



Investing in rural people

Conformed Aide memoire

Republic of India

Post-tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu
(PTSLP: 662 IN, 691 IN & Additional Loan # 2000001433)
Joint Review Mission: 23 April to 4 May 2018

A. Mission Objectives and Key Conclusions¹

Background and main objective of the mission

1. The Post Tsunami Sustainable Livelihood Programme in Coastal Areas of Tamil Nadu (PTSLP) is operating in 238 coastal Panchayats in 45 blocks of 12 coastal districts that were affected by the 2004 tsunami. The project objective is to build self-reliant communities that are resilient to shocks, and are able to manage their livelihood base in a sustainable manner. PTSLP is financed by 3 loans : a) an IFAD loan of SDR 9.95 million (662-IN) was approved on 19 April 2005 and became effective on 9 July 2007 and was fully disbursed; b) a second loan (691-IN) for SDR 10.4 million, became effective on 19 January 2009, had an original completion date of 31 March 2017 that was extended to 31 March 2019 on account of additional financing and has a disbursement rate of 85.4%; and c) an additional loan amount of SDR 15.9 million approved by IFAD Board in December 2015, the financing agreement amended on 30 March 2016 and the disbursement rate is 13%. The programme completion date is now 31 March 2019, with loan closing on 30 September 2019. The programme is implemented by a Project Management Unit under the Rural Development and Panchayat Raj Department, GoTN. The program has 4 components: 1) Coastal Resource Management; 2) Rural Finance and Risk Transfer; 3) Employment Generation and Skill Training; 4) Community based Sea Safety and Disaster Management. Since its start, the program was implemented in Kancheepuram, Villupuram, Cuddalore, Nagapattinam, Tiruvallur and Kanyakumari (referred to as 6 existing districts in this aide-mémoire). Since March 2016, and following the GOI request and IFAD Board approval of geographic extension of PTSLP, the program is implemented in 6 additional districts of Thoothukudi, Tirunelveli, Ramanathapuram, Pudukottai, Thanjavur and Thiruvarur (referred to as the new districts in this document).

2. This is the 10th and last Joint Review Mission. It was fielded from 23 April to 4 May 2018 in the State of Tamil Nadu to review the progress of the programme, assess its performance, and plan for the completion activities and exit strategy. The mission, in three separate teams visited all 12 districts where the project operates from 24 to 28 April 2018 and had discussions with DIO, CRC, community institutions, women entrepreneurs and fishers. Consultations were held with the main partners of the project such as NABFINS, Pallavan Grama Bank, Indian Bank, South Indian Federation of Fishermen Societies (SIFFS) and the 4 Federations of Fishers Societies, Nagai Organic Farmer Producers Processing Company Ltd. (NOFPCL),

¹MsRasha Omar (Mission Leader); Mr S Sriram, Associate Program Officer, IFAD (Procurement and enterprise development); Mr Richard Abila, Senior technical specialist, Fisheries; Mr Vincent Darlong, Specialist in M&E, KM, Innovations; Ms Girija Srinivasan, Grassroots institutions and Financial services specialist; Mr Pratul Dube, Financial Management specialist. The mission was accompanied in the field visits by the following members of the PMU : Mr. Gladstone Pusparaj, ASDRD; Mr. M.Rajasekaran, F & A Manager; Ms. ShanthiSwaminathan, EDM; Ms. D. EzhilKavitha, Executive Engineer; Mr.C.L.Chenthil Kumar, M & E Manager; Mr. M.Padmanabhan, SRFM; Mr.R.Ravichandran, C & IT Manager; Mr. Gajavardhan, Consultant, Fisheries.

Covenant Centre of Development (CCD), Hand in Hand (HiH). The mission also held discussions with Dr. G. S.Sameeran, Director of Fisheries, Fisheries Dept and Dr.S.Noorjahan Beevi, Additional Director of Fisheries(FIMSUL), on convergence between PTSLP and Fisheries Department as well as with Mr Praveen K. Nair, Managing Director, Tamil Nadu Corporation for Development of Women (TNCDW) and Mr. P. Selvarajan,Additional CEO, Tamil Nadu State Rural Livelihoods Mission (TNSRLM) regarding PTSLP exit strategy.

3. This Aide Memoire presents the findings and recommendations of the mission discussed at a wrap-up meeting on 4 May 2018 chaired by Mr Hans Raj Verma, Additional Chief Secretary, Rural Development & Panchayat Raj Department, GoTN. Prior to this, the key recommendations were discussed and agreed with Mr Vikram Kapur, Principal Secretary, Project Director, Programme Management Unit, PTSLP on 3 May 2018. The wrap-up meeting with DEAtook place on 30 May 2018 whereby DEA inquired about the project performance, and the activities that may not be implemented in new districts given reduced implementation period.

Key mission agreements and Conclusions

4. The Joint review mission would like to express its appreciation for the dramatic turn-around of the project performance over the last quarter : financial progress against budget 2017/18 jumped from 34% as of 31 December 2017 to 76% by 31 March 2018 in existing districts; and from 8% to 20% in new districts. The two drivers of this transformation were 1) the appointment of a new Additional Director, Rural Development (ADRD) in October 2017 who is very familiar with the PTSLP concept and approach as he used to occupy this position from 2011 to 2015, a period during which the project witnessed very good achievements; 2) the State Government release of funds as per the budget of 2017/18 for new districts for a total amount of INR 63.75 crores. The new management team is also resolutely addressing the nagging issue of increasing overdues in the Panchayat Level Federations (PLFs) loan portfolio which has been plaguing the sustainability of PLFs: Overdues in the Vulnerability Reduction Fund (VRF) decreased by 75% compared to last year and the % of overdues stand at 14%of loan outstanding in VRF portfolio. Finally, the PTSLP implemented fully 64% of the recommendations of the 2017 Joint Review Mission (JRM) and 2 Implementation Support Missions (ISM) and the remaining 36% are in process. The mission recommends that the PTSLP management and Rural Development Department reward staff for this significant effort.

5. The mission notes that the PTSLP fully achieved and in certain instances overachieved its physical output and outcome targets in the existing districts, and the focus in this remaining year will be on consolidating the grassroots organizations and enterprises the program supported, as well as scaling up its institutional and financial innovations namely the asset insurance for fishers, the Business Development Correspondent (BDC) and Joint Liability Group (JLG) arrangements for facilitating enterprise financing, the financial inclusion of fish vending women, and the formation of fish marketing society with dual purpose of freeing fishers from usurious debt and ensuring better price realization through auction sale of fish. The overall performance of the program in existing districts is rated satisfactory (score=5).

6. Taking into consideration the long administrative procedures for issuance of the Government Order (GO) for new districts in March 2017 only and for the release of funds in November 2017, the mission is of the view that the program laid down the foundation for effective PLF and Fish Marketing Societies (FMS). The mission is of the view that PTSLP should revise its quantitative targets for additional districts and give priority to forming PLFs and FMSs on a sound basis of good governance, effective management and viable revenue model. Post project completion, these organizations will be coached by the TNCDW in case of PLFs and South Indian Federation of Fishermen Societies (SIFFS)/ District Federations in case of the FMS. The PTSLP performance in new districts is rated moderately satisfactory (score=4).

7. The discussed the following main points with the nodal department and the program management during

the wrap-up meeting:

- **The management of available loan resources.** As it stands, the budget 2018/19 for existing districts exceeds the balance of loan amount under loan no 691-IN. The PTSLP agreed to revise the budget down to the available balance of loan 691-IN. In case, additional activities are required for existing districts, these will be financed from the additional loan no 2000001433, as there is no restriction in the amended financing agreement on the use of this loan in all 12 districts, provided Government sanctions it. Projection of expenditures in new districts in FY 2018/19 suggest that there will be an unutilized loan balance of 69 Crore INR. The mission notes the State Government intention to request a 1 year extension of the PTSLP implementation period to achieve project targets in new districts.
- **Filling vacant positions especially in the CRC of new districts.** The staff from the PudhuVazhvu, initially proposed for these positions, are not applying due to the lower salary scale. The nodal department assured that the required clearances are currently in process to authorize the recruitment of staff from the market as soon as possible so as not to weaken implementation in new districts.
- **The exit strategy of the program.** It was agreed that the TNCDW would take over, gradually, the responsibility for coaching and monitoring the PLF and a joint PTSLP/TNCDW committee could be set up to work out the modalities. SIFFS will continue supporting the federations and the FMS and the program would facilitate their increased collaboration with the Fisheries Dept at state and district levels. For the NOFPCL, the Government will consider nominating a Special Business Advisor/Mentor to the Board of NOFPCL for a period of two years as per the quadripartite agreement signed in 2017.

B. Overview and Project Progress in old and new districts

Component 1. Coastal Area Resource Management -

8. *The performance of the PTSLP under this component in existing and new districts is satisfactory (score=5)* as all activities planned under this component in 2017/18 and cumulatively for the whole project period were either achieved or over-achieved. In new districts, the performance is also satisfactory. All establishment activities in new districts such as livelihood mapping, micro-plan development, restructuring of PLF and bi-annual review, have been fully completed. With regards civil works, 99 infrastructure works² have been undertaken for a sum of INR 960 lakhs out of planned INR 1287 lakhs (75%) in new districts. In AWPB 2018/19, programme will focus on : 1) in existing districts, pursuing the bi-annual meetings of the PLF and financing the Community Resource Centers (CRC); and 2) in new districts, pursuing the training of 129 PLF as well as the provision of financial support to cover the sitting charges of the Executive Committee (EC) of the PLF and the salaries of the book-keepers, the completion of 4 PLF buildings, the costs of CRCs and holding the fisheries resource management workshops at cluster level.

Sub-component 1.1. Community resources planning

9. *In existing districts*, planned construction of PLF buildings, fish net mending halls, and fish drying yards are all completed. The annual outcome surveys indicate that the community infrastructure is well appreciated and adequately maintained and this is confirmed by field observations. The project established 2 new reverse osmosis (RO) plants in 2017/18 and the mission visited one of them in Villupuram district, and observed that

² The infrastructure works consist of fish net mending halls and fish drying yards.

the PLF is able to manage the maintenance despite its high cost³. The mission endorses the PTSLP proposal regarding facilitating the Gram Panchayat and PLF to establish annual contracts for the maintenance of the engine of the plants and funded from the income of the RO plant.

10. *In the new districts*, the livelihood mapping and micro-plan development led to identification of 117 community infrastructure and PTSLP is undertaking 99 works, mainly net mending halls and fish drying yards. It is worth mentioning that community infrastructure related to transport (culvert, link road), deep bore wells, and renovation of school classes will be carried out by Rural Development Dept. Moreover, the Department also allocated 90 village panchayat service centers (VPSC) to the PLFs and is planning to allocate another 26 VPSC after their completion to the PLFs. All these initiatives represent excellent examples of convergence with the schemes of Rural Development Dept. In all, PTSLP would only be constructing about 13 PLF buildings and the savings from this activity can be allocated to other community infrastructure such as RO plants for which there is very high demand.

11. Two factors are currently slowing down construction of community infrastructure : 1) the delay to obtain no objection certificate (NOC) and 2) the non-availability of good quality sand in certain sites for the civil works. In the wrap-up meeting, the Rural Development Dept requested PTSLP to provide the list of pending NOC and will expedite them with district administration. Design of civil works can incorporate alternative material such as crushed stone sand.

Subcomponent 1.2. Community support

12. Under this sub-component, support is provided to the PLF in form of technical backstopping by CRC 1) to assist PLF in governance issues, in the management of its various loan portfolios and in expanding its services to SHG members; 2) to restructure the PLF (constituting habitation level federation, conducting governing body elections, audit and renewal of registration of PLFs which were pending for past 5 years); 3) to prepare the PLF for the mobilization of contribution and management of the VRF.

13. *In the existing districts*, the CRCs were principally involved in the massive campaign the program launched to recover the overdues (full overview of overdues in section below). PTSLP plans to phase out the support of the CRC gradually starting the second half of FY 2018/19 and support concomitantly the PLF to assume increased responsibility in the management of their resources and monitoring SHG and JLG performance. *In new districts*, 127 PLF were restructured, thus achieving the annual and full target of the PTSLP. The mission observed good response from the community and enthusiasm at the prospect of accessing larger loan amounts from banks. Women contribution was mobilized to the VRF to the tune of Rs 3 million.

Subcomponent 1.3. Fisheries Resource Management

³The PLF sells the potable water for 5 Rs per 25 litre can to village members and 10 Rs/ can for non-village members, compared with 30 Rs/can otherwise. The income from the sale of water is reduced by the interruptions of the operation of the RO plant due to maintenance works especially on engine and pipes.

14. Under this subcomponent, workshops were conducted to discuss fisheries-related good practices, in particular effective ways of ensuring the use of only approved gears and nets. Deployment of artificial reefs is the major activity under the sub component and 12 artificial reefs have been fabricated and deployed in 2017/18, achieving the full project annual target in existing districts. The fishers indicated that they observe increased availability of fish around the reefs since ring seines and bottom trawlers avoid these areas, making them suitable for fish nurseries. Given the very positive response from fishers, it is suggested that a provision for artificial reefs be made in the AWPB 2018/19 for the new districts as well as a new assessment of their effectiveness, building up on the initial study conducted by CMFRI in 2017.

15. Key fisheries management issues are listed below:

- On the positive side, most district Federations of Fishers Societies and FMS reported that there has been increased consultations and meetings with the District Fisheries unit, and in particular, Additional Directors, Fisheries Dept, frequently attend meetings of SIFFS and district Federations. They also reported that there is more determination and increased effort by the District Fisheries and Panchayat level administration to enforce the ban on ring seines and mechanical gears in inshore areas, especially under the co-management framework being piloted with World Bank project support.
- However, some FMS reported that nowadays they are fishing for fewer days, consequently fish catches and incomes have reduced. This results from a number of factors, including the recent Cyclone Ockhi which caused the loss of fishing assets. Fishers are also increasingly adhering to weather reports and avoid going out to the sea if there is high risk of bad weather. Ring seines and bottom trawlers continue to operate in some districts, therefore interfering with the small-scale fishers. Some FMS are not able to provide total data of fish catches and sales especially where their members sell their catch in different places - at the harbour, auction halls or to fish vendors along the beach. Nonetheless FMS members continue to express confidence in their occupation and are not considering to change to alternative livelihoods, despite indications of catch depletion. Fishers may be encouraged to get out into the deeper areas where stocks are better.

Actions	Responsibility	Deadline	Status
RO plants Sensitise the community on maintenance of RO plants and undertake works only where the community is willing to maintain and meet the expenditures. PLFs/ SHGs to be given responsibility for running the plants	ADRD, EE	June/ 2018 onwards	Agreed
Artificial reefs Take up artificial reefs works provided the contract can be issued by June 2018 and the reefs can be deployed by December 2018. In addition, conduct a study to assess the effectiveness of artificial reefs	ADRD, EE	June/ 2018	Agreed

Component 2. Rural Finance, Risk transfer instruments

16. In *existing districts*, the *performance is satisfactory (score=5)*. the program annual targets of 90 PLFs acting as BDC was exceeded and 107 out of 109 PLFs are now BDC for ICICI, PGB, Indian Bank. Furthermore, PTSLP exerted considerable effort in improving credit discipline and this is reflected in the significant decrease of overdues in the VRF portfolio. The concern currently is the Medium Enterprise Development (MED)/ JLG and FMS portfolios. In AWPB 2018/19, in the existing districts, promotion of

insurance and SHG/JLG bank linkages will be pursued in addition to releasing VRF for the FMS and JLG formed by the FMS.

17. *In new districts, the performance is moderately satisfactory (score=4)*, patient capital was planned for 600 JLG and micro-credit to 400 SHG. The rate of physical achievement of these activities is 16% for JLG and 100% for SHG credit linkage, and this is on account of the delayed start in PLF restructuring as Government release of funds only occurred in November 2017. Hence the BDC arrangements were not in place for JLG lending. In additional districts, the focus of work plan 2018/19 is on supporting the PLF to act as BDC. Already thanks to the restructuring effort which enabled the audit and renewal of registration of PLFs in new districts, 36 out of 127 PLF are now ready to become BDC.

Subcomponent 2.1. Patient capital fund

18. As per revised MOU with NABFINS, a total of 1,300 JLGs in old 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 new districts till 2018-19. To date, 1,281 JLGs in existing districts and 188 JLG in new districts have been financed. Partial achievement of lending targets can be explained by the fact that with many MFIs operational in some of the coastal Panchayats, the rejection rate of members based on credit bureau reports⁴ have been high, resulting in re-organisation of JLGs.

19. Out of Rs70 million of patient capital released, NABFINS has lent Rs. 84 million of patient capital including recoveries and the balance available is Rs. 16 million. As of 31 March 2018, 1,208 JLGs have outstanding loans of Rs105.5 million out of which 290 JLGs have non-performing assets of Rs18.8 million. Legal notices are being issued to chronic cases of default in loan repayment. Reconciliation of accounts with NABFINS continues to be an issue in existing districts.

20. One of the reasons for overdues is over financing and poor cash flow projections by both project consultants as well as by NABFINS. During field visits, the mission noted that some of the enterprises have been either over-financed (dry fish, coconut leaf thatching) or under-financed (textile shops). There are complaints from dairy animal rearers that local feeding practices and breed preference are not taken into account by the project consultant who rejects these proposals.

21. Out of 1.46 million Rs commission to be paid to PLFs, NABFINS has paid only Rs. 0.75 million due to a) overdues and b) lack of involvement of PLFs in JLG monitoring. The repeat loans to enterprises from NABFINS have been minimal due to lower interest loans available from Pallavan Grama Bank and Indian Bank.

22. Learning from experiences of existing districts, NABFINS, in new districts, is : a) deploying own staff to center meetings, b) ensuring that PTSLP involves book keepers of PLFs in management of loan recovery, c) reconciliation of recoveries on monthly basis.

⁴NABFINS is doing credit bureau check. If a member is having two loans and or loan amount exceeds Rs100,000 including the proposed loan, then the application is rejected. Credit bureau check is mandatory for all MFIs and enforced by their industry association. Public sector Banks usually do not do credit bureau checks though RBI has issued instructions that this is a good practice to be followed. The MFI presence is high in Tuticorin, Tirunelveli and KanyaKumari districts.

23. Since NABFINS has raised the interest rate on loans to 18%, the average rate of interest taking into account patient capital at 4 %, rose from 12.5% to 14%. The program is reconsidering releasing new financing for patient capital to NABFINS due to the high interest rate.

Actions	Responsibility	Deadline	Status
Patient capital release PMU to negotiate the interest rate and commission to be paid with NABFINS. If found suitable, sponsor more JLGs in new districts and also release the balance patient capital amount. If not, recall proportionate patient capital that will not be disbursed in new districts. Sponsor the JLGs to other banks	ADRD/SRFM	May 2018 onwards	Agreed
Reconciliation of overdue amount NABFINS to share JLG wise monthly repayments received and amount outstanding as of 30 April 2018 to PTSLP. PLFs to reconcile their records with NABFINS's. Thereafter, PLF wise joint visit by District staff and NABFINS staff to do final reconciliation. Project MIS and NABFINS data to be synchronised.	ADRD/SRFM/M&E	May 2018	Agreed
PLF involvement District offices to ensure that PLFs take complete charge to ensure SHG and JLG monitoring and book keepers attend center meetings.	SRFM/DIOs	May/ 2018	Agreed
Realistic JLG proposals Consultants to prepare proposals considering local realities and appropriate cash flows.	SRFM/DIOs	May/2018	Agreed

Subcomponent 2.2 Micro-credit for SHG

24. *In existing districts*, credit linkages of SHG and JLG have exceeded the annual target by 120% and 209% respectively in existing districts. With the re-structuring of the PLFs *in new districts*, the credit linkage for SHG was fully achieved.

a) Self Help groups;

25. *Existing districts*: As of 31 March 2018, 2,440 SHGs (58%) have loans outstanding of Rs. 424 million. Overdues are Rs. 0.05 million at 0.10% of loan outstanding. During the year, 1,108 SHGs have been credit linked to banks with bank loan disbursement of Rs. 491 million. The total savings of SHGs are Rs. 456 million. Out of 1108 SHGs credit linked, only 290 are through the BDC arrangement with loan amount of Rs. 105 million. The commissions that are earned by PLF under the BDC arrangement are not automatically flowing to PLFs and there is back log from ICICI bank, NABFINS, and PallavanGrama Bank. The procedures of Indian Bank are cumbersome with PLFs having to write to the branches to claim the amount.

26. *New Districts*: The project has restructured the PLFs and the BDC arrangement with banks will need to be put in place by June 2018. Out of 3,125 SHG, 399 SHGs have been credit linked with banks during the year with loans disbursed to the tune of Rs. 153 million. The total savings of SHG is Rs. 235.17 million.

b) JLGs:

27. *Old districts*: During the year, 816 JLGs have been financed by PallavanGrama Bank and Indian Bank, and the amount of loans disbursed is Rs. 239 million. 99.5% of JLG loans are repaid on time except the dairy JLGs in Kavrapattu (see sub component 3.3.)

Actions	Responsibility	Deadline	Status
Maximise linkages through BDC arrangement PLFs to be educated on maximising credit linkages through BDC to ensure adequate monitoring and income. Detailed guidelines on BDC to be issued to PLFs.	ADRD/SRFM	May 2018 onwards	Agreed
Commissions under BDC arrangement District offices to ensure that PLFs take complete charge and learn to claim commissions on time. Train bookkeepers for claims.	SRFM/DIOs	May/ 2018	Agreed
Indian Bank Simplify the commission claiming procedures of Indian Bank with the branches to make the payments on monthly basis.	SRFM	May/2018	Agreed

Subcomponent 2.3 Financial innovation

28. *In existing districts*, The kitchen waste based bio gas and roof vegetable garden are the two loan products offered under product innovation fund. The kitchen garden initiative has few takers since the return from the unit is not high. Cumulatively, 703 bio gas plants have been constructed including 142 during the year. A total of 244 accounts are overdue out of 561 outstanding loans and the overdue amount is Rs. 0.6 million out of loan outstanding of Rs. 2.81 million. This situation is due to a) target driven selection of members by CRCs, b) lack of systematic awareness building and building social capital which has not been followed in the last two years, c) disruption in gas flow. The mission observed that the loan repayments are not revolved and are lying idle. Since the actual uptake of biogas plants and kitchen gardens is on the decline, the mission recommends that these funds be transferred to IGA fund.

Actions	Responsibility	Deadline	Status
Product Innovation fund If there are no further takers for the products, the innovation fund may be transferred to IGA fund.	ADRD, EDM	Sept/2018	Agreed

Special mention of the overdue recovery drive

29. The high overdues in the PLF loan portfolio, *in existing districts*, were due to a) cash disbursement leading to influential persons taking loans in the names of others, b) collusion between CRC staff and PLF leaders, c) communication of CRC staff regarding project closure, d) lack of monitoring and follow up by the PLF, d) weak assessment of the enterprise viability. PTSLP has addressed these concerns and made very good progress with regards VRF loan recovery as reported in the table below and efforts should be sustained for the recovery of enterprise related loans. This is fundamental for the viability of SHG and PLF and the capacity to sustain the bank linkages.

Loan portfolio	Overdues/(Outstanding) as of 31/3/2017	Overdues/ (Outstanding) as of 31/3/2018	Observations
VRF	8,341,905 (21,878,192)	2,209,525 (14,906,014)	Overdues concentrated in Nagapattinam and Cuddalore districts
IGA	426,550 (1,726,248)	336,297 (4,979,237)	As above

Loan portfolio	Overdues/(Outstanding) as of 31/3/2017	Overdues/ (Outstanding) as of 31/3/2018	Observations
Product Innovation	612,554 (3,110,200)	599,598 (2,809,523)	Concentrated in Kanyakumari, Nagapattinam and Cuddalore
MED	14,037,895 (14,037,895)	11,799,908 (11,799,908)	Concentrated in Nagapattinam, Cuddalore and Kanyakumari
JLG – NABFINS	2.05 million ⁵ (161,470,752)	4.15 million (66,970,154)	As per PTSLP MIS figures, the amount of overdues is lower and the data needs to be reconciled with NABFINS
JLG – other banks	Nil	Nil	

Note: Figures in bracket refer to the loan outstanding

Subcomponent 2.4 Risk management and insurance

30.Vulnerability reduction fund; During 2017-18, 3,437 loans were disbursed by PLFs to the tune of Rs. 21.9 crores, in existing districts and the loans are mainly used to meet medical expenses. Since October 2017, systematic recovery efforts involving CRC staff and PLFs have enabled reduction of overdues by 74% as seen from table above, as of 31 March 2018. The mission endorses the PLFs' proposal to increase the VRF loan size from Rs.7,500 to Rs. 10,000 in PLFs, provided their resources allow such an increase and they do not have overdue loans for past 6 months. The VRF loans mainly finance household medical expenses.

Actions	Responsibility	Deadline	Status
VRF overdues; PLFs with the support of CRC staff to make an assessment of wilful and non wilful defaults; PLFs to take legal action against wilful defaults. For non wilful defaults and also non recoverable cases where the members have migrated or have died etc., PLFs to write off the loans and make necessary entries in the books.	ADRD, FM, M&E	Sept/2018	Agreed

31.Insurance:The MOU with the insurance company, United India Insurance, has come up for renewal and as part of the process the premium rates of insurance products are getting re-negotiated. JanashriBhimaYojana has been withdrawn by the Government. The dwelling insurance product rates have been raised considering the high claim ratio. The products are well established and except few cases, the claims are settled in time. The insurance products are now extended to JLGs of fish vending women and also to FMS members. During 2017/18, members availing insurance include 6,855 under AABY, 8,517 under health, 22,473 under personal accident, 7,174 under asset insurance, 1,526 under cattle insurance, 2,643 under group insurance and 1,462 under life insurance. The insurance enrolment is voluntary now. The renewal rate which is 30% should be increased to 60%.

32.PFARMS:The innovative mutual insuranceproduct for fishers' assets has gained momentum with 5,888 boats and engines being insured as of 31 march 2018 over a period of 4 months. This initiative, which has gained the support of Fisheries Department and District Administrations, is set for scaling up. The Director, Fisheries Department, is keen to enrol all 35,000 small boats under PFARMS. The registration of boats which has been a time consuming process is getting streamlined now. The benefits of this scheme to fishers is : 1) the registered boat owners can now avail diesel subsidy from the Government; 2) the insurance premium is

⁵ Source of the information is NABFINS.

lower than other available products as it takes into account the age of the boat and engine; 3) the copy of the insurance policy is in the name of the fishers and kept with them. The premium collected was Rs. 3.6 million, with 50% being passed on to United India Insurance Company, for insuring co-variant risk. Only 2 claims have been received for individual risks managed on mutual basis and none for co-variant risk. United India Insurance Company wants to re-negotiate the premium rate since they find the average premium collection is lower than what was expected and this needs to be negotiated by PFARMS and PTSLP.

Actions	Responsibility	Deadline	Status
PFARMS Leverage the interest of Department of Fisheries and carry out insurance drive to enrol 15,000 fishers during 2018-19; Set premium rates in such a way that it is viable for insurance company and also acceptable to the community	ADRD, M&E	Sept/2018	Agreed

Component 3. Employment generation & skills training

33. *In existing districts, the performance is rated moderately satisfactory (score=4).* Very good progress is recorded in formation of SHGs and JLGs and their credit linkage. However, the following activities which have a direct bearing on fishing productivity, GPS and large icebox, are lagging behind. Similarly, the sub-sector projects in existing districts are delayed (mango pulp unit) or need to improve the quality of implementation (dairy sub-sector).

34. *In new districts, the performance is also moderately satisfactory.* Although not all annual targets were quantitatively achieved as a result of delayed release of funds, the quality of implementation of SHG training and formation of FMS is commendable.

Subcomponent 3.1 Support for SHGs

35. As of 31 March 2018, some 4,189 SHGs with 61,470 members are functional in existing districts and 3,125 SHGs and 44,159 members are functional in 127 PLFs in new districts, thus achieving 78% of project target for SHGs mobilized and slightly exceeding the PLF target.

36. *Existing districts:* PLFs have different loan funds - incentive funds, IGA funds, VRF, product innovation fund which they lend to SHGs. Some PLFs maintain as many as 10 separate bank accounts for different funds and incomes which need to be rationalised. The PTSLP management imposed an embargo on fresh loans from PLFs since overdues were high and only in March 2018, the District Implementation Officers (DIOs) advised PLFs to commence lending. The audit of accounts for 2016/17 shows better quality reports as compared to the previous year. At present, the program does not allow the PLFs to utilise the interest earned from various funds (service charge earned in BDC, VRF, product innovation, IGA etc.), commissions from BDC arrangement for meeting expenditure and they are allowed to use only subscription fees. This has resulted in non-payment of 50% of salary to book keepers, with only project share of 50% getting paid in some PLFs. Starting FY 2018/19, the PLFs will pay sitting fees for EC members and salary of book keepers. As the book keepers will need to look after both SHGs and JLGs in future, they should be adequately paid. PLF executive committee members have also been asking for a raise in sitting fees citing higher out of pocket expenses for attending meetings. Since PLFs need to emerge as self-sustainable self-managed institutions, the program started facilitating discussions on the use of income from various sources.

Control of DIO/CRCs over PLFs decision-making has to be scaled down and the PLF executive committee empowered to make own decisions.

37. The project is making efforts to implement a Tally software based MIS for SHG and PLF monitoring. With the input screen simplified and removal of unused modules, the efficiency of the MIS improved and the book keepers are now updating the SHG records for the entire year. As of 31 March 2018, the records of 2180 SHG records are up to date. However, the reports are yet to be generated and used.

38. New Districts: During the year, 127 PLFs were restructured – habitation level federations were constituted, elections of governing body were conducted, accounts were audited, registration was renewed and trainings have been conducted for EC members. 4 day trainings were completed for SHG members and 6 days training for animators and representatives on orientation about the project, members' roles and responsibilities, and books of accounts. This was appreciated by the community

Actions	Responsibility	Deadline	Status
Rationalise loan funds Rationalise the different loan funds into IGA and VRF. Consolidate the bank pass books to 4 (VRF, IGA, General account and incentive) and track income and expenditure through general ledgers. .	ADRD/ FM/M&E	June/ 2018	Agreed
PLFs to use their income for expenditure Reduce project control over PLFs and facilitate discussions on the income from various sources and the expenses that can be met. PLFs to fix appropriate salary for book keepers and sitting charges for EC.	ADRD/ FM/ M&E	June/ 2018	Agreed
Self-reliance of PLFs Systematically review the activities that the CRCs do on behalf of the PLFs and enable EC and book keepers to take over these activities. In new districts, enable the PLFs to be autonomous.	ADRD/ DIOs/M&E/SRFM/EDM/FM	July/2018	Agreed
Capacity development of Governing body Develop comprehensive operations manual for PLF and provide training to EC members.	ADRD/M&E	July /2018	Agreed
Tally Ensure month to month updating of SHG records in Tally. Provide training to book keepers and EC members on tally reports. Request Tally to share the additional reports developed under MP Tejaswini, which include SHG alerts for performance monitoring.	ADRD/C&IT	June/2018	Agreed
PLF/SHG relations Provide thorough awareness on various activities and funds position of PLFs to each SHG.	ADRD/ FM/M&E	September/ 2018	Agreed
Exposure visit to MAVIM; CDOs and key CRC staff to under take a structured exposure visit to MAVIM promoted federations and village organizations to study their governance systems, business planning and cost coverage, SHG support services of book keeping, audit, monitoring of SHG and JLGs, micro livelihood plans implementation, convergence for Government schemes.	ADRD/M&E	July/2018	Proposed

Subcomponent 3.2 Formation of FMS

39. *In existing districts*, The capacity building activities were implemented, FMS buildings are under construction. None of the GPS/icebox/umbrella equipment for fishers/fish vending women were provided. *In new districts*, 30 FMS were planned, 30 were formed and 19 were registered. The Debt Redemption Fund (DRF) was released to 14 FMS.

40. The sub-component is implemented by SIFFS, and as at 31 March 2018, a total of 91 FMS were formed and registered with SIFFS (72 in old districts and 19 in the new districts), an increase by 62 reported during the last supervision mission. The mission noted the satisfaction of FMS members in new districts as they are already experiencing a 25% increase in sale price thanks to FMS auction system.

41. The project had entered into Tripartite Agreement with SIFFS and the District Federations for formation of FMS, to establish two separate District Federations in the new districts. After the initial preparatory activities, it has become necessary to modify the Tripartite Agreements for (i) enhancing the average amount of DRF in Tuticorin and Tirunelveli districts FMS (ii) increasing the number of JLGs for Seaweed; (iii) forming JLGs of Thermocol fishers; (iv) enhancing the working capital limit to FMS to Rs.5 lakhs; (v) using the working capital provided to KDFS for supporting handmade fishnet unit; and (vi) eligibility of existing SHG members for fish vending JLGs.

42. As of 31 March 2018, FMS had a total of 4,718 members (3,777 in old districts and 941 in new districts), representing an increase of 1,604 new members enrolled since the last mission. The fishers enrolled with FMS have mobilized total savings of INR 37.41 million, representing an increase of INR 10.33 million (approximately 38% increase) since the last mission. Assessment of FMS income and expenditure data for the last month suggests that most of them are making profits but at least 16 of them turned out with a deficit. About 16 FMS are considered non-functional, half of them in Nagapattinam district.

43. With regards the performance of the federations, CVK and Nagapattinam federation continue to be a matter of concern. SIFFS is putting in place a process for redressing the performance of these 2 federations starting by setting a timeline for the recovery of overdues, reviewing the financial statements and management/ governance performance and taking corrective measures accordingly. For example, SIFFS already posted its former staff as acting CEO in CVK; and new revenue models are being developed for the 2 federations. High risk FMS are being identified and it is likely that corrective measure will require the intervention of the district collector and GP leaders.

44. The recorded fish catch and sales data suggests that there has been a gradual decline in these outputs as indicated under subcomponent 1.3 above. The usage of banned ring seines, trawlers and other gear encroaching in the area of artisanal fishermen is an important factor for low catches. In some areas, for instance in Annankovil FMS and parts of Kanyakumari district, the actual number of fishing days has drastically reduced. All FMS should double their effort to capture more accurately the data on fish catches and sale value.

45. A total of 8,339 ice boxes were distributed in the past with 25% member contribution, and the boxes are used very well by fishermen and women fish vendors to maintain fish quality. Fishers who got the small ice boxes are now requesting for the larger size (220 litres and 460 litres) so they can carry more fish for longer distances. In some landing centres, ice is not readily available and consideration could be given for small ice-making equipment to be provided to some JLGs. Additionally, some of the FMS requested solar lanterns to use in their fishing operations and reiterated their request for GPS with a partial grant element. The effective usage of fish landing centres and auction halls remains an issue, wherein some districts they are not in use and some FMS members instead sell their catch in the harbours.

Actions	Responsibility	Deadline	Status
Recovery of overdues Prepare a timeline for the recovery of overdues owed by CVK and Nagapattinam federation and plan of action for improving their management capacity	SIFFS/ ADRD	June/ 2018	Agreed
Equipment to fishers and fish vending women Conduct a needs assessment for provision of GPS/icebox/umbrella to FMS and Women fish vendors and finalize the financing arrangement,	ADRD/ Fisheries Consultant	June/ 2018 onwards	Agreed

taking into consideration available equipment on subsidy from Government.			
Tripartite Agreement with SIFFS and District Fishermen Federations Revise the Tripartite MoA with SIFFS as per para 41 and submit amended MoA to IFAD for prior review.	<i>ADR and MEM</i>	31 May 2018	Agreed

Subcomponent 3.3 Microenterprise development (equivalent to Agriculture and off-farm livelihoods and enterprises in additional loan).

46. **MED:**PTSLP initially pilot-tested enterprises in a group mode with 0% interest loans from MED funds provided to PLFs in existing districts. In all, 189 enterprises were established⁶ in existing districts, 159 are functional and 30 have become defunct. Out of 189 loans, 66 enterprises have fully repaid the loans, 105 are still repaying and the amount of INR 11.8 million that is outstanding is also overdue. District staff along with PLFs, are recovering loan repayment including issuing legal notices to wilful defaulters.

Actions	Responsibility	Deadline	Status
MED loan collections Make an assessment of wilful and non wilful defaults; PLFs to take legal action against wilful defaults. For non wilful defaults the project has to recommend to Project Steering Committee for write off of these loans. Once the agreement is reached, decision is communicated to District Collectors and PLFs to make the entries in their books.	ADR, EDM	Sept/2018	Agreed

Joint liability groups:

47. **Existing districts:** The major enterprise promotion has been through formation of Joint liability groups of women having the same trade and facilitating credit for grounding of the enterprise. Cumulatively, 2359 JLGs were established and financed by banks and NABFINS. During field visits, the mission noted: 1) the lack of technical support and improved equipment (micro-irrigation for vegetable production) for these enterprises for productivity enhancement/animal health care; 2) the high order loans (Rs 5 lakhs) are released in 2 tranches which do not allow the JLG to finance the full investments required to run their enterprise optimally and yet they pay interest rate on the full amount; 3) contract farming based enterprises are able to grow to scale and obtain quality inputs and regular advisory services and this is the case of the broiler poultry (4000 birds/ cycle). The project has identified commodity clusters, 943 JLGs financed in 43 clusters of different trades, and have been discussing with the members the need for collectivisation. Some clusters such as coconut leaf thatching, weaving have limited scope for collectivisation. There is possibility to embed technical support through the PLF/FMS apart from collective marketing in some of the clusters (dairy in Thiruvallore district).

48. **New districts:** As against the target of 200 JLGs, only 98 have been grounded with finance from NABFINS. Except credit, no other technical training have been provided to the members with most of them following traditional cultivation/ animal rearing practices. In new districts, for organising fish vending/ dry fish

⁶with total outlay of INR 46 million (PLF loans of INR 45 million, INR 6 million beneficiary contribution, and the rest being bank loans).

making women, it is recommended that only FMS/federations will carry out the work of JLG formation since this will lead to a) total financial inclusion of members, b) appropriate loan product, c) dedicated staff of federation can ensure continued nurturing of JLGs and repayments, d) strengthening of fisher federation, as seen in the old districts.

49. Training on income generation activity: There is a high demand among the women for training on income generation training, some of which is not available under skill training schemes offered by the Government. The project will choose such trades where adequate incomes can be earned by the members. Moreover, the JLG members need training on better production practices/technology/ animal health care.

Actions	Responsibility	Deadline	Status
Technical inputs to JLGs Ensure technical support to the enterprises on improved production/animal care by developing CRPs/individual consultants in both old and new districts	ADRD, EDM	May/2018 onwards	Agreed
JLGs of fish vending women Fisher federation/FMS to organise JLGs of fish vending/ dry fish making women	ADRD, M&E	May/ 2018	Agreed
Income generation activity training Reintroduce trainings on IGA in AWPB 2018/19 for trades that provide adequate income to the members. SHG, JLG members to be provided training on package of practices/ better animal care (in both old and new districts).	ADRD/ EDM	June/ 2018 onwards	Agreed

d) Sub sector interventions;

50. Dairy value chain intervention by Hand in Hand; Hand in Hand continued to hand hold the federation of dairy animal rearers and building their governance. During the year, veterinary care has been ensured resulting in reduction in infertile animals. Marketing tie up with a private dairy apart from Aavin is fetching Rs.28 per litre of milk as compared to Rs. 24 paid by Aavin. Due to high level of NPAs - out of 74 JLGs financed 73 are overdue and the overdue amount is Rs. 74 lakhs and NPA is Rs. 49 lakhs-the Pallavan Grama Bank has not financed the second animal and as a result, the target of 2,000 litres of milk per day has not been achieved. Out of the target of 500 members, 470 were formed into JLGs and only 370 members were provided with first animal. Only five members have been provided with second animal. 78 members have repaid fully and yet to be financed for second animal since other members in their JLGs have overdues. Presently, 130 animals are pregnant, 137 animals are lactating, with low average yield of 1.8 litres per day due to low grade of animals and prevailing dry season. The two year old federation is not yet financially sustainable and covers only 15% of its costs and this indicates there is a need to restructure the organization and develop a business plan for cost coverage.

Actions	Responsibility	Deadline	Status
MOU with Hand in Hand Renew MOU with Hand in Hand for 2018/19 to handhold the federation to become sustainable. Reorganize staffing of the federation, ensure adequate milk production and feed provision to cover costs. Introduce payment system for covering costs of veterinary care.	ADRD, EDM	May/ 2018	Agreed
Financing of second animal Use the working capital which is currently idle due to faster payment of milk delivered, to provide loans for the purchase of second animals through the federation (see guidance note for more details).	ADRD, EDM	June/2018	Agreed

MoA with CCD and Hand-in-Hand Obtain proposals from these institutions for using the balance amount in the earlier contract, for supporting activities during the current year, evaluate the proposals and enter into a new contract. The management fee should be only the balance left over. Before entering into contract, the evaluated proposals and draft contract to be sent to IFAD for prior review.	ADRD and EDM	31 May 2018	Agreed
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51.Mango pulp unit: The progress for the establishment of the mango pulp is as follows: (i) the building works and machinery procurement though delayed by four months, has now picked up momentum and the plant is expected to be operational by July 2018, (ii) the trial run will start in August 2018 and is likely to take place with the processing of tomato puree and guava pulp given the seasonality of fruit production, (iii) the Nagai Organic Farmers Producer Company Ltd (NOFPCL) in charge of the mango pulp unit, has appointed a CEO and the staff recruitment and training is planned, (iv) the producer company has secured working capital loan of Rs. 10 million from PGB as per agreement, mobilised share capital of Rs. 33 lakhs from about 3300 members. CCD has been helping the NOFPCL with the statutory clearances for licences as well as technical advice for the specifications of the buildings and the machinery, and facilitation of market tie-ups with potential buyers. The current project support to the set-up of the mango pulp units is Rs 800 lakhs, including an increase of Rs 193.767 lakhs approved in January 2018 to cover higher cost of machinery due to GST. No further public funding will be provided for the mango pulp unit as the financials of the unit are robust with the unit making profits starting its first year of operation. The governing body of the NOFPCL has been receiving only from CCD, on the job training and guest lectures during meetings. With the impending start of the pulping operation, technical assistance from CCD should be retained until March 2019 to ensure NOFPCL institutional and financial sustainability.

Actions	Responsibility	Deadline	Status
MOU with CCD The project needs to extend the MOU with CCD for one more year to ensure a) mango pulp unit operationalization, b) systematic training and capacity development of governing body on governance, financial management, compliances to law, c) exposure visits to mango pulp units.	ADRD, EDM	May/2018	Agreed
Engagement of CCD with NOFPCL CCD and NOFPCL to enter into MOU for continued technical support for five years and provide copy to PTSLP	ADRD, EDM	June/ 2018	Agreed

52.New districts: PTSLP has entered into MOUs with a) CCD for value chain interventions for paddy and millets covering 1000 men and women in Ramnad district and b) with SMSSS, for Jasmine layer nursery and flower marketing covering 400 women in Ramnad district. The proposal for sea weed cultivation has to be finalised after the value chain study by KDFS. PTSLP also received proposals for goat rearing and for moringa cultivation that were not endorsed by IFAD given their high administrative cost and focus on training rather than supporting farmers to improve agricultural productivity and marketing margins. The proposal for providing equipment to women to climb palmyrah trees - after necessary modifications to the equipment - may be considered. The marketing intervention for palm sugar requires careful planning given the larger trader finance already available

Actions	Responsibility	Deadline	Status
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Moringa value addition proposal The proposal for Moringa cultivation and value addition to be fine tuned for a) implementable activities within 10 months, b) include the viability analysis of oil extractor, c) management costs to be 20% of the activity costs, d) sustainability of initiative by embedding in PLF.	ADRD, EDM	May/2018	Agreed
Sea weed value chain On the basis of value chain study by KDFS, and consultations with fisheries department and community, finalise the proposal for value chain intervention in coordination with Fisheries Dept.	ADRD,EDM	June/2018	Agreed
Goat rearing Support to goat rearing can be provided in form of training of community resource persons on veterinary training and feeding practices to support SHG and JLG investing in goatery	ADRD, EDM	June 2018	Agreed

53. **Subcomponent 3.4 Vocational training.** Based on the very mixed results of earlier rounds of vocational training where the placement record was only approx. 23% for the 5216 people trained to date, the 2017 JRM recommended to drop this activity from the annual work plan. Furthermore, the mission advised the project to converge with the Gol Scheme through the State Skill Development Mission, by identifying potential candidates for inclusion. The AWPB 2017/18 has the provision of training 500 persons in existing districts and 1000 persons in additional districts. No provision for such activities were made in 2018/19. Field visits indicate there are many highly educated yet unemployed youth for whom such training is possible and it would be advisable if the PLF/Federations would now facilitate the convergence with the State Skill Development Mission.

54. **Component 4 - Community-based Sea Safety & Disaster Management.** The main activities of this component have already been completed in existing districts and have not been planned in the design for new districts. The implementation is rated satisfactory (5).

C. Project implementation

i. Effectiveness and Development Focus

a) Development Effectiveness

55. **Likelihood of achieving the project development objectives** is rated *satisfactory (score=5)* in existing districts and *moderately satisfactory (score=4)* in new districts. The project is on track to achieve the objective of "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 and other appropriate institutions" in existing districts. According to AOS 2017 conducted in existing districts, 84% of project beneficiaries access formal credit, and 44% use the loan for income generating activities (IGAs). The IGAs supported by the project are conventional micro-enterprises with low level of technology: the loans are therefore used to increase the working capital, improve output and subsequently the enterprise turn-over. Beneficiary households acknowledge project support in the establishment and expansion of the enterprise. The recovery in the Tsunami affected areas can be measured by the increase in the number of people who consider they are in the average wealth category (23% to 46% over the last 5 years) and reduction in the poor and very poor categories (77% to 54%). The program is also reporting year on year improvement in income category of project

beneficiaries : while 58% of project households earned more than 8000 Rs/ month in 2016, this ratio increased to 70% in 2017. The lowest income category, less than 4000 Rs, reduced during the same period from 11% to 8%. On the aspect of resource management, the current challenges in fisheries management and environmental degradation are very serious and wide spread, they go beyond the scope of the project and require that community institutions work closely with the concerned Fisheries Dept. In the new districts, PTSLP will set the institutional and financing mechanisms for achieving the objective (BDC and JLG arrangements). The **logframe analysis** by outcome is presented herebelow.

56. Outcome 1: *About 375,000 people benefited by the infrastructure facilities developed by the project.* Community infrastructure developed by the project is highly appreciated and there is demand for more fish net mending halls, fish drying yards, and supply of potable water in both existing and new districts. The maintenance of the infrastructure is adequate particularly when managed by the PLF. According to the project's MIS, approx 269 000 persons are benefitting from 633 completed community infrastructure works.

57. Outcome 2: *increased fish catch due to deployment of artificial reefs:* the project has now deployed 18 artificial reefs. 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, and this is confirmed by the fishers who would like to see this activity expanded and have expressed willingness to contribute to its implementation. However, as indicated in AOS 2015 (when it was last measured) and in discussions in the field, fish catch in coastal areas is decreasing and this is somewhat offset by increase in fish prices.

58. Outcome 3: *At least 75% enterprises running profitably, over 48% of SHGs have bank loans outstanding and all PLFs act as insurance agents:* In the existing districts, PTSLP has overachieved this target as 84% of households access a formal loan, 107 out of 109 PLFs act as BDC for credit linkage and insurance services are in demand. PTSLP is putting in place similar arrangements in new districts.

59. Outcome 4: *Increased household incomes and savings:* According to the Annual Outcome Survey carried out in 2017, 70% of the households' earn more than 8000 Rs/month, and the number of households who consider themselves average has doubled from 23% in 2013 to 46% in 2017, while poor households decreased from 60% to 42% during the same period. The decline in very poor households is slower from 17% to 12% over the same period. With regards savings, 66% of project households have 8,400 Rs in bank and 87% have 6,500 Rs in SHG.

60. 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.

b) Development Effectiveness

Targeting and Outreach

61. This is rated moderately *satisfactory (score=4)*. According to RIMS 2017, PTSLP achieved 70% of the project outreach target in existing and additional districts combined. The livelihood mapping suggests that 52%-58% households are poor and very poor at the initial start of the project and this should be compared with 16.8% rural poverty incidence in the State of Tamil Nadu (2011). Field interactions with members of PLFs, SHGs, JLGs and Federations confirm that the project delivery of microfinance, insurance for low value assets, and support to coastal fishers and fish vending women has enabled PTSLP to target the poorer households within the project area. Moreover, the program MIS tracks participating beneficiaries by wealth category.

Actions	Responsibility	Deadline	Status
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<p>Poverty Targeting In existing and new districts, the PLF bi-annual planning should comprehensively address the livelihoods need of “very poor and poor” categories of households who form over 50% of total households, and PLFs may accordingly incorporate any proposed activities</p>	FRMS & DIOs	30 June 2018	Agreed
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Gender equality & women's participation

62. This is rated *satisfactory (score=5)*. According to RIMS 2017 report, approx. 110 000 persons are receiving project services of whom, 95 000 women and 15 000 men. Women are mainly involved in activities related to financial inclusion, enterprise development including fish vending and drying, and management of community infrastructure especially the RO plants. Men are involved in fisheries related activities as well as horticulture producer groups. The mission observed greater access of women to credit especially higher order loans whereby 27% SHG women members accessed bank loans of an average value of 30,000 INR; access to advisory services especially public veterinary care; increased interaction with Government line departments at block and district level thanks to the bi-annual review meetings. Women also expressed that their decision-making power in the household has increased and many enterprises involve their spouses such as purchase of boats to allow spouses to earn better income and save the cost of boat leasing, etc.. The mission also observed that the Federations of Fish Marketing Societies were taking proactive measures to include fish vending women as associate members in the FMS paving the way for their representation in the executive committee of these organizations and subsequently the governing bodies of the Federations.

Agricultural Productivity

63. *Performance is rated as moderately satisfactory (score=4)*. Improvement in productivity as per AOS 2017 for different interventions was variable. At least 10% households reported increase in area under crop production, while 12% households reported increase in areas under irrigation and 26% households reported increase in livestock. The farmers reported milk yield ranging between 4-6 litre/day/cattle. This is higher than the state average of 4.0 litre/day milk yield as informed by the technical agency, viz. Hand in Hand (HiH). The farmers attributed the good performance to overall technical support along with trainings received from HiH such as timely extension services, feeds and fodder and general hygienic animal care. In organic vegetable production and pricing too, as per M&E data, there has been steady increase over the years. For example, production quantity and prices increased by 30% and 12% respectively during 2017-18 as compared to 2016-17. Measuring productivity in fisheries is more complex due to the many variables involved which can change quite rapidly. In simple terms, productivity can be monitored by catch per unit of fishing effort, such as average catch (Kg) per fisher or per boat in a day. The FMS have data on value of catch as determined at the point of sale (key factors are the quantity of fish sold and the sale price by species). Based on aggregated data for all FMS members, the average value of fish catch per fisherman was Rs. 35,457 in 2017/18 compared to Rs. 57,413 in 2016/17. The reduction in value of catch may be explained by various factors mentioned in section 3.2. However, the value of catch may not be a very good proxy for productivity, as many assumptions have to be made, and therefore this result should be interpreted with some caution..

Nutrition

64. *Performance is moderately satisfactory (score=4).* The project addresses nutrition aspects indirectly through improved diet diversity among households participating in the project with special increase in milk consumed within the households practising dairy activities (1-1.5 l/day consumption). The annual outcome survey 2017 reports no food shortage among beneficiary households.

Adaptation to Climate Change

65. *Performance is moderately satisfactory (score=4).* The projected climate change scenario for the State of Tamil Nadu consists in increase in minimum and maximum temperatures, decrease in number of rainfall days, increase in intensity of rainfall and cyclones, rise in the sea level and increase in salt water intrusion into the coastal areas. PTSLP incorporated elements of climate change adaptation as part of its strategy to build household resilience to shocks: 1) supporting access to potable water in communities where groundwater is saline through the installation of community managed RO plants; 2) expanding access to irrigation with the 2017 AOS reporting a 12% increase in the area under irrigation; 3) promoting insurance products such as life and asset insurance, whereby insurance on houses help households cope with the destruction of their homes by torrential monsoon rains. In 2018, it is recommended that the project converges with the Fisheries Dept scheme that would provide VHF radio instruments with in-built GPS to fishers and would improve communication between coast guard and fishers at sea regarding meteorological and other information. For small boats, the Government provides the radio equipment at 100% subsidy.

Actions	Responsibility	Deadline	Status
Communication and Alert system PTSLP should converge with the scheme of the Fisheries Dept for the development of a communication in coastal areas	Fisheries Consultant and M&E Manager	31 July 2018	Agreed

ii. Sustainability and Scaling-up

Institutions and Policy Engagement (if relevant)

66. *Performance is rated moderately satisfactory (score=4).* The likelihood of project sustainability is positive given good prospects of social and financial viability of the key grassroots organizations supported by PTSLP, PLF, Fishers Federations/FMS, and NOFPCL. Planned capacity building in 2018/19 will consolidate program sustainability. Policy engagement in PTSLP consisted in effectively operationalizing Government strategies for financial inclusion, enterprise development, and resilience to shocks. More systematic efforts are now required to scale-up PTSLP's successful innovations, and this can be done as part of the program's exit strategy and KM activities.

Partnership-building

67. *Performance is rated satisfactory (score=5).* PTSLP forged strong partnerships with the Regional Rural Banks and NABFINS and this has translated to 107 PLF acting as BDC and leveraging a total amount of INR 3,011million in bank loans. PTSLP is also strengthening its collaboration with the Fisheries Department especially in the area of the enrolment of fishers in the asset insurance scheme.Thanks to Fisheries Department insisting on fishers enrolling in the asset insurance to avail the fuel subsidy and the Department facilitation of the registration of boats in a prompt manner, the asset insurance reached approx. 6000 fishers in just 4 months. PTSLP also established fruitful collaboration with Horticulture Dept which is providing free of charge, seedlings of guava trees to NOFPCL to diversify production and ensure year round operation of the pulp unit.The PTSLP is also collaborating with TNCDW for sharing the MIS data of program supported PLF and SHGs as well as TNCDWtaking reviews of the activities of the PLF. TNCDW expressed particular interest to learn more about the VRF for supporting household resilience, BDC and JLGs arrangements for enterprise development. The mission recommends closer coordination and more frequent meetings with TNCDW and Fisheries Dept as part of project exit strategy.

Human and Social Capital and Empowerment

68.*Performance is moderately satisfactory (score=4).* PTSLP developed three tier organizations in form of the PLF , 2 tier organizations in form of the Fishers Federations, PFARMS and the NOFPCL. It has also expanded the formation of JLG for enterprise development and access to higher order bank financing. As a result of the project support, a large number of PLF are likely to be financially viable by project completion; 50% Fishers Federations are financially sustainable and have corpus funds ranging from INR 45 lakhs to 6crore while the remaining are being re-organized by the apex organization, SIFFS. Among the FMS and despite the variability in the fish catch, approx. 75% FMS in existing districts are financially viable and there is demand to establish additional FMS in the program area. The membership of Tamil Nadu fishers in the apex organization, SIFFS, is the highest among the 3 Southern States. The NOFPCL is in its early stage yet the subscription to the share capital is progressing very well.

Quality of beneficiary participation

69. *Performance is moderately satisfactory (score=4).* Beneficiary participation is assessed in terms of participation in the governing bodies of the grassroots organizations supported by PTSLP, payment of subscription fees to these organizations, and contribution to project investments. The AOS 2017 reports that more than 50% of beneficiary households have participated in the training offered by the program on SHG/PLF/JLG management, women empowerment, insurance and IGA.

Responsiveness of service providers

70.*Performance is moderately satisfactory (score=4).* Service providers have generally delivered on their terms of reference and shown proactivity in addressing weaknesses in implementation (adherence to timeframe, and quality of institutional support). The AOS 2017 shows that more than 67% beneficiaries are generally satisfied with the support provided by services providers. PTSLP has also shown good understanding of new opportunities/ challenges identified by the service providers, however the turn-around time to address these

issues may be improved. A case in point are the contracts with CCD and HiH that are coming to an end , and the program has yet to obtain proposals from these institutions for using the balance amount from the earlier contract, for supporting activities during the current year.

Environment and natural resource management

71. *Performance is rated moderately satisfactory (score=4).* PTSLP contribution to environment and NRM management has successfully focused on awareness raising with regards sea safety, use of approved fish gear and fisheries resources management. In the course of this mission, two environmental threats were brought to the mission attention : 1) oil exploration inland and off-shore in the district of Nagapattinam is leading to groundwater depletion and salt intrusion and this affects the growth of field and horticulture crops; 2) prawn hatcheries in Thiruvavarur district affect the fish catch in coastal areas as result of the use of hormones, antibiotics and other chemicals. The mission recommends that the nodal department, Rural Development Department, looks into the matter of oil exploration and whether the environmental management plan is in place to mitigate environmental/social and health risks. With regards the prawn hatcheries, the Fisheries Department informed the mission that they are aware of these problems and new guidelines are being formulated. A effluent treatment plant is planned to be installed in the mango pulp unit although no chemicals are likely to be used in the pulping process.

Exit Strategy

72. *Performance is rated moderately satisfactory (score=4).* The institutional mechanisms for the project exit strategy are largely in place and centred around the social and financial viability of the grassroots organizations supported by the program. The consolidation of the exit strategy will consist in :

- Close coordination with the TNCDW for taking over the technical support, monitoring and coaching of the PLF. In this regard, a five member committee headed by ADRD, PTSLP, two officials from PTSLP and ADRD and an official from TNCDW can be constituted for smooth transfer of SHGs, JLGs and PLFs to TNCDW. A state level workshop has to be conducted on the key activities and good practices of PTSLP by June 2018. The district level teams of PTSLP and TNCDW will be introduced to each other in this workshop. Structured exposure visits will be organised by State team and district teams of TNCDW to PTSLP supported PLFs during the period June to August 2018. Formal transfer is suggested to start in January 2019. TNCDW also informed that they launched the process for federating the PLF at block level and took note of including PTSLP supported PLF in the governing bodies of these new organizations.
- Facilitating increased collaboration of Fishers Federations with the Fisheries Dept and benefit from the new Government schemes around co-management of fisheries resources, diversification into deep sea fishing and development of value chains in the sector. It is also proposed to conduct monthly meetings between Fisheries Dept and PTSLP at state and district levels to review implementation progress and convergence with Government schemes.
- Supporting the Government nomination of a Special Business Advisor/Mentor to the Board of NOFPCL for a period of two years. The Business Advisor/Mentor will not have voting right and s/he

will be responsible for advising on the strengthening of governance and management systems of the NOFPCL and business growth strategy.

Potential for Scaling-Up

73. *Performance is rated moderately satisfactory (score=4).* PTSLP successfully piloted a number of innovations but there is as yet no evidence of their large scale replication, despite a definite interest from the State Government. The main innovations ready for scaling-up are:

74. *Mutual Insurance through fisher federations:* PTSLP Fishing Asset Risk Mutual Society (PFARMS), has been set up by the fisher federations, for insuring boats and engines of fishers for total damage. The individual risks are insured by the PFARMS and co-variant risk is insured with the insurance company. The premium amount of 1% of net asset value is shared equally between the insurance company and PFARMS. This insurance product has the support of Department of Fisheries who is keen to scale it up to cover all the 35,000 small crafts in the coastal area of Tamil Nadu.

75. *BDC arrangement between PLFs/FMS and banks:* PTSLP is engaging with financial institutions to provide adequate finance to SHGs and JLGs at reasonable rates of interest. It has facilitated sustainable credit linkages by making financial institutions recognise the monitoring role played by PLFs and Fisher federations. PLFs / fisher federations as BDC earn a performance based commission which is a major source of income for them. While financial institutions have been forging BDC arrangements with NGOs and body corporates, BDC contracts with community owned institutions has been a path breaker.

76. *Enterprise establishment through JLGs:* Few women in SHGs are entrepreneurs who want to establish/scale up their businesses. However, considering the limited resources and loan demand from all the members, SHGs often are not able to fulfil the credit need of the entrepreneurial women. Banks continue to insist that these women should borrow only through SHGs and are reluctant to lend to them individually. The project has come up with the JLG strategy to overcome this issue. Women undertaking similar trade have been formed into JLGs and ex- agri bankers have been hired as consultants who work with JLGs to prepare business plans for individual enterprises. JLGs have been financed adequately (Rs. 50,000 to Rs. 1.5 lakhs) at reasonable rates of 12% which has enabled about 12,000 women to set up enterprises. The good quality of loan portfolio under the program is enthusing bankers to expand enterprise financing through JLG.

77. *Total financial inclusion of fish vending women:* One of the path breaking interventions is the total financial inclusion of fish vending women which initially was piloted through fisher federations. With 100% on time repayment, the women have built a strong credit history which is enabling banks to finance them with BDC and JLG arrangement with fisher federations. The third loan cycle with doubling of credit (Rs. 15,000 in first cycle, Rs. 25,000 in second cycle, Rs. 30,000 to Rs.50,000 in third cycle) has been mutually rewarding for banks and the women. The women have continued to save individually in their bank accounts. The insurance mechanism has been very effective since these women are more prone to accidents and deaths. This initiative has the potential to be scaled up to town panchayats through the district fisher federations.

78. Artificial Reefs for the recovery of depleted habitats and fish nurseries. PTSLP supports the fabrication and deployment of artificial reefs in selected areas as a means to improve the fish habitats and nursery grounds that have been destroyed through bad fishing practices and other anthropogenic activities. The program completed the deployment of artificial reefs in 12 sites that were identified. An initial monitoring study conducted by the Madras Centre of CMFRI indicated that the artificial reefs were contributing to increased diversity of fish species as well as overall increase in fish stocks in these areas. This has been corroborated by fishers, who have observed that there are better catches around the areas where reefs are located. The reefs have been received very positively by fishers and the Department of Fisheries, and there is potential to increase their deployment. The new districts that had not got the artificial reefs have presented a request to the project and there is a possibility of fabricating more to cover new sites. There is a possibility to scale up this innovation to cover many more districts in Tamil Nadu and other coastal states in India. The Department of Fisheries would be the ideal agency to carry forward this process, and the district Federations should be involved to facilitate consultation with fishers on appropriate sites and to sensitise their members to protect these new habitats.

iii. Project Management

Quality of Project Management

79. *Performance is rated 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 October 2017 and has been managing the day-to-day operations in an effective manner given his former tenure as ADRD of the project: monthly meetings chaired by PD and with full participation of PMU and DIOs are held; all files are submitted to the PD for sanctioning; about 64% of the 2017 JRM and 2 ISM recommendations are fully implemented and remaining are in process. In new districts, the employment of the PudhuVazhvu staff for grassroots mobilizations helped accelerate the learning process as they understand the procedures for PLF restructuring well. Currently 20 positions remain vacant in the new CRC and 5 in existing CRC, and the PMU is seeking approval to recruit non PudhuVazhvu staff given the lower salary scale it offers. Furthermore, as the last year of the project is critical to consolidate results and enable a smooth exit strategy, it is suggested that the project steering committee resumes its quarterly meetings.

Knowledge Management(KM)

80. *Performance is moderately satisfactory (score=4).* The project has utilised nearly 68% of its KM budget (utilised INR 1.7 million out of INR 2.5 million) as per AWPB 2017-18. The project has undertaken a number of KM activities during 2017/18 including KM-related trainings for community leaders, 9 thematic case studies (work in progress), preparation of technical leaflets in vernacular, monthly publication in TNCDWL Newsletter - read by 3 lakh SHG members - on project success stories and lessons learned. The KM activities have a capacity building and information purpose. With the program in its last year of implementation, it is important to orient KM to support the scaling up of successful PTSLP innovations and documentation of its results : the program's plan to develop a manual on PLF management and governance is a step in the right direction. More documentation can be done in 2018/19 especially given the interest of Fisheries Dept and TNCDW in asset insurance, VRF, BDC, JLG.

Actions	Responsibility	Deadline	Status
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Thematic case studies Complete the 9 thematic studies, review the studies through experts, and disseminate/communicate the study reports to wider audience in IFADAsia web portal and participating and presenting the study results in appropriate national and international workshops/conferences/seminars.	ADRD and Manager (KM)	30 Sep 2018	Agreed
KM for scaling up of successful project innovations Develop standard operating procedures and document results of selected innovations which are ready for scaling up such as the asset insurance, VRF, BDC and JLG and target the Fisheries Dept and Rural Development Dept/ TNCDW for their scaling up	ADRD, M&E	September 2018	Agreed

Value for Money

81. *Performance is moderately satisfactory (score=4)*. The project activities are mainly targeted towards providing livelihood support to the beneficiaries. In respect of livelihoods, the project has undertaken several schemes such as the DRF, VRF, MED and Patient Capital. In the case of DRF the fund provided by the project is a revolving fund which will enable the community to reduce its debt burden of private moneylenders. The project also provides revolving funds in respect of VRF and Patient capital to the extent of 80% and 70% respectively whereas the funds provided for MED are 0% interest loans. Thus, the funds of the project are being effectively used and as the funds are revolved and the corpus will be used by several beneficiaries over a period of time it meets the value for money criteria.

Coherence between AWPB and implementation

82. *Performance is moderately satisfactory (score=4)*. Overall project implementation achievement is 76.71% for existing districts and 20.08% for new districts, bringing overall rate of achievement to 48.39%. Funds were received by June 2017 for existing districts allowing higher level of physical and financial achievements, while the funds for new districts were only received in November 2017. PMU revised the AWPB in existing districts to reflect its progress, however it did not do so for new districts.

83. Factors that are likely to slow down implementation in new districts if not promptly addressed are :(a) 20 vacant positions of CRC staffs; (b) over 45% PLF in new districts have yet to complete re-structuring particularly audit of their accounts and renewal of their registration due to which no investment could be carried out in these PLFs.

84. In 2018/19, in new districts, the IFAD share to the budget is 36 Crore INR yet the balance of loan 691-IN is only 18.24 Crore INR. On-going commitments towards civil works, service provider contracts and salaries are 14.6 Crore INR. Available loan resources for new activities in exiting districts is only 3.64 Crore INR. In the new districts, the proposed IFAD share in the budget is 71 Crore INR for which resources are available.

Actions	Responsibility	Deadline	Status
Re-structuring of PLFs for improved AWPB performance In Phase II, complete the recruitment of staffs for CRCs, renewal of PLF registration and auditing of PLF to enable them access the project resources as per AWPB	ADRD & FRMS	30 June 2018	Agreed

2018/19			
Revision of AWPB 2018/19 in existing districts Reduce the budget 2018/19 to available balance of loan 691-IN. New activities in existing districts may be financed from the additional loan as there is no restriction in the amended financing agreement on use of this loan in all 12 districts, provided Government sanctions it.	PD, ADRD	31 May 2018	Agreed

Performance of M&E System

85. *Performance is moderately satisfactory (score=4)*. The project has adequate M&E staff at PMU and DIOs. The project has a fairly robust M&E system with established MIS up to CRCs and PLF levels. However, the MIS reporting is largely limited to outputs and activities. The project carries out annual outcome surveys and the data is presented in a descriptive form without analysis as to the program's progress in achieving its outcomes. Areas for further improvement are (a) strengthening the M&E capacity of district staff to not only collect quantitative data but also analyse the data with special emphasis on the performance of enterprises and benefits generated thereof; (b) increased use of participatory M&E approaches to reveal the degree of effectiveness and efficiency in the achievement of project objectives according to the perspectives of the stakeholders; (c) more systematic use of the AOS data for decision-making for example with regards limited gains in agricultural productivity; (d) design of the AOS questionnaire to better capture the outcome indicators of the program logframe. PTSLP also needs to prepare the completion report and the action plan for doing so along with a template of ToRs for the various studies will be provided in the supervision report.

Actions	Responsibility	Deadline	Status
Strengthening M&E Capacity Taking benefits from CLEAR M&E training, continue strengthening the capacity of project staff particularly for qualitative analysis for outcomes / impacts along with increased use of participatory M&E approaches, leading to increased knowledge generation, collaborative problem-solving and identifying corrective actions.	ADRD & Manager (M&E)	30 Sep 2018	Agreed
M&E and Project Completion Action Plan Considering current completion and closing dates, the PMU to re-visit the recommendations of ISM Dec 2017 wherein suggested project completion action plans have been outlined particularly the need to begin organizing project M&E data using appropriate MIS datasheet/tables together with draft ToRs for endline survey, thematic studies and project completion report.	ADRD, Manager (Finance) & Manager (M&E)	30 Sep 2018	Agreed
AOS 2018 and thematic AOS While the regular AOS 2018 will cover existing districts, selected thematic AOS should be undertaken to cover both Phase I and Phase II districts. While designing the AOS 2018, carefully review the questionnaire to include appropriate log-frame outcome indicators; also improve the analysis of the AOS with qualitative information such as why some outcomes have been under-achieved/over-achieved.	Manager (M&E)	30 Jan 2019	Agreed

Requirements of SECAP⁷

86. *Performance is rated moderately satisfactory (score=4)*. PTSLP was not subjected to SECAP during its design as it preceded these procedures which were issued in 2014. At design, the programme was classified

⁷Social, Environmental and Climate Assessment Procedures (SECAP)

as category B⁸. The program includes a number of activities to raise awareness about the conservation and rational use of marine resources under sub-component 1.3 and has achieved its targets with regards sea safety awareness under component 4.

iv. Financial Management and Execution

Disbursement Rate

87. Performance is rated moderately satisfactory (score=4) for the loan 691-IN financing existing districts and unsatisfactory for the loan 2000001433 financing new districts on account of delayed release of funds. The project is in its 11th year of implementation and its disbursement rate is 58% for all 3 loans combined. There has been one extension from 30-Sep-2015 to 31 March 2019: this is the maximum project extension duration as per IFAD procedures.

88. The low rate of disbursement is on account of the late release of funds by the State Government to finance the project implementation in the new districts which are financed by the additional loan. Though the additional loan was sanctioned in March 2016, the funds were only released in November 2017 and actual activities commenced only in the second half of 2017. The project team has adequate understanding of the programme and will be able to utilize the additional loan no. 2000001433 for which disbursement stands at 13.04% including the authorized allocation of SDR 1,430,943. If the authorized allocation is not considered, the disbursement rate will drop to 3.93%.

89. In respect of loan 691, the total amount available for the year 2018-19 is INR 18.24 crores of which the amount committed towards civil works, mango pulp machinery, dairy unit and salaries and operating costs amounts to INR 14.60 crores leaving only INR 3.64 crores for other expenses. In respect of the additional finance, the amount available for spending in FY 2018/19 is INR 140.63 crores. The budget prepared for the existing districts for FY 2018/19 is INR 36 crores and additional districts is INR 71 crores, leaving an unutilized balance of about INR 69 crores under additional loan. This being the last year of programme implementation, the PMU should prepare a realistic budget of the activities that can be completed by the program completion date of March 2019, considering the fact that the additional finance can be used for both existing and new districts. The GoTN has budgeted INR 93.50 crores for the project for the year 2018/19 but no amount has been disbursed to the project so far.

Actions	Responsibility	Deadline	Status
Cancel unutilized balance of loan no. 2000001433 GoTN, GoI and IFAD proceed to cancel unutilized balance of the additional loan	Rural Development Dept, DEA and IFAD	May 2019	GoTN would like to submit a request for program extension

Fiduciary Aspects

Quality of financial management

90. Performance is moderately satisfactory (score=4). The project has overall adequate financial systems; yet there are moderate shortcomings that have not negatively affected project implementation. The project is submitting WA regularly: WA upto January 2018 was processed by IFAD. WA for the period February to March 2018 is under preparation and is likely to be submitted during the current month. The Mission was informed that the financial management software has been customized and the WA for the period Feb to Mar 2018 would be prepared using the same

⁸ Category B project signifies that The programme/project may have some adverse environmental and/or social impacts on human populations or environmentally significant areas, but the impacts: (i) are less adverse than those for Category A; (ii) are site-specific and few are irreversible in nature; and (iii) can be readily remedied by appropriate preventive actions and/or mitigation measures.

91. The project has adequate finance and accounting staff at the PMU and the districts. At the PMU, the project has a Finance & Administration Manager (FAM) supported by an accountant and a cashier. At the districts, the project has an accounts officer and an assistant. Only one post of the accounts officer is vacant in one district since three months. The project follows a double entry accrual system of accounting. The accounting is done in Tally software at all locations. Bank reconciliations have been regularly done every month through the accounting software. It is noticed that the districts, besides maintaining accounts in Tally, also maintain manual cash book. This results in duplication of work and it is suggested that printouts of Tally may be taken and duly authenticated at the end of each month. The Tally back up is sent to the PMU every fortnight where compilation of data of all districts is undertaken. The districts have a chart of accounts, wherein ledger accounts have been maintained for each activity grouped under the project components. Compilation at the PMU should be done through the software but the mission noted that the compilation is done manually in excel sheets. This practice should be avoided and all compilation should be done using the synchronization feature of the software for which a uniform chart of accounts needs to be prepared at the PMU and sent to all districts for adherence to the chart. The implementing units should be restricted from making modifications to the chart of accounts without the permission of the FAM.

92. The mission is of the view that accounting in some of the DIO in new districts needs improvement in respect of proper account grouping. The preparation of a uniform chart at the PMU will help overcome such issues during the current year. The Mission carried out a test SOE review in respect of some expenditure in the PMU and at the DIU, Thanjavur in respect of the WA for the period October 2017 to January 2018. The Mission found that proper documentation and supporting evidence exists in respect of the expenditure claimed. In some cases expenditure under various ledger heads had to be clubbed to arrive at the figures claimed in the WA and there were some minor differences in some cases.

93. The mission also reviewed the books of the PLFs, FMS and JLGs. Book keepers have been recruited and trained to maintain accounts of these institutions. The mission is of the view that some handholding support is required for the book keepers in new districts.

94. The project prepares the Annual Work Plan and Budget each year. When funds are released to the districts every quarter the budget head for which funds are released are specified and the districts are required to use the funds for the purpose allotted. In case the expenditure under any head exceeds the budget, prior approval of the PMU is required to be obtained. The mission noted that the districts do have sufficient funds for the project activities and funds are released every quarter to them after considering their budget for the quarter and the balance available with them.

95. The project has adequate in built internal control systems in place requiring atleast two persons to clear all payments and obtaining approvals from the competent authority before releasing payments. The project also has a system of quarterly internal audit for which a firm of Chartered Accountant has been appointed. The internal audit conducts audit of all the districts and the PMU besides a few PLFs every quarter and submits the findings to the program. Some areas in respect of which weakness have been identified are: (i) settlement of advances is delayed in some cases due to late submission of claims (ii) provisions of tax deduction at source (TDS) are not fully complied with. In some cases TDS where applicable is not deducted such as FNGO service fees, vehicle hire and in some cases the rate of deduction of TDS is incorrect. (iii) incorrect classification of accounts (iv) PF and ESI (Social Security Schemes) is not being paid for staff employed through contractor. As per the agreement signed by the project with the contractor (LEAD HR Services Pvt Ltd) clauses 5 and clause 10 stipulate that the project shall reimburse the employer share of ESI and PF to the contractor. Non-compliance with PF and ESI is a serious matter and the project needs to ensure that PF and ESI is paid for all eligible contractual staff (v) Assets, other than vehicles, are not insured

Actions	Responsibility	Deadline	Status
Chart of Accounts & Consolidation The uniform chart of accounts prepared by the PMU should be provided to all districts and they should not be permitted to make any changes at their level. Accounts of the project should be consolidated using the software.	FAM	31 May 2018	Agreed
Settlement of advances Ensure timely settlement of advances	FAM/DIUs	31 May 2018	Agreed
Compliance with TDS provisions Ensure that the provisions of TDS are complied with in terms of tax deduction where required, adopting the correct rate of TDS and payment of TDS and filing the return by the due dates	FAM/DIUs	May 2018	Agreed
Compliance with the EPF and ESI Acts Ensure compliance with the provisions of the EPF and ESI Acts by payment of PF and ESI in respect of contractual staff/ staff recruited through the contractor. If required, legal opinion may be sought to ensure compliance.	ADRD/FAM	May 2018	Agreed

Quality and timeliness of audit

96. *Performance is moderately satisfactory (score=4)*. The audit report for the year 2016-17 has been submitted within the stipulated time and generally complies with the reporting requirements of IFAD.

97. The audit report for the year 2016-17 presents an unqualified opinion on the project financial statements (PFS) for the year. The audit was completed on 28-09-2017 which was within the stipulated period of six months from the end of the fiscal year. The PFS and the audit report generally comply with the reporting requirements of IFAD including a separate management letter which reports the accounting practices, soundness of internal control systems of the project, compliance with IFAD procurement guideline, procedural lapses and financial irregularities. The PFS however does not include the cumulative Status of Funds by category. The auditor should validate the compliance to the audit observations of the previous year.

98. It is proposed to appoint the auditor for the last two years of the project with a single contract to reduce administrative burdens. The period to be audited is April-17 / March -18 and April-18 / March 19. The audit will need to be conducted in accordance with the provisions stipulated in the new "IFAD Handbook for Financial Reporting and Auditing of IFAD Funded Projects"

99. As indicated in section above, the program recruited an audit firm to conduct the internal audit in respect of the project activities. The auditor has conducted the internal audit every quarter and submitted reports for the first three quarters of 2017/18. The project has already replied to the audit observations. The internal auditor should validate the replies to its observations in the report of the last quarter of the year.

Actions	Responsibility	Deadline	Status
Appointment of Auditor Appoint auditor for the year 2017-18 and for 2018-19 for the final audit and get the compliances to the audit observations of 2015-16 and 2016-17	FAM/APD	31 May 18 30 Sep 19	Agreed
Internal Audit Internal Audit of the last quarter of the year 2017/18 to be completed and the PTSLP management replies to observations of the earlier quarters to be validated by the auditor	FAM	30 Jun 18	Agreed

Counterpart funds

100. *Performance is moderately satisfactory (score=4)*. The Government of Tamil Nadu has been providing funds to the project based on its requirements in accordance with the AWPB and the project has sufficient balance to carry out its project activities.

101. The Government of Tamil Nadu (GoTN) has cumulatively disbursed INR 170.68 crores to the project which includes counterpart and IFAD funding till the end of March 2018. The funds disbursed are not bifurcated between IFAD share and Government counterpart funding. The project allocates the Govt share based on the AWPB and the financing pattern as provided in the Appraisal report. The GoTN generally releases the funds twice in the year, the first instalment by July-August of the year and the second instalment in February-March. The project uses the amount released in February- March in the subsequent financial year. During the year 2017/18, a sum of INR 13.91 crores was disbursed in July 2017 and INR 6.96 crores was disbursed on 31st March 2018 (the last day of the financial year) as per budget 2017/18 for existing districts. For new districts, the State Government released Rs. 63.75 crores on 18 Nov 2017 which will comfortably cover the budget 2017/18 and 2018/19 in the new districts. This being the last year of project implementation and also considering the increase in the project budget, it is important that the GoTN releases the funds in time so that the project has sufficient funds available during the year to carry out its activities in existing districts.

Actions	Responsibility	Deadline	Status
Timely release of funds GoTN to release the funds in time so that sufficient funds are available for project implementation in existing districts	PD, ADRD	31 May, 2018	Proposed

Compliance with loan covenants

102. *Performance is moderately satisfactory (score=4)*. The program has generally complied with the key loan covenants except (i) Section 4.02 requiring the project to submit quarterly and six monthly progress reports within two months from the end of such period and (ii) Section 5.01 which requires the project to submit six monthly and annual unaudited financial reports within three months from the end of such period which has not been complied with. The project has submitted quarterly financial progress report containing the AWPB and the achievement since FY 2017/18. The progress report is required to be submitted in accordance with Section 8.03 of the General Conditions for financing which shall contain the physical and financial progress as also problems encountered during the reporting period, steps taken or proposed to be taken to remedy these problems and proposed programme activities and progress expected during the following reporting period. In respect of financial reports, the financing agreement prescribes detailed financial statements to be submitted in accordance Section 9.02 of the General Conditions for financing

Actions	Responsibility	Deadline	Status
Section 4.02 – Submission of progress reports Submit quarterly and six monthly progress reports within two months of the end of the relevant period in accordance with Section 8.03 of the General Conditions	FAM/APD	31 May 2018	Agreed
Section 5.01- Submission of financial reports Submit half yearly and yearly unaudited financial reports within three months of the end of the relevant period in accordance with the requirements of Section 9.02 of the General Conditions	FAM	30 Jun 2018	Agreed

Procurement Review

103. *Performance is rated moderately satisfactory (score=4)*. Procurement generally follows the plan and all the procurement actions are approved by the Project Director. Procurement is generally transparent. Weaknesses were identified in the following: 1) moderate delays occurred in procurement due to delayed release of funds from the Government for the planned activities in new districts; 2) documentation and preparation of contract as well as contract management need improvement.

104. There is no separate procurement officer/unit for the project. The procurement of works is initiated by the Engineering Unit (both at PMU and in the districts), and consultancy procurement is initiated by the component managers and goods procurement by the Administration Manager/IT Manager. All the procurement are as per the AWPB and procurement plan. Fisheries related procurement are initiated by the SIFFS or the District Fishermen Federation obtaining quotations. Except the artificial reef deployment and the construction of mango pulp unit, all other community infrastructure works are small in value which are under the post review threshold. The PMU Engineering Unit follows the SBD modified for IFAD projects. At the district level, the template for the works and the contract needs to be further modified in consistency with the standard clauses and provisions. The sub-projects in the additional districts are on direct contracting basis, which were prior reviewed by IFAD and no objection provided. After the introduction of Government E-Market place portal of Government of India, the project is using the portal for procurement of IT equipment and vehicles. Procurement during the year was generally transparent and competitive except in cases of direct contracting. Procurement related documents are available for review. In the districts, availability of documents is of varied quality. In Ramanathapuram districts, works related procurement documents are spread over in many files whereas in Tuticorin and Tirunelveli DIO, all documents related to a particular procurement including contract and extension of contract are available as a single file. Some of the contracts for the service providers includes outcome indicators which are not linked to the schedule of payments and the payment to the service providers are delayed on account of this. Contract management requires substantial improvement. District Engineering Staff should be trained on procurement and evaluation of bids. All the civil works require

additional cost of GST. The project needs to engage a GST Consultant to advise on feasibility of getting input tax credit for the materials and the procedures in this regard.

Actions	Responsibility	Deadline	Status
Advertisement for works in the Districts GoTN issued an order that works at Districts with the value of less than Rs.10 lakhs need not be advertised in newspapers. This is inconsistent with IFAD Procurement Guidelines for competitive bidding. It is recommended that the bids to be advertised either in newspapers or District Tender Bulletin besides uploading the information in www.tenders.gov.in	Engineering Unit	June 30, 2018	Agreed
Revise the standard template of bidding documents for works and contract for the districts In consultation with IFAD ICO, revise the standard template of bidding documents for works and contract to be used at the district level. Also prepare a standard template of evaluation of bids and recommendation of award of contracts. The lumpsum payments should not be indicated and these will be quoted by the bidders.	EE	June 30, 2018	Agreed
Contract Management Currently the consultancy contracts are not monitored properly for the end date and contract amendments are initiated after the expiry of the original contract period. Contracts should follow the standard templates. Contract management forms for all procurement should be prepared, updated and monitored. Contract Management forms to be submitted along with each Withdrawal Application.	ARD and FAM	31 May 2018	Agreed

v). Key SIS Indicators

- #1 Overall Project Implementation: It is rated 5 in existing districts as the project has achieved all its outputs as per AWPB 2017/18. It is rated moderately satisfactory in new districts : the mission recognizes tremendous effort of the program management team to ground the program in new districts in such a short span of time from the time funds were released in November 2017.
- #2 Likelihood of achieving development objectives: It is rated 5 in existing districts on account of achievement of project objectives and outcomes. It is rated 4 in new districts as the program is focusing on building of PLFs and FMS and replicating financial inclusion and enterprise development mechanisms that are successful in existing districts.

D. Lessons Learned

105. **Managing loan portfolio;** During the year, the overdues under the community funds have been systematically recovered and scaled down especially after the change in ADRD. District staff and CRCs needed strong guidance and direction in ensuring recoveries. Community managed funds though designed well for community benefit are prone to mismanagement and default if not monitored well. Communication to CRC staff on loan recoveries at the time of disasters have to be clear and should not encourage default. Timely follow up, loan performance monitoring and functional MIS are crucial for a good portfolio.

106. **Financial Inclusion of poor fish vending women;** The program management's commitment to deepen outreach to marginalised sections especially women has led to mobilisation of fish vendors which is not considered easy. To take on the challenge of not only mobilisation but also financially include them as mainstream customers of banks required hard-work and perseverance. Choosing the right partners - the well-established fisher federation - with sound systems was a critical success factor. The Program management unit was instrumental in design of the intervention - concept seeding, training, systems for lending etc., Quality aspects were reinforced through checks during the initial phase of implementation.