



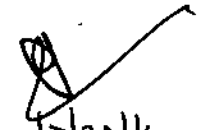
Investing in rural people

India

INTEGRATED LIVELIHOOD SUPPORT PROJECT - UTTARAKHAND

Supervision Report

रुचि ग्राम विकास


17/7/2014


(एस. वरुण)
प्रमुख सचिव

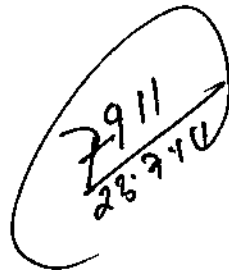
Main report, appendices and annexes

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Conversion factors and exchange rate

Weights and Measures

1 quintal (q)	=	100 kg
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres
1 lakh (lk)	=	100,000
1 crore (cr)	=	10,000,000

Currency Equivalents

Currency Unit	=	Indian Rupee (INR/Rs)
USD 1.00	=	Rs 60.00

Fiscal year (FY)

1st April – 31st March

Abbreviations and acronyms

APMC	Agriculture Produce Market Committee
AUP	Agribusiness Up-scaling Plan
AWP/B	Annual Work-Plan / and Budget
BAIF	Bharatiya Agro Industries Foundation (NGO)
BC/BF	Business Correspondent, Business Facilitator
BCR	Benefit cost ratio
BPL	Below Poverty Line
CEO	Chief Executive Officer
CPCU	Central Project Coordinating Unit
CPD	Chief Project Director
CPM	Country Programme Manager
DSA	Divisional Support Agency
FRDC	Forest and Rural Development Commissioner
FNGO	Field NGO
FY	Financial/Fiscal Year
GBPUAT	G B Pant University of Agriculture and Technology
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Development Agency),
GoI	Government of India
GoUK	Government of Uttarakhand
GP	Gram Panchayat
HARC	Himalayan Action Research Centre
HH	Household
ICIMOD	International Centre for Integrated Mountain Development
ICO	India Country Office (of IFAD)
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
ILRI	International Livestock Research Institute
ILSP	Integrated Livelihoods Support Project
KAP	Knowledge Attitude Practice
KM	Knowledge Management
LC	Livelihood Collective
MAPs	Medicine and Aromatic Plants

M&E	Monitoring and Evaluation
MIS	Management Information System
MOU	Memorandum of Understanding
MTR	Mid Term Review
MWS	Micro Water Shed
NRLM	National Rural Livelihoods Mission
NGO	Non-Government Organisation
OSV	Off-season Vegetables
PG	Producer Group
PD	Project Director
PIM	Project Implementation Manual
PMC	Project Management Committee
PMU	Project Management Unit
PSC	Project Steering Committee
RIMS	Results and Impact Monitoring System
SC	Scheduled Castes
SHG	Self Help Group
ST	Scheduled Tribes
TDC	Terai Development Corporation
UGVS	Uttarakhand Gramya Vikas Samiti (<i>Ajeevika</i>)
ULIPH	Uttarakhand Livelihood Improvement Project for the Himalayas
UOCB	Uttarakhand Organic Commodity Board
UPASAC	Uttarakhand Parvthiya Ajeevika Samvardhan Company
UPR	Uttarakhand Procurement Rules
VP	Van Panchayat (community forest)
VPG	Vulnerable Producer Group
VPKAS	Vivekanand Parvatiya Krishi Anusandhan Shala
WA	Withdrawal Application
WMD	Watershed Management Directorate
WWMC	Water and Watershed Management Committee

A. Introduction

1. The Integrated Livelihood Support Project (ILSP) was approved by the IFAD Executive Board on 1 November 2011 and became effective when the loan agreement was signed on February 2012. The project is financed by an IFAD Loan of SDR 59.7 million (USD 89.9 million), together with USD 48.0 million from the government of Uttarakhand, a USD 10.9 contribution from beneficiaries, and USD 109.9 million as loans from banks and other financial institutions. The overall goal of the project is to reduce poverty in hill districts of Uttarakhand. This is to be achieved via enabling rural households to take up sustainable livelihood opportunities integrated with the wider economy.
2. The objective of this Supervision Mission¹ is to review progress, make recommendations regarding plans and proposed implementation modalities, and to reach agreement with the project and government on any actions needed to accelerate progress and to ensure impact. Although this is the first Supervision Mission, an IFAD Implementation Support Mission (ISM) visited the project in July-August 2013. The mission was smaller and shorter than a normal Supervision Mission reflecting the fact that project activities to date have been very limited, and also the need for further follow-up missions during the year. In particular the mission did not cover fiduciary issues in any detail – these will be covered by an Implementation Support Mission planned for May.
3. On arrival the mission met with Mr Vijay Kumar, the Chief Project Director (CPD) of ILSP and the PD of UGVS components and with Mrs Neena Grewal, the PD of the WMD component. The mission then visited Almora district to see producer organisations and the field activities of MilkIT, an IFAD grant funded project being implemented by the International Livestock Research Institute with the objective of generating improved approaches for milk production that can be scaled up by ILSP. A workshop with UGVS project staff was held on 2 April, and the mission had meetings with Mr B P Pandey, Forest and Rural Development Commissioner, Mr Vinod Fonia, Secretary Rural Development, and Mr M H Khan, Chief Project Director of the Watershed Management Directorate. The findings and recommendations of the mission were discussed at a wrap-up meeting with the State Government held on 3 April, chaired by Mr Subhash Kumar, Chief Secretary, Government of Uttarakhand.

B. Overall assessment of programme implementation

4. Annual implementation progress is rated as moderately unsatisfactorily (rating = 3). Although the project has now been effective for over two years, it has made very little progress with the only significant activities in the field being support for SHG Federations that had been established by the predecessor project, the Uttarakhand Livelihood Improvement Project for the Himalayas (ULIPH). Overall expenditure to date amounts to only 1.1% of the total project budget of Rs828.6 crore. Including the initial deposit, only 2.8% of the IFAD loan has been disbursed.
5. At the start there were delays in signing agreements between GoUK and the three implementation partners (UGVS, WMD and UPASaC), appointment of Project Directors for UGVS and WMD, and an overall Project Coordinator (PC). Progress was then held back due to the flood disaster that hit the state in June 2013 and meant that government officials needed to give priority to relief efforts. In particular approval of project staff posts, which had been referred to the Department of Finance, GoUK, was delayed. The first tranche of funds was not released into the project accounts until August 2013. In response to this disaster the Government asked IFAD on 29 November 2013 to allow USD 28 million of IFAD funds to be reallocated from component 2 (watershed development) to component 1 (food security and livelihood enhancement). Changes in political leadership in Uttarakhand have contributed to these delays, and progress is now being hampered by elections for the national parliament (scheduled for April-May 2014) and for Gram Panchayats (scheduled for June 2014) - the election code of conduct for elections places limitations on meetings and other activities in the field.

¹ Mr Edward Mallorie (Mission Leader) and Ms Meera Mishra, IFAD India Country Coordinator.

6. Despite the slow pace of implementation both UGVS and WMD have done a considerable amount of preparatory work for components 1 and 2. UGVS has provided support for 53 SHG Federations formed under ULIPH, and has carried out work in its five new blocks to identify priority value chains. Although Technical Agencies are not yet in place to form and support producer groups in these new areas, around 1000 members of previously formed SHGs have been provided with some support

7. **Response to the flood disaster:** The disaster in June 2013 with at least 1,000 people killed or missing, affected over 10,000 households in the districts of Uttarkashi, Tehri, Rudraprayag, Chamoli, Bageshwar and Pithoragarh, and damaged homes and livelihood assets to an estimated value of Rs1,864 million. As part of an assistance package from the International Financing Institutions (World Bank, ADB and IFAD) the State Government proposed to GoI and IFAD that an amount of USD 28 million (Rs1,610 million equivalent) of ILSP funds be shifted from Component II (participatory watershed development) to Component 1 (food security and livelihood enhancement) to be used for the restoration and enhancement of livelihoods in the disaster affected districts. The proposal was submitted to IFAD on 29 November 2013, and approved by IFAD on 3 March 2014. The reallocation of funds, with consequent impact on project coverage and outreach is shown in Table 1.

Table 1: Project cost, outreach and coverage before and after reallocation

	Component 1		Component 2		Component 3	Component 4	Total	
	Before	After	before	After			before	after
Cost Rs million	2,177.4	3787.4	4,710.3	3,100.3	1197.3	200.7	8,285.7	8,285.7
Districts	5	9	6	3			10	11
Blocks	26	34	12	7			38	41
Micro-watersheds			41	22			41	22
Households	64,175	89,795	39,600	19,801			103,775	109,596

8. The overall strategy for disaster interventions is to:

- Restore and enhance livelihoods of affected households to improve crop productivity and assets;
- Develop youth skills and link them to jobs or self-employment;
- Identify and develop micro infrastructures for food security, assets and quality of life;
- Strengthen local institutions and link them to financial institutions and markets;
- Build alliances with the government and non-government agencies.

9. To implement this strategy ILSP will engage in the following ways:

- ILSP will work in the disaster areas with a number of households that optimises efficient resource use and generates a substantial outcome and impact;
- ILSP engagement in the disaster zone will be focus on its mandate in Component 1: Food Security and Livelihood Enhancement;
- Contributions from the people in terms of social equity and small financial or equivalent contributions are essential for ownership and sustainability;
- Rapid approval for mobilisation of resources (technical agencies, finance, technology & others) are essential to reach households seeking interventions to recover from disaster and develop resilience;
- Monitoring, accountability and reporting are essential to optimal utilisation of resources and achieving quality recovery and resilience;

10. The following activities are proposed for ILSP in the disaster area:

- Crops where productivity can be increased and which are of high value, such as: off season vegetables, MAP, and traditional mountain crops
- Livestock: animal health facilities, AI, milk collection centres, including poultry, sheep and goats
- Marketing of crops, fruits and livestock products through various institutions and channels.

- (d) Vocational training: access to employment in the non-farm sector by supporting vocational training linked to developing rural entrepreneurship and job placement.
- (e) Non-farm sector: handholding support to active NGOs/CBOs working with disaster affected families.
- (f) Eco-Tourism: work to decrease the overdependence of the population on Char Dham Yatra, and generating more eco-responsible tourist destinations.

11. **Likelihood of achieving development objectives is rated as moderately unsatisfactory (= 3).** At the current rate of progress the project is unlikely to achieve its objectives, however there are still five years left for implementation and if good progress can be made from now on, then objectives can still be achieved.

C. Outputs and outcomes

Component 1: Food Security and Livelihood Enhancement

(a) **Food security and scaling up is rated as moderately unsatisfactory (=3)**

12. As agreed during last year's ISM, support for marketable crops and market linkage should be bought forward and not wait until Producer Groups have gone through an initial stage of food security enhancement. Field visits by both the PMU and IFAD missions show that these days farmers are primarily interested in enterprises with a good income earning potential, and these would seem to be so marketable crops could, in any case be a better entry point. Food crops will be promoted as primary value chains where there are opportunities for sale of these crops, especially at premium prices for grains produced under natural conditions in the hills.

13. The PMU has identified the following sub-sectors as being the priority for support in the new ILSP blocks: dairy, traditional field crops, vegetables, spices, and fruit. In addition handicrafts, poultry and tourism have good potential at a limited number of locations.

14. Technical Agencies are being procured to implement this sub-component at the village level. However to get field activities going as quickly as possible the PMU has developed a "short term strategy" to be implemented prior to the arrival of Technical Agencies. This involves:

- a) Meetings with CDO, BDO, PD-DRDA, DDM NABARD, DHO, CAO, KVK, ILRI, and reputable NGOs to select existing SHGs who might participate in ILSP. Agreements were signed between the DPMU and the 76 selected SHGs with 657 members, with agreements with another 50 SHG with 316 members being processed.
- b) Village level meetings with SHGs to tell them about the project and its activities.
- c) Collect data on the selected SHGs and member households, and feed this into the UGVS MIS.
- d) Identify activities to be supported within a limit of about Rs8,000 per household over two years
- e) Procurement was facilitated by the DPMU, with SHGs procuring various inputs and their bills being reimbursed by the DPMU into the SHG bank accounts. The DPMU also ensured that the input suppliers deliver the inputs
- f) In some Districts the DPMU also engaged ex-ULIPH federations to meet SHGs and to assist them in the procurement and distribution of inputs

15. Activities supported include: (i) potato 2.5 ha with 147 families; (ii) ginger 21 ha covering 95 families; (iii) cabbage in 6 ha and 86 families; (iv) tomato 9 ha with 21 families; (v) coriander 0.1 ha covering 95 families; (vi) capsicum 0.5 ha for 95 families; and (vii) chilli 0.1 ha for 40 families. It can be seen that the area per household for most of these is very small, but even a small area acts as a demonstration for farmers to see if how well they can grow the crop.

16. Another start-up or entry point activity has been working with the ILRI MilkIT project (funded by an IFAD grant) in two districts covering 83 milk producers (although interventions are being replicated by a good number of other farmers). The Mission was impressed by the work being done by the ILRI-

ILSP partnership in Almora district (see field report in Annex A). This work, which also involves Aanchal, the state dairy cooperative, and has shown the potential to develop this sector in the hills. The ILRI grant project will be completed at the end of 2014, but its partner NGOs are locally based and will have gained a capacity to scale-up this work.

17. A consultant has drawn up a report to help plan ILSP involvement in the dairy sector. It has identified some important areas, such as making veterinary health care accessible to communities that cannot be reached by government veterinary services. However there are a number of issues that need to be covered in more depth and some more focused studies would be useful (see Annex B section 3).

18. As anticipated in the project design ILSP is providing support for SHG federations formed under ULIPH. A total of 71 federations were formed under ULIPH, of which 53 had sufficient potential to justify further support under ILSP. Since the completion of ULIPH at the end of December 2012 ILSP has provided these federations with support and advice on their business plans, and one-time grants of up to Rs200,000 to provide operational capital, and the cost of staff salaries of about Rs300,000 to Rs500,000 per Federation over a seven month period.

19. Federations have made progress, building businesses that serve the needs of their members in marketing, input supply and provision of goods for household consumption. Sales turnover has increased, as has total membership as new members (who may or may not be members of SHGs) join in order to get access to services. All the 53 Federations are generating sufficient income to cover their operating costs – although with ILSP funding some staff, they are not yet covering their total manpower costs. Federations are tending to diversify into new areas to generate more income, such as provision of rations for the Integrated Child Development Service scheme, and support for Open University courses (see Annex A and Annex B, section 4).

(b) Market access is rated as moderately satisfactory (=4)

20. Activities are just starting, with construction of a collection centre for an ex-ULIPH Federation in Almora. These centres are of a new light-weight design, with a light steel frame, tin roof and cement panel walls. Compared to conventional concrete building they less likely to injure people if they collapse during a flood or earthquake. There are also very much cheaper to build, around Rs150,000 compared up to Rs1 million for a conventional building.

21. Federations are marketing fruit and vegetables directly to Delhi wholesale market, by-passing the wholesale markets (mandis) in Uttarakhand. For temperate fruit one Federation said that this means that they are able to pay farmers 10% more. However payment chits from Delhi mandi traders show that they make substantial deductions – for one batch of apricots it amounted to 24% of their gross buying price of which only half was the cost of transport. For another batch deductions amounted to 33% (see Annex A). It may be worth investigating if there is scope to reduce these margins (such as selling via other marketing channels in Delhi) and achieve a better price for farmers.

(c) Innovation linkages is rated moderately unsatisfactory (= 3)

22. Not much progress has been made with this sub-component. It had been planned that a substantial proportion of this work would be contracted to VPKAS, an ICAR institute at Almora, and GBPUAT, an agricultural university. Neither of these agencies have shown much interest. The design document made a specific proposal for HARC (a local NGO) to implement an action research project for the citrus sector. However the site proposed for the citrus nursery has been allocated for another use.

23. The project has looked for alternatives, and GoUK has recently issued an order allowing ILSP to directly contract with government agencies such as the Sheep and Wool Board, the Bamboo and Fibre Board and possibly other government agencies. An MoU was signed for with the Animal Husbandry Department for the distribution of some livestock related inputs to farmers in the disaster affected areas. Apart from the work of the Bamboo and Fibre Board on nettle fibre (which will be a

continuation from ULIPH), the proposed activities do not contribute much in terms of research or piloting, and only a small amount of the funds allocated for this sub-component will be utilised.

(d) Vocational training is rated as satisfactory (=5)

24. The study on vocational training has been completed by an individual consultant.

25. Vocational training has started, with the first course commencing on 31 March 2014. ILSP has been able to accelerate progress by adopting the training courses and training providers that have already been approved by State Urban Development Authority (SUDA). This meant it did not need to go through a procurement process. Detailed plans have been drawn up nine blocks, with eight different courses from five training providers (four companies and one NGO) for a total of about 635 students. Most courses are residential and the course for hospital and nursing assistants is planned to take place in Haryana. Course duration is between one and three months (150 to 390 hours of tuition), and then there will be a placement process (the target is for 80% to get jobs). Payment to training providers is partly based on successful placement (20% of total cost being linked to initial placement and 20% to the job continuing after one year).

26. The unit cost is far below ILSP budget of Rs20,000 per place (of which 25% is from the student). In the current batch, the most expensive course costs only Rs10,000 as these course costs have been fixed by SUDA as per state government rates 2½ years ago. ILSP says it needs to increase the unit rate to ensure top quality courses – but can only do this if it floats a tender to procure training agencies. The project also wants to increase the range of courses to include some not on the SUDA list – such as: catering services, security services, army, police, manufacturing/textile industries (in the plains), automobile service and maintenance (especially motorbikes and scooters), refrigeration and air conditioning, and BPO (mostly urban based).

27. Student contributions are good to show their commitment, but these need to match those in other programmes, and may be less for BPL households. Need to work out how to operationalise the proposed 25% contribution – which do not seem to be requested by other agencies providing VT in the state. No contributions have been requested from students for the current courses (apart from travel expenses)

28. The PMU now plans to float an EoI including other trades/topics and hope to train 2000 students in the coming FY. The PMU is unsure about training agency capacity so it is limiting numbers, but overall the project plan is to train 15,000 people (this was 10,000 at appraisal).

29. In addition ILSP has supported 125 students for three Open University Courses, and a service provider has been contracted to enrol and counsel these students.

Agreed action	Responsibility	Agreed date
1. Dairy has already been identified as a priority sector for livelihood development, and the approaches tested by MilkIT can be scaled up in other blocks and districts. This includes ILSP contracting ILRI's NGO partners as resource NGOs to help ILSP develop the sector	UGVS PMU	From July 2014
2. Action should be taken to address constraints identified by MilkIT, including availability of seed for fodder crops	UGVS PMU	From August 2014
3. MilkIT has used an "Innovation Platform" approach to addressing sector issues via facilitating stakeholder interaction. ILSP should try this approach in another sector using suitably skilled facilitation.	UGVS PMU	From December 2014
4. The project design includes a blueprint for a two tier institutional set up, with Producer Groups of around 10-20 members linked to Livelihood Collectives (or Federations) of around 60 PG. In practice ILSP should adopt a more flexible approach that meets the needs of different sectors and locations. For example, a milk collection centre with 100 producers could be used as a single tier producer organisation. It may also be possible to start with the second tier Federation to focus on market improvement, and later form sub-groups of producers as the Federation grows in size.	UGVS DPMUs	From July 2014
5. As required, the PMU should recruit sector specialists (possibly two persons per sector) to support the development of specific value chains	UGVS PMU	January 2015

Agreed action	Responsibility	Agreed date
These would be employed as consultants on fairly short term contracts		
6. UGVS staff (including newly recruited staff) would benefit from more training on business planning and value chain analysis. A suitable training agency needs to be identified.	UGVS PMU	From Nov 2014
7. Now that sub-sectors with high potential for ILSP have been identified, the project would benefit from some detailed value chain studies to identify the main bottlenecks and propose how these can be overcome. This includes an examination of trader margins relative to their costs for different marketing channels. See Annex B, Section 6.	UGVS PMU	From Dec 2014
8. It would also be useful to make a study of the economic disruption caused by the June 2013 floods for OSV, fruit (temperate, oranges), milk, flowers, spices, traditional crops, tourism (unless other agencies are already doing this). This would help plan how individual sectors can be developed in a way that makes them resilient to future disasters. See Annex B Section 6.	UGVS PMU	May 2015
9. As part of Action Research, a challenge fund could be set up and proposals invited from government agencies, NGOs and other organisations to pilot innovations with ILSP groups (see Annex B, Section 5)	UGVS PMU	May 2015
10. In contracting vocational training providers, care should be taken in building incentives for job placement into the payment structure. Lessons should be taken from other experience of other agencies funding and providing VT, and what has been established as sector good practice.	UGVS PMU	May 2015

Component 2: Participatory Watershed Development.

30. The performance of this component is rated as moderately unsatisfactory (=3). With restructuring, the size of this component has been cut by half, and plans have been revised to reduce the number of micro-watersheds from 41 in six districts to 22 in three districts. Work will be implemented by three instead of six WMD divisions. Although 118 staff positions were approved in November 2013, it was not possible to do very much until the Project Financial Manual was approved in February 2014.

31. To hire an FNGO to mobilise communities in all watersheds and to support field implementation, an EOI was floated in January 2014 and a short list of applicants for an RFP will be drawn up within a week or so. This short list will then be sent to IFAD for its approval, with a few more months needed to complete the procurement process. It will not be necessary to procure Divisional Support Agencies until next year.

32. Other activities have staff orientation workshops in Dehradun and in the divisions. Baseline data is being collected (including new GP boundaries). The WMD team plan to generate digital maps and to use these as a basis for a GIS. The key agency for implementation in the field is the Gram Panchayat and its Water and Watershed Management Committee. As there are now no Gram Panchayats (GP) until elections are held (currently scheduled for June), and as the election code of conduct is in force for national elections (and will then apply prior to the GP elections) it will not be possible to start implementation in the field until July. In the meantime staff training and further orientation will be done.

Component 3: Livelihood Financing

33. UPASaC appears to have been dormant during the first two years of ILSP and its performance is rated as unsatisfactory (=2). UPASaC has provided no financing, either equity, loan or grant, since the start of ILSP. In the last three months of ULIPH, UPASaC's social venture capital fund (SVCF) made 43 loans to SHGs, federations, and cooperatives of SHG members. These loans were to be administered by two local banks which were also providing these enterprises with credit. Both loans had terms of between one and five years, with bank loans to be repaid before SVCF loans. A review of the status of these loans reveals that 34 borrowers have not made any repayments of SVCF loan principal or interest, but payments have been made for 37 of the bank loans. Overall 5% of the amount lent by the SVCF has been repaid along with 43% of the total of bank lending.

34. UPASaC is being badly held back by lack of staff with a banking or financial background. Its CEO is primarily working as Chief Programme Manager for UGVS and is managing component 1 of ILSP. The only other staff is a Deputy Manager Finance (who has another position as an additional charge) and a Project Assistant. UPASaC has no business plan – or any other plan for its operation – although it should be playing an important role in ILSP, with a range of potential activities set out in the project design documents. The Federations are doing an increasing volume of business and may well need finance, while milk producers are talking of buying more cows to take advantages of the opportunities being created by ILSP. There is plenty for UPASaC to do, and it should stick to its role as a financing institution.

Agreed action	Responsibility	Agreed date
11. Determine if UPASaC is allowed, under current banking and micro-finance regulations, to lend to business other than cooperatives and SHGs promoted by the project. This could also be part of consultancy assignment.	UPASaC management	September 2014
12. Draw up a business plan for UPASaC – which requires inputs from a specialist experienced in planning the business of financial institutions.	UPASaC management	August 2014
13. At a matter of urgency, recruit professional financial sector (i.e. banking) staff to lead and manage UPASaC.	CPD, ILSP	May 2014

D. Project implementation progress

35. Project management performance is rated as moderately unsatisfactory (=3) UGVS components are being badly held back by lack of staff. Initiatives in areas such as market linkage and action research cannot be followed up for lack of manpower. Taking UGVS and UPASaC, together, and including the CPCU, the Government has now approved 149 posts. This is almost the same as 144 staff for ULIPH, but ILSP involves disbursing approximately twice the amount of funds, and 178 staff were proposed in the project design document. Moreover under the recent restructuring additional funding has added along with the need to manage operations in three more districts. However whatever the ultimate staffing requirement, the immediate need is for UGVS to be able to recruit a full complement of 149 staff, as it current only has 103 staff (mostly inherited from ULIPH and on short term contracts, or from service providers). The mission was pleased that the Election Commissioner has agreed to allow the project to advertise during the election period. However it is understood that all posts of Assistant Manager and above are to be advertised (apart from two staff on secondment from GoUK), and that existing staff will need to re-apply in order to continue with UGVS or UPASaC in their current job or in another position. Understandably staff are unhappy with this arrangement and morale is low. Many staff are applying for jobs elsewhere, such as with NRLM.

36. Responsibility for the provision of support staff for UGVS is to be transferred to a state-owned service provider which will then hire the staff and supply their services to ILSP. It appears that, under this arrangement, support staff will be paid less, and they are unhappy with the prospect.

37. For component 2, WMD had 118 posts approved via GO in November 2013. Staff were posted from February 2014 and 63 are now in place with 55 posts vacant. As is normal for watershed projects, many of the multi-disciplinary team are seconded from other departments (such as Agriculture). However it is a problem getting staff on secondment from other departments as they can have up to half of their own posts unfilled. So WMD proposes to recruit 38 contract staff to cover most of the 55 vacant posts. In addition 7 specialised consultants, 3 audit, 20 junior staff need to be approved by the state government. Similar arrangements have already been approved by GoUK for the GoI funded watershed project. More information on staffing for both UGVS and WMD is in Annex B, Section 1.

Agreed action	Responsibility	Agreed date
14. At a meeting in Delhi on 28 February 2014 chaired by the JS (MI) Department of Economic Affairs, Ministry of Finance, Government of India with participation from ILSP and IFAD, it was agreed that the Project Management Committee should be empowered to take all project related decisions within the framework of the Project/Financing Agreements between	GoUK CPD ILSP	May 2014

Agreed action	Responsibility	Agreed date
GoUK, GoI and IFAD, as well as the processes described in the Project Implementation Manual. Only those decisions that have serious policy implications for the State will be referred to the Project Steering Committee. This will expedite decision making and speed up implementation in the five years remaining for the project. It was agreed in the meeting that DEA will send directives to this effect to the state.		
15. It is vital that staff recruitment for UGVS be completed as soon as possible. If at all possible use any opportunity to accelerate recruitment within the constraints imposed by the Election Code.	UGVS PD	June 2014
16. For the three new component 1 districts of Dehradun, Pithoragarh and Rudraprayag nine additional staff posts are needed: a District Project Manager, Assistant Manager (Finance) and Assistant Manager (M&E/other) in each district. In addition the post of Project Manager (Livelihood Recovery) is needed to coordinate work concerning livelihood recovery in disaster affected areas.	ILSP PMC	July 2014
17. Assure current UGVS staff that their experience and proven capacity will be highly rated in the selection of staff for ILSP, and that they should therefore expect to be retained in their current position.	USVS PD	May 2014
18. Come to an arrangement to avoid any reduction in pay of existing members of support staff when they are taken over by a service provider. This could involve paying these staff an additional hardship or other allowance.	UGVS PD	May 2014
19. Agree for WMD to recruit specialised consultants, audit and junior staff for component 2 as soon as possible.	GoUK, WMD PD	May 2014

38. **Coherence between AWPB and Implementation is rated as unsatisfactory (=2).** The original 2013-14 AWPB for the UGVS components totalled Rs590 million. This was later revised to Rs187 million, and total expenditure is expected to amount to Rs65 million. WMD expects to more or less spend its revised AWPB of Rs25 million, however its original AWPB, before the scale of component 2 was cut, and when an earlier start was expected, was Rs310 million.

39. **Monitoring and Evaluation is rated as moderately satisfactory (=4).** UGVS has made a good start in developing a computerised MIS which is already used as the main repository of project data. The system is on-line, so data can be entered from any project office, although entry can also be made off-line when internet connections are down. The system, developed by the PMU MIS manager, already works better than that developed over many years for ULIPH. There are, however, still some glitches that need to be ironed out, particularly in the recording of number of households participating in the project. Data includes profiles of individual households with 250 data items being collected for each household. This causes problems for field staff and the PMU is, rightly, concerned that they are collecting too much information which will be of doubtful quality and limited use. A suggested list of 40 data items to be collected is in Annex B, Section 2.

40. An EOI has been advertised for procurement of an agency to carry out baseline, mid-term and impact socio-economic surveys. A good number of responses have been obtained and a draft short list should be sent to IFAD for its approval by mid-April. In addition an IFAD RIMS baseline survey is planned to collect data on child malnutrition and other indicators – this will be carried out by UGVS staff who have experience of implementing similar surveys for ULIPH. The value of both these surveys will be increased if they are delayed until a significant proportion of project groups have been formed, so the baseline sample can be drawn for households who are actually participating in the project rather than from households who might participate in the project.

41. The PMU has suggested some minor changes to the logframe to reflect changes to project design. There is also a need to clarify some ambiguities – such as what is meant by an “enterprise”. Suggested revised logframes for each component are in Appendix 2.

42. **Monitoring and Evaluation - WMD** With the reduction in scale of watershed development, the M&E system for component 2 can be simplified. While WMD should, as planned, contract an agency to conduct baseline, mid-term and impact studies (the ToR is awaiting approval from the State Government), IFAD may agree that there is no need for a RIMS survey (although annual reporting of

a table of RIMS indicators will still be needed). Instead of Annual Outcome Surveys, outcome data can be collected as a part of progress reporting by project staff. WMD will develop its MIS around a chart of activities which will include activities taken up by the GP watershed plans and support provided to producer groups. WMD proposes to develop digitised MWS maps to facilitate GIS based monitoring of implementation progress. WMD MIS will feed in the necessary details as per the requirement of the overall project MIS operated at the CPCU.

43. **Knowledge Management (KM)** is rated as moderately satisfactory (=4). Building on the KM strategy of ULIPH, the project has carried forth much of the learning and good ideas from ULIPH addressing various facets of KM. The KM team in the PMU: (i) compiles and makes available useful information to the district teams (e.g. directory of businesses of all federations); (ii) documents the work on the ground (e.g. short documentaries of federations); and (iii) has created a web based repository of resources encouraging all project team to share their knowledge and resources through this platform. This on-line information sharing is being used to disseminate information between project offices. Case studies have been documented but need to be edited and translated into English for wider sharing. Guidelines for case study preparation are in Attachment 1 of Annex B. The project also organises KM workshops where all federations participate and share their knowledge. Technical experts, service providers and buyers are brought to this workshop to provide opportunities for federations to gain more knowledge and develop linkages. This was not organised last year. The project must continue with the good work of ULIPH in KM.

Agreed action	Responsibility	Agreed date
20. IFAD will review data that is included in the UGVS MIS and make recommendations for clarification and some simplification.	IFAD	June 2014
21. Restart the knowledge sharing workshop, organising it along thematic areas (e.g. on a specific product)	UGVS	Dec 2014
22. Engage a professional agency for periodic video documentation of select federations to capture the impact of project on their lives	UGVS	Annually starting Sept 2014
23. Technical proposals from M&E agencies for baseline/impact evaluation surveys for both components 1 and 2 should be sent to IFAD to help assess whether or not these agencies have the required capacity.	UGVS PMU WMD PMU	May 2014
24. Data for Federation performance (physical and financial) should be for the entire 2013-14 financial year, and not for the seven months from September 2013. This is needed to enable Federation performance to be tracked on an annual basis.	UGVS PMU and DPMU	June 2014
25. If possible baseline surveys for both UGVS and WMD should be delayed until 10 to 15% of Producer Groups have been formed so that households who are actually participating in the project can be interviewed.	UGVS PMU WMD PMU	
26. It is agreed that the WMD M&E system can be simplified, and details of this will be in the mission report.	IFAD	June 2014
27. The seven case studies look to be interesting and it would be good if they could be given a wider circulation. They should be translated into English and sent to IFAD with, if possible, some additional photos.	UGVS PMU	June 2014
28. A consultant should be engaged to help draw up a knowledge management strategy.	UGVS PMU	June 2014

44. **Poverty focus is is rated as satisfactory (=5).** Following the work of ULIPH, ILSP has continued to focus on poorer households. Of the approximately 1,000 member of SHGs in the new UGVS blocks that have been recruited to form new ILSP Producer Groups, 44% are classified as Below Poverty Line households, and 8% are from Scheduled Castes.

45. **Gender focus is rated as satisfactory (=5).** The project has adopted a number of strategies for gender mainstreaming. A one page strategy note has been prepared by the Manager, Gender and Institutions, in consultation with the project team. This note helps in planning gender related initiatives. A large majority of project beneficiaries are women because of the high rate of male out migration. Out of the 32,023 persons out reached by the project by December 2013, 30,148 are women and only 1875 are men. This leaves limited possibilities for shifting burden within households

from women to men. Learning from the experiences of ULIPH the project has identified the need to use women friendly small technological interventions (e.g. cattle troughs, sickles, chaff cutters etc), instead of introducing large tools such as threshers. The project is also proactively promoting women's engagement in decision making at the community level. The project is also trying to find ways to create local opportunities for young men so as to reduce their out migration, In terms of action, new project staff will need gender orientation, and this will need to be organised.

Targeting performance is rated as unsatisfactory (=2)

46. Projections in the project design document for the numbers of households participating in component 1 were based on a projection that 60% of households in the block (excluding areas covered by Gramya 1 and 2 watershed projects) would want to participate. It was hoped that at least 50% of participants would be BPL households (more or less the same proportion as for the population as a whole) and 20% would be SC. Plans drawn up last year by UGVS were based on coverage of 100% of BPL households with selection of initial clusters based on the proportion of BPL in the local population. Field staff are worried that they will not meet the target of 50% BPL membership for new groups, especially if saturation coverage means any interested households can join. The Mission is concerned that fixing a minimum of 50% BPL and 20% SC will make it difficult to form groups, and so make it less likely that the required number of households will be recruited in the reduced time available.

47. The principal of saturation coverage means any interested household can join groups – which means that everyone who is genuinely interested in linking to markets will be involved. To develop sustainable and market led sub-sectors needs to involve the best producers – which may be the larger and less poor farmers. Their involvement in opening up the market and helping to produce the volume needed for viable market entry will support poor farmers who also want to access markets. Project staff are concerned that a non-targeted and saturation approach to group formation will mean many more farmers will want to join in each block than is currently estimated, meaning that the project may exceed its targets for group membership resulting in exhaustion of funds.

48. The mission is not sure that so many additional farmers will want to join project groups and, even if they do and targets are exceeded, project budgets will not necessarily be exceeded as there will almost certainly be under-spending on other items (especially as start-up has been delayed). With devaluation of the Rupee, around 20% more Rupees will be available from the IFAD loan, more than covering a possible shortfall on this item. Moreover if the project does run short of funds, there is every chance that IFAD will add additional funds via a supplementary loan. Additional households will move the overall project towards the original outreach target of 162,000 households as against the current revised target of 126,000 households.

Table 2: Number of households participating in ILSP

	Appraisal Target	Revised target	Actual number (31/03/14)		Actual as % of Revised
			Number	Of whom women	
Component 1					
Groups in new areas	91,800	59,000	973	86%	1.7%
ex ULIPH federations	18,525	30,000	31,942	92%	106%
Vocational training	10,000	15,000			
Action research	2,000	2,000			
Total component 1	122,325	106,000	32,915	92%	27%
Component 2	39,600	20,000			
Grand total	161,925*	126,000	32,915	92%	23%

* the total in the appraisal report was 143,400 as it did not include ex-ULIPH federations, although they were mentioned in the report and included in the cost tables

Agreed action	Responsibility	Agreed date
29. Review the number of households to be recruited into new groups for component 1, with the objective of increasing numbers towards the number that was proposed in the original project design document. This may involve covering more households in the new blocks (a saturation approach) and also forming new groups in the parts of ex-ULIPH blocks that are out of reach of the existing Federations.	UGVS PMU	June 2014
30. Although it is appreciated that GoJK will want to see that the project is reaching the poorest households, project services and support should also reach the larger producers. This is needed to generate the volume of output needed to make entry into new markets viable and sustainable.	UGVS PMU	June 2014
31. In selecting village clusters to start group formation, include some higher potential areas as well as poorer GPs in order to generate the volumes needed for market entry and to provide a model for other areas.	UGVS PMU	June 2014
32. To help in mobilising producer groups in new areas, it may be helpful to make, with professional assistance, a video explaining the aims and approach of ILSP, and including interviews with Federation members and MilkIT farmers who about how they have been helped by activities that ILSP will be promoting.	UGVS PMU	August 2014

49. Climate and environment focus is rated as moderately unsatisfactory (=3). The flood disaster of 2013 underlines the vulnerability of livelihoods in hill areas. Not only were lives and property lost but damage to roads prevented local produce, such as off-season vegetables and fruit, from reaching markets. Many roads are still being rebuilt and in these locations market connectivity is limited. The PMU has drawn up a value chain risk matrix which identifies risks for specific products and identifies how these can be mitigated, such as by using alternate access routes. Watershed development will be focused on supporting communities for climate change adaptation, and WMD may be able to document this through postgraduate students doing studies of adaptation and mitigation.

50. Partnerships are rated as moderately satisfactory (=4). UGVS has a very useful partnership with the ILRI MilkIT project for dairy development and the approaches used can be scaled up in other part of the project area. It may also be useful to apply the MilkIT innovation platform approach in other sectors. In one block (Kaljikhali in Pauri district) UGVS plans, as a pilot, to work in partnership with NRLM – with NRLM covering group formation and social mobilisation, and UGVS supporting livelihood development. The details of this cooperation still need to be worked out, such as whether UGVS will be involved in basic livelihoods at the household level, or whether it will limit itself to supporting higher level livelihood collectives involved in aggregating and marketing production and providing other common services to NRLM SHGs. However, as this is a pilot, such details may only emerge as implementation proceeds and different options are tested.

E. Fiduciary aspects

51. Financial management is rated as moderately satisfactory (=4). Project accounts are maintained using Tally software, and this is being modified to generate specific some financial statements required by the project, such as Withdrawal Application claims to be sent to CAAA. Project expenditure data from Tally is imported into the MIS system, which also records expenditure data – expenditure from these two sources can differ depending on how recently data has been entered.

52. Expenditure by UGVS started on 1 July 2013. Prior to that date and preparatory activities had been funded using ULIPH funds, and the balance of unspent ULIPH funds was used by ILSP until the State Government transferred funds to the project account in August 2013. Expenditure by WMD could not start until the government approved its financial manual in February 2014.

53. To make a start with component 1, around 100 Producer Groups have been formed out of SHGs. These groups are being offered material support of Rs8,000 per PG member over two years. So far these funds are being transferred to SHG/PG bank accounts. To account for beneficiary contributions, the project disburses this amount net of beneficiary contribution.

54. Apart from the initial deposit, to date one Withdrawal Application (WA) has been made. The WA for Rs17.6 million, was sent to CAAA of Gol in November 2013 but was rejected by CAAA as not every paper had been signed, and a new format was needed for CAAA to capture beneficiary contributions. The WA was resubmitted in January, when the amount was increased to Rs24.1 million. An amount of USD390.055 was released by IFAD on 29 January 2014.

55. WMD is in the process of developing an accounting system using Tally software. As for UGVS, this will be customised to generate project-specific financial statements (and be compatible with UGVS financial statements to enable WA generation by the CPCU). Much watershed development expenditure flows through the GP and its WWMC. Usually cheques for this expenditure are signed by the GP Chairman and a woman member. However the Finance Department of the State Government requires that a government officer be the co-signatory in place of the woman GP member. WMD has sent a proposal to the State Government that the WMD village-in-charge be the cheque signatory.

56. Disbursement has been highly unsatisfactory (=1). The initial deposit of USD 2 million was released by IFAD on 11 July 2013 and , with one withdrawal application of USD390,055 disbursed on 29 January 2014. In total these two disbursements amount to only 2.8% of the IFAD loan of USD 90 million.

57. Counterpart funding has been moderately satisfactory (=4). The State Government released Rs200 million to the project account in August 2013. This enabled project expenditure to commence and has been sufficient to finance all activities to date. Once project activities accelerate it will be necessary to ensure a regular flow of funds to the three implementing agencies, and to avoid any delays that might occur in the routing of funds via the Rural Development Department accounting unit in Pauri.

58. Compliance with loan covenants has been moderately unsatisfactory (=3). Care needs to be taken to comply with loan covenants such as avoiding delays in submission of AWPB. Due to delays in project start up a number of covenants are not yet relevant, including submission of regular progress reports, financial reports and audit.

59. Procurement has been moderately unsatisfactory (=3). Procurement of major service providers, such as Technical Agencies for Component 1 and an FNGO for Component 2, is still in process and is considerably delayed. The PMU is to start to send a monthly contract report to IFAD. It has been decided that vehicles will be hired rather than purchased.

60. The Loan agreement between IFAD and Gol states that procurement will follow the Uttarkhand Procurement Rules of 2008 (UPR 2008) except where they are not consistent with IFAD procurement guidelines, in which case the IFAD guidelines would apply. As part of the design process a Procurement Manual was drawn up and is included in the PIM. However the State Government has said it wants to make a specific approval for any divergence from UPR 2008, and has agreed to the relaxations in the table below. These allow procurement thresholds that are an increase over UPR 2008 but below those stated in the PIM. They also do not cover procurement of services, where the project will have to continue to follow UPR 2008.

Procurement thresholds

Category	Procurement method	Uttarakhand Procurement Rules 2008	Relaxation as per agreed Project Design and PIM	Relaxation now approved
Goods	Single source/ direct contract	Less than Rs15,000	Less than Rs275,000	Less than Rs100,000
Works	Quotation / national shopping	Between Rs15,000 and Rs100,000	More than Rs275,000	Between Rs15,000 and Rs300,000
	Single source/ direct contract	Less than Rs15,000	Less than Rs275,000	Less than Rs100,000

61. Procurement of inputs by PGs (see paragraph 50 above) has been done in accordance with rules for procurement by community organisations, and closely supervised by DPMUs. PGs submit receipts to DPMU to account for this expenditure. Some PGs have been supported by ex-UILPH Federations, who have advised them on procurement of inputs.

62. **Audit:** An audit statement is needed for 2012-13 (although there was no expenditure in this FY) while FY 2013-14 has just closed. To select an external auditor for UGVS an EOI has been prepared and needs to be sent to IFAD for its approval, and then an advertisement placed inviting expressions of interest. A firm is also to be selected as internal auditor for UGVS and UPASaC, and an advisement has been prepared and will be placed by 10 April. The audit ToR for WMD are in its approved financial manual. WMD proposes to have its own team for internal audit and will recruit three audit staff.

Agreed action	Responsibility	Agreed date
33. Ensure that funds flow smoothly from GoUK to the three ILSP implementing agencies. In particular avoid any delays that might occur in the routing of funds via the Rural Development Department accounting unit in Pauri	ILSP CPD and PMC	July 2014
34. Procurement thresholds need review, clarification and to be raised to the levels that were originally agreed with IFAD. This issue should be taken up by the next IFAD implementation support mission.	ILSP CPD IFAD	May 2014
35. To avoid going through a separate procurement process, WMD should hire the firm that will be selected by UGVS to carry out external audits	ILSP CPD WMD PMU	July 2014

F. Sustainability

63. Overall sustainability is rated as moderately satisfactory (rating =4).

64. It is too early to say much about sustainability apart from repeating what the design report said regarding the development of livelihoods that are profitable for all concerned (and so will be sustained), along with sustainable supporting institutions. The good progress of the ex-ULPH federations in building their businesses and in attracting new members shows that this can be done.

G. Other

65. Overall impact is rated as moderately unsatisfactory (=3) although it is also too early to say much about impact, although the ex-ULIPH federations are clearly providing useful services that increase the income of their members (or reduce their expenditure by providing inputs and household goods at lower cost). Examples of prices realised through selling via Federations are:

- Potatoes - from Rs11 to Rs13 per kg (+18%)
- Soyabean - from Rs28 to Rs33 per kg (+18%)
- Amaranth - from Rs37 to Rs49 per kg (+32%)
- Finger millet - from Rs10 to Rs12 per kg (+20%)

66. The partnership with ILRI in dairy production is also generating income via milk sales, with interventions being replicated by other milk producers with no financial support from the project.

H. Conclusion

67. ILSP has got off to a very slow start and its overall performance is a lot less than is desired. After two years of implementation, field activities are very limited – although they do show considerable potential for scaling up. Although there are now signs that the project is getting underway, the project still needs to complete staff recruitment and procure major service providers before it can start full scale implementation. The core problem has been delays in decisions within GoUK. To speed up progress, as recommended by the DEA, the Project Management Committee should be empowered to take all project related decisions within the framework of the Project/Financing Agreements between GoUK, GoI and IFAD, as well as the processes described in the Project Implementation Manual. IFAD will field at least two Implementation Support Missions over the next 12 months to monitor progress and help in solving any problems as they come up.

Decisions agreed at the State-level wrap-up meeting on 3 April 2014

- (a) In the coming year Component 1 (UGVS) to focus its attentions on the five districts of its project area that were severely affected by the flood disaster
- (b) Expected expenditure in FY 2014-15 will be as per AWPB: Rs80 cr for UGVS and Rs 30.3 cr for WMD. Its progress will be monitored regularly by the state government.
- (c) The Election Code of Conduct will not have any bearing on project activities in the field as well as on staff hiring.
- (d) Regarding Agreed Action point 14, the meeting took a decision that all the project-related decisions within the framework of the project/ financing agreements between the GoUK, GOI and IFAD, as well as the processes described in the project implementation manual, should be delegated to the Project Directors of the respective Components. Only those decisions that have serious policy implications for the state will be referred to the PSC to make project implementation faster.
- (e) The higher procurement thresholds as set out in the Letter to the Borrower will be applied.
- (f) The PMC and PSC will approve the AWPB.

Appendix 1: Summary of project status and ratings

A. Basic Facts

Country	India		Project ID	1617	Loan/	856-IN	
Project	Integrated Livestock Support Project				Supp. Loan/Grant		
Date of Update:	3-Jun-14	Last Supervision	None		Financing terms	HC	
Supervising Inst.	IFAD	No. of Supervisions	1				
					USD m	%	Disb. %
Approval	1-Nov-2011	Quality at entry rating		Total costs*			
Agreement	2-Feb-2012	Effectiveness lag	1.7	IFAD loan	89.9	59%	2.8%
Effectiveness	2-Feb-2012	Problem project		Govt of UK	39.3	26%	1.2%
MTR	-			Bank	15.3	10%	8.0%
Current completion	31-Mar-2019	Last Amendment		Beneficiaries	7.9	5%	0.0%
Current closing	30-Sep-2019	Last Audit		Total	152.4	100%	1.8%
No. of extensions	-			* revised			

B. Project Performance Ratings

B.1. Financial Aspects		Last	Current	B.2. Project implementation progress		Last	Current
1. Quality of financial			4	1. Quality of project management			3
2. Acceptable disbursement rate			1	2. Performance of M&E			4
3. Counterpart funds			4	3. Coherence between AWPB & implementation			2
4. Compliance with loan			3	4. Gender focus			5
5. Compliance with procurement			3	5. Poverty focus			5
6. Quality and timeliness of			4	6. Effectiveness of targeting approach			2
				7. Innovation and learning			4
				8. Climate and Environment Focus			3
B.3. Outcomes and Objectives		Last	Current			Last	Current
1. Food security and livelihood			3	2.2 Food security enhancement			3
1.1 Food security and scaling up			3	2.3 Livelihood up-scaling			3
1.2 Market access			4	3. Livelihood financing			2
1.3 Innovation and linkage			3	3.1 Access to bank finance			2
1.4 Vocational training			5	3.2 Risk mitigation			2
2. Participatory Watershed Management			3	3.3 Increased investment			2
2.1 Participatory Watershed Management			3				
B.4. Sustainability		Last	Current	B.5. Impact		Last	Current
1. Institution building			4	1. Physical/financial assets			3
2. Empowerment			3	2. Food security			3
3. Quality of beneficiary			3	3. Increase in incomes			3
4. Responsiveness service			3	4. Policy impact			3
5. Exit strategy			n.a.				
6. Potential for scaling			3	B.6 Partnerships			4
C. Overall Performance and Risk Profile							
C 1 Overall implementation progress (Sections B1 and B2)							3
C 2 Likelihood of achieving the development objectives (section B 3 and B4)							3
C 3 Quality of Natural Asset Improvement and Climate Resilience							3
<p>Rationale for implementation progress rating. The overall rating of moderately unsatisfactory reflects the minimal progress that has been made to date, but that action is being taken to improve the situation (with the exception of UPASaC which has, as yet, been given little attention. The project should have disbursed 24% of funds by the end of its second year, and actual disbursement is below 15% of this target, hence the highly unsatisfactory rating. However GoUK released funds that were more than sufficient to cover all activities carried out in the year. Lack of staffing also means that project management is rated as moderately unsatisfactory. With progress in an MIS system the rating for M&E is better, as is gender & poverty focus. Coherence with AWPB is rated on the basis of the original AWPB, not the revised AWPB</p>							
<p>Rationale for development objectives rating. The overall rating of moderately unsatisfactory reflects that little has been done so far in terms of capacity building and provision of services, and the project has only had marginal impacts. The better rating for institution building is based on progress being made with the ex-ULIPH federations. The positive rating for partnerships reflects the good work being done with ILRI on dairy development.</p>							
C 4 Risks							
Fiduciary aspects		Financial management systems are being developed and will minimise fiduciary risks. However the project urgently needs staff to be appointed and service providers to be contracted if project funds are to productively disbursed. There may also be risks in channelling funds via the Rural Development Department unit in Pauri.					

Project implementation progress	Although progress has been made in taking actions to get project activities get moving, the project continues to be effected by event beyond the direct control of project management. These include the flood disaster of 2012 and the current national and local elections. Although there is no reason to suppose that further external events will prevent progress, this remains a real risk.	
Outputs and outcomes	Indications so far are that there is no reason why project activities could not generate projected outputs and outcomes. Restructuring of the project has reduced the number of households that it is planned that the project will cover. However resources are sufficient to scale-up a number of sub-components, although this will need additional staff to posts to be approved. The government needs to be more positive about the project to permit this increase in staffing, as well as providing swift clearance for procurement of service providers.	
Sustainability	Given lack of field activities, little progress has been made towards sustainability. However if the project is able to implement the planned market-led interventions, the resulting enterprise and production should continue after the end of the project.	
C. Major Recommendations and agreed actions		
Follow-up Action		
Issue/ problem	Recommended Action	Status/Timing
Capitalise on the work done by the MilkIT grant project	Scale up MilkIT approach for dairy development in other blocks and districts. This includes ILSP contracting ILRI's NGO partners as resource NGOs to help ILSP develop the sector.	30 July 2014
Need for a flexible approach to building institutions	Rather than the two tier institutional set up set out in project design (Producer Groups and Livelihood Collectives/ Federations), ILSP should adopt a more flexible approach that meets the needs of different sectors and locations.	30 July 2014
Improve capacity in business planning	UGVS staff would benefit from more training on business planning and value chain analysis. A suitable training agency needs to be identified.	30 Nov 2014
Identify bottlenecks in selected sub-sectors	Carry out value chain studies to identify the main bottlenecks and propose how these can be overcome. This includes an examination of trader margins relative to their costs for different marketing channels	31 Dec 2014
Slow progress with action research	Set up a challenge fund and invite proposals from government agencies, NGOs and other organisations to pilot innovations with ILSP groups	31 May 2015
UPASaC is restricted to lending to project groups	Determine if UPASaC is allowed, under current finance regulations, to lend to business other than cooperatives and SHGs promoted by the project	30 Sept 2014
UPASaC lacks staff	At a matter of urgency, recruit professional financial sector (i.e. banking) staff to lead and manage UPASaC.	31 May 2014
Speed up the pace of project implementation	At a meeting in Delhi on 28 February 2014 chaired by the JS (MI) Department of Economic Affairs, Ministry of Finance, Government of India with participation from ILSP and IFAD, it was agreed that the PMC should be empowered to take all project related decisions within the framework of the Project/Financing Agreements between GoUK, GoI and IFAD, as well as the processes described in the Project Implementation Manual. Only those decisions that have serious policy implications for the State will be referred to the Project Steering Committee.	31 May 2014
Complete staff recruitment for UGVS	Use any opportunity to accelerate recruitment within the constraints imposed by the Election Code.	30 June 2014
Staffing for new UGVS districts of Dehradun, Pithoragarh, Rudraprayag	Nine additional staff posts are needed: a District Project Manager, Assistant Manager (Finance) and Assistant Manager (M&E/other) in each district. In addition the post of Project Manager (Livelihood Recovery) is needed to coordinate work concerning livelihood recovery in disaster affected areas.	30 July 2014
All UGVS staff positions are to be advertised	Assure current UGVS staff that their experience and proven capacity will be highly rated in the selection of staff for ILSP, and that they should therefore expect to be retained in their current position.	30 May 2014
Complete staff recruitment for WMD	Agree for WMD to recruit specialised consultants, audit and junior staff for component 2 as soon as possible.	30 May 2014
Track Federations on an annual basis.	Data for Federation performance (physical and financial) should be for the entire 2013-14 financial year, and not for the seven months from September 2013.	30 June 2014
Restructuring of project design has reduced number of households to be covered	Review the number of households to be recruited into new groups for component 1. This may involve covering more households in the new blocks (a saturation approach) and also forming new groups in the parts of ex-ULIPH blocks that are out of reach of the existing Federations.	30 June 2014
Reduce risk of delays in fund flow	Ensure that funds flow smoothly from GoUK to the three ILSP implementing agencies. In particular avoid any delays that might occur in the routing of funds via the Rural Development Department accounting unit in Pauri	30 July 2014

Appendix 2: Updated logical framework

(a) UGSs (Component 1)

Objective hierarchy	Indicators	Means of verification	Assumptions
<p>Goal Reducing poverty in hill districts of Uttarakhand</p>	<p>Child malnutrition (under 5 yrs old: chronic, acute, underweight)¹ Household assets Food security Quality of housing, water supply and sanitation Over 70% of hh report increases income (expenditure) Over 60% of project households report increase in income from sub-sectors supported by the project. Over 70% of increase food self-sufficiency Women's empowerment - women in 50% of hh report improvements in decision making, assets, mobility</p>	<p>Socio-economic surveys at baseline, mid-term and completion RIMS anchor indicator survey at baseline and completion</p>	<p>Price of food does not increase relative to earnings. No major natural disasters</p>
<p>Development objective: Enable 106,000 rural households to take up sustainable livelihood opportunities integrated with the wider economy</p>	<p>Over 60% of project households report increase in income from sub-sectors supported by the project. Over 70% of increase food self-sufficiency Women's empowerment - women in 50% of hh report improvements in decision making, assets, mobility</p>	<p>Socio-economic surveys at baseline, mid-term and completion Annual outcome surveys</p>	<p>Employment opportunities in other parts of India do not mean that so many of the workforce migrates out of Uttarakhand that farming is affected.</p>
<p>Outcomes:</p> <p>1.1 Food security and scaling up 59,000 households from hill communities benefit from increased food production, greater participation and returns in markets for cash crops, tourism and new employment opportunities.</p> <p>1.2 Market access Rural economy becomes more commercialised, reaching the 59,000 hh from component 1.1 plus another 33,000 members of federations formed by ULIPH.</p>	<p>70% of farmers¹ adopt improved technologies or increase in area irrigated. 70% of farmers¹ increase farm yield &/or output by average of 15%. 5% of hh establish new enterprises 10% of hh expand existing enterprises. 20% of hh report increased sales. 10% of producers¹ use new marketing channels. Ex-ULIPH federations expand membership to over 33,000 hh 50 producer organisations in new areas rated as sustainable. At least 60% of project supported institutions graded A Increase in 10% in producers' share of retail price in at least three value chains.</p>	<p>Socio-economic surveys at baseline, mid-term and completion Annual outcome surveys. Federation/producer organising reports and grading Annual outcome studies Value chain studies</p>	<p>Weather patterns do not change to the extent that seriously hinders farming. Food prices in hills do not fall to the extent that makes local production uneconomic.</p>
<p>1.2 Market access Rural economy becomes more commercialised, reaching the 59,000 hh from component 1.1 plus another 33,000 members of federations formed by ULIPH.</p>	<p>20% of hh report increased sales. 10% of producers¹ use new marketing channels. Ex-ULIPH federations expand membership to over 33,000 hh 50 producer organisations in new areas rated as sustainable. At least 60% of project supported institutions graded A Increase in 10% in producers' share of retail price in at least three value chains.</p>	<p>Federation/producer organising reports and grading Annual outcome studies Value chain studies</p>	<p>Markets for off season vegetables & other products not adversely affected by competition from imports or other areas. Communications (road and telecom) are developed.</p>

<p>1.3 Innovation and linkage Partnership with identified institutions leads to developing and disseminating new models</p> <p>1.4 Vocational training Rural people (particularly youth) gain remunerative employment</p> <p>Outputs:</p> <p>1.1. Food Security and Scaling up: Strengthen food production systems Support cash crops, market-orientated enterprises, tourism & institutions</p>	<p>At least 10 new technologies tested with rural hh and show potential for adoption</p> <p>8,000 vocational training graduates' gain employment.</p> <p>Producer Groups and Vulnerable Producer Groups with 59,000 members 130 community apex organisations 102 micro-irrigation schemes 100 artificial insemination service providers 59,000 people¹ trained & get other livelihood support</p>	<p>Reports and case studies on innovation sub-projects</p> <p>VT reports & studies</p> <p>Project progress reports</p>	<p>Innovations are viable and appropriate to needs of hill households</p> <p>Vocational skills acquired are relevant to job market.</p> <p>Improved technologies for hill agriculture are available & profitable. Public sector input supply channels function efficiently, or allow space for private suppliers.</p>
<p>1.2 Market access: Sub-sector development Market infrastructure Capacity building</p>	<p>18,000 producers¹ benefit from value chains. 40 km of village pathways 20+12 collection centres 27 river crossing trolleys 27 value chain sub-sectors developed 60 producer organisations involved in value chains. 30,000 people trained in marketing and value addition</p>	<p>Project progress reports</p>	<p>Private sector & other value chain participants are interested.</p>
<p>1.3 Innovation and linkage Pilot sub-projects to test / introduce new technologies, approaches & markets</p> <p>1.4 Vocational training opportunities Activities/components</p>	<p>20 action-research sub-projects implemented Action research sub-projects involve 2,000 hh in addition to those in FS&SU PG and VPGs 15,000 people¹ complete vocational training.</p>	<p>Project progress reports</p> <p>Project progress reports</p>	<p>Agencies (government and non-government) agree to cooperated on innovation sub-projects</p>
<p>Food security and livelihood enhancement: Development of irrigation and other infrastructure, PG and VPG group formation and strengthening, grants for PG and VPG, LC formation and strengthening, grants for LC, capacity building of producers and project staff, 100 artificial insemination paravets trained and supported, action-research and innovation activities and sub-projects.</p>			
<p>Market access: value chain sub-projects including market/sub-sector studies, market linkage activities, skill development, product development and promotion, physical infrastructure for market access.</p>			
<p>Innovation and linkage: action research sub-projects via MoUs with public agencies along with contracting of NGOs and other agencies</p> <p>Vocational training: training study, apprenticeships and job placement services</p>			

¹ indicators disaggregated by gender,

(b) Logical Framework WMD (Component 2)

Objective hierarchy	Indicators	Means of verification	Assumptions
Goal Reducing poverty in hill districts of Uttarakhand	Household assets Food security Quality of housing, water supply and sanitation	Socio-economic impact surveys at baseline, mid-term and completion	Price of food does not increase relative to earnings. No major natural disasters
Development objective: Enable 20,000 rural households to take up sustainable livelihood opportunities integrated with the wider economy	50% of households report increase in income from sub-sectors supported by the project, and in total income. 60% of households increase food security Access to watershed natural resources improved for 70% of households Women's empowerment - women in 50% of hh report improvements in decision making, assets, mobility	Socio-economic impact surveys at baseline, mid-term and completion	Employment opportunities in other parts of India do not mean that so many of the workforce migrates out of Uttarakhand that farming is affected.
Outcomes:			
<u>Participatory watershed management</u> 22 project watersheds with a population of 20,000 households become less vulnerable to erosion and drought.	Increase of 10% in vegetative biomass Increase of 10% in water availability	Watershed environmental monitoring	Treated watershed not damaged by erosion originating in reserve forests. GPs responsive to project & allocate required resources.
<u>Food security enhancement support</u> Farming systems on 22 project watersheds become more productive.	70% of farmers' adopt new technologies and increase farm yield and/or output	Annual outcome reporting	Weather patterns do not change to the extent that seriously hinders farming. Food prices in hills do not fall to the extent that makes local production uneconomic.
<u>Livelihood up-scaling support</u> Non-farm enterprises are developed and farm enterprises are up-scaled.	5% of hh establish new enterprises 10% of hh expand existing enterprises. 20% of farmers' increase in sales of produce or use new market channels.	Annual outcome reporting Value chain studies	Markets for off season vegetables & other products not adversely affected by competition from imports or other areas. Communications (road and telecom) are developed.
Outputs:			
<u>Participatory watershed management</u> Watershed management capacities strengthened and watersheds developed	215 Water and Watershed Management Committees plan and implement watershed development 65,000 ha covered by watershed conservation and development.	Project progress reports	Communities are interested and willing to prioritise watershed development. GP's able to play their role in implementing watershed development

Food security enhancement support Rained agriculture, value addition and marketing support	Producer Groups with 12,000 members Collection centres, marketing services 30 Livelihood Collectives/Federations established	Project progress reports	
Livelihood up-scaling support Livelihood opportunities for vulnerable hh and up-scaling of farm enterprises	Vulnerable Groups with 3,000 members 30 Livelihood Collectives up-scale income generating activities with backward and forward linkages	Project progress reports	
Institutional strengthening Watershed institutions strengthened	215 GP gain capacity for watershed development Information and communication products Project management delivers project services	Project progress reports	GoUK & IFAD establish efficient management framework.
Activities/components			
Participatory watershed management, watershed planning and treatment			
Food security enhancement support: producer group formation and strengthening, grants for producer groups, collection centres and other small infrastructure, formation of Livelihood Collectives, value chain studies			
Livelihood up-scaling support: vulnerable group formation and strengthening, grants for vulnerable groups, grants for Livelihood Collectives.			
Institutional strengthening: Capacity building of GP, information and communication programme, project management unit established, staff recruited, agreements with partner agencies, monitoring and evaluation			

¹ Indicators disaggregated by gender.

(c) Logical Framework – UPASaC (Component 3)

Objective hierarchy	Indicators	Means of verification	Assumptions
Goal Reducing poverty in hill districts of Uttarakhand	Household assets Food security Quality of housing, water supply and sanitation	Socio-economic impact surveys at baseline, mid-term and completion	Price of food does not increase relative to earnings. No major natural disasters
Development objective: Enable poor rural households to get access to comprehensive financial services to improve livelihoods	Investments in livelihood opportunities	Socio-economic impact surveys at baseline, mid-term and completion	Employment opportunities in other parts of India do not mean that so many of the workforce migrates out of Uttarakhand that farming is affected.
Outcomes: Improved access to bank finance	40% increase in group members with bank loans 40% increase in total value of bank loans to group members Loan default rate at an acceptable level	Annual outcome surveys Annual data on lending reported by banks	Banks willing to expand lending in rural areas.
Improved means of mitigating risk	Number of clients/policies for different risk management instruments.	Annual outcome surveys Data and reports from insurance companies	Sufficient incentives exist for insurance companies to provide services that meet the needs of the target group.
Increased financial inclusion	Number of groups members using financial services Effectiveness of financial literacy training UPASAC investments total Rs90 million. Recovery rate for UPASAC investments	Annual outcome surveys Data and reports from LC Reports from UPASAC	BC/BF model viable for both banks and LC
Increased investment in market-led opportunities by hill producers and their organisations.			Regulatory framework allows financial innovation and encourages rural lending.
Outputs: Banking initiatives Enabling access to bank finance	1,000 people attend training and exposure visits. 10 financial institutions participating in ILSP linkages.	Project progress reports	Banks willing to participate.
Risk management New risk management products	At least five new risk management products introduced and promoted	Project progress reports	Insurance companies willing to participate.
Financial inclusion initiatives Improved access to financial products	Number of LC acting as BC/BF Number of people reached by financial literacy training	Project progress reports	Sufficient LCs have the capacity to act as BC or BF.
Development Finance Fund: Social venture capital company provides financial resources	UPASAC business plan Number of funding applications received and reviewed	Project progress reports	Suitable staff can be recruited to operate UPASAC as envisaged.
Activities/components Banking initiatives: MoU with banks, workshops, training, exposure visits, branch expansion. Risk management: weather risk, client education, linking with financial institutions, cattle insurance, mutual health insurance. Financial inclusion initiatives: livelihood collectives to act as BF/BC, financial product literacy. Development Finance Fund: soliciting of proposals, appraisal of proposals, financing instruments (debt, equity, grant, viability gap funding for LC) Management: UPASAC overhead costs, monitoring			

¹ Indicators disaggregated by gender.

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

Action area	Action agreed	Date	Whom	Progress
Capitalise on the work done by the MilkIT grant project	Scale up MilkIT approach for dairy development in other blocks and districts. This includes ILSP contracting ILRI's NGO partners as resource NGOs.	30 July 2014	UGVS PMU	
Need for a flexible approach to building institutions	Rather than the two tier institutional set up set out in project design (Producer Groups and Livelihood Collectives/ Federations), ILSP should adopt a more flexible approach that meets the needs of different sectors and locations.	30 July 2014	UGVS DPMUs	
UPASaC lacks staff	At a matter of urgency, recruit professional financial sector (i.e. banking) staff to lead and manage UPASaC.	31 May 2014	CPD ILSP	
Speed up the pace of project implementation	At a meeting in Delhi on 28 February 2014 chaired by the JS (MI) Department of Economic Affairs, MoF, GoI, it was agreed that the PMC should be empowered to take all project related decisions within the framework of the Project/Financing Agreements between GoUK, GoI and IFAD, as well as the processes described in the Project Implementation Manual. Only those decisions that have serious policy implications for the State will be referred to the Project Steering Committee.	31 May 2014	GoUK CPD ILSP	
Complete staff recruitment for UGVs	Use any opportunity to accelerate recruitment within the constraints imposed by the Election Code.	30 June 2014	UGVS PD	
Staffing for new UGVs districts of Dehradun, Pithoragarh, Rudraprayag	Nine additional staff posts are needed: a District Project Manager, Assistant Manager (Finance) and Assistant Manager (M&E/other) in each district. In addition the post of Project Manager (Livelihood Recovery) is needed to coordinate work concerning livelihood recovery in disaster affected areas.	30 July 2014	ILSP CPD & PMC	
All UGVs staff positions are to be advertised	Assure current UGVs staff that their experience and proven capacity will be highly rated in the selection of staff for ILSP, and that they should therefore expect to be retained in their current position.	30 May 2014	UGVS PD	
Complete staff recruitment for WMD	Agree for WMD to recruit specialised consultants, audit and junior staff for component 2 as soon as possible.	30 May 2014	GoUK, WMD PD	
Track Federations on an annual basis.	Data for Federation performance (physical and financial) should be for the entire 2013-14 financial year, and not for the seven months from September 2013.	30 June 2014	UGVS PMU & DPMUs	
Restructuring of project design has reduced number of households to be covered	Review the number of households to be recruited into new groups for component 1. This may involve covering more households in the new blocks and also forming new groups in the parts of ex-ULIPH blocks.	30 June 2014	UGVS PMU	
Reduce risk of delays in fund flow	Ensure that funds flow smoothly from GoUK to the three ILSP implementing agencies. In particular avoid any delays that might occur in the routing of funds via the Rural Development Department accounting unit in Pauri	30 July 2014	ILSP CPD & PMC	

Appendix 4: Physical progress measured against AWP&B

(a) Financial targets and achievement. FY 2013-14

Component and sub-component	UGVS		WMD		UPASaC		CPCU		Total	
	Budget	Ach	Budget	Ach	Budget	Ach	Budget	Ach	Budget	Ach
Food security & livelihood enhancement										
Food Security & Scaling Up	116,340	29,806	0	0	0	0	0	0	116,340	29,806
Access to Market	11,225	1,886	0	0	0	0	0	0	11,225	1,886
Innovation Linkages	19,619	715	0	0	0	0	0	0	19,619	715
Vocational Training	20,500	493	0	0	0	0	0	0	20,500	493
Project Management Unit	74,140	28,877	0	0	0	0	0	0	74,140	28,877
Participatory watershed management										
Social Mobilisation	0	0	100	0	0	0	0	0	100	0
Watershed & Village Development	0	0	0	0	0	0	0	0	0	0
Food Security Enhancement Support	0	0	0	0	0	0	0	0	0	0
Livelihood upscaling	0	0	0	0	0	0	0	0	0	0
Institutional Strengthening	0	0	2,050	0	0	0	0	0	2,050	0
Project Management WMD	0	0	19,599	11,154	0	0	0	0	19,599	11,154
Livelihood financing (UPASaC)										
Field Vehicles	0	0	0	0	600	0	0	0	600	0
Financial Initiatives	0	0	0	0	1,265	0	0	0	1,265	0
Risk Management	0	0	0	0	700	6	0	0	700	6
Banking Initiatives	0	0	0	0	2,555	0	0	0	2,555	0
UPASaC & Bank Financing	0	0	0	0	32,750	0	0	0	32,750	0
UPASaC Management	0	0	0	0	7,608	2,120	0	0	7,608	2,120
Project management										
Central Project Coordination Unit	0	0	0	0	0	0	3,707	0	3,707	0
M&E and KM-UGVS & UPASaC	14,499	1,595	0	0	0	0	0	0	14,499	1,595
M&E and KM (WMD)	0	0	840	0	0	0	0	0	840	0
Total	256,323	63,374	22,589	11,154	45,478	2,127	3,707	0	328,097	76,652

(b) UGVS, UPASaC, CPCU Physical and Financial Progress FY 2013-14

Code	Description	Target		Actual	
		Physical	Financial Rs	Physical	Financial Rs
G11B1	Support To VPGs/PGs 1st year	385	15,400,000	22	1,255,048
G11B3	Seed Capital To VPGs: 1st year /a	76	616,000		
G11B5	Support To ULIPH federations	40	8,000,000	69	9,333,005
G11C55	Agency staff Training in LIP	6	300,000		
G11C56	Agency staff Training in convergence	6	300,000		
G11C57	CRP capacity building	50	150,000		
G11C61	Village/Block Level meeting	26	260,000	5	47,977
G11C63	Livestock breeding program	9	3,600,000		
G11C81	Convergence meeting	140	280,000	21	46,962
G11C82	Annual Plan Training	15	750,000	7	249,972

Code	Description	Target		Actual	
		Physical	Financial Rs	Physical	Financial Rs
G11C83	BOD meeting	280	140,000	101	55,562
G11C84	AGM meeting	70	700,000		
G11C85	Annual Audit	70	350,000		
G11C86	Livestock breeding program	17	6,800,000		
G11D1	Agribusiness Plan Preparation	35	700,000		
G11D2	Partner staff project planning	5	200,000		
G11D3	Partner staff Exposure visits /d	1	120,000		
G11E11	Social PNGO/Agencies /e	30	5,100,000		
G11F11	Livelihood Coordinators	180	2,700,000		
G11F12	Livelihood facilitators	1050	8,400,000		
G11F13	Accountants/Assistants	180	1,800,000		
G11F14	Operating Costs	180	2,340,000		
G11F15	Overhead Costs /i	180	3,780,000		
G11F21	TA Coordinators	18	540,000		
G11F22	Agri-business Officers	78	1,560,000		
G11F23	Horticulture Officers	78	1,560,000		
G11F24	Livestock Officers	18	360,000		
G11F25	Junior Engineers	18	360,000		
G11F26	Accountants	18	180,000		
G11F27	Operating costs	18	720,000		
G11F28	Overheads /j	18	562,000		
G11F31	Business Coordinators-ULIPH blocks /k	648	6,156,000	398	3,143,625
G11F32	Business facilitators-ULIPH blocks	1128	8,460,000	526	3,738,504
G11F33	Accountants/Assistants-ULIPH blocks	648	3,888,000	391	1,937,065
G11F34	CRPs Honorarium	1596	6,384,000	827	3,317,524
G11F35	ULIPH federations Operating costs /l	648	14,304,000	349	4,102,042
G11F36	Overheads Of ULIPH federations /m	648	8,520,000	349	1,619,068
G12A2	ICT-based information	1	200,000	2	38,054
G12C1	Farmer exposure visit to market /b	11	500,000	10	269,462
G12C2	Agency staff AUP preparation training	1	50,000		
G12C3	Agency staff business Plan preparation	1	50,000		
G12C4	Farmers exposure visit to Market /c	70	3,500,000	8	372,616
G12D4	Market / value chain studies	6	2,400,000	1	273,155
G12D5	Buyers visits	3	225,000		
G12E3	Technical Assistance	51	2,040,000	1	
G12E4	Buyer-seller meet at clusters	17	510,000	2	26,210
G12E5	Promotion, Miscellaneous	71	1,750,000	3	523,030
G13A	Action Research on Farming System	1	6,019,000		
G13B	Action Research on Horticulture	1	2,500,000		
G13C	Action Research on Citrus Fruits	1	2,500,000	9	141,100
G13E	Non-farm & Market Development- Pilots	1	3,000,000	1	248,610
G13F	Action Research on NTFP value chain	1	2,000,000		
G13G	Action Research on Organic value chain	1	1,500,000	2	24,700
G13H	Action Research on eco-tourism	1	1,000,000	2	300,720
G13I	Action Research with Business Schools	6	300,000		
G13J	Innovations with Grant Partners	1	500,000		
G13K	Other Innovation Linkages	1	300,000		
G14B	Support to Youth for vocational training	1000	20,000,000		
G14C	Facilitation fees to Resource agency	1000	500,000	1	493,750
G15A11	Field vehicle	2	1,200,000		
G15A21	Computers	4	160,000	2	68,400
G15A22	Laptops	4	160,000	2	68,000
G15A25	Furniture & miscellaneous	4	160,000	6	54,645
G15A31	Consultants	60	1,800,000	47	2,239,548
G15A32	Staff Training	2	200,000	2	123,185

India
 INTEGRATED LIVELIHOOD SUPPORT PROJECT - UTTARAKHAND
 Supervision Report - Mission dates: 27 March to 4 April 2014

Code	Description	Target		Actual	
		Physical	Financial Rs	Physical	Financial Rs
G15A33	Study tours	1	500,000	2	136,337
G15A34	Annual retreat	1	500,000		
G15A35	Services through Service Provider	8	900,000	9	1,084,866
G15B11	Field vehicle	7	4,200,000		
G15B12	Motor cycles	20	1,200,000		
G15B25	Other equipment	6	600,000	1	1,505
G15B32	Services through Service Provider	15	400,000	13	358,320
G15C11	Project Director/a	12	1,800,000	9	1,365,921
G15C12	Chief Programme Manager/DPD	12	1,140,000		
G15C13	Chief /Convergence Officer	12	900,000		
G15C14	Programme Manager-Gender & Institutions	12	660,000	9	472,377
G15C15	Programme Manager-Market Access	12	660,000	9	455,241
G15C16	Programme Manager-Agri/horti /b	12	660,000		
G15C17	Audit Manager-UGVS	12	660,000		
G15C18	Finance Manager	12	660,000	9	428,924
G15C19	HR Manager	12	660,000	9	888,246
G15C110	Programme Manager-Tourism	12	660,000		
G15C111	Asst Manager: Finance	24	840,000	18	512,566
G15C112	Assistant - Finance	24	396,000		
G15C113	Project Assistant	48	792,000	36	593,914
G15C114	Drivers	36	504,000	27	371,448
G15C115	Attendants	24	288,000	18	204,896
G15C116	Security Guards	24	288,000	27	312,444
G15C21	Staff travel allowance	12	1,920,000	9	239,691
G15C22	Office operating costs	12	3,000,000	9	2,181,790
G15C23	Office rent	12	960,000	8	347,035
G15F11	Divisional Project Managers	72	3,600,000	45	2,179,304
G15F12	Asst Managers-Market Access & tourism	72	2,304,000	33	893,596
G15F13	Asst Managers- Finance	72	2,304,000	18	542,500
G15F14	Asst Manager-Agri/horticulture	72	2,304,000	31	860,738
G15F15	Asst Manager-Institutions & Gender	72	2,304,000	33	938,675
G15F16	Asst Managers Planning & M&E	72	2,304,000	51	1,368,633
G15F17	Internal Auditors	73	1,800,000	9	234,020
G15F18	Assistants	288	4,752,000	109	1,535,455
G15F19	Drivers	144	2,016,000	80	1,091,495
G15F110	Attendants	288	3,456,000	153	1,725,959
G15F111	Security Guards	144	1,728,000	97	1,041,340
G15F21	Staff travel allowance	72	7,200,000	39	872,488
G15F22	Office operating costs	72	6,480,000	45	2,312,304
G15F23	Office rent	72	2,160,000	45	705,261
G31A1	Field vehicle	1	600,000		
G32A1	Security support To Business Facilitator	5	125,000		
G32A2	Operational Support To Business Facilitator	5	300,000		
G32B1	Product literacy training	70	700,000		
G32B2	Product literacy training materials	70	140,000		
G33A1	Insurance premium study	1	500,000		
G33B1	Risk Insurance workshop	2	200,000	1	6,863
G34A1	Training LCs on banking product	5	500,000		
G34A2	Workshop: districts and state	7	105,000		
G34A3	Training LC on Appraisal skills /a	5	750,000		
G34A4	Bankers Exposure visits	1	300,000		
G34B1	Bank linkage through PACs strengthening	2	300,000		
G34B3	Branch Expansion Support-RFI	6	600,000		
G35A1	Viability Gap Fund to LC	10	2,000,000		
G35A2	Grant to PG/SHG /c	250	3,750,000		

Code	Description	Target		Actual	
		Physical	Financial Rs	Physical	Financial Rs
G35B2	Leveraged credit for SMEs	10	2,000,000		
G35B3	Term loans to micro-enterprises	100	7,500,000		
G35B4	Cash-credit limits to SHGs	100	5,000,000		
G35B5	Kisan credit cards	500	12,500,000		
G36A12	Chief Executive Officer	12	1,200,000	9	803,423
G36A13	Manager Development Finance	12	900,000	6	218,727
G36A14	Deputy Manager Finance	12	600,000	9	405,432
G36A15	Rural Finance Coordinators /e	72	1,800,000		
G36A16	Assistant	12	180,000	7	132,088
G36A17	Driver	12	168,000		
G36B11	Staff travelling allowance	12	960,000	6	85,501
G36B12	Office operating costs /f	12	1,200,000	7	365,322
G36B13	Office rent	12	600,000	8	110,000
G41A1	Computers /Laptops	4	160,000		
G41A2	Multifunction Printers	1	75,000		
G41A3	Printers	2	20,000		
G41A4	Office furniture	1	150,000		
G41B1	External audits /a	1	200,000		
G41C12	Finance Controller	12	1,200,000		
G41C13	Asst Manager-Finance	12	384,000		
G41C14	Stenographer	12	240,000		
G41C15	Project Assistants	12	198,000		
G41D1	Office operating costs	12	480,000		
G41D2	Vehicle Hiring	12	600,000		
G42B11	Block Level /b	102	208,000	2	32,665
G42B12	Division level	24	480,000	25	195,959
G42B13	State level	4	200,000	2	54,968
G42B14	State level PMC, GB & PSC	6	60,000	2	6,336
G42B21	Block level	52	260,000	2	11,240
G42B22	Divisional level	6	120,000	5	34,877
G42B23	State level	4	400,000		
G42B41	KM documentation /f	1	100,000		
G42B43	RIMS & M-E training at state level	1	100,000		
G42B44	RIMS/M&E training at Divn level	1	100,000		
G42B45	Annual Outcome Survey	1	50,000		
G42B47	Technical Assistance /h	1	200,000	1	37,718
G42B51	Communication materials	6	300,000	6	246,435
G42B52	News letters & publications	1	700,000	2	370,800
G42B53	Website maintenance	1	5,000	1	4,550
G42B54	Monitoring surveys /i	1	5,000,000		
G42C11	Planning/M&E Manager	12	660,000		
G42C12	MIS Manager	12	660,000		
G42C13	KM Manager	12	660,000	9	486,345
G42C14	Statistical Officer	12	600,000		
G42C15	Planning/ M&E Assistant	12	198,000		
G42C16	Project Assistants	12	198,000		
G42C17	Enumerators	144	1,440,000		
G42C21	Staff travelling allowance	12	480,000		
G42C22	Office operating costs	12	720,000	1	23,076
G42C23	Vehicle hiring charges	12	600,000	1	90,416
Total			305,508,000		64,091,569
			278,508,000		64,091,569

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

Table 5a: Financial performance by financier by component up to 31-03-2014

Component	IFAD		GoUK		Banks		Beneficiaries		Total	
	Target*	Actual	Target*	Actual	Target*	Actual	Target*	Actual	Target*	Actual
A. Food Security & Livelihood Enhancement	282.30	4.56	33.36	1.62			11.40	0.03	327.06	6.21
B. Participatory Watershed Development	149.89	0.01	181.76	1.11			30.06		361.71	1.12
C. Livelihood Finance	6.83	0.11	14.87	0.10	92.31	7.39	5.72		119.73	7.60
D. Project Management	14.30	0.15	5.77	0.05					20.07	0.20
Total	453.32	4.83	235.76	2.88	92.31	7.39	47.18	0.03	828.57	15.13

* Revised target for project period after project restructuring

Table 5b: IFAD Loan Disbursements as at 31-03-2014

	Categories	Original Allocation	Revised Allocation	Disbursed	WA pending	Balance	SDR
							% disbursed
I	Civil Works	1 990 000.00		0.00		1 990 000.00	0.00%
II	Watershed Treatment	11 500 000.00		0.00		11 500 000.00	0.00%
III	Vehicle Equipment and Materials	340 000.00		1 169.90		338 830.10	0.34%
IV	Capacity Building	20 470 000.00		75 113.58		20,394 886.42	0.37%
V	Livelihoods Financing	540 000.00		0.00		540 000.00	0.00%
VI	Service Providers Contracts	10 320 000.00		86 217.14		10 233 782.86	0.84%
VII	Incremental Salary and Operating Costs	5 880 000.00		89 935.74		5 790 064.26	1.53%
	Unallocated	5 660 000.00		0.00		5 660 000.00	0.00%
	Initial Deposit	0.00		1 316 031.93		-1 316 031.93	
	Total	56 700 000.00		1 568 468.29		55 131 531.71	2.77%

Appendix 6: Compliance with legal covenants: Status of implementation

Due to delays in project start up a number of covenants are not yet relevant, including submission of regular progress reports, financial reports and audit. There were delays in submission of the AWPB and Annual Procurement Plan for 2014-15, while revision of the AWPB for 2013-14 was not sent to IFAD for its approval.

A detailed review of compliance with legal covenants will be in future Supervision Reports.

Appendix 7: Knowledge management: Learning and Innovation

Learning

Development of the dairy sector, by both earlier and current IFAD projects in India and in neighbouring countries, have tended to focus their efforts on enabling farmers to acquire cows (via loans and/or grants), with efforts to increase the productivity of animals and milk marketing of only secondary consideration. The lesson from the joint activities of MilkIT and ILSP is that there are considerable benefits in working with households who already have dairy animals to access markets and improve productivity. Not only does this avoid the considerable cost of buying animals (for the project and/or farmers) but there may be little benefit in terms of total milk production and income from dairy farming from spending money to transfer cows from household A (the seller) to household B (the buyer). Of course purchased cattle can come from other areas, but this costs even more, and a study of milk production by Dr S K Rao for ILSP, concluded that animals bought in from the plains have difficulty in acclimatisation (the same was true in Bhutan).

The other lesson from dairy development is to develop the market first, and then increase production. Many projects, identify technical opportunities to increase production, or to make production systems more efficient, and only later address the market. Although it may appear that market opportunities already exist, the fact that farmers are not producing to meet this demand suggests that they are not sufficiently connected to the market to take opportunities for increasing production. For example, ULIPH made efforts to popularise feeding troughs as a way of reducing wastage of feed, with the main objective of reducing the drudgery for women in collecting fodder. Although people found them useful, there was very little replication, and people did not build troughs with their own money. These feeding troughs have also been demonstrated by ILSP to some MilkIT farmers, but in this case the idea has been rapidly taken up by other households who see the income earning opportunities in dairy farming, and so are prepared to invest to make better use of feed resources.

Innovation

The "Innovation Platform" (IP) approach of MilkIT involves regular meetings of a group of stakeholders (including farmers) to diagnose problems, identify opportunities and find ways to address problems and take up opportunities. The role for projects like ILSP is to support the facilitation of such a stakeholder meeting – which needs skilled facilitators who, prior to the start of the process would make a detailed situation analysis – which takes some months to do. Projects may also need to fund activities that fill gaps in what the different stakeholder can provide from their own resources, and to bring in possible solutions that are not locally available – such as new technologies. The IP approach involves a step by step process, addressing one constraint/opportunity at a time and then discussing, at the IP meeting, what has worked, what lessons have been learned, and what to do next. Following this approach, MilkIT has not yet made much progress on fodder production – as the IP meetings (the project has a number of clusters) have not placed a high priority on fodder.

The ILSP project design includes the establishment of centres for collection of farm produce. The first of these centres is now under construction in Almora district using a new light-weight design, with a light steel frame, tin roof and fibre-reinforced cement panel walls. Compared to conventional concrete buildings such lightweight structures are less likely to injure people if they collapse during a flood or earthquake. There are also very much cheaper to build, around Rs150,000 compared up to Rs1 million for a conventional building.

A number of the ex-ULIPH federations have taken up new activities. These include local facilitation of Open University courses, retail distribution of grocery items, clothes and solar lanterns, and getting a licence to tap pine trees for resin. A number of federations have been contracted by the government to provide food for the Integrated Child Development Services (ICDS) programme – which provides poor families with food rations.

Appendix 8: Progress against previous mission recommendations

Agreed action	Responsibility	Agreed date	Action Taken	SM remarks
1. The channelling of ILSP funds via the RD accounts office in Pauri takes time. It was agreed at the wrap-up meeting that this will be avoided by transferring funds directly from the State Finance Department to the project account.	Finance and RD Depts.	1 Sept 2013 CPM/CEO	Availability of funds during FY 2013-14 was ensured by State Government.	Only one tranche has so far been needed. Still via Pauri. Finance Controller position exists, but not recruited
2. Recruitment of staff for the UGVS/UPASaG/CPCU components needs to take place immediately. It was agreed a committee comprising of FRDC, Sec RD, Additional Sec Finance and PD will approve the transfer to ILSP of existing ULIPH staff who satisfy the required qualifications and skills in the ILSP ToR. Other vacant positions will be advertised with short notice and walk in interviews. Salaries should be comparable to those for contract staff on other externally aided projects in the state. In mid-September GoUK will send proposals to IFAD for a revised management structure. It is planned that the CPCU will have a core team including a watershed specialist and that the PD WMD would be accountable to the Chief Project Director (PC). IFAD will visit the state to discuss these plans. The meeting was informed that DEA (GoI) wants to restructure all externally assisted projects in the state following the flood disaster.	FRDC and Finance Department.	12 August 2013	<p>The GO for recruitment of staff has been issued on 21 March 2014. Further action will be taken as per the GO.</p> <p>The restructuring of ILSP was approved in principle by IFAD to the tune of 28 mn USD and subsequently a need assessment of the disaster affected areas was conducted during February 2014 by the project. The restructuring proposal has been approved by State Govt. Detailing of the identified activities is in process.</p>	Waiver for staff advertisement during election has been agreed. WMD will also need to recruit some contract staff. Mission got details of proposed reallocation of funds. There is scope to increase number of households covered by component 1 given additional IFAD loan resources due to devaluation of the Rupee and likely underspend on other items due to reduced period for project implementation
3. Undertake the following procurement: (i) engaging technical agencies, partner agencies, innovation linkage agencies, and vocation training agencies; (ii) engaging an agency to carry out the baseline survey; (iii) procurement of office equipment; (iv) procurement or leasing of vehicles	UGVS PMU WMD PMU	31 Oct 2013	<p>(i) After approval from IFAD & Govt. of Uttarakhand, EoI for Technical agencies was advertised on 28 Feb, 14.</p> <p>(ii) After government approval five agencies were identified & MoU has been signed for conducting vocational training in 9 blocks of ILSP in 8 selected trades. Training & placement is scheduled to be completed by June-July, 2014.</p> <p>(iii) Agreements with ex-ULIPH federations have been executed with 53 federations.</p> <p>(iv) Innovation linkage agencies are being identified.</p> <p>(v) After approval from IFAD & Govt. of Uttarakhand, EoI for Evaluation was advertised on 28 Feb, 14.</p> <p>(vi) Procurement of office equipment will be as per need after following the procedures outlined.</p> <p>(vii) Vehicles will be leased as per the project needs.</p>	EoI notice TA and M&E closed 21/3/14. In total about 90 applied. Committee will sit from 29/3/14 and send to IFAD on about 12/4/14.
4. To accelerate the progress of Component 1 it was agreed that: a) Support for marketable	UGVS PMU FRDC,	1 Nov 2013	a) In new blocks of district Almora and Uttarkashi the ex-ULIPH federations were	Progress has been made on market linkages for old ULIPH

Agreed action	Responsibility	Agreed date	Action Taken	SM remarks
<p>crops and market linkage should be bought forward and not wait until Producer Groups have gone through an initial stage of food security enhancement.</p> <p>b) Scale-up support for market linkages, with more infrastructure and support could for producer marketing organisations and initiatives to link producers directly to markets both inside and outside the state.</p> <p>c) It may also be possible to scale-up the numbers of households covered (and possibly include one or two more blocks).</p> <p>Meetings should be held with the Mandi-Parishad, UOCB, Dairy Board, Seed Corporation and MSME Department and other agencies to obtain their assistance for ILSP. FRDC will coordinate with Principal Secretary Agriculture on this.</p>	Principal Sec Agric		<p>facilitated to link producers of new blocks to market their commodities like Amaranth and Turmeric through the federations. The total turnover is around Rs. 6.94 lakhs.</p> <p>b) Continuous effort made to link ex-ULIPH federations to market and subsequently the federations sold commodities like Amaranth, Finger millet, Soyabean, Potato to markets located within and outside the state. Total sales turnover of these commodities is around Rs. 73.12 lakhs.</p> <p>c) Two blocks of Kalsi and Chakrata in Dehradun and one block (Kaljikhil) in Pauri district approved by state govt. Total coverage of 112,000 HH envisaged under ILSP.</p> <p>Meetings were held with TDC for seed production. It was agreed that proposal for seed production of wheat and lentil in 3 districts covering 150 acres (110 wheat & 40 lentil) would be prepared. The project proposal is pending with TDC.</p> <p>Mandi Parisad proposed to ILSP to take unused marketing centres in Dehradun and Joshimath but due to the non-viability, the centres were not acquired.</p> <p>The government is in process of issuing formal GO for direct contracting with government agencies.</p>	<p>Federations .</p> <p>In new Component 1 blocks district staff have started recruiting existing SHGs into ILSP. Around 100 such SHGs have been recruited.</p> <p>There is scope to increase number of households covered by component 1 given additional IFAD loan resources due to devaluation of the Rupee and likely underspend on other items due to reduced period for project implementation.</p> <p>The PMU was right not to take up these unused market centres.</p>
5. The initial selection of sub-sectors for the development of marketable crops is agreed, but that should also be space for some small scale initiatives such as honey and tree nuts.	UGVS PMU	1 Sept 2013	For year 2014-15, plantation of tree nuts is planned in 50 ha. As per experience of ULIPH the mortality of honey bees, lack of flora and processing facility resulted in poor returns, thus very low replicability. In ILSP this activity was dropped and focus is now on limited activities. Major commodities which will be focussed under project are a) OSV (tomato, pea and potato), b) traditional crops (amaranth, soyabean, finger millet, rajma), c) spice crops (ginger, chilly) d) Milk e) Fruits (sub-tropical and temperate fruits including nuts)	
6. For production of crops that can be marketed as "naturally produced", it would be useful for project staff and 40-50 leading farmers to visit the Swiss-funded Sustainable Soil Management Programme and ICIMOD in Nepal.	UGVS PMU	1 Dec 2013	Email sent to Swiss funded project, to facilitate visit during first week of March, 2014. As no response is received till date, the visit will be taken up in the financial year 2014-15	The mission will chase this up, and may also recommend other places where visits may be useful.
7. Targeting will follow a saturation approach with all interested households participating, with different or additional assistance being provided to the poorest and most disadvantaged via Vulnerable Producer Groups.	UGVS PMU	1 Sept 2013	The targeting & saturation approach is being experimented based on following criteria: a) Following the PIP approach as per GoI/NRLM guidelines b) compact cluster based approach c) saturation of all interested HHs of village/nyaya panchayat	The focus on BPL households as per NRLM guidelines needs reconsideration to include some less poor households in order to generate the volumes of products needed for market

Agreed action	Respons- ibility	Agreed date	Action Taken	SM remarks
In addition it was agreed that the CM Relief Fund provide funds to assist the poorest households recover from the flood disaster. This could include replacement of lost animals.			d) potential for value chain interventions/commodities The relief provided to disaster affected families under the CM relief fund and other forms for the affected households to cope from the disaster.	entry.
8. Possible entry-point activities are: (i) seeds for traditional crops; (ii) development of infrastructure, such as water, access paths and ropeways; and (ii) interventions to reduce the drudgery of women.	UGVS PMU	1 Nov 2013	i) Seeds of Potato 102 qtl. Ginger 42 qtl. OSV 3.8 kg seed were made available as per project norms. ii) 7 health camps in 7 villages organised through Animal Husbandry dept. In disaster affected block of Uttarkashi district. Fodder block (24.64 qtl), rock salt (1 qtl) distributed to 145 HHs. iii) As per PIM development of infrastructure, such as water, access paths and ropeways to be taken up in second year of implementation. Unit cost for traditional crops have been calculated along with beneficiary contribution. These activities have been included in the MIS and AWP&B. iv) Unit cost for micro- irrigation activities along with beneficiary contribution has been calculated. These activities have been included in the MIS and AWP&B.	
9. There is little justification in using project funds to buy cows (or similar assets). More attention should be given to increasing the productivity and profitability of cows that farmers already own.	UGVS PMU	1 Sept 2013	This point is agreed and financing of cows will not be supported under the project.	Good work has been done in providing support to farmers involved in the ILRI MilkIT project, and these approach can be scaled up. Mission will explore ways of facilitating loans to buy cows.
10. Farmer contributions, in either cash or kind, need to be worked out and made common across all districts. All farmers should pay the same contributions.	UGVS PMU	1 Sept 2013	Farmer contribution in cash and kind worked out for all identified activities and a uniform policy has been made for contribution for each activity. Cash contributions will be deposited in the PG/VPG account.	The mission reviewed these guidelines
11. For the dairy sub-sector the project needs to hire a short-term individual consultant to provide specialised expertise to draw up an implementation action plan. Dr Kamal Singh (of ULDB) would be made available to work with the consultant on this action plan. The procurement method would be "selection based on consultant qualification (CQS)". Individual experts could also be employed for similar roles in other sub-sectors, but it may also be useful to contract consulting agencies to carry out value chain studies, especially in the vegetable, fruit and spice sub-sectors	UGVS PMU	15 Oct 2013	Study on dairy sub sector has been completed and final report will be received by 25 March 2014. Main findings/ recommendations of the draft report are as follows: a) Joint monitoring of paravets by DPMU and ULDB needs to be strengthened. b) The milk sampling at collection centre is to be strengthened and the payment made is to be based on fat and SNF content. c) Engagement of animal husbandry and dairy technologist by project to support the federations. Eol was advertised in newspapers but suitable expert could not be identified for Poultry and study may be taken up in the next financial	This report did not cover all the areas required in the ToR in sufficient depth. The mission will identify gaps and suggest how these can be filled.

Agreed action	Responsibility	Agreed date	Action Taken	SM remarks
			year 2014-15.	
12. Employ a scientist from VPKAS or other institution to advise on the cultivation of crops in poly houses.	UGVS PMU	1 October 2013	Letter sent by project to VPKAS to depute a scientist for cultivation of crops in polyhouses. VPKAS intimated inability to depute its staff. EoI for engagement of technical agency issued. Respondents were not found to be suitable as per project requirements.	The mission will do its best to assist in recruiting a polyhouse cropping expert
13. Link ecotourism groups with tour companies and the State Tourist Development Board	UGVS PMU	1 Nov 2013	Information on available infrastructure and facilities/ services in ex-ULIPH blocks shared with Tourism department, GMVN and KMVN for making it available at tourism information centres. Visit has been made by a private company (Udyam) from New Delhi at the project tourism sites in Almora and Bageshwar to explore the possibilities of alignment with federation. Results are yet to be observed. Village Ways has started marketing of Home Stays developed in Almora district.	
14. To support ILDC, ULDB needs to be able to pay competitive salaries to the veterinary doctors who supervise this work in the field. This could include a performance-related bonus (this could be worked out by the short term livestock consultants).	UGVS PMU	1 Dec 2013	Meeting held with CEO ULDB. It was discussed that doctors appointed under ULIPH left for better avenues. In future it is planned to recruit retired veterinary supervisors of local area instead of veterinary of doctors wherever possible. A project proposal was prepared for supporting old ILDC centres & opening new centres in new blocks of ILSP & submitted to government. The approval is awaited.	Mission will review this
15. Assist ULIPH Federations to prepare business plans and then closely monitor their progress. It would be useful if some Federation leaders could visit MAVIM in Maharashtra where SHG Federations are making considerable progress. It will also be useful for Federations to visit some hill states.	UGVS PMU	1 Sept 2013	All contracted federations prepared detail project report and made turnover of Rs.300.43 lakh during Sept 2013 -Feb 2014. Federation was monitored through auditor, field verifications and support by district units. Data of federations was also entered in the MIS. Exposure visit of 20 persons has been made to MAVIM during third week of October. Learning's from the visit are as follows: 1. CMRE owned business activities and their working methodology understood. 2. Convergence with line department studied. 3. Institutional development process reviewed.	Federation data is needed for the complete 2013-14 FY to enable a comparison with earlier years.
16. For action research sub-projects, ILSP should be free to contract other agencies other than VPKAS and GBPUAT and float an EoI in this regard.	UGVS PMU	1 Sept 2013	The Government is in process of issuing formal GO for direct contracting with government agencies like VPKAS, ULDB, Sheep Board, Bamboo board etc. Work on pilot basis started with animal husbandry department at Uttarkashi. Otherwise professional hiring through EoI for action research sub-projects will be carried out as and when needed.	The mission suggests that NGOs may be interested and well as other government agencies. Mission may assist in drafting an EoI.
17. The Bamboo and Fibre Development Board should be supported to continue the work on	UGVS PMU	1 Sept 2013	Proposal received from Bamboo Board of Rs.9.37 lakhs for collection of nettle fibers from 2 federations	

Agreed action	Responsibility	Agreed date	Action Taken	SM remarks
nettle fibre that was being funded under ULIPH. Mr Sanjeev Nair in Delhi may be able to assist with bamboo.			(Kam Maharaja & Pindari Aajeevika) was sanctioned. A total of 20 qtls of Nettle Fiber will be collected and 50 ha area planted through federations in two blocks. The collected fibre will be processed at CFCs, established through Bamboo Board.	
18. Recruit a CEO and staff for UPASaC. GoUK will review ILSP plans for UPASaC and send some suggestions to IFAD.	PC ILSP	1 Dec 2013	The GO for recruitment of UPASaC staff has been issued by the GoUK on 21 st March 2014. Review of tasks of UPASaC done during AGM held on 26 September 2013. It was suggested by the Board that the tasks related to marketing should also be done by UPASaC.	UPASaC should stick to financing of enterprises and tasks related to marketing should be the responsibility of the other ILSP implementing agencies as per the project design.
19. Although it is proposed that UGVS and WMD will set up their own internal M&E units, revision of the project management structure may include a central M&E unit. In any case, a Planning and Monitoring Officer should be recruited for the CPCU to consolidate AWPBs, progress reports and other data for reporting to GoUK, GoI and IFAD. CPCU may also establish a third party monitoring system.	UGVS & WMD PMU. PC ILSP	1 October 2013	With reference to Staff GO issued by the State Govt on 21 st March 2014, Processes for third party monitoring are being prepared and further action being initiated.	The mission support the idea of recruitment of individual consultants to provide thematic reviews
20. Care is needed in developing an MIS to take on board the lessons of ULIPH & WMD, and to customise financial software to meet the reporting, auditing and statutory requirements of IFAD and the government.	UGVS PMU WMD PMU CPCU	1 September 2013	MIS developed & being implemented. Tally is also being customised as financial software to meet the reporting, auditing and statutory requirements of IFAD and the government.	The mission is pleased with good progress with the MIS, but has identified a few areas where improvements are needed. There is also a need for a system of quality checks for MIS data.
21. An agency may be contracted to assist in developing a Knowledge Management strategy and to train staff in KM processes.	PC ILSP	1 January 2014	Project has developed an online KM resource centre which is in use by the staff. Detailed strategy framing and staff orientation and training would be conducted through external agency once all staff is in place. ToR for hiring the agency is being prepared.	This is good, but more can be done with regards to KM
22. In selecting and developing sub-sectors for marketable crops and in other project activities, account should be taken of lessons from the recent disaster and the need to develop resilience to disasters.	UGVS & WMD PMU	1 Sept 2013	The marketing strategy for subsectors identified is taking into cognizance the lessons learnt from recent disaster. This will include supporting light weight infrastructure as part of collection centres. Value addition possibilities being identified in various sectors. Business plan for a finger millet bakery unit has been developed and funding is committed by GIZ.	The lightweight collection centres are a good idea. It may be useful to commission studies into value addition and market linkages, and to help in drawing up business plans.
23. Providing resources allow, two additional micro-watersheds in Rudraprayag district may be included in the WMD component of ILSP. This district has been badly affected by the disaster but these two watersheds were left out of both IFAD and World Bank supported projects.	WMD PMU	1 Sept 2014	Restructuring of ILSP has been approved by IFAD & GoUK. Project will work in total of 41 blocks of 11 districts. WMD has initiated steps to include micro-watersheds in entire State including Rudraprayag under Gramya Ph-II and Central Govt funding.	
24. To ensure that the project gets going smoothly and to deal with any outstanding issues, the PSC will	GoUK	1 Sept 2013	Proposal of FRDC to be the Chairperson of PMC with Secretary RD as Vice-Chairman approved in	

Agreed action	Respons- ibility	Agreed date	Action Taken	SM remarks
continue to be chaired by the Chief Secretary, with the FRDC chairing the PMC with Sec. RD as vice-chairman.			the PMC and PSC.	
25. ILSP will request IFAD to clear the use of project funds to contribute towards the cost of a new office for UGVS and other RD programmes. Although a new building has been planned, it may be quicker and more economical to renovate an existing building in the State Secretariat when the Secretariat moves to a new building.	PC ILSP	1 Sept 2014	Discussed this point in the wrap up meeting. The decision of GoUK in this regard is awaited.	It appears that it is unlikely that the new office building will go ahead

Appendix 9: Mission schedule and persons met

Date	Details
27 March	Arrive in Dehradun
	Meet Mr Vijay Kumar, Chief Project Director (CPD) of ILSP
	Meet Mrs Neena Grewal PD WMD
28 March	Meet UGVS PMU staff
	Meet Mr Vinod Fonia, Secretary Rural Developmen
	Depart to Almora
29 March	Visit Pragati SRC (Federation)
	Visit Maa Purnagiri Fwayat Sahkarita (Federation), Lamgarah
	Visit kuroiler rearer
	Visit Chetna SRC (Federation)
	Meeting with Almora DMU staff
	Overnight in Salt Block
30 March	Baseri Village, Salt block - see MilkIT activities and meet milk producers
	Musoli village, Salt Block - see MilkIT activities and meet milk producers
	Meeting with ILRI project coordinator
	Depart for Dehradun
31 March	Meeting and UGVS PMU staff and PD
1 April	Meet Mr M H Khan Chief Project Director and PD, WMD
	Meet UGVS PMU and PD
2 April	Workshop with UGVS PMU and district staff
	Meeting with Mr B P Pandey, ACS and Forest and Rural Development Commissioner
3 April	Meeting with Uttarakhand team for NRLM
	Wrap-up meeting with the State Government, chaired by Mr Subhash Kumar, Chief Secretary, Government of Uttarakhand.
4 April	Mission departs

Appendix 10: Audit log

No audits have been done so far

Appendix 11: Summary of implementation support provided by IFAD

Dates	Mission members
16-18 May 2012 (during JRM of ULIPH)	Edward Mallorie, Meera Mishra
1 to 15 October 2012	A M Alam - preparation of draft PIM
20 to 22 December 2012	A M Alam and Mr Sriram Subramaniam - revision of draft PIM
21 July to 7 August 2013 (during PCR of ULIPH)	Mr Edward Mallorie (Mission Leader), Mr A M Alam (Economist), and Mr Pratul Dube (Financial Management). Mr Sriram Subramaniam, IFAD India County Office, participated in the final meetings

Annex A: Report on Field Visit

29-03-14

Meetings with former ULIPH Federations in Almora district

These Federations are now being supported by ILSP

Pragati SRC (Federation)

September 2013 to March 2014 turnover is Rs1,285,000 and net profit is Rs45,000. In FY 2012-13 turnover was Rs1.8 million.

Federation activities include potato, fruit & vegetable marketing, and input supply. Most growth has been in pea and tomato, also potato. Potato seed is purchased from Himachal Pradesh to supply to members: 11 tons was purchased costing Rs400,000. Potatoes for human consumption grown by members are also marketed: 40 to 50 tons last year – but could not sell this year as the road was cut. Delhi wholesale market (mandi) not that easy to access for potatoes, but fruit mostly goes to Delhi. Farmers get paid 10% more if they sell in Delhi (net of transport cost).

A chit from Delhi mandi for apricot: sales of 4 kg @ Rs200 = Rs800, less deductions of Rs192, so net paid Rs608. Another chit shows gross sale of Rs1760 and net payment of Rs1186. These deductions, even allowing for transport, seem to be quite large.

Sales through Delhi mandi

	Kg	Price Rs	Amount Rs
Apricots	4	200	800
Commission		6.00%	48
other expenses		2.00%	16
Freight		12.00%	96
Labour		1.75%	14
tele and post		1.95%	15.6
DD ext		0.30%	2.4
total deductions		24.00%	192
Net amount paid			608
Another shipment			
Sales			1760
Deduction		32.61%	574
Net amount paid			1186

This federation has a mandi licence so can sell wherever they like. This costs Rs1000 per year (a refundable bond), and means they pay 2.5% mandi tax (but if no licence they would pay 6% tax if produce is not marketed at a mandi within the state).

In total 474 farmers are doing business with Federation, recently another 63 joined, and these are not SHG members.

An ICDS centre is operated by the Federation. The cost of buying food etc was Rs39,800, and it gets Rs55,000 from the government, making a profit Rs15,000.

The federation plans to sell Rs20 million of fruit, vegetable and potato next kharif season to Delhi. The federation pay farmers 5-10% of the value on the spot, then the rest when federation itself is paid (up to 15 days later). But the federation can give farmers an advance if needed.

Cattle troughs etc. – were funded by ULIPH, but are now built using convergence funding or at farmers' own cost. This year 15 farmers made troughs at their own expense, along with 37 polyhouses for vegetable nursery, tomato and capsicum, and 50 households have built LTPE tanks.

Main problem is water scarcity.

The federation is paying Rs15-20 each for printed cardboard boxes for fruit and vegetable packing. These replace Rs80 wooden crates.

The federation has started to sell woollens and hosiery procured from another state to its members.

The federation is building a collection centre with Rs100,000 from ILSP. Foundations etc will cost another Rs20,000. In addition the federation is building a new office at this location, as this is on its own land. This seems to be funded via the local MLA (a Minister) who is giving the federation Rs250,000 for a fruit processing unit. The plan is to make pulp to sell to processors.



Collection centre under construction

Nominated in 5th round of all India award for collective marketing – Citi Foundation

Maa Purnagiri Fwayat Sahkarita (federation), Lamgarah

Has been marketing milk for 4 years. 110 farmers supply milk now, 35 supplied milk last year. The increase is because as they have a milk quality analyser machine, which farmers say makes the process of selling more transparent. Farmers are getting a price on average of Rs26 per litre, the federation retails in Lamgarah at Rs30, and also has a shop in Almora town where the price is Rs32/litre. Currently collecting 110 litres per day – up to 175 litres in peak season, 110 litres in lean the season.



Milk collection and sales centre

Also sells cattle feed, grocery (packages tea), stationary

The federation has 589 members now, up on 470 last year – people have joined as they want inputs and groceries cheaper than in the market. The federation sells potato seed (8.5 tons was bought in Haldwani at Rs26/kg, and sold for Rs30/kg, - compared to about Rs35 in market). Sell some potato seed at slightly higher prices (than Rs30) to non-members.

The federation started selling cattle feed one month ago. So far 8 tons have been purchased and 6.5 tons sold. It is doing this as Aanchal (Uttarakhand Co-operative Dairy Federation Ltd. - the apex federation of district milk cooperative unions in Uttarakhand) is not providing good service. Buy feed from another federation nearby, which gets it from Tara Feeds in Haldwani

Turnover Sept-March Rs9.35 lk, net profit Rs37,000, last FY turnover was about Rs 12 lk

Problem – marketing of crops and fruits – middlemen mean lower prices. Members sell fruit via another federation and get 5-10% higher price. Better prices are obtained if fruit is sold in Delhi. HP fruit arrives later in the season and pushes down prices as it is of better quality.

Chetna SRC

Federation is linked to SHGs with 584 members, but has 384 direct shareholders – an increase of 27 this year, these are SHG members.

Federation business is in spices, cattle feed, calcium, ICDS (Take Home Ration - Rs384,000 in two months –Feb & March), millet, fruit, pulses

September 2013 to March 2014 turnover was Rs956,000, net profit Rs65,000, cattle feed sold was 28.9 tons for Rs317,300.



Federation sales centre

Sales September 2013 to March 2014.

		quantity	Purchase cost Rs	Sale value Rs	Margin Rs	Margin as % of cost
Cattle feed	quintal	289	317,300	331,890	12,150	3.8%
Calcium	litre	100	10,695	13,430	989	9.2%
Plastic pitcher				4,775	445	
Spices	kg	136	17,710	17,640	1,305	7.4%
Solar lantern	number	75	114,000	121,930	6,530	5.7%
Fruits	carton	107	7,186	8,180	965	13.4%
Potato	quintal	22	43,644	47,000	2,950	6.8%
Take home ration			333,348	384,217	47,319	14.2%
Citrus	quintal	4	4,675	5,100	425	9.1%
Tea	quintal	1	17,000	18,625	1,025	6.0%
Soap	carton	10	3,400	3,800	350	10.3%
Total				956,587	74,453	

Growth in the turnover of the Federation has been as follows:

	Rupees	2011-12	2012-13	2013-14*
Turnover		374,000	550,700	956,587
Profit		7,365	14,720	74,453
net profit				65,395

7 months only

These figures show an encouraging growth in sales and profit margins. However the following should be noted:

- Over half of the total margin in has been generated by the Take Home Ration of the ICDS programme. Although this is a useful source of income for the Federation, it would be safer if there were also other significant sources of income.
- The figures for "margin" are not always sales value less purchase cost. It is not possible to see how the margin was calculated.

- Although ILSP is paying for some staff for all Federations, Federation record keeping is reported to be inadequate by both Dr S K Rao (dairy consultant) and Mr H Chotani (management consultant).

The Federation is doing a household survey for a drinking water and sanitation project funded by WB, is being paid Rs200,000 for this work.

The main problem is fruit marketing, and members want to know what will happen in future with ILSP.

Meeting with DMU staff

Buyer-sell meeting was held last month in Almora – with both old federations and new blocks. Turmeric from a new block was sold via an old federation.

Staff feel insecure – will DMU staff continue? Will all posts or vacant posts be advertised? Worried that federation funds may be misused if old staff go. Support staff worried that they will be hired via an agency and get paid less.

Propose only to target BPL HH Existing SHG are covering almost all BPL HH. ILSP needs households interested in marketable crops, but 30% of BPL have no farm land, and 50% have no dairy animals.

Spices – planned to grind and market spices, but the federations found that customers at Delhi had liked un-ground spices. Plan an improved package of practices (PoP) to produce spices, grow local varieties and sell on contract to SOS Organics.

Paddy – sell to SOS Organics, with seed production of local varieties via TDC. ICDS centres like to use local paddy as it is said to be more nutritious. To improve paddy production, water management could be developed with NABARD or ILSP funds

Aanchal payment for milk and quality control is not transparent, and payment is often delayed. Aanchal only buys morning milk. Need milk marketing expertise.

30-03-14

ILRI MILKIT

ILSP is supporting groups involved in MilkIT. These groups are all SHGs formed by other agencies. In total 89 hh are being supported with grants of Rs4000 from ILSP for feeding troughs and shed improvement.

Baseri Village, Salt block

Farmer has local 2 cows (plus young stock), feeds concentrate 3 kg/head/day to milking cows. Cows calved in April 2013, one now dry, one almost dry, peak yields were 5 litres/day. Both in-calf via AI, calving dates August-September (ci=16-17 months) and November-December (ci=19-20 months). Feeding grass from the forest 2-3 km away – takes women 4-5 hours to collect 25-30 kg. The farmer wants to increase number of cows and says he will then buy straw from other areas as feed.



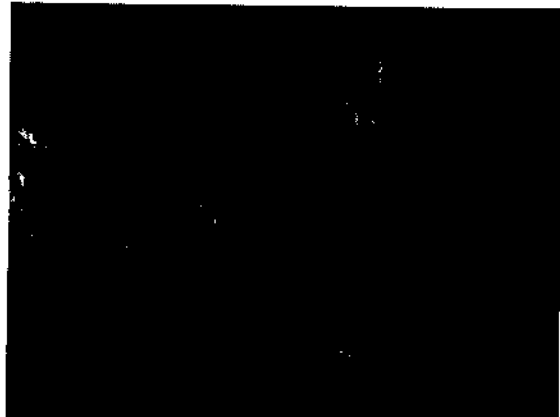
Poster advertising Open University Courses being supported by a Federation



Cows belonging to farmer interviewed (see left)

Milk collection centre – ILRI formed this as an Aanchal cooperative, has 43 members, of whom 39 have been supported by ILSP, and other 4 may be supported in future. At the moment 19 farmers are supplying 20 litres per day. Aanchal provides veterinary care.

BAIF and government AI centres are 15 km distant. Inseminators come to village on motorcycles when they are called. However AI services in more remote parts of the block are not so accessible to ILSP support for new AI centres seems to be justified.



Milk collection centre. Milk is delivered by farmers in the plastic bottles

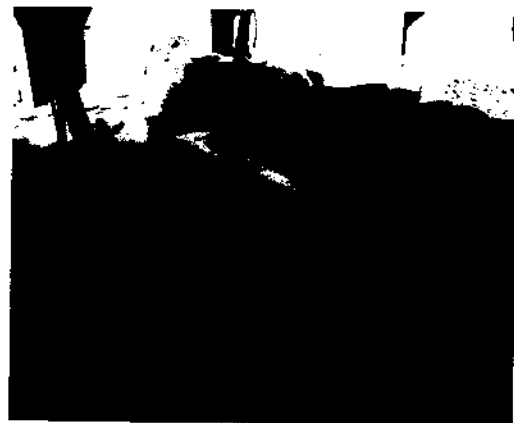
The leading milk producer in the village has 7 buffalo and 1 cross-bred cows (*see picture to the right*). He is not a member of the collection centre, and takes his milk to bazaar to sell - has a car, but the price (Rs30 for buffalo) much the same as Aanchal price



A total of 12 feeding troughs (cost around Rs4000 each) have been made by ILRI/ILSP, with at least 10 more built by farmers with their own resources.

Musoli village, Salt Block

There are 30 hh in the village, of which 20 are in an SHG (and 10 of these are BPL) and these 20 are all being supported by ILSP and are members of the collection centre. The other 10 would like to join but are not SHG members. All HH have buffalo and cattle, and there are 63 cows in the village. All 30 HH have feeding troughs and are improving cattle housing. All 30 use Aanchal feed.



Newly constructed feeding trough

To disburse Rs4000 per household as support for troughs and house improvement, the project has an agreement with the SHG and the SHG has agreements with members.

People are planning to grow maize and beseem as fodder. Bimal is suggested as a fodder tree.

There are many goats in the village.

Meeting with ILRI

The main thrust when developing the sector should be "innovation platforms" (IP) – basically a meeting of all stakeholders to identify bottlenecks and come up with possible solutions. The role for projects like ILSP is to support the facilitation of such a stakeholder meeting – which needs very good facilitators who, prior to the meeting would make a detailed situation analysis – which takes some months to do. After the stakeholder meeting considerable follow-up is needed and a project like ILSP can fund activities that fill gaps in what the different stakeholder can provide from their own resources. Feeding troughs did not work under ULIPH, but seem very popular in MilkIT/ILSP. Maybe ULIPH was pushing technology, while ILSP is pulling technology

Not much progress has yet been made on fodder production – as the IP approach waits until farmers really want/need fodder. However it seems difficult to get seed for some types of fodder. There is potential to improve privately owned grass land via grazing management and fertilisation. Napier is very good but needs replanting after about 5 years as sugar content of the roots gradually increases so it gets dug up by wild pigs.

Although in general breeding should be via AI, there may be a need for some buffalo bulls

Collection centres are not yet collecting much milk, and this small volume means they are not sustainable for Aanchal or for the milk producers' cooperative. However ILRI is confident that the milk volume will be up to a viable level within two years

Besarbagad collection centre is doing well, but is 3 km from road. Some improvements to the access path are being made, but ILSP might consider further upgrading.

Himmothan (SRTT): Chirag has a feedmill - Himmothan supported – but its dairy feed is more expensive than imported feed (but its poultry feed is cheaper). Himmothan gives a heavy subsidy to a local dairy cooperative. It is promoting tree fodders and dual purpose wheat – the latter seems to be good. Chirag want to replicate the IP approach with Himmothan funding.

Innovation – working with existing animals is a new approach for IFAD projects. However once producers see the potential of milk production, they want additional animals. They need access to loans for this, which ILSP needs to facilitate. There may be a role here for UPASaC

Annex B: Project Management and Other Issues

1. Staffing

Table 1 shows the numbers of staff that are planned and now in place for the CPCU, UPASAC and UGVS (PMU and divisional units). In total 168 staff are planned, of which 103 are currently in place and 65 will need to be recruited. The Government has now approved 149 posts - this same number as the 144 staff that for ULIPH had plus 5 for the CPCU. To reach 168 staff, the government will need to approve an additional 19 posts on top of the 149 now approved.

The current staffing position is not as good as the total numbers suggest. Table 1 shows that most of the junior staff (project assistants, attendants, security guards and drivers) are in place, while most senior positions are not filled. Overall, almost half the planned staff are in junior positions, a rather high ratio, but there is only a single junior post (security guard) for each of 4 new units planned for the three new districts (Dehradun, Rudrapayag and Pithoragarh) plus an additional office for Almora where a large number of blocks are to be covered. These four new units will be relatively small (7 as against 18 staff, and may need some more junior staff - but these might be transferred from other offices). It should be noted that the ILSP design document proposed 178 staff in total for the CPCU, UPASAC and UGVS, but this was before UGVS works was scaled up following restructuring of the project.

Table 1: CPCU, UPSAC and UGVS staffing

Unit	Total planned			Now in place			To be recruited		
	senior	junior	Total	senior	junior	total	senior	junior	total
CPCU	4	1	5	2	0	2	2	1	3
UPASAC	8	2	10	3	2	5	5	0	5
UGVS PMU	17	17	34	9	13	22	8	4	12
Almora	7	11	18	4	10	14	3	1	4
Bageshwar	7	11	18	3	10	13	4	1	5
Chamoli	7	12	19	4	12	16	3	0	3
Tehri	7	11	18	5	10	15	2	1	3
Uttarkashi	7	11	18	5	11	16	2	0	2
New units*	24	4	28	0	0	0	24	4	28
Total	88	80	168	35	68	103	53	12	65

*four units - one in Almora district and one each in the three new districts allocated in the restructuring of the project.

Once UGVS Technical Agencies come on board, a large number of their staff will need training and orientation. This will stretch the capacity of the limited number of PMU/DPMU staff may result in further delays. To avoid this, a specialised agency may be hired for training of TA staff. The TA agency should also have flexibility to hire additional staff and to carry out activities that are not included in their detailed ToR. To cater for this, the contracts with TA should include a clause saying that the TA will, by mutual agreement and for an agreed additional payment, carry out any other activities requested by the PMU.

For component 2, WMD had 118 posts approved via GO in November 2013. Staff were posted from February 2014 and 63 are now in place with 55 posts vacant (see Table 2). Of these 55, WMD proposes to recruit 38 contract staff. In addition 7 specialised consultants, 3 audit, 20 junior staff need to be approved by the state government.

Table 2: Staffing for Watershed Development Component

	Name of the Post	Total Sanctioned Post	Post occupied	Vacant Post	Posts Proposed to be filled by Contract
1.	Deputy Director (Project)/ Deputy Project Director	3	3	-	-
2.	Assistant Conservator of Forest *	2	1	1	-
3.	Agriculture/ Horticulture Officer	3	1	2	2
4.	Veterinary Officer	1	-	1	1
5.	Forest Ranger/ Subject Matter Specialist/ Unit Officer (As per Departmental Pay scale *	9	6	3	-
6.	Additional Statistical Officer	3	-	3	3
7.	Administrative Officer *	2	1	1	-
8.	Deputy Forest Ranger *	3	2	1	-
9.	Junior Engineer (Civil)	3	-	3	3
10.	Junior Engineer (Agri./Technical Assistant Soil Conservation)	2	-	2	2
11.	Draftsman*	2	1	1	-
12.	Surveyor *	2	1	1	-
13.	Assistant Development officer (Agri. Horti. Animal Husbandry)	9	2	7	7
14.	Livestock Extension Officer	9	3	6	6
15.	Forester *	9	5	4	-
16.	Assistant Agriculture Inspector	9	7	2	2
17.	Assistant Soil Conservator Inspector	9	4	5	5
18.	Forest Guard *	9	4	5	-
19.	Assistant Accountant	3	1	2	2
20.	Head Assistant	1	1	-	-
21.	Senior Assistant	3	3	-	-
22.	Junior Assistant	3	4	-1	-
23.	Driver	3	-	3	3
24.	Tracer *	1	-	1	-
25.	Peon/ Watchman /Orderly Gardner	15	13	2	2

2. Monitoring and evaluation.

(a) Management Information system

The CPCU and UGVS have set up a computerised MIS. Some glitches need to be ironed out, particularly in the recording of number of households participating in the project. Data includes profiles of individual households with 250 data items being collected for each household. This causes problems for field staff and the PMU is, rightly, concerned that they are collecting too much information which will be of doubtful quality and limited use. The PMU consulted IFPRI for advice on this issue, and were advised to collect even more data. The objective of such profiles is to provide brief details of participating households to be able to identify them, to provide a check on targeting, show current group membership and access to finance, and get an impression of current livelihoods and resources (land and livestock). The latter information will help in identifying priority sub-sectors for development in village clusters.

The objective of a participating household profile should not be to collect information on indicators of livelihoods, well-being and poverty as a baseline for later impact evaluation. This has been attempted

by other projects but it was found not to be useful as: (i) the amount of data collected overloaded the system, so it could not be computerised or tabulated; and (ii) the quality of data was poor, being collected by field organisers rather than trained enumerators. ILSP is proposing to carry out RIMS and socio-economic baseline surveys, so there is no need to duplicate this information via household profiles. A suggested list of information for a household profile is shown in Table 3. This has 40 items of information to be collected, but could, if wished, be cut down to less than 30.

Table 3: Information to be collected as household profile

Name	Household size:	Land area owned
Father/husband name	Adults	Land area cultivated
Village	Children (up to 16 years)	Irrigation available (y/n)
Gram Panchayat	Occupation of hh head	Livestock - number owned
Block	Gender of hh head	Cattle
District	Member of SHG (y/n)	Buffalo
Identity card number	Agency sponsoring SHG	Sheep
Voter card number	Member of other group (y/n)	Goats
Aader card number	Type of other group	Poultry
Ration card number	Agency sponsoring other group	HH member migrates to work
Job card number	Bank a/c (y/n)	Earn from tourism (y/n)
Mobile phone number	Post office a/c (y/n)	Have a non-farm enterprise
Category: APL, BPL, Antyodaya	Has a KCC (y/n)	Main source of hh income
June 2013 flood - lost assets?		Second source of hh income
June 2013 flood - lost income?		

(b) RIMS baseline survey

A RIMS baseline survey is planned. It is suggested (and agreed by IFAD) that this only cover component 1 of the project as this will have the vast majority of participating households. The RIMS survey methodology is under review by IFAD with suggestions that a control group be included and the questionnaire be modified. Both the RIMS and socio-economic impact surveys should delay the collection of baseline data until a reasonable number of people are in producer groups in the the new ILSP component 1 areas. Given that IFAD is now suggesting that RIMS surveys include a control group, the following sample design may be considered:

- Project 40 village x 10 hh (=400 total) in new UGVS blocks only, with members of PG members being interviewed
- Control – 40 villages x 10 hh (=400 total) in non-UGVS blocks (non-ULIPH and non-ILSP), with villages in watersheds covered by ILSP or Gramya 1 & 2 also being excluded.

Given that the ULIPH RIMS surveys generated only a limited amount of useful data, and that IFAD is considering changes to the current questionnaire, the questionnaire for the RIMS survey may be modified from its current form. IFAD should be able to provide advice on this once it has decided on a redesigned questionnaire.

(c) Thematic survey of Federations

There is no need for an AOS yet, but a surveys of farmer practices, problems and marketing would be useful. The PMU is proposing a thematic survey of existing federations and the outcome of their services to members. This could involve two parts: (i) collecting more detailed information on the activities, management, governance and financial performance of each of the existing 53 federations; and (ii) a questionnaire survey of a sample (say 250, 5 members from 50 federations) of federation members. Key indicators for the questionnaire survey could include:

- Length of federation and SHG membership
- Use of Federation services – input supply, product marketing, household goods and other services
- Other channels used to provide these services
- Prices of inputs and outputs via federation, and comparative prices for alternative channels

- Changes in volumes of sales and input purchase over time, and change in use of Federation relative to other channels
- Change in income over time
- Satisfaction with federation services, federation governance, contact with federation leaders
- Which of the federation services are most useful, what other services should be provided
- How could the existing services be improved

This survey of Federations is along the same lines as that already suggested by Mr Harish Chotani, the UGVS Management Consultant for the rapid assessment of Federations -- although this proposal has an expanded and more formal questionnaire survey of Federation members. Mr Chotani suggests this work could be out-sourced to a consulting agency, which is probably correct given the current level of under-staffing of UGVS.

(d) Baseline information on new areas and sub-sectors

As activities start in new areas, it would be useful if TA (or other agencies) do a baseline data gathering in the village clusters selected for initial implementation of value chain development. This would aim to (i) understand current situation in the key sub-sectors and plan ILSP interventions; and (ii) provide the TA with an understanding of the situation of farmers as it starts its work in the area. Examples of information to be collected for milk production and crop/spice sub-sector clusters are as follows:

Baseline information – milk producers

- i. Number of cattle/buffalo owners and number of milk producers and sellers in the village,
- ii. For each milk producer (or a sample of milk producers):
 - Number, type, breed of animals owned
 - Maximum milk production for each dairy animal and length of lactation
 - Equipment: feeding trough, chaff cutter, milk churns, stainless steel buckets
 - Milk marketing – amount of milk and milk products sold, marketing channels, prices,
 - Feeding: types of fodder used, grains, purchased feeds and fodders
 - Health: vaccination, deworming, health problems, treatment given
 - Breeding – artificial insemination services, bulls
 - Economics: approximate annual income from sales and expenses on feed, health and breeding
 - Loans taken in the past to buy animals, any current loans
 - Problems, future plans, interest in joining a producer group

Baseline information: crops or spices

- i. Number of producers and areas grown for each type of crop and spice in the village
- ii. For each producer of key crops and spices (on which ILSP will focus)
 - Total area of land cultivated and area irrigated
 - Area of the focus crop or spice
 - Season of growing – dates of sowing, transplanting and harvest
 - Method of cultivation: land preparation (animal plough, machinery etc), plant/row spacing, cropping sequence and mixed cropping
 - Inputs: manure, compost, mineral fertiliser, irrigation, seed, hired labour etc
 - Pests and diseases: type of pests/diseases, wild animal damage, and control measures
 - Yield of crop and by-product
 - On-farm processing of crop or spice – cleaning, drying, grinding etc
 - Input supply channels and prices paid for inputs, transport costs
 - Amount of crop marketed and amount retained for home consumption
 - Marketing channels and prices
 - Economics – cost of inputs and cultivation, value of production, profit margins
 - Changes over the last 5 or 10 years in marketing, input use, and cultivation methods
 - Trends over the last 5 or 10 years – soil fertility, diseases, pests, wild animals, rainfall, temperature, yields, profit margins (and reason for change in yield and profit),

- Factors that limit production – in terms of area grown and yield. Issues of cropping calendar and mixed cropping
- Main problems and plans for the future – interest in increasing production and sales.

This list could be adapted for OSV and fruit.

(e) Knowledge management

With a number of interesting innovations already in the field (MilkIT, Federation activities), and others planned, there are good opportunities to generate and disseminate knowledge, and to build on the considerable KM achievements of ULIPH. Some guidelines for writing case studies are in Attachment 1, and the PMU has been given documents on how to write clearly in English and how to take photographs. Advice on making and using videos is available at: <http://ictforag.org/video/>.

3. Dairy Development

As recommended in the last ISM, the PMU hired a consultant to draw up plans for dairy development. This consultant, Dr C K Rao, only had a one month input (rather less than the three months that was envisaged), and was not able to meet the ILRI coordinator for MilkIT - which is playing a major role in shaping ILSP's approach in this sector. Overall the report is rather thin and poorly laid out. It fails to provide much secondary data - such as the scale of outreach and volumes of milk of other dairy sector initiatives (ULDB, Aanchal, Himmothan and RAD. However it does identify problems of seasonal fluctuations in supply and demand and also seasonal fluctuations in the availability of staff at Aachal processing plants.

Regarding Artificial Insemination, the report has no background information on each of the agencies providing AI services, with numbers of centres in each district, number of inseminations, number of calves born etc. However the report does mention some issues with AI services, and that PIAW (private AI workers) make as much income from animal curative services as from AI, and they also earn further income from other health services (castration, deworming and vaccination). The report states that animal health services provided by PIAW are not of good quality, and many farmers use traditional medicines – which also do not work well, and so mortality rates are high. The report recommends that AI should adopt good practices of BAIF – the BAIF support and incentive package is better than that of ULDC and their centres do more inseminations.

On feeding there is concern about loss of grazing land due to conversion to crops – which seems to fly in the face of evidence of crop land being abandoned. Is the forest area area increasing? The report also seem to think Napier grass has not been adopted except in one pocket – where it gives good results.

ULIPH (now ILSP) support for the dairy sector comes in for some criticism. In Yamuna valley milk marketing stopped when project (ULIPH) stopped paying transport costs and CRPs. ILSP supported milk marketing via Federations is poor, with little use of chillers, poor records and poor hygiene. The ex- ULIPH mini-dairy units perform badly – low milk yields, poor cow health, and a low conception rate. Cow sheds are poorly ventilated and drained.

Recommendations for dairy include:

- Capacity building of PIAW and farmers.
- Better PIAW incentive structure and better monitoring
- Calf/heifer rearing programme, starting with a baseline survey
- Feeding: ILRI wheat and barley, try azola, fodder trees, complete feed blocks from ULDC
- Milk marketing group business plans, records, training, technical support – need a technical officer in each district and outsource to an experienced dairy development organisation
- Link to RKVY providing cows on 50% subsidy, NABARD – but in general do not go for importing animals
- Vaccinate, especially for FMD
- Monitor any improved animals
- Improve sheds
- Herbal remedies can be good for some ailments

ILSP should take these suggestions on board when drawing up its plans for dairy sector development, along with scaling up the work of MilkIT. Further consultancy would seem to be useful in milk marketing and, in particular, to draw up an action plan to improve milk marketing via Federations. In addition to Dr Rao's findings, PMU staff report management problems at collection centres run by Federations. There is also a need to draw up business plans for the 48 AI centres (33 old and 15 new) that it is proposed that ILSP support via ULDP.

4. Marketing of produce via Federations

The mission visited three Federations in Almora and information on their marketing activities is in Annex A. The PMU reports the following between September 2013 and February 2014:

Direct linkages with mandis and other wholesalers

1. Federations of Chamoli, Almora & Uttarkashi sold Potato (Rs.10.91 Lakhs)
2. Federations of Almora, Uttarkashi, Chamoli and Tehri sold Soyabean (Rs. 10.45 lakhs)
3. Federations of Tehri sold vegetables (Turnover Rs.0.21 lakhs)
4. Federations of Uttarkashi & Chamoli has explored Gujarat Market for Ramdana (Amaranth) (Rs. 64.6 Lakhs)
5. Federation of Chamoli has explored Delhi Market for Kutki (Rs.1.20 Lakhs)
6. Federation of Tehri, Chamoli & Almora sold Finger Millet (Madua) (Rs. 3.41 Lakhs)

Retail Marketing: Federations are initiating retail marketing in city like, Dehradun, Gopeshwar, Purola, Almora and Bageshwar to maximize the producer's margins. Major commodities like Potato, Garlic, Pulses, Turmeric, Rajma, Chili Powder etc. was sold through this intervention. (Rs.3.14 lakhs). In addition Federation produce worth Rs4 lakh has been sold via the ILSP office in Dehradun in a 3 month period.

But some efforts which could not be up scaled:

- Bulk order received from Trade India (e-marketing portal), but due to the huge quantity of produce requirement of buyers, federations were not able to fulfil the requirements. Spices, medicinal plants, rajma, 100 q of kutki (1.56 available)
- Mandi Samiti had proposed to ILSP for Federation acquire marketing collection centres in Dehradun and Joshimath, but issues faced were related to the marketing centres not located near project federation, issue of round the year supply of products etc.
- Efforts has done to explore sales through Dehradun Mart (e-marketing company), situated in Dehradun, but could not be up-scaled. This was for pickle, shampoo, soap

Tasks to be done in future:

- Data base of buyers, transporter, input suppliers and producers of each district is being documented to strengthen the backward and forward linkage of federations.
- Communication material is being designed to enhance decision making capacity of federations. Prepared for peas explaining value chain, so give copy to Federation and then they use to when giving training for which they earn fees
- Increase retail sale network to maximize the profit margin of producers.
- Low cost and quick to install collection centre infrastructure (also low cost) is being explored.

Table 4 below gives a breakdown of Federation sales in each district over a six month period. Total sales amount to Rs18.2 million, of which Rs7.2 million was from Uttarkashi district, with large sales of traditional crops (especially amaranth) and off-season vegetables (especially potatoes).

Over the last year the trend in Federation sales has been increasing diversification of products. There have been significant increases in sales of soya and amaranth (and also milk and potatoes). Retailing of goods to members has also grown, while finger millet (madua) and kuroiler has been more or less static. Growth is now expected in peas and tomatoes.

Table 4: Major Value Chain Wise Turnover In Federation (September 2013 to Feb 2014)

	Commodities	Bageshwar	Almora	Chamoli	Tehri	Uttarkashi	Grand Total (In Rs)
		Turnover (in Rs)	Turnover (in Rs)	Turnover (in Rs)	Turnover (in Rs)	Turnover (in Rs)	
Spices	Chilli	13,965	312,760	26,200		67,772	
	Coriander			27,200			
	Turmeric	57,251		23,700			
	Garlic	325		10,830			
	Ginger	16,570					
						17,576	
Traditional crops	Madua		60,000	257,206		24,000	541,146
	Amaranth	1,252		1,649,370		4,816,595	
	Soyabean	3,150	265,625	593,813		182,827	
	Pulses(Rajma, Gahat, Black soyabean)	19,362		88,313		530,506	
	Red Rice					347,442	
OSV	Potato		235,446	173,000	50,000	632,979	1,091,445
	Cauliflower		53,120				
	Pea					61,506	
	Aarbi					21,055	
Dairy	Milk	865,279	336,000	404,824		288,000	1,894,103
	Ghee	26,905		1,000			
Kuroiler	Kuroiler	189,440	86,680		553,000		829,120
Weaving	shawl, stole, sweater, cap etc.		260,440				260,440
	Hosiery				81,583		81,583
Other (RNFS)	Agri equipment & input marketing	392,685		100,000	769,100	146,120	1,307,905
	Drudgery reduction-Ganga Gagar	65,000				9,900	74,900
	Non-conventional energy - solar lantern	42,000	90,000				132,000
	Cattle feed /poultry feed		548,510				548,510
	Woolen Garment	26,820					26,820
	Tata Tea Marketing	400,581					400,581
	CFL	422,657					422,657
	Education centre (Open University)		235,782				235,782
	Village Ind.(Spices, flour grinding etc.)		330,500				330,500
	Mobile top up & recharge		33,690				33,690
	Resin trading		38,695				38,695
	Stationary		22,930				22,930
	Cable service						
	Training on Business development					24,000	24,000
Daily consumption		504,310			9,000	513,310	
Eco tourism	Village Home stay	234,552	28,547			263,099	4,213,289
Grand total		2,777,794	3,443,035	3,355,456	1,453,683	7,179,278	18,209,246

5. Innovation and action research

Progress on the Innovations Linkages sub-component would be accelerated by a "Challenge Fund" approach to engage agencies to implement small action research sub-projects with ILSP groups. Applications would be invited (via an advertisement and other publicity) for qualifying agencies (such as State and Central Government agencies, universities, NGOs, cooperatives and maybe private companies) to submit proposals for action research pilot projects. These projects would involve working in the field with members of ILSP groups (producer groups, federations etc.) and proposals could be selected on the basis of:

- Being an innovation
- Would significantly improve the livelihoods of small farmers or rural households in the hills of Uttarakhand
- Have a good chance for sustainability on the basis of economic viability, availability of markets, inputs and any support services needed, and would also be socially and culturally acceptable.

The invitation to submit proposals would state: (i) the number of sub-projects to be selected (for example – three); (ii) the amount that would be offered for each subproject (for example, Rs60 lakh); (iii) expected duration (say two years); along with (iv) fund flow, monitoring and reporting arrangements. A proposal form would be drawn up to assist applicants and make it easier to compare proposals. A selection panel would be established including independent experts who would rank proposals with highest ranked being selected for implementation. This process can be repeated for further rounds of sub-project selection, with the number and size of sub-projects being changed if needed, along with selection criteria. The types of institution that qualify can also be changed.

An example of a project using a change fund approach can be found at www.shiree.org – although this is on a much larger scale than is being proposed for ILSP.

Areas where innovation may be useful includes tools and small machines that are suitable to the needs of farmers in hill areas. There is also potential for innovation in terms of types of enterprises - such as the new idea of rural BPO enterprises (www.business2rural.com), and the use of CSR funding.

6. Proposed studies

(a) Marketing studies

It appears, from a brief visit to a Federation in Almora, that there are significant costs in marketing fruit and vegetables to Delhi mandi (wholesale markets). Total deductions on one batch of peaches were 24% (of which 12% was transport) and 32% on another batch. In addition the Federation seems to have had to pay 3% "mandi tax". Federation management and farmers say that net prices in such sales are better than they would otherwise get - such as selling via the mandi at Haldwani in Uttarakhand. Notwithstanding this, and the fact that these deductions were for very small lots (only 4kg in one case), it does seem that it may be possible to reduce marketing costs.

The objective of this study is to identify the potential to improve producer prices by changes to marketing channels and other marketing practices. The study should start with a thorough review of available data and reports - including those commissioned by the GIZ RED project and by ADB. The study team would then interview actors in the market chain - producers, traders and retailers - including traders in production areas, mandis in Dehradun, Haldwani, Delhi and possibly elsewhere, and retailers. The study would also have discussions with agribusiness to see if direct marketing (including contract production) could improve net returns to producers.

In calculating the share of the retail price that accrues to producers the study would take account of losses in volume and product quality that occur while produce is moving through the marketing chain. An example of such a calculation is in Table 5 below.

Table 5: Calculation of farmers' share of consumer expenditure

		Product price Rs/kg		Volume	Total value	
		Unit price	producer share ¹		Value ²	producer share ¹
Farmer		15	100%	100	1500	100%
Losses	10%					
Wholesale		20	75%	90	1800	83%
Losses	10%					
Retail		30	50%	81	2430	62%
Losses	20%					
Consumer		45	33%	65	2916	51%

¹ farmers' price or value as % of wholesale/retail/consumer price or value
² unit price x volume

It is suggested that the study is limited to a small number of specific commodities - such as temperate fruit (peaches, plums apples, pears). If useful information and ideas are generated, then the study could be repeated for other products. The risk of trying to cover too many products should be avoided as this is likely to result in only superficial findings that do not result in much useful new information.

(b) Study of indirect losses from the flood disaster

The direct losses of life, property and productive assets in the disastrous floods of June 2013 have been well recorded and documented. What does not seem so well known is the loss of livelihood that came about indirectly due to the disruption in communications resulting in loss of access to markets and supplies of inputs.

The study would investigate these indirect losses which could cover a number of products in some specific village clusters that were affected by the floods (although they did not suffer significant direct losses). Disruption of access to market could result in the following losses:

- lower prices due to additional transport costs via another route
- lower prices due to need to sell locally
- lower prices due to loss of quality arising from delays in marketing
- reduced volume of sales as market access is impossible, resulting in product being unsold with no alternate economic use (and so rotting on the tree or in the ground).
- delays in sales resulting in need to borrow money
- non-availability of inputs (including labour) resulting in reduced production and consequent loss of profits for farmers and wages for workers.
- reduced volume of production as farmers do not plant crops for the market due to loss of market access, with consequent loss of profits for farmers and wages for workers.

The study would attempt to identify which of the above losses have occurred (or any other type of loss), and quantify these losses in terms of volume of different products affected and the financial value of losses. This assessment would cover a number of village clusters (or Gram Panchayats) in and also estimate the numbers of households affected

Attachment 1

Guidelines for the preparation of case studies

1. Introduction

Case studies are useful in recording the impact of the project on individual households and project groups. Case studies can be used to illustrate how changes that may be identified in project outcome and impact surveys have come about. Such case studies can be used in project reports and in project and IFAD newsletters. Projects may produce booklets of case studies to illustrate project achievements.

Although case studies tend to be stories of success, case studies can also be very useful in explaining why interventions have not worked and the anticipated results have not been obtained. Such case studies have been used to investigate complex interventions, such as support for enterprise development, where it is difficult to rely on objective indicators measured via sample surveys. For example, project field offices could be asked to each prepare a case study illustrating a success story and a case study where success has not been achieved ("failure" may be too strong a word). A project-level workshop would then be held where these studies would be presented, the reasons for success and failure identified, and lessons learned for future implementation.

To emphasise that this is a real story from the field, it can be useful to give a voice to the respondent by quoting an actual sentence spoken by the respondent in the interview - for example *"My life has now completely changed, I can afford to educate my children, I travel to the town for shopping and to visit the Veterinary Department, and people in the village now ask my advice on how to look after dairy cows"*.

It will be useful to collect the phone number of the person being interviewed so that any facts can be clarified after the field interview is complete.

There is good advice on how to write case studies in clear English in the IFAD booklet "Tips on how to write clearly for newsletters, publications and websites". This can be sent to projects via email. However project staff who have limited English language skills should not be discouraged from writing newsletters - poor English can be improved at the editorial stage and stories can be translated from local languages.

The checklists below list the information that can be included in case studies of households and groups. However the contents of a case study may vary, and not all the information shown below will be needed for every case study. Photographs will also be needed for case studies included in newsletters and other publications. A set of simple guidelines on taking such photographs is also available.

2. Checklist for case studies of individual households

Case studies are useful in recording the impact of the project on individual households and members of these households.

1. Background

- Location (district, block, village)
- Phone number
- Name of agency implementing the project at the field level
- Respondent's details: age, education, marital status
- Head of household's details: age, education

2. Status before involved in the project

- Income source/occupation of head of household and other household members,
- Children (number, age, gender, school attendance and source earning/occupation)
- Membership of any group (SHG etc.) prior to being involved in the project

- Indicators of livelihoods before involved in project: land ownership, land leased in, livestock and poultry, quality of housing, food security, health, social position
 - Barriers to economic well-being and social status
3. Start of involvement in project
- How heard about the project
 - Reason why got involved in the project
 - Approximate date of joining
4. Savings and credit (if applicable - such as for an SHG):
- Credit: number and sizes of loans received, uses of each loan
 - Savings: weekly savings, current net savings.
5. Training: training received from project (type, duration, and approximate date of each type of training). Respondent's opinion on the usefulness and practical application of training.
6. Other support: contact with project field staff and community resource persons, demonstrations, construction of infrastructure, provision of equipment, knowledge gained on technology and on social issues, other support (such as in education, health etc.)
7. Income generating activities supported by the project, or coming about as a result of project interventions:
- Investment in productive assets - type of assets and amount of investment,
 - Size of enterprise - area of crops, numbers of animals etc.
 - Annual production, annual income, annual profit (this may have increased over a number of years).
 - Participation of household members in enterprise, hiring of outside labour.
 - Sources of inputs and how products sold (have these changed?), sale prices (has this improved).
 - Enterprise performance data (e.g. crop yields, milk yield, egg laying percentage, animal mortality etc.) - have these improved?.
 - What problems were faced in developing the enterprise? Have these been overcome? If so, how? What problems remain?
8. Current family status
- Changes from pre-project situation such as change in husband's occupation, births and deaths of household members, household members leaving home (on marriage or migration), current education of children.
9. Changes resulting from participation in the project (impact):
- Increased income and use of this income
 - Changes in own and husband's occupations, diversification of income sources
 - Education of children (increased expenditure?)
 - Assets acquired (land, livestock, other productive assets, household assets)
 - Improved access to financial services - savings, less use of moneylender
 - Improved housing, water supply, sanitation
 - Food security - changes in quality of diet and period of food insecurity
 - Changes in social status in community
 - Changes in household gender relations and decision making
 - Changes in mobility of women (visit to markets, town, wife's family etc.)
10. Future plans and needs
11. Authors of the case study:
- Who collected the information and wrote the case study (names, positions, organisations).
 - Who took the photographs
 - Date information collected.

3. Checklist for case studies of project groups and communities

Case studies are also useful in recording the impact of the project on a group, collective enterprise, or even an entire village.

1. Background

- Location (district, block, village)
- Phone number
- Name of agency implementing the project at the field level
- Name of the group, enterprise or village
- Number of members in group, or households in the village

2. Status before group or enterprise established, or village was involved in project

- Main sources of income or occupation of group members / villagers,
- Barriers to improving livelihoods and economic well-being

3. Start of involvement in project

- How heard about the project
- Reason why group formed or enterprise started
- Who was instrumental in starting the group or enterprise?
- Approximate date of starting

4. Savings and credit (for an SHG):

- Credit: numbers of members who have taken loans, cumulative number of loans and amount lent, number and amount loans currently outstanding, interest rates
- Borrowing from banks: name of banks, loan application and approval process and associated issues, numbers of loans and amount borrowed, amounts current outstanding, interest rate paid
- Savings: weekly savings, current amount in SHG bank account

5. Support from project: capital grants, training, technical support. Respondent's opinion on the usefulness and practical application of training and technical advice.

6. Other support: grants and other support from other agencies and the private sector.

7. Enterprise development

- Investment in the business - type of assets purchased or built, amount of investment, and sources of funds (including grants, loans and member contributions).
- Size of enterprise - area of crops, numbers of animals etc.
- Annual production, annual income, annual profit (this may have increased over a number of years - so a table showing production, income, expenses and profit for each year would be useful). Loan repayment and interest should be shown separately.
- Participation of members in the enterprise, hiring of outside labour.
- Sources of inputs and how products are sold (have these changed?), sale prices (has this improved). Are crops or other materials are purchased from farmers who are not group members? If so, how many farmers? This also applies to service provision enterprises such as machinery hire.
- What problems were faced in developing the enterprise? Have these been overcome? If so, how? What problems still remain?

8. Changes resulting from development of the group, enterprise or village (impact):

- Increased income for members
- Improved access to financial services - savings, less use of moneylender
- Improved living standards and food security
- Improved marketing and input supply services

9. Future plans and needs

10. Authors of the case study:

- Who collected the information and wrote the case study (names, positions, organisations).
- Who took the photographs
- Date information collected.

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