion date of 30th September 2016, the Project is expected to disburse up to SDR 8.16 million which will represent 99% of the total grant allocated by IFAD.

10. Based on the Mission's assessment, it is likely that the Project will achieve many of its outcomes and much of the desired impact. These preliminary findings would need to be verified and confirmed by the Beneficiary Impact Assessment (BIA) which is to be undertaken soon after the completion of activity implementation on 30th September 2016; the BIA findings will be part of the Project Completion Report that will be produced before the Project's closure date of 31st March 2016. One area where FDP has made considerable progress, especially after the MTR, relates to Component 2 (Reorganization and Strengthening of the Fishers' Cooperatives and Support to other Artisanal Fishers). The foreseen interventions under this Component gained momentum after reorientation of the Project by the MTR in May 2014. The Cooperative Credit Unit (CCU) is now fully established and operational and is working with the other institutions to oversee the assets financing initiation, vetting, allocation and recovery processes. Fishing inputs, comprising of boat engines and an assortment of fishing gear accessories, have already been procured and distributed to the two participating Zobas. The successful loan applicants are being provided with the fishing inputs they need following established procedures. A mechanism has been put in place for the recovery of loans after the relevant grace period as per the agreed modalities and criteria. The CCU and cooperatives have received training on various aspects of cooperative operations and management. As per the Project's design, much effort has been made in mobilization, formation, training and reorganisation of new and existing fishers' cooperatives. Cumulatively, there are now a total of 38 primary cooperatives and four women only cooperatives in the Project area, representing about 1,200 households (about 6,000 beneficiaries) from the fishing communities.

11. According to the available statistics from the project reports, there are 700 fishing boats fully registered in MMR database with about 3,000-3,500 fisher-folks operating in the Project area and receiving FDP services. Project interventions have contributed to the progressive upgrading of the landing sites' infrastructure, including the installation of two ice plants (in Massawa) which are already providing fisher-folks with ice at an installed capacity of 24 tonnes per day. Another ice making machine, with a capacity of 12 tonnes per day, has been installed in Asaab. Fisher-folks are already realizing the benefits of this intervention in terms of reduced post-harvest losses and therefore increased fish value and incomes.

12. The Ministry of Marine Resources has greatly benefited from FDP's capacity development activities. Mai-Serwa Inland Fisheries Centre has been renovated and Hirgigo Training Centre was also renovated and equipped as necessary. The facility is being used to train cooperative members and MMR extension staff in various fields. A total of 706 community members of which 673 males and 33 females and 233 MMR staff of which 113 males and 112 females at different levels have been trained in specific areas identified as needing capacity augmentation. In addition to skills training, the staff have been provided with different equipment aimed at enabling them to effectively undertake their respective responsibilities.

13. With the support of FDP, progress was made on the fisheries sector regulatory framework. The following has been done: a) a revised Fisheries Proclamation 176/2014 was produced and subsequent regulations; the Proclamation was translated into Tigrigna and Arabic; b) the Fisheries Products Proclamation 105/1998 was translated into Tigrigna and Arabic.

14. Concerning the Project's Monitoring and Evaluation (M&E) function, much effort has been put to improving variously. A review of the M&E Manual and Results Framework was undertaken along with training on its use.

15. Nonetheless, there are some activities of the Project whose implementation has not progress as planned. Such areas include:

- The MMR Quality Control Laboratory, supported partly by FDP (and the European Union - EU), is yet to get the requisite full accreditation;
- Different pilots (Integrated Fish cum Chicken Farming and the aquaculture and mari-culture pilots) were undertaken but the evaluation to establish their technical and economic viability (or lack thereof) is still ongoing; and
- There were several areas earmarked for Technical Assistance (TA) support by the Project design or that became necessary during the course of Project implementation. However, several attempts at procuring some of the TA were not successful; it proved difficult to attract interested and capable TAs to provide most of the required service.

16. Five areas were identified as needing FDP Actions in preparation for the Fisheries Resources Management Programme (FReMP). Such area include: a) a study to assess the current status of dam fisheries; b) undertake and evaluate field trials of selected mari-culture fish species to establish technical and economic viability (or lack thereof); c) undertake a value chain analysis and mapping for the small pelagic fish with the objective of identifying the entry points, key actors, constraints and opportunities along the different links of the chain; d) undertake trials of the appropriate fishing gears for the small pelagic fish; and e) undertake a RIMs-compliant baseline survey to benchmark the existing situation in the Programme Zobas prior to initiation of activity implementation. Unfortunately, only one (undertake trials of the appropriate fishing gears for the small pelagic fish) of the five studies has been completed. The remaining ones were still ongoing by the tile of the mission and are expected to be completed by September 2016.

Agreed action	Responsibility	Agreed date
1. Make arrangements to recruit consultancy services for the Beneficiary Impact Assessment and Project Completion Report.	NPCO/MMR	September 2016

C. Outputs and outcomes

17. This section assesses FDP's progress towards achieving the target outputs and outcomes in relation to both annual and cumulative/Appraisal targets. Overall, FDP has made a **moderately satisfactory** progress towards the attainment of its outputs and outcomes. The paragraphs that follow provide a summary of the progress made by a select group of activities for the different components/subcomponents as of 31st May 2016.

18. Implementation of the two technical components (*Component 1: Strengthening the Institutional Capacity of the Ministry of Marine Resources* and *Component 2: Reorganization and Strengthening of the Fishers' Cooperatives and Support to other Artisanal Fishers*) has generally progressed well. In some of the cases, particularly with regard to Component 1, most of the expected outputs and outcomes have already been achieved or surpassed. Implementation of Component 2, which has

been lagging behind, is now catching up as issues that have been responsible for its slow implementation progress have since been addressed.

19. **Component 1: Strengthening the Institutional Capacity of the Ministry of Marine Resources** – The performance of this component is rated as **satisfactory**. It should be recalled that Component 1 received much of the attention during the first 3 years of FDP implementation. In many cases, the Component's expected outputs and outcomes have been achieved or surpassed.

20. Interventions under this component aim at equipping the MMR Departments (Marine Resources Development Department (MRDD) and Marine Resources Regulatory Services Department (MRRSD)) with the technical skills and equipment required to steer and oversee the process of sustained fish production that benefits the poor rural families while contributing to national economic growth.

21. **Support to Fisheries Training Centre (HFTC)** – HFTC has been one of the big beneficiaries from FDP. The following has been undertaken: a) all buildings at the centre have been rehabilitated; b) a cafeteria constructed and fully furnished; c) electrical wirings (including circuit breaker, lamp regulator switch and socket, etc.) were replaced; and d) training material have been provided and the curriculum has been revised to make it more relevant for the prevailing conditions in Eritrea fisheries sector. In addition, the access paths the link all the premises at the centre (cafeteria, dormitory, class room and office) were rehabilitated. As a result, a series of trainings for the fisher-folks have been undertaken at the centre. Cumulatively, a total of about 712 fishermen have been trained in fishing techniques. With the improved and rehabilitated facility, the centre is able to conduct training sessions in an atmosphere that is comfortable for both the trainees and trainers. The centre now has the facilities to offer residential training both men and women.

22. **Stock Assessment** – The Fisheries Research Unit is undertaking activities on stock assessment on the following fisheries categories:

- Soft bottom – process initiated but encountered some technical difficulties, it was not possible to progress. On the other hand, extracting necessary data from booklets is progressing. Thus far, a soft copy of data results for 2013 and 2015 has been produced; and
- Large pelagic fish and coral reef – data collection from landing sites was initiated and is ongoing (and continuous). However due to the lack of expertise, some activities were unable to progress as expected. Such activities include species check list, species composition and biological data collection.

23. **Improvement of fish landing site infrastructure with refrigeration equipment:**

- One ice making machine, with a capacity of 12 tonnes per day has been installed at the Assab landing site while two ice making machines, with a capacity of 24 tonnes per day, have been installed at the Massawa Landing site. This intervention has increased availability of ice to the fisher-folks and is contributing to significantly reduce post-harvest losses and improved fish quality;
- Commissioned a study of electro-mechanical and power generation equipment for all landing sites along the coast as a step towards ensuring that all landing sites have the ability to provide the basic needed inputs to fisher-folks, such ice. The study established that the existing ice making machines were in need of minor maintenance/repair with the provision specific spare parts. FDP is to provide and install the parts;
- Trained and equipped engine and electrical machine repairs to provide maintenance services at the different landing sites.

24. **11-Metre Boats for MMR Departments and HFTC** – FDP supported the renovation of three boats for the use of MMR. One of the boats is for MRDD for use during the training, research and extension. The second one is for MRRSD for monitoring and surveillance. The third one is for HFTC for training purpose.

25. **Support to Mai-Serwa Inland Fisheries Centre** – The Project renovated the Centre to enable it to produce fingerlings for supplying highland zobas; activities focused on renovation of the fish ponds to eliminate sipping. The Centre's renovation is timely considering the fact that aquaculture is a major focus of FReMP, the follow-on Programme.

26. **Training and Extension** – The Departmental staff have been trained variously in the key areas of extension, fishing technology, cooperative promotion and development. Cumulatively (2010-2014), about 77% of the appraisal target of the planned training for extension staff and 28% of the same target on short courses and tours for technical staff has been achieved. Training of extension staff in various fish production techniques is critical and a key element in sustainability of various interventions introduced by FDP. The Department has also been provided with logistical support (2 vehicles 28 motorcycles and 28 bicycles) to facilitate its training and extension activities. The provision of these means of transport has greatly improved mobility for extension staff and cooperative promoters working in the field, enabling them to reach more fisher-folks.

27. **Women and Youth** – The Project trained about 48 women in net-making and mending and they are already involved in providing net-mending and making services for the fisher-folks. The Project has also facilitated the training of selected youth in boat engine maintenance and repair. The youth (2 at each of the 6 landing sites) would be providing boat engine repair services to fisher-folks along the coast.

28. **Support to the Library and Resourcing Centre** – FDP supported the rehabilitation of the library and resource centre and all existing material on marine resources from the old MMR library have been reallocated to the new centre. The library has been provided with equipment for the e-Library and is providing services to MMR staff and the public. In addition, the Centre is being used for training workshops, seminars, and fisheries-related exhibitions.

29. **Component 2: Reorganization and Strengthening of the Fishers' Cooperatives and Support to other Artisanal Fishers** – Implementation performance for this component is rated as **moderately satisfactory**. Considerable progress was made, especially after the MTR. The CCU management structure have been put in place at the headquarters and the two Zoba branches. At the CCU Headquarters the staff structure comprises the General Manager, Operations Manager/Accountant, Cashier and Store Keeper. At the Zoba branch, the staff structure comprises Branch Manager, Accountant, Cashier and Store Keeper. The CCU Management has been provided with capacity building (skills and equipment) to enable them to undertake their responsibilities effectively. The CCU Charter and operational modalities are in place and have been translated into the appropriate languages for the target group. The two bank accounts, one for CCU daily operations for meeting the running costs of the CCU and the second account to handle loan disbursement and repayments for credit management (revolving fund account).

30. Different types of inputs (fishing gears and boat (Outboard and Inboard) engines of different capacities) required by the FDP target fisher-folks have already been procured and the process of effectively delivering the inputs to qualifying beneficiaries, on a credit basis, is ongoing following established procedures. Before the inputs are distributed to the two Zobas, they are priced, taking into consideration all the costs incurred, such as the CIF cost, custom duties, transportation and mark-ups. After the pricing exercise, the inputs get distributed to both Northern and Southern Red Sea Zobas in accordance to the number of fishermen and number of type of boats available in each Zoba. Other factors considered include conditions of the fishing grounds in the different environments.

31. The Project contracted Harena Boat Company for the manufacture of two 18-meter boats; the boats are almost complete and will be delivered by August 2016. They will be used to assess the profitability and viability of this boat size and generate appropriate recommendation and options for upscaling during future interventions.

Agreed action	Responsibility	Agreed date
1) Use the two prototype boats to establish the economic viability of modern fishing equipment and techniques. Document all experiences and associated costs.	NPCO	September 2016

D. FDP implementation progress

32. **Quality of Project Management** – FDP's overall management is rated as **satisfactory**. The Ministry's decentralisation process was slowly unfolding but eventually became effective; this has resulted in MMR's Zoba Branches to play the role that had been foreseen at design. The Zoba Branches of MMR in the two participating Zobas are now charged with the day-to-day operation of the Project, including the effective management of the landing sites, provision of extension and cooperative support services, receipt and processing of applications for fishing inputs (fishing gears and boat engines) from cooperative members, regulatory services and production of progress reports.

Gradually, the NPCO devolved many of the activities to the Zoba Branches. This development has been very positive for continuity and sustainability of FDP supported activities.

33. The Fisheries Development Steering Committee (FDSC) has continued to meet as needed in playing the oversight role by provide guidance to FDP implementation and approval of different Project processes. In executing its duties, FDSC gets assistance from the Fisheries Development Technical Coordinating Committee which meets regularly to review progress of implementation, resolve any arising technical issues, and review the AWPB and implementation progress reports. These two bodies/committees continue to ensure that FDP gets implemented within the national policy and strategy.

34. **Monitoring and Evaluation** – M&E has largely been a challenging function for the Project during the course of implementation. While the Project was collecting the data, it needed to improve the aspects of analysis and the timely preparation and submission of progress reports. Both IFAD and the MMR recognised that the M&E function required more attention both at the central and decentralised levels particularly with regard to linkages between the annual physical achievements and the AWPB targets, as well as to capture and report the attainment of the target/expected outcomes. Having identified the challenge, steps were undertaken to help address the underlying factors. One of such steps was the Joint FAO/IFAD Initiative on Capacity Development for better Management of Public Investments in small-scale agriculture in developing countries; the IFAD-supported Programme/Projects in Eritrea were among the selected beneficiaries. Interventions from this initiative have significantly allowed for improvement of the M&E function and to equip the NPCO with M&E planning, data collection and reporting tool, as well as with an updated project result framework. To that effect, the Project's M&E function is rated as **moderately satisfactory**.

35. **Coherence between AWPB and Implementation** – With specific reference to the 2016 AWPB, this is rated **moderately satisfactory**. As of 31st May 2016, actual expenditure in respect of the 2016 AWPB was only USD 0.90 million, representing 15% of planned expenditure of USD 6.17 million. But, there were firm commitments of up to USD 4.20 million that are expected to have been fully executed by the Project completion date of 30th September 2016. Since this is the last year of the Project, it is critically important that efforts be made to avoid any 'slipups' as this could, potentially, jeopardise the winding down activities and also fail to absorb the available grant balance before the closing date.

36. **Gender and Youth Focus** – This is rated **moderately satisfactory**. FDP supports targeted activities for the youth, women and women-headed households in fishing operations for employment creation, enhancing their incomes to improve their livelihoods. The Project has affirmative activities targeting women and youth. In some of the cases, women-specific cooperatives have been formed and members are accessing activities that include training in net-making and mending. In other cases, the youth have been exposed to technical training in engine maintenance and repair at the landing sites. They are being facilitated to be able to effectively fill the void that has negatively affected fishermen for long. They are y facilitated to acquire tool kits which they are to use to provide engine repair and maintenance services, on a commercial basis to fisher-folks, creating employment and enhancing their incomes.

37. **Poverty Focus and Targeting Approach** – These interventions are rated as **moderately satisfactory**. FDP is a pro-poor Project that seeks to reduce poverty and food and nutrition insecurity among artisanal fishing communities along Eritrea's coastline. All Project interventions are targeting the poor. The Project's target group includes all existing artisanal fishers and others in the coastal area who would like to become involved in the industry including the youths, demobilised soldiers, Internally Displaced People, women and women headed households. These are the beneficiaries of Project interventions and/or inputs as envisaged in the Project design. It is further pointed out that the focus shift of FDP interventions from the provision of large fishing vessels to the provision of fishing inputs implies that more smallholder fisher-folks are being reached and helped to increase their catch productivity.

38. **Innovation and Learning** – This is rated as **moderately unsatisfactory**. The Project made efforts to adapt certain practices to the conditions of the country's coastal area. Such practices included: a) Integrated Fish cum Chicken Farming; and b) Oyster Farming Scheme. However, the technical and economic viability of these practices was never evaluated. On a positive note, following extremely low repayment rates in previous attempts to supply inputs to fisher-folks on credit, FDP introduced a revolving fund system or assets financing mechanism. The system has been linked

directly to the management of the landing sites in a way that obliges the fisher-folks to pay their dues. Failure to do so would attract penalties, including the possibility of being denied clearance to go to fish. This, together with the Government's new policy that requires government entities to make payments by checks, has encouraged the fisher-folks to open accounts. This has greatly minimised cash transactions and the risks associated with them. As a result of the new system, fisher-folks deposit their monthly loan repayments to the CCU's bank account and present the payment slips as proof of payment.

39. **Climate and Environmental Focus** – The intervention is rated as **moderately satisfactory**. FDP combines efforts to increase productivity and production by the target fisher-folks with numerous conservation and control measures including: a) strengthening the legal and regularity framework of the fisheries sector; b) ensuring that the catch of any species does not exceed the Maximum Sustainable Yield (MSY) of any species (the Project is also facilitating the estimation of MSY for the different species); and c) supporting mangrove afforestation to protect and improve the coastal, marine and island ecosystem. In total, 80 ha of mangroves have been planted.

E. Fiduciary aspects

40. **Financial Management** – Overall, the financial management arrangements of FDP have been assessed as **moderately satisfactory**. FDP completion will be on 30th September 2016 with a grant closure date of 31st March, 2017. Accordingly, the financial management assessment during this mission has concentrated on critical issues that will facilitate smooth completion and orderly closure of the grant. FDP has enjoyed a stable staff structure throughout implementation and this set up is expected to remain to completion and carryout winding down activities. The Project uses Laccie accounting software for its financial data capture and reporting, which has been updated and backed up. Financial records are in good order and have been properly filed. **Agreed action: MMR will need to identify central place for archiving Project records as required by the financing agreement (general conditions)**. The findings of the Financial Management Assessment at Supervision are presented in Annex II while the Summary of Project Fiduciary Risk Assessment at Supervision is presented in Annex III.

41. **IFAD Grant Disbursement** – As at 31st May 2016, the Project had received aggregate financing amounting to the equivalent of USD 7.704 million, representing **42%** of the total appraisal budget of USD 18.139 million. This includes USD 7.508 million in respect of IFAD grant and the equivalent of USD 0.196 million in respect of counterpart contribution. As of the same date, no financing had been realised from beneficiaries and reflows from input repayments estimated at USD 3.603 million at appraisal.

42. As at 31st May 2016, the total grant disbursement up to withdrawal application WA 15, including the authorized allocation amounted to SDR 5.05 million, representing 61% of the total IFAD grant of SDR 8.25 million. This leaves a balance of SDR 3.20 million available at IFAD to be accessed by the project. Considering a direct payment withdrawal application number 14 of USD 399,769.5 or SDR 284,736.11 in the pipeline, the total disbursement will be SDR 5.33 million representing **65%** of total grant allocation at appraisal. This makes the total available funds equal to SDR 2.92 million, equivalent to USD 4.10 million. This disbursement rate for a fisheries project in the sixth year of implementation is assessed as **moderately satisfactory**.

43. In aggregate, the available funds amount to USD 5.84 comprising USD 4.10 to be accessed from IFAD and USD 1.74 million in the bank accounts as at 31st May, 2016. Out of this amount, USD 4.20 has been committed giving a net balance of USD 1.64 million which will be available for further commitments to cover winding down activities. Considering the commitments of USD 4.20 million or SDR 2.83 million, the Project is expected to disburse up to SDR 8.16 million, which will represent **99%** of the total grant allocated by IFAD.

44. **Reconciliation of the Designated Account** – The designated account allocation of USD 2.00 million had been fully reconciled and accounted for as at 30th April 2016. The unreconciled bank statement balances as at 31st May, 2016 was USD 1.74 million (USD 1.50 million on the designated account and equivalent of USD 0.24 million on operating accounts). Considering the expenditure for the month of May 2016 of about USD 0.26 million, the allocation would be fully accounted for as at that time.

Designated Account Reconciliation

1	Total advanced	2,000,000.00
2	Less amount recovered	0
3	Present outstanding amount advanced	2,000,000.00
4	Balance of the designated account	778,088.94
5	Plus balance of the Project Accounts	305,549.16
	Advances and Cash at hand	684.38
	Total	1,084,322.40
6	Plus amount claimed in application # 15	932,339.80
7	Plus total amount withdrawn from special account not yet claimed	0
8	Plus amount claimed in previous applications not yet credited WA	0
9	Minus interest earned	0
10	Total advance accounted for	2,016,662.20
11	Explanation of difference	16,662.20
	Receivable	1,606.77
	Unpresented cheques	(16,861.60)
	Sale of bid documents	(1,407.45)
	Total	

45. **Recovery of the Authorised Allocation** – A recovery of the authorised allocation which should have started as of 1st April 2016, six months to completion, has not been initiated. The Mission has discussed with the Project and estimated that for the remaining period to grant closure, five withdrawal applications will be submitted to IFAD. Accordingly, a draft recovery plan for the authorized allocation has been drawn with a view that recovery starts with the next withdrawal application estimated at USD 0.70 million. **Agreed action. The draft recovery plan will be refined by the Project and submitted to IFAD by 15 July 2016 for implementation.**

PROPOSED RECOVERY PLAN OF THE DESIGNATED ACCOUNT

	WA No.	Expected W.A Date	Estimated WA Value (USD)	Estimated WA Value (SDR)	Proposed Recovery (%)	Amount recovered (USD)	Amount Recovered (SDR) 1SDR = 1.4039	Special Account Cumulative Unjustified balance (USD)	Special Account Cumulative Unjustified balance (SDR)
								2 000 000.00	1 256 691.81
1	16	Jul-16	700 000.00	498 611.01	30%	210 000.00	149 583.30	1 790 000.00	1 107 108.51
2	17	Sep-16	1 450 000.00	1 032 837.10	30%	435 000.00	309 851.13	1 355 000.00	797 257.38
3	18	Oct-16	1 200 000.00	854 761.74	50%	600 000.00	427 380.87	755 000.00	369 876.51
4	19	Dec-16	800 000.00	569 841.16	50%	400 000.00	284 920.58	355 000.00	84 955.93
5	20	Mar-17	355 000.00	84 955.93	100%	355 000.00	84 955.93	0.00	0.00
			4 505 000.00	2 956 051.00		2 000 000.00	1 256 691.81		

46. **Annual Work Plan and Budget (AWPB)** – As of 31st May 2016, actual expenditure in respect of the 2016 AWPB was USD 0.90 million representing 15% of planned expenditure of USD 6.17 million. There are firm commitments of up to USD 4.20 million that are expected to have been fully executed by Project completion date. It has been observed that, except for winding down and closure activities, no further procurements will be initiated as they will not have been committed by completion date owing to the length of procurement processes. This will leave a three months budget to 31st December 2016 which partially covers the winding down period. The remaining three months will fall under the fiscal year 2017 and will specifically cover winding down activities. The Mission considers it prudent to revise the 2016 AWPB to cover a 15 months period to 31st March 2017 removing activities that are not feasible for implementation during the remaining period and including all winding down activities: a) final external audit; b) Beneficiary Impact Assessment; c) Project Completion Report; d) completion report dissemination workshops; and e) incremental operating costs. **Agreed action. Revise the 2016 AWPB to cover 15 months to 31st March 2017; the revision exercise should remove activities that are not feasible to implement during the remaining period and include winding down activities.**

47. **Spot checks of Statements of Expenditure (SOEs)** – For the period 1st July 2015 to 30th April 2016, three withdrawal application (WA) numbers 13, 14 and 15 with a total value of USD 1.907 million were submitted. WA 14 of USD 399,769.50 was in respect of a direct payment that is yet to be disbursed. The Mission undertook a review on a sample basis of SOEs supporting withdrawal applications 13 and 15 submitted for replenishment of the Designated Account and noted that the expenditure claimed was properly compiled and the expenditure was eligible for replenishment. There will be need to file all the underlying support documents for one transaction in one location.

48. **Counterpart Contribution** – By 31st May 2016, the government of the State of Eritrea has contributed USD 196,000, representing 10% contribution of the envisaged USD 1.96 million at appraisal. For the year 2016, USD 1.08 million was provided for in the AWPB out of which ERN 272,362.50, equivalent to USD 18,157.50, has been claimed in respect of duties. When paid, it will increase counterpart contribution to USD 214,158 representing 11% of the target amount at appraisal. The Mission noted that whereas government has been contributing Project staff salaries and office rent, this expenditure has not been compiled and reported as contribution from government. **Agreed action: Expenses paid by government will be compiled and reported in the Project Completion Report as counterpart contribution to facilitate proper assessment of funds realised from government contribution.**

49. **Loan Covenants** – The Mission reviewed the compliance with the loan covenants and noted that the Project has generally complied with most of the Financing Agreement covenants except for delays in submission of AWPBs and progress reports as major noncompliance areas.

50. **Audit** – The Mission noted that the statutory audit for the year 2014 and the related management letter were submitted on time. The audit opinions on the financial statements, statements of expenditure and management of designated account were unqualified with adequate disclosures. The statutory audit for the year 2015 that will be due on 30 June 2016 has not yet been initiated. The Mission noted that the project has prepared the draft financial statements for audit and the audit terms of reference. Both the draft financial statements and the terms of reference have been prepared in accordance to the IFAD audit guidelines. The project has seek permission and obtained from the Auditor General to consider engaging the previous auditors and seek IFAD No Objection on the same which has been granted. **Agreed. The audit exercise shall be completed without any further delay.**

51. The Mission further noted that the current financial year ends on 31st December 2016, three months into the winding down period and the related audit report will be due on 30th June 2017. **Given that 31st December 2016 leaves only three months to closure, it is recommended that these two periods be combined into one final audit covering the period of 15 months from 1st January 2016 to 31st March 2017.**

52. **Procurement Processes** – The overall performance of this function is rated **satisfactory**. The Mission reviewed procurement processes on a sample basis which revealed that there was compliance with IFAD procurement guidelines. There has been proper documentation of processes and the documents have been properly filed. Improvement will be required in maintaining a log to monitor procurement processes which should enable the focusing of attention on items being on procurement being completed.

53. **Procurement Planning** – The Mission noted that a procurement plan in line with the AWPB was prepared. The Mission however observed that the plan was not in a format recommended by IFAD. During the first years of the project, there was slow implementation of procurement activities due to slow take off of component 2 activities. Owing to the remaining time to Project completion, it was agreed that procurement activities that have not been initiated will not be carried out and the project will focus on contracts management. However, consultancy services in respect of the winding down activities (Conduct the Beneficiary Impact Assessment, Project Completion Report (PCR), and Final Statutory Audit of FDP) will have to be carried out. **Agreed action: NPCO should urgently initiate the process for the procurement of the above-mentioned activities including developing TORs and seeking the necessary clearances to ensure their timely completion.**

54. **Contract Management** – The function of contracts management continues to make positive strides but still requires further improvement by regularly updating the contracts monitoring forms and updating the related progress on the procurement plan.

55. **Fixed Assets Register** – Maintaining an up-to date fixed asset register is an important internal control element, reducing risk of misuse and loss. The Mission reviewed the FDP fixed asset register and noted that items procured after March 2015 had not been updated in the register. It was further observed that some fields in the register, such as serial numbers, custody, location and condition of the assets, were not indicated. **Agreed action: Update the fixed assets register, complete all the required fields and verify existence as part of the winding down activities of the Project.**

Agreed action	Responsibility	Agreed date
1. Identify a central storage space for archiving Project records	NPCO	31 st January 2017
2. Complete the authorised allocation recovery plan and submit to IFAD for implementation	NPCO/FM	15 th July 2016
3. Revise the 2016 AWPB to cover 15 months, remove activities that are not feasible to implement and include winding down activities including a final audit of 15 months	NPCO	31 st July 2016
4. Compile and report Project expenses incurred by government as counterpart contribution	Financial Controller	30 th September 2017
5. Implement the procurement plan format provided by IFAD	Procurement Specialist	Immediately
6. Log all of the procurements at each stage to monitor how the time taken for each step may be decreased.	Procurement Specialist	Immediately
7. Initiate the procurement process for consultancy services for FDP's winding down activities	Procurement Specialist/MMR	Immediately

F. Sustainability

56. **Institutional Sustainability** – This is rated **moderately satisfactory**. The Government and IFAD's desire to ensure sustainability of the different interventions was very clear from the very beginning. Project implementation is completely immersed within the Government's institutional, strategy and policy framework. The institutional framework will continue to exist after the Project and has been considerably strengthened by the various capacity building activities included in the Project. In addition, the participatory design process that was undertaken ensures that FDP responds directly to community concerns and national development policies and strategies. These efforts to create ownership of the Project from the very beginning have provided the foundation and necessary commitment for post-Project sustainability. The capacity of the fishing communities has been strengthened variously and the communities are being empowered through the provision of a process that readily avails them access to the much needed inputs to improve productivity of their fishing operations. CCU has been capacitated to administer the input supply and revolving account on a sustainable basis; this will eventually be a fishing community-owned and controlled entity since the CCU operations and management costs (including salaries) would be funded by the fishing cooperatives. The continuation of the revolving financing system will assure financing post-implementation. The Project is already reporting of increased catch and earnings for fishers through the improved provision of services, such as ice, training in better fishing techniques, etc. Increased catch and earnings for fishers inherently encourage sustained operations and replication by other fishers.

57. **Social Sustainability**. This is rated **moderately satisfactory**. Most of the groups to be supported by FDP are at the early formation stage and, therefore, require intensified technical support and working capital for their operations as a business. Areas that need further strengthening include: business planning, financial literacy, marketing and good governance as well as continuous technical backstopping. With the setting up and full operation of CCU at decentralized level, the empowerment of supported fishers groups will be reinforced.

58. **Financial Sustainability**. This is rated **moderately satisfactory**. The revolving fund is meant to ensure continuous provision of inputs (fishing gears, engines, etc.) to current and future generations of fishers along the country's Red Sea coast.

59. **Economic Sustainability**. This is rated **moderately unsatisfactory**. This is being ensured through increased productivity and the resultant increase in incomes.

60. **Technical Sustainability**. This is rated **moderately satisfactory**. Many of the Project groups/individuals supported by FDP are already fishermen and have adequate skills in the profession. However, in its efforts to modernise the fishing techniques, FDP imparts modern technical and technological skills to the benefit of the target groups.

61. **Environmental Sustainability**. This is rated **satisfactory**. The Project pays attention to environmental concerns for all interventions along the Red Sea coastal areas. The mangrove tree plantation being promoted by the Project is very encouraging for environmental conservation and will be expanded.

62. **Empowerment**. This is rated **moderately satisfactory**. Members of cooperatives are being provided with skills in different fields, including book keeping, fishing techniques, management of cooperatives, and are being actively involved in decision making.

63. **Food Security and Nutrition**. This is rated **moderately satisfactory**. Project activities support increased food production (fish) and enhanced incomes which also increase the households, capacity to purchase sufficient and diversified food.

64. **Exit/Sustainability Strategy**. This is rated **satisfactory**. An exit/sustainability strategy has been developed and institutional arrangements together with post-project funding are covered. The establishment of the CCU to manage inputs and assets financing, and the associated revolving fund account, ensures sustainability of the interventions supporting the small-scale fisher-folks.

G. Conclusion

65. FDP implementation struggled to effectively take off during the first three year after effectiveness. However, the Project progressively made significant progress towards the achievement

of its goal and development objective, especially after the May 2014 Mid-Term Review (MTR). This is largely attributed to the successful reorientation of the Project by the MTR as well as streamlining of Project's processes and procedures aimed at addressing the key factors that were responsible for the sluggish implementation pace. In addition, Project management continued to demonstrate commendable responsiveness to tackle identified implementation challenges at both the NPCO and the decentralized level. The sluggish start to FDP implementation had, largely, affected implementation of Component 2 (Reorganisation and Strengthening of Fishers' Cooperatives and Support to other Artisanal Fishers); which is really the 'heart' of Project. The MTR reorientation had a big positive impact on the Component's implementation and this has resulted in reenergising the fisheries cooperatives, rejuvenation of the CCU and the country's fisheries sector overall. Given that FDP activity implementation is due for completion in September 2016, The NPCO should recruit consultancy services for the undertaking of the Beneficiary Impact assessment and the Project Completion Report as soon as possible. FReMP, the follow on Programme, is currently being designed and it is expected that the Programme will be approved in time to allow for a seamless transition between FDP and FReMP.

Appendix 1: Summary of project status and ratings

A. Basic Facts

Country	Eritrea		Project ID	1518	Loan/DSF Grant No.	8060
Project	Fisheries Development Project				Top-up Loan/DSF Grant	
Date of Update	20 th July 2016					
Supervising Inst.	IFAD/IFAD					
No. of Supervisions	6	No. of Implementation Support/Follow-up missions	7			
Last Supervision	November 2015	Last Implementation Support/Follow-up mission	November 2015			

					USD million	Disbursement rate %
Approval	22-Apr-2010			Total financing	18.14	
Agreement	14-Sep-2010	Effectiveness lag	4.8	IFAD Total	12.58	
Entry into force	14-Sep-2010	PAR value	-----	IFAD loan		
First disbursement	18-Apr-2011			DSF grant	12.58	65
MTR	May 2014	Last amendment		IFAD grant		
Original completion	30-Sep-2016	Last audit	June 2016	Domestic Total	5.56	
Current completion	30-Sep-2016			Beneficiaries	0.18	0
Original closing	31-Mar-2017			Government (National)	5.38	1
Current closing	31-Mar-2017			External Co-financing Total		
No. of extensions	0					

A. Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	5	5
2. Acceptable disbursement rate	5	4	2. Performance of M&E	4	4
3. Counterpart funds	2	3	3. Coherence between AWPB & implementation	5	4
4. Compliance with financing covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	5	5	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus	4	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Strengthening Institutional Capacity of MMR	5	5	1. Institution building (organizations, etc.)	4	4
2. Strengthening of Fishers' Cooperatives	4	4	2. Empowerment	4	4
			3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	5	5
			6. Potential for scaling up and replication	4	4
B.5 Justification of ratings					
B.1					
1. Financial Management function improved; some shortcomings still exist. 2. Disbursement rate is moderately satisfactory					

when compared to PDP of a Fisheries Project at Y6 of implementation. **3.** Counterpart contributions continue to be largely underestimated. **4.** Some non-compliances negatively affecting implementation. **5.** Procurement function operating well. **6:** Audit report submitted within 90 days of the due date.

B.2

1. Project management addresses implementation issues and the Steering Committee meets and provides advice to Project Management. **2.** Performance of M&E slightly improved; shortcomings still exist. Progress reports focus on output level. **3.** Underperformance of the AWPB implementation; budget execution at 15%. However, there are firm commitments of up to USD 4.2 million that are expected to have been fully executed by Project completion date. **4.** Implementing Agencies continue to make considerable efforts to target women and youth (fishing net mending targeting women groups and technical training for the youth in engine maintenance and repair at the landing sites). **5.** Project focus is on artisanal fishing communities; these are generally poor communities. **6.** FDP is effectively reaching out to its targeted beneficiaries through asset financing mechanisms. **7.** FDP's 'innovations' are adaptations; but evaluation of viability not yet undertaken. **8.** FDP is supporting mangrove afforestation to protect and improve the coastal, marine and island ecosystems.

B.3

1. Most of outputs timely achieved. **2.** Implementation progress was been turned around by MTR recommendations and many of outputs and outcomes are being achieved. **3.** Project Management responsiveness to the jointly identified implementation challenges.

B.4

1. Institutions are in place and still receiving support. **2.** Target group still receiving capacity building interventions to strengthen their organisations. **3.** Beneficiary participation is being enhanced and participation is fairly gender equitable. **4.** Service Providers responsive but quality of reports needs to be improved. **5.** Exit strategy supported by most project stakeholders is in place but some elements need to be improved. **6.** Potential for scaling up exists and is being explored.

B. Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	4	4
C.2	Food security	4	4
C.3	Quality of natural asset improvement and climate resilience	4	4
C.4	Overall implementation progress (Sections B1 and B2)	4	4
Rationale for implementation progress rating			
FDP continues to generate evidence of ability and likelihood of creating physical/financial assets and increase of food security for targeted groups (fisheries cooperatives and artisanal fishers). This will be ascertained by the impact assessment that will be undertaken after Project completion by the end of September 2016.			
C.5	Likelihood of achieving the development objectives (section B3 and B4)	4	4
Rationale for development objectives rating			
FDP Management positively responded to the recommendations of the MTR and the subsequent Missions. Accordingly, the pace of implementing Project activities has been hastened; this is particularly the case for Component Two which is the major focus of the Project. It is the avenue through which assistance to the fisher-folks is being channelled. As the Project approaches its completion date, it is estimated that many of the target outcomes will be achieved. This will, however, be confirmed by the Beneficiary Impact Assessment after Project completion.			
C.6	Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
	Fiduciary aspects	The FDP Procurement function was a big contributing factor to the Project's 'Problem Project' status. However, the procurement-related issues that were responsible for the resultant delays in Project implementation have since been addressed. Thus, no risk is anticipated from this aspect of Project Management.	
	Project implementation progress	FDP was a 'Problem Project' for many years largely due to a very slow implementation progress pace and a low disbursement rate. This, therefore, presented a high risk of not achieving the development objectives. However, the Project took on board the guidance provided by the MTR and subsequent Missions. As a result, implementation pace increased and the Project made up the big disbursement lag. It is currently expected that by its completion date, the Project would have disbursed about 99% of the grant funds. Thus, the risk of FDP not being able to achieve its development objective is very minimal.	
	Outputs and outcomes	The achievement of outputs and outcomes associated with Component One has not been in doubt; implementation of that component has largely progressed reasonably well. However, the fear of not achieving outputs and outcomes has always been around Component Two of the Project. Considering that the bottlenecks that were responsible for the slow pace of that Component's implementation were largely addressed, the pace has greatly improved and any potential risks of failure to achieve the target outputs and outcomes have been greatly reduced.	
	Sustainability	As FDP implementation progressed, the likelihood of sustaining the different interventions improved. The concern that had been expressed concerning limited participation by the beneficiaries and the two participating Zobas has been addressed. The MMR Zoba branches are more involved in activity planning and implementation. This has increased the likelihood of sustaining the different interventions.	

C. Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
There is the need to revise the AWPB to include the Project closure period	Revise the 2016 AWPB to cover 15 months, remove activities that are not feasible to implement and include winding down activities including a final audit of 15 months	July 2016	
Assess the economic viability of bigger size boats.	Use the two 18-meter boats that have been procured by the Project to undertake a detailed assessment of the commercial viability of this boat size with the FDP target group. All the experiences should be documented and preliminary evaluation made. The outcome could form the basis for scaling-up/replicating such results.	September 2016	
Recruitment of Consultancy services for FDP's winding down activities.	Initiate the procurement process for consultancy services for FDP's winding down activities.	As soon as possible.	

Additional observations

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

FISHERIES DEVELOPMENT PROJECT (FDP) LOGICAL FRAMEWORK 2014 (as of 30 th September 2015)									
RESULTS HIERARCHY	VERIFIABLE INDICATORS	UNIT	RESULTS (CUMULATIVE)				MEANS OF VERIFICATION	ASSUMPTIONS AND RISKS	COMMENTS
			BASELINE	REVISED TARGET	ACTUAL	%			
GOAL: ➤ Improvement of food security and alleviation of rural poverty	20% reduction in the prevalence of child malnutrition	%	Not available	20%	To be determined by the BIA	To be determined by the BIA	-Baseline survey, - Special studies -MOH health and nutrition studies -Project Review Report	1. No resumption of border conflict 2. Enabling macro and micro policies in place 3. Political stability	PCR ongoing
	50% of artisanal fishing households improved their HH assets ownership index	%	Not available	50%	To be determined by the BIA	To be determined by the BIA	-Special studies -Project Progress Reports -MMR annual Report -Project Review Report		PCR ongoing
DEVELOPMENT OBJECTIVES: ➤ To raise production, and productivity of artisanal fishers while conserving marine resources	Reported annual artisanal fish landings increase, with respect to the baseline, by 20%	Tons	1,630.0 (Artisanal fish catch in 2010)	1,956.0	To be determined by the BIA	To be determined by the BIA	Ditto	Ditto	PCR ongoing
	Artisanal fishing household income increase by 20%	%	Not available	Income increase by 20%	To be determined by the BIA	To be determined by the BIA	Ditto	Ditto	PCR ongoing
	Catch of any species does not exceed the Maximum Sustainable Yield estimated	Tons	3,348.0 (Artisanal and Industrial fish catch in 2010))	Not available	To be determined by the BIA	To be determined by the BIA	Ditto	Ditto	PCR ongoing

OUTCOMES									
Outcome 1: Capacity for Marine Resource management is strengthened.	% of artisanal fishers receiving regular advisory services by the MMR	%	Not available	Not available	To be determined by the BIA	To be determined by the BIA	-Impact assessment -PCR	Ditto	
Outcome 2: Fishers Cooperatives are operational and functioning, artisanal fishers have increased access to fishing inputs	% of fishers have increased their fishing capacity	%	Not available	Not available	To be determined by the BIA	To be determined by the BIA		Ditto	
Outcome 3: Project is managed efficiently and transparently for the benefit of the projects target HHs and communities	Project funds are disbursed in a timely manner in line with targets set in AWPBs	%	NA				-Project Progress Report -MMR Annual Report -M&E Report	Ditto	PCR ongoing
OUTPUTS									
Component 1: Strengthening the Institutional Capacity of the Ministry of Marine Resources									
Output 1.1: Capacity of MMR Development Department (MMRDD) are strengthened	Number of extension officers trained	Male	0	30	35	117%	-Project Progress Report -Special studies -Project Completion Report -MMR Annual Report -Project Review Reports -M & E Reports	Ditto	The three MMRDD staff attended the training on Cooperative development and credit modality and management.
		Female	0	10	4	40%		Ditto	
	Number of existing boats rehabilitated	Number	0	1	1	85%		Ditto	It has been reported that around 85% of the work has been completed. About 50% of the contract amount has been paid
	Number of vehicles	Number						Ditto	The Ministry

Output1.2: Capacity of MMRRSD in directing, regulating and coordinating marine resources strengthened	purchased		0	2	1	50%		decided to buy one vehicle instead of two, because the project is embedded in the ministry and the ministry has cars.
	Number of motorcycles purchased	Number	0	6	6	100%		Ditto
	Number of bicycles purchased	Number	0	25	25	100%		Ditto
	Number of aquaculture trials piloted and evaluated in two estates	Number	0		0	0%		Ditto
	Number of ice making machines procured and installed	Number	0	3	3	100%		Ditto
	Number of technicians trained on marine engineering and supported for repairs	Number	0	8	12	150%		-Project Progress Report -Special studies -Project Completion Report -MMR Annual Report -Project Review Reports -M & E Reports
	Number of Policies and strategies for Fishery sector development reviewed and drafted	Number	The existing Policy for fishery sector development has been approved in 1998	1	1	100%		
	National Fishery Management Plans established	Number	0	1	0	0%		
VMS system established	Number	0 (currently the department doesn't have good communication system)	1	0	0%			

	Number of landing sites and islands with communication facilities developed.	Number	NA	7	0	0%		
	Number of Monitoring, Control and Surveillance (MCS) staff trained and equipped.	Male	0	90	102	113%		
		Female	0	40	35	87.5%		
	Number of Marine Resources Regulatory Services Department staff trained.	Male	0	40	42	105%		
		Female	0	10	13	130%		
	Number of Marine Resources Regulatory Services Department staff provided with logistics.	Number	0	50	5	10%		
	Number of existing boat rehabilitated	Number	0	1	1	100%		
	Number of fish retailers trained in quality control, hygiene and icing	Male	0	18	25	138%		
		Female	0	12	9	75%		
Output 1.3 : Capacity of Marine Resources Research Division strengthened	Number of supported pilot projects with viability studies produced.	Number	0	2	3	150%	-Project Progress Report -Special studies -Project Completion Report -MMR Annual Report -Project Review Reports -M & E Reports	
	Number of hectares planted with mangrove trees and halophytes.	Hectares	0	40	85	212%		In addition to the 85 hectares planted with mangrove, communities living in an area of around 250 hectares of mangrove swamps have received public awareness raising campaigns.

	Number of Marine Resource reference library established	Number	0 (there is no Ministry reference library)	1	1	100%			The reference library was rehabilitated, furnished and equipped
	Number of boats refurbished and equipped.	Number	0	1	3	300%			three 11 meters fishing boats refurbished and equipped.
Output 1.4: Ministry of Marine Resources Zoba branches strengthened	Number of field supervisors trained on new extension	Male	0	6	10	166%	-Project Progress Report -Special studies -Project Completion Report -MMR Annual Report -Project Review Reports -M & E Reports		
		Female	0	2	7	350%			
	Numbers of landing sites with MMR extension offices establish.	Number		7	7	100%			
	Number of extension staff maintained in each landing sites	Number		7	14	200%			
	Number of landing site with data collection system established.	Number		7	7	100%			
Output 1.5 Ministry of Marine Resources Training and Human Resource Development strengthened	Number of boats refurbished and equipped.	Number		1	1	100%			
	Number of fisherman receive refresher courses	Number		270	573	212%			
	Number of fisherwomen receive refresher courses	Number		30	98	325%			
	Number of collaborative arrangements with College of Marine Science and Technology	Number		1	2	200%			Evaluation of pilot initiatives, testing fisheries post-harvest technologies
Component 2: Fishery Cooperatives and Support to other Artisanal Fishers									

Output 2.1: Credit and Cooperative Unit is working effectively	Number of organizational framework and operational procedures for input supply and credit produced.	Number		1	1	100%			The CCU has been established and equipped and input credit procedures drafted.
	Number of CCU key staff recruited	Number		10	5	50%			The recruitment of CCU staff on Southern Red Sea Zone is ongoing.
	Number of CCU staff trained in record keeping, office management and simple accounting	Number		5	5	100%			The trainings on record keeping and office management have been provided, but more training planned for 2016.
	Number of input supply and revolving account system established	Number		1	1	100%			
	Number of existing warehouses and offices rehabilitate and equipped	Number		3	1	33%			The office for CCU in Massawa was equipped.
	Number of sub-centres for input supply establish at landing site MMR extension offices	Number		6	2	33%			The Project has plans to establish sub-centres in three landing sites in 2016. Whereas there are four existing sub centres that could be used as part of the Project.
	Output 2.2: Fishers have increased capacity and are equipped	Number of fishermen trained in improved fishing handling and process	Number		800	248	31%		

	techniques							
	Number of fisherwomen trained in improved fishing handling and process techniques	Number		100	32	32%		
	Number of cooperative society with its own bank account	Number		20	Info not available	To be determined by the BIA		
	Number of woman provided with training to set-up net repair/making	Northern Red Sea Zone		60	20	30%		
		Southern Red Sea Zone		60	30	50%		
	Number of man and woman groups/associations/cooperatives established	Male		14	35	250%		
		Female		6	4	66%		
	Number of 18m boats build	Number		2	2	100%		
	Number of canoes provided to foot fishermen on credit	Number		50	40	80%		
	Number of fishermen provided with fishing inputs (engines, ice boxes, gears, spare parts, nets, etc) on credit basis	Number		1000	2543	254%		261 fishermen from Northern Red Sea Zoba and 310 fishermen from Southern Red Sea zoba have received fishing inputs, mainly fishing gear on credit basis.
Output 2.3: Post-harvest handling and marketing support	Number of fish marketing facilities establish for domestic fish marketing	Number		3	0	0%		

Output 3.1: Project is managed efficiently and transparently for the benefit of the projects target HHs and communities	Number of Knowledge management and information dissemination System established	Number		3	0	0%			The project has updated the Result Framework which is central tool for planning and M&E.
	Number of Progress reports and Audit submitted to IFAD on schedule	Number		12	11	91%			Annually, the project prepares two (six month and annual Progress reports) and facilitates the undertaking of an audit. All reports get submitted to IFAD.
	Number of Project review reports prepared and actions on recommendations taken	Number		12	11	91%			
	Number of international exchange visits with participation of beneficiary representatives and implementation staff	Number		5	4	80%			

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

Action Area	Action Agreed	Date	Whom	Progress
Outputs	1. Use the two prototype boats to establish the economic viability of modern fishing equipment and techniques. Document all experiences and associated costs.	September 2016	NPCO	
Fiduciary Aspects	2. Identify a central storage space for archiving Project records	January 2017	NPCO	
	3. Complete the authorised allocation recovery plan and submit to IFAD for implementation	July 2016	NPCO/Financial Controller	
	4. Revise the 2016 AWPB to cover 15 months, remove activities that are not feasible to implement and include winding down activities including a final audit of 15 months	July 2016	NPCO	
	5. Compile and report project expenses incurred by government as counterpart contribution	September 2017	Financial Controller	
	6. Implement the procurement plan format provided by IFAD	Immediately	Procurement Specialist	
	7. Log all of the procurements at each stage to monitor how the time taken for each step may be decreased.	Immediately	Procurement Specialist	
	8. Initiate the procurement process for consultancy services for FDP's winding down activities	Immediately	Procurement Specialist/MMR	

Appendix 4: Financial – Actual financial performance by Financier, by Component and Disbursements by Category

Table 4A: Financial Performance by Financier as of 31st May, 2016

Financier	Appraisal (USD'000)	Disbursement (USD '000)	Percent Disbursed
IFAD Grant	12,579	7,508	60%
Government of Eritrea	1,957	196	10%
Reflows from input repayments	3,427	0	0%
Beneficiaries	176	0	0%
Total	18,139	7,704	42%

Table 4B: Financial performance by financier by component (USD '000) as at 31st May, 2016

Component	IFAD grant			Government			Reflows from input repayments*			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1- Strengthening Institutional Capacity of MMR	3,107	2,237	72%	309	23	7%	-	-	0%	3,416	2,260	66%
2- Reorganization and Strengthening Fishers Cooperatives	8,255	2,626	32%	977	120	12%	3,603	-	0%	12,835	2,746	21%
3- Implementation support services	1,217	998	82%	671	53	8%	-	-	0%	1,888	1,051	%
Unused balances as at 31st May 2016	-	1,657	-	-	-	-	-	-	-	-	1,657	-
Total	12,579	7,508	60%	1,957	196	10%	3,603	-	0%	18,139	7,714	42%

*Includes USD 176,000 beneficiary contribution

Table 4C: IFAD Grant Disbursements (SDR, as of 31st May 2016)

Category	Category Description	Original Allocation	Disbursement	WA 14 in pipeline	Balance	Percentage Disbursed
1	Vehicles, MM boats, Equipment and Materials	1,130,000	1,108,678.84	284,736.11	(263,414.95)	123%
2	Civil works	180,000	223,383.53	-	(43,383.53)	124%
3	Trainings, workshops and studies	1,350,000	351,045.28	-	998,954.72	26%
4	Initial working capital for cooperatives, fishers' boats, canoes & other fishers' equipment	3,770,000	1,458,068.94	-	2,311,931.06	39%
5	Technical Assistance	420,000	101,556.11	-	318,443.89	24%
6	Operating costs and maintenance	1,000,000	546,668.50	-	453,331.50	55%
	Unallocated	400,000	0.00	-	400,000.00	0%
	Authorised allocation	-	1,256,691.81	-	(1,256,691.81)	0%
Total		8,250,000	5,046,093.01	284,736.11	2,919,170.88	65%

Figure 1: IFAD grant disbursement, comparisons between original and revised allocations and actual disbursement (SDR)

Category	Category Description	Original Allocation	Revised Allocation	Disbursement	Balance	Percentage of actual Disbursed
1	Vehicles, MM boats, Equipment and Materials	1,130,000.00	1,700,000.00	1,108,678.84	591,321.16	65%
2	Civil works	180,000.00	640,000.00	223,383.53	416,616.47	35%
3	Trainings, workshops and studies	1,350,000.00	750,000.00	351,045.28	398,954.72	55%
4	Initial working capital for cooperatives, fishers' boats, canoes & other fishers' equipment	3,770,000.00	4,100,000.00	1,458,068.94	2,641,931.06	36%
5	Technical Assistance	420,000.00	350,000.00	101,556.11	248,443.89	29%
6	Operating costs and maintenance	1,000,000.00	710,000.00	546,668.50	163,331.50	77%
	Unallocated	400,000.00	0.00	0.00	0.00	0%
	Authorised allocation	0.00	0.00	1,256,691.81	(1,256,691.81)	0%
Total		8,250,000.00	8,250,000.00	5,046,093.01	3,203,906.99	61%

Appendix 5: Compliance with Legal Covenants: Status of Implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
GC Section 4.02. Withdrawals from the Grant Account	(a) After the date of entry into force of the Agreement, the Recipient may request withdrawals from the Loan Account and/or Grant Account for Eligible Expenditures. (b) No withdrawal shall be made from the Grant Account until the first AWPB has been approved by the Fund and all other conditions specified in the Financing Agreement precedent to withdrawal fulfilled.		Complied	
GC Section 4.05. Transfer by the Fund	Upon receipt of an authenticated and satisfactory application for withdrawal from the Recipient, the Fund shall transfer to the account specified by the Recipient the amount specified therein.		Authorised allocation disbursed by IFAD	Complied
GC Section 7.02. Availability of Financing Proceeds	b) The Recipient may open and maintain one or more Project Accounts for Project operations in a bank acceptable to the Fund, and shall identify the Project Party responsible for operating such account or accounts.	During implementation	Complied	
GC Section 7.11. Key Project Personnel	The Recipient or the Lead Project Agency shall appoint the Project Coordinator and all other key Project personnel in the manner approved by the Fund. All key Project personnel shall have qualifications and experience specified approved by the Fund. The Borrower/Recipient shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation Period. The Borrower/Recipient or the Lead Project Agency shall insure key Project personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of its national civil service, whichever is appropriate.		Complied	
GC Section 8.03. Progress Report and Mid-Term Reviews	(a) The Lead Project Agency shall furnish to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably request. At a minimum, such reports shall address (i) quantitative and qualitative progress made in implementing the Project and achieving its objectives, (ii) problems encountered during the reporting period, (iii) steps taken or proposed to be taken to remedy these problems, and (iv) the proposed programme of activities and the progress expected during the following reporting period. (b) The Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the Lead Project Agency and approved by the Fund. Among other things, the Mid-Term Review shall consider the achievement of Project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints. (c) The Recipient shall ensure that the recommendations resulting from the Mid-Term	Ongoing May, 2014	Being done, but delays have been experienced Complied	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	Review are implemented within the specified time there for and to the satisfaction of the Fund. Such recommendations may result in modifications to the Agreement or cancellation of the Financing.			
GC Section 8.04. Completion Report	No later than the Financing Closing Date the Recipient shall furnish to the Fund a report on the overall implementation of the Project. At a minimum, such report shall address (i) the costs and benefits of the Project, (ii) the achievement of its objectives, (iii) the performance by the Recipient, the Project Parties, the Fund of their respective obligations under the Agreement and (iv) lessons learned.	31 March, 2017	Not yet due	
GC Section 9.02. Financial Statements	The Recipient shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within 4 months of the end of each Fiscal Year.	Every 30 April	Partially complied	Financial statements for the year 2015 not delivered
GC Section 9.03. Audit of Accounts	The Recipient shall: (a) each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund and the Fund's Guidelines on Project Audits (for Borrowers' Use); (b) within 6 months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof; (c) if the Borrower/Recipient does not timely furnish any required audit report in satisfactory form and the Fund determines that the Borrower/Recipient is unlikely to do so within a reasonable period, the Fund may engage independent auditors of its choice to audit the accounts relating to the Project. The Fund may finance the cost of such audit by withdrawal from the Loan and/or Grant Accounts.	30 June, each year	Complied	
GC Section 11.01. Taxation	(c) The use of any proceeds of the Financing to pay for Taxes is subject to the Fund's policy of requiring economy and efficiency in the use of its Financing. Therefore, if the Fund at any time determines that the amount of any such Tax is excessive, discriminatory or otherwise unreasonable, the Fund may reduce the percentages of Eligible Expenditures to be financed by the Financing.	Ongoing	Complied	
FA Section B.6 Counterpart Financing	The Recipient shall provide counterpart financing for the Programme in the amount of 0.561 USD.	Ongoing	Complied	
Schedule 3 Section 2	The policies and strategies for fisheries sector development shall be reviewed by MMR in light of the planned socio-economic development no later than the end of the second Project Year.	End of second year	Done	
Schedule 3 Section 3	The Recipient shall ensure that the Integrated Coastal Area Management Plan shall be prepared by the Integrated Coastal Area Management Board, and that the Fisheries Management Plan (FMP) shall be reviewed and updated by MMR. The FMP shall include incentives structured to encourage operation of fishers, particularly	During implementation	Not complied	Removed at mid-term review

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	artisanal fishers.			
Schedule 3 Section 5	The Recipient shall ensure that MMR shall facilitate the artisanal fishers self-marketing of their catch according to agreed percentages with an initial 20% to be reviewed upward as cooperative societies marketing capacity increases.	During implementation	Ongoing	
Schedule 3 Section 6	The Recipient shall ensure that each agency involved in the implementation of the Project shall keep independent accounts to record all transactions financed from the Grant.	Ongoing	Complied	
Schedule 3 Section 7	The Recipient shall ensure that two Project Reviews shall be carried out in Project Year 3 and Project Year 5 and reports submitted to the Fund and that agreed recommendations shall be implemented forthwith.		Partially complied	. Fifth year review not done
Schedule 3 Section 8	The Recipient shall ensure that the operations of the Cooperative Support Unit shall be assessed as to readiness to become an independent agency outside MMR, not later than two years of its operation.		Partially complied	To be addressed in the second phase of the project

Appendix 6: Knowledge Management – Learning and Innovation

Learning

- a) Past experience regarding the supply of inputs to fisher-folks on credit shows that the repayment rates were extremely low. In an effort to put in place a self-sustaining financing mechanism, FDP has introduced a revolving fund system and linked it directly to the marketing system. That way, repayments are to be collected at source, overcoming logistical obstacles to collection along the sparsely populated coastline;
 - b) The Project is in the process of procuring two 18-meter prototype boats. These boats will be used to assess the commercial viability of this boat size with the FDP target group. All the experiences will be documented and preliminary evaluation made. If and when viability is established, the Ministry will make arrangements for scaling-up/replicating the results.
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Innovation

All innovations in FDP are adaptations. The Project is making good efforts to adapt certain approaches/practices to the conditions of the target area. Such approaches/practices include: a) Integrated Fish cum Chicken Farming; and b) Oyster Farming Scheme. These research projects are of great importance to the fishing communities living along Eritrea's coast. The results of the research projects, once economic and technical viability have been established, will be used to provide alternative livelihoods or income-augmenting opportunities for the coastal communities to improve their living standards.

Annex I: List of People Met

S/N	FULL NAME	JOB POSITION TITLE	INSITUATION
1.	H.E. Tewelde KELATI	Minister	MMR
2.	Hon. Arafaine Berhe	Minister	Ministry of Agriculture
3.	Rose Ssebatindira	Deputy Resident Representative	United Nations Development Program
4.	Pelucy Ntambirweki	UNICEF Deputy Representative	UNICEF Office Asmara
5.	Seid MOHAMMEDABRAR	Director, Office of the Minister/FDP Project Coordinator	MMR/FDP
6.	Simon GHEBRENGUS	FDP M&E Officer	MMR/FDP
7.	Abraham TECLEMARIAM	Financial Officer	MMR/FDP
8.	Mohamed	Procurement Officer	FDP
9.	Tewolde WOLDEMIKAEL	Director General MMR Development Department	MMR
10.	Tecle Alemshged	Director General MMR Regulatory Services Department	MMR
11.	Zewoldi HAILE	MRDD Director	MMR
12.	Munia WOLDAY	CCU General Manager	CCU
13.	Mahmud Selim	MMR Officer	MMR
14.	Mehai Tesfu	MMR Officer	MMR
15.	Neguse Keflu	Head of Division	MRDD
16.	Habtemichael Weldon	Director of Administration	MMR
17.	Yohannes Teclmariam	MRRD Director	MRRD

Annex II: Financial Management Assessment at Supervision

Country: ERITREA	IFAD Grant G-I-DSF-8060
Project Name:	Fisheries Development Project
Executing Agency	Ministry of Marine Resources
	CPM: Eric Rwabidadi
Reviewing Finance Officer/FMS:	Richard Batamanye
Date of this review:	21/06/2016

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
• Inherent Risks			
• Control Risks			
1. Organization and Staffing			
a.	Adequacy of organizational structure to meet functional needs of the project.	L	Project staff structure is adequate
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	Job descriptions available
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	L	There are five finance staff assigned to the project which is adequate in terms of numbers. Finance Manager, two Accountants, Two Cashiers under the overall leadership of the Head of Finance and Administration of the ministry
d.	Availability and adequacy of operating manuals and guidelines for staff.	M	A PIM is in place, and being used
e.	Existence of a performance based evaluation system in place and timely completion of performance evaluation for all staff.	L	Appraisals are done by Project Director
f.	Adequacy of health insurance coverage for all staff (where applicable).	N/A	
g.	Timely payment of social security fees (where applicable).	N/A	
h.	Staff adequately informed about Ifad's national and anti-corruption policy and relevant contact details.	M	Staff are knowledgeable but no evidence that there was a deliberate effort to do so
2. Budgeting			
a.	Timely preparation and approval of AWPB.	H	AWPBs have consistently been submitted late
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	L	Yes
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	Sources properly identified
d.	Linkage between AWPB and Procurement plan are identified (for cost estimate and activities). Check assumptions to support cost estimates. Test check high value items.	M	Well done, but 2016 AWPB was done on assumption there will be a reallocation. Categories 1 and 2 were provided for more than what was available

3. Fund flows and Disbursements / Withdrawals			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	H	IFAD grant funds are timely. GoE is also providing financing. No funds have been realized from repayments of the reflow funds
b.	Timeliness of counterpart funds disbursed.	M	GOE funding is on time, paying salaries and taxes.
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	N/A	
d.	Efficiency of the funding channels for credit lines. Timeliness and traceability of funds flows, if applicable.	N/A	
e.	Special Account(s)/Dedicated Account(s) Management, Disbursements.		
	• Adequacy of the authorized allocation to ensure a smooth flow of funds	L	Authorized allocation is adequate
	• Appropriateness of disbursement methods used	L	Adequate
	• Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments (refer to Appendix 3 and complete, reflecting finding in rating).	M	There will be need to have support documents for a given transaction complete and filed at one location. Some cases of PVs in Asmara but support documents in Masawa noted
	• Timely preparation and accuracy of Withdrawal Applications	M	Withdrawal applications are accurate. WA 15 was not prepared on a timely basis. As recovery begins, more frequent withdrawals will be required
	• Authorization of WA preparation.	L	Adequate
	• Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	L	As of 31 May, 2016, it was about USD 258,000, 13% of the authorised allocation
	• Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	M	Regularly reconciled, 31 May yet to be reconciled.
	• Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time. Provide comments as appropriate	H	Execution of the 2016 AWPB is at 15% midyear and 3 months to completion. Procurements will require proactive follow up to improve performance
	• Recovery of SA balances by grant closure	M	Recovery on the grant is due but has delayed. From the projections, the project should be able to do a full recovery
4. Internal Controls			
a.	Segregation of duties - are the following functional responsibilities performed by different units or persons: <ul style="list-style-type: none"> • authorization of a transaction • execution of a transaction • recording of the transaction; and • Custody of assets involved in the transaction. 	L	There is proper segregation of duties
b.	Clarity and adequacy of decision processes and sequence of events for control functions in project implementation reflected in the Financial Manual (or equivalent there-of).	L	Defined in the PIM
c.	Adherence to Financial Manual.	L	Done

d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	L	GOE Controls adequate
e.	Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.	M	Contract monitoring forms will required to be regularly updated
f.	Effectiveness and efficiency of internal controls over expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.)	L	Adequate
g.	Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	L	Documents available
h.	Physical controls over cash, documents and records. Adequacy of filing systems. Is the petty cash subject to monthly reconciliation as well as surprise checks; custody of cash box and control of keys.	L	Government has discontinued cash payments. All payments are being done in the bank
i.	Adequacy of physical management of cash.	N/A	
j.	Timely payment to suppliers and consultants.	M	One payment under direct payment method for payment of supply of goods has not been paid since April, 2016
k.	Eligibility of expenditures with respect to Financing Agreements.	L	Reviewed expenditure found eligible
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	L	Advances paid to suppliers were contractual
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	M	Generally compliant. Major noncompliance relate to failure by the project to develop an integrated coastal area management plan
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	M	Fixed assets register in place, needs to be updated with assets procured after March, 2015 and complete fields like serial number, location and condition
o.	Adequacy of controls concerning project assets including: <ul style="list-style-type: none"> • Vehicle and other assets management (are assets property tagged, is a physical inventory count done on a regular basis?) • Fuel management (do drivers maintain a log book?) • Travel authorisations (incl. DSA paid to staff) 	L	In line with GoE procedures
p.	Adequacy of vehicles and assets insurance.	L	Adequate
q.	Workshops: <ul style="list-style-type: none"> • Availability of list of participants • DSA paid to participants • Receipts for workshop expenditure 	M	One case of a RIW in Madagascar, not supported with BTO report
r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts – non-special account.	L	Adequate
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	L	Adequate
t.	Existence of a proper IT support unit in place.	L	Ministry has assigned IT staff to provide support
5. Accounting			
a.	Basis of accounting (cash, accrual) and whether accounting standards are in line with IFAD's requirements (e.g. IFRS/IPSAS/IPSAS cash).	L	IPSAS
b.	Adequacy and reliability of accounting system, (is double entry accounting used, specify software used, is budget data entered into the accounting system, can the accounting system produce regular automated financial reports?).	L	Laccie accounting software, reports by financier, component and category. Has budget module that has

			been implemented
b.	Recordkeeping (including documentation and filing/archiving)	L	Adequate
c.	Fixed assets register maintained and reconciled (sample and physical check).	M	Register in place, but will require updating
d.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	L	Provided for in PIM
e.	Adequacy of chart of accounts for project accounting purposes	L	Adequate
f.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	L	Timely
g.	Appropriate/ adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	M	Government paying duties as they fall due. Payment of project staff salaries have not been reported as government contribution
6. Financial Reporting & Monitoring			
a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	M	Financial reports done, interim financial reports have not been produced, except when there are missions
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	M	As above
c.	Preparation of reports showing actual vs budget income/expenditure and AWPB execution rate.	M	Reports prepared, for missions and audit
d.	Follow up of previous aide-memoirs fiduciary recommendations.	M	Largely implemented except for updating procurement milestones on the procurement plan
e.	Reasonable alignment between disbursement rate of recurrent versus investment cost categories.	L	Reasonable
7. Internal Audit			
a.	Existence of Internal Audit arrangements.	H	Internal audit department of the ministry not offering services to the project
b.	Adequacy of internal audit arrangements (organization - staff capacity).	N/A	
c.	Adequacy of internal audit scope of work and quality of reports.	N/A	
d.	Assessment of matters raised in audit reports.	N/A	
8. External Audit			
a.	Adequacy of scope and ToR.	L	Adequate
b.	Adherence to ToR.	L	Adequate
c.	Timeliness of audit report.	M	2014 audit report was submitted on time. 2015 audit report submission will be due on 30/06/2016 but process has not been initiated.
d.	Quality of audit.	L	Satisfactory.
e.	Implementation of audit recommendations/agreed action plan in place to address these.	L	Done

Annex III: Summary of Project Fiduciary Risk Assessment at Supervision

Project # Grant ID: G-I-8060-ER

Implementing Agency: Ministry of Marine Resources

	Risk Assessment H/M/L	Proposed Mitigation
Inherent Risk		N/A
Control Risks		
1. Organization and Staffing	L	Adequate
2. Budgeting	M	Prepare budgets and related procurement plans on a timely basis
3. Funds flow & Disbursement Arrangements	M	Improve on timeliness of submission of withdrawal applications to facilitate recovery
4. Internal Controls	L	Largely adequate
5. Accounting	L	Adequate
6. Financial Reporting and Monitoring	L	Reasonable
7. Internal Audit	H	Internal audit services have not been provided by the internal audit department. However, this does not affect completion and closure arrangements. Internal audit requirement to be addressed in the second phase of the project.
8. External Audit	M	Initiate audit of the 2015 statutory audit that will be due on 30 June, 2016
Overall Project Fiduciary Risk	M	
H=High, M=Medium, L= Low		

Comments:

Overall, fiduciary risk is Medium, mainly due delays in submission of the AWPB and WAs and lack of internal audit services