



Investing in rural people

India

Supervision mission report 2017

Supervision report

Main report and appendices

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A. Introduction¹

1. The Integrated Livelihoods Support Project (ILSP) is being implemented by three Project Implementation Agencies (PIAs) comprising Uttarakhand GramyaVikas Samiti (UGVS), Project Society for Watershed Management Directorate (PSWMD) and Uttarakhand ParvatiyaAajeevika Sanvardhan Company (UPASaC). IFAD Executive Board approved the project on 1 November 2011, which became effective on 1 February 2012 and is expected to be completed on 31 March 2019 with loan closing on 30 September 2019. ILSP is financed by an IFAD Loan of SDR 56.7 million (USD 89.9 million as estimated at the time of loan negotiation which currently works out only USD 82.75 million), together with USD 48.0 million contribution from the Government of Uttarakhand (GoUK), USD 10.9 million 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 by enabling rural households to take up sustainable livelihoods integrated with the wider economy.
2. IFAD fielded supervision mission team from 12 September to 27 September 2017. The mission met senior officials of GoUK, UGVS, PSWMD, UPASaC, the project team in the three PIAs and various stakeholders in different districts in Kumaon and Garhwal divisions. This report summarises the findings and recommendations of the mission that have been discussed and agreed with all the three PIAs and then presented at a wrap-up meeting with the Project Steering Committee, chaired by Mr. S. Ramaswamy, Chief Secretary, GoUK, on 26 September 2017.

B. Overall assessment of project implementation

3. The overall project implementation is rated as Moderately Satisfactory (Score=4 out of 6). The project after a delayed start-up of 2 years is endeavouring to build momentum and accelerate implementation in the last 18 months. 70% of the project budget remains unutilised with about 19 months remaining for project completion. The IFAD loan disbursement rate as on 15 September 2017 is 34% (excluding initial advance). While community mobilisation has taken place to a large extent, the work in new blocks is about to start. A large part of watershed related work is to take place from this year till project completion.
4. **Outcome 1: *Food security and livelihood enhancement***- UGVS has achieved 90% of outreach target (92666 households) by August 2017. Of the households covered in the Annual Outcome Survey (AOS 2016), 78% adopt improved technologies (target 75%), 51% report improved farm output/yield (target 75%), and 88% report food sufficiency (target 90%). 63% households attributed better market access and income from sale of produce to project interventions. Recycling first year support along with their monthly savings by PGs/VPGs for their cropping needs has become a stable feature of their working. The performance in achieving the expected outcomes is rated Moderately Satisfactory.
5. **Outcome 2: *Participatory Watershed Development is being implemented by WMD***. While water and soil conservation measures are improving crop and livestock prospects, improved agronomic practices are improving productivity. The outreach performance of this component continues to be 67% (14,165 households). AOS indicates that 44% to 86% households report adoption of different improved agricultural technologies (target 75%), 35% and 64% report improvement in farm output/yield respectively (target 75%) and 47% report income from sale of produce (target 50%). 1462 PGs and 48 VPGs have been promoted by PSWMD. VPGs support for IGA has been lower than the expected target (215 households against a target of 1229). The promotion of Livelihood Collectives (LC) started post MTR, has not shown progress with only 4 LCs registered so far on account of problems in induction of Technical Agencies arising from a court case. The performance in achieving the expected outcomes is rated Moderately Satisfactory.
6. **Outcome 3: *Livelihood financing is being implemented by UPASaC***. The AOS of 2016 reported that 28% of project households accessed credit and 55% of households indicated better access to

¹ The mission comprised Ms. Meera Mishra, IFAD-ICO, N. Srinivasan, Mission Leader, Crispino Lobo (Soil and water Conservation), and Pradeep Shrestha (Financial Management). Mr. Sankarasubramaniam Sriram (Procurement), joined the mission during 19 Sept to 23 Sept 2017.

financial services. Only 40% of borrowing households had income generating purposes. UPASaC had not provided any loans but had facilitated bank loans to some households. In 2017-18 a new interest subsidy scheme covered a few loans of LCs. The performance under this outcome is rated Moderately Unsatisfactory.

7. **Likelihood of achieving development objectives** is rated Moderately Satisfactory (Score=4). The project has after a late start has made progress during 2015-16 and 2016-17 in terms of outreach, formation of LCs, increasing productivity through agronomic interventions and water and improving market access. UGVS and PSWMD will be largely able to achieve the development objectives of reducing poverty in hill districts of Uttarakhand through support to generate cash incomes through the introduction and expansion of cash crops through improved technology, better marketing and value addition. UPASaC should step its level of effort in the field and facilitate financial linkages in a much better manner than before. The GOUKs continued support in the form of adequate and timely fund release is a critical requirement.

C. Outputs and outcomes

8. **Component 1: Food Security and Livelihoods Enhancement:** The progress of this component is rated Moderately Satisfactory (Score=4). The achievement in 2016-17 was 53.3% of the AWPB and in 2017-18 17.5% has been achieved till August 2017. Constraints in funds flow from GoUK, delay in hiring in TAs for the new blocks and the election process had slowed implementation. The progress from April 2017 onwards has improved.

(a) Food security and scaling up

9. UGVS has now engaged Technical Agencies (TAs) for field implementation in all the 21 blocks. MOU with Himmothan is signed and it is set to start work on promotion of PGs and VPGs in the three blocks where they are already present. UGVS has mobilized 5776 PGs/VPGs out of a target of 7300. ILSP provided funding to all eligible PGs/VPGs for implementing Food Security Improvement Plan (FSIP). The usage of project support as revolving fund by PGs/VPGs for loans to members has stabilised. The project provided 1068 low cost LDPE lined tanks and 8 pumps through PGs and LCs creating additional irrigation of 110 ha of land. Currently the project is implementing this activity through LCs and support is provided to PGs. Optimising use of water, equitable allocation and pricing are aspects that need more attention. The demand for LDPE lined tanks is increasing also fencing against wild animals. The project has managed to bring significant individual, group and LC level investments through convergence with government departments. The project should encourage households to meet investment needs through loans from LCs/banks or facilitate the federations to create/buy assets and rent out at economic rates. The dialogue between the project personnel and households should influence change towards entrepreneurial, market oriented activity as opposed to dependence of project funding and subsidies.

10. The project has mobilized 97 LCs and PGs/VPGs have contributed share capital to these LCs. The LCs have been able to organise input supply (93% LCs), equipment supply (41% LCs), output marketing and supply of daily needs to members. While 18 LCs have a turnover of more than Rs 10 lakhs, the trend of increasing business was visible during the field missions. 69 federations out of 72 continued to function. 8 federations had a turnover of more than Rs 1 crore and 22 had more than Rs 50 lakhs. The marketing effort by the LCs and federations has progressed with new markets being accessed and farmers being able to market larger quantities with better prices. Input sourcing from other states/districts for especially quality seeds is increasingly in evidence. Most LCs supply daily needs once in a month to the members of PGs/VPGs in their village based on the demand aggregated in advance with significant cost reduction for members.

11. The work of TAs and project staff in the field on agronomic practices has stabilised and appreciated by the households during the field missions without exception. Further work should focus on marketing of surpluses, value chain interventions on quality improvement, grading, sorting and establishing market access.

Agreed action	Responsibility	Agreed date
Speed up formation of PGs/VPGs and LCs and complete the work by the end of the current financial year.	Manager institutions / TAs	31 March 2018
Introduce water optimization techniques (including crop planning) and equitable water sharing arrangements in respect of irrigation structures. Prepare and issue detailed guidelines in consultation with WMD.	Manager Agriculture / TAs	December 2017

(b) Market access: Only 4% of the budget under this head has been utilised in the current year.

12. **Value chain development:** Of the identified value chain off-season vegetables, spices, dairy, goat rearing and pulses are adopted by large number of households. Advisory for rotation of crops and introduction new crops to produce marketable surplus have been well received. LC have commenced aggregation for marketing in almost all these value chains. Some LCs have invested in milk marketing, spice processing and seed production. At the LC level, giving a business shape with a road map to these initiatives is the next step. At the aggregate level, searching for markets and buyers and securing better prices are aspects in which the project should spend more time.

13. 168 out of 200 LCs/federations are in input supply and output marketing businesses. Federations and LCs have taken up other business activities such as delivery of Take Home Rations under ICDS, running of Indira Amma Canteens, supply of requirements of college hostels production and marketing of sanitary napkins. There is continuing search for viable business activities that could add to income and employment of members and profits of the LCs. LCs need business related advice and UGVS should build its own capacities in this respect. LCs have started using the capital funds for business. Despite issue of guidelines on use of capital funds, there were questions on how to use the funds for giving loans to members, investing in processing activities and utilising in trading including milk marketing.

14. **Market infrastructure:** The project has completed construction of 13 collection centres and 44 more are in different stages of preparatory work. Affirmative action by the project helped in land acquisition for the purpose. 215 small collection centres at village level are proposed of which work at different stages is underway in respect of 113. Of the 63 Saras centres offered, 10 have been so far taken up by LCs from GoUK for use in marketing. The progress on low cost cold storages has been slow. The tie-ups with Crop Connect and Divine agro are good examples of the project's effort at expanding market access. More such partnerships should be forged. The buyers' expertise may be used to improve sorting, grading and packing that could improve price realisations.

Agreed action	Responsibility	Agreed date
UGVS should train staff in market access and business advisory; for the short term, consultants can be hired for the purpose	UGVS-PMU	ongoing
Finalise low cost cold storage technologies and the investment model at an early date, test a few pilots initially; and integrate such cold stores with collection centres.	UGVS-PMU,	31 October 2017
Saras Centres should be taken up by LCs/federations with due regard to viability and locational advantages as per MTR guidance	UGVS-PMU, DMU and TAs	Ongoing
Review guidelines issued to LCs on use of capital funds to facilitate loans to members, investments in value chain activities and funding of business activities – provide guidance on terms of loans to members.	UGVS-PMU and UPASAC	31 October 2017
Seek inputs from buyers on grading, sorting and packing and make the LCs aware of market requirements. Suitably train LCs in improving the processes.	UGVS, WMD	ongoing

(c) Innovation linkages

15. Of the 13 innovation sub-projects sanctioned, one relating to Bamboo and Fibre Development board has turned responsive after carrying out the first of the project. The remaining projects have covered an estimated 55000 households. The Livestock stock development centres and milk collection centres offer critical services to livestock and dairy clusters. LDCs are reported to be functioning well with high AI success rates. The Milk collection centres are in nascent stage. As indicated in the ISM report of August 2017, ULDB should open all the 100 milk collection centres by March 2018. The arrangements on milk payments need to be refined and uniformly applied across all

LCs. The Sheep and Wool Development board should consolidate its good initial work through formation of a sheep farmers' collective for sustaining the good practices and market access.

16. As sub-projects are coming to an end, there was a request for more innovation projects which may be considered with due regard to remaining time available and the positive linkages with project households. Preferably such projects should focus more market access issues. With 8% of total allocation having been utilised, the project should speed up implementation. DPMUs should have a greater role in monitoring and review of projects to control time overruns and ensuring that project households make use of the outputs of innovation sub-projects.

Agreed action	Responsibility	Agreed date
Validate the Utilisation Certificates submitted by Bamboo and Fibre Development Board; and cancel balance of the grant to the board. The households that were engaged in fibre activities may be linked with suitable project institutions.	UGVS-PMU	30 October 2017
Project should consider extension of time for Sub-projects requiring the same on can consider on merits.	UGVS-PMU	Ongoing
DPMU involvement in monitoring should be intensified; closer linkages of sub-projects with project households should be established.	UGVS-PMU	Immediate
Anchal should be advised to pay milk dues, collection charges and other incentives to the LC/federation and not to the individual milk-collector. The revolving fund mechanism with LCs for milk payments should be operationalized.	UGVS-PMU, DPMU	Immediate

(d) Vocational training

17. The target was pruned to 10000 candidates after MTR. Of the 3680 candidates trained so far 34% have been placed on self or wage employment. The processes of identification of trainee, trade training provider and employer are under revision to ensure better placement rates. The Training providers have agreed to continue under the existing contracts till new processes associated with the common cost norms come in to force. A manager level staff for handling Vocational training is required. There was a demand for agriculture and allied sector related skills that can encourage people set up farm/livestock based services as enterprises. Such location specific courses can be planned under the AWPB, designed and run by the project, independent of VT framework. Further there was a demand for skill training in different non-farm and processing activities that women can undertake flexibly during their spare time – such as embroidery, handicrafts, sorting/packing, primary processing of produce including food processing. Such courses should be designed and conducted to meet identified demand (that are linked clear market/wage income opportunities).

Agreed action	Responsibility	Agreed date
Ensure that trades chosen are discussed with potential employers to assess demand and ease the process of placements	UGVS-PMU	ongoing
Review payment schedules and terms especially of board and lodge costs in residential courses	UGVS-PMU	Immediate
Finalise the revised VT processes and hold future courses on the basis of the same	UGVS-PMU	31 October 2017
Involve the DPMUs more closely in vocational training to improve relevance and effectiveness of the outputs to project households	UGVS-PMU	immediate
Design suitable short term courses in agriculture allied skills, non-farm sector activities for training persons with aptitude - to encourage setting up of service enterprises or wage income opportunities.	UGVS- PMU	Ongoing

Component 2: Participatory Watershed Development. The progress of this component is rated Moderately Satisfactory (Score=4).

Social Mobilization And Participatory Planning

18. Watershed Management Plans (GPWDPs) have been prepared in 190 Gram Panchayats covering 381 Revenue Villages (22,420 households and a population of 107, 211) across 7 Blocks in 3 districts. An amount of Rs.52.62 crores has been transferred to GPs. Activities undertaken and expenses incurred are displayed as wall paintings in public spaces. Women motivators have been appointed in all the revenue village. Communities have been well mobilised and their enthusiasm was

evident during field missions. Nevertheless, there is need to further strengthen the institutional capacities of CBOs. With TAs now becoming operational, this aspect must be addressed urgently.

Village and Watershed Development

19. The overall quality of works observed was good with notable results— around 174 ha previously fallow land/barren land has been brought under cultivation (i.e. around 87% of project target) and around 2765 ha has been brought under improved agricultural systems. (i.e. 72% of target). A ridge-to-valley approach is being largely followed and funds budgeted for area treatments, currently, across the 22 MWS amount to 65% of the total budget envelop for watershed development, thus moving in the direction as agreed at MTR towards completion of SWC works. There was slow progress against 2017-2018 targets in selected activities - horticulture-4%; Arable Lands/Drainage Line treatments – 11%; Catchment Area Treatment -29%; and Minor Irrigation Channels- 4 %. The progress was satisfactory in Forestry and Plantations (52% of target). It is also mapping high potential springs for conservation and further development. The pace of implementation needs to improve. The ownership, management and governance of shared irrigation assets should be well known and agreed upon between benefitting families and indicated in a signage near the structures..

Food Security Enhancement Support

20. PSWMD has organised 1462 Producer Groups (91% of target) and 48 VPGs (6% of target) covering 14165 households. An area of 2,247 ha (under 1462 FSI plans) has been brought under cultivation of improved varieties cereals, pulses, Off-Season Vegetables (OSVs), spices and aromatic plants (such as large cardamom). OSV is preferred with a coverage of 48% of area (i.e. 1086 ha) and seems to be a preferred choice. The cropping strategy developed is effective in the local context and yields good returns to the farmers. The Project has provided, cumulatively, 191 poly houses and 278 poly tunnels; built irrigation channels (20.4 kms to date); irrigation tanks (295), polythene lined tanks; rejuvenated springs and other water bodies; and supplied micro-irrigation systems, farm machinery and improved tools. Further, the PSWMD has tied up with various agencies to provide plant and farm-related inputs, extension support, improved seeds and advisory material.

21. Milk cattle, goats and poultry have also been given to PGs members, veterinary health camps conducted and training provided for their care and maintenance. Various items such as feed troughs, chaff cutters have been provided and Azolla cultivation introduced. Livestock centres and milk collection centres have also been set up in convergence with government departments. There is a huge demand for chain link fencing to protect crops from wild animals. MTR had made financial allocations for providing up to 1500 metres of fencing to LCs for leasing out to individuals/ PGs; the concept has to be operationalised. A large number of technical and production related trainings (393 and 98, respectively, till date) and exposure visits have been organised for beneficiaries. As a result of these multiple interventions, 9340 farmers have adopted new technologies (69% of target); 52 households established new enterprise (5% of target) and 205 households expanded existing enterprises (9% of target).

Sloping Agriculture Land Technology (SALT)

22. SALT is being piloted in 6 villages covering an area of 19.31 ha across the 3 project districts benefitting 156 HHs. Given local conditions, it was not possible to identify “classical” SALT sites- all the sites selected are cultivated terraced lands. Nevertheless, key principles of SALT are being tested - leguminous crops (pulses) grown; Napier grass sown on boundaries; crops planted using key lines, largely across the slope and fruit trees planted in between the rows of crops. The quality of works undertaken is good. The cost being high, the pilots should be considered sufficient to harvest learnings on where and how SALT can be applied in the state.

Livelihood Up-Scaling Support

23. To date, 4 LCs have been registered having 941 members (13% of the MTR target of 30); Agribusiness Upscaling Plans (AUPs) for linking producers with new market channels are being developed ; 2 collection centers (7 % of target) and 21 small collection centers (23% of target) have

been constructed. While a target of 10 collection centers and 60 small collection centers has been planned for in 2017-2018, no such target has been determined for formation of LCs; the PSWMD is urged to do so. This sub-component has been struggling for want of grassroots-based TAs on account of a court case against the hiring of TAs (A partial resolution was achieved recently). With 6 TAs beginning work from October and another from November, it is expected that activities will be ramped up. A special mobilization drive should be launched to organize PGs/VPGs into LCs, and the necessary technical, managerial and financial resources be built up.

Institutional Strengthening

24. The project has taken up building the capacities of CBOs (GPs, WWMC, PGs, VPGs, Van Panchayats and User Groups). Apart from the technical and production related trainings mentioned earlier, 77 project related training courses were organised; 1171 Unit and Divisional Workshops were conducted; 66 State level Workshops and 120 exposure visits were arranged within the state. Informational material, brochures and flyers have been distributed. Slogans and Charts indicating project messages and details have been painted on walls. Convergence activities have helped establish a connect between the village communities (most of which are in remote places), officials of various departments and schemes. The various types of activities undertaken have resulted in some significant and notable impacts with Project reporting a 9.23% increase in vegetative biomass as on end August 2017 against the MTR target of 10% increase. An additional capacity of 20178 cum of water storage has been created.

Agreed Action	Responsibility	Agreed Date
Review the list of beneficiaries under Watershed measures to ensure that HH level investments are done as per the project's targeting policy i.e., prioritising the poorest HHs.	PSWMD and DMUs	Immediate
Undertake a survey of the vulnerable and poor PGs to assess if assistance provided has yielded the desired benefits.	PSWMD M&E	March 18
Prioritise high potential springs/ water sources and undertake catchment conservation measures; design and implement a household-market oriented, integrated irrigation-crop management system that is equitable, efficient and sustainable.	PSWMD	Ongoing
Assess the project's need for para-technicians (i.e., para-engineers, para-agricultural extension workers and para-vets) and identify and train suitable local youth.	PSWMD	immediate
Finalise and implement the Agreement/ MOU governing the ownership, management and governance of shared irrigation assets and develop a signage format that reflects this.	PSWMD	November 2017
Strengthen awareness and skill-train farmers on converting agricultural/animal wastes into good compost/ manures.	PSWMD	Immediate
Develop Guidelines for leasing/ hiring out chain link fencing by LCs/Federations in consultation with UGVS	PSWMD	immediate
Strengthen existing engagement with ULDB and the Department of AH for intensifying livestock development related services	PSWMD	ongoing
Implement an Action Plan to significantly speed up formation and strengthening of LCs and formulation and implementation of Agribusiness Upscaling Plans	PSWMD	1 December 2017
Further enhance capabilities of PSWMD and TA staff through of suitable training and exposure programs	PSWMD	Immediate

Component 3: Livelihood Financing: The progress of this component is rated Moderately satisfactory (Score=4).

25. The cumulative achievement of 22.7% under this component is dragging down the overall performance. In 2017-18 till end of August UPASaC reports better performance having achieved 28.7% of target with bank loans facilitated to the tune of Rs 6.9 crores for more than 2000 borrowers. The AWPB targets under component 3 do not take into account the remaining target of Rs 120 crores (End August 2017). The budget is based cost table for the year concerned, ignoring the previous years' accumulated shortfalls. In the revised AWPB target for the current year under component 3, especially of bank finance under development finance head, should be suitably increased.

26. While Rural Finance Coordinators have been placed in all UGVS districts, a full time CEO is yet to be appointed. 40 training workshops and financial literacy events have been arranged for 2445 participants. Looking to the very large number of trainees in some of the programmes, their efficacy

and utility are doubtful. Some bank loans for goods transport vehicles have been facilitated with interest subvention support from UPASaC. Insurance linkages made some progress, but the subsidy on already subsidised crop insurance to farmers does not seem appropriate and should be discontinued. The business plans of UPASaC had reported no progress on the discussions with NABFINS and NABKISAN. The suggestion provide loans based on business plans of LCs and federations has not been taken up for implementation. UPASaC had agreed to analyse requirements of LCs and target one loan per LC by March 2018 so that they develop experience of borrowing.

Agreed action	Responsibility	Agreed date
Focus on financial linkages should shift from individual loans to LCs and federations' requirements. The business potential of LCs should be assessed and loans per LC should be facilitated.	UPASaC	Ongoing
Implement livestock insurance scheme operated by Animal Husbandry Department in the project area. This requires training of staff of LCs/federations, paravets in LDCs and milk collection centres and UPASaC on claim procedures.	UPASaC and UGVs, PSWMD	30 November 2017
Overcrowding of training courses to be avoided. Training courses should be result oriented and for optimum trainee batch size.	UPASaC	Immediate
Revise AWPB target under bank finance suitably to ensure achievement of targets under component 3 by project completion	UPASaC and CPCU	October 2017
Expedite institutional partnership with financial institutions such as NABFINS, etc. to disburse development finance and establish financial linkages for LC/federations	UPASaC	30 November 2017

D. Project implementation progress

27. **Programme management performance is rated Satisfactory (Score=5).** The project management has stepped up on all fronts ranging from hiring of TAs to securing convergence of different government programmes in project areas. WMD has also succeeded in engaging TAs in its operational areas. Monitoring of performance of DPMU and TAs has become rigorous and continuous with positive impact on productivity.

28. While action has been initiated on some of the MTR recommendations, they are yet to be fully acted upon: Closure and shifting of the DPMU office at Purola to Uttarkashi; Delegation of increased financial powers within the project; harmonisation of salary and other allowances of project staff under all the three PIAs; hiring of full-time CEO in UPASaC.

29. On a review of staff positions, the need for an exclusive manager for vocational training, an additional manager for market access, an assistant manager for contract administration and HR, one District Project Manager were established. During MTR, it was felt that eco-tourism had limited scope for fulltime work and hence Manager Eco tourism was given additional charge of Manager, Market Access. Recognising the increasing requirements of Marketing related work in the project the position may now be given the main role of Market Access.

30. A revised organogram after the placement of Additional Project Director has been prepared by the project which was in line with the design considerations of the project.

31. During the discussions with the Mission, PD, PSWMD raised the issue of enhanced recurrent costs and investment costs for some of Component 2 activities and requested that the cost tables finalised during MTR be modified to reflect the current changes. The Mission clarified that, Project Costs finalised at the time of MTR cannot be changed by revising the costs to account for the modifications/price and physical contingencies on annual basis. The costs finalised are indicative in nature and the actual unit cost would be based on the work plans and budgets prepared by the programme on an annual basis. As the changes requested are under project management, these have to be incorporated in the relevant year AWPB and the justification provided in the narrative text of AWPB.

Agreed action	Responsibility	Agreed date
Pursue action on the MTR recommendations that remain pending	CPCU- PMU	31 Oct 2017
Create new positions that have been identified and fill in the vacant positions	UGVS-PMU	30 Nov 2017
Explore hiring of consultants for specialised tasks such as market access and	CPCU, PMUs	ongoing

specialised value chain development.		
Explore possibility of entrusting internal audit to audit firms rather than hiring personnel for the purpose.	UGVS-PMU	ongoing
To address the cost revisions of the recurrent and investment costs, the revised costs for the particular year be incorporated in the relevant AWPB and justification provided in the narrative text.	CPD/PIA	31 October 2017 and continuing

32. **Coherence between AWPB and implementation** is rated Moderately Satisfactory (Score=4). ILSP is being implemented during the last five years. At the end of August about 70% overall allocation post-MTR remained to be utilised. In the first five months of 2017-18, 19% of AWPB has been achieved. However, the ground conditions are positive and likely to lead to a high level of achievement against AWPB. Funds flow from GoUK is reportedly assured and the implementing agencies in the districts are fully in place.

33. **Monitoring and Evaluation** is rated Moderately Satisfactory (Score=4). The project has completed AOSs for 2016 for the project as a whole. Studies on various aspects such as small grant projects, crop diversification, impact of vocational training programmes have been carried out. Some more studies have been suggested. The MIS has been working satisfactorily, though there are some issues of harmonising data input from WMD and UPASaC. The UPASaC data seems to come in with a lag as was seen during the mission visit.

Agreed action	Responsibility	Agreed date
Streamline the AOS process and ensure the inconsistencies pointed out during the ISM in August 2017 are taken care of in the next AOS	CPCU	Ongoing
Plan studies on impact of LDPE irrigation tanks, survey of support extended to VPGs	CPCU	31 Mar 2018
Project MIS should be comprehensive and avoid delays in updating of data from different PIAs. A joint meeting of the three PIAs to smoothen the MIS flow may be convened and suitable follow up action taken.	CPCU	31 Oct 2017

34. **Innovation and Learning** is rated as satisfactory (Score = 5). The innovations of previous year were expanded during 2016-17. Chain fencing to prevent the animal damage to crops was particularly very popular. The project apart from responding to growing demand for chain fences, should also find alternative/ supportive options such as bio-fencing, appropriate crop selection etc. Two ideas adopted in 2017 merit a mention: (i) the launch of Indra Amma Canteens and (ii) adoption of a wide range of marketing options. Eight Indra Amma Canteens have been set up in four districts that attract thousands of pilgrims every year. PG/VPG/SHG members manage these canteens. In Uttarkashi five such canteens employ 32 Women and 5 Men directly. PG/VPG/SHG members benefit indirectly by supplying ration, vegetables, milk, pulses, millets etc., through their federation. Women of these groups cook and serve the food at an affordable rate of Rs 25 per meal and get an incentive of Rs 10 per meal from the government. The canteens have been profitable. These canteens are well-equipped and aspire to expand operations in the coming year. The second innovation is in Pithoragarh, where the Manmahesh SRC (LC) has signed an agreement with Godrej Agrovet for the distributorship of animal feed. This has reduced the feed cost for poultry farmers who have saved Rs. 17.50 lakhs as input cost in three months. The poultry centre also made a profit of Rs. 44,960 which was shared with the local youth who manages this centre. Such innovative partnerships should be explored in all blocks. The promotion of 'Hilans' produce of PGs/VPGs/LCs using the popular platforms of well-established Supermarkets such as By Chance and City Mart in Pithoragarh has the potential to provide a sustained market without the project having to invest in market promotion. This will require attention to quality standards.

35. The project has adopted a KM strategy that fulfils the purposes of (i) showcasing local success and facilitating cross learning (ii) enhancing visibility of the project through a number of publications and (iii) producing learning materials for capacity building of community groups. The LC offices prominently display information about farming practices which has facilitated high adoption of these practices by farmers. In the Watershed areas details of the activities and costs were prominently displayed on the walls of the Panchayat or school buildings helping create transparency. Staff from UGVS and WMD participated in a Workshop on Capitalization of Development Experiences which is a

part of the IFAD Grant project “[Capitalization of Experiences for Greater Impact in Rural Development](#)”, implemented by the Technical Centre for Agricultural and Rural Cooperation (CTA) in collaboration with Food and Agriculture Organization (FAO) and the Inter-American Institute for Cooperation on Agriculture (IICA). It was found to be very helpful and UGVS now proposes to organise two Ex-Cap workshops in the state. It would be useful in preparing grassroots level case studies by local staff. UGVS should consider jointly planning these workshops with WMD staff. The project needs to adopt one-project-one-KM plan with new publications presenting project wide, and not component wise good practices and achievements.

36. **Gender focus** is rated satisfactory (**Score=5**). ILSP has consistently performed well on gender issues overreaching its appraisal targets in all areas. More than 85% of shareholders in LCs and 65% Board Members are women in UGVS areas. In watershed area, there is a provision of Women Aam Sabha to discuss priority issues of women in GPWDP. All motivators in watershed GPs are women compared to 35% Livelihoods Facilitators in the UGVS areas. Even in VT women’s participation in trainings is more than 50% and their placements 49%. The project has scaled up drudgery reduction activities in a big way in the last year promoting women friendly tools such as improved sickles and maize shellers in addition to cattle troughs, chaff cutters, winnowing fans, etc. Women have shown great appreciation for this and have contributed 10% of the cost for those implements that were expensive such as the improved sickles (*darantis*). In some districts such as Tehri and Uttarkashi the variety of drudgery reducing agricultural tools needs to be increased. The impact of this drudgery reduction measures should be assessed.

37. **Poverty focus** is rated moderately satisfactory (Score=4). The project area comprises blocks in the hill districts of Uttarakhand and after the restructuring in 2013 the project has sharpened its focus on the areas most devastated by the floods. The project put in place two strategies to sharpen the poverty focus: (i) PGs have been mobilized excluding the households with persons in government jobs, taxpayers and those with more than 25 *naalis* of land, thereby effectively blocking the entry of affluent households into the project and (ii) VPGs comprising widows/ single women, disabled persons, SC/ ST and the poorest populations have been mobilized and provided a higher level of project support compared to PGs. Nearly 61% of the HHs are BPL and Antyodaya card holders. However, in the WMD areas some of the beneficiaries, especially the lead farmers were socio-economically better off including *Gram Pradhans* and *Up Gram Pradhans*. With the TAs now on board in the WMD areas, the project should make more concerted effort to include the poorest households.

38. **Targeting performance** is Moderately Satisfactory (**Score=4**): UGVS has targeted 92,666 households in 2,529 villages by forming 9233 Groups (SHGs/PGs/ VPGs) and 168 Federations/ LCs in 37 Blocks of 9 districts under component 1. Under Component 2 approx. 14165 households have been covered under 1510 groups (1462 PGs and 48 VPGs). In WMD areas concerted actions are required to promote more VPGs.

39. **Partnerships** is rated Satisfactory (Score=5). All Technical Agencies are now on board in the project areas under Component 1 and 2. Progress of activities implemented in partnership with ULDB, USWDB and AHD is satisfactory. The project has strengthened its partnership with local administration which has not only facilitated greater convergence but also enhanced the visibility of the project and improved its monitoring with the DM and CDO in districts being actively involved in project review. Additionally, the project has partnered with a number of private sector players for better marketing, improved agronomic practices, obtaining CSR support to fill funding gaps etc. Federations/ LCs are now entering into direct partnership with the private sector (e.g., Godrej Agrovet for supply of animal feed).

40. **Convergence is rated** Highly Satisfactory (Score=6). The project has systematically improved its convergence with various government departments such as Agriculture, Horticulture, Animal Husbandry, Fisheries, Rural Development, Food and Civil Supplies. The field is replete with good examples of convergence. Over the year the extent of benefit brought to the communities through convergence by ILSP shows a strongly positive trend and will contribute to sustainability (see below).

Year	Amount mobilised through convergence	Number of beneficiaries	No of PGs/VPGs
2014-15	Rs 5,79,456	-	
2015-16	Rs. 53,99,643	3193	580
2016-17	Rs 1,98,02,709	14,210	2433
2017-18 (till Aug)	Rs 95,76,093	3,761	737

Agreed action	Responsibility	Agreed date
Develop combined KM action plan for the project at CPCU level and standardise number and quality of publications	CPCU	
Undertake impact study of drudgery reduction activities	CPCU and M&E	
Organise orientation of TAs on poverty targeting	PSWMD	

E. Fiduciary aspects

41. **Financial Management** is rated as moderately satisfactory (Score=4). Three PIAs namely UGVS, PSWMD & UPASaC implement the activities of the project and CPCU is responsible for planning, budgeting, funds flow, reporting, monitoring, evaluation, coordination and overall implementation of the project activities. All PIAs maintain accounts on a 'cash basis.' UGVS (responsible for Component 1) and UPASaC (responsible for Component 3) accounts are fully maintained using Tally Accounting Software and linked to the MIS. However, the PSWMD accounts are maintained both manually and in Tally Accounting Software but the financial and physical progress reports are prepared based on manual books of accounts and records and submitted by 3 Divisions to PSWMD-PMU on manual formats. PSWMD submits consolidated financial reports to CPCU prepared in excel spreadsheet. UPASaC's and CPCU's accounts are consolidated through synchronization whenever required. As financial reports of PSWMD are manual, they are being consolidated on excel spreadsheet. It is recommended to computerize the accounts of PSWMD using same Tally Accounting Software so that accounts can be synchronized with that of CPCU. As IFAD has introduced Smart SoE formats, the Tally Accounting Software is being customized to provide information required for Smart SoE, comply with IFAD requirement and also to expedite the disbursement. The customization is expected to be completed by October 31, 2017. The backup of data is sent by the email and hence not maintained separately by UGVS and CPCU. Computer data backup is taken on external hard disc every week and kept in locker by the Finance Officer of UPASaC while backup of the data is maintained separately once in a month by PSWMD.

42. The Finance Controller of the Forest Department has been vested with additional charge as Finance Controller of ILSP. In UGVS, there is one Finance Manager and one Assistant Finance Manager at PMU level and one Assistant Manager Finance in each division except Pauri. There are 3 vacant positions of Assistant Finance Manager in district offices of UGVS. In PSWMD, the Finance Controller looks after the entire PSWMD. There is one Project Accountant and one Project Account Assistant in each district of PSWMD. There is one Finance and Admin Manager in UPASaC. Payments are done through cheque or bank transfers in all PIAs with limited cash handling through advance. There are adequate internal controls for approval and payments in CPCU and all PIAs and it is functioning satisfactorily. The mission reviewed the supporting documentation of the expenditures on sample basis and found satisfactory except same person signing on behalf of all members in request letter for grant in UGVS, Pithoragarh district, commitment to provide job to the trainees completed vocational training on plain paper, contract amount not mentioned in the agreement entered by PSWMD, Champawat district, no MOU between project, land owner and members of the PG/VPGs for use of irrigation tank, delay in affixing PAID stamp on bills, and unsigned computer generated journal and payment vouchers by UPASaC. Fixed assets and non-fixed assets registers have been maintained properly by UGVS and PSWMD. Record of fixed assets received at district is

not maintained at central office of UPASaC and fixed assets are neither physically verified nor the statement of fixed assets are submitted to UGVS.

43. Tally Accounting software is being used for accounting at the LC level but the software is not licensed. The UGVS should ensure that licensed Tally Accounting Software suitable for accounting all activities of the LCs are used. The UGVS should provide training on use of software and financial management support. The LCs have accounted overhead income as overhead payable and expenses incurred for specific purposes are being charged to overhead payable instead of accounting to income and expenses. Watershed treatment activities are being implemented through Gram Panchayats (GPs) and Watershed Management Committees of GP. PSWMD Divisions pay 10% of the approved GSWMP as an advance and 80% of the running bill amount and final payment after deduction of beneficiary contribution are made based on the measurement certified by the Engineer at the Schedule of Rates excluding contractor's overheads. Finance staff at PMU of UGVS, PSWMD and UPASAC are experienced and sufficiently qualified for undertaking finance functions. At present beneficiary share is not accounted in Accounting Software but it is being monitored based on MIS data. The three implementing agencies are required to account beneficiary's contribution based on evaluation of works and bills for correctness of the contribution amounts.

44. **Withdrawal Applications:** CPCU prepares the SOEs for the incurred expenditures to be borne from the IFAD source at least once in a quarter or when the expenditure reaches a threshold level to CAA&A for submission of WA to IFAD. SOEs for the expenditures incurred up to August 31, 2017 have been submitted to CAA&A and WA 21 submitted to IFAD for expenditures up to July 31, 2017 has been disbursed. The SOE (WA No 22) of Rs.57.63 million (USD 0.89 million) for August 2017 submitted to CAA&A is yet to be disbursed by IFAD. The mission reviewed the WAs of FY 2017/18 with the SOEs and found claim as per financing percentage specified in the Cost Table for each financier and documentation satisfactory.

45. **Disbursement** is rated is moderately Unsatisfactory (Score=3). As on September 22, 2017, the total disbursement is SDR 20.88 million (including the initial deposit of SDR 2.03 million) which is about 36.82% of the total loan allocation of SDR 56.70 million. The net disbursement excluding initial deposit is SDR 18.84 which is only 33.23% of the allocation. One withdrawal application of SDR 0.62 million (Rs 57.63 million equivalent to USD 0.89 million) for expenses incurred in August 2017 is pending for disbursement. The disbursement including expenditures of SDR 0.62 million (USD 0.89 million) yet to be disbursed will be SDR 21.50 million including initial deposit and SDR 19.47 million excluding initial deposit which is 37.92% and 34.33% respectively of allocated amount of IFAD loan. The amount in SDR is calculated using exchange rate of USD 1.42271 per SDR and Rs 64.9596 per USD prevailing on September 22, 2017. Rs 11,588,000 equivalent to USD 176,851.23 (SDR 128,753.92) claimed against Service Provider category VI in WA No.12 was wrongly disbursed under category I and subsequently adjusted Rs 176,851.23 (USD 2,699.03 equivalent to SDR 1,964.99) instead of USD 176,851.23 causing difference of SDR 126,788.93 between categories I and VI which is yet to be adjusted by IFAD. As per the disbursement profile, the project should have disbursed 82% but about disbursement of 42% (including expenditures yet to be disbursed) has only been achieved so far. There is no disbursement under Livelihoods Financing category.

46. The projected IFAD fund was USD 89.90 million but it is only USD 80.30 million based on actual disbursement and balance amount in the IFAD loan account in SDR calculated at the exchange rate prevailing on September 22, 2017. There is USD 52.97 million available for the remaining 19 months of implementation period. It is not possible to spend available balance considering the pace of implementation in the remaining period even though the project has planned to implement the remaining activities in the last year of the project.

47. **Counterpart funding** is rated Moderately Satisfactory (Score=4). The counterpart fund is provided along with the advance of IFAD financing to the project. The budget allocated for counterpart funding in FY 2017/18 is sufficient to cover counterpart funding. As per the Financing Agreement, GoUK contribution was USD 48.028 million as counterpart funding to the project. After the Mid-term Review, the GoUK contribution was revised and reduced to USD 17.47 million equivalent to about

36.39% of original contribution amount. As at 31 August 2017, GoUK has contributed USD 5.84 million being 33.39% of the revised agreed counterpart funding. The Government counterpart funding covers expenditures of about 25% in equipment and materials, 10% in service provider contracts and civil works, 10-20% in some of capacity building/action research, 50% in salary and operating costs and 100% in the PSWMD government staff positions.

48. **Beneficiary contribution.** The project does not account beneficiary contribution rather it has system of recording at LCs and GPs level and tracking the beneficiary contribution through MIS. For component 2, beneficiary contribution is being recorded by the GP and reported to the Chief Unit Officer of the District who compiles and submits to the Division Offices. The Division Offices send it to the Regional Project Director, who submits to the WMD. The beneficiary contribution up to August 31, 2017 is about Rs. 104.74 million which is about 32.79% of the estimated contribution of Rs.319.41 million as per project design. As beneficiary contribution depends on implementation of activities planned in the project design, 100% contribution can be achieved only when the project is able to implement all activities of the proposed amounts.

49. **Fund Flow:** The project budget is included in the state budget consisting IFAD financing and counterpart funding which is as per AWPB. RDD, Pauri releases the required funds as per AWPB to CPCU but not in quarterly or six monthly instalments in a timely manner as specified in the per the Subsidiary Agreement. CPCU transfers fund to the three PIAs as required based on cash projections for AWPB, fund balance and status of expenditures. The funds required in FY 2016/17 were being provided to the PIAs and funds are also being provided as required in FY 2017/18 though it takes some times but the project activities are not hampered due to lack of funds. There was fund balance of about Rs 410 million up to FY 2016-17. The CPCU requested Rs.380 million on July 21, 2017 and received Rs.380 million on September 4, 2017 and hence there was no shortage of fund for project activities. Funds received by the central government from IFAD is generally being reimbursed within 15 days to the GoUK. However, the amount Rs. 69.98 million received on August 24, 2017 is yet to be reimbursed to GoUK.

50. **Compliance with Loan Covenants** is rated moderately Satisfactory (Score=4). The project and GoUK have complied with all legal covenants that have become due except: (i) Para 5.2 of Section II of schedule 1 - not holding meeting of PSC every six months, (ii) Para 6.2 of Section II of schedule 1 - not holding meeting of PMC once in every quarter, and (iii) Section 7.08 (a) of General Condition - no third party insurance of vehicle by PSWMD. The detailed compliance of loan covenants has been provided in Appendix 6.

51. **Audit** is rated as Moderately Satisfactory (Score=4). The audit of all Project Implementing Agencies and CPCU is being conducted by the independent professional auditor appointed by the CPCU. The MOU was entered between the Anshul Agrawal & Co. Chartered Accountants and CPCU for the audit of FY 2016-17 on August 31, 2017. The Project Financial Statements of each PIA and consolidated for all PIAs are prepared as per IFAD templates showing bank and beneficiaries contribution only in expenditure in the statement of comparison of budget and actual amount and audited as per terms of reference for annual audit of the IFAD funded project. The audit reports of the FY 2015/16 of each PIA and consolidated for the project were submitted by September 2016 along with the management letter. The audit opinions of PSWMD and UPASaC were qualified with regard to physical verification of fixed assets, lack of information about bank accounts and non-deduction of income tax at source in case of UPASaC and non-deduction or inadequate deduction of income tax at source in case of PSWMD. The audit reports of UGVS and CPCU were unqualified. The audit of FY 2016/17 is being conducted and the report is expected to be submitted to IFAD by September 2017. The Designated Account audit is being performed by the Office of CAG for CAA&A as per Section 30 of the letter to the Borrower which is yet to be received for FY 2016/17. The management responses provided by the PIAs are not included in the management letter except other observations and TDS of UGVS. The audit of LCs is also being conducted by the Chartered Accountants firm.

52. UGVS currently has Internal Auditors only in two districts. The internal audit of FY 2016/17 of UGVS and CPCU was not conducted. The CPCU has not yet appointed internal auditor for FY

2017/18. It is recommended to appoint independent professional chartered accountant firm for conducting internal audit of the UGVS. The internal audit of UPASaC is being conducted by the independent professional audit firm on yearly basis. Internal audit of unit offices, GPs and PSWMD is being conducted by the Audit Manager and the internal auditor of PSWMD.

Agreed action	Responsibility	Agreed date
PSWMD should maintain parallel accounts on customized accounting software to facilitate consolidation at CPCU and preparation of Smart SoE forms.	CPCU/PSWMD	31 Oct 2017
Complete customization of accounting software for generation of Smart SoEs and submit the next WA using "smart SoEs" as per IFAD requirements	CPCU	31 Oct 2017
Purchase Tally Accounting Software for all Livelihood Collectives.	UGVS	31 Oct 2017
Engage a team comprising a Cooperative Specialist and a Chartered Accountant for supporting District offices and LC/Federations in financial management and LC business plan preparation and implementation as recommended during MTR	UGVS	31 Dec 2017
Submit audit report of FY 2016/17.	CPCU	30 Sep 2017
Management responses to audit observations to be included in the audit report.	CPCU	30 Sep 2017

53. **Procurement** The performance is rated as moderately satisfactory. The project follows the Uttarakhand Procurement Rules, 2008 consistent with IFAD Procurement Guidelines. The UPR has been revised in 2017 with some of the threshold levels have been reduced. The procurement is transparent and generally competitive. However, certain inefficiencies have crept into the planning process, review and adjustment of the procurement plans as per the need and the contract management. The procurement plan includes the community participation procurement. Review of Community participation procurement in 3 Livelihood Collectives (1 in Tehri and 2 in Chamoli) reveal varied understanding and application of the procurement principles. While the LC in Tehri maintained the records satisfactorily, the 2 LCs in Chamoli district require additional handholding support in undertaking procurement. Under component 2, the Gram Panchayats undertake procurement of labour and materials related to watershed works and the Divisional Units of WMD procure inputs as per the government rates or by local shopping adopting UPR processes.

54. Procurement documents related to purchase of vehicles and motor cycles, and desktop computer at WMD were reviewed. Procurement of vehicle and motor cycles were done through DGS&D and the whole process took about 18 months, due to delays in approvals by the State Government. Preparation of technical specifications requirements to be improved. All documents related to the trail of the process are available on the file.

55. The exercise of internal audit of procurement in the Divisional Units of WMD reveal that there are routine delays of more than 3 months in financial approvals exceeding Rs. 200,000 in each case from the Regional offices to the Divisional Units, and the procurement is undertaken before the sanction is obtained. The regular internal audit of WMD does not address procurement monitoring.

56. Due to non-release of funds by the Government, major procurement and even payment to the existing contract holders were affected in the latter half of 2016-17. For the current year, the fund flow situation is stated to have improved. As timely funds were not provided by the UGVS, some of the small grant proposals (particularly in dairy and apiculture) requested no cost time extension of up to 7 months to complete the activities effectively. In 2017-18, the procurement activities are yet to be undertaken.

57. In UGVS, Individual consultants are engaged with broad ToR and specific description of the assignment are issued separately. In some cases, the specific description is not available on file. The roster for individual consultants may be expanded with additional names.

58. The list of contracts (Form C-10) is maintained as part of the MIS, but Form C-11 for continuing contracts is not maintained. Staff contracts should be removed from C-10. The contract price of each contract to be incorporated in the contractual provision and not as separate annex. There is a need to engage a staff to undertake the management of contracts and release of payments and other administrative work.

Agreed action	Responsibility	Agreed date
Community participation procurement should be delinked from the Project Procurement Plan and to be tracked separately. Plan should include the proposed dates for each stage.	UGVS	31 January 2018
Communicate the approval of IFAD for the AWPB and the PP and their revisions to the PIAs	CPCU	31 October and continue
Internal audit of PIAs to include compliance to UPR processes, availability and correctness of the procurement documentation and the follow-up action.	UGVS/WMD/UPASAC	31 December 2017
Provide another round of procurement training to the LCs in UGVS, as LCs business turnover is increasing.	UGVS	31 December 2017
Ensure that the financial approvals exceeding the threshold powers are provided from the Regional Offices without delay and no procurement to be awarded without the financial approval. If required, the threshold to be increased.	PSWMD	31 October 2017
Harmonise the end-date of the contracts of all TAs by issuing an amendment letter.	APD/CPM	31 October 2017

F. Sustainability

59. **Institutionbuilding** is rated Satisfactory (Score=5). The community based groups and organisations have started engaging in activities aimed at benefitting all members. The support from members has been positive and points to sustainable long term working of these institutions. Sustained use of corpus funds by PGs and VPGs has made it possible to carry out crop cultivation much easier than in the past. The increased productivity, market access and connectivity of services have made the institutions realise that they can be autonomous and work without government support over time. The readiness of households to take loans for pursuing commercial activities and not wait for handouts is a welcome move towards sustainability at individual and household levels.

60. **Empowermentandsocialsustainability** is rated Satisfactory (Score =5). The project targets women and vulnerable households. The formation of VPGs and making them a part of the LCs has brought in social support dynamics that are positive. The targeting of activities at landless and marginal farmers creates awareness in local areas on the need for social support systems within the community. The joint efforts in aspects such as contributions for collection centres, market spaces, etc., have ensured cohesive working among the households. Women participate in governance of the LCs apart from managing PG/VPG corpus funds. Their presence in the market not only increases their awareness, but introduces equity and fairness in trade and procurement transactions.

61. **Qualityofbeneficiary participation** is rated satisfactory (Score=5). Willing and informed participation of beneficiaries across the project has been a significant feature of the project. The people's participation has not been just in terms of availing benefits, but also in contributing labour, resources and equity where needed. In terms of financial contribution, beneficiary participation is largely in terms of labour contribution. Field visits indicate high level of participation by the community in learning events, planning and field implementation.

62. **Responsivenessofserviceproviders** is rated Moderately Satisfactory (Score=4). The TAs employed by the UGVS have managed to deliver services in time and good measure. The new TAs appointed by UGVS and WMD are expected to adopt the practices of the existing TAs and be responsive to needs of the project households. The monitoring systems ensure that TA responsiveness is at a high level. During the field visits, the service providers, TAs and others, were uniformly appreciated by the project households.

63. **Exit strategy** is rated Moderately Satisfactory (Score=4). The improved working of LCs and federations indicate that at the time of exit, project would have sufficient local institutions in place to take care of people's needs. These institutions should be built up to gain competencies in dealing with markets and finance in the remaining period of the project. The project has strategies for addressing these critical requirements. For the LCs and federations an apex level institution that acts

as a clearing house, business enabler, thought leader, advisor and facilitator would be of great value. The project is exploring the setting up of such an institution.

64. **Potential for scaling up and replication** is rated Moderately Satisfactory (Score=4). The strategies and instruments used in the project are replicable. Within the project the good practices and successful pilots are replicated across components such as in the case of fallow land plantation, fencing against animal damage to crops, LC formation and strengthening, etc. Some of the good cases have been documented and presented in national conferences, which received recognition as replicable models. With significant interventions continuing, there would more practices and tools that will become available for wider replication, beyond the project and the state.

G. Other

65. **Impact on physical and financial assets** is rated as satisfactory (Score=5). The quality of land stock is improving on account of project interventions. Livestock ownership has improved. Income levels are increasing among project households on account of better market access according to AOS 2016. With AI services, available through livestock development centres, the breed quality is set to improve and animal health should also improve. The PGs have mostly increased the monthly savings and report stronger cash flows. Overtime both financial and physical asset holdings are likely to improve significantly on account of combined effect of productivity increase and better market access.

66. **Impact on food security** is rated Satisfactory (Score=5). AOS 2016 indicates that only 7% of the households reported food shortage, 50% households report improved food security, no household reported worsening food security. Most LCs and federations arrange for monthly supply of daily necessities to member households, making physical access to food easier. 65% of households grow high value crops for the market, besides growing crops for own consumption. The increased income available with households provides the purchasing power to deal with food security issues.

67. **Quality of natural asset improvement and climate resilience** is rated Moderately Satisfactory (Score=4). Component 2 of this project focuses on soil and water conservation efforts with a ridge to valley approach. Each Gram Panchayat has a watershed plan and implementation of the plan is well underway. Under component focus on irrigation and equitable use of water deals with natural resource management issues. Project's efforts are directed towards tree crops and high value vegetables, shifting focus from cereal crops resulting in reduced stress on both water and soil fertility.

H. Conclusion

68. The implementation progress has been better compared to the past years. A lull in during a five-month period from November 2016 to March 2017 slowed the progress, but the lost momentum has recovered in the last five months. The quality of inputs and services provided has been appreciated by households visited during field mission. With a stronger oversight team and competent management team in place, and all the TAs in place in component I and II having been hired, achievements are likely to be impressive from now onwards. The convergence efforts are paying off with positive results that enhance the quality of benefits in the field and improve the image and credibility of the project. The financial performance of the project remains a cause of concern (though lesser than in the past) despite acceleration in the last two years. With about 70% of the budget still remaining, even working at full capacity, the project would require an extended period to fully utilise the budget and achieve the development objectives. The initial two years lost by the project on account of natural calamities have to be made available so that at completion the goals and objectives of the project are satisfactorily met and the project created institutions are truly sustainable. While there is an improvement in UPASaC's operations, it still has to work on introduction of new products and processes in financial linkages.

69. The project should accelerate implementation of aspects that are not sequential and ensure that processes are geared towards expediting administrative and financial decisions. The project proposes to seek extension of the project period in order to have adequate time to achieve the

objectives in an orderly manner and consolidate the outcomes for sustainability. The extension request should be made on the basis of improved performance by the end of the year 2017.

