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الاستثمار في السكان الريفيين

31 March 2017

Dear Mr. Verma,

Subject: India Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu - Management Letter Supervision Mission from 26 February – 29 March 2017

Referring is made to the recent supervision mission for the PTSLP conducted during the period from 26 February to 29 March 2017. I wish to confirm IFAD management's endorsement of the agreement reached at the state and central level wrap-up meetings held on 9th and 29th March 2017 with GoTN and DEA respectively, and thank you for all the support provided to IFAD supervision mission.

I am very pleased that the Government Order was finally issued for expanding the PTSLP to 6 new districts, ushering the implementation of the activities planned under the additional financing. This leaves two years for the Programme to fully achieve the combined objectives of the initial and additional financing and we count on your diligence and the vast experience of the project management team, to redress the project performance in the 6 existing districts and ensure that successful activities are replicated in an effective manner in the 6 new districts.

In our assessment, PTSLP is likely to achieve its development objectives particularly in strengthening the community institutions in the form of Panchayat Level Federation (PLF) and Fishers Marketing Societies (FMS) as well as economic and social empowerment of women; poor fishers and other poor households. This requires adequate capacity building and handholding to these institutions. In this regard, and given the project strong record in the past, we are very concerned by the deterioration observed in the quality of the loan portfolio managed by PLFs, FMS, Joint Liability Groups (JLGs), and SHGs. Furthermore, the number of active SHGs reduced by nearly 30%, the PLFs performing as Business Development Correspondent is below initial projections thus reducing the likelihood of bank linkages for sustaining business growth, and 26% of FMS are non-functional.

Under your leadership and guidance, we urge the Programme to take corrective action giving priority to the following:

(a) Completing recruitment of staff for the new district units by 30 April 2017, now that the Government Order was issued for commencing operations in new districts;

(b) Ensuring that the PMU follows due diligence in the implementation and monitoring of programme interventions and that all programme related decisions are endorsed by the Project Director;

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Principal Secretary
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(c) Ensuring that qualified officers with reputable track records are deployed for key and important leadership positions in the PMU and DIOs in existing and new districts by 30 April 2017;

(d) Ensuring the full operationalization of Tally software for the MIS of SHG, JLG, PLF and FMS by 30 April 2017;

(e) Undertaking with immediate effect, the restructuring of functions among PLF, Community Resource Centers, District Implementation Units and the PMU;

(f) Analyzing and settling the overdues in Nagapattinam district, which represents a significant proportion of the loan overdues, with immediate effect.

We assure of IFAD continued support to ensure that the Programme achieves its objectives within the remaining timeframe. We kindly request PTSLP to send the action taken on the agreed actions to IFAD Country Office 90 days from the receipt of this letter.

I thank you in advance for your kind attention and cooperation.

Yours sincerely,

Hoonae Kim
Director
Asia and the Pacific Division

Copies for information

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Aide memoire **Conformed Copy**

Republic of India
Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu
Joint Supervision Mission: 27 Feb – 29 Mar 2017

A. Introduction

1. PTSLP is operating in coastal Panchayats that were affected by the 2004 tsunami, with the objective of building self-reliant communities that are resilient to shocks, and are able to manage their livelihood base in a sustainable manner. PTSLP is now in its 9th year of implementation. An IFAD loan of SDR 9.95 million (662-IN) was approved on 19 April 2005 and became effective on 11 July 2007 and a second loan (691-IN) was signed on 11 November 2005 for SDR 10.4 million[1]. With an additional loan amount of SDR 15.9 million approved by IFAD Board in December 2015 and financing agreement executed on 30 March 2016, the programme completion date is now 31 March 2019, with loan closing on 30 September 2019.

2. The overall goal of the project is *"self-reliant coastal communities, resilient to shocks and able to manage their livelihood base in sustainable manner*". The programme is implemented by a special Project Management Unit under the Rural Development and Panchayat Raj Department, GoTN. This is the ninth project supervision mission.

3. This IFAD Supervision Mission[2] was fielded to review progress, assess the performance, and discuss any modifications needed to implementation modalities. The mission, in three separate teams visited all six programme districts from 28 February to 2 March 2017, and had discussions with community institutions, micro-entrepreneurs, bankers and the service providers. Consultations were held with NABFINS, SIFFS, CCD, HiH, Pallavan Grameena Bank, etc.

4. This Aide Memoire presents the findings and recommendations of the Mission discussed at a wrap-up meeting on 9th March 2017 chaired by Mr Hans Raj Verma, Principal Secretary of the Rural Development & Panchayat Raj Department, GoTN. Prior to this, the key recommendations were discussed and agreed with the Project Director, Programme Management Unit, PTSLP. The aide-memoire was finalized after the wrap-up meeting with Mr Rishikesh Singh, Director (MI), DEA, on 29 March 2017.

B. Overall Assessment of Programme Implementation

5. **Annual Implementation Progress.** Rated *moderately satisfactory* (score=4), the programme is making efforts in achieving many of its physical targets. During the review period, the PMU has

[1] The first loan was approved as an emergency response prior to programme design. The second loan covers the balance of programme cost as estimated in the programme design.

[2] Mr A M Alam (Mission Leader and Project Management), Ms. Girija Srinivasan (Rural Finance & Enterprise Development), Mr S Sriram, IFAD ICO (Procurement), Mr Vincent Darlong, IFAD ICO Project Focal Person (Gender, targeting and M&E and knowledge management), Mr Pradeep Shrestha, Finance Management, Mr Richard Abila, Technical Advisor Fisheries, IFAD, Rome and Ms Rasha Omar, CPM, IFAD, New Delhi. The mission was accompanied by Mr R Ravichandran, C&IT Manager, Mr M Rajasekaran, Finance Manager, Mr Chenthil Kumar, M&E Manager, Ms D Ezhil Kavitha, Executive Engineer, Mrs Shanti Swaminathan, EDM and Mr L Raja, Additional Project Director during the field visits. The mission would like to place on record the support and assistance it received from the Project Director Mr Vikram Kapur, Principal Secretary, Industry Department, GoTN and PTSLP teams from Chennai and the districts.

disbursed INR 20 million to NABFINS as patient capital, executed an MOU with PFARM on fisher asset insurance and is in final stages of entering into an MOU with NOFPCL (Nagai Organic Farmers Producer Company Ltd) for commencing the mango pulp unit. Overall expenditure for FY 2016-17 was INR 122.82 million, which is nearly 43% of approved AWPB of INR 286.30 million in existing districts. GoTN finally issued the Government Order for commencing operations in new districts under the Additional Financing on 17th March 2017.. The delay of one year has affected the achievement of combined results of the initial and additional loans. Though some of the recommendations made by the last supervision mission have been implemented, the more critical ones are yet to be implemented. The disbursement of the IFAD loans stands at 51% including the initial advance. Issues hampering the programme implementation are (a) reduction in number of active SHGs from 4,968 to 4,112 representing only 80% of the target: (b) increasing overdues of JLGs and VRFs, and inadequate monitoring of the loan portfolios, (c) sliding qualities of PLFs, FMS and their operations, (d) staff turnover at DIOs and inadequate oversight of the operations of the CRCs, etc.

6. **Likelihood of achieving development objectives:** The mission is of the opinion that with the activities rolled out to date, the likelihood of achieving project objective is *moderately satisfactory* (score=4) as summarised below.

7. **Outcome 1**: *About 375,000 people benefited by the infrastructure facilities developed by the project*: The programme created a number of community infrastructure facilities such as 321 rural access roads, 124 community buildings, 55 water supply works and 133 other minor works benefiting some 268,725 persons. These facilities reduced drudgery in case of 26% of households, increased transport benefits to 66% of households and constituted a source of additional incomes to 8% of households. In addition, the programme provided 107 PLF buildings, 46 fish-drying yards and 28 net-mending halls and these benefited some 65,530 persons. The operation and maintenance of the economic infrastructure is sub-optimal and corrective measures are needed in this regard.

8. **Outcome 2:** *increased fish catch due to deployment of artificial reefs*: six artificial reefs were deployed in all six programme area districts in 2014-15[3]. The monitoring study report conducted by the Central Marine Fisheries Research Institute (CMFRI) indicates that the artificial reefs are contributing to increased diversity of fish species as well as overall increase in fish stocks in these areas. Fishers around the reefs reported almost 50% increase in incomes attributed to reef fishing and significant reduction in boat fuel consumption. Fishers indicated that they are ready to install more artificial reefs with Government support.

9. **Outcome 3**: *At least 75% enterprises running profitably, over 48% of SHGs have bank loans outstanding and all PLFs act as insurance agents*: In all 1,091 micro-enterprises including those 189 micro-enterprise units set up directly under the programme are supported and each JLG unit employs some 5 persons and each person earns some INR 1,200/month. More than 50% of 3,854 SHGs have loan outstanding with banks and all PLFs act as insurance agents. However the quality of the loan portfolio under bank linkage, whether for JLG or SHG, is declining with an increase in overdues.

10. **Outcome 4:** *Increased household incomes and savings*: According to the Annual Outcome Survey carried out in 2015, households' incomes increased by 45%, mainly in enterprises related to off-farm activities and fish vending. Cumulative saving of 3,854 SHGs was INR 526.8 million averaging INR 8,668 per member as on 31 Jan 2017 and it is INR 3,260 per member in case of JLG fisher women and INR 7,120 in case of fishermen.

11. **Outcome 5:** *Increased awareness among coastal school students on disaster preparedness*: in FY 2014-15 almost 9,000 school children have taken on exposure visits with the theme of emergency response and disaster preparedness.

12. **Development Objective:** *Viable enterprises and resource management systems, owned and operated by poor men and women in the region affected by the tsunami and supported by community*

[3] According to a study report submitted by the Madras Centre of CMFRI in January 2016, in two villages where artificial reefs were deployed, fish catch increased from 15 kg to 40 kg per trip, depth of fishing was 17 m as against 23 m before, time taken for fishing was 4 hrs as against 10 hrs before and distance travelled was 3 km as against 6 km before. Fishers were also ready to install more such artificial reef with government support

and other appropriate institutions. This is rated moderately satisfactory (score=4). In terms of increasing resilience to shocks, the programme is doing well in rolling out a number of insurance products and operating the Vulnerability Reduction Fund (VRF). Community organisations such as PLFs need to be strengthened in loan appraisal and monitoring as well as access and understanding of PLF income, expenditure and funds available; there is still a need to get better information on the functioning of SHGs and in enforcing credit discipline. Artisanal fishers continue to report declines in fish catches as a result of rapid increase in fishing activity by artisanal boats, ring seines and bottom trawling in most of the districts. As a result of these intensive fishing activities, average catches and incomes for artisanal fishers are falling in affected areas and is the main reason why fishers are not able to service their loans in time. It is clear that this issue is beyond the scope and capacity of the project to effectively address. However, some gains could be made through closer engagement with the State Department of Fisheries, who have the legal mandate for enforcing regulations.

C. Outputs and Outcomes, by Component

Component 1 - Coastal Area Resource Management

13. The implementation progress in this component, described below, is rated *moderately satisfactory* (score=4). The AWPB 2016-17 consisted of bi-annual review meetings, community exposure visits, community infrastructure, support to CRC staff, etc with a budget of INR 63.69 million out of which INR 21.32 million were spent.

14. Sub-component 1.1: Community resource planning: The bi-annual review planning is an important platform for getting feedback from the community on the programme implementation aspects. As part of community infrastructure, cumulatively 104 PLF buildings, 46 Fish drying yards and 28 net mending halls have been completed and used by the community, albeit at a sub-optimal level especially for the economic infrastructure.

15. Sub-component 1.2: Support to Community: The major activities include provision of equipment to PLFs, provision of salaries for CRCs and establishment of 2 water supply units using Reverse Osmosis (RO) technology with varying implementation and maintenance arrangements. The programme has initiated a study of the functioning of RO plants that should be used to ensure operation of the RO units at full capacity , and full recovery of the operation and maintenance costs.

16. Sub-component 1.3: Fisheries resource management workshops have been conducted and one of the key recommendations of the workshop was the effective implementation of codes of conduct in using approved gears and nets. Deployment of artificial reefs is the major activity under the sub component and till date, 6 artificial reefs have been deployed and fishermen met during the mission report increased availability of fish in the area. The programme has plans to deploy 12 additional modules of artificial reef in 2017/18 and this has not materialized.

Agreed action	Responsibility	Agreed date
1. Engage with Fisheries Department for effective implementation of codes and rules in using approved fishing gears	ADRD, PTSLP	30 Apr 2017 onwards
2. Bi annual planning meeting has to be structured well and outcomes are to be consolidated and action taken has to be reviewed in the subsequent bi annual meeting.	ADRD, PTSLP	Next bi-annual meetings
3. Based on the findings of the study, develop maintenance arrangements of RO plants.	ADRD, PTSLP	30 May 2017

Component 2 - Rural Finance & Risk Transfer Instruments

17. The implementation progress in this component, described below, is rated *moderately satisfactory* (score= 4). Position of the Senior Rural Finance Manager is lying vacant and this should be filled up on priority.

18. Sub component 2.1. Patient Capital Fund (Venture Capital Fund in PDR) As against AWPB allocation of INR. 26.3 million, expenditure of INR 25.4 million is reported. The programme has entered into a revised MOU with NABFINS in February 2017, for financing of additional enterprises in both

existing and new districts (total of 1,300 JLGs in phase 1 districts will be financed by 2016-17 after which repeat financing will be carried out; 1,000 JLGs covering 5,000 women will be financed in phase 2 districts between 2016-17 till 2018-19). During the mission, INR 20 million has been released to NABFINS as additional patient capital. Since NABFINS has reported to have deployed INR 14.8 million as patient capital from their own sources, NABFINS has balance of INR 5 million to finance additional enterprises as of now. The project can follow a dynamic approach of financing more capital intensive JLGs in the existing districts, since operations in new districts are yet to commence.

19. Till January 2017, a total of 1,079 JLGs have been financed by NABFINS, to the tune of INR 246.91 million including patient capital of INR 64.8 million. The loan outstanding as of 31 January 2017 was INR143 million in respect of 1,003 JLGs. NABFINS reported that INR 15.59 million as portfolio at risk (INR 15.1 million as of 31 August 2016) with overdues of INR 3.79 million. The communication with the JLG members on rescheduling of repayments at the time of disasters has to be clear and in consultation with NABFINS. Though PLFs are now BDCs of NABFINS for JLG financing, the JLG promotion and monitoring is still CRC centric with very little involvement of PLFs. Since commission is flowing to PLFs, they will be in a position to deploy their own staff to monitor and carry out routine functions. To ensure sustainable institutional arrangements, the role transformation has to be ensured over next 6 months.

20. With BDC arrangement with both NABFINS and Pallavan Grama Bank in four districts, in future, capital intensive enterprises requiring patient capital will be fielded to NABFINS and enterprises requiring working capital will be linked with PGB. For repeat loans as well the choices will be explained to the JLG members. In Nagapattinam and Kanya Kumari districts as well the demand for JLGs for enterprise financing is increasing; financing arrangement with Pandyan Grama bank is yet to be done. JLG applications will be financed by NABFINS.

21. Business promoters and assistant business promoters are under-utilised with both jointly managing 30 to 40 JLGs whereas each should manage 50 JLGs. Instead of target oriented approach of rationalising the number of JLGs per quarter, the project management should facilitate formation of JLGs as per need of the community and link them with NABFINS/other banks.

Agreed action	Responsibility	Agreed date
4. With BDC arrangement with both NABFINS and Pallavan Grama Bank in four districts, in future, capital intensive enterprises requiring patient capital will be fielded to NABFINS and enterprises requiring working capital will be linked with PGB.	ADRD, DIOs	Mar 2017 onwards
5. PLF to be responsible in monitoring of JLGs. Tally software to be used for monitoring JLGs. NABFINS to share monthly portfolio report to PLFs so as to ensure recovery of loan payments.	ADRD, NABFINS, C&IT	Mar 2017 onwards
6. Continue to engage 6 ex-bankers as consultants for developing sound JLG proposals; bankers with agriculture/rural banking only should be engaged.	PD,ADRD	Mar 2017 onwards
7. Facilitate and monitor the repeat loans on closure of the first loan to NABFINS.	M&E	Mar 2017 onwards

22. Sub component 2.2. Support for banks and other financial institutions: Though INR.10 lakhs were provided for in AWPB for facilitating BDC arrangement, banks have not insisted on deposits for BDC and hence there is no utilisation.

23. Sub-component 2.3: Risk management & insurance: As against the AWPB allocation of INR 1.7 million, the achievement has been INR.0.2 million. The national workshop for micro insurance is yet to be conducted which is the major expenditure under this sub component.

24. Insurance – The enrolment under various insurance products has picked up pace since last mission. The project reports that after review of the products and seeking community preferences, *Jeevan Mangal* product has been dropped. Since this is a savings-linked product for a fixed term, the members already enrolled should continue to be covered. The claim settlement issues have been largely sorted out with appointment of third party administrators; however, this has reduced the commission earned by the PLFs. Since renewals of many policies are due in March, the PLFs should ensure prompt renewal. CRC staff should devote more time and attention for this activity. The health

insurance product is specially developed for PTSLP and there are apprehensions that this product may not be made available after closure; for the first time since the launch of the product the pay-out ratio is 60% of the premium collected.

25. Fishing asset insurance-Though during the last mission in August, the MOU with PFARM was finalised, the agreement has been signed during the mission. The project needs to ensure that the activities are grounded quickly; any further delay will jeopardise the sustainability of this intervention.

26. Vulnerability Reduction Fund is now INR 44.85 million, with members' contributions of INR 9.6 million, project contribution of INR 25.76 million, MED reallocation to VRF of INR 9.5 million. The interest earned so far has been INR 2.9 million. During 2016-17, some 3,660 loan applications have been sanctioned amounting to INR 22 million (during 2015-16, some 6,731 loans were disbursed amounting to INR 34 million). The project staffs have not encouraged fresh disbursements in view of mounting overdues. Overall, 80% of the disbursements were for health related issues.

27. As on 31 January 2017, the loan outstanding under VRF was INR 22 million with 7,581 members of whom 2,398 members (31%) having overdues and the amount overdue is INR 7.89 million resulting in overdue to loan outstanding ratio of 35%. (In last JRM the figures were 34% of accounts and 16% of loan outstanding was overdue). The major concern is the increase in amount of overdues from INR.4.42 million to INR 7.26 million since last mission raising doubts about the ability of PLFs to manage this fund. Since November, the district project staff and CRC staff have been involved in recovery camps at PLFs. Despite CRC staff's involvement in checking each application, there are serious lapses in loan documentation (loan applications are not signed by PLFs and HLFs). In few PLFs, like Painkulam, with 130 SHGs, the fund size is reportedly INR 1.6 million. The programme needs to evaluate and rationalise the quantum of funds in VRF and re allocate a portion for production loans. The quantum of funds can be a maximum of INR 7,500 per member for 33% of members.

Agreed action	Responsibility	Agreed date
8. CRCs need to devote adequate time for insurance related activities so that the targets for enrolment and renewal are met.	ADPD, DIOs	Mar 2017 onwards
9. Ensure that start up workshop for PFARM is conducted at earliest and enrolment of fishers commences without further delays.	ADPD, M&E	Mar 2017
10. Evaluate the performance under VRF and where needed rationalise the quantum of funds in VRF and reallocate the funds for production loans for small IGAs (up to INR10,000). Develop guidelines for IGA financing and submit them to IFAD for review and comments	PD, ADPD	30 Jun 2017
11. Ensure that PLF leaders are solely responsible for managing VRF, Project controls scaled down and MIS reports of VRF generated in tally on priority basis	ADPD, CNIT, M&E	Mar 2017 onwards

28. Sub-component 2.4 Financial product development and innovation: The AWPB has plans for setting up 200 bio gas plants and 600 kitchen gardens during the year. Bio gas plants are nearing completion. Kitchen gardens at a unit cost INR.2200 as a loan product is yet to take off.

29. PTSLP has partnered with Vivekananda Kendra (an NGO) to set up 497 kitchen waste-based biogas units at a cost of INR 6.6 million The programme has trained select PLF leaders in repair of plants so that minor repairs can be addressed locally. The MNRE grant (INR 5,000) is being pursued with RD Department. The programme needs to monitor the repayment of loans under this category. The protocol for further usage of repayments for construction of additional bio gas plants should be drawn up.

30. Sub-component 2.5 Incremental credit for SHGs, enterprises and fisher societies: As of 31 January 2017, some 2,349 SHGs out of 4,119 SHGs (58%) have outstanding loans from banks and NABFINS to the tune of INR.367 million. Villupuram (43%) Nagapattinam (42%) have low bank loan coverage ratio. 133 SHGs have overdues of INR 2.4 million. The cumulative savings mobilised by 3,875 SHGs as of 31 January 2017 was INR 526 (445) million translating to savings per group of INR 136,703 (per group saving was INR 110,000 reported in last mission).

31. Apart from 1,079 JLGs financed by NABFINS, an additional 144 JLGs have been financed by the Pallavan Grama Bank amounting to INR. 26 million during the year with regular repayments.

32. In total 62 PLFs have been enrolled as BDCs. However, during 2016-17, only 158 groups have been financed in 36 PLFs under the BDC arrangement. This is inadequate business volume for the banks and the PLFs.

33. Out of the DRF of INR 39 million released to SIFFS by the programme, SIFFS has disbursed the loans to 1,847 members to the tune of INR 45 million; The present loans outstanding including repeat loans are INR 41 million and INR 10.8 million is over dues (26%) and the share in overdues of Nagapattinam federation is 50%. Fisherwomen JLGs have been prompt in repaying their loans; in Nagapattinam district there is overdue of Rs.3320.

Agreed action	Responsibility	Agreed date
12. Monitor the loans provided under product innovation funds, IGA activities, bank linkages, DRF, and also loans for differently-abled and include them as part of MIS.	ADRD, M&E, DIOs	Mar 2017 onwards
13. Ensure 90 PLFs are acting as BDC for SHG financing and 75% of financed SHG are through BDC arrangements	ADRD,SFRM	30 Jun 2017
14. Carry out quarterly SHG credit linkage plan in each PLF and share with branch managers of the banks with BDC arrangement. Adequate business per BDC should be ensured for continued interest of banks	ADRD, DIOs	Mar 2017 onwards
15. Ensure that PGB and NABFINS share the commission details with the PLF so that the receipt can be monitored/ PLF EC to review monthly the commissions to be received and actually received.	ADRD, DIOs	Apr 2017 onwards

Component 3 - Employment Generation & Skill Training: The implementation progress in this component, described below, is rated *moderately satisfactory* (score=4).

34. Sub component 3.1. Support to Self Help Groups and PLFs: AWPB has planned for book-keepers' salary, telephone charges to insurance spearheads, sitting charges to EC members and training for federation. As against the budget for INR 8 million, the expenditure till January 2017 has been INR 3.6 million. The project has taken efforts to revive 1,212 defunct SHGs and 283 SHGs have been revived. As of 31 January 2017, some 4119 SHGs with 60,779 members are functional.

35. In spite of adequate staff at DIOs and CRCs, the PLFs are not being strengthened adequately. PLF leaders are generally not aware of the funds available, income and expenditure. The system of loan appraisal and documentation is weak. At present, PLFs are not allowed to utilise the interest earned from various funds (service charge earned in BDC, VRF, product innovation, IGA etc.,) for meeting expenditure. Since PLFs need to emerge as self-sustainable institutions, the control of project CRC over EC has to be scaled down. Governance aspects of PLF require considerable strengthening by allowing them to take charge and make decisions. Governance related training for new board members need to be arranged.

36. There are 4 CRC staff with average 130 SHGs and 35 JLGs. There are book-keepers for every 50 SHGs. The work load has to be evaluated and staff should be phased out. Financial accounts related skills are lacking in project staff as well as in CRC staff. CDOs of most of the districts lack capacity including in PLF and SHG accounts. They require intense training.

37. To arrest high turnover of book-keepers, in May 2016, the salary was increased to INR 2,500 per month by the programme with the advice that 25% should be borne by the PLF. Some of the PLFs have not been paying their share; moreover, the number of book-keepers has also increased in some PLFs since the support is available. Since PLFs now meet their expenditure from membership fee, and they are restricted to use other income, they are hesitant to pay adequate salary. Project needs to facilitate payment of appropriate salary to book-keepers to ensure their retention since starting from April 2017 the project will pay only 50% of salary to book-keepers.

38. The project has been taking efforts to implement Tally, software based MIS for SHG and PLF monitoring. Tally is not yet fully operationalised: (a) The turnover of staff at Tally service provider has resulted in delays in de-bugging and operationalising the reports and the project has not renewed the annual service contract; (b) Since book keepers are not visiting SHGs, but only attend HLF meetings, SHG data are not regularly reaching PLFs. During field visits it was seen that on an average 40% of SHGs are not meeting and writing their books regularly in some districts. Data entry for 2016-17 is

lagging behind; (c) The MIS reports need considerable modifications as pointed out in last mission (the financial statements need to have common minimum micro finance requirements on group savings, group internal loans, bank loans, internal profits etc.); (d) The PLF financial statements also require revision since it is difficult to ascertain income and expenditure. The project needs to engage the services of a chartered accountant experienced in micro finance to re work on the reports.

39. The last JRM observations on audit reports of PLFs need to be attended to in forthcoming audit: (a) there are no detailed notes from the auditor on status of accounts, (b) VRF funds are shown as accumulated income and thus spendable and (c) accumulated losses are seen in many PLFs that the mission visited while the PLFs are not clear on this.

Agreed action	Responsibility	Agreed date
16. Provide intensive training in SHG and PLF accounts and book-keeping training to CDOs, CRC staff and also book-keepers. Provide governance related training to new EC members in PLFs.	ADRD	May 2017
17. Engage a reputed auditing firm to draw up accurate financial statements for the PLFs.	ADRD, FM	Apr 2017
18. Improve governance capacity by scaling down controls placed on PLFs. To ensure longer term sustainability of PLF, CRC staff role in PLFs have to be redefined.	PD, ADRD	Apr 2017 onwards
19. As part of agenda for annual general meeting, the total income and expenditure of PLF need to be discussed and PLF facilitated to fix appropriate salary for book keepers.	ADRD	May, 2017
20. Engage the services of a chartered accountant experienced in micro finance to re-work on the Tally reports; Ensure full operationalization of Tally on priority basis and improve monitoring	ADRD, CNIT	Apr 2017

40. Sub component 3.2. Support to income generation activities- The activity has been completed in 2015-16. No activity was planned for the year 2016-17.

41. Sub-Component 3.3 Formation of Fish Marketing Societies - For the year 2016-17, as against the budget of INR 90.4 million, the expenditure so far has been INR. 24 million. The key activities that are in pipeline include providing solar lanterns to fishers, hand-made fishnet making, fishing asset insurance, infrastructure support to CVK federation.

42. SIFFS was contracted to implement this sub-component and has completed registration of 62 FMSs and 61 have received debt redemption fund. As of 31 January 2017, some 3,114 fishers have been enrolled in FMS. 16 FMS are non-functional; 8 are in Nagapattinam district. The total outreach is likely to be 9,342 males including crew members. Savings mobilised by fishermen as of 31 January 2017 are INR 27.08 million.

43. The fish catch has been affected in all the districts; against the catch of INR 357 million during last year, as of 31 January 2017, the value is INR 147 million. Very few FMS are matching or exceeding the value of sales last year. Reportedly the fish catch has been steadily decreasing year on year in Kanyakumari district. The usage of banned gear, trawlers encroaching in the area of artisanal fishermen leading to over exploitation, plastic waste being lodged in coral reefs near the shore, also lack of rains are contributing to this low fish catch. The earlier mission's recommendation for a study on the field situation is yet to be carried out.

44. Cumulatively 8,398 ice boxes have been distributed with 25% member contribution and have been found to be very useful by both men fishers and women fish vendors. There is demand for 220 litre and 460 litre ice boxes for enabling fishing at a longer distance. Except in Nagapattinam, the boat yards and OBM repair shops have been made functional. Fish net marketing centre in Thiruvallur district has reported profits where as the one in Nagapattinam district has reported losses. The funds for working capital provided by the project (to ensure timely payment for fishers when traders delay payments) are being used by the federations but the disbursements have been low due to lack of season. All the federations have requested for increasing the working capital limit per FMS from INR 0.3 to 0.5 million for better utilisation and meeting the demand form some of the FMS which have higher needs.

45. The 8 fish landing centres and procurement halls are completed and the programme has handed over the properties to the local body with the role for management by federations. The user

groups have been formed to ensure the day to day maintenance. These facilities are being utilised in Thiruvallur and Nagapattinam districts, though sub optimally, and all the 4 structures in Kanya Kumari district are not in use. Three procurement centres in Kanya Kumari are non-functional due to commencing of harbour operations nearby where the fish procurement has moved. In depth discussions were held with the federations on how to ensure usage; a) community demand to changes in the layout, the height of the auction platform, the opening of doors for smooth movement of goods etc. in Arockiapuram in Kanya Kumari district (the last mission recommended to make these changes), b) the procurement centres will also be used by fish vending women to store fish on rental basis, c) alteration to procurement centre at Inayam to be used as offices of 2 FMS which will be funded by the FMS, and repair of roof by the project funds. The project will have to brainstorm with the community to put to use the facility at Marthandamthurai.

46. The commendable initiative of mobilisation of very poor fish vending women into JLGs continues to perform well with excellent on time repayment record. In all, 682 JLGs with 3,349 members have been formed. 370 JLGs have also obtained repeat finance with an increased loan amount of INR 25,000. All the members are covered under compulsory credit life insurance. Women also subscribe for health, personal accident and life insurance on voluntary basis. 36% of them are widows. Savings mobilised so far is INR 13.3 million with average per member savings of INR 3,990. Total loans disbursed have been INR 79.67 million at 12% interest. There is scope for formation of more such JLGs which can be considered. The federations are meeting their operating expenditure towards JLG portfolio from the interest earned. The project has fixed a limit for withdrawals from the interest earned account. Federations have requested for increase in the limit which needs to be considered.

47. The mission discussed the proposal for hand-made fishnet making of Kanya Kumari federation and it was decided to support the proposal. The project does not have any MOU with SIFFS as of now. In view of mentoring support needed for both federations, SIFFS may be engaged with very clear deliverables.

Agreed action	Responsibility	Agree Date
21. Engage the services of SIFFS with clear deliverables for supporting Nagapattinam, CAVIKA and Thiruvallur federations.	PD, ADRD, M&E	30 Apr 2017
22. Improve the usage of fish auction halls and procurement centres by enabling the usage of the facility by fish vending JLGs; undertake modifications needed to make the structures usable. Provide need-based furniture and fixtures. Provide appropriate funding support for annual maintenance of structure.	ADRD, M&E, Engineer	30 Jun 2017
23. Constitute a committee with members from a) SIFFS, b) project, c) Nagapattinam federation to take a final view on the Vellapallam boat yard.	PD, ADRD, M&E	30 Apr 2017
24. Assess new proposals from fisher federations for a) larger sized ice boxes for fishers, b) GPS; c) umbrella and rain coats for fish-vending women, d) building and other facilities for CAVIKA federation. Form additional JLGs where feasible and include additional budgets under AWPB.	ADRD, M&E, FM	31 Mar 2017
25. Facilitate BDC arrangement for Nagapattinam and Kanyakumari federations for (a) loans to FMS and also and (b) JLGs of fish vending women.	ADRD, M&E,	Apr 2017
26. Increase the limit to INR 5 lakhs for working capital financing per FMS for better utilisation of the working capital funds provided to the federation.	ADRD, M&E	Mar 2017

48. <u>Sub-Component 3.4 Micro Enterprise Development</u>. PTSLP initially pilot-tested enterprises in a group mode with 0% interest loans from MED funds provided to PLFs. Based on the experiences, the present JLG model was evolved. In all, 189 enterprises were established with total outlay of INR 46 million (PLF loans of INR 45 million, INR 6 million beneficiary contribution, and the rest being bank loans). Out of 189 enterprises, 159 are functional and 30 have become defunct. Out of 189 loans, 66 enterprises have fully repaid the loans, 105 are still repaying and INR 15.7 million is outstanding. District staff along with PLFs, are making efforts to recover loan repayment including issuing legal notices to wilful defaulters.

49. <u>Mango pulp Unit</u>: The progress for the establishment of the mango pulp is as follows: (i) the Thirumaraikadu Kadalora Vivasayigal Koottammaippu (TKVK) submitted the feasibility study and cash flow analysis of the establishment of the mango pulp unit with a 4,500 T capacity in Nagapattinam district; and (ii) the project submitted the tripartite MoU between the project, TKVK and the Nagai Organic Farmers Producer Company Ltd (NOFPCL), the Producer Company that is expected to

manage the mango pulp unit. Based on the review of the documentation, the discussion with the Executive Board of TKVK and with CCD (NGO providing technical advice to the fruit tree sub-project in PTSLP), the mission observed that : (i) the feasibility study prepared is solid; and (ii) the tripartite MoU for the mango pulp unit was revised based on IFAD comments on the initial draft and discussed again during the mission to strengthen the aspects relating to governance, management, and calculation of PTSLP grant assistance. It is also suggested that the MoU becomes a four-party quadripartite one binding PTSLP, TKVK, NOFPCL, and CCD. The timeline for the implementation of the mango pulp unit was discussed with PTSLP, TKVK and CCD whereby the mango pulp unit would be functional in December 2017.

50. Dairy value-chain in Kavarapattu cluster, Cuddalore district: As on 31 January 2017, 470 members have been mobilised into 94 JLGs out of which 74 JLGs have procured 370 animals through loans from Pallavan Grama Bank and another 100 applications pending with PGB. Strict monitoring on quality of animals purchased and also timely creation of asset has ensured grounding of the dairy units. Both the DIO as well as Hand in Hand mention that forming more JLGs may not be feasible. Hand in hand has tied up with Aavin[4]. Installation of fat analysers has ensured milk poured by each individual is analysed and members getting higher prices, INR 28 per litre than INR 20 to 22 earlier. There has been considerable delay in payment to farmers. Mission's reading of the records showed that on an average Aavin delayed payment by about 25 days and HIH kept these payments for about 11 days and thus the farmers have been subjected to bear the overdues of 35 days. No efforts are made for recovery of delayed payments from Aavin.

Agreed action	Responsibility	Agreed date
27. Take up the matter of delayed payments with Aavin and HIH and ensure the bank overdues are brought down and tide over the current situation farmers' federation be given a working capital assistance of INR 2.0 million	PD, DIO Cuddalore	immediate
28. For setting up mango pulp unit: (i) finalize and sign the quadripartite MoU; (ii) complete the registration of NOFPCL; (iii) renew the contract between PTSLP and CCD to provide the necessary technical assistance to NOFPCL in operating the unit and prospecting the potential buyers of mango pulp.	PD, ADPD,	Apr 2017

Sub-Component 3.5 Vocational Training

51. The planned activity of providing vocational training for 500 persons was not carried out. Since the project needs now to pay more attention to building the capacity of the community organizations and redressing the different loan portfolios, the mission recommends that the project converges with existing programmes for skill development.

Component 4 – Community-based Sea Safety & Disaster Management

52. The main activities of this component have already been completed. The implementation is rated *satisfactory* (5).

D. Programme Implementation Progress

53. **Programme Management.** Rated as *moderately satisfactory* (score=4). Programme management continued to benefit from some stability since the current Programme Director (PD) took charge in November 2011. The PD, the Principal Secretary level officer, holds this position as an additional charge. The current Additional Director, RD, joined the PMU in Sept 2015 and is been managing the day-to-day operations. However, a new Financial Manager was appointed one month ago and the post of SFRM is currently vacant. Several positions in DIOs in existing districts are vacant.

54. The project performance is declining in several areas: (i) the overdue amounts are increasing under the various portfolios especially VRF, DRF, JLGs; (ii) the capacity of the community organizations especially PLF and FMS is weak and in the case of the FMS 26% are non-functional;

[4] Aavin is a milk-marketing federation promoted by GOTN and has a state-wide operation

(iii) the achievement of the revised AWP&B stands at 43% to date, while in previous years it exceeded 90%. The mission recommends that project management be rated in a month's time based on the pro-activity of the project in resolving outstanding issues that are adversely impacting the performance and sustainability of PTSLP.

55. In this respect, the mission analysed the causes of the decline in performance and identified five main factors: (i) CRCs are fully in charge of PLFs, the JLG promotion and monitoring , as well as the review and processing of the loan applications to the VRF; (ii) the roles and responsibilities of the PLF, the CRC and the DIOs with regards the recovery of the overdues need to be clarified and specific attention should be given to Nagapattinam district where the overdues under all loan portfolios are the largest among the 6 districts; (iii) Community Development Officers require intensive training, coaching and close supervision so their support is more effective in building PLF capacity; (iv) the absence of an entity to oversee and provide support to the fisher federations and the FMS (as this is not part of the DIO/CRC scope of work); (v) several instances of communication gaps which suggest that the communication via *whatsapp* and SMS is not sufficiently adequate for managerial decisions, and face to face interaction and consultation with staff and partners remains necessary.

56. The mission reviewed the minutes of the meetings held since June 2016 between PMU and DIOs and notes the following: (i) from June 2016 to February 2017, 5 meetings were held; (ii) the meetings are increasingly reviewing the activities planned in the AWPB; (iii) there has been no instructions, after June 2016, regarding the addition of new and unplanned activities; and (iv) the analysis of the performance of different activities should be strengthened. The minutes should clearly indicate that the action points of the meeting were submitted to PD and circulated to all concerned.

57. In order to address the multiple factors leading to low performance, the mission recommends to:

a) Revise the roles and responsibilities of the PLF, CRC and DIO vis a vis the recovery of the overdues under the various loan portfolios administered by the PLFs. PLF leaders should be solely responsible for managing the loan portfolios and the loan applications. CRC interference in the PLF functioning needs to shift to monitoring the performance of the PLFs and counselling the EC members. Performance of CRCs should be assessed as a matter of priority and the non performing members replaced by the respective FNGO. The DIOs of Nagapattinam and Cuddalore should be coached by the SRFM in planning and monitoring the recovery of overdues.

b) The CDOs in DIOs should receive intensive training on PLF management and good orientation on their scope of work. Priority should be given to conducting such training in Nagapattinam district.

c) The PTSLP should contract SIFFS to backstop the federations, revive the defunct or loss making FMS.

d) Each component manager and District Implementation Officer should analyse the monitoring data related to his/ her component/ district and provide recommendations with regards corrective/ enhancing measures in each monthly PMU/ DIO meeting, as well as an action taken report on previous agreed recommendations.

e) The recruitment is on-going for the SRFM position. However, the remuneration was pegged low and the position is also open to non-bankers. PTSLP should strive to get a highly qualified person who can quickly grasp the seriousness of the situation and devise appropriate corrective measures. This would be best achieved with an experienced former banker and a higher remuneration.

f) Set quarterly meetings with project partners to review component wise performance.

g) Set time for regular bi-monthly meetings between PD and ADRD, to review delayed activities in the AWPB, recovery of the overdues and performance of the DIOs especially Nagapattinam.

PD guidance will be sought on these matters.

58. As the ADRD is responsible for day to day management of the project, he should finalize the following activities as a matter of priority: (i) ensuring full operationalization of Tally software for the MIS of SHG, JLG, PLF, FMS and Fishers Federations; (ii) coaching and monitoring the Nagapattinam DIO and providing regular reports to PD about the progress in performance in recovery of overdues; (iii) monitoring the performance of the engineering wing in the PMU and DIOs as there are instances of re-tendering that are delaying the implementation of this component.

Agreed action	Responsibility	Agreed date
29. Rating of project management will be reviewed in a month's time based on progress in the above mentioned actions.	PD and APD	Apr 2017
30. Evaluate workload and performance of CRC staff and reduce staff.	PD, ADPD	Jun 2017
31. Business promoters and assistant Business promoters are under-utilised and should manage 50 JLGs each within next 6 months.	ADPD, DIOs	Mar 2017 onwards
32. Engage the services of ex senior banker as SRFM on priority basis	PD, ADRD	Apr 2017
33. Enter into an agreement with SIFFS for providing technical support to fisher federations to improve their performance	PD, ADRD, M&E	Apr 2017

59. **Coherence between AWPB and implementation** *is rated as moderately unsatisfactory (Score=3)*: The budget of INR 208.75 million was approved against original AWPB of INR 319.72 million approved by the PSC. The PSC revised the AWPB of FY 2016-17 to INR 286.30 million, which is yet to be approved by the government and incurred expenditures of INR 122.83 million (42.90% of the budget) till January 31, 2017. The PSC also revised AWPB for the additional districts to INR 112.58 million from original AWPB of INR 476.26 million due to non-receipt of administrative sanction from the Government and expenditures are to be incurred only after receipt of administrative sanction as per PSC decision dated 28 December 2016. The activities are being implemented generally within the approved budget but the implementation is lagging behind the schedule causing low financial achievement.

60. **Monitoring and Evaluation is rated as** *moderately satisfactory* (score=4). The project has developed the required system for M&E such as the MIS for reporting AWPB; online M&E tools like the Tally-based MIS for PLF and JLG activities; periodic RIMS reporting. Of the agreed actions on M&E during the last SM, the project has trained 84 staffs from DIOs and CRCs on basic M&E systems of the project. The project M&E needs to address the following on priority basis: complete the AOS 2016 using the new guidelines; fix the Tally-based SHGs MIS as per above; analyse the data more systematically and strengthen the monitoring of the outcome indicators. The project developed evaluation sheets for the PLFs and the mission recommends to largely reducing the data collected so that only the key performance indicators are monitored. The mission will be providing a guidance note on data analysis and monitoring of outcome indicators as part of the supervision report.

Agreed action	Responsibility	Agreed date
34. Complete the AOS 2016 immediately and the DIO M&E staff should devote considerable part of time for improving the quality of M&E.	ADRD, Manager M&E, DIOs	15 Apr 2017 onwards
35. Analyse relevant performance indicators of the project provided by M&E manager, Component managers and District Implementation officers and share these in monthly staff meetings.	ADRD, PD	Apr 2017 onwards

61. **Gender focus**. This is rated *satisfactory (score=5)*. According to RIMS 2016 report, more than 86% of beneficiaries are women. They key activity that mobilized the women is the formation of SHGs and PLFs and their access to credit. Women are fully mobilized and extremely active in setting up small enterprises in off-farm activities and fish vending, managing the Reverse Osmosis Plants and the Biogas units. Their organizations, the PLFs, need further capacity building and convergence with Government programmes to enhance the benefits provided to women. To match the entrepreneurial activity of women, it is timely to consider strengthening the business advisory services that the PTSLP can provide through the Business Promoter and Additional Business Promoter at CRC level. Women entrepreneurial activities have created employment for their spouses: women access to credit is enabling them to finance their spouse's activities. Women estimate that 50% of them have come out

of poverty due to project interventions. The two main activities where the participation of women remain low are fish capture due to the traditions and mango production; and as a result, women are not represented in the governance of the Fish Marketing Societies, the Fishermen Federations, in the TKVK and in the first board of NOFPCL.

62. Some of the key project interventions such as IGA trainings (on dairy, vegetable and tailoring), training on hygienic fish handling, JLGs for fish vending, NABFINS micro-enterprise loans, etc. have 100% women as the focused groups. In vocational trainings too, the overall ratio of female and male has significantly improved with 51% women (2,665) as compared to 49% men (2,551) out of 5,216 trained to-date. However, project can perform better to enhance women coverage under memberships in PPGs (mango 20% women; vegetable 35%; and medicinal plants 51%).

Agreed action	Responsibility	Agreed date
36. Sensitise Fisher Federations and NOFPCL in include women in governance	Manager M&E	30 Jun 2017

63. **Poverty focus** is rated as *satisfactory* (score=5). Of the 132,150 HHs covered under PTSLP in existing districts, nearly 59% are from the very poor and poor households as per MIS data of 2015-16 for livelihoods mapping through wealth ranking. JLGs of fish vending women, a unique and highly successful initiative of the project, are from very poor and poor households. Field interactions with members of PLFs, SHGs and JLGs confirmed that the project focus has been for the very poor and poor households including for various insurance products and VRF of the project

64. **Effectiveness of targeting approach.** This is rated *satisfactory* (score=5). The project is effectively working with the coastal dwellers such as coastal artisanal fishers, small-scale fish-vendors in particular the women, those engaged in making dry-fishes, small and marginal farmers, agricultural labourers, etc. who were affected by the tsunami. As indicated by the 2016 supervision mission, the *Irulas* (numbering about 3,000 households) who are PVTGs (mostly in Kancheepuram, Cuddalore and Thiruvallur) have been specially targeted with specific activities (e.g. mud crabs rearing). The 2016 mission recommended that the special occupational target groups such as women fish vendors above the age group of senior citizens should be enumerated for further targeting and inclusion and this has been done whereby close to 3,000 women fish vendors have been further identified. The project is however not pursuing a saturation approach at GP level. The mission noted that certain PLFs are forming new SHGs on their own and this trend should be encouraged so that all poor and vulnerable households in the participating GPs can be covered. The mission also endorsed the project outreach to women fish vendors and to vulnerable women skilled in handmade nets in the town GP: the driving concern here is poverty and inclusion of women in three town Panchayats has been agreed.

Agreed action	Responsibility	Agreed date
37. As part of effectiveness of targeting, conduct a special study on the impacts of the project interventions on the *Irulas*, and the women fish vendors with enumeration of any excluded households.	PMU	30 Jun 2017

65. **Innovation and learning**[5]. Rated as *moderately satisfactory* (=4). ***Innovation.*** An interesting innovation during the period under review is the community-managed fishing assets insurance programme in partnership with mainstream insurance company. Another significant innovation has been the cultivation of vettiver grass by 11 JLGs covering 55 beneficiaries in Thiyagavalli Panchayat, Cuddalore district. Vettiver roots are harvested twice in a year and exported to Karnataka and Andhra Pradesh. There is potential for setting up of vettiver oil extraction units in the area. Digital payments in rural economy in one of the villages of C. Pudhupettai in Cuddalore district is a new innovation adopted by PLF members. Other innovations in the pipeline are (i) Establishment of dry fish Producer Company by mobilising fisher women and FMS members, and (ii) Establishment of handmade fish net enterprise by organising fisher women by KDFSF.

[5] IFAD is also documenting the innovations of the project under rural finance and fisheries development and these can be widely disseminated at national level.

66. IFAD is also documenting the innovations of the project under rural finance which can be widely disseminated at national level.

67. ***Learning***: The project has earlier commissioned studies on (a) utilization and management of VRF by PLFs, (b) financial inclusion for poor self-employed women fish vendors, (c) preliminary impact of artificial reefs on coastal fishery resources, and (d) kitchen waste based biogas. While the evidences of using the study results to improve the project interventions are limited in the fields, the project may consider updating these studies for improved management decisions. The young professional (YPs) may be used for this purpose and consider sharing these study resources in larger IFADAsia forum. The rich MIS data on PLF and JLGs need to be analysed with field validations to produce good case studies on vulnerability and poverty reduction and/or improved income for the vulnerable households. Again for this purpose, the YPs need to be appropriately guided and oriented. The previous mission suggested training on KM for the project staff, which is yet to be undertaken.

Agreed action	Responsibility	Agreed date
38. Revise and update the studies on VRF, DRF, insurance, biogas, artificial reefs, etc. and share/disseminate through IFADAsia and other knowledge forum for wider learning.	PMU	31 Aug 2017

68. **Climate and environment focus.** Rated as *moderately satisfactory* (score=4). The programme is not climate and environment focus, yet many of its activities such as organic vegetable cultivation, kitchen-wastes based biogas, solar lights, deployment of various modules of artificial reefs facilitating fishery resources development, etc. have elements that contribute to improving environment and natural resources.

69. **Partnerships** have been developed with SIFFS for formation of FMS and their federations at district levels, with a number of insurance companies, with NABFINS and banks, and with Resource NGOs (such as CCD, Hand in Hand, C-DOT etc). There is a partnership with the Central Marine Fisheries Research Institute (CMFRI) for artificial reefs, while the Aquaculture Foundation of India is providing ideas for seaweed production.

E. Fiduciary Aspects

70. **Financial management** is *moderately satisfactory (Score=4).* The project prepares AWPB for each component, sub-component and activity-wise showing category and source of funding of each activity. The AWPB 2016-17 was prepared in January 2016 and forwarded to ICO, IFAD for concurrence. On receipt of concurrence from IFAD, the AWPB and procurement plan are placed before the Project Steering Committee (PSC) for its approval. The revised AWPB was approved by PSC on 28 December 2016. The AWPB approved by the PSC is submitted to the Government for approval, which is included in the Government budget. The AWPB 2017-18 has been submitted to IFAD in January 2017 for concurrence and the no objection is still pending. There are overall internal controls for approval and payment of expenditure and it is generally effective. Yet, some improvements in areas of internal control weaknesses as reported in the external audit report are required. SOEs are checked on sample basis and some internal control weaknesses were noted like : (i) payment of labour welfare fund on addition to the contract amount without including such provision in the construction contract, (ii) payment of reimbursable expenses for mango, medicinal plant and vegetable cultivation to Covenant Centre for Development as per contract rate instead of actual expenses except salary, annual general meeting, exposure visit and training expenses, (iii) payment of actual lodging cost exceeding the government limit without approval of the PSC, and (iv) lack of supporting bills of expenses reimbursed. Payments are generally made within 10 days of receipt of invoices to the payees subject to some exceptional cases. The vouchers are prepared in the system after approval of the financial transactions and payments are made afterwards. The bank reconciliation is prepared on monthly basis. Petty cash is being maintained on imprest system. The invoices and supporting documents are not defaced with "PAID" stamp to avoid double payment. The PMU and DIOs are maintaining updated accounts. But the payable account having debit balances at DIO, Cuddalore has not been reconciled to rectify mistakes.

71. The project has been using customized Tally ERP 9 version software. The component and

activities are entered in the software while preparing voucher but there is no provision of entering category of expenditures. The expenditures incurred under each category is summarized from the financial progress of AWPB and reported accordingly. The software is able to generate financial statements consisting of receipts and payment statement, income and expenditure statement and balance sheet. Issues relating to chart of accounts, format of reports, cumulative reporting of components, budget enhancement etc. audit trail and category accounting have to be resolved in consultation of the software service provider. The software is not web-based and hence the financial statements of the DIOs received in excel are consolidated manually. There are differences between audited financial statements of the PLFs and SHGs and financial statements generated by the Tally software. The differences should be checked and adjusted to tally with the software generated financial statements.

72. **Withdrawal applications** for the expenditures incurred up to FY 2015-16 have been submitted and disbursed subject to deduction of INR 57,560,715 of categories 3 and 7. The project has submitted claim of INR 47,221,239 for period of 1 November 2016 to 31 January 2017 on 22 February 2017 to CAA&A which is yet to be submitted to IFAD for disbursement.

73. **Disbursement rate** is *moderately unsatisfactory (Score=3)*. As on 3 March 2017, the total disbursement under IFAD loan 662-IN (SDR 9.95 million fully utilized), 691-IN (SDR 6.86 million) and additional financing is (SDR 1.44 million) 18.25 million (including the initial deposit of SDR 2.84 million), is about 50.63% of the total loan allocation of SDR 36.05 million under IFAD loan 662-IN, 691-IN and additional financing. The net disbursement excluding initial deposit for the loan is SDR 15.41, which is 42.75% of the total allocation. The total disbursement under IFAD loan 691-IN including initial deposit to the Special Account (SA) is SDR 6.86 million (65.97%) and excluding initial deposit to the SA is SDR 5.46 million (52.55%). There is balance of funds of SDR 3,770,639.37 (INR 339.32 million) in IFAD loan 691-IN after deducting expenditures yet to be disbursed and SDR 15.70 million in additional financing, equivalent to INR 1,412.85 million based on exchange rate of INR 89.9904 per SDR on 3 March 2017. The disbursement including expenditures of SDR 1,164,368 at the exchange rate of INR 89.9904 per SDR incurred up to 31 January 2017 and yet to be claimed will be SDR 6,629,361 excluding initial deposit which is 63.74% of allocated amount of IFAD loan 691-IN and 46% of total allocation of SDR 36.05 million. The advance of USD 2.00 million has been disbursed on 3 October 2016 under additional financing of loan 2000001433 but expenditure is yet to be incurred.

Loan No.	Allocated SDR	Disbursed SDR	Disbursed to SA	Balance SDR	Percent disbursed (including Advance to SA)	Percent disbursed (excluding Advance to SA)
L-I-662-IN	9,946,791	9,946,791	0	0	100.00	100.00
L-I-691-IN	10,400,000	6,860,762.51	1,395,770	3,539,237	65.97	52.55
Total of 662 & 691	**20,346,791**	**16,807,554**	**1,395,770**	**3,539,237**	**82.61**	**75.75**
Additional Fin. 2000001433	15,700,000	1,442,887	1,442,887	15,700,000	0	0
Grand Total	**36,046,791**	**18,250,441**	**2,838,657**	**19,239,237**	**50.63**	**42.75**

74. The project has reported expenditures of INR 47,221,239 (USD 706,530) incurred from November 2016 to January 2017 to the CAA&A on 22 February 2017 which is yet to be claimed to IFAD. The expenditures of INR 57,560,715 (USD 861,231) claimed for the expenditures incurred under categories 3 and 7 during December 2015 to October 2016 have not been disbursed due to disbursement exceeding the categories limits. These will be disbursed after reallocation of the amounts of IFAD loan 691-IN.

75. The project was able to spend from INR 194.30 to 271.17 million/year in the past 5 years. The project has already spent INR 122.83 million in ten months and expects to spend INR 50.47 million (INR 48.40 million from IFAD source) in remaining two months of the FY 2016-17, which is about 29% of total expected expenses of FY 2016-17. The project has budgeted INR 147.52 million from IFAD

source for FY 2017-18 and projected INR 80.00 million for FY 2018-19. The fund required from IFAD source based on current estimate stands to about INR 275.92 million whereas there is loan balance of INR 339.32 million resulting to surplus loan of INR 63.40 million (SDR 704,500) in IFAD loan 691. The project has budgeted INR 358.85 million from IFAD source for FY 2017-18 for the additional districts and considering INR 300.00 million requirement for FY 2018-19, the project may be able to utilize maximum of INR 658.85 million. The amounts available in additional financing is INR 1,412.85 million (SDR 15.70 million) and hence there will be surplus of INR 754.00 million (SDR 8.38 million).

76. **Counterpart funds** are *moderately satisfactory (Score=4).* The Government of Tamil Nadu has cumulatively provided INR 1,498.15 million towards the counterpart and IFAD funding till January 31, 2017. The AWPB of IPR 398.87 million consisting INR 286.30 million for existing six districts and PMU and INR 112.57 million for additional six new districts and PMU for the FY 2016-17 has been approved by the PSC on 28December 2016. The Government of Tamil Nadu released first instalment of INR 104.35 million on May 12, 2016 after deducting INR 98.45 million for interest earned on bank deposit up to September 2015 and second instalment of INR 104.35 million on 24 November 2016 against approved budget of INR 208.70 million for the existing districts. The project has incurred expenses of INR 1,500.93 million up to 31 January 2017 against budget release of INR 1,498.15 million. The project has fund balance of INR 54.90 million as on 28 February 2017, which will be sufficient to implement remaining annual approved plan of INR 50 47 million as per revised schedule. The fund for the AWPB of additional districts has not been released due to pending administrative approval.

77. **Compliance with loan covenants** is *moderately satisfactory (Score=4).* The project has generally been complying with the covenants that have become due except: (i) Section 4.02 - submission of quarterly and six monthly progress reports, and (ii) Section 5.01 - submission of six monthly reports.

78. **Audit is** *moderately unsatisfactory (Score=3).* The audit report of the FY 2015-16 was issued on 28 September 2016 but submitted after due date on 25 October 2016 The audited financial statements generally comply with the IFAD requirements subject to some missing information. The management letter of the external auditor reveal various internal control issues, such as, mistakes in maintenance of books of accounts of PLFs, discrepancies in interest calculation by PLFs, bank balance not reconciled, lack of individual account of construction works, lack of reconciliation of accounts, TDS not deducted on payments to FNGO, delay in filing e-TDS return, no penalty/liquidated damage clause in the construction contract, lack of individual advance ledger, delay in advance settlement, unreconciled amount of INR 8.30 million transferred by DIO, Nagapattinam, fixed assets register not maintained properly, lack of codification of fixed assets, etc. The proposal for appointment of the external auditor for the FY 2016-17 is yet to be published.

79. The **internal audit** of the FY 2016-17 was not conducted as internal auditor could not be appointed. Expression of Interest (EOI) was posted in PTSLP website on October 28, 2016 for submission of proposal by November 14, 2016. As proposal was not received by the deadline, the PTSLP decided not to appoint internal auditor and decided on January 31, 2017 to (i) conduct special audit for the adjustment of advances in Nagapattinam and Thiruvallur districts, (ii) engage an auditor to provide Financial Management Support to assist staff of PTSLP to correct and rectify the defects in the accounting for the year 2016-17, and (iii) engage an external auditor or to finalize the accounts of PTSLP for the year 2016/17. The observations reported by the external auditor in the management letter were sent to the concerned DIOs and responses have been received from the DIOs. The audit of all 109 PLFs has been completed but audit reports of 8 PLFs are yet to be received. The auditors of PLFs do not submit the management letter to report internal control weaknesses. The audited financial statements of PLFs do not tally with the financial statements generated by Tally software. The financial review of 3,854 active SHGs out of 5,047 SHGs by the CRC staff has been completed. The financial review report of the SHGs does not contain the balance sheet. The financial statements reviewed by CRC staff also do not tally with the trial balance of the Tally software.

80. *Reallocation of loan categories*: As per the Status of Funds by Category of IFAD Loan 691-IN, the disbursements under Category III and VII are about 264% and 134% of the allocated amounts.

The expenditures of INR 63.90 million (USD 956,077) incurred under Category III and VII up to 31 January 2017 are to be paid only after reallocation is done to these categories. The reallocation request has been submitted to IFAD for approval which is yet to be approved.

Agreed action	Responsibility	Agreed date
39. Resolve all software issues and report generation issues in consultation with service provider.	ADRD	May 2017
40. Appoint external auditor for the FY 2016-17	PD, ADRD, FM	May 2017
41. Appoint internal auditor for the FY 2017-18 to conduct internal audit of every quarter and the time-bound actions taken to settle the observations.	PD, ADRD, FM	May 2017
42. Prepare six monthly financial reports and annual unaudited financial statements of FY 2016-17 based on financial statements generated from the accounting software for submission to IFAD	FM	As per IFAD timeline
43. Check financial statements generated by the Tally software with the books of accounts and audited financial statements of PLFs and SHGs and rectify mistakes.	FM	May 2017

81. **Procurement:** Procurement is rated *moderately unsatisfactory (score=3)*. Procurement implementation has been affected by poor planning and delays which at times have affected the speed of execution. The procurement plan has not been updated, monitored during the course of implementation resulting in significant delays or not taking up the procurement actions. PMU has started using the Standard Bidding Documents for works and consultancy services but at the district level there are no uniform bid documents.

82. At the district level, local shopping were undertaken to procure small equipments like computer & printer, UPS on the approval of the PMU. In Thiruvallur DIO, essential documents like responses for RFQ and winning bid are not available on file. Also the eligibility conditions like tax registration, dealership certificate are neither insisted nor available on the file. This illustrates that there is significant lack of understanding and non-availability of standard templates.

83. At the district level the works procurement are advertised in newspapers and also on the District Tender bulletins. However, the priced bid document contains only the BOQ, and the instructions to bidders, bid data sheet, drawings and details of site location are not provided. When the contract is awarded, the contract price indicated therein does not reflect the bidder's BOQ plus other estimated lump sum (labour fund, contingency, etc.,) and the clauses related to performance security, liquidated damages for delays, termination and other risk mitigating measures are not incorporated.

84. In the two districts of Kanyakumari and Thiruvallur, PMU approved engagement of CRC staff through HR agency for the interim period till the new NGOs for the districts are engaged. The contract with the HR agency does not indicate the names of the staff provided with their qualifications and the description of duties and deliverables of each CRC staff. The DIOs directly manage the staff. The project has not taken any action on the audit and the previous mission recommendations for including the statutory benefits like PF and ESI into the contract. There is no formal understanding in writing between DIO and the landlord for the payment of CRC building rentals. In the absence of contractual provisions related to maintenance and safe keeping of project provided equipments/furniture to CRC, there is a risk of safe custody of the assets.

85. PMU awarded the contracts for fabrication of artificial reefs for 6 sites in 3 districts and the work is progressing. However, the project is not getting sufficiently complied bids for the deployment of the artificial reefs even after two attempts. As the completed structures have to be deployed at the earliest when the weather conditions are conducive, the PMU may identify a suitable firm who has done similar work for the project in the past and obtain the financial proposal, review and award the contract.

86. For the additional districts, PMU has initiated the procurement of FNGOs in September 2016. The administrative approval from GoTN has been considerably delayed and not provided till now, and the bid validity period of the proposals expired on 31st December 2016. Before undertaking technical evaluation, PMU has to write to each of the bidder asking their concurrence to extend the bid validity till 31st May 2017. In case majority of the bidders do not agree to the extension of bid validity period, the project has to re-advertise for the procurement.

87. While inserting advertisements in the newspapers, the project has to specify the largest circulated newspapers for the insertion and not to leave the decision to I&PR department.

88. The project is implementing MIS software for PLF/SHG through customised Tally. In February 2016, the consultant has provided two quotations one for software service renewal and another for annual support. While the project has accepted the quotation for the software service renewal, it has not accepted the annual support resulting in no support provided by the service provider for the Tally MIS software for the past year. Lack of support has significantly affected the inputting of data and required reports generation

89. Given the oversight requirements, IFAD will revise its prior and post facto review requirements and would communicate to Government the revisions to the LTB/R to strengthen oversight and ensure that the stipulated procedures are followed for the additional districts.

90. Contract management has been weak, contract provisions and terms were not understood thus inadequately monitored. As the contract register and monitoring logs were not adequately maintained and updated, the mission recommends that these documents should adequately maintained, updated, and submitted to IFAD on quarterly basis.

91. Procurement records retention is inadequate. Procurement files and records are not systematically filed. The mission recommends that the staff responsible should reconstruct the procurement files from the data and documentation available from the various vouchers and other documentation and keep it as separate files.

Agreed action	Responsibility	Agreed date
44. Prepare and send bidding documents template for works and goods for use to DIOs.	ADRD	Mar 31, 2017
45. Amend the contract with the HR Service providers to include the staff composition, qualifications and terms of reference for each position, performance review and statutory deductions like PF and ESI.	ADRD/FM	Mar 31, 2017
46. Issue RFQ using a standard template and record all the RFQ sent through registered post.	ADRD, FM, DIOs	Immediate
47. Review the status of fish auction centres and other fisheries related infrastructure with the communities and stakeholders and provide modifications in structure and usage.	PD, Engineering Unit	Apr 15, 2017
48. Each of the component managers to closely monitor the deliverables and timeline of the contracts and report to PD. This is a reiteration of previous years recommendation.	Component Managers	From Mar 2017
49. Ensure annual support from the Tally Service provider by making payment of the mutually agreed price, to streamline the MIS software report generation.	ADRD	Apr 15, 2017
50. Strengthen procurement records retention through reconstructing the available data and documents into separate files.	ADRD	Apr 30, 2017
51. Extend the bid validity period for the additional districts FNGO procurement.	PD, ADRD	Mar 31, 2017

F. Sustainability

92. **Institution building.** Rated *moderately satisfactory* (score=4), the institutions set up and/or supported have good prospects for sustainability provided they are further strengthened. PTSLP works with Panchayat level federations and member SHGs. Efforts have been made to improve the incomes of PLFs so that they can meet their expenditure. Governance aspects of PLF require considerable strengthening, Beyond the project phase, PLFs are expected to be monitored by the TNWCD. JLGs formed under the project are functioning well and will continue to receive support from PLFs/ fisher federations. FMS will get continued support and oversight from the district level FMS federations, and will be sustainable provided their basic livelihoods are managed in a sustainable manner. The mango producers' company is yet to be registered and will require intensive capacity building.

93. **Empowerment and Social sustainability**: Rated *moderately satisfactory* (score=4). The social and economic empowerment has been achieved via various instruments promoted by the project. The women organised into SHGs and the PLFs, women as economic JLGs for IGAs, fisherwomen as JLGs and the fishermen under FMS and their federations along with various financial and capacity building support enabled the fisher women and men in achieving social and economic empowerment. Most men and women now have their individual bank accounts for saving and access to credits, also enabling fishing communities to interact with government agencies and seek out enhanced economic

opportunities. Group functioning particularly the FMS and federation remains much to be desired.

94. **Quality of beneficiary participation**: Rated as *moderately satisfactory* (score=4). The programme aims that PLF and FMS generate sufficient income to cover their costs. The PLFs act as BDC, insurance spearheads, and manage credits under product innovation funds, all of which enable income for PLF for sustainability. The PLFs administer the VRF, MED, etc. and the FMS manage the DRF. Such opportunities are providing the avenues for the project participants to gain skills and confidence to manage their own affairs sustainably.

95. **Responsiveness of service providers:** Rated *moderately satisfactory* (score=4). Although the mission was impressed with the calibre and contribution from a number of NGOs contracted for IGA and vocational training, and by CCD implementing the mango and other sub-sector projects and HIH implementing the dairy sub-project, the volume and scale of results emerging remain somewhat limited, and much remains to be done. Insurance companies have been very responsive, as have some banks and financial institutions. Although the NGOs are, in practice, little more than providers of manpower, many of their cluster staff is doing well, although problems remain in terms of their remuneration and allowances.

96. **Exit strategy:** Rated *moderately satisfactory* (score=4). The current exit strategy largely relies on strengthening of the community-owned institutions and enterprises so that these will continue to function sustainably beyond the project period. While PLFs and the SHGs are expected to be mentored by the TNWDC, the fisher federations will receive advice and capacity development from SIFFS.

97. **Potential for scaling up and replication** is *satisfactory* (score=5). Most of the project interventions have high potential for scaling-up and replication. JLGs for vegetables and small enterprises for IGAs, JLGs for fisher women, etc. through NABFINS and bank (such as PGB) financing have scope for replications and scaling-up. Small livelihoods support infrastructures such as net-mending sheds, fish drying platforms, etc. can also be replicated and scale-up provided the FMS are interested to take credits and these structures are optimally utilized and maintained. With government financing, even artificial reefs could be scaled-up to improve coastal fishery resources.

Other

98. **Impact on physical and financial assets:** Rated *moderately satisfactory* (score=4). Physical assets have increased as a result of the programme. The 2015 Annual Outcome Survey (AOS) found that 80% of sample households were using this infrastructure (mostly roads). Apart from community infrastructure such as roads and fishing-related facilities, loans are being invested in productive assets. The mid-term impact survey shows the proportion of programme households owning cattle increased from 2% at baseline to 13%, compared with 9% for the control group, while the number with sheep and goats increased from 4% to 11% (with only 4% for the control group). SHG members have savings and improved access to credit (in the AOS 90% of programme households took a loan and 60% reported improved access, compared with 78% and 37% for the control group). However, the physical assets like the fish auction halls remained grossly under-utilised. There are also increasing overdues in loan recovery under DRF, VRF and JLGs, reflecting challenges in financial sustainability.

99. **Impact on food security.** Rated *moderately satisfactory* (score=4). Food security situation has steadily improved in the programme areas. The AOS 2015[6] (carried out in Feb-Mar 2016) showed that only 1% of the households from programme areas reported food shortage for average duration of 3 weeks per year as compared to control groups reporting average of 6 weeks of food shortage per year. While this is an improvement over the previous year's situations, yet the fluctuating and volatile nature of income for a significant percentage of poor households (nearly 45% of all HHs) having only two sources of income as per AOS 2015 could be vulnerable to any change in the reduction in income (such as due to reducing fish catch) as well as increase in basic food cost

100. **Impact on incomes**: Rated *moderately satisfactory* (score=4). While there is plenty of anecdotal evidence of increases in income for members of SHG, JLGs and FMS, and for households

[6] AOS 2016 is yet to be completed.

involved in micro-enterprises, the AOS reports that, over the last year, more households reported decreases in income than increases. However the net number (those reporting "increases more" are less than those reporting just "increase") was 36% both for the control group and the project group. This is expected as the activities are not generating consistent income and they are reducing income variability. This shows that project investments are still weak especially in view of the fact that the second loan 691-IN is only 50% disbursed (without initial deposit) even after 10 years of implementation and SHG bank linkages are not progressing at projected pace. The programme aims that PLF and FMS generate sufficient income to cover their costs, but only a handful of PLFs and 43 FMS have reached this point. Most micro-enterprises have at least broken-even in their first year of operation, although inevitably some are just managing and few of them have even failed. All JLG enterprises are generating wages and profits.

101. **Policy Impact**: Rated *moderately satisfactory* (score=4). For the last 18 months, there have been increasing trends in the use of ring seine nets in almost all districts except Kanyakumari. Fishers reported that these have been affecting their fish catch and this decline in the livelihoods of artisanal fishers is now affecting project activities in terms of optimal utilization of landing sites, fish auction halls, procurement centres and loan repayment. It is clear that the issue of declining fish capture is beyond the scope and capacity of the project to effectively address. However, some gains could be made through closer engagement in dialogue with the State Department of Fisheries, who have the legal mandate for enforcing regulations. To this effect the Mission recommends that the Fishers Federations at the District levels should engage in dialogue with the Department of Fisheries to come up with specific steps to stop banned fishing methods.

102. **Quality of natural asset improvement and climate resilience** is rated as *moderately satisfactory* (=4). The project's investment in artificial reefs (6 units deployed covering at least 1,200 sqm) to improve the fishery resources, cultivation of seaweeds, organic vegetable farming (over 341 acre by 1079 JLGs), biogas based on kitchen/organic wastes (479 units functional), solar lights, water-saving irrigation technologies shared by vegetable JLGs, mango PPGs (100 PPGs have at least 81,400 mango trees over 1,200 acres) are all contributing to improving natural assets. Adaptation to climate change was not an objective of PTSLP. However, the project interventions could greatly contribute to building resilience to climate-related events and reduce household vulnerability by promoting risks reduction or mitigation fund such as VRF, DRF, and affordable insurances for health, life, accidents and assets.

103. **Other impacts** the programme has helped reduce risk via the vulnerability reduction fund and insurance schemes. In all 25,433 women have taken VRF loans, while the AOS shows about 37% of programme households have health insurance, over 36% have personal accident cover, 28% have insured their assets (mostly houses) and hardly 4.5% have cattle insurance. This is far more (except life insurance) than for households in villages neighbouring the PTSLP area.

104. **Review of AWP&B for 2017-18:** The mission reviewed the draft AWP&B for 2017-18 for the existing and additional districts and its comments and observations will be provided in the main report.

G. Conclusion

105. PTSLP is likely to achieve its development objectives particularly in strengthening the community institutions in the form of PLFs and FMSs as well as empowerment of women; VRF, DRF, infrastructures and other innovative products of PTSLP benefiting the poor fishers and other poor households, provided adequate capacity building and handholding is conducted. As SHGs are the basic building blocks of PTSLP, the Programme should devote more attention to consolidating their functions and operations so as to enable them to provide their members more substantial livelihood opportunities than at present. The mission noted that the Programme achieved 93% of its planned budget during 2015-16 and but only 43% during in FY 2016/17. The mission is concerned about the inordinate delay in release of funds, in starting the Programme interventions in the 6 new districts (covered by the additional financing), resulting in a very low rate of implementation of Programme activities. The mission is also concerned by the deterioration it observed in the quality of the loan portfolio managed by PLFs, FMS, JLGs, and SHGs. Furthermore, the number of active SHGs

reduced by nearly 30%, the PLFs performing as BDCs is below initial projections thus reducing the likelihood of bank linkages for sustaining business growth, and 26% of FMS are non-functional.

106. Current status signals that the Project should take corrective action in particular on the following:

(a) Completing recruitment of staff for the new district units by 30 April 2017, now that the Government Order was issued for commencing operations in new districts;

(b) Ensuring that the PMU follows due diligence in the implementation and monitoring of programme interventions and that all programme related decisions are endorsed by the Project Director;

(c) Ensuring that qualified officers with reputable track records are deployed for key and important leadership positions in the PMU and DIOs in existing and new districts by 30 April 2017;

(d) Ensuring the full operationalization of Tally software for the MIS of SHG, JLG, PLF and FMS by 30 April 2017.

(e) Undertaking with immediate effect, the restructuring of functions among PLF, CRC, DIOs and PMU as per the recommendations under the project management section;

(f) Analyzing and settling the overdues in Nagapattinam district, with immediate effect.

107. During the wrap up meeting at state level on 9th March 2017, the Secretary, Rural Development Dept, assured the mission that appropriate GO will be issued by 15 March 2017 and the mission is pleased to report that the GO was issued on 17th March thus signalling the full roll out of activities in the new districts. IFAD ICO will be providing the required technical support to ensure that activities are timely and effectively implemented within remaining project duration.