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الاستثمار في السكان الريفيين

03 August 2018

Dear Mr Tsering,

Subject: India Meghalaya Livelihoods and Access to Markets Project (Megha-LAMP), Management letter of the Mid Term Review, from 26 June to 2 August 2018

I kindly refer to the Mid Term Review (MTR) of the Meghalaya Livelihoods and Access to Markets Project (Megha-LAMP) that took place from June 26 to July 12, 2018 in the State of Meghalaya. I am pleased to confirm that IFAD endorses the MTR recommendations agreed with the state government at the wrap up meeting on 11th July 2018 and with DEA in the meeting on 2nd August 2018.

The MTR was brought forward following the third Supervision Mission of December 2017 at which the Project was found to have very slow progress and a range of concerns on implementation arrangements. A primary objective of the MTR was to work with the project team to develop a credible turnaround plan to bring the project back on track, and accordingly, make necessary adjustments to the design and implementation arrangements.

In reviewing progress to date, at the MTR stage the overall implementation performance of Megha LAMP is unsatisfactory. Little progress has been made towards achievement of the development objectives despite passage of 45% of time. Physical progress in almost all areas is limited, especially on the Enterprise Facilitation Centres. For natural resource management and rural finance, there is progress since mid-2017, but they are well behind plan. Only the road construction is ahead of plan, but this may be of limited impact as it was intended to follow cluster and market development; but has been rushed and is not synchronised with other project objectives.

However, despite these challenges, the project objectives remain highly relevant to the rural communities in the state, especially if the project can continue to accelerate delivery of its Natural Resources Management and Rural Finance activities, and substantively relaunch its economic activities building on the initial positive interventions under the integrated production and marketing, and market improvement activities. Furthermore, there are favourable external conditions with good economic opportunities, cohesive communities, and competent project staff that can make this turnaround possible.

To bring the project back on track, significant improvements are urgently needed in the project management and the restructuring of the work now covered under the revised Component 3 on Inclusive Supply Chains and Enterprise Development. Additional efforts

Mr. Yeshi Tsering, IAS
Chief Secretary
Government of Meghalaya

and acceleration is also needed on integrated natural resources management and rural finance, to capitalize on the foundations laid in the last 12 months. This is reflected in the agreed actions during the mission and will take a sustained intensive effort from management and project staff. The next 18 months will be critical to redress the project performance. During this period, the new World Bank financed CLLMP project will also be rolled-out. This will put increased pressure on the MBMA management at a critical period for the LAMP turnaround. GOM and IFAD must, therefore, provide frequent monitoring and support throughout this period.

I take this opportunity to thank you and the project team for the hospitality and support to the mission and assure you of our full support in making the turnaround successful. In keeping with the standard practice, please advise the project to kindly submit an Action Taken Report to IFAD India Country Office within 90 days of receipt of this letter.

Please accept, Mr Tsering, the assurances of my highest consideration.

Yours sincerely,

for Nigel Brett
Director
Asia and the Pacific Division

Copies for information:

Mr. K.N. Kumar, IAS,
Agriculture Production Commissioner &
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Meghalaya Livelihoods and Access to Markets Project (LAMP)

Mid-term Review, 26 June - 2 August 2018

Conformed Copy of Aide-Memoire

Mission Objectives and Key Conclusions

Background and main objective of the mission[1]

1. Meghalaya Basin Management Agency (MBMA) is the lead agency for implementing the Meghalaya Livelihoods and Access to Markets Project (LAMP). The total outlay of the project is estimated at USD 169.9 million funded by an IFAD loan of SDR 32.4 million (USD 50 million), Government of Meghalaya (GoM) contribution of USD 49.7 million, bank credit of USD 29.3 million, convergence of USD 28.2 million and beneficiary contribution of 12.7 million. LAMP is part of the Integrated Basin Development and Livelihoods Programme (IBDLP) of GoM and coordinated by the Meghalaya Basin Development Authority (MBDA). The project became effective on 9 December 2014 and the project completion date is scheduled for 31 December 2022. At the time of this mid-term review (MTR) mission, 45% of project duration has passed.

2. The project objective is 'higher family incomes and better quality of life in rural Meghalaya' through 'expanded and sustainable livelihood opportunities adapted to the hill environment and to the effects of climate change'. The key performance indicators for LAMP in the financing agreement include:

(a) At least 50,000 households adopt new livelihood opportunities linked to markets.

(b) 540 villages accessing services for enterprise development from government and private sector.

(c) 1,200 villages with 90,000 households implementing natural resource management plans

(d) 20,000 households report reduced time to collect domestic water

(e) 70% of Integrated Village Cooperative Societies (ICVS) are financially sustainable and have loan recovery rates of at least 95%

3. The MTR was brought forward following the third Supervision Mission of Dec 2017 at which the Project At Risk Status was assessed as an 'Actual Problem' due to the very slow progress to date and a range of concerns about implementation progress and arrangements. In preparation for the MTR an Implementation Support Mission worked with the project in Jun 2018 examining institutional capacity and implementation issues. A primary objective of the MTR is therefore to work with the MBMA leadership and project teams to develop a credible turnaround plan to bring the project back on track and make adjustments to the design and implementation arrangements to enable a successful turnaround.

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[1] Mission composition: Nigel Smith, Mission Leader (Enterprise Development, Market Access; M&E); N. Srinivasan (Grassroots institutions and Rural finance); Crispino Lobo, (Natural Resource Management); Sanjeev Shrestha (Value Chains); Mahendra Chhetri (Rural Infrastructure and roads); A M Alam (Economist); Pradeep Shrestha (Financial Management); Meera Mishra, Country Coordinator (Programme Management and Gender), IFAD-ICO and Sankarasubramaniam Sriram (Procurement Specialist- IFAD-ICO).The mission received valuable inputs from LAMP team.

4. The mission worked extensively with the MBMA leadership and project team and conducted field visits covering all regions and components of the project. This Aide Memoire covers 1) an assessment of the performance of the project to date, and 2) a summary of the turnaround plan. The Aide Memoire was presented at a Wrap up Meeting on 11th July Chaired by Shri. K. N. Kumar, IAS, Additional Chief Secretary and Agriculture Production Commissioner. The Aide-Mémoire was also discussed with Mr Anwar Shaik, Director, DEA, at a wrap-up meeting held on 2 August 2018 in New Delhi, and the MTR mission recommendations were endorsed by DEA.

Key mission observations

Part 1: Performance to date

5. **Overall implementation performance to date is *unsatisfactory* (rating: 2 out of 6).** Little progress has been made towards the development objectives despite 45% of time passed. Physical progress in almost all areas is limited, and extremely so in some areas critical to achieving the project development objective – especially around the Enterprise Facilitation Centres. For natural resource management and rural finance progress has begun to increase since mid-2017, and while these are now moving in a positive direction they are well behind plan at present. Only the road construction is ahead of plan, but even this may have limited impact as it was intended to support and follow cluster and market development not precede it. It is, however, noted that some improved performance has been seen in the last 12 months but this is not sufficient to bring the project back on track, nor address some of the major issues in the project, as outlined below.

6. Considering the key performance indicators of the project (para 2 above) and the associated precursors, on measures that may indicate likely progress towards the ultimate development objectives there is very limited progress to date, for example:

(a) Natural resource management objective: *1,200 villages with 90,000 households implementing natural resource management plans,* which is expected to lead to, among other things, *20,000 households reporting reduced time to collect domestic water among other impacts.*

To date, of the project target of 1350 INRMPs to be prepared, 821 have been prepared and the balance will be completed during this year. Most Village Resource Maps/ Catchment Plans (1,189) are yet to be prepared. Funds have been released to 295 villages and works begun in 173 villages. This simplistic measure of physical progress suggests that approximately 6.5% of the expected project supported works across both waves of investment have begun.

While a well thought out methodology for data collection has been developed covering all the various sub-components of this Component , the data collected has not been analysed and collated except in the case of developing a Priority Listing of NRM works to be undertaken ("Dream Map/List") of which 323 have been validated at the District Stakeholders Consultative Meetings.

So far the works largely undertaken are small and pertain mostly to building spring water storage tanks and water stands, planting of trees, building of small check weirs and digging of trenches. These have been undertaken using the VDF.

Thus, while there is clearly progress in the field and good technical expertise at the central level, there is a need to further strengthen the activities especially at the village level to ensure true ownership from communities in pro-actively managing their natural resources into the future both to conserve their water, soil and bio-diversity resources developed and to sustainably manage them in such a way that they provide the foundation for strong and prosperous growth of their natural-resource based livelihoods.

Progress on Component 1 covering these objectives is rated as unsatisfactory (2).

(b) Economic objectives: Increased income for *50,000 households adopting new livelihood opportunities linked to markets* and *540 villages accessing service for enterprise development.*

The flagship Enterprise Facilitation Centres were envisaged to be the primary impact mechanism for this - providing business development services to enable households to take up new market-driven opportunities. To date, 542 individuals of those that registered with EFCs in LAMP supported blocks, have applied the training and support they received – hence contributing just 1.1% of the end of project target.

With most EFCs now having been running for 5 years, this is clear evidence that the core EFC concept and its envisaged impact mechanisms is not effective as currently practiced. Across all 40 EFCs, to date, since the first EFCs were established in 2013 (2 years prior to LAMP), there have been a total of approximately 63,310 registrations of individuals looking for services. Yet among this very large registration only 881 people have applied the training they received to improve their livelihoods – a conversion rate of 1.4%. Even assuming that all of these turn in to sustainable improved livelihoods and enterprises, the project would have to register more than 3.5 million people via the EFC to reach its objective. This is more than the entire 3.2 million population of Meghalaya.

Livestock service activities, being implemented by MIE, have so far established 70 of the target 120 livestock development centres (LDC). As with the EFC, the model being implemented appears to be untested and highly unlikely to deliver a sustainable impact. Each community LDC (CLDC) covers an area with typically 350-550 pigs (based on the livestock census) staffed with one para-vet (called a community Livestock Facilitator) plus a further 6 livestock volunteers all paid by the project. A more typical coverage would be one para vet per 800 medium size animals. The excessive costs and small coverage mean the project has, to date, established highly unsustainable LDCs that may even impact the development of more sustainable community-based livestock services.

Integrated production and marketing activities show greater promise. To date candidate clusters with growth potential have been identified covering 17 commodities in 54 clusters with 145 groups mobilized to date. Many of the commodities identified have good market growth potential and profitable opportunities for inclusive smallholder-based supply chain development. The project has completed around 24 initial interventions, ranging from market exposure visits, trial trades to aggregation and packaging. Those seen during the mission appeared to be promising e.g. sericulture in Ri Bhoi, banana test trades etc. The objective now must be to scale-up these activities focusing on the most promising commodities by applying a more systematic inclusive supply chain development approach to the development of these clusters.

Road construction has rushed ahead of plan. At MTR 69 km completed and 147 km under construction or nearing completion which together represent 87% of the total target. The improvement of rural roads had two very clear objectives in the project design 1) ensure markets are well connected to the road networks to enable goods to be moved in and out of the markets, and 2) provide access from clusters where cash crops are produced to markets (para 48 of the Project Design Report). A majority of roads inspected during the mission do not serve either purpose. Thus, while they may improve general communication into some hamlets, they are unlikely to contribute to the development of competitive local supply chains and clusters. This poor and rushed targeting of roads, coming ahead of cluster development, is a missed opportunity for the project especially given the scale of investment – with road improvement representing 18% of entire planned project combined government and IFAD financing (excluding convergence) - which can now be expected to make little discernible contribution to the project's development objectives with no opportunity for corrective measures.

Initial engagements have started in 14 markets (target 54 markets), with the objective of building trust with market owners as an entry point to promote reforms in market operation and governance. This approach seems sound given the local market context and role of local market owners. To date, minor works have been completed in 6 of the 14 markets, mostly to improve sanitary facilities at the markets. The future focus should continue to try to engage with market owners on improvements in governance and reforms in market operating practice while also having more explicit coordination to support the development of wholesale trade markets serving the priority commodity clusters and supply chains.

Overall progress in these areas is highly unsatisfactory (1). Enterprise development via EFCs and livestock service are highly unsatisfactory (1), with road construction, at best, rated as unsatisfactory (2) due to poor targeting and rushed implementation not supporting cluster development. None of these activities can be expected to make a significant contribution to the project's development objectives yet these three activities alone account for 53% of the entire planned investment from IFAD and the government in the project (excluding convergence). There is little prospect of corrective measures for the 18% of the total government and IFAD funding to be invested in roads, as 87% of the roads are already built or under construction.

In contrast, the smaller activities on integrated production and marketing and market upgrading are moderately satisfactory (4).

(c) Rural finance objectives: 70% of Integrated Village Cooperative Societies (ICVS) are financially sustainable and have loan recovery rates of at least 95%.

To date 71 IVCS have been registered (24% of the end of project target (EOP) of 300). These IVCS have to date got 3197 members (2.6% vs EOP Target of 120000 members), average around 45 members but growing rapidly as all are still in their first year of operation. It is noted that at design, combined membership was expected to have reached around 40,000 members by the end of Yr 3. Thus, the actual achievement is only 8% of that expected at this stage of the project.

Almost all of this progress has been made in the last 12 months. As such, the outreach and overall component progress is expected to continue to advance rapidly. In general, the IVCS activities have been the best implemented of the main project activities to date.

The overall approach is sound and builds on well proven practices from elsewhere in India and the wider region to address weaknesses in the supply of financial services in rural areas. The project has established effective partnerships with the Department of Cooperation at state and local levels and has strengthened its specialist RF staffing in the districts. Consequently, the mobilization of IVCS is now progressing reasonably well both in terms of numbers and quality of mobilization, despite the relatively low numeric performance at MTR.

Progress in this sub-component under Component 2 is therefore moderately unsatisfactory 3, primarily due to the significant delays in starting the activities. Progress is however expected to improve rapidly in the coming period given the strength of the team and partnerships and the already established pipeline of activities.

7. The project objectives remain highly relevant to rural people in the project areas, especially if the project can continue to accelerate delivery of its NRM and rural finance activities and substantively relaunch its economic activities using proven approaches that address the real economic opportunities in project areas, building on the initial positive intervention seen under IPM and, to a lesser extent, market improvement.

8. The low performance to date stems from issues in both design and implementation. Specially, the very low performance in the economic area is the result of a complex design compounded by disjointed implementation. In the case of NRM and rural finance, the core design and approaches remain relevant and technically sound and hence implementation issues have been the primary source of delays.

9. Notwithstanding the internal project issues, the wider context gives grounds for optimism that the project could still significantly deliver against its development objectives due to three highly favourable factors:

(a) Communities in project areas have substantial social capital and cohesion, thus increasing the likelihood of successful community institutions being able to be developed in support of the NRM, economic and rural finance objectives.

(b) A strong and diverse portfolio of opportunities exists in natural resource-based supply chains accessible to large numbers of households driven by the agro-climatic diversity, proximity to markets (within and outside the state) and strong economic growth of the state (around 9% p.a.).

(c) Quality of the staff is generally high at all levels of the project.

10. Given the generally favourable background conditions, the low performance across all aspects suggests that there have been significant challenges in management systems and practices. Consequently, any realistic turnaround plan must quickly address the shortcomings in management in parallel to tackling the technical issues in the components, especially in the economic activities.

11. The recent appointment of a dedicated CEO of MBMA as the Project Director (PD), supported by a newly appointed fulltime Assistant PD (APD) and the move to make all senior management positions fulltime is a positive first step to begin to address the management issues and increases the likelihood that the structural issues in the project can also now begin to be tackled.

12. Further review of the components and other aspects of project implementation are presented in the Annexes attached to this Aide Memoire.

Financial Management and Execution

13. **Disbursement.** (Rating: unsatisfactory = 2). As of 30 June 2018, the total disbursement is SDR 1.72 million under IFAD loan, which is about 5.30% of the total fund allocation of SDR 32.40 million. The expenditures of SDR 704,780 (Rs.68.41 million) incurred from 1 October 2017 to 30 June 2018 and outstanding expenditures for the period of 1 April 2017 to 30 September 2017 are yet to be claimed after adjustment of advances and amounts claimed under wrong category at the exchange rate of Rs.97.0695 per SDR prevailing on 6 July 2018. The disbursement including expenditures yet to be disbursed comes to SDR 2.42 which is 7.47% of allocated amount under IFAD loan. The advances of Rs.930 million (USD 13.54 million equivalent to SDR 9.58 million) given to various institutions and individuals for implementation of project activities are outstanding as on 30 June 2018. It is informed that most of the advances have been spent especially for road construction. The expenditures may increase up to SDR 7.98 million including advances of SDR 5.56 million assuming expense. The disbursement should have been at least 42% of the total project allocation while the actual expenditure is only 7.47% which is 17.79% achievement of the target of 42%. Even assuming advances as expenditures, the disbursement comes to 24.64% which is about 58.67% of the target of 42%. The details of disbursements made by IFAD and fund balance as on 30 June 2018 are given in Annex 6.

14. The estimated expenses up to 30 September 2018 is SDR 9.10 million (USD 12.82 million) and projected cost of proposed activities after mid-term review is SDR 23.20 million (USD 32.70 million). There will be shortfall in category equipment and materials, training, grants and subsidies, and operating costs which will require reallocation of fund. The reallocation of fund will be required as follows subject to adjustment as per final proposed cost estimate:

Description of Category	**Amounts to be reallocated in SDR**	Revised allocations (SDR 000)
Works	913,226	6,450
Equipment and materials	(119,574)	1,000
Training	(159,039)	4,650
Goods, Services and Inputs	1,469,166	5,330
Credit	(3,740,353)	3,750
Grants and Subsidies	(2,609,055)	7,120
Salaries and Allowances	1,904,053	2,750
Operating Costs	(812,413)	1,350
Unallocated	3,250,000	0
Total		**32,400**

15. The Project has been claiming some of the advances and also training expenses under goods, services and input due to misunderstanding and wrong category percentage in the AWPB. The project

has submitted WAs 13 & 14 for the second and third quarter of FY 2017-18 & WA 15 for outstanding expenses for the period from 1 April 2016 to 30 September 2017 for Rs. 49.93 million, which have been rejected and project has been requested to adjust advances already paid and correct wrong classification of expenses and submit one WA for all pending expenses incurred up to 31 March 2018. The project is also advised to review expenses claimed under wrong category in the WAs already disbursed and submit separate WA for adjustment. The Meghalaya Institute of Entrepreneurship (MIE) had claimed expenditure incurred for other project and also for the prior project period, which was rejected by the project. A review of the statement of expenditures had also indicated various financial issues. Hence, the advance of Rs.95.02 million given to the MIE should be adjusted based on audit to be conducted by the project auditor to ascertain expenses incurred for LAMP and balance amount should be refunded.

16. **Quality of financial management.** (Rating: Moderately Unsatisfactory = 3). The project is using accrual basis of accounting. The accounts were maintained and financial statements were prepared manually using excel spreadsheet up to FY 2017-18. After installation of Tally software and providing training to the finance staff, the accounts are being maintained in Tally software with effect from 1 April 2018. However, the accounts of FY 2017-18 were also maintained in Tally software from excel sheet. The Tally software does not have features of inputting budget and directly generating category expense report. Currently, the withdrawal applications are prepared extracting category expenses report of each component and obtaining expenses report in the WA format from all DPMUs. There are one finance manager, two administrative associates and one compliance officer (Company Secretary) at the SPMU and one administrative associate (accountant) at each DPMU for handling the accounts function of the project but there is no accountant in place in South Garo Hills DPMU. The administrative associates of DPMUs are also required to maintain accounts of the respective BDUs. Project Implementation Manual has been prepared but the financial management and procurement manual are yet to be finalized.

17. There is segregation of duties among the finance staff of SPMU. The administrative associate prepares vouchers and bank reconciliation statement, maintains accounts in tally and petty cash, and prepares WA and interim financial reports. The finance manager checks the vouchers and supporting documents, recommends for approval and prepares the financial statements of the project. The Administrative Associate at DPMU does all financial work including bank reconciliation. The compliance officer, who is a Company Secretary, is responsible for complying with the TDS (tax deduction at source) provisions of the Income Tax Act. There is no Chief Finance Officer after the contract of OSD-Finance was not renewed. The project has recruited one Deputy Finance Controller who will join on 18 July 2018.

18. Bank reconciliation statements (BRS) are prepared on a monthly basis using Tally software at the SPMU and all DPMUs. The yearly financial statements are prepared for submission to IFAD in the prescribed format as per IFAD guidelines. However, there are some mistakes in the project financial statements of FY 2016-17. The project should strictly follow the IFAD's project financial statement guidelines on accrual basis. The project should prepare interim quarterly financial statements in the prescribed format and submit within 45 days to the IFAD.

19. The GoM releases funds in tranches instead of total budget to the MBDA which in turn disburses funds to MBMA. There is no fixed period for fund release. It is recommended to release quarterly budget in tranches based on cash forecast. The funds flow system is very lengthy now. For each item of expenditure, the approval is provided by the SPMU for which funds are sanctioned and released. The amounts of village development fund (VDF) and operating fund are paid through DPMUs instead of paying directly to the VECs. It is recommended to pay VDF and operating fund directly to the bank accounts of the VECs. Advances are provided to the DPM at some of the DPMU particularly for PRA exercise of INRMP, training and other village level activities instead of providing advance to the staff responsible for implementation of activities. As the practice being followed is not financially prudent, advances should be paid to the concerned staff and where possible issue cheques directly to the vendor. Petty cash should be maintained for incurring petty expenses instead of giving advance to the DPM. The advances of Rs.684.00 million to State Rural Employment Society (SRES), Rs.95.02 million to Meghalaya Institute of Entrepreneurship (MIE), Rs.104.00 million to Meghalaya State Watershed & Wasteland Development Agency (MSWWDA), Rs.5.00 million to Meghalaya Institute of Natural Resources NINR), Rs.8.28 million to State Council of Science Technology (SCST)

and Rs.66.00 million to BDUs have been given without entering into MOU and specifying the terms of conditions of implementation of activities. The advances are settled on submission of statement of expenses along with supporting documents after completion of the activity. However, some of the advances given to the individuals for almost two years and all advances to institutions except part settlement of BDUs have not been settled. The project should devise a policy to settle advances within 30 days after completion of activities by the individual and/or institutions. Outstanding advances for activities already completed should be settled within 30 days.

20. The advances at the rate of Rs.3.00 million per KM have been given for road construction to the BDUs and SRES. The BDOs are submitting supporting documents of Rs.3.00 million incurred for purchase of construction materials, hiring equipment and labour charges for construction of one KM of road. There is no comparison of quantity of materials purchased with the estimated quantities and no uniformity in quantity of materials used for construction of each KM. One bridge at Rs.3.00 million was constructed instead of road in one of the district without having such provision in the project. The justification should be provided for construction of the bridge.

21. The mission reviewed the project expenditures of six months (October 2017 to March 2018) and on sample basis for the remaining months of April to September 2017 and April to June 2018 of SPMU and DPMUs with supporting documents (invoices, receipts and related documents) and filing system and found some internal control weaknesses. They are: (i) invoices for road construction in the name of individual instead of BDO (ii) no inspection report of the equipment purchased (iii) either no attendance sheets of participants or less than the number billed for food expenses (iv) most of the food expenses and vehicle charges are on plain paper receipts (v) paid Rs.108,000 for printing of books for knowledge management but claimed Rs.1,080,000 in WA No.13 (vii) no invoice and receipt of Rs.35,360 (IFAD share) of refreshment expenses (vii) no acknowledgement of goods distributed to farmers producers organizations (viii) payment of consultancy fee @Rs.22,000/month to 4 persons assigned by National Informatics Center (NIC) for MIS development instead to the NIC (ix) expenses of Rs.16,224 (IFAD share) incurred for filing return of MBMA accounted to the LAMP (x) accounted travel expenses of Rs.38,131 (IFAD share) without supporting (xi) claim of advances in WA (xii) almost same handwriting in payees' signatures for participants allowance payment of Rs, 65,110 (IFAD share) for business Counseling Camps at Mawpghlang, Laitkroh & Shella blocks (xiii) server, desktop computer, software, printer and UPS purchased in Jan 2018 not recorded in fixed assets register (xiv) goods received is acknowledged by signing on Challan by procurement staff instead of issuing goods received note, and (xv) "PAID" stamp on voucher instead of affixing on the supporting documents.

22. The internal audit of the project accounts has not been conducted. The project should appoint an independent professional auditor to conduct internal audit to check compliance with the policies, procedures, legal covenants, eligibility of expenses, authenticity of supporting documents, and correctness of the accounting of expenses and financial statements and provide recommendations of strengthening the internal control system and rectify the mistakes.

23. **Quality and timeliness of audit.** (Rating: Moderately Unsatisfactory = 3). During the year 2015-16, the audited Project Financial Statement (PFS) and the audit report were submitted in March 2017 (six months beyond the stipulated time). For the year 2016-17, the auditor issued unqualified audit reports on PFS, statement of expenditures and designated account on 2 Sept 2017 within six months but PFS and the audit reports were submitted beyond deadline on 16 Oct 2017. The audited PFS have been prepared in accordance with IFAD Handbook for financial reporting of IFAD financed projects but some amounts reported are not correct and not tallying with each other. (1) The amounts reported for access to market and project management unit under IFAD credit and government funds do not tally with amounts reported in annex -2 in statement of operating performance (By component) (2) Replenishment amounts to SA reported in statement of comparison of actual budget by component do not tally with SOE - withdrawal application statement and the amount has not been reported in statement of comparison of actual budget by category. (3) The amounts reported in the SOE - withdrawal application statement are not tallying with the disbursements made by IFAD and amounts of expenditures incurred but WA pending for submission have not been reported. (4) Interest of Rs.1,022,500 earned on saving accounts of DPMUs has not been reported. (5) Information as required have not been reported in the notes to the financial statements. The auditor has reported internal control weaknesses in the management letter, which are: (i) lack of insurance of fixed assets

(ii) vouchers are not numbered (iii) not all assets are tagged for identification (iv) vehicles and two wheelers are not recorded in the fixed assets register (v) lack of financial manual (vi) lack of proper filing of vouchers (vii) lack of internal control on attendance of staff (viii) no TDS deduction on rent and some consultancy payments (ix) cash book is not balanced daily, and (x) non-compliance with accounting standards, employees provident and insurance scheme. The project has not submitted management reply to audit observations. The audit log is given in Appendix 6.

24. **Counterpart funds:** (Rating: Moderately satisfactory = 4). The GoM pre-finances the expenses of the project without mentioning the amount of GoM and IFAD share. The project received Rs.140 million for GoM and IFAD share in the FY 2015-16 but did not receive any fund in FY 2016-17 due to fund balance of Rs.185.82 million of FY 2015-16 and expenditures of Rs.93.07 million incurred in the FY 2016-17. GoM disbursed Rs.1,515 million in the FY 2017-18 against revised budget of Rs.1,475.80 million. There is fund balance of Rs.135.83 at SPMU as on 30 June 2018 excluding fund balance of Rs.209.43 million at DPMUs which was given for VDF and operating fund to the DPMUs. The budget of Rs.1,320.07 million for GoM and IFAD share has been approved by the BoD for FY 2018-19. The GoM share is being accounted based on the financing percentage specified in the Financing Agreement. The expenditures of Rs. 199.13 million from GoM share have been incurred up to 30 June 2018. The GoM has been providing counterpart funds as and when required based on the expenditures incurred and fund balance instead of total amount in the beginning of the fiscal year as per AWPB.

25. There is no system of obtaining expenditures incurred for convergence by other government offices and hence it is not reported. The Integrated Village Cooperative Society Limited has not received loan from banks. There is lack of reporting of contributions made by the beneficiaries. The project should develop system of obtaining statement of expenditures incurred by the government offices for convergence, contribution made by the beneficiaries for integrated NRM and livelihood support activities, and loan provided to the beneficiaries by the bank.

26. **Compliance with loan covenants:** (Rating: Moderately satisfactory = 4). The project has mostly complied with the financing agreement covenants but some of the provision of the Financing Agreement, Letter to the Borrower/recipient and General Conditions for Agricultural Development Financing are yet to be complied with. Financial management and procurement manuals have not yet been finalized. The road and market infrastructure works are to be constructed through contractors and consulting engineers but the 21 KMs road and one bridge are being constructed by BDO and 228 KMs road by SRES without prior approval of the IFAD. The village level LAMP NRM activities to be implemented through the VECs are also being implemented through MSWWDA.

27. The audit is being conducted by the auditor appointed by the Office of the Comptroller and Auditor General of India (OCAG) instead of being conducted by OCAG and audit reports are reviewed by OCAG to check whether supplementary audit is required or not. The auditor for FY 2017-18 to be appointed within 120 days after the beginning of each fiscal year was appointed by OCAG on 21 August 2017.

28. The procurement plan is not updated and submitted to IFAD for no objection. All direct contracts for goods and civil works and single source selection for service providers are awarded without obtaining prior approval of the IFAD and without an agreement/MOU. The register of contracts is not submitted to IFAD Country Program Manager on monthly basis. Equipment and project staff except vehicle and motorbikes have not been insured. The MIS as per IFAD's Guide is still being developed. Some of the plans, design, standards, reports, contract documents, specifications and schedules relating to the Project and material modifications subsequently made therein are not being submitted to the IFAD. The audit reports of FY 2016-17 issued on 2 Sept 2017 by the auditor were submitted on 16 Oct 2017 after the due date. The details of compliance with loan covenants are given in the appendix 3 to the main mission report.

Procurement

29. Procurement is rated as moderately unsatisfactory (3). The implementation of the approved procurement plan is affected by delays and poor planning. The procurement plan is not monitored and updated during the year. The agreed actions for procurement in the last Supervision Mission are yet to be completed.

30. After the last Supervision Mission, there were only minor procurement undertaken by the project besides printing of KM materials. The contracts which required IFAD's approval identified in the last Supervision Mission are yet to be finalised and signed. The Mission reviewed the contract for SRES, NIC, INR and suggested modifications. After modifications, the project should submit these for IFAD no objection and proceed with signing. The single source contract with Bankers Institute of Rural Development, as a continuation of earlier contract was submitted to IFAD for no objection and the Mission reviewed and provided no objection.

31. The procurement manual for the project is yet to be finalised even at MTR. As a result, the procurement unit is not fully aware of the templates, documentation and the processes. The procurement unit consists of two Assistant Manager level staff, who have been provided with minimal training. The Procurement unit does not get advance information on the technical aspects of the planned procurement from the hiring units and confirmation of the requirements is also conveyed very late. The mission recommends that the project engage a full time qualified procurement professional to assist the project.

32. The consolidated procurement plan for the year 2018-19 should be updated in line with MTR recommendations and submitted to IFAD for no objection.

33. Contract management continues to be weak; provisions of contracts are not understood thus inadequately monitored. The contract registers and logs are not adequately updated. IFAD recommends that contract registers and logs are updated regularly from the start of the project, and submitted to IFAD on a quarterly basis. In spite of large activity of construction of rural roads and improvement of markets, the project has not engaged any Consulting Engineer to undertake tests and validate the quality of the construction.

34. The project has to undertake priority steps to mitigate the risks and strengthen the procurement functions.

Part 2: LAMP turnaround plan

35. The turnaround of LAMP is feasible but will be extremely challenging. Progress towards the development objective and delivery of the turn-around plan will need to be closely monitored by the Government of Meghalaya, GOI and IFAD. With limited time remaining and significant ground to recover, any further slippages put in doubt the viability of the project investment.

36. The LAMP turnaround plan must therefore be built on six core principles:

(a) A clear and well understood organizing logic to the project (Theory of Change) – so all staff and stakeholders can readily understand what the project intends to achieve, how the different elements build together and how the roles of individuals and teams contributed towards achieving the ambitious overall objectives.

(b) Streamlined management and mutual responsibility for overall project delivery combined with far greater accountability for delivery of results within the assigned project teams matched by appropriate delegated decision-making authority to facilitate efficient and responsive implementation.

(c) Management for objectives enabled through routine and robust tracking, analysis and reporting of progress towards project results to allow evidence-based management decisions and resource allocation.

(d) An open and co-operative approach to implementation, developing partnerships with other organizations and programmes that will add significant value to the delivery of project objectives without pursuing partnerships simply for the sake of it. This means more pro-active effort to bring convergence in to reality as well as building relevant partnerships with private sector and other intuitions.

(e) An explicit focus on sustainability in the design and delivery of all project activities. The sustainability plan and exit strategy of all activities should be inherent in the design of all activities from the very start.

(f) Close monitoring and responsive support from GoM, GoI and IFAD of the turnaround.

Development objectives, project duration and locations

37. The project development objectives and key performance indicators will remain unchanged. The project objective remains 'higher family incomes and better quality of life in rural Meghalaya' through 'expanded and sustainable livelihood opportunities adapted to the hill environment and to the effects of climate change'. The key performance indicators for LAMP remain as:

(a) At least 50,000 households adopt new livelihood opportunities linked to markets.

(b) 540 villages accessing services for enterprise development from government and private sector.

(c) 1,200 villages with 90,000 households implementing natural resource management plans

(d) 20,000 households report reduced time to collect domestic water

(e) 70% of Integrated Village Cooperative Societies (ICVS) are financially sustainable and have loan recovery rates of at least 95% (To be additionally defined as IVCS that are three years old at completion and OSS of more 100)

38. Project completion remains 31 December 2022, leaving approximately 51 months still to run.

39. The project will continue to work in the 18 blocks agreed in the project design, though some limited activities in supply chain development may stretch across block boundaries.

Costs and financing

40. Project financing remains unchanged at approximate US$ 50.1 million from an IFAD loan and US$49.7 million from government (excluding converge).

41. Estimated project costs for the remining period have been updated and will be presented in main MTR report. A reallocation between expenditures categories may be required.

Updated component structure

42. LAMP will now be implemented in three major components supported by a strong knowledge management platform as summarized below. Further details of the future arrangements in each component are included in the Annexes.

Component	Key performance indicators	Main adjustments and improvements
1. Integrated natural resource management	10,000 farmers report increased area of irrigated crops 50,000 farmers report increased crop production of at least 10% (cereals, horticulture and vegetables) At least 15% of barren, degraded lands in baseline are brought under tree cover (afforestation, plantations, horticulture, conservation protection)	Overall approach will remain broadly the same with the following adjustments: • Greater devolution of responsibility and authority for project execution onto communities • Establishing a pathway to empower communities and building up their capacities through targeted training and learning events; • Development of a cadre of trained village "para-engineers" called "Watershed Volunteers" who will be the backbone of the implementation effort in their respective catchments; • Introduce bottom-up planning process beginning from the village upwards. • Recruit a dedicated and technically competent team, preferably with a soil- water- agriculture engineering background. • Decentralise financial powers to the district level
2. Rural finance	90000 IVCS members are actively using financial services, either from IVCS or facilitated from banks. Average combined share capital and savings per household with IVCS exceeds Rs 10000.	Overall approach will remain with the following adjustments: • Accelerating mobilization and drive to achieve minimum viable membership in support of sustainable business model. All IVCS' to be registered by Dec 2019. • Greater focus on business and financial literacy through peer- based training. • Strengthen team at district level to support improved bank linkages • Phased introduction of computerized accounting in-line with roll-out in the state to supported strengthen internal governance and bank linkages.
3. Inclusive supply chains and enterprise development	50,000 households in supply chain clusters increase real net income by 40% from supported commodities in supported supply chain clusters. Aggregate value of products sold from producers in supported supply chain clusters increases by 50% in real terms Multi-stakeholder Cluster Platforms (MSPs) established, functional and self-sustaining in 90% of clusters. 5,000 rural entrepreneurs expand their existing business (i.e. have increased their income by at least 30%) or create a new one that is still operating after 2 years	Activities will be fully restructured to focus on two sub-components: 3.1 Inclusive supply chain development This will be led by an expanded team at HQ and regional level (built from the former IPM team) and with a strengthened EFC team fully engaged in supply chain development. It is expected that this will account for more than 90% of the work of the EFC staff. 3.2 Skills-based enterprise development will continue to be supported by EFC but with substantially reduced targets and resources to reflect real level of demand. Skills based training will be provided in partnership with existing technical and vocation training institutions. It is expected that this will account for less than 10% of the work of the EFC staff.

43. Knowledge services remain an important part of the project approach and will be managed as an integrated activity covering planning, monitoring and evaluation as well as the generation of multi-format, multi-channel knowledge products in support of the project objectives.

Project management

44. LAMP project management and team structures will be streamlined and strengthened.

45. Three principal changes will be introduced:

(a) A Senior Management Team (SMT) will be established to take joint responsibility in supporting the PD in overall project deliver and strengthen coordination within all aspects of project delivery. A specific Terms of Reference will be agreed for the SMT.

(b) Clearly delineate between technical management within components versus general management within a particular district. In support of this, a newly established layer of regional management will strengthen the presence of senior management in the field.

(c) All components will now have dedicated staff at central, regional and district/bock level with primary reporting lines via the component management structure. Day-to-day general management in districts will continue via the District Project Managers.

46. Accountability for the delivery of component results will primarily rest with the Component management team. Component management teams, via the Regional component coordinators, will lead the development of the annual work plans and budgets for their respective component in each block/district. This will ensure technical consistency and coordination across the project. This shall be done in a participatory process with the full engagement of district component and general management team (i.e. District Project Managers, BDOs, DCs). DPMs shall have a particular responsibility in this process to advise and facilitate practical opportunities for convergence in support of planned activities and ensure local issues are adequately considered in the planned activities. District-wise AWPBs for each component will then be consolidated into a district AWPB to be submitted to the SMT for approval through the regular process.

47. District Project Managers will be responsible for the day-to-day general management of the project activities in their district in-line with the approved District AWPB, including monitoring and reporting of physical and financial aspects. They will have primary responsibility for maximizing convergence in support of project activities and ensuring close coordination with other departments and programmes in the local area. Technical supervision and backstopping of the component staff in the district/block will be provided by the Regional Component Coordinators. Funds will be released on a quarterly basis to districts and approval for specific activities will be done under the sanction of DCs. DPMs will continue to report to both the DC and SMT. Reporting to the SMT will be via Regional Project Managers who will ensure the effective day-to-day operation of project activities in districts in their region and coordinate with DCs and other key local stakeholders.

48. All staff will have clearly defined roles and responsibilities and clear lines of accountability. Immediately, once the MTR recommendations are agreed by government and IFAD, all staff terms of reference will be reviewed and updated as necessary to bring them into line with the new structures and roles.

49. Regional teams – covering components and general management, will provide close support and technical guidance of implementation. They will be, co-located to facilitate real coordination and harmonization of activities between the three inter-dependent components. At the SMT level, Regional Project Managers and Component Managers will all report to the Assistant Project Director to ensure maximum coordination.

50. Coordination between the three pillars of the project is also reflected at the village level, where the project will mobilize and/or strengthen (permanent) community institutions in each of the pillars that are mutually complementary yet sufficiently focused to deliver their core purpose – VECs, IVCS and producer groups.

51. An updated project structure is presented in Annex 1.

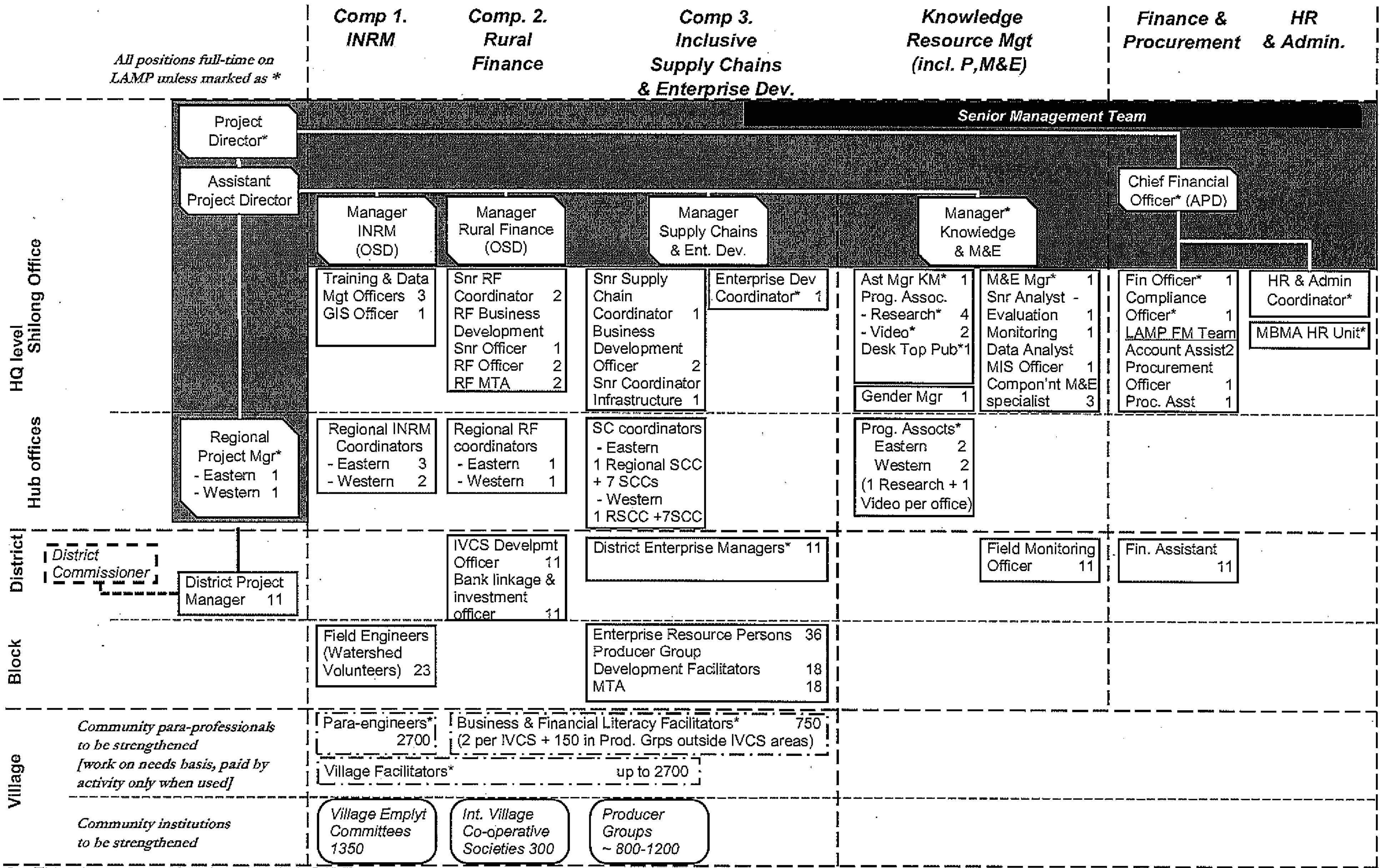
Conclusions

52. LAMP has had a slow start and is currently a project at risk. However, there are favourable external conditions with good economic opportunities and cohesive communities as well as a good quality project staff.

53. To bring the project back on track, significant improvements are urgently needed in the project management and the restructuring of the work now covered under the new Component 3 on Inclusive Supply Chains and Enterprise Development. Further strengthening and acceleration is also needed on INRM and rural finance to capitalize on the foundations that have been established in the last 12 months. This will take a sustained, intensive effort from management and project staff and the next 18 months will be a critical period in which to turnaround the project. During this period, the new CLLMP project will also begin to be rolled-out. This will put increased pressure on the MBMA management at a critical period for the LAMP turnaround. GOM and IFAD must therefore provide frequent close monitoring and responsive support throughout this period.

54. IFAD and the Government of Meghalaya endorse the findings and recommendations of the mission.

Annex 1: LAMP Organization Structure Post-MTR



Job Titles shown relate to function roles within LAMP and do not necessarily correspond to nominal MBMA designations

Note: Some MTA, drivers and other general support staff not shown

Annex 2: Actions to be taken

Major agreed actions

Actions	Responsibility	Deadline	Status
1. Establish Senior Management Team will clear terms of reference to jointly lead LAMP turnaround	PD	10 Aug 2018	Agreed
2. Implement new project team and organizational structure and reporting as per Annex 1	PD	31 Aug 2018	Agreed
3. Review and update all Terms of Reference in line with the new LAMP project structure (Annex 1)	PMU	31 Aug 2018	Agreed
4. Delegate authority and responsibility to staff at appropriate levels and institute a system of reviews to ensure progress is regularly monitored. This could be (i) quarterly by CEO MBDA of the PMU (ii) monthly by PD of all PMU staff (iii) weekly by sector leads of their teams. With the delegation of powers it may be useful to have individual workplans.	PMU	31 Aug 2018	Agreed
5. Recruit additional staff in line with the new structure through professional recruitment process for all positions	PMU	Advertise 1 Aug In post 31 Nov 18	Agreed
6. Provide reorientation to all current and new staff on LAMP turnaround and updated approaches, structures and implementation arrangements – covering both technical aspects as well as update management, planning and approval process and greater decentralization. Should also include (i) overall cogent understanding of the project (ii) their roles and responsibilities (iii) need and strategy for convergence (iv) reporting requirements.	PMU	Mid Aug 18 ongoing	Agreed
7. Revise the salary and compensation package offered to project personnel to uplift morale, reduce turnover and improve project performance in line with the prevalent salary structures in particular the CLLMP and NRLM staff salaries.	PMU	31 Oct 2018	Agreed
8. Revise AWPB based on MTR agreements. Submit for GOM and IFAD approval. IFAD to provide approval/feedback within 5 working days of receipt of AWPB.	PMU	31 Aug	Agreed
9. Introduce bottom-up planning process beginning from the village upwards with district level AWPBs and state level AWPB consolidated into project AWPB. Component management teams to lead this process in each component in each district.	PMU	31 Aug 2018	Agreed
10. Decentralise financial powers to the district level: Once the AWPBs have been sanctioned, funds be released to the BDUs on a quarterly basis. Do away with task based activity approval system.	GOM	Oct/2018	Agreed
11. Launch the newly restructured Component 3, as outlined in the Annex, with current IPM team leading	PMU	July 2018 onwards	Agreed
12. Implement technical improvement in INRM and RF components as outlined in the Annex	PMU	July 2018 onward	Agreed
13. GOM to approve and release GOM funding for LAMP FY18/19 on timely basis	PMU	30 Sep 18	Agreed

NRM

Actions	Responsibility	Deadline	Status
14. The Chief Secretary to write a letter to the Secretaries of relevant Departments and Autonomous District Councils/DCs of the NRM districts instructing them to mandatorily include NRM-related works proposed by project related VECs in the AWPB, prioritise them in developmental schemes and extend administrative and manpower support to the project.	GOM	Oct/2018	Agreed
15. Review village plan development process to ensure it of good quality as community driven plan including proper	PMU	Sep 18	Agreed

integration of village maps into main process.			
16. Partnership with Departments: Updated MOU with Soil and Water Conservation Dept	PMU	Sep 18	Agreed
17. Undertake sustained measures to familiarise communities, project staff and local resource persons with the concept and practice of catchment management and build their capacities to undertake the same.	PMU	Jan/2019	Agreed
18. Develop a "Pedagogy of Action" which systematically and sequentially spells out outcomes with benchmarks/ standards to be achieved in specific time periods; actions to be taken to realise these; resources to be provided or competencies acquired; and persons responsible for delivering the mandated outcomes are identified, empowered and adequately resourced.	PMU	Aug/2018	Agreed
19. Put in place a performance and accountability system that incentivises staff to implement the Pedagogy of Action. This should include weekly and monthly Action Plans of staff which are monitored on a weekly/ fortnightly basis.	PMU	Aug/2018	Agreed
20. Increase budget allocation to VDF to a base level of up to INR6.00 Lakhs per village. Minimum conditions to be met by VEC to receive funds: Minimum beneficiary contribution =15% <u>and</u> Minimum convergence of 1.3 x the amount of funds taken from LAMP.	PMU	Aug 2018	Agreed
21. VEC operating fund: temporarily suspend disbursement to villages and review approach to scheduling of release of funds to VEC. Total allocation per VEC increased to Rs. 2.4 lakhs – including Rs. 60,000 per year x 3 years plus Rs. 60,000 towards agriculture development)	PMU	Sep 2018	Agreed

Rural Finance

Actions	Responsibility	Deadline	Status
22. **Accelerated completion of formation** Prepare and implement a plan for formation of 150 IVCS by March 2019 and completing the remaining 150 IVCS by December 2019	FSD	150 total by Mar 2019 300 total by Dec 2019	Agreed
23. **Loan linkages to project households** Take responsibility for linking project households with banks and financial institutions for the different loan requirements and also provide suitable investment advice on the right sources and availability of other soft/grant funding wherever feasible	FSD	Immediate and ongoing/	Agreed
24. **Staffing** To accelerate the pace of work and take additional role of loan linkage and investment advisory, place one staff each for IVCS and loan facilitation in the 11 districts. The identification and placement of staff should be prioritised	FSD, HR	September 2018	Agreed
25. **Release of corpus Fund** Corpus fund should release to only those IVCS that are more than six months old, have collected shares from at least fifty members an amount not less than Rs 50,000 and the savings and share capital put together is more than Rs 100,000.	FSD	Immediate and ongoing	Agreed
26. **Business plans** All existing IVCS should be trained in a skill workshop with the support of BIRD on preparation of business plans; by End September 2018, all the registered IVCS should have submitted their plans to FSD for vetting and approval. As part of the business plan workshop, pricing of loans and terms under which loans can be offered to members should also be covered. Guidelines should be issued to IVCS on loan operations, pending finalisation of the loans manual.	FSD	September 2018 and ongoing	Agreed

27. Linkage with Banks for bulk loans to IVCS In consultation with NCAB and other willing banks, suitable guidelines for IVCS desiring borrow bulk funds for on-lending to members should be prepared. The IVCS should be trained for accessing borrowings from banks. FSD should also facilitate linkage of IVCS with the banks for their bulk fund requirements.	FSD	Ongoing	Agreed
28. Links with NABARD The relationship with NABARD should be strengthened; Rural finance bank linkage officers in the districts should coordinate NABARD bank linkage for project households.	FSD	Ongoing	Agreed
29. Reconstitution of core committee The core committee on IVCS may be reconstituted with NABARD as a new member and dropping those members who are not connected with the component.	FSD	31 July 2018	Agreed
30. Financial literacy for IVCS members Financial literacy training for all IVCS members should be provided as agreed in accordance with details indicated in the technical annex. Three modules to be covered: i) household economy, ii) household enterprise, iii) group enterprise. Total approximate contact time for training around 60+ hours (20-25 hrs per module)	FSD	March 2019 and ongoing	Agreed
31. Extending coverage: Once 300 IVCS and attached villages are identified, detailed review of gaps in coverage and develop locally specific strategy to extend coverage as much as possible to villages not already covered.	FSD	Dec 2019 Mapping and action plan	Agreed

Supply chains and enterprise Development

Actions	Responsibility	Deadline	Status
32. Capacity development: Plan and implemented systematic and sustained capacity development of all component staff on new inclusive supply chain approach. To include series of training by experienced practitioners plus exposure visits and follow-up on the job professional coaching.	PMU	Aug 18	Agreed
33. Partnership with Departments Explore possibility of inviting ag and livestock departments to assign 1-2 staff (forward thinking) to work as integrated part of regional supply chain team. PMU to propose specific arrangements ready to implement. MOA to be signed if all sides agreed.	PMU Supply Chain Manager w/ Regional PMs	Sep 18	Agreed
34. Communication infrastructure: All future communication infrastructure investments (road, ropeways, suspensions bridges etc) to follow supply chain and cluster development priorities. No new schemes not already under construction to be proposed, approved or constructed until FY2020/21 except by prior approval of IFAD	PMU	Recommence from Apr 2020	Agreed
35. Market service: Continue with general approach of market reform but strengthen focus on wholesale market functions in support of supply chain development activities	PMU	Jul 18	Agreed
36. Livestock: Supply chain coordinator assigned for pig sector to lead overall activities on pigs, including livestock production and health service development.	PMU	July 18	Agreed
37. Livestock: Supply chain coordinator assigned for pig sector to work with Livestock department to develop plan for financially and institutionally sustainable network of para-vet, potential further mobilised into their own district para-vet cooperatives.	PMU	July	Agreed

38. **Livestock:** Suspend current roll-out of LDC/CLDC and immediately halt any further expenditure by MIE on all LAMP Livestock related activities.	PMU	Jul 18	Agreed
39. **Livestock:** Recover all unspent advances to MIE	PMU	Jul 18	Agreed
40. **Livestock:** Develop and quickly implement a plan to unwind and dissolve the CLDC.	PMU	Aug 18	Agreed
41. **Foodstart+:** LAMP to continue funding activities through to Dec 2018 and then submit sub-project proposal for consideration under Sector Development Facility	PMU	Aug 18	Agreed
42. **Supply chain investment support instruments:** Establish guidelines and operational arrangements for Sector Development Facility (public good investment) and 1st mover private investment fund.	PMU	31 Aug 18	Agreed

Project Implementation

Actions	Responsibility	Deadline	Status
43. **Project management** : With the launch of the World Bank financed CLLMP, create a common service hub to undertake cross cutting functions (Administration, Finance and Accounting, Human Resources, Procurement, and M&E and Knowledge Management) required for both LAMP and CLLMP.	PMU	Aug 18	Agreed
44. **KM** : With CLLMP being implemented, KM team will serve both the projects and will act as a bridge between the two projects for learning.	PMU	Aug 18	Agreed
45. **KM** : For future KM team could play an important role in generating information for Convergence. Accordingly the team could collect information on all relevant government schemes for the project beneficiaries related to INRM, IPM, IVCS; convert these into simple information brochures and make these available to field functionaries and communities to enable them to access the benefits from these government schemes.	PMU	Aug 18	Agreed
46. **Gender:** Prepare a cadre of women leaders by training all women members of IVCS Governing Council so that when the opportunity arises they could take up the Secretary or Chairperson's role.	PMU	Aug 18	Agreed
47. **Gender** Focal Person's roles and tasks should be clearly defined at state and district levels, even if there is no separate Gender Team.	PMU	Aug 18	Agreed

Fiduciary Aspects

Disbursement

Actions	Responsibility	Deadline	Status
48. **Adjustment of excess claimed amount** The excess amount claimed from IFAD for advances should be adjusted from expenditures in the next WA No 13.	PD/APD/ Manager – Finance	15 August 2018	Agreed
49. **Adjustment of amount claimed under wrong category** Expenses claimed under wrong category especially training expenses under goods, service & input should be adjusted submitting separate WA to IFAD.	PD/APD/ Manager – Finance	31 August 2018	Agreed
50. **WA preparation** Prepare one WA for expenditures to be claimed up to 31 March 2018 classifying expenditures under the appropriate category of expenditure as per the financing agreement.	PD/APD/ Manager – Finance	15 August 2018	Agreed
51. **Audit of MIE for settlement of advance** MIE accounts for expenditures incurred for LAMP project should be audited by the project auditor and advance should be settled for eligible expenditures incurred for the project. Excess funds released to MIE to be refunded to LAMP.	DDG-MIE and Megha-LAMP	31 August 2018	Agreed

Financial Management

Actions	Responsibility	Deadline	Status
52. **Human resource in financial management** Designate one Chief Finance Officer, one Finance Officer, one compliance Officer and two dedicated Account Assistants (Administrative Associates) in the SPMU for the project.	BoD/PD	31 August 2018	Proposed
53. **Prepare voucher** The DPMUs should print vouchers of all financial transactions and file chronological order with supporting documents.	PD/APD/ Manager - Finance	31 July 2018	Agreed
54. **Funds flow** Release quarterly budget to MBDA based on cash forecast and provide quarterly budget to the DPMUs based on AWPB and quarterly financial report adjusting fund balance. Pay VDF and operating fund to the VECs directly.	PD/APD/ Manager - Finance	31 July 2018	Agreed
55. **Settlement of road construction advance** The expenditures incurred for road construction are to be settled based on supporting documents of the actual expenses or estimates of quantities whichever is lower.	PD/APD/ Manager - Finance	30 September 2018	Agreed
56. **Settlement of advance** Develop policy to settle advance within 30 days after completion of activities by individual and institutions and settle outstanding advances for activities already completed immediately	PD/APD/ Manager - Finance	15 August 2018	Agreed
57. **Training to Finance staff** Provide financial management training to the finance staff relating to accounting of project expenses to correct account heads and category and preparation of AWPB, WA, Interim Financial Report (IFR), and project financial statements.	PD/APD/ Manager - Finance	30 September 2018	Agreed
58. **Tally customization** Customize Tally software to input budget for comparison of actual expenses and generate expense report based on category.	Manager – Finance /APD	30 September 2018	Agreed
59. **Quarterly report** Obtain financial reports from DPMUs and prepare consolidated quarterly IFR for submission to the IFAD.	PD/APD/ Manager – Finance	31 July 2018 and onward	Agreed
60. **Internal Audit** Appoint independent professional auditor to conduct internal audit of the project on quarterly basis from FY 2018-19 and to submit internal audit report to the BoD for taking corrective measures.	BoD/PD	15 September 2018	Agreed

Audit

Actions	Responsibility	Deadline	Status
61. **Audit** Prepare the PFS of FY 2017-18 in accordance with IFAD Handbook for financial reporting of IFAD financed projects and submit within stipulated time.	PD/APD/ Manager – Finance & Auditor	30 Sep 2018	Agreed
62. **Scope of audit** Prepare ToR for the audit based on IFAD Handbook for auditing of IFAD financed projects and obtain approval of IFAD. Increase the scope of audit to cover 100% audit of transactions of the project.	PD/APD/ Manager – Finance & Auditor	30 Sep 2018	Agreed

Counterpart Funds

Actions	Responsibility	Deadline	Status
63. **Reporting of contribution** Develop system of reporting of expenditures incurred by other government offices for convergence, the contributions made by the beneficiaries and loan provided by the bank.	PD/APD/ Manager – Finance	31 August 2018	Agreed

Compliance with loan covenants

Actions	Responsibility	Deadline	Status
64. **Compliance with loan covenants** The project should prepare plan to comply with the provision of the Financing Agreement, Letter to the Borrower/recipient and General Conditions for Agricultural Development Financing.	PD/APD/ Manager – Finance	30 Sep 2018	Agreed

Procurement

Actions	Responsibility	Deadline	Status
65.**Finalising the Procurement Manual** The project should prepare Procurement Manual consistent with IFAD Procurement Guidelines and Procurement Handbook, elaborating on the processes and standard templates. The project could refer to a Manual prepared by other IFAD projects in India for guidance. DEA issued manuals could also be referred to.	PD and APD	31 Oct 2018	Agreed
66. **Engagement of full time Procurement Officer** Project to hire a full time qualified and experienced Procurement Officer, preferably conversant with IFI procurement principles and processes.	PD	30 Sept 2018	Agreed
67.**Contract Management** Contract registers and logs are to be updated regularly from the start of the project, and submitted to IFAD on a quarterly basis.	APD/Procureme nt Unit	31 August, 2018	Agreed
68.**Finalise and submit pending contracts** All contracts for single source selection of agencies to be finalised and submitted to IFAD for no objection.	PD and APD	31 July, 2018	Agreed
69.**Take action to reduce the risk level of project procurement** In line with the procurement review and the issues identified by IFAD, take priority steps to strengthen the procurement functions of the project.	PD	31 August, 2018	Agreed