

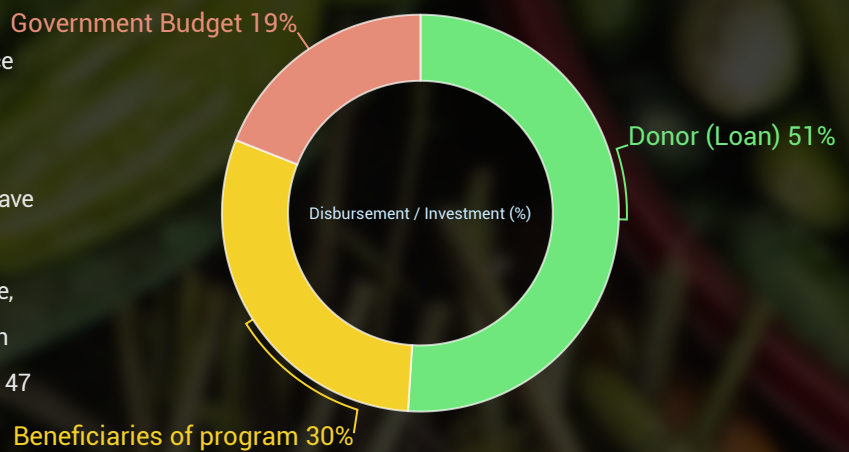
Key Findings and Recommendations from the Performance Audit on the Fisheries and Agriculture Diversification Program (FADIP)

Introduction

The audit focuses on the effectiveness and sustainability of the outcomes of the Fisheries and Agriculture Diversification program. The project was co-financed under a loan from donor financing and the closure of the program was at 30th September 2018.

Purpose of the program

The purpose of the program was to enhance the supply chain of small-scale farmer and increase their revenue. Under the project, 9 value chain cooperative societies (VCCO) have been developed and 1.9 million USD was invested in these cooperatives. Furthermore, under the program, a loan scheme has been developed and loans have been released to 47 individuals and 1 cooperative society.



Funding

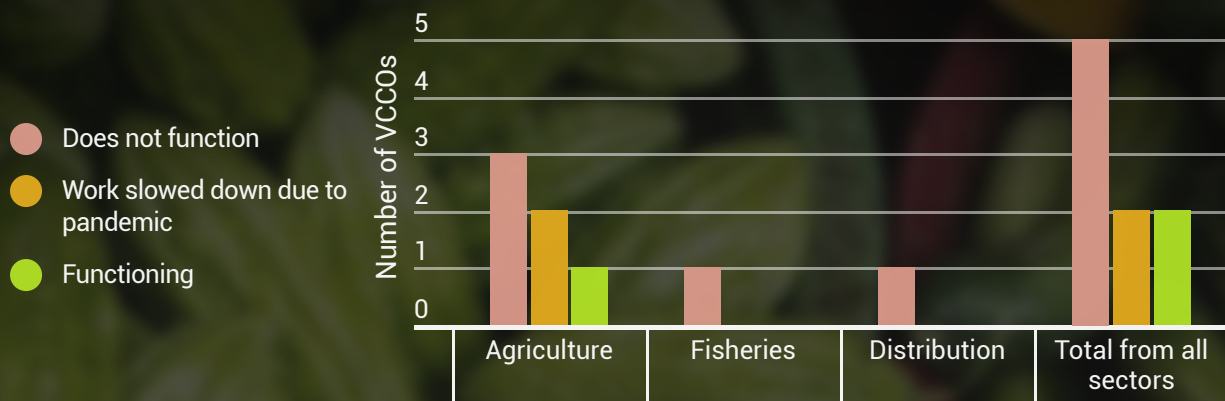
The program was mainly Donor financed, followed by beneficiaries of the program and the Government budget. The respective allocations are shown in the above figure as detailed in the published audit report

Main Findings

(a) Non-functioning of Value Chain Cooperative Societies formulated under the program

- 56% of the VCCOs formulated under the program does not function as detailed in Table 1 and the root causes of these were identified as:
 - Lack of technical resources in the VCCO
 - Absence of appropriate protocols of documentation and payment
 - Absence of proper monitoring and follow-up from the client Ministry
- A total of 1,275,849.03 USD has been invested under the program for the cooperatives that now have stopped functioning.
- As per the agreement made between the Ministry and the VCCO, if the cooperative does not function, the Ministry can terminate the contract and recover the assets or its equivalent monetary value in full. However, the relevant actions have not been taken by the Ministry.
- Furthermore, as the agreements between the client Ministry and the VCCO came to a closure on December 2019, neither a condition assessment of the cooperatives was formulated by the Ministry, nor guidance was provided on the next strategic direction for the VCCO.
- Only two of the cooperatives were noted to be fully functioning by the end of December 2020. Even from them, one of the VCCO have planned to change their target sector from fisheries to education, stating that cooperative needed to improve its financial status. However, this decision is not aligned with the objectives of the program

Status of cooperative societies formulated under the program as of December 2020



(b) Loan scheme under the program

- Major amount of the loans has not been repaid, hence the objective of making the loan scheme a revolving fund has not been realized.
- 52% of the loans have delayed repayment of over 3 months
 - Of these 87% have been delayed for more than 12 months
- 54% of the loaned amount have not been utilized as per the purpose of the program
- No actions have been taken against the borrowers.

Audit Recommendations:

- Carry out detailed risk assessments during project planning and carry out the risk mitigation measures during project implementation.
- Formulate the Ministry's policy regarding the VCCO developed under the program
- Formulate a strategic plan for the VCCO including the duration of the cooperatives and routinely follow up on the implementation of the plan
- Formulate a decisive action against the non-functioning cooperatives and finalize a way forward on how to proceed with the assets handed over to such VCCO
- Carry out proper follow up and ensure loan repayment. Ministry to monitor the works of the Bank, in program related loans. Furthermore, the Ministry in coordination with the Bank shall finalize corrective actions against the borrowers that have failed to repay the loans



Conclusion:

- In conclusion, the objectives of the Fisheries and Agriculture Diversification Program have not been achieved. As the program was not managed adequately and the required corrective actions were not promptly taken for the issues identified during project implementation. Furthermore, most of the VCCO formulated under the program has not functioned as intended and the invested assets (machinery and equipment) for these VCCOs have been left without care. Moreover, the objective of the loan scheme was also not met and the institutional arrangements have not been facilitated to derive long lasting benefits from the program outputs