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President's report
Proposed loan to the
Republic of India
Rural Enterprise Acceleration Project

Project ID: 2000003737

Note to Executive Board representatives

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For: Approval

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Abbreviations and acronyms

AWP/B	annual workplan and budget
CBO	community-based organization
DPMU	district project management unit
FM	financial management
FPO	farmer producer organization
ILSP	Integrated Livelihoods Support Programme
LC	livelihood collective
M&E	monitoring and evaluation
PMU	project management unit
REAP	Rural Enterprise Acceleration Project
UGVS	Uttarakhand Gramya Vikas Society
USRLM	Uttarakhand State Rural Livelihood Mission

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Republic of India
Executing agency:	Department of Rural Development, Government of Uttarakhand
Total project cost:	US\$378.0 million
Amount of IFAD loan:	US\$105.0 million ¹
Terms of IFAD loan:	Ordinary terms
Cofinanciers:	Domestic financial institutions, local private sector, beneficiaries; Convergence with government schemes and the Government of Uttarakhand
Amount of cofinancing:	Banks: US\$185.8 million; Private sector: US\$0.6 million; Uttarakhand Parvatiya Aajeevika Sanvardhan Company: US\$0.3 million; Convergence: US\$47.9 million
Terms of cofinancing:	To be determined
Contribution of borrower/recipient:	US\$24.3 million
Contribution of beneficiaries:	US\$14.1 million
Amount of IFAD climate finance:	US\$17.7 million
Cooperating institution:	IFAD

¹ Including US\$44.83 million in partial cancellations from two projects that were requested by the Republic of India, from financing for the Andhra Pradesh Drought Mitigation Project (EB 2016/119/R.24/Rev.1 approved in December 2016; cancelled amount US\$33.33 million) and the Jharkhand Tribal Empowerment and Livelihoods Project (EB 2012/106/R.19/Rev.1 approved in September 2012; cancelled amount US\$11.50 million). The proposed recommitment of the funds cancelled as such is in compliance with the rules and procedures approved by the Executive Board in the "Revision of IFAD approach to use of cancellation of approved loans and/or grants" at its 111th session (EB 2014/111/R.12/Rev.1).

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Government of Uttarakhand, India for the Rural Enterprise Acceleration Project (REAP), as contained in paragraph 53.

I. Context

A. State and national context and rationale for IFAD involvement

1. **State and national context.** India has made substantial progress over the period 2005-2016² in halving the many dimensions of poverty which translates into over 270 million fewer poor. However, the country still has the world's highest number of people living in poverty (364 million), a situation that has worsened due to the COVID-19 pandemic and requires continued and increased efforts to sustain previous gains.
2. The State of Uttarakhand in northern India has a GDP of 2.5 trillion Indian rupees (US\$34 billion) (2018/19). In 2015 domestic product grew at an annual rate of 37.4 per cent but has since declined to 10.4 per cent (2019). Uttarakhand has two administrative divisions and 13 districts, with 10 located in hill areas and three in lowland regions. Around half of the population lives off agriculture, although cultivable areas make up less than 15 per cent of the land.
3. The state and central governments have rolled out several policies to tackle the challenge of unemployment. The state envisages a huge scope for cluster-based enterprise development in agriculture and other sectors to ensure higher incomes for rural communities. The recently completed Integrated Livelihoods Support Programme (ILSP), a flagship programme of the Government of Uttarakhand's, made a positive impact on the welfare and livelihoods of the state's poor. The Government of Uttarakhand is keen that key elements of the programme are replicated elsewhere in the state.

Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with the Eleventh Replenishment of IFAD's Resources mainstreaming commitments, the project has been validated as:
 - including climate finance; and
 - youth-sensitive.
5. **Gender and social inclusion.** India ranks 95th out of 129 countries in the Gender Development Index (GDI). In Uttarakhand, the GDI improved from 0.457 in 1996 to 0.647 in 2006, reflecting an overall improvement in gender relations. Two critical challenges, however, remain for women – a high annual per capita earning gap and high levels of drudgery. Due to widespread economic migration from rural areas by men, women continue to shoulder the main burden of caring for their families.
6. **Youth.** Young people account for almost a third of India's population. A large number of unskilled youth in Uttarakhand –and in the country in general – migrate in search of better employment. This trend is predominant in the hill districts of the state. Migration is both seasonal and long-term owing to a lack of local jobs. Despite the state's strong economic growth rate, an increasing number of job seekers have not been able to access productive and remunerative work.
7. **Climate and environment.** Projections indicate continued intensification of climate change and variability, resulting in increased extreme weather events such as droughts, floods and natural disasters. This will exacerbate soil erosion in the mountainous areas of the state, where many of the rural poor rely on natural

² Measured by the Multidimensional Poverty Index.

resources and rainfed agriculture. The promotion of cluster-based production focusing on low volumes, high value, environmentally sustainable and climate-resilient value chains is an appropriate, climate-smart approach for the state's development, with potential for building climate resilience across wider geographical areas.

8. **Nutrition.** Uttarakhand has made significant improvements in its nutritional status over the past two decades. However, despite diminished rates of stunting and underweight, child malnutrition remains a problem, as does anaemia among women. The crops and value chains being promoted under REAP are nutrition-sensitive, and value chain promotion will focus on enhancing both household consumption of nutrition-dense crops and generating a marketable surplus. Additionally, the project will develop strategies for addressing malnutrition among children and women through institutional partnerships, especially with Integrated Child Development Services (ICDS).

Rationale for IFAD involvement

9. The rationale for IFAD's involvement in the state lies in the potential to: (i) harness the strength of institutions created through the previous, IFAD-supported ILSP project and create self-sustaining institutions driving livelihoods transformation in the state; (ii) build on the existing strong partnership with the State Government, especially the Uttarakhand State Rural Livelihood Mission (USRLM), to transfer lessons from ILSP and other projects to scale up good practices across the state; and (iii) leverage knowledge and expertise to contribute to the Government of Uttarakhand's efforts to move from subsistence agriculture and livelihood models to value chains and enterprise promotion models that have a long-lasting impact on the local economy and on migration, while also reducing vulnerability to climate shocks.
10. REAP's cluster-based approach is being followed as part of a national strategy to establish farmer producer organizations (FPOs) to ensure volume and quality of consolidated value chain products. The approach is widely recognized as essential to aggregate production, ensure economies of scale and develop formal cooperatives or FPOs that could act as agents of change. Clustering in this form provides attractive benefits for farmers by concentrating rural services in particular areas and making them available to broad networks of farmers. The aim is to lower transaction costs, and foster improved efficiency in market transactions, plus greater productive flexibility.
11. The Government of India recently announced several important agricultural reforms, with which the goals and objectives of REAP are aligned. REAP's intervention framework is in line with the two agricultural reform bills and the Union Budget announcement. These include: (i) promotion and nurturing of 10,000 FPOs (Union Budget 2019-2020); (ii) the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020; and the Farmers' (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020. The aim of this legislation is to increase marketing options for farmers, enhance their bargaining power, enable competitive price discovery for agricultural produce and raise farm incomes.
12. IFAD has extensive and successful experience working with small-scale farmers in the promotion of anti-poverty and climate-smart value chains in India and elsewhere. It is able to leverage global and technical expertise on value chains and "market-first" approaches to strengthen capacities in the state. IFAD has, moreover, been fully committed to Government of India's strategic goal of doubling farmers' incomes, and this is reflected in the India Country Strategic Opportunities Programme (COSOP) (2018-2024).

B. Lessons learned

13. The following points summarize the key lessons learned from various IFAD-supported projects in India and the subregion, as well as lessons collected from civil society in the country. These include the need for: (i) leveraging government resources through convergence;³ (ii) leveraging community institutions as vehicles to deliver government interventions in remote areas; (iii) a market-first approach to production on a cluster basis to sustainably increase farmers' incomes; (iv) grassroots institutional development is essential to success in commercializing smallholder agriculture; and (v) empowerment of women is key to sustainable family well-being.

II. Project description

A. Project objectives, geographic area of intervention and target groups

14. The goal of REAP is to contribute to doubling the incomes of rural households and reduce distress migration from rural areas. The development objective is to build resilience in rural households by diversifying their sources of income through intensified, cluster-based, climate-resilient production systems from selected value chains. Also aimed for is the promotion of on- and off-farm enterprises and the development of a supportive ecosystem. Farm enterprise intensification will be achieved through support to community groups and their federated structures to promote cluster-based production through apposite value chains, based on market demand.
15. The project will build on the work done by the ILSP in 44 community development blocks (CDBs) in 11 districts, as well as by the USRLM, which is being implemented in all 95 CDBs across all 13 districts.
16. The total expected outreach of the project will be 560,000 households i.e. 2.7 million individuals, largely comprising small farmers and landless households, including returnee migrants affected by the COVID-19 pandemic. In the target households, some 60 per cent of participants will be women and 35 per cent youth. The majority of the beneficiaries are small farmers (with less than 1.0 ha), livestock raisers, microentrepreneurs, non-farm producers, workers in service sectors, agricultural labourers and people engaged in other activities.
17. There will be three categories of smallholders – extremely poor,⁴ poor, and commercially oriented. Among all beneficiaries, 80 per cent will be from the first two categories, each with 40 per cent, while the remaining 20 per cent will be from the third. REAP will also target 10,000 ultra-poor households, to be supported through a separate package.

B. Components, outcomes and activities

18. The project will pursue its objective by working towards three major outcomes: (i) agricultural production of rural households intensified and farm, off-farm and non-farm enterprise promoted, with employment opportunities created; (ii) capacity for community-based organizations (CBOs) and partnerships strengthened; and (iii) conducive enterprise promotion ecosystem fostered.
19. **Component 1: Inclusive cluster development.** The component will be implemented through two subcomponents. Subcomponent 1.1: livelihoods diversification and enterprise development; and subcomponent 1.2: institutional strengthening of CBOs and partnerships. The objective of subcomponent 1.1 is to

³ Convergence is the process of leveraging the benefits of relevant government schemes and line departments for the project households. The project implementing authority leads the process by establishing strong partnerships with concerned line departments.

⁴ The extreme poor groups including single women, women-headed households, people with disabilities, landless, agricultural labourers, schedule castes (SCs) and schedule tribes (STs).

build the capabilities of individual farm households, self-help groups and producer groups to diversify livelihoods opportunities. The objective of subcomponent 1.2 is to strengthen the capacity of CBOs to increase their outreach to households and to develop into viable, inclusive farmer institutions.

20. **Component 2: Ecosystem for enterprise development.** The component will be implemented through two subcomponents. Subcomponent 2.1: strengthening support services and market infrastructure. The aim here is to develop the enabling conditions for livelihoods, enterprise and value chain development by establishing last-mile market infrastructure, providing support services and scaling up a youth incubation scheme. The objective of subcomponent 2.2 is to support project activities by facilitating access to financial services.
21. **Component 3: Project management, monitoring and evaluation (M&E) and knowledge management.** A project management unit (PMU) will be established at both state and district levels. The state-level PMU will be led by a Project Director and at district level by District Project Managers in all 13 districts. The PMU will converge with government programmes and projects that will actively support project implementation both technically and financially. A high-powered committee will provide strategic oversight.

C. Theory of change

22. The theory of change identifies two principal factors behind the persistently high levels of rural poverty: (i) traditional agriculture systems that are subject to the risks and impacts of climate change, leading to low productivity, inadequate volumes of marketable products and low profitability; and (ii) lack of a conducive environment for farm commercialization and enterprise development, with limited investment in support services that promote better living standards, particularly in the rural hill areas.
23. The project will facilitate a combination of efficient production technology, practices and methods to reduce workload. Considering the challenges of remunerative job opportunities for young men and women in the state, and the level of distress migration, the project intends to create both short- and long-term opportunities for youth. These will include developing a cadre of agricultural entrepreneurs and service providers responsible for last-mile service delivery. To address the vagaries of climate change, the project will converge with the interventions of the Department of Agriculture and Department of Watershed Development in the Government of Uttarakhand's, which will build on ILSP activities related to watershed development. REAP will further feature components related to soil and water conservation and address climate change challenges directly through climate adaptation interventions. Finally, a conducive enabling environment will ensure a steady stream of innovative and entrepreneurial youth and migrants interested in engaging in farm and off-farm activities. These efforts are expected to contribute to doubling the income of rural households and reducing distress emigration.

D. Alignment, ownership and partnerships

24. REAP contributes to the achievement of four Sustainable Development Goals (SDGs), in particular: SDG 1 (no poverty); SDG 2 (zero hunger); SDG 5 (gender equality); and SDG 13 (climate action). REAP is similarly aligned with the Government's Strategy for New India for development, contributing directly to its drivers for rural transformation. The strategy foresees doubling farmers' incomes, modernizing agriculture, and value chain and rural infrastructure development.
25. At corporate level, the project is aligned with IFAD policies for mainstreaming nutrition, gender, youth and climate. The project objectives and activities are well aligned with the single, focused strategic objective of COSOP 2018-2024, namely that "smallholder food and agricultural production systems are remunerative,

sustainable and resilient”, which contributes to the 2018-2022 United Nations Sustainable Development Framework for India.

26. REAP will converge with other ongoing government initiatives, especially with those of the Department of Rural Development and the various line departments, as well as the Uttarakhand Parvatiya Aajeevika Sanvardhan Company (UPASAC⁵) and commercial banks to facilitate loans to self-help groups and household farm enterprises. To address the vagaries of climate change, REAP will converge with the projects of the State Watershed Development Programme and the Department of Agriculture, which will build on ILSP activities related to watershed development while also intervening in soil and water conservation. Partnership will also be forged with the Uttarakhand State Disaster Management Authority as well as the ICDS for expanding the supply of highly nutritious, ready-to-eat food prepared by livelihood collectives (LCs).

E. Costs, benefits and financing

Project costs

27. Total project costs are US\$378 million over seven years. The total amount of IFAD climate finance for this project is calculated at US\$17.7 million, which is approximately 17 per cent of the US\$105 million of IFAD financing (of which US\$44.83 million derives from funds cancelled from previous performance-based allocation system cycles in line with IFAD’s restructuring policy).

Table 1

Project costs by component and subcomponent and financier

(Thousands of United States dollars)

Component/subcomponent	IFAD		Other cofinancing		Beneficiaries				Total	
	Amount	%	Amount	%	Amount	%	Borrower/recipient Amount	%	Amount	%
1. Inclusive cluster development										
1.1 Livelihoods diversification and enterprise development	32 544	42.4	34 852	45.4	4 769	6.2	4 578	6.0	76 742	20.3
1.2. Institutional strengthening of CBOs and partnerships	32 742	67.2	94	0.2	9 342	19.2	6 549	13.4	48 727	12.9
Subtotal	65 286	52.0	34 946	27.9	14 111	11.2	11 127	8.9	125 469	33.2
2. Ecosystem for enterprise development										
2.1. Strengthening support services and market infrastructure	10 552	63.8	1 794	10.9	-	-	4 182	25.3	16 528	4.4
2.2. Support to financial services	6 275	3.1	197 894	96.6	-	-	635	0.3	204 804	54.1
Subtotal	16 827	7.6	199 688	90.2	-	-	4 817	2.2	221 332	58.5
3. Project management, M&E and knowledge management										
3.1. Project management	19 602	71.2	-	-	-	-	7 699	28.8	27 301	7.2
3.2. M&E and knowledge management	3 285	83.2	-	-	-	-	661	16.8	3 946	1.0
Subtotal	22 887	72.7	-	-	-	-	8 360	27.3	31 247	8.3
Total	105 000	27.8	234 634	62.1	14 111	3.7	24 304	6.4	378 049	100.0

⁵ UPASAC is a social venture capital company registered under section 8 of the Companies Act and is promoted by the Government of Uttarakhand’s Department of Rural Development.

Table 2
Project costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD loan</i>		<i>Other cofinancing</i>		<i>Beneficiaries</i>		<i>Borrower/recipient</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
Investment costs									
1. Training	11 004	54.1	8 923	43.9	-		406	2.0	20 332
2. Consultancies, studies & technical assistance	12 801	70.0	-	0.0	-		5 486	30.0	18 288
3. Goods, services and inputs	21 451	45.3	16 733	35.3	3 212	6.8	6 006	12.7	47 402
4. Grants and subsidies	36 617	57.9	11 100	17.6	10 899	17.2	4 598	7.3	63 213
5. Credit and guarantee funds	2 243	1.1	197 543	98.9	-		-	-	199 786
Total investment costs	84 116	24.1	234 299	67.1	14 111	4.0	16 496	4.7	349 021
Recurrent costs									
1. Salaries and allowances	15 397	70.0	-	-			6 602	30.0	21 999
2. Operating cost	5 487	78.1	336	4.8			1 207	17.2	7 029
Total recurrent costs	20 884	71.9	336	1.2	-		7 809	26.9	29 028
Total	105 000	27.8	234 634	62.1	14 111	3.7	24 304	6.4	378 049

Table 3
Project costs by component and subcomponent and project year (PY)
(Thousands of United States dollars)

Component	PY1 (2022)		PY2 (2023)		PY3 (2024)		PY4 (2025)		PY5 (2026)		PY6 (2027)		PY7 (2028)		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
1. Inclusive cluster development															
1.1 Livelihoods diversification and enterprise development	1 307	2	24 585	32	26 854	35	15 199	20	8 359	11	318	-	121	-	76 742
1.2 Institutional strengthening of CBOs and partnerships	1 920	4	11 945	25	10 569	22	7 326	15	13 437	28	2 290	5	1 240	3	48 727
Subtotal	3 227	3	36 530	29	37 423	30	22 525	18	21 796	17	2 608	2	1 361	1	125 469
2. Ecosystem for enterprise development															
2.1. Strengthening support services and market infrastructure	526	3	3 357	20	5 987	36	2 530	15	1 908	12	1 587	10	634	4	16 528
2.2. Support to financial services	34 023	17	32 401	16	42 015	21	44 690	22	38 145	19	6 647	3	6 882	3	204 804
Subtotal	34 549	16	35 758	16	48 002	22	47 220	21	40 053	18	8 234	4	7 516	3	221 332
3. Project management, M&E and knowledge management															
3.1 Project management	5 049	18	3 973	15	4 035	15	3 560	13	3 677	13	3 799	14	3 209	12	27 301
3.2 M&E and knowledge management	1 524	39	1 492	38	287	7	238	6	108	3	214	5	83	2	3 946
Subtotal	6 573	21	5 465	17	4 322	14	3 798	12	3 785	12	4 012	13	3 292	11	31 247
Total	44 350	12	77 754	21	89 747	24	73 543	19	65 634	17	14 854	4	12 168	3	378 049

7

Project financing and cofinancing strategy and plan

28. The project is cofinanced by the State Government of Uttarakhand, various government programmes (under convergence), UPASAC, banks, project beneficiaries who include FPOs/LCs, and the private sector. The ratio of IFAD loan resources to all cofinancing is 1:2.6.
29. Funds will flow from IFAD through the Government of India into the state's consolidated fund for reimbursement of prefinanced expenditures.
30. **Retroactive financing.** As an exception to section 4.07(a)(ii) of the General Conditions of IFAD, the Fund is seeking Executive Board approval for retroactive financing of up to US\$1 million to cover eligible expenditures by start-ups between August 6, 2021 and the date of entry into force. To be eligible for retroactive financing, goods and services must have been procured according to the procurement procedures applicable to loan financing. Retroactive financing needs to be prefinanced by the Government and reimbursed after the agreement with IFAD has entered into force and the conditions governing withdrawal have been met.

Disbursement

31. A designated account in United States dollars for the loan will be opened by the Government of India at the Reserve Bank of India, to receive funds from IFAD on a reimbursement basis. The financing from IFAD will be in United States dollars. The Government of India will transfer IFAD funds to the Government of Uttarakhand, which in turn will release this amount to the project in accordance with the approved annual workplan and budget (AWP/B). Thereafter, reimbursements from IFAD can be claimed through claims and withdrawal applications. Disbursements from the PMU will be made to the other implementing partners as per the AWP/B and to the district project management units (DPMUs). Funds from the DPMUs will be disbursed to the cluster-level federations (CLFs), LCs and communities for project activities. The PMU and DPMUs will obtain utilization certificates from the implementing partners and the CLFs, LCs and community organizations for each quarter, based on which further releases shall be made.

Summary of benefits and economic analysis

32. The direct project benefits stem mainly from: (i) increased farm incomes after adoption of new technologies; (ii) income generated by new value chain enterprises established with project support; (iii) incremental income of producers supplying raw materials to enterprises; and (iv) added revenue for FPOs and LCs who start a business with project support. The financial viability indicators show that all of the enterprise models are financially viable. The financial internal rate of return of the whole project is 26 per cent, with a net present value of US\$759 million. The adjusted cash flows of the project yield an economic internal rates of return (EIRR) of 31 per cent, with an economic net present value of US\$1,034 million. The results of the sensitivity analyses showed that if costs increase by 10 or 20 per cent, benefits decrease by the same amounts. Both scenarios yield EIRRs that are higher than the opportunity cost of capital, suggesting that the farm and enterprise models are quite stable in the face of risky scenarios.
33. The project also generates several indirect benefits, namely (i) enhanced financial and social service delivery by the FPO and LCs to their members; (ii) food and nutrition security in the project area; (iii) improved animal health (dairy, poultry, goat, sheep, and fisheries); (iv) value chain development through improved market access; and (v) expansion of rural businesses.

Exit strategy and sustainability

34. REAP will ensure institutional sustainability and effectiveness through dedicated support to CBOs to establish them as independent economic entities and actors. REAP has been designed in consultation with, and involvement of, the relevant government agencies, technical line departments of the Ministry of Agriculture and potential beneficiaries. These consultations and discussions have resulted in a sound approach and a suite of interventions that will be implemented with strong community and group participation, and the engagement of local officials. Building on this foundation, it is expected that the investments and the results of the interventions will be sustained well beyond the project period.

III. Risks

A. Project risks and mitigation measures

<i>Risk category / Subcategory</i>	<i>Inherent risk</i>	<i>Residual risk</i>
Country context	Moderate	Low
Sector strategies and policies	Moderate	Low
Environment and climate context	Substantial	Moderate
Project scope	Moderate	Low
Institutional capacity for implementation and sustainability	Moderate	Low
Financial management	Substantial	Moderate
Procurement	Substantial	Moderate
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Moderate
Overall	Moderate	Low

B. Environment and social category

35. The environmental and social category assigned to REAP is B. Potential environmental and social risks and impacts are site-specific and limited to production (land development and use of agrochemicals), agroprocessing facilities (solid waste and effluent management with possible threats to the health and safety of workers), and potential impacts from construction of small-scale storage facilities and warehouses. Potential adverse risks and impacts will be readily mitigated and/or considerably reduced with known and cost-effective, site-specific mitigation measures that include promoting climate-smart agricultural practices and natural resource-based livelihood options.

C. Climate risk classification

36. The climate risk classification for REAP is high. The project is located in areas where rural development initiatives have experienced significant weather-related losses and damage. Floods have impacted roads, bridges and irrigation schemes, and changes in rainfall quantity and intensity are expected to result in higher surface runoff, leading to flash floods, soil erosion, soil nutrient loss, decreased aquifer recharge and landslides, particularly in mountainous or hilly areas.

D. Debt sustainability

37. India's debt-to-GDP ratio of 69.6 per cent is well above peer emerging markets. The latest World Bank/International Monetary Fund debt sustainability analysis of India considers the risk of external debt distress and overall debt distress to be low. The size of India's external debt has increased since 2017-2018, but remained at around 20 per cent of GDP. While the increase in external debt was largely due to borrowing by non-government actors, the share of short-term debt (on residual maturity basis) in total debt increased since 2017-2018, driven by non-resident deposits, commercial borrowings, and short-term trade credit. India's external

vulnerability, in terms of reserve adequacy indicators, remains low compared to earlier years.

38. Real GDP growth is, however, projected to increase over the period 2022-2026 by an average of 6.6 per cent annually, driven by agriculture and manufacturing. Stronger external demand and foreign direct investment, an easing of trade tensions and improved global financial conditions could support growth and facilitate adjustments.

IV. Implementation

A. Organizational framework

Project management and coordination

39. The lead executing agency will be the Department of Rural Development, which will implement REAP in cooperation with various other departments. The organizational structure is on four levels – state, Uttarakhand Gramya Vikas Society (UGVS), district and block. The project will be implemented through the PMU headed by a project director reporting to the chief project director and assisted by a core team. District-level implementation teams will be housed with the DPMUs to be established in each of the 13 project districts. At the block level the project team will be integrated with the USRLM operations.
40. A Technical Advisory Panel comprising senior experts of public and private agencies will be appointed to provide technical advice and guidance to the Project Management Committee (PMC). Much of project staffing will be outsourced to service providers.

Financial management, procurement and governance

41. **Financial management (FM).** FM arrangements reflect lessons learned from ongoing IFAD-supported projects. FM arrangements will be mainstreamed into the state's planning and budgeting processes. The state's online treasury management system and the national public FM system will be used for allocation of project funds, application of internal checks and controls, accounting and financial reporting, and tracking of project unspent bank balances. Based on IFAD's assessment, proposed FM arrangements are acceptable and provide reasonable assurance that loan proceeds will be used for intended purposes and properly accounted for. With agreed supplemental measures in place, the residual FM risk is rated as moderate.
42. **Procurement.** Primary responsibility for procurement and its management under REAP will be with the lead project agency, UGVS and the lead department under the Government of Uttarakhand. While discharging this primary responsibility, UGVS is to mandatorily observe the provisions of the revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, its policy to preventing and responding to sexual harassment, sexual exploitation and abuse, its Anti-Money Laundering and Countering the Financing of Terrorism Policy, and its Social, Environmental and Climate Assessment Procedures.
43. **Governance.** Under IFAD's policy on fraud and corruption, the independent and competent authority responsible for receiving, reviewing and investigating allegations of fraud and corruption should be nominated by the Government of Uttarakhand and confirmed to IFAD in writing (prior to loan negotiations), while any further changes/revisions to the nominated authority should be notified too.

B. Planning, M&E, learning, knowledge management and communication

44. The PMU will be responsible for preparing the AWP/B and procurement plan for REAP, and for securing approval from its management and IFAD. The plan will include an activities plan along with targets and an expenditure plan, and should

reflect overall project targets and activities. An effective M&E system will be developed to cover the indicators in the logical framework.

45. The REAP M&E system will be built on a very robust structure instituted by ILSP and seen as a good-practice model. The system will be used as a management tool and will include an assessment of progress and compliance, and identification of constraints and proposed remedial actions. The project's knowledge management activities will support an effective flow of relevant information among project staff, beneficiaries and other stakeholders. Output, outcome and impact data generated by the M&E system will inform case studies, briefs and reports. These will be used for policy dialogue, peer learning and potential scaling up. Knowledge management products will be communicated through multiple media, including blogs, written publications, videos and social media.

Innovation and scaling up

46. An Innovation Fund of over US\$5 million for pioneering start-ups has been included in project design. The project will also pilot some innovative features that include: (i) digital education, development of start-ups; (ii) new, sustainable land management measures; and (iii) youth incubation pilot testing through the rural business incubator model and/or alternative local entrepreneurship initiatives proposed for testing under REAP.

C. Implementation plans

Implementation readiness and start-up plans

47. IFAD and the government have identified the key actions to ensure implementation readiness. This includes: (i) recruitment of core staff; (ii) establishment of a management consultant facility; (iii) mapping and capacity appraisal of technical agency support/partner implementation organizations; (iv) conducting a baseline survey of the project area combined with a livelihoods analysis; (v) reviewing and evaluating of the performance of LCs and FPOs; (vi) assessing demand and supply for local service providers; (vii) conducting detailed analyses of priority value chains at block level; and (viii) preparing financial analyses of target enterprises.
48. To facilitate start-up, the PMC will recruit a project expeditor – a person who was previously involved in project design– to support establishing the project management structure and system.

Supervision, midterm review and completion plans

49. IFAD will conduct regular supervision according to standard procedures. Supervision missions will review project performance, progress towards achievement of objectives and compliance with fiduciary requirements. REAP will submit biannual progress reports using a format pre-approved by IFAD.

V. Legal instruments and authority

50. A project financing agreement between the Republic of India and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.
51. The Republic of India is empowered under its laws to receive financing from IFAD.
52. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

53. 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 ordinary terms to the Republic of India in an amount of one hundred and five million United States dollars (US\$105,000,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing agreement

"Rural Enterprise Acceleration Project (REAP)"

(Negotiations concluded on 03 December 2021)

Loan No: _____

Project name: Rural Enterprise Acceleration Project ("REAP") ("the Project")

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")

WHEREAS, the Borrower has requested a loan from the Fund for the purpose of financing the Rural Enterprise Acceleration Project ("REAP") described in Schedule 1 to this Agreement;

WHEREAS this Agreement is to finance the implementation of the Project in the State of Uttarakhand (the "State");

WHEREAS, the Project shall be carried out through the State of Uttarakhand (the "State") pursuant to a separate agreement herewith between the Fund and the State (the "Project Agreement");

WHEREAS, for this purpose, the Borrower shall make available to the Government of Uttarakhand the respective part of the proceeds of the Financing upon terms and conditions set forth in this Financing Agreement;

NOW THEREFORE, the Parties 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, amended as of December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Loan (the "Financing") to the Borrower, which the Borrower shall cause the State to use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the loan is one hundred and five million United States Dollars (USD 105 000 000).
2. The Loan is granted on ordinary lending terms and shall be subject to Interest on the principal amount outstanding of the Loan rate equal to the IFAD Reference Interest Rate with variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of 17.5 years, including a grace period of 5.5years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
3. The Loan Service Payment Currency shall be in the United States dollars (USD).
4. The first day of the applicable Fiscal Year shall be 1st April.
5. Payments of principal and interest shall be payable on each 1st June and 1st December.
6. There shall be a Designated Account (DA) in USD for the Loan, for the exclusive use of the Project that will be opened by the Borrower at Reserve Bank of India (RBI) to which funds will flow from IFAD.
8. The Borrower shall cause the State to provide counterpart financing for the Project in the ratio of 80-20 between the IFAD Financing and the counterpart contribution respectively.

Section C

1. The Rural Development Department, Government of Uttarakhand shall be the State nodal department for the Project and Uttarakhand Gramya Vikas Samiti (UGVS) shall be the Lead Project Agency ("LPA"). The LPA has overall responsibility for implementation of the Project.
2. The following are designated as additional Project Parties:
 - i) Uttarakhand Parvatiya Ajeevika Sanvardhan Company (UPASaC)
 - ii) Uttarakhand State Rural Livelihoods Mission (USRLM)
 - iii) Any other stakeholder identified by the PMU, in agreement with the Fund.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
4. The Project Completion Date shall be the 31st March 2029.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the IFAD Procurement Guidelines and Procurement Handbook, 2019, amended from time to time.

Section D

1. The Fund will administer the Loan and supervise the Project.

Section E

1. The following is designated as additional grounds for suspension of this Agreement: the Project Implementation Manual (PIM) and/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 it has had, or is likely to have, a material adverse effect on the Project.

2. The following is designated as additional grounds for cancellation of this Agreement: the PIM or any provision thereof, has been waived, suspended, terminated, amended or substantially 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;

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

- a) The IFAD no objection to the PIM shall have been obtained;
- b) Key Project staff as described in the Project Agreement shall have been recruited in accordance with the PIM; and
- c) The Subsidiary Agreement in form and substance acceptable to the Fund shall have been duly concluded between the State nodal department and the Lead Project Agency.

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

For the Republic of India

Secretary, Department of Economic Affairs
Ministry of Finance,
New Delhi 110001

For the Fund:

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

[Copy to:]

This Agreement, [dated _____], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

REPUBLIC OF INDIA

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit 560,000 households i.e. 2.7 million individuals largely comprising small farmers and landless households. Of the target number of households some 60% will be women and 35% youth. The majority of the beneficiaries are small farmers (with less than 1.0 ha. of land), livestock growers, micro entrepreneurs, non-farm producers, workers in service sectors, agricultural labourers and those who are engaged in other income generating activities.

2. *Project area.* The Project will be implemented in all the 13 districts and in all 95 Community Development Blocks (CDBs) of Uttarakhand. The Project will build on the work done through the Integrated Livelihoods Support Programme (ILSP) in 44 Community Development Blocks (CDBs) in 11 districts as well as the Uttarakhand State Rural Livelihood Mission (USRLM) which is being implemented in all 95 CDBs across all 13 districts. (*"The Project Area"*)

3. *Goal.* The goal of the Project to contribute to the doubling of income of rural households and reduce distress rural out migration.

4. *Objectives.* The objective of the Project is to build resilience of rural households by diversifying their sources of income through intensified cluster-based climate resilient production systems of select value chains, promotion of farm and off-farm enterprises and building a supportive ecosystem.

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

5.1 Component 1: Inclusive cluster development. The component will be implemented through two sub-components: 1.1 - Livelihoods diversification and enterprise development; and 1.2 - Institutional strengthening of CBOs and partnerships. The objective of sub-component 1.1 is to build the capabilities of individual farm households, self-help groups and producer groups to diversify livelihoods opportunities. The objective of sub-component 1.2 is to strengthen the capacity of CBOs to increase their outreach to target households and to develop into viable inclusive farmer institutions.

5.2 Component 2: Ecosystem for enterprise development. The component will be implemented through two sub-components: 2.1: Strengthening support services and market infrastructure. The objective of sub-component 2.1 is to develop the enabling conditions for livelihoods, enterprise and value chain development by establishing last mile market infrastructure, providing support services and scaling up a youth incubation scheme. The objective of sub-component 2.2 is to support project activities by facilitating access to financial services.

5.3. Component 3: Project Management, M&E and Knowledge Management. A Project Management Unit (PMU) will be established at both State and District level. The state level PMU will be led by a Project Director and at district level by District Project Managers in all 13 districts. The PMU will converge with government Projects and projects that will actively support project implementation both technically and financially. A High Powered Committee will provide strategic oversight.

II. Implementation Arrangements

6. *Lead Project Agency.* The Project Implementation Agency will be Uttarakhand Gramya Vikas Samiti (UGVS), which will implement REAP in cooperation with various departments.

7. *Project Oversight Committee.* There will be two oversight entities: (i) High Powered Committee, chaired by the Chief Secretary, Government of Uttarakhand; and (ii) the Project Management Committee, chaired by the Additional Chief Secretary, Rural Development Department. A Technical Advisory Panel comprising senior experts of public and private agencies will be appointed to provide technical advice and guidance to the Project Management Committee. The Project Management Committee shall review and approve the Annual Work Plan and Budget and its revisions and other tasks delegated by the High Powered Committee. At the district level, the Coordination Committee will be chaired by the District Magistrates. The roles and responsibilities of the State and District level Oversight Committees shall be included in the Programme Implementation Manual.

8. *Project Management Unit.* The Project will be implemented through the Project Management Unit headed by a Project Director reporting to the Chief project Director and assisted by a team of 2 Directors (Convergence and Finance), one Dy. Director (HR & Training) and one Team Leader Operations and Enterprises. The positions of Director Finance, Dy. Director HR & Training and Director Convergence will be on secondment from Government. District level implementation teams will be housed with the District Project Management Units (DPMU) to be established in each of the 13 project districts. At the Block level the project team will be integrated with the USRLM set up.

9. *Implementing partners.* The Project's approach and implementation modalities are in harmony with the vision and strategies of partners such as UPASAC and USRLM as per the AWPB and to the DPMUs. The funds from the DPMUs shall be disbursed to the CBOs for project activities. The PMU/ DPMUs shall obtain utilization certificates from the implementing partners and the CBOs for each quarter based on which further releases shall be made.

10. *Monitoring and Evaluation.* The PMU will be responsible for preparing the annual workplan and budget (AWP/B) and procurement plan for REAP, and for securing approval from its management and IFAD. The plan will include an activities plan along with physical targets and an expenditure plan and should reflect overall project targets and activities. The REAP M&E system will be built on a very strong and robust system instituted by ILSP. The system will be utilized as a management tool and will include an assessment of progress and compliance, identification of constraints and proposed remedial actions.

11. *Knowledge Management.* A comprehensive knowledge management action plan will be developed in the early stages of implementation. Output, outcome and impact data generated by the M&E system will inform case studies, briefs and reports. These will be used for policy dialogue, peer learning and potential scaling up. Knowledge management products will be communicated through multiple media, including blogs, written publications, video and social media.

12. *Project Implementation Manual.* The PMU shall be responsible for the finalisation of a Project Implementation Manual (PIM) that shall describe: (i) implementation of project activities; (ii) the administration of Loan proceeds and Project Parties' responsibilities; (iii) financial management and procurement procedures; and (iv) monitoring and evaluation of project progress and results. The PIM shall be approved by the Executive Committee, before IFAD's non objection is obtained.

13. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower shall cause the State to ensure that the Project Implementation Manual reflects the recommendations of the SECAP as they apply to the Project objectives and activities.

14. *Anticorruption Measures.* The Borrower shall cause the State to comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations and shall cause the State to ensure that the compliance provisions are extended to the entities/organizations/parties and contractors.

15. *Policy on Preventing and Responding to Sexual Harassment and Exploitation and Abuse.* The Borrower shall cause the State to comply with IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse and shall cause the State to ensure that the compliance provisions are extended to the entities/organizations/parties and contractors engaged during implementation of the Project.

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 to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in USD)	Percentage eligible for IFAD financing
I. Training, Consultancies, studies & TA	23,805,000	100%
II. Goods, Services and Inputs	21,451,000	100%
III. III.Grants and Subsidies, Credit and Guarantee Funds	38,860,000	100%
IV. Operating Cost	20,884,000	100%
TOTAL	105,000,000	

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

- (i) Category I - Training, Consultancies, studies & TA shall mean eligible expenditures incurred under all components of the Project for training, workshops, consulting services, studies and technical assistance.
- (ii) Category II - Goods, Services and Inputs shall mean eligible expenditures incurred under all components of the Project for Goods, Equipment and tools, non-consulting services and materials and other inputs.
- (iii) Category III - Grants and Subsidies, Credit and Guarantee Funds shall mean eligible expenditures incurred under components 1&2 of the Project for grants, subsidies, credits and guarantees.
- (iv) Category IV - Operating Cost shall mean eligible expenditures incurred under components 3 and related to operating costs, including salaries and allowances.
- (v) The Percentage is applied to Project expenditures, excluding taxes and shares of other financiers.

2. *Disbursement arrangements*

- (a) The Disbursement Arrangements will be set forth in detail in the Letter to the Borrower.
- (b) *Retroactive financing.* As an exception to section 4.07(a) (ii) of the General Conditions, specific eligible expenditures incurred between August 6, 2021 and the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to one million US dollars (USD 1,000,000) for activities relating to project start-up activities specified in AWPB to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no objection from IFAD to be considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once

additional conditions precedent to the first disbursement of funds specified in Section E.3 are fulfilled.

- (c) The contribution made in cash by the implementing agencies and beneficiaries and other organizations shall be recorded as expenditure as incurred.

Negotiated project agreement: "Rural Enterprise Acceleration Project (REAP)"

(Negotiations concluded on 03 December 2021)

Loan Number: _____

Project Title: Rural Enterprises Acceleration Project ("the Project")

The State of Uttarakhand 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 the Financing Agreement (herewith the "Financing Agreement") between the Republic of India acting by its President (the "Borrower") and the Fund, the Fund has agreed to make available to the Borrower an amount of one hundred and five million United States dollars (USD 105,000,000) for the purpose of partially financing the Rural Enterprises Acceleration Project (the "Project"), on the condition that the State undertakes its obligations toward the Fund as are set forth in this Agreement;

(B) by a Subsidiary Agreement to be entered into between the State nodal department (Department of Rural Development) and the Uttarakhand Gramya Vikas Samiti (the "Lead Project Agency"), the proceeds of the Loan, as provided for under the Financing Agreement and in the amount of one hundred and five million United States Dollars (USD 105,000,000), shall be made available by the State to the Lead Project Agency for the purpose of implementing the Project on terms and conditions set forth therein; and

(C) the State, in consideration of 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, amended as of December 2020, as may be amended from time to time (the "General Conditions") are annexed to this Agreement and all provisions thereof, with the exceptions indicated in the Financing Agreement, 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 take or forebear from taking such actions.

Section B

1. In accordance with the Financing Agreement and the Preamble of this Agreement, the State shall enter into a Subsidiary Agreement with the Lead Project Agency in form and substance acceptable by the Fund.

2. The State shall duly perform all its obligations under the Financing Agreement, the Subsidiary Agreement, and this Agreement. The State shall cause the Lead Project Agency to perform its obligations under the Project and under the Agreement entered into to implement the Project.

3. As provided for in the Financing Agreement, the State shall provide funds including its counterpart funds for implementing the project activities as per the approved Annual Work Plan and Budget (AWPB) net of funds available with the LPA, and shall ensure that under normal circumstances no budgetary cuts are imposed on the LPA.

4. The State, shall strive to undertake proactive measures for convergence of agriculture and allied central sector schemes and other Government schemes, for an amount of approximately forty eight million United States Dollars (USD 48 000 000) equivalent, and strive to ensure contributions from beneficiaries in an amount of approximately fourteen million one hundred eleven thousand United States Dollars (USD 14 111.000) equivalent to achieve the project development objective. In addition, the State shall ensure that the LPA endeavour to mobilize one hundred and eighty six million United States dollars (USD 186 000 000) equivalent from domestic financial institutions.

5. The State shall cause the LPA to enter into contracts, with service providers including for international technical assistance and administer the contracts as per the provisions contained therein. Contracts with the management consultancy facility and other technical assistance shall include an Accountability Matrix.

6. *Procurement.* The State shall cause the LPA to undertake procurement of goods, works and services including consultancy services under the Project, financed from the resources provided by the Fund, in accordance with IFAD Procurement Guidelines, December 2019 and IFAD Procurement Handbook, as amended hereafter from time to time. IFAD review of procurement actions, thresholds for procurement methods shall be as per the provisions of the Letter to the Borrower issued by the Fund and as amended from time to time.

7. The State shall ensure that the accounts of the Project are annually audited by a private audit firm empanelled by the Office of the Controller and Auditor General of the State of Uttarakhand. The terms of reference for the external audit will be agreed with the Fund; and the external audit will be conducted in accordance with the IFAD Handbook for Financial Reporting and Auditing for IFAD financed projects. In addition, the activities covered under the investment grant shall be subject to an annual operation audit by independent audit firms.

8. In addition, the State shall cause the LPA to establish a system of internal audit, whereby a firm of Chartered Accountants will be engaged to conduct internal audit of the Project Management Unit of the LPA, on an annual basis and reports to Chief Project Director of the LPA. The arrangements for the internal audit will be further detailed in the Project Implementation Manual.

9. *Accounting and Financial management.* The PIU will maintain an accounting software that satisfies National Accounting Standards and IFAD's requirements. Within 6 months from the date of entry into force, the current accounting software TALLY would have been customized to generate reports in the format required for preparation of the Project Financial Statements.

10. *Monitoring and Evaluation.* The State shall cause the LPA to develop a fully functional monitoring and evaluation system within 12 months from entry into force, in compliance with IFAD and the GoUK requirements. In addition, participatory monitoring will be conducted. The M&E system and the redressal process will be spelt out in the Project Implementation Manual.

11. In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the State, after consultation with the Borrower, to request withdrawals from the Loan Account if the LPA has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

- (a) *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The State shall cause the LPA to ensure that the Project Implementation Manual reflects the recommendations of the SECAP as they apply to the Project objectives and activities and as provided in Section II of this Agreement.
- (b) *Anticorruption Measures.* The State shall ensure compliance and shall cause LPA to ensure compliance with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations and shall ensure that the compliance provisions are extended to the entities/organizations/parties and contractors.
- (c) *Policy on Preventing and Responding to Sexual Harassment and Exploitation and Abuse.* The State shall cause the LPA to comply with IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse and cause LPA to ensure that the compliance provisions are extended to the entities/organizations/parties and contractors engaged during implementation of the Project.
- (d) *Zero tolerance for Child Labour.* The State shall cause the LPA to ensure compliance with the State's zero tolerance policy against child labour.

12. *Use of Project Vehicles and Other Equipment.* The State shall ensure that:

- (a) all vehicles and other equipment procured under the Project are allocated to the PMU and other Implementing Agencies for Project implementation;
- (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and
- (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.

13. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The State shall ensure that a request is sent to IFAD to access the Project procurement Contract Monitoring Tool in the

IFAD Client Portal (ICP). The State shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The State shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

14. *The Key Project Personnel are:* Project Director, Financial Specialist, Officer for Monitoring and Evaluation, Procurement Officer and Environment and Climate Assessment Specialist.

SECAP Provisions

15. The State shall, and shall cause the LPA to carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the measures and requirements set forth in the Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2017 Edition"), as well as with all applicable laws and regulations to the Borrower and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The State shall not amend, vary or waive any provision of the SECAP 2017 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

16. For projects presenting Category A social and environmental risks, the State shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental and Social Management Frameworks (ESMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental and Social Management Plans (ESMPs) for Category A projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans] (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The State shall not amend, vary or waive any provision of the ESMPs and Management Plan(s), unless agreed in writing by the Fund and if the State has complied with the same requirements as applicable to the original adoption of the ESMPs.

17. The State shall cause the LPA to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2017 Edition and the Management Plan(s), if any.

18. The State shall cause the LPA to disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project -affected area, in a form and language understandable to Project affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

19. The State will ensure that a project -level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP related policies. The Project -level grievance mechanism needs to take into account indigenous

peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

20. The State shall take appropriate and necessary actions to implement the agreed actions resulting out of the Mid Term Review and the annual Supervision Missions.

21. The State shall nominate and confirm to the Fund in writing, the independent and competent authority responsible for receiving, reviewing and investigating allegations of fraud and corruption initially and all further changes/revisions to the nominated authority.

22. This Agreement shall come into force and effect on the date upon which the Financing Agreement enters into force. It shall terminate on the date on which the Financing Agreement terminates.

Section C

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

For the State:

Chief Secretary
Government of Uttarakhand
Dehradun

For the Fund:

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

This Agreement has been prepared in the English language in three (3) original copies, one (1) for the Fund, one (1) for the State and one (1) for the Borrower.

STATE OF UTTARAKHAND

[Authorized Representative]

Dated: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

President

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project				Project monitoring	Quarterly	PMU/DPMU	Project implementation undertaken without delay and with adequate release of financial resources
	Males - Males							
	Females - Females		240000	336000				
	Young - Young people		264000	403200				
	Indigenous people ⁶		56000	117600				
	Total number of persons receiving services - Number of people		480000	672000				
	1.b Estimated corresponding total number of households members				Project monitoring	Quarterly	PMU/DPMU	
	Household members - Number of people		1960000	2744000				
	1.a Corresponding number of households reached				Project monitoring	Quarterly	PMU/DPMU	
	Women-headed households - Households							
Non-women-headed households - Households								
Households - Households		400000	560000					
Project Goal Contribute to the doubling of income of rural households and reduce distress rural out migration	Percentage of households reporting increase in income by 35% above baseline				Impact Assessment	At baseline, midterm and completion	PMU	Sustained Government policies in favour of rural income enhancement with improved terms of trade for rural producers
	Households - Percentage (%)		25	70				
	Percentage of returnee migrants supported				Impact Assessment	At baseline, midterm and completion	PMU	
	Households - Percentage (%)		15	30				
Development Objective To build resilience of rural households by diversifying their sources of income through intensified cluster based climate resilient production systems, promotion of farm and off-farm enterprises and creating a supportive ecosystem	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				Impact Assessment	At baseline, midterm and completion	PMU	Government's infrastructure and other development efforts converge with this project activities.
	Total number of household members - Number of people							
	Households - Percentage (%)		20	50				
	Women-headed households - Households							
	Households - Households							
Percentage of rural enterprises reporting increases in income				Impact Assessment	At baseline, midterm and completion	PMU		
	Households - Percentage (%)		25	70				
Outcome Agriculture production of rural households intensified and farm ,off-farm and non farm enterprise promoted, employment opportunities created	SF.2.1 Households satisfied with project-supported services				Annual Outcome Survey	Annual	PMU	Adequate capacity is built within UGVS to address the needs of Producer Organizations and rural entrepreneurs and extreme
	Household members - Number of people							
	Indigenous households - Households							
	Women-headed households - Households							
	Households (%) - Percentage (%)							

⁶ ST and SC households are included in the indigenous people disaggregated data.

	Households (number) - Households								climatic events do not disrupt agriculture production,
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				Annual Outcome Survey	Annual	PMU		
	Household members - Number of people								
	Indigenous households - Households								
	Women-headed households - Households								
	Households (number) - Households								
	Percentage of new or improved rural producers' organization members reporting services provided by the organization				Annual Outcome Survey	Annual	PMU		
	Members RPOs - Percentage (%)			50	90				
	Percentage of households reporting increase in marketable volumes				Annual Outcome Survey	Annual	PMU		
	Households - Percentage (%)			20	60				
Output Cluster based agricultural production supported	% increase in members under cluster based production				Project Monitoring	Quarterly	PMU/DPMU		
	Increase in hectares - Percentage (%)			20	40				
	No. of farm households trained in climate adaptive production practices and/ or technologies				Project Monitoring	Quarterly	PMU/DPMU		
	No. of farm households - Households			100000	400000				
	1.1.3 Rural producers accessing production inputs and/or technological packages				Project Monitoring	Quarterly	PMU		
	Males - Males								
	Females - Females								
	Young - Young people								
	Indigenous people - Indigenous people								
	Total rural producers - Number of people			100000	250000				
	No. of ultra- poor households supported with Income generating activities				Project Monitoring	Quarterly	PMU/DPMU		
	Males - Number								
	Females - Number								
Households - Number			6000	10000					
Output Farm, Off-farm and non-farm Rural MSMEs promoted with linkages to BDS and technical and marketing services	2.1.1 Rural enterprises accessing business development services				Project Monitoring	Quarterly	PMU/DPMU	Sustainable and qualified business service providers are available to provide access to services	
	Size of enterprises - Enterprises								
	Rural enterprises - Enterprises			10000	35000				
	Women in leadership position - Females								
	No. of self employed enterprises established through skills training, apprenticeships and value chain entrepreneurship				Project Monitoring	Quarterly	PMU/DPMU		
No. self employed enterprises - Number			23000	50000					
Outcome Capacity for CBOs and partnerships strengthened	Percentage of Rural producer organisations (CLFs, LCs, FPOs) financially profitable and sustainable				Annual outcome surveys and evaluation studies	Baseline; Completion	PMU	Sustainable and qualified business service providers are available to provide access to services	
	% Rural POs - Percentage (%)			25	80				

Output Supportive institutional structures strengthened	2.1.3 Rural producers' organizations supported			Project Monitoring	Quarterly	PMU/DPMU	Rural Producers organization and Producer Groups able to manage production, value addition and marketing activities efficiently and rural entrepreneurs able to access efficient BDS, credit, technical and marketing services
	Total size of POs - Organizations						
	Rural POs supported - Organizations		696				
	Males - Males						
	Females - Females						
	Young - Young people						
	Indigenous people - Indigenous people						
	No. of farmers, women and youth trained in business and marketing			Project Monitoring	Quarterly	PMU/DPMU	
	No. of farmers - Number of people		5000				
	youth - Number of people		15000				
No of youth supported through Rural incubation programme			Project monitoring	Quarterly	PMU/DPMU		
Young - Young people		400					
No. of productive partnerships established with private sector partners by FPOs			Project Monitoring	Quarterly	PMU/DPMU		
No. of partnerships - Number		50					
Outcome Conducive enterprise promotion ecosystem promoted	Percentage of multi stake holder platforms performing effectively			Project Monitoring	Quarterly	PMU/DPMU	
	% of platforms performing effectively - Percentage (%)		40				
	1.2.6 Partner financial service providers with portfolio-at-risk ≥30 days below 5%			Project Monitoring	Mid-Term; Completion	PMU/DPMU	
Percentage - Percentage (%)		90					
Output Support service established	No. of growth centres established or strengthened			Project Monitoring	Quarterly	PMU/DPMU	
	No. of growth centres - Number		100				
Output Policy products completed	Number of policy-relevant knowledge products completed			Project monitoring	Quarterly	PMU/DPMU	
	No. of policy - Number		4				
Output Financial services extended	Number of MOUs with financial institutions			Project Monitoring	Quarterly	PMU/DPMU	
	No of MoUs - Number		4				
	Number/% of SHGs/ PGs and livelihood collectives/FPOs with bank loans				Quarterly	PMU/DPMU	

No. of SHGs/ PGs - Number		30000	50000	Project Monitoring			collectives with facilitation from UPASAC and SRLM
% of SHGs/ PGs - Percentage (%)							
Number of micro and small enterprises availing bank credit				Project Monitoring	Quarterly	PMU/DPMU	Financial institutions remain interested to lend to enterprises
No. of enterprises - Number		5000	10000				

Integrated project risk matrix

Country Context	Moderate	Low
Political Commitment	Moderate	Low
Risk: The risk is moderate, primarily owing to the fact that the State Government is due for elections next year.	Moderate	Low
Mitigations: India is a stable democracy. No major political risks are perceived that may affect the project. The Govt of Uttarakhand has provided necessary clearances and a Cabinet Approval is in process.		
Governance	Low	Low
Risk: The risk is low. India is a union of States with a constitutional distribution of powers between the Centre and the State Governments. A 2019 Report on Good Governance Index (GGI) has placed Uttarakhand as 2nd among 11 North Eastern and Hill States of India.	Low	Low
Mitigations: No major interventions needed from the project.		
Macroeconomic	Moderate	Low
Risk: The present inflation rate is low. State finances are partially affected by the burden of the pandemic and economic slowdown, where lockdowns are still implemented to contain the spread of the Covid19.	Moderate	Low
Mitigations: Macroeconomic risks, especially risks of insufficient counterpart funding by the state are low and unlikely to compromise the achievement of the project's development outcomes. The project is focused on diversification of income of poor HHs and will mitigate adverse impacts of macroeconomic factors at HH level.		
Fragility and Security	Low	Low
Risk: No significant issues of fragility and security in the state.	Low	Low
Mitigations:		

No interventions needed.		
Sector Strategies and Policies	Moderate	Low
Policy alignment	Low	Low
Risk: Conducive policy environment exists for the project focus areas. In particular issues related to commercialisation of agriculture, formation of FPOs, contract farming and promotion of youth enterprises will be aligned with existing government strategies, policies and schemes.	Low	Low
Mitigations: The project will be aligned to the Government schemes & strategies.		
Policy Development and Implementation	Moderate	Low
Risk: The risk is moderate. While the project will be fully aligned to sectoral policies related to agriculture, youth and MSME, some of the Agriculture related policies of the Government are currently on hold (eg Contract farming).	Moderate	Low
Mitigations: The project will also undertake policy engagement related to: (i) youth employment and the scaling up of the youth incubation schemes, (ii) development of a road map for SHG graduation to FPOs including a value chain orientation, and (iii) up-scaling a training programme on group business management and marketing to support cooperative and FPO development.		
Environment and Climate Context	Substantial	Moderate
Project vulnerability to environmental conditions	Moderate	Low
Risk: Direct environmental risks and impacts are considered moderate. The Project will not support land use changes that will affect forests, protected areas, important bird habitats, and will not clear contiguous area of above 100ha in a single location. Project activities to be implemented in mountainous areas will likely be prone to erosion, whereas projects located in the plains will likely be susceptible to pollution from runoff from floods.	Moderate	Low
Mitigations: The project will not intervene in environmentally sensitive areas. Site-specific environmental mitigation measures will include erosion		

control measures, soil and water conservation, environmentally friendly and climate-resilient production and processing systems, including promoting climate smart agriculture practices and natural resources-based livelihood options that have positive impact on the environment.		
Project vulnerability to climate change impacts	High	Moderate
Risk: Prolonged periods of drought combined with rainfall variability may have impact on water availability, increase in crop-water demand, emergence of new pests and reduced availability of feed and fodder.	High	Moderate
Mitigations: Building on the successes of ILSP, the project will promote flood and erosion control measures while introducing climate adaptation interventions such as drought tolerant crops, agro-forestry, soil and water conservation measures and livelihood diversification activities that will significantly reduce the risk. Selection of value chains will take into consideration the changing weather patterns, erratic rainfall and prolonged droughts.		
Project Scope	Moderate	Low
Project Relevance	Low	Low
Risk: The project scope is within the Government policies and the mandate of the Line Department.	Low	Low
Mitigations: The project has a robust governance system to ensure the project alignment with state policies and continued relevance. There is a high level of interest in the project within the government which was reflected in the full ownership of the project design process from the highest levels within the state government and the concerned Line Department.		
Technical Soundness	Moderate	Low
Risk: The project envisages working across different sectors and geography (plain and hilly districts) – an approach that has its set of inherent complexities. Most of the ideas promoted through the project have been tried and tested in various projects.	Moderate	Low
Mitigations:		

<p>REAP will cover the full state which means all 13 districts and 95 Community Development Blocks (CDBs). This is a significant expansion from the coverage under ILSP, which was implemented in 11 districts but only 44 CDBs. This expansion will be done through partnership with USRLM, which is also being implemented by the RDD, the lead Department implementing REAP. This will ensure full co-ordination at all levels. The two new plains districts being included for the first time, will be critical for providing access to wider markets.</p> <p>ILSP's experience of working in the agricultural sector will reduce risks in interventions in cluster-based agribusiness development; however, experience in adopting the value chain approach and non-farm sector initiatives is nascent. To mitigate potential risks, the project has planned multiple trainings and technical assistance for UGVS and LCs/CLF on enterprise development, value chain development, and financial services and will be implemented in convergence with the Government of Uttarakhand. Besides, the project will launch smaller and less risky value chains in the initial years of the project, and after successful completion, will move to larger and complex value chains.</p>		
Institutional Capacity for Implementation and Sustainability	Moderate	Low
Implementation Arrangements	Moderate	Low
<p>Risk:</p> <p>The lead implementing agency (UGVS) has previous experience of implementing IFAD supported project in the state. The agency has a team of qualified and experienced staff. The key challenge is to implement sustainable enterprise development and fee-for-services which requires intense networking and liaison with the government and the private sector.</p>	Moderate	Low
<p>Mitigations:</p> <p>To mitigate these risks, UGVS under the project will have dedicated PMU and additional trained staff members in all districts. Through the project, UGVS will seek help of sector experts in designing value chain subprojects. Moreover, the project will enhance its institutional capacity through targeted trainings and exposures. The project will engage competent Project Management Consultants to support the project in business incubation and start ups and enterprise promotion.</p>		
Monitoring and Evaluation Arrangements	Low	Low
Risk:	Low	Low

The Lead Implementing Agency has instituted a very robust MIS and M&E system. Under the new project the key challenge will be to expand this system to cover the various value chains across various sectors.		
Mitigations: Management Information system will be strengthened to cover new elements of the project including value chains. Also the M&E system will be participatory and decentralized involving key target groups in identification of project activities and monitoring implementation of project. This will in-turn ensure sustainability of project interventions.		
Project Financial Management	Substantial	Moderate
Project Organization and Staffing	Substantial	Moderate
Risk: Except the Director (Finance), the other finance and accounting staff will be appointed on contract from the open market initially for a period of 3 years with performance review at the end of every year. The quality of staff will determine the quality of FM.	Substantial	Moderate
Mitigations: • Adequate and trained finance staff with clear job description and accountability lines; • Customized, user-friendly software and PIM.		
Project Budgeting	Moderate	Low
Risk: Preparation of timely budgets incorporating the proposed expenditure by components, categories and financiers.	Moderate	Low
Mitigations: • To ensure proper process of preparation of AWPB using the bottom-up approach and regular review of the physical and financial progress; • Regularly track the achievement with the budget and report on quarterly basis.		
Project Funds Flow/Disbursement Arrangements	Moderate	Moderate
Risk: The AWPB of the project is built into the State Budget and funds released from the Treasury in a timely manner to meet the implementation needs of the project.	Moderate	Moderate

Mitigations:		
<ul style="list-style-type: none"> • Ensure timely release of budget for project activities in accordance with the AWPB. 		
Project Internal Controls	Substantial	Moderate
Risk:		
Effective internal control systems which are currently lacking as reported by the auditor of ILSP. Having an effective internal audit system with quarterly reports and compliances.	Substantial	Moderate
Mitigations:		
<ul style="list-style-type: none"> • Segregation of fiduciary -sensitive duties; • Periodic reconciliations; • Restricting access to accounting files and documents; • Periodic count of inventories and fixed assets; • Having an effective system of internal audit to be conducted quarterly. 		
Project Accounting and Financial Reporting	Substantial	Moderate
Risk:		
Use of accounting software (customized) to record transactions to generate reports by components, categories and financiers, comparison with the budgets and preparation of the quarterly IUFR for submission along with the WA.	Substantial	Moderate
Mitigations:		
<ul style="list-style-type: none"> • Accountant will need to be proficient in the use of the accounting software; • Back-up of accounting records; • Use of register of fixed assets; • Project Implementation Manual (PIM) to detail reporting and monitoring requirements and rules; • Use of financial statements templates consistent with IFAD reporting requirements. 		
Project External Audit	Moderate	Low
Risk:		
Timely appointment of an independent auditor and submission of audit report (complete- as per IFADs requirements) within the stipulated time of six months from the end of the fiscal year	Moderate	Low
Mitigations:		

<ul style="list-style-type: none"> • The auditor will be a CAG empanelled firm of Chartered Accountants; • Ensure reporting as required by IFAD Guidelines; • Prompt implementation of auditor's recommendations. 		
Project Procurement	Substantial	Moderate
Legal and Regulatory Framework	Substantial	Moderate
<p>Risk:</p> <p>The risk that the Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity. The risk is substantial. The State Framework, Uttarakhand Procurement Rules (UPR) is not fully consistent with IFAD Procurement Guidelines. Procurement related complaints redressal are addressed through existing legal provisions and General Financial Rules, which are lengthy and layered. No Standard Bid Documents prescribed under UPR. Compliance with IFAD Procurement norms will be needed.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>The project design suggests the project procurement follows the IFAD Procurement Guidelines and Procurement Handbook. Project will be familiarised with IFAD Procurement Guidelines and Handbook and IFAD prior review thresholds</p>		
Accountability and Transparency	Substantial	Moderate
<p>Risk:</p> <p>The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements. The project will have decentralized implementation and procurement. There is risk of noncompliance with agreed procurement arrangements.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>Several mitigation measures are proposed: 1) PMU will have overall Procurement responsibility and accountability; 2) a robust two-tiered complaint handling mechanism will be put in place at the LPA. The complaint handling authority, the form of complaint register, response time, decision-making mechanism, and other features will be outlined in detail in the PIM; In addition, the State Government</p>		

will also designate an independent investigative authority 3) IFAD will conduct implementation support missions to review the procurement performance of the project. All contracts not covered under prior review by IFAD will be subject to post review during the implementation support missions and/or special post-review missions along with a sample of prior reviewed procurement actions; 4) for activities at community level, annual PPR for an appropriate percentage of contracts shall be conducted by IFAD. In addition Audits will also be conducted.		
Capability in Public Procurement	Substantial	Moderate
<p>Risk:</p> <p>The risk that the implementing agency does not have sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project. The risk is moderate as the REAP Implementing agency is familiar with the IFAD procurement procedures and norms, but not conversant with the revised risk based approach.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>Mitigation measures include: 1) appropriate qualified procurement staffing at SPMU and DPMU level; 2) strengthening and capacity building of staff at State level and partners. 3) Guidelines for investment grants evaluation procedures will be put in place; 4) Engagement of resource persons in the evaluation process for technical advice.</p>		
Public Procurement Processes	Substantial	Moderate
<p>Risk:</p> <p>The risk that procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives. It is assessed that highly decentralized project implementation and absence of qualified procurement staff may result in delays in procurement and contract management processes</p>	Substantial	Moderate
<p>Mitigations:</p> <p>REAP PMU will setup a Procurement Unit to handle procurements and contract management as per IFAD regulations. 2) IFAD will inform the recommended thresholds for procurement and also IFAD prior review thresholds through LtB; 3) the PIM will specify the delegation and procurement implementation arrangements; 4) all procurement activities at SPMU and DPMU level including</p>		

investment grants to communities to be included in procurement plan and no objected by IFAD. 5) Mandatory adoption of IFAD Standard Bid Documents, evaluation templates and contract monitoring and reporting through IFAD ICP portal; 6) All exception reporting will be informed to the Project Oversight Committee 7) all records from procurement planning to contract completion and procurement complaints shall be retained in a chronological order and made available as and when requested by IFAD.		
Environment, Social and Climate Impact	Moderate	Low
Biodiversity Conservation	Low	Low
Risk: The nature and magnitude of project activities will not entail conversion of critical or natural habitat for agricultural land use or promote unsustainable harvesting of Non-Timber Forest Products (NTFP) that might lead to biodiversity loss or cause significant threat to availability of ecosystem services.	Low	Low
Mitigations: Building on successes of ILSP and convergence with government programs on watershed and biodiversity management, selection and siting of project activities will avoid protected and forested areas.		
Resource Efficiency and Pollution Prevention	Moderate	Low
Risk: Pollution of soil and water due to the use of agro-chemicals for crops and generation of manure from livestock is moderate.	Moderate	Low
Mitigations: To minimise soil and water pollution, site-specific Environmental and Social Management Plan (ESMP) will include an Integrated Pest Management Plan to guide on the application, storage, handling and disposal of agro-chemicals and waste management practices. The use of drip and sprinkler irrigation systems and climate smart agriculture practices, will promote efficient use of resources particularly water.		
Cultural Heritage	Moderate	Low
Risk: The state consists of several pilgrimage sites and places of religious prominence including sacred water sources.	Moderate	Low
Mitigations:		

The Project will not have impacts on Indigenous Peoples, resource degradation of project areas or sites of historic, religious or cultural significance. The project activities are not expected to have any adverse impact and mitigation measures will include Chance Find Procedure included in the ESMP		
Indigenous People	Low	Low
Risk: Scheduled Tribes (STs) constitutes 3 % of the total population of the state and 91% of STs population reside in rural areas. There are no significant risks specific to STs.	Low	Low
Mitigations: The project targeting strategy which will have relevant tools of ensuring that the poorest and most vulnerable including STs are benefiting from project activities and VPGs will ensure that those most vulnerable are not left out. Both, under USRLM and ILSP, the ST communities have been mobilised under various groups. REAP will ensure that project interventions are dovetailed with the Tribal Development Sub Plan where applicable to bring the benefit of government schemes to add to the project interventions for the ST communities.		
Labour and Working Conditions	Moderate	Low
Risk: Women could be adversely impacted and their workload can increase due to their participation in project activities as women in Uttarakhand are already overburdened and heavily involved in both household and agriculture activities. There is some risk of children, especially young girls being involved more in household level work and use of child labour in the community livelihood activities	Moderate	Low
Mitigations: The project will promote modern and women friendly production technology and drudgery reduction tools and equipment. Alternative livelihoods promoted under the project may offer women and young persons less labour intensive alternatives. The project will develop a guideline to address the potential risks of child labour and ensure that all service providers', rural institutions developed and strengthened under the project activities and management committees are oriented properly on prevention of child labour laws. The project will follow Government of India's guidelines on curbing child labour and any third party contract under the project with suppliers, procurers and service providers will have		

no child labour clause. The site-specific Environmental and Social Management Plan (ESMP) will include Health and Safety practices to guide SMES		
Community Health and Safety	High	Moderate
<p>Risk:</p> <p>Risks related to health and safety of communities due to disease transmission particularly of COVID-19 is significant.</p> <p>The risk of continued outbreaks of COVID-19 could result in a further influx of returnee migrants which could have a potential impact on project start-up and implementation.</p>	High	Moderate
<p>Mitigations:</p> <p>The GoUK has put in place Standard Operating Procedures for the control and management of Covid-19 pandemic and has been among the better managed states in the country. Additionally, the project will develop Community Health and Safety guidelines, knowledge products and implement campaigns that build awareness and capacity among the project communities on safety and hygiene practices in the context of the ongoing pandemic and proposed project interventions and all project activities will strictly follow Government of Uttarakhand COVID-19 related policies and safeguards.</p> <p>Whilst start up could be impacted REAP will mitigate the risk by prioritizing activities that could be conducted remotely. Staff recruitment, engagement of service providers and initial trainings and related activities of the project are not likely to be adversely impacted.</p>		
Physical and Economic Resettlement		No risk envisaged - not applicable
N/A		
Greenhouse Gas Emissions	Moderate	Low
<p>Risk:</p> <p>Emission of greenhouse gases (GHG) from project activities such as farm mechanization and agro-processing facilities is considered low and likely to be less than emissions without the project activities.</p>	Moderate	Low
<p>Mitigations:</p> <p>The Project will promote the use of renewable energy for farm mechanization and agro-processing activities. Site-specific</p>		

Environmental and Social Management Plan (ESMP) will include guidance for establishing environmental and social management systems for SMES including capacity building on Good Agricultural Practices and environmentally friendly production systems.		
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Low
Risk: Increase in temperature combined with rainfall variability may have impact on water availability, increase in crop-water demand (due to increased evapotranspiration), emergence of new pests and reduced availability of feed and fodder.	Moderate	Low
Mitigations: REAP will promote flood and erosion control measures while introducing climate adaptation interventions such as drought tolerant crops, agro-forestry, soil and water conservation measures and livelihood diversification activities. Selection of value chains will take into consideration the changing weather patterns, erratic rainfall and prolonged droughts.		
Stakeholders	Moderate	Moderate
Stakeholder Engagement/Coordination	Moderate	Moderate
Risk: The risk is primarily related to engagement of private sector, technical institutions and banks.	Moderate	Moderate
Mitigations: Banks and financial institutions will be major partners in the project. RDD has on-going relations with multiple banks which will be further strengthened. The SHG/PGs/livelihood collectives -Bank Linkage programme will have some initial challenges. Piloting of innovative financial products for enterprises is also proposed. Convergence with other government schemes including USRLM is also proposed under the project and a pro-poor financial inclusion approach will be followed. The project will develop a detailed targeting strategy and targeting action plan so that the client base is expanded to ensure that women, youth, SCs, STs are included. For the risk of low performance by technical/training service providers the project will ensure proper due diligence before selecting partners and build risk mitigating mechanisms (financial / performance bank guarantees) into contracts. ILSP has also set up a system for performance assessment of Technical Agency partner which will be used. For mitigating the risk of low mobilization of private sector the		

project proposes setting up multi stakeholder platforms and also expand the partnerships already built under ILSP.		
Stakeholder Grievances	Moderate	Low
Risk: Stakeholders may not be aware of the systems for the redressal of their grievances.	Moderate	Low
Mitigations: The Government of Uttarakhand has a portal for registration of public grievances (http://samadhan.uk.gov.in). Each district has a phone number and a local helpline number too. The project will make communities aware of this portal and the systems for registering their grievances. Also the RDD conducts Social Audit of various schemes from time to time. Additionally, the project will establish a grievance redress mechanism specifically to address project related concerns and grievances from project related persons. The grievance procedure and disciplinary procedure will be put in place in consultation with implementing agency, project management unit and related government departments. Access to a grievance redress mechanism will be provided to all concerned with the project. In addition, the community will be oriented and trained in access and use of grievance redressal mechanisms.		