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Enabling poor rural people  
to overcome poverty

## **President's report**

### **Proposed loan to the Republic of India for the**

### **Jharkhand Tribal Empowerment and Livelihoods Project**

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**For: Approval**

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## Abbreviations and acronyms

AWP/B	annual workplan and budget
GS-PECs	gram sabha project execution committees
JTDP	Jharkhand Tribal Development Project
JTDS	Jharkhand Tribal Development Society
M&E	monitoring and evaluation
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
NRLM	National Rural Livelihoods Mission
NRM	natural resource management
PMU	project management unit
PTG	particularly vulnerable tribal group
PY	project year
RB-COSOP	Results-based country strategic opportunities programme
RIMS	Results and Impact Management System
SHG	self-help group
TSP	Special Central Assistance Tribal Sub-Plan

## Republic of India

### Jharkhand Tribal Empowerment and Livelihoods Project

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Republic of India
<b>Executing agency:</b>	Jharkhand Tribal Development Society, Welfare Department, Government of Jharkhand
<b>Total project cost:</b>	US\$115.6 million
<b>Amount of IFAD loan:</b>	SDR 33.55 million (equivalent to approximately US\$51.0 million)
<b>Terms of IFAD loan:</b>	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
<b>Contribution of borrower:</b>	US\$7.9 million
<b>Contribution of beneficiaries:</b>	US\$0.9 million
<b>Contribution from additional domestic sources:</b>	US\$55.7 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD
<b>Retroactive financing:</b>	For eligible expenditures up to approximately US\$0.0426 million incurred between July 2012 and the date of entry into force of the financing agreement

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed loan to the Republic of India for the Jharkhand Tribal Empowerment and Livelihoods Project, as contained in paragraph 59.

## **Proposed loan to the Republic of India for the Jharkhand Tribal Empowerment and Livelihoods Project**

### **I. Strategic context and rationale**

#### **A. Country and rural development and poverty context**

1. India has achieved remarkable economic progress in recent years, with an average growth of 8.8 per cent between 2002/03 and 2007/08. Its economy is the fourth largest in the world. The country's population has exceeded 1.2 billion (2011 census) and has a growth rate of 1.4 per cent. About 72 per cent of India's population live in rural areas. Poverty remains a major issue, with 41.6 per cent of the population living on less than US\$1.25 per day. India has 33 per cent of the world's poor people.
2. Distribution of the benefits of economic growth to poor rural people has been limited by inadequate physical and social infrastructure; poor access to services; low investment; a highly stratified and hierarchical social structure, characterized by inequalities in assets, status and power; and ineffective implementation of pro-poor programmes, owing to governance weaknesses. There is now widespread recognition that, without inclusive growth, the social and political consequences of rising inequalities could be severe. About one third of India's districts are affected by civil unrest and left-wing terrorism, which together represent the main national security threats.
3. Agricultural wage earners, smallholder farmers and casual workers in the non-farm sector constitute the bulk of poor rural people. Within these categories, women and tribal communities are the most deprived. In terms of gender deficit, India is ranked 113 by the World Economic Forum's Global Gender Gap Index (2011). In addition, about 300 million young people aged between 13 and 35 live in rural areas, most of them being forced to migrate seasonally or permanently, without the skills and competencies required by the modern economy.
4. India's Eleventh Five-Year Plan (2007-2012) aims to achieve inclusive growth in all sectors and to double agricultural growth from 2 per cent to 4 per cent per annum by expanding irrigation, improving water management, bridging the knowledge gap, fostering diversification, increasing food production to ensure food security, facilitating access to credit and enabling access to markets. The mid-term assessment of the plan, released in July 2010, underscores the urgency of increasing capital formation and investments in agriculture; it also emphasizes the need for improving access to water and good-quality seed, replenishing soil nutrients, expanding agricultural research and extension, reforming land tenancy systems and facilitating agricultural marketing. Building on these elements, India's Twelfth Five-Year Plan (2012-2017) aims to carry forward and fulfil many of these unfinished tasks.
5. The goal and objectives of the Jharkhand Tribal Empowerment and Livelihoods Project are in alignment with India's Twelfth Five-Year Plan, which inter alia aims to achieve faster, and more equitable and sustainable growth; reduce poverty;

increase food production through higher land productivity; achieve agricultural growth of at least 4 per cent; rejuvenate soil and restore soil health; pay particular attention to the needs of the scheduled caste, scheduled tribe and other vulnerable groups; ensure involvement of panchayati raj institutions in the Mahatma Gandhi National Rural Employment Guarantee Act, involve NGOs in supporting gram panchayats in planning for and implementing the Act, and dovetail the Act with land and water conservation.

## **B. Rationale and alignment with government priorities and RB-COSOP**

6. The project is a direct response to a formal request from the Government of India to scale up successful tribal development programmes in the State of Jharkhand, and is based on a concept note prepared by the Government of Jharkhand.
7. The project is fully aligned with IFAD's new results-based country strategic opportunities programme (RB-COSOP) for India (May 2011), and with its two strategic objectives: (i) increased access to agricultural technologies and natural resources; and (ii) increased access to financial services and value chains. The project concept is included in appendix VI of the COSOP.
8. The specific technical rationale for the project is based on recognition of the potential that exists for reducing poverty among vulnerable tribal groups in Jharkhand. To realize this potential, there is a need to focus on building the capacity of community-based tribal institutions. In addition, there is a need to assist tribal groups in improving production through enhanced management of the natural resource base upon which they depend for survival. Combined with this, there are opportunities for enhancing tribal livelihoods through production activities to tap demand in local village markets; scaling up market-oriented farm production activities; and introducing skills-based vocations, especially for young people. Through an integrated approach, and by building on the lessons from existing projects, the project design seeks to realize these opportunities for tribal development in Jharkhand.
9. The project has been designed to have execution convergence with the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), and financial convergence with the Special Central Assistance (SCA) to Tribal Sub-Plan (TSP) under article 275 (1) of the Indian Constitution. It will also converge with National Rural Livelihoods Mission (NRLM) to provide financial services-related support for project-promoted self-help groups (SHGs). In addition, convergence with other government programmes will be facilitated.

## **II. Project description**

### **A. Project area and target group**

10. Jharkhand has a population of 32.97 million (2011 census), of whom 26 per cent are scheduled tribes and 78 per cent are rural. In this fifth poorest Indian State, 51.6 per cent of rural people live below the poverty line. The key drivers of poverty in rural Jharkhand are the low productivity of subsistence farming, forest degradation and the lack of non-farm livelihoods.
11. The project target groups will include households in the scheduled tribe and particularly vulnerable tribal group (PTG) categories, woman-headed households, rural young people and households living below the poverty line in the project area. The project is expected to support 136,000 households, including 36,000 households covered under the IFAD-supported Jharkhand Tribal Development Project (JTDP).
12. The project will be implemented in 14 districts in Jharkhand. Within these districts, it will select approximately 30 blocks (subdistricts) that have a rural tribal population of more than 50 per cent and a population below the poverty line of at

least 50 per cent. Within the selected blocks, the project will work in approximately 1,330 villages across some 164 panchayats. Criteria for selection of panchayats within the selected blocks will be: (i) high concentration of scheduled tribe, and especially PTG, populations; (ii) high concentration of households living below the poverty line; (iii) panchayats that are adjacent to each other and have access roads; and (iv) panchayats with about 1,000 households and a geographical area of approximately 1,500 hectares.

13. The specific targeting approaches to be used within selected project villages will vary depending on the activity being supported. For some activities, for example natural resource management (NRM), the project will use a saturation approach to targeting. For other activities, other approaches will be adopted. For example, for SHG mobilization the project will follow NRLM procedures and all poor households will be eligible to participate.

## **B. Project development objective**

14. The overall project goal is to improve the living conditions of tribal communities, especially PTGs, across the tribal scheduled area districts of Jharkhand. The project development objective is to empower and enable 136,000 tribal households, including 10,000 PTG households, to take up livelihood options based on sustainable and equitable use of natural resources.

## **C. Components/outcomes**

15. The project will have four components: (i) community empowerment; (ii) integrated natural resource management; (iii) livelihoods support; and (iv) project management.
16. **Community empowerment.** This will involve: (i) promoting SHGs and youth groups; (ii) building the capacity of community resource persons, *gram sabha* (village-level community institutions) project execution committees (GS-PECs), and the staff of facilitating NGOs and the Jharkhand Tribal Development Society (JTDS); and (iii) providing special support to PTGs to enable them to access their entitlements.
17. The project will support some 5,500 SHGs and a further 1,500 existing SHGs under the JTDP. NRLM processes will be followed to form SHGs and facilitate their integration and convergence with NRLM as it becomes operational across the State. SHGs will mobilize savings from members and will, in addition, receive seed capital from the project. To enable the younger generation to become active project participants, the project will initially set up 328 youth groups and provide them with seed capital for their activities. This will allow young people to participate in mainstream project social development and community initiatives, and will open up new job opportunities for them, thus adding to their income.
18. To enable capacity-building, the project will employ approximately 30 facilitating NGOs to provide technical, managerial and organizational support to SHGs, youth groups and GS-PECs. Facilitating NGOs will also provide implementation support to the project in planning and monitoring and evaluation (M&E).
19. The project will support 10,000 PTG households with intensive capacity-building to enable them to access government-financed entitlements such as the public distribution system, child development services, food rations, and widow and old age pensions. With improved income distribution, the purchasing power of these households will be strengthened and they will be better able to address their food-related problems. PTGs will also be supported through the provision of critical infrastructure, solar lanterns and health camps.
20. The expected outcomes of this component are improved participation of women in local governance forums, improved access to entitlements and improved knowledge in relation to malnutrition, health, hygiene, sanitation and legal rights,

thus guaranteeing for this particularly vulnerable segment of the project target group better access to basic food sources and to overall development benefits.

21. **Integrated natural resource management.** To improve productivity of rainfed farming, the project under this component will focus on: (i) community mobilization; (ii) land and water resources development; and (iii) productivity enhancement and crop diversification.
22. Building on the foundation provided by SHGs, *gram sabhas* will be organized and GS-PECs formed to facilitate the preparation, approval, management and supervision of *gram sabha* NRM and livelihood plans. The plans will cover land and water resource development, productivity enhancement, crop diversification and irrigation, and income-generating and livelihood activities. These activities will be financed through the MGNREGS and project funds. With respect to land and water development, the project will mobilize funding from the MGNREGS and/or other sources of funding to support activities involving rainwater harvesting, terracing and land development, access roads and paths, and forestry activities. As part of the *gram sabha* plans, a productivity enhancement and crop diversification sub-plan will also be prepared through participatory planning. This sub-plan will include crop demonstrations, small-scale irrigation and the establishment of farmer service centres.
23. The expected outcome of this component is rainwater harvested and land and water resources developed and used sustainably for the benefit of 122,400 tribal households in 1,330 villages.
24. **Livelihood support.** To enhance incomes and minimize distress migration and youth unemployment, the project will (i) support income-generating activities for PTGs and other poor groups; (ii) promote market-linked production clusters; (iii) provide vocational training and placement in urban and rural trades; and (iv) support innovative interventions.
25. Under (i), the project will target the most vulnerable populations (PTGs, landless people and village artisans) with a range of income-generating opportunities such as backyard poultry production, pig and goat rearing, and artisanal activities. Under (ii), it will support scaling up of viable market-linked enterprises, using a cluster approach to ensure economies of scale. Producers will be organized into groups to share services and to enable bulk procurement of inputs and market produce. The project will scale up a number of successfully tested enterprise subsectors including vegetable production, mango orchards, tasar silk rearing, lac rearing and goat rearing. Under (iii), the project will provide training, scholarships, placements and mentoring to tribal young people to enable them to set up local enterprises. Under (iv), it will support innovative interventions such as community forestry, lac rearing on winged-stalk *flemingia*, and habitat planning for PTG villages.
26. The outcome of this component will be enhanced incomes of 43,070 participating households from income-generating activities and market-oriented production.
27. **Project management.** The project will be implemented by the JTDS. With a state project director and a state project management unit (PMU), this autonomous state-level organization will consolidate plans and the budget, and manage the flow of funds, M&E and knowledge management. Each district will have a district PMU within the deputy commissioner's office to facilitate convergence.

### III. Project implementation

#### A. Approach

28. The project will adopt a three-pronged approach to improving the livelihoods of target group communities. First, it will support the formation of community institutions and empower communities by mobilizing SHGs as an entry point



activity to empower poor women and their households and to ensure their effective participation in pan-village community institutions. This will be complemented by mobilization and capacity-building of *tola sabhas* (neighbourhood-level community institutions) and *gram sabhas*. The *gram sabhas* will converge with the panchayats. This process of empowerment will facilitate increased engagement of village people, especially women, in articulating their development needs and influencing decision-making processes at the panchayat level. Classical SHG activities related to financial services and formation of apex structures will be through convergence with the NRLM. Second, the project will develop food production systems and diversify livelihood options for improving food and nutrition security in the light of climate change impacts. This will focus on integrated NRM, adoption of improved technologies for increasing crop yields, and diversification of land use to enhance productivity and reduce vulnerability to weather aberrations and climate change shocks, and to provide services for input supply and marketing of surplus produce. Third, the project will facilitate integrated production and marketing interventions that have the potential for expansion.

## **B. Organizational framework**

29. The overall nodal agency for the project will be the Department of Economic Affairs in the Ministry of Finance, whereas the nodal agency at the state level will be the Jharkhand State Welfare Department. The project will be managed and implemented by the JTDS with support from technical support agencies, facilitating NGOs, district administrations, relevant line agencies, panchayats and *gram sabhas*. The Government of Jharkhand will set up a state-level project steering committee chaired by the chief secretary, with the secretary of the Welfare Department as its member secretary. The JTDS is an outside the government line agency structure, registered under the Societies Registration Act and has its own by-laws and financial rules; it has adequate authority to enter into partnership agreements/contracts with technical support agencies, facilitating NGOs and other specialist agencies and to provide grants and financial assistance to *gram sabhas*. A state PMU will be established in the JTDS. It will be headed by a full-time state project director assisted by an additional project director and other technical and support staff. The project will also establish district project coordination committees in each of the project districts. In addition, a block project coordination committee will be established in each block of the project area. For field-level implementation, the project will recruit one facilitating NGO per district or two for larger districts. It will also engage three technical support agencies to advise and provide implementation support to the facilitating NGOs.

## **C. Planning, monitoring and evaluation, and learning and knowledge management**

30. The implementation planning process will start with the community at the level of the *tola sabha* with the support of GS-PECs and facilitating NGOs. Using participatory assessment of community resources, the project will develop village-level *gram sabha* NRM and livelihood plans. On the basis of these plans, an annual workplan and budget (AWP/B) will be prepared each year. The JTDS will request the Jharkhand State Welfare Department to make budgetary provisions for the project based on the estimates in the AWP/B. Thereafter, it will finalize the AWP/B and submit it to IFAD along with the procurement plan for review and approval.
31. The project's M&E system will collect data and information to measure performance and progress towards objectives. It will also serve as a learning tool to provide information for critical reflection on project strategies and operations; support decision-making at various levels; and form a basis for results-based management. An M&E unit in the state PMU will support monitoring, producing consolidated reports on project progress and results, and coordinating overall learning and knowledge management.

32. A management information system will be established in the first year of project implementation (PY1) by the state PMU. This will provide information on physical and financial progress, impact evaluation analysis and reports, Results and Impact Management System (RIMS) first- and second-level indicator tracking, and other pertinent information.
33. The project learning system will comprise monthly, quarterly and annual review meetings, capturing information on progress and lessons, and finding solutions for implementation constraints. IFAD, in cooperation with the Government, will undertake a mid-term review by PY4 to identify achievements and implementation constraints. A mutually agreed action plan will be prepared based on the review's findings. As the project reaches its completion point, the state PMU will prepare a draft project completion report in agreement with IFAD and the Government of Jharkhand. IFAD and the state government will then carry out a project completion review based on the information in the project completion report and other data.
34. In PY1, the project will prepare a project-level knowledge management strategy and set up a project website, which will be used as a knowledge-sharing tool. Key information from M&E studies, reviews and exposure visits, lessons and best practices will be disseminated through knowledge products such as newsletters, publications, case studies and reports.

#### **D. Financial management, procurement and governance**

35. **Financial management.** The project will maintain accounts and records in accordance with International Public Sector Accounting Standards to reflect the operations, resources and expenditures related to the project. "Tally" software will be used for recording receipts by financiers and expenditure by components and categories. Accounts will be consolidated at the state PMU. A uniform structure and chart of accounts for the district PMUs and the state PMU will be implemented.
36. **Flow of funds.** The project will be funded by IFAD, the Government of Jharkhand, other government programmes and beneficiaries. The state PMU will be responsible for preparing the AWP/B for the project and submitting it to the Finance Department of Jharkhand State through the state Welfare Department. This AWP/B (net of beneficiary contribution) will be included as a line item in the budget of the Welfare Department and will be presented to the State Assembly for legislative sanction. IFAD's share will be disbursed to the Government of Jharkhand through the conventional national procedures. The district PMUs will receive funds from the state PMU and in turn provide funds to the GS-PECs for the project activities at the village level. The facilitating NGOs will receive funds from the SPMU. The district PMUs and the state PMU will have reporting and monitoring systems to track the use of the project funds.
37. **Designated accounts.** IFAD loan funds will be delivered to a designated account operated by the authorized representative(s) of the Ministry of Finance, in a bank acceptable to the Fund. IFAD will pay an initial advance into the designated account and then replenish the account on the basis of withdrawal applications submitted by the project to the Controller of Aid, Accounts and Audit, Ministry of Finance, Government of India. The project accounts of the state PMU and the district PMUs will be opened and maintained in a bank (or banks), mutually acceptable to IFAD and the lead project agency, for managing the funds received from the Government of Jharkhand.
38. **Audit.** In each fiscal year, the project accounts will be audited in accordance with IFAD Audit Guidelines and with article 9 of the IFAD General Conditions, and an audit report will be submitted within six months of the end of each fiscal year. Semi-annual and annual financial statements will be prepared by each district PMU and consolidated by the state PMU. The financial statements will be prepared in accordance with International Public Sector Accounting Standards and audited by an auditing firm, acceptable to IFAD. The project will also appoint independent

chartered accountants to undertake internal audit at all implementing levels from PY1. The terms of reference of the internal auditor will be approved by IFAD. The observations, recommendations of the internal auditor and remedial follow-up action taken will be placed before the Board of Directors of the JTDS and made known to IFAD.

39. **Procurement.** Procurement of goods, works and services financed by funds from IFAD will follow the IFAD Procurement Guidelines and Procurement Handbook. For each contract to be financed with the proceeds of the IFAD financing, the procurement method, need for pre- or post-qualification, estimated cost, prior-review requirements and timeframe will be agreed between the JTDS and IFAD in the procurement plan to be submitted by the implementing agency. The project includes a number of actions to strengthen procurement capacity among implementing agencies and mitigate procurement risks.

## E. Supervision

40. The project will be directly supervised by IFAD. During its start-up phase, IFAD will attend the national start-up workshop and participate in discussions on the project's approach and strategy. This is likely to involve leaders of project design missions and a financial management specialist, the latter also providing implementation support to train project financial staff. Other implementation support in PY1 may include assistance with setting up the M&E system and drawing up training plans for the various project components. It is envisaged that the first supervision mission will take place towards the end of PY1. It will include specialists in poverty targeting, NRM and financial management. Once physical works have started, supervision missions may include production and marketing specialists. In addition, day-to-day implementation support will be provided to the project by IFAD's country office in New Delhi.

## IV. Project costs, financing, benefits

### A. Project costs

41. Based on May-June 2012 prices, total project costs are estimated at US\$115.59 million including price contingencies of US\$16.48 million. The assumptions that underpin these costs include: (i) an eight-year project implementation period; (ii) price contingencies at 6.5 per cent per year; and (iii) a base Indian rupee (INR)/United States dollar exchange rate of INR 55/US\$1.

#### Project costs by component

<i>Components</i>	<i>Thousands of US dollars</i>	<i>% of total base cost</i>
Community empowerment	11 737	12
Integrated natural resource management	58 025	59
Livelihood support	16 288	16
Project management	13 057	13
<b>Total base cost</b>	<b>99 108</b>	<b>100</b>
Price contingencies	16 483	17
<b>Total</b>	<b>115 591</b>	<b>117</b>

### B. Project financing

42. The project will be financed by: an IFAD loan of US\$51.0 million (44.1 per cent of total project costs); Government counterpart funding of US\$7.9 million (6.9 per cent of the total); Government funding from article 275(1) and SCA to TSP of US\$11.6 million (10.0 per cent of the total); MGNREGS funding of US\$44.18 million (38.2 per cent of total); and a beneficiaries contribution of US\$0.93 million (0.8 per cent of total project costs).

**Financing plan by component**  
(Thousands of United States dollars)

	<i>Government</i>	<i>TSP</i>	<i>MGNREGS</i>	<i>IFAD</i>	<i>Beneficiaries</i>	<i>Total</i>
Community empowerment	1 891	-	-	13 417	-	15 308
Integrated natural resource management	857	4 341	44 182	12 973	-	62 354
Livelihood support	127	7 215	-	12 472	925	20 739
Project management	5 052	-	-	12 138	-	17 190
<b>Total</b>	<b>7 928</b>	<b>11 556</b>	<b>44 182</b>	<b>51 000</b>	<b>925</b>	<b>115 591</b>
<b>Percentage of total</b>	<b>6.9</b>	<b>10.0</b>	<b>38.2</b>	<b>44.1</b>	<b>0.8</b>	<b>100.0</b>

### C. Retroactive financing

43. The IFAD-assisted JTDP was completed in June 2012. With a view to ensuring continuity and carrying out the preparatory activities for the proposed project between July 2012 and the date of entry into force, facilities for retroactive financing will be provided. These proposed expenditures will cover: (i) capacity-building and the expenditures to be incurred for the recruitment of staff, facilitating NGOs and technical support agencies, etc.; (ii) technical assistance to enable enhancement of JTDS management systems; and (iii) staff salaries for critical staff such as the additional project director, finance and administration manager and support staff. The estimated total expenditure is US\$342,000, of which eligible IFAD financing will be about US\$42,600. The expenditures under retroactive financing will be disbursed by IFAD after the project's entry into force, subject to Executive Board approval.

### D. Summary benefit and economic analysis

44. The overall economic internal rate of return (EIRR) for this eight-year project is 17 per cent. Sensitivity analysis shows that project performance is sound. A 10 per cent increase in costs or a 10 per cent reduction in benefits lowers the EIRR to 13 per cent. Switching values indicate that the investments are viable if costs increase by 16 per cent or benefits decline by 12 per cent.
45. The total number of households expected to benefit from the project is about 136,000 or roughly 0.51 million people. On average, a household's food production benefits will increase from 1,624 to about 2,070 kilograms/hectare, excluding fruits, vegetables and spices such as chilli. Increased production of fruits and vegetables, along with livestock products such as goat, pigs and poultry will help improve human nutrition and enhance household incomes. Farm incomes, including the value of family labour, will increase from about US\$85 to about US\$268 per household.
46. Enhanced soil moisture will result in increases in cropping intensities from 75 per cent to 105 per cent at full development. No major shifts in cropping patterns are envisaged but the focus is on improved farming and agronomic practices, and production for market. Additional benefits will come from the project's capacity-building interventions. There will also be benefits from better market access, improving the volume of produce that can be sold and reducing the costs of marketing.

### E. Sustainability

47. The sustainability of benefits is based on the following assumptions. First, it is assumed that the adoption of improved livelihoods (including more productive technologies) and new initiatives and enterprises will be sustained provided they continue to be profitable for households in the TSP districts and linkages for inputs and outputs are maintained. Furthermore, these linkages should be sustainable provided they are, in themselves, also financially viable for private-sector actors and/or livelihood collectives. Physical works such as on-farm land treatment, small-

scale irrigation, and production and market infrastructure will need to be maintained. At the time of construction, arrangements will be made for their continued operations and maintenance via user groups. The project will carry out significant capacity-building for rural producers, the members of producer organizations, and the staff of implementing agencies and facilitating NGOs. Village young people will also receive vocational training and financial support for setting up their enterprises. Providing this training is relevant and effective, it will result in a sustained increase in the knowledge and skills of those receiving the training. Finally, all SHGs that are mobilized and capacitated under the project will need to be seamlessly integrated with the NRLM for further development including the formation of SHG clusters at village level and development of bank linkages.

## **F. Risk identification and mitigation**

48. Key risks and assumptions are identified in the logical framework and summarized as follows. Left-wing extremist violence could be disruptive in some districts though the JTDP currently remains unaffected and the absence of contractors minimizes this risk. The risk of uncertain rainfall affecting project-aided farm-based livelihoods will be mitigated by NRM activities. Potential conflicts between traditional tribal leaders and elected panchayat and GS-PEC leaders could be handled through negotiation during implementation. Finally, better remuneration, larger project clusters and use of facilitating NGOs and technical support agencies will mitigate the potential risk posed by the scarcity of well-trained staff.

## **V. Corporate considerations**

### **A. Compliance with IFAD policies**

49. The project design is fully aligned with the IFAD Strategic Framework 2011-2015. It complies with RIMS and the IFAD Policy on Targeting (2007). IFAD's prerequisites of gender-sensitive design are fully reflected in the final design document. The project is aligned with the IFAD Climate Change Strategy (2010) in that it will build climate-resilient livelihoods and introduce risk reduction measures, and with IFAD's Environment and Natural Resource Management Policy (2011), with many of the proposed activities likely to generate environmental benefits. The project is classified as Category B, and hence no further environmental assessment is considered necessary.

### **B. Alignment and harmonization**

50. The project has been designed to align with the Government's Eleventh Five-Year Plan (2007-2012). Areas of alignment include the project's focus on improving water management, fostering crop diversification, increasing food production and food security, and facilitating access to financial services and markets. All IFAD-funded projects in India are fully aligned with country systems and follow national reporting, accounting, auditing and procurement systems.
51. The only major donor-funded programme in Jharkhand is the NRLM. In view of this, the proposed project was designed in close consultation with NRLM and World Bank officials. In addition, IFAD hosted a donor harmonization workshop at the IFAD India Country Office in July 2012, to review the project design and ensure cross-learning with development partners in India.

### **C. Innovations and scaling up**

52. In line with the innovation agenda in the RB-COSOP, the project design includes support for climate-resilient agriculture. In addition, a separate innovations subcomponent has been included under component 3 which will support the following innovations. First, the project will assist *gram sabhas* in obtaining title deeds to community forests as per the relevant provisions of the Forest Rights Act. This will enable forest fringe villages to manage community forests for fodder, firewood and non-timber forest products. Second, on a pilot basis, the project will

support farmers with lac rearing using plantations of winged-stalk flemingia, which has a shorter gestation period than traditional host plants. This will increase the profitability of lac rearing with potentially enhanced soil fertility. Finally, by engaging a group of community architects, the project will support PTG habitat planning for improved quality of homesteads, better sanitation and clean drinking water.

53. As described in the RB-COSOP, and following a specific request from the Government of India, the project design is a scaling up of the JTDP. The drivers pushing scaling up will be the financial incentives, which will encourage small farmers to adopt viable new technologies, and the project institutions and partners, who will act as catalysts for scaling up. With a huge tribal population in the State, there is considerable space for scaling up of tribal development in Jharkhand.

#### **D. Policy engagement**

54. The project will be laying the foundation for a policy shift with respect to the modality of implementing tribal development activities in Jharkhand. SCA-TSP funding is generally used by the line departments to implement livelihood interventions for the benefit of tribal households. Under this project, for the first time, the Government of Jharkhand has agreed to channel SCA-TSP funding through the JTDS for cofinancing project activities. In addition, SCA-TSP funding for the first time will flow through GS-PECs to implement activities identified and prioritized by the community as a part of the *gram sabha* NRM and livelihood plans. The lessons from this implementation modality will create space for a policy dialogue on how to effectively fund tribal development and may, if successful, serve as the basis for replication in other states of India.
55. The project will be implemented in districts characterized by left-wing extremism and violence. It intends to demonstrate the benefits of community-based participatory planning and implementation with improved governance. This is expected to provide a model for working in other areas characterized by the same problems. The lessons from implementation of this model are expected to provide a new opportunity for policy engagement.

### **VI. Legal instruments and authority**

56. A project financing agreement between the Republic of India and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A project agreement will be entered into between the State of Jharkhand and IFAD. A copy of the negotiated financing agreement is attached as an annex.
57. The Republic as an of India is empowered under its laws to receive financing from IFAD.
58. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

### **VII. Recommendation**

59. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of India in an amount equivalent to thirty three million five hundred and fifty thousand special drawing rights (SDR 33,550,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## **Negotiated financing agreement: "Jharkhand Tribal Empowerment and Livelihoods Project"**

(Negotiations concluded on 3 September 2012)

Loan Number: [\_\_\_\_\_]

Project Title: Jharkhand Tribal Empowerment and Livelihoods Project (the "Project" or "JTELP")

The Republic of India (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

### **WHEREAS:**

- (A) The Borrower has requested a loan from the Fund for the purpose of financing the Jharkhand Tribal Empowerment and Livelihoods Project described in Schedule 1 to this Agreement;
- (B) The Project shall be carried out through the State of Jharkhand (the "State") pursuant to a separate agreement of even date herewith between the Fund and the State (the "Project Agreement");

**NOW THEREFORE**, the Parties hereto hereby agree as follows:

### **Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement except for the provisions identified in Section E paragraph 4 below. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### **Section B**

1. The amount of the Loan is thirty-three million five hundred and fifty thousand Special Drawing Rights (SDR 33 550 000).

2. The Loan is granted on highly concessional terms as defined in Section 5.01 (a) of the General Conditions.
3. The Loan Service Payment Currency shall be the United States Dollars (USD).
4. The first day of the applicable Fiscal Year shall be 1 April.
5. Payments of principal and service charge shall be payable on each 15 April and 15 October.
6. The Borrower shall open and maintain a Designated Account denominated in USD, in a bank acceptable to the Fund, for the Project. The Designated account shall be operated by the Ministry of Finance.
7. There shall be a Project Account denominated in local currency opened and operated by the State Project Management Unit (SPMU), which shall be maintained in a bank mutually acceptable to the Jharkhand Tribal Development Society (JTDS) and the Fund.
8. There shall also be fourteen (14) Sub-Project Accounts, one for the benefit of each of the District Project Management Units (DPMUs): All accounts shall be opened and maintained in bank(s) mutually acceptable to the Jharkhand Tribal Development Society (JTDS) and the Fund.
9. The Borrower shall cause the State to provide an amount of approximately seven million nine hundred thousand United States Dollars (USD 7 900 000) to the Project as counterpart financing. The Borrower shall cause the State to provide an amount of approximately fifty-five million seven hundred thousand United States Dollars (USD 55 700 000) to the Project as parallel financing from Special Central Assistance to Tribal Sub-Plans and Mahatma Gandhi National Rural Employment Guarantee Schemes (MGNREGS) ("Parallel Financing") and/or any other source of funding compatible with the Project identified by the State of Jharkhand.

### **Section C**

1. The Welfare Department of the State of Jharkhand shall be the State level nodal agency whilst the Lead Project Agency shall be the Jharkhand Tribal Development Society (JTDS).
2. The following are designated as additional Project Parties:
  - (a) Facilitating Non-Governmental Organisations (FNGOs);
  - (b) Technical Support Agencies (TSAs); and
  - (c) Any other stakeholder identified by the State Project Management Unit (SPMU) in agreement with the Fund.
3. The Project Completion Date shall be the eighth anniversary of the date of entry into force of this Agreement.

### **Section D**

The Loan shall be administered by the Fund and the Project supervised by the Fund.



**Section E**

1. The following are designated as additional grounds for suspension of this Agreement:

- (a) The registration of JTDS with the State Registrar of Societies shall have been suspended and/or cancelled; and
- (b) The Project Implementation Manual (PIM) or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) JTDS shall have been duly registered with the State Registrar of Societies.
- (b) The State level Project Coordination Committee (SPCC) and the State Project Management Unit (SPMU) shall have been duly established.
- (c) A State Project Director (SPD) shall have been duly appointed.
- (d) The Designated Account shall have been duly opened by the Borrower.
- (e) The Project Account shall have been duly opened by the SPMU.
- (f) The Project Agreement in form and substance acceptable to the Fund shall have been duly concluded between the Fund and the State of Jharkhand.

3. The following provisions of the general Conditions shall not apply to this Agreement:

As an exception to Section 4.08(a)(ii) of the General Conditions, expenditures of up to the equivalent of USD 42 600 incurred after 1 July 2012 but before the date of entry into force of this Agreement for (a) capacity building and Project staff recruitment (categories III and VII); (b) Technical Assistance to enhance the management systems of JTDS (category VII), and (c) salaries of the SPD, of the Additional Project Director (APD) and the Finance and Administration Manager (FAM) (category VII) may be considered Eligible Expenditures for the purposes of this Agreement, if otherwise eligible, notwithstanding the fact that they have been incurred before the start of the Project Implementation Period.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Secretary to the Government of India  
Department of Economic Affairs  
Ministry of Finance  
North Block  
New Delhi 110001, India

Facsimile: +91-11-23092039

For the Fund:

The President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, dated [\_\_\_\_], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

REPUBLIC OF INDIA

\_\_\_\_\_  
Authorized Representative

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
President

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall support Scheduled Tribes (STs) households and Particularly Vulnerable Tribal Groups (PTGs) households, women-headed households, rural youth and Below Poverty Line (BPL) households in fourteen Tribal Sub-Plan Districts (each a "Project District" and collectively, "Project Districts") in the State of Jharkhand (the "Project Area") in the Republic of India.

2. *Goal.* The overall goal of the Project is to improve living conditions of tribal people in general and PTGs in particular, covering select blocks and Panchayats in tribal majority blocks of all the Tribal Sub-Plan districts of Jharkhand by empowering and enabling the communities to adopt livelihood options based on sustainable and equitable use of natural resources.

3. *Objective.* The objective of the Project is to foster community-based institutions to empower village communities, especially women, introduce sustainable natural resource management systems and enhance food security and cash incomes by introducing improved farming practices and proven production technologies.

4. *Components.* The Project shall consist of the following Components:

4.1. Component 1: **Community Empowerment:** This component will be comprised of the following three sub-components: (i) Promotion of Self Help Groups (SHGs) and Youth Groups (YGs); (ii) Capacity building of Community Resource Persons (CRPs), Gram Sabha Project Execution Committees and staff of FNGOs and JTDS; and (iii) Special support to PTGs to enable them to access their entitlements. In particular:

- (a) A total of approximately 5 500 SHGs shall be supported in addition to 1 500 existing SHGs under the IFAD-financed Jharkhand Tribal Development Programme (JTDP IFAD Loan No. 506-IN). National Rural Livelihoods Mission (NRLM) Programme processes will be followed to form SHGs to facilitate their integration and convergence with NRLM as it becomes operational across the State. SHGs shall mobilise savings from members and receive seed capital support from the Project. To enable the younger generation to benefit from the Project, approximately 328 Youth Groups shall be set up and provided with seed capital support to enable youth engagement in activities which will allow them to participate in mainstream Project social development and community initiatives and open up new job opportunities for them, thus adding to their future income.
- (b) To enable capacity building, the Project shall engage the services of approximately 30 FNGOs to provide technical, managerial and organisational support to SHGs, Youth Groups, and GS-PECs. FNGOs shall also provide implementation support to the Project in planning and monitoring and evaluation.
- (c) The Project shall support some 10,000 PTG households with intensive capacity building to enable them to access government finance entitlements including *inter alia* the public distribution system, child development services, food rations, widow and old age pensions and other entitlements. PTGs shall also be supported through provision of critical infrastructure, solar lanterns, and health camps.

- 4.2. Component 2: **Integrated Natural Resource Management:** To improve productivity of rain-fed farming, it is foreseen that activities under the following three sub-components will be implemented: (i) Community Mobilisation; (ii) Land and Water Resources Development; and (iii) Productivity Enhancement and Crop Diversification. In particular:
- (a) Building on the foundation provided by SHGs, Gram Sabhas shall be organised and GS-PECs formed to facilitate the preparation, approval, management and supervision of Gram Sabha Natural Resource Management and Livelihood Plans (GSRMLPs). The GSRMLPs shall cover land and water resource development, productivity enhancement, crop diversification and irrigation, income generating activities, and livelihood.
  - (b) With respect to land and water development, the Project shall mobilise funding from the Mahatma Gandhi National Rural Employment Guarantee Scheme and/or other sources of funding to support activities such as: rainwater harvesting; terracing and land development; access roads and paths; and forestry.
  - (c) As part of the GSRMLPs, a Productivity Enhancement and Crop Diversification sub plan shall be prepared through participatory planning. This sub-plan shall include *inter alia*: crop demonstrations, small-scale irrigation and establishment of farmer service centres.
- 4.3. Component 3: **Livelihood Support:** To enhance incomes and minimise distress migration and youth unemployment, the Project shall support activities under the following four sub-components: (i) Support for Income Generating Activities to PTGs and the poorest; (ii) Promoting market-linked production clusters; (iii) Vocational training and placement in urban and rural trades; and (iv) Innovative interventions. In particular:
- (a) Under sub-component (i) above, the Project shall target the most vulnerable segments of the population (PTGs, landless, and village artisans) with a range of income generating opportunities deriving from activities such as backyard poultry production, pig and goat rearing, and artisanal activities.
  - (b) Under sub-component (ii) above, viable market-linked enterprises shall be scaled-up following a cluster approach to ensure economies of scale. Producers shall be organised into groups to share services and to enable aggregation to procure inputs and market produce. Enterprise sub-sectors to be targeted include: vegetable production; mango orchards; tasar silk rearing; lac rearing and goat rearing.
  - (c) Under sub-component (iii) above, the Project shall seek to provide training, scholarships, placements and hand-holding support to tribal children and youth.
  - (d) Under sub-component (iv) above, the Project shall support innovative interventions such as community forestry, lac rearing on *flemingia semialata* and habitat planning for PTG villages.
- 4.4. Component 4: **Project Management:** The Project shall support the establishment of a State Project Management Unit (SPMU) headed by the State Project Director to consolidate plans and budget and manage funds flow, Monitoring and Evaluation and Knowledge Management. To facilitate convergence, a District Project Management Unit shall be established preferably within the Deputy Commissioner's office of each district targeted by the Project.

## **II. Implementation Arrangements**

A. *General Structure*: The Department of Economic Affairs in the Ministry of Finance of the Government of the Republic of India will be the nodal agency in charge of reviewing and monitoring the Project. Project Management and coordination functions at State, District and local levels are described below.

### *A.1. Management*

1. State Level Project Management. Project implementation at State level shall be managed by JTDS, which will be accountable to its General Council and Board of Directors (BoD), as and when reconstituted. The reconstituted General Council and the BoD of JTDS shall comprise the following: (i) Secretary, Welfare Department-Chairperson; (ii) Special Secretary, Welfare department – Vice Chair (iii) SPD, JTDS-Member Secretary; (iv) Commissioner, MGNREGS-Member; (v) Deputy Commissioners of all 14 Tribal Sub-Plan Districts-Members; (vi) Mission Director, National Rural Health Mission-Member; (vii) Mission Director, National Horticulture Mission-Member; (viii) Mission Director, Jharkhand State Watershed Mission-Member; (ix) Mission Director, National Rural Livelihoods Mission-Member; (x) Director, Agriculture Department-Member, and (xi) other Departments as required. In particular, the BoD shall be responsible for: (a) providing direction and guidance for Project implementation; (b) facilitating coordination and convergence between the Project and other government programmes; (c) reviewing and approving overall Annual Work Plan and Budgets (AWPBs) of the Project including that of Project Districts; (d) formulating and revising by-laws, financial regulations and personnel policies of JTDS; (e) approving engagement of TSAs and FNGOs; and (f) reviewing implementation performance of the Project, including actions taken on the internal and external audit observations.

1.1. Subsidiary Agreement. The State of Jharkhand shall enter into a memorandum of understanding ("Subsidiary Agreement") with the JTDS acceptable to the Fund, which shall provide, among other things, that:

- (a) The State shall transfer the proceeds of the Financing and the State's counterpart funds, as Grants-in Aid, as required by the AWPB, to JTDS, in advance;
- (b) JTDS shall declare its commitment to the goal and objective of the Project as stated hereinabove, and, in furtherance of such goal and objective, JTDS shall undertake to carry out the Project in accordance with this Agreement and with the Project Agreement.

2. State Project Management Unit (SPMU). A SPMU shall be established within JTDS, headed by a full time SPD preferably from All India Services, who shall be assisted by an APD and other key staff with fixed term contracts of at least three years, recruited from the open-market based on professional competence, experience in implementing natural resource management and livelihoods interventions, and with knowledge and familiarity with the development needs of tribal people and tribal issues. The SPMU shall be responsible for: (i) establishing District Project Management Units (DPMUs) in each Project District and recruiting staff for SPMU and DPMUs; (ii) supervising and monitoring Project activities and their progress towards achieving physical, financial and outcome related targets; (iii) organising Project coordination meetings and meetings of the BoD of JTDS; (iv) preparing and submitting AWPBs after consolidating the AWPBs of Project Districts and the initial eighteen (18) month procurement plan and subsequent plan covering the period of twelve (12) months of Project implementation for approval by the Fund and the BoD of JTDS; (v) incorporating the budget requirements of the Project into

the overall budget of the State and ensuring flow of funds to JTDS; (vi) ensuring release of Parallel Financing from the Government of the State; (vii) evaluating bids, and finalising and executing partnership agreements/contracts with TSAs, FNGOs, service providers and suppliers of goods and services for implementing various Project activities; (viii) operating the Project Account for timely release of funds to the Project Districts, TSAs, FNGOs and suppliers of goods and services; (ix) receiving statements of expenditure and supporting documents related to fund release from districts, TSAs, FNGOs and suppliers of goods and services and keeping an account of fund release and utilisation; (x) preparing overall Project financial statements by consolidating, among other things, information received from the District Project Management Units (DPMUs); (xi) preparing and submitting withdrawal applications to the Borrower for onward transmission to the Fund; (xii) preparing and submitting progress reports and financial reports semi-annually and annually to the Fund; (xiii) establishing an effective Management Information System (MIS) and Monitoring and Evaluation (M&E) system to track Project progress; (xiv) undertaking knowledge management activities; (xv) preparing Results and Impact Management System data for submission to the Fund; (xvi) engaging internal auditors and ensuring that audit observations and suggested remedial actions are brought to the attention of the BoD of JTDS at each of its meetings; (xvii) ensuring preparation and submission of annual audit reports and financial statements to the Fund and ensuring compliance with the audit observations; and (xviii) liaising with the State administration and line agencies to ensure coordination and convergence to facilitate Project implementation.

3. District Project Management Units (DPMUs). The Project shall establish a DPMU preferably within the office of the Deputy Commissioner in each Project District with a small team of professionals to facilitate sanction and fund release to the Project's implementing partners. Each DPMU shall function as an outpost of JTDS in the relevant Project District and be responsible for: (i) coordinating with FNGOs and TSAs to prepare AWPBs for the Project District; (ii) obtaining technical sanction for the civil works/irrigation works from Accredited Engineers; (iii) obtaining administrative sanction from the Deputy Commissioner for the AWPBs with detailed estimates; (iv) releasing funds to GS-PECs of Gram Sabha; (v) receiving utilisation certificates from the GS-PECs and reconciling the accounts of GS-PECs; (vi) collecting, collating and analysing MIS and M&E data for the Project District for onward submission to SPMU and for providing feedback to FNGOs and TSAs; (vii) ensuring follow up of Land Water Resource Management Sub-Plan of GS-PECs at the Project District level to secure funds flow from MGNREGS to Panchayats; (viii) ensuring convergence between Project activities and activities of other line departments in the Project villages; (ix) conducting audit of books of accounts of GS-PECs and causing the GS-PECs to submit reports to the Gram Sabhas; (x) maintaining books of accounts related to Project expenditure of the Project District, preparing financial reports to be submitted to the SPMU on a regular basis and arranging prompt settlement of advances with SPMU; and (xi) ensuring compliance with audit observations.

#### B. *Coordination.*

1. State Project Coordination Committee (SPCC). The Government of the State shall establish a state level SPCC chaired by the Chief Secretary. The Secretary of Welfare Department shall act as the Member Secretary of this Committee. The SPCC will meet once every six months to review progress, provide overall guidance and policy support and to facilitate inter-departmental coordination specifically with regard to convergence. The members of the SPCC shall include: (i) Development Commissioner; (ii) Secretary, Finance; (iii) Secretary, Rural Development; (iv) Secretary, Forests; (v) Principle Chief Conservator of Forests; (vi) Secretary, Agriculture; (vii) Secretary, Animal Husbandry and Livestock, (viii) Secretary, Horticulture, (viii) Secretary, Industry; (ix) Special Secretary, Welfare Department; and (x) SPD. In addition, SPCC shall invite

representatives from the National Bank for Agriculture and Rural Development (NABARD) and Civil Society and Technical Experts of repute to participate in the SPCC meetings.

2. District Project Coordination Committee (DPCC). A DPCC shall be established in each Project District and will meet quarterly to discuss the Project implementation progress, constraints and remedies. The DPCC shall ensure flow of MGNREGS funds to the Panchayats for implementing Land and Water Resource Development Sub-plans and convergence with other line department programmes. The DPCC shall be chaired by the Deputy Commissioner of the respective Project Districts and the District Project Manager will act as the Member Secretary. The members of the DPCC shall include: (i) District Development Commissioner; (ii) Divisional Forest Officer; (iii) Executive Engineer, MGNREGS; (iv) District Agriculture Officer; (v) District Animal Husbandry Officer; (vi) District Soil Conservation Officer; (vii) Project Director Integrated Tribal Development Agency; (viii) District Horticulture Officer; (ix) Chief Medical Officer; (x) District Welfare Officer; (xi) any other officer from the line department; (xii) District Civil Supplies Officer, (xiii) Block Development officers of project blocks; (xiv) FNGO Representative; (xv) TSA Representatives; (xvi) District Finance and Administration Officer; and (xvii) Planning, M&E and Convergence Officer. Based on need, representatives of NABARD and Lead Bank will also be invited to participate in the DPCC meetings. A representative from SPMU may attend any of the DPCC meetings as and when required.

3. Block Project Coordination Committee (BPCC). A BPCC shall be established in each Block of the Project Area. The BPCC shall meet bi-monthly to discuss approval and review of Land and Water Resource Development activities under GSRMLP through MGNREGS funding. The BPCC shall be chaired by a Block Development Officer with membership including: (i) Chairpersons of all Project Panchayats in the block; (ii) All block level officer; (iii) FNGO Coordinator; (iv) Junior Engineer of FNGO; (v) Junior Engineer of Block level Rural Works Department; (vi) Rozgar Sevak of all Project Panchayats; and (vii) Community Facilitators. The designated district level officer shall act as Secretary to the BPCC.

#### 4. Project Parties.

4.1. Responsibilities. At field level, the Project shall mainly be implemented by the following Project Parties:

- (a) FNGOs: Up to two FNGOs shall be recruited per each Project District, following a fixed-price selection process as per the Fund's rules, to implement Project activities in approximately forty villages covering some five Panchayats in any one block;
- (b) TSAs: The Project shall engage TSAs for each of the Northern, Western and Eastern Region Project Districts to train and provide implementation support to FNGOs;
- (c) Self-Help Groups (SHGs): The Project shall support the formation of SHGs as a tool to empower women and help them overcome exploitative financial relationships and to act as an interface to mobilise the community and to form institutions required for land, water resource development and livelihood related activities;
- (d) GS-PECs: Gram Sabha meetings shall be chaired by the traditional village leader and will have responsibility for implementation of Project activities at local level, including opening and managing bank accounts;
- (e) Producer Groups (PGs): The Project shall facilitate the formation of groups among the poorest households for taking up income generation activities;

- (f) Livelihood Collectives (LCs): It is expected that Specialised Livelihood Collectives will be established by Producer Groups for the purpose of up-scaling livelihood activities.

C. *Project Implementation Manual (PIM).*

C.1. The JTDS shall prepare a draft PIM in consultation with the Fund to be approved by the BoD of the JTDS. The PIM shall include procedures and processes for Project implementation including, *inter alia*:

- (a) Terms of Reference for key Project staff;
- (b) Terms of Reference for FNGOs, TSAs and service providers;
- (c) Procurement processes; and
- (d) Provisions whereby JTDS shall amend its By-laws and enact revisions to its personnel policies and financial regulations, to fully enable it execute the Project.

C.2. The JTDS shall adopt the PIM substantially in the form mutually agreed with the Fund and may make amendments thereto from time to time in agreement with the Fund.

C.3. The Borrower shall cause the Project to be carried out in accordance with the PIM. In case of any discrepancies between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

D. *Mid Term Review.*

D.1. The Lead Project Agency and the Fund shall jointly carry out a review of the Project implementation no later than the fourth anniversary of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the Lead Project Agency and approved by the Fund. Among other things, the Mid-Term Review shall consider the achievement of Project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints. The Borrower shall ensure that the agreed recommendations resulting from the Mid-Term Review are implemented within the specified time therefor and to the satisfaction of the Fund. Such recommendations may result in modifications to this Agreement or cancellation of the Financing.



**Schedule 2***Allocation Table*

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated in SDR	% of Eligible Expenditures to be financed
I. Civil works	2 950 000	100% net of taxes, Borrower and State contributions
II. Vehicles & equipment	1 200 000	100% net of taxes and State contributions
III. Capacity building	3 600 000	100% net of taxes
IV. Funds to FNGOs, TSAs, SHGs, GS-PECs, PGs and LCs	3 450 000	100% net of taxes
V. Livelihood financing	6 600 000	100% net of taxes, Borrower, State and Beneficiaries' contributions
VI. Service providers' contracts	6 650 000	100% net of taxes and State contributions
VII. Staff salaries and operating costs	5 800 000	100% net of taxes and State contributions
Unallocated	3 300 000	
<b>TOTAL</b>	<b>33 550 000</b>	

(b) The terms used in the Table above are defined as follows:

*Civil works:* includes, but is not limited to, buildings, roads and trails, irrigation facilities;

*Capacity building:* includes activities related to training & workshops, technical assistance, surveys and studies, support to PTGs, promotion of SHGs, M&E and Gender, MIS and vocational training;

*Funds to SHGs, GS-PECs:* includes financial support to SHGs, GS-PECs, Youth Groups, payments to CRPs;

*Livelihood financing:* includes support to income generating activities, support to PGs and LCs, and support to FNGOs and TSAs for integrated production and marketing;

*Service providers' contracts:* includes activities related to contracts with FNGOs and/or any other agency involved in implementing project activities, including promotional costs;

*Staff salaries and operating costs:* includes incremental salaries, allowances and operations and maintenance costs, excluding salaries paid by the Borrower or the State.

(c) *Retroactive financing.* As an exception to Section 4.08(a) (ii) of the General Conditions, expenditures of up to the equivalent of USD 42 600 incurred after 1 July 2012 but before the date of entry into force of this Agreement for: (a) capacity building and Project staff recruitment (categories III and VII); (b) Technical Assistance to enhance the management systems of JTDS (category VII), and (c) salaries of the SPD, APD and the FAM (category VII) may be considered Eligible Expenditures for the purposes of this Agreement, if otherwise eligible, notwithstanding the fact that they have been incurred before the start of the Project Implementation Period.

## Negotiated project agreement: "Jharkhand Tribal Empowerment and Livelihoods Project"

(Negotiations concluded on 3 September 2012)

Loan Number: [\_\_\_\_\_]

Project Title: Jharkhand Tribal Empowerment and Livelihoods Project (the "Project" or "JTELP")

The State of Jharkhand of the Republic of India (the "State") acting by its Governor  
and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

**WHEREAS:** (A) By Financing Agreement dated [\_\_\_\_\_] (the "Financing Agreement") between the Republic of India (the "Borrower") and the Fund, the Fund has agreed to make available to the Borrower a loan in the amount of thirty-three million five hundred and fifty thousand Special Drawing Rights (SDR 33 550 000) for the purposes of partially financing the Project, but only at the condition that the State agree to undertake such obligations toward the Fund as are set forth in this Agreement;

(B) By a Memorandum of Understanding (the "Subsidiary Agreement"), to be entered into between the State and the Jharkhand Tribal Development Society ("JTDS" or "Lead Project Agency"), to be formed in accordance with the laws of the Borrower for the purpose of implementing the Project in the State, the State shall make a portion of the proceeds of the Financing as received from the Borrower in accordance with the Financing Agreement, together with other funds required for carrying out the Project in the State, available to the Lead Project Agency on terms and conditions set forth therein;

(C) The State, in consideration for the Fund entering into the Financing Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

**NOW THEREFORE**, the Parties hereto hereby agree as follows:

### Section A

1. The following documents collectively form this Agreement: this document and the Financing Agreement.
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement.
3. The State declares its commitment to the goal and objective of the Project as set forth in Schedule 1 of the Financing Agreement and accepts the obligations ascribed to it in the Financing Agreement, as valid, binding obligations of the State to the Fund.

4. For the purposes of this Agreement, any obligation of the Borrower, either independently or jointly with the Lead Project Agency/Project Parties to cause or ensure the taking of or forbearance from taking certain actions, shall be deemed a direct obligation of the State to the Fund to take or forbear from taking such actions or to cause or ensure the taking of or forbearance from taking such actions.

5. Any obligation of any Project Party or other implementing agency to take or forebear from taking any actions, shall be deemed a direct obligation of the State to the Fund to cause, or ensure that the JTDS shall cause, such other Project Party or implementing agency to take or forebear from taking such actions.

## **Section B**

1. In accordance with the Financing Agreement, the State shall enter into a Subsidiary Agreement with JTDS in form and substance acceptable by the Fund.

2. The State shall duly perform all its obligations under the Subsidiary Agreement and this Agreement and shall cause JTDS to perform all of its obligations under the Subsidiary Agreement. The State shall ensure that each other Project Party or implementing agency shall perform their respective obligations under the Project and under each other subsidiary agreement or memorandum of understanding which may be entered into to implement the Project.

## **Section C**

The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the State:

Secretary to Welfare Department  
Government of Jharkhand  
Project Building  
Dhurwa, Ranchi  
Pin-834004 (Jharkhand)

Facsimile : +91-0651-2400257

For the Fund:

The President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, dated [\_\_\_\_], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the State.

STATE OF JHARKHAND

\_\_\_\_\_  
Government of Jharkhand  
(Authorised Representative)

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
President

## Logical framework

Objective hierarchy	Indicators	Means of verification	Assumptions & risks
<b>Goal:</b> Improve living conditions of the Tribal communities and in particular, particularly vulnerable tribal groups (PTGs) in the Tribal Scheduled Area districts in Jharkhand.	<ul style="list-style-type: none"> <li>-At least 75% of households with improvement in household asset ownership index.</li> <li>-Reduction in the prevalence of child malnutrition by gender.</li> <li>-At least 75% of households that have improved food security and incomes.</li> <li>- Reduction in IMR from 67 and increases in % of child immunisation from 34. %.</li> </ul>	RIMS+ impact surveys at baseline, mid-terms and completion	Relative stability in the price of food and in general economic conditions are conducive to poverty reduction
<b>Development Objective:</b> Empower and enable 136,000 tribal households including 10,000 PTGs households to take up livelihood opportunities based on sustainable and equitable use of natural resources in 164 village Panchayats falling in 30 Blocks of 14 TSP districts.	<ul style="list-style-type: none"> <li>- 122,400 households report income increases from rainfed agriculture from INR 483 to INR 2035;</li> <li>-136,000 households report increases in total incomes;</li> <li>-average household food production increases from 644 kg to 813 kg/year;</li> <li>-84,000 women SHGs report improvement in decision making, assets, mobility etc</li> <li>-4,920 youth groups report benefits from the projects;</li> <li>-10,000 PTG households report increases in incomes from livelihood activities averaging INR 13,749.</li> <li>-164 gram sabha PECs report effective functioning</li> </ul>	RIMS + impact surveys Annual outcome surveys Participatory gender and community evaluations	Policies of Tribal development, political stability and security situation allow communities access to economic opportunities and natural resources
<b>Outcomes:</b>			
122,400 tribal households from highland benefit from increased food production, greater participation and returns from improved rainfed farming practices.	<ul style="list-style-type: none"> <li>-122,400 highland and upland farmers adopt improved technology and in situ water-harvesting measures;</li> <li>-income increase from INR 483 to INR 2075/household/year;</li> <li>-average yield increases from 1,624 kg/ha to 2,070 kg/ha</li> <li>-average cropping intensity increase of 75% to 105%</li> </ul>	Annual outcome surveys KAP surveys Case studies Reports from FNGOs	Weather patterns do not change to the extent that seriously affects farming; Prices do not fall to the extent that makes local production uneconomic; Markets for vegetables and other produce are not affected by external completion;
26,640 households in lowland benefit from improved village irrigation facilities	<ul style="list-style-type: none"> <li>-26,640 lowland households adopt irrigated agriculture and improved farming practices each with average area of 0.2 ha;</li> <li>-farmers report increased farm yields ranging between 25% and 40% and increases in cropping intensity from 84% to 123% and income increases from INR 13,955 to INR 36,091.</li> </ul>	Annual outcome surveys KAP surveys Case studies Reports from FNGOs	As above plus Irrigation systems are not damaged by erosion and these are under good maintenance by the beneficiaries;
42,650 households benefit from market-linked, commercial production and livelihoods activities	<ul style="list-style-type: none"> <li>-25,150 households benefit from cluster-based commercial production of vegetables, mango, tasar cocoons, lac and goat and reporting net incomes of INR 11,000 and 31,000 a year;</li> <li>-income from vegetable cultivation from INR 21,693 to INR 35,063 per year per household;</li> <li>-income from mango cultivation at INR 85,769 per household per year from 2.3 ton of mango</li> <li>-income from Tasar cocoon production at INR 21,688 per household per year ( from sale of 12,500 cocoon per hh)</li> <li>-income from lac production at INR 10,966 per household per year (55 kg of lac per hh)</li> <li>-income from goat keeping at INR 41,125 per household/year from sale of 22 goats</li> <li>-17,500 households benefit household-based income generating activities and getting an average net income of INR 13,749 a year</li> </ul>	Annual outcome surveys KAP surveys Case studies Reports from FNGOs	As above plus Quality seeds and other inputs available on schedule and as per crop calendar; Cluster and collective cooperation continues without hindrances; Good communication exists.
<b>Outputs:</b>			
Increased community awareness, strengthened Gram sabha PECs, women's groups, youth's groups and PTGs households.	<ul style="list-style-type: none"> <li>-5000 new women SHGs formed, trained and capacitated and 328 youth groups organised, trained and capacitated</li> <li>-1000 community facilitators and 328 CRPs trained;</li> <li>-Exposure visit organised for 164 Panchayat groups;</li> <li>-For PTG villages 68 CRPs, VHWs and VAHWs and 55 TBAs trained;</li> <li>-10,126 solar lanterns and medicated mosquito nets distributed to PTG households</li> </ul>	Project progress reports	Communities are interested and willing to take active participation in the project interventions
Land and water resources conserved and used sustainably for the benefit of tribal communities.	<ul style="list-style-type: none"> <li>-164 CRPs trained in INRM and exposure visits for 164 PECs;</li> <li>-1350 new and old villages covered under INRM;</li> <li>-1230 mates trained in record-keeping;</li> <li>- VDF provided to 1,000 villages;</li> <li>-1,330 village irrigation infrastructure is constructed;</li> <li>-164 farmer service centres designed and constructed;</li> <li>-17,200 crop demonstrations conducted;</li> </ul>	Project progress reports	Adequate funds are available for the implementation of land-based activities under MGNREGS; completed works are under proper maintenance by beneficiaries; effective functioning of GS-PECs and FSCs
Improved food security and increased incomes from use of natural resources and off-farm employment	<ul style="list-style-type: none"> <li>-17,500 hh provided training in IGA activities;</li> <li>- 5,000 hh supported in setting up of backyard poultry units, 1000 hh in pig-rearing units; 5500 hh in goat-rearing units; and 6000 hh in rural artisan;</li> <li>- 14 vegetable growers clusters, 7 tasar clusters, 14 mango clusters, 60 goat clusters and 110 lac clusters supported;</li> <li>-420 rural youth received long-term vocational training;</li> <li>-under innovative interventions 200 ha covered under</li> </ul>	Project progress reports	Communities are willing to form into clusters and adopt the better farming technology; adequate quality seeds and other inputs available on time; market-linkages established for all produce; availability of TSA services for mentoring

	community forestry, ten PTG villages selected for habitat improvement and 10 clusters for lac rearing on Semialata;		
<b>Components/activities:</b>			
<u>Community empowerment:</u> Promotion of SHGs and Youth Groups, service providers contracts for FNGOs, Capacity building and special support to PTG households;			
<u>Integrated Natural Resources Management:</u> community mobilisation, services of TSAs for training and mentoring, land and water resources management, productivity enhancement and crop diversification;			
<u>Livelihoods support:</u> support to IGA, vocational training, innovative interventions such as community forestry, PTG village habitat improvement, lac rearing on semialata plants etc;			
<u>Project management:</u> state PMU and DPMUs established, staff recruited, MOUs with partner agencies, project coordination, monitoring and evaluation, knowledge management;			