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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eightieth Session**

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**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

**REPUBLIC OF INDIA**

FOR THE

**LIVELIHOODS IMPROVEMENT PROJECT IN THE HIMALAYAS**



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**CURRENCY EQUIVALENTS**

Currency Unit	=	Indian rupee (INR)
USD 1.00	=	INR 47.00
INR 1.00	=	USD 0.021

**WEIGHTS AND MEASURES**

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

**ABBREVIATIONS AND ACRONYMS**

CBO	Community-Based Organization
DMU	District Management Unit
FNGO/I	Facilitating NGO/Institution
MACS	Mutually Aided Cooperative Society
MAP	Medicinal and Aromatic Plant
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
NTFP	Non-Timber Forest Product
PMU	Project Management Unit
PRI	<i>Panchayati Raj</i> Institutions
RDS	Rural Development Society
RNGO/I	Resource NGO/Institution
SHG	Self-Help Group
SVCC	Social Venture Capital Company

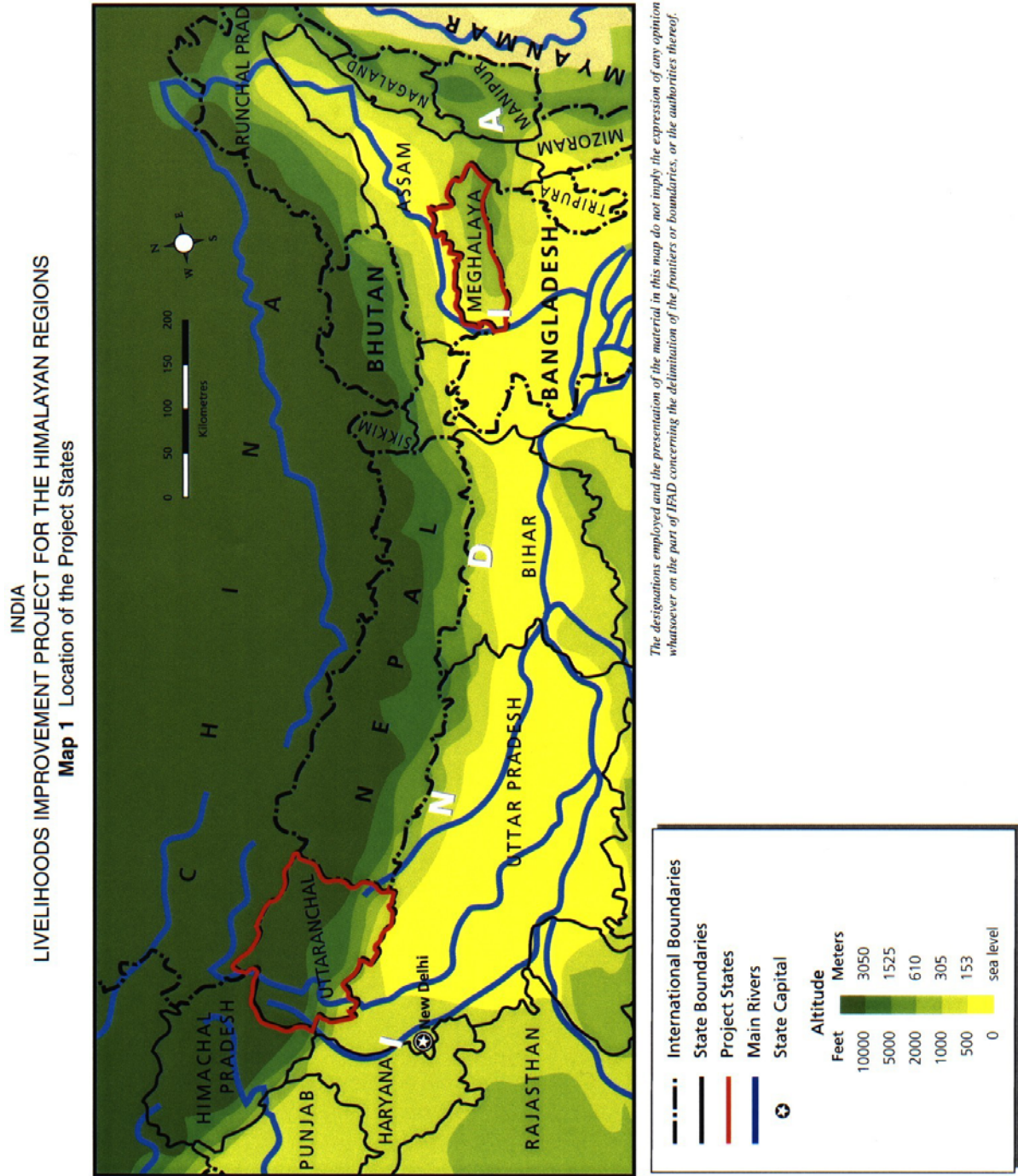
**GLOSSARY**

<i>Jhum</i>	Shifting cultivation
<i>Jhumia</i>	Farmer practising shifting cultivation
<i>Panchayati raj</i> institutions	Locally elected bodies in rural areas at district, block and village levels
<i>Tasar</i>	Kind of silk
<i>Van panchayat</i>	Forest council
<i>Zilla parishad</i>	District-level PRIs

**GOVERNMENT OF THE REPUBLIC OF INDIA**  
**Fiscal Year**

1 April - 31 March

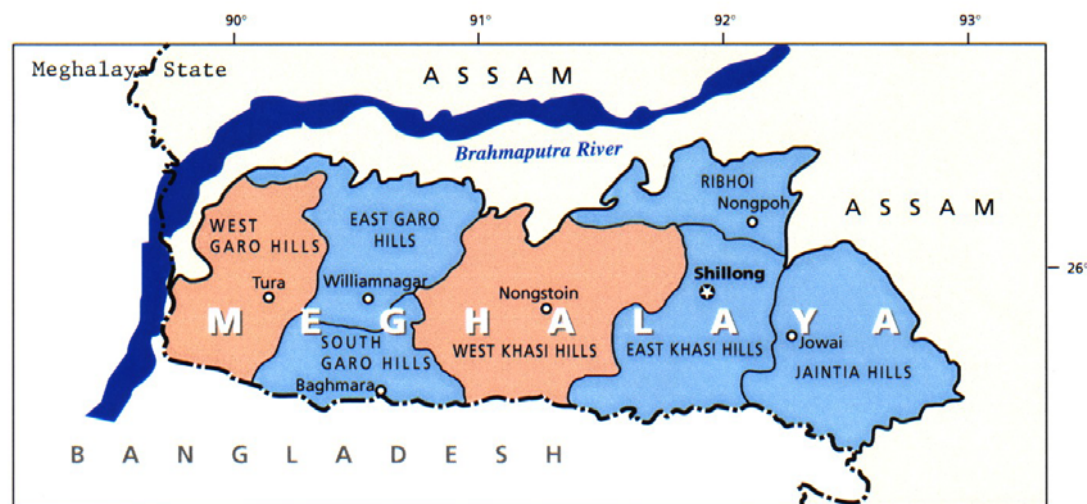
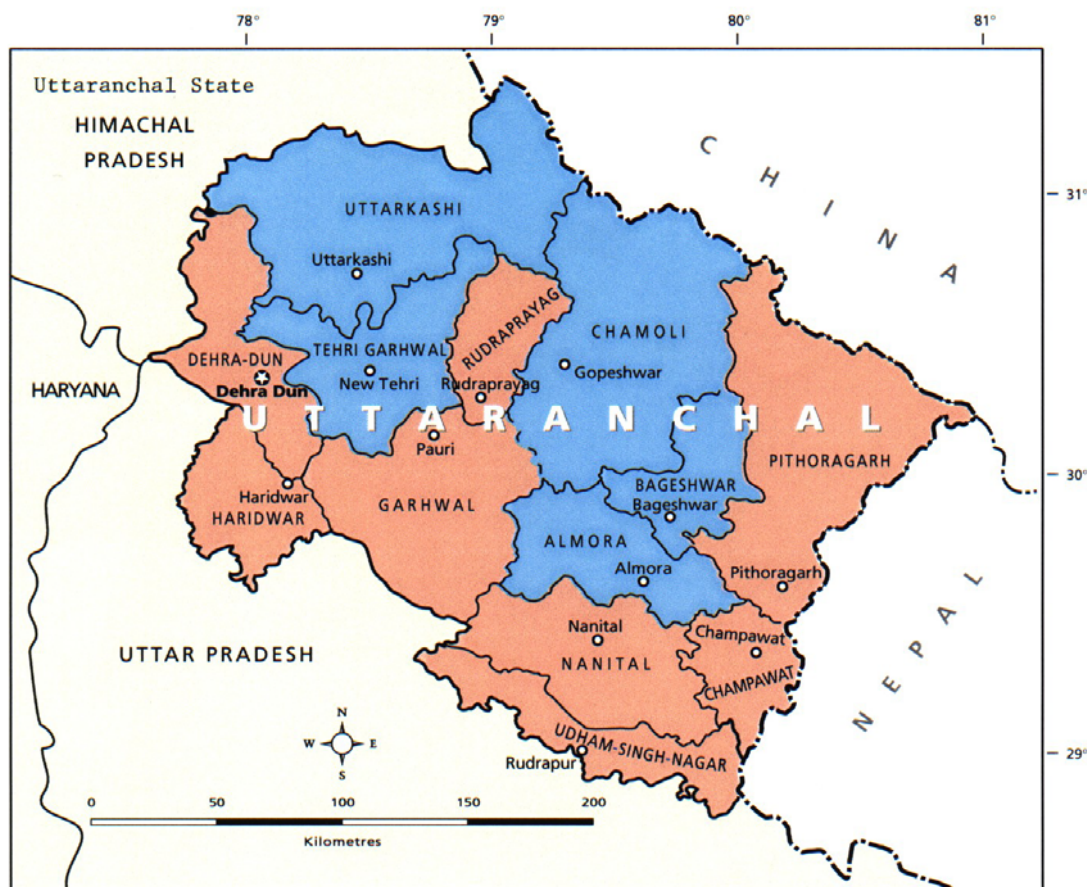
MAPS OF THE PROJECT AREAS



**Source:** IFAD.

*The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.*

INDIA  
LIVELIHOODS IMPROVEMENT PROJECT FOR THE HIMALAYAN REGIONS  
**Map 2** Location of the Project Districts



Source: IFAD.

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

**REPUBLIC OF INDIA**

**LIVELIHOODS IMPROVEMENT PROJECT IN THE HIMALAYAS**

**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	Republic of India
<b>EXECUTING AGENCY:</b>	Government of India, state governments of Meghalaya and Uttaranchal and respective rural development societies
<b>TOTAL PROJECT COST:</b>	USD 84.29 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 27.90 million (equivalent to approximately USD 39.92 million)
<b>TERMS OF IFAD LOAN:</b>	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
<b>COFINANCIERS:</b>	None
<b>CONTRIBUTION OF BORROWER:</b>	State governments – USD 11.44 million Formal financial institutions – USD 23.44 million
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 9.49 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services



**PROJECT BRIEF**

**Poverty situation and target group.** Over the years, the largely self-sufficient survival system of Himalayan mountain communities has been seriously weakened. This has led to an accentuation of poverty conditions in mountain areas and, as a consequence, the degradation of natural resources, particularly land and forests. Against this background, the project will work in the most remote and underdeveloped districts, five each in the states of Meghalaya and Uttarakhand. An estimated 72 000 households in over 1 730 villages will benefit directly from the expanded livelihood opportunities, increased income and greater economic security brought about by the project.

The project will target groups that fall either below or just above the poverty line, an approach aimed at preventing resentment within the larger community. In particular, it will: (i) select blocks and villages that have a relatively high incidence of poverty and higher population ratios of scheduled castes and scheduled tribes; (ii) use available natural resources more productively through appropriate small-scale interventions; and (iii) limit demonstrations to households living below the poverty line. Participatory rural appraisals for poverty mapping, identification of self-targeted activities, and intensive sensitization programmes are some of the tools that the project will use to achieve its objectives.

The project aims to create community-owned organizations from the village level upwards, and gradually transfer project ownership and management to these institutions after suitably equipping them to perform this role.

**Project activities benefiting the target group.** The project will adopt a strategy combining subsector analysis and business services development in order to identify and develop livelihoods as microenterprises. Widespread demonstrations of various livelihood opportunities will enable project participants to make an informed choice of the livelihoods most suited to their resources, skills and interests. The project will invest heavily in livelihood support systems with the objective of accessing substantial financial assistance from formal financial institutions. These institutions will provide credit to self-help groups for establishing both microenterprises as well as small enterprises that ensure backward and forward linkages to these microenterprises. The project will also offer assistance for: (i) empowering and building the capacity of communities and support organizations; (ii) enhancing and developing diversified livelihood opportunities that focus on organic agriculture/shifting cultivation, animal husbandry, fisheries, forestry (including non-timber forest products, medicinal and aromatic plants, agroforestry, and other natural products), relevant soil and water-related activities, and various other off-farm opportunities such as ecotourism, and then establishing forward, backward and horizontal linkages; (iii) developing livelihood support systems through a social venture capital company, provision of rural financial services and other business development services, facilitating backward and forward linkages with the wider economy; and (iv) developing appropriate strategies and policies, and demonstrating technologies, to reduce women's workloads.

**Beneficiary participation.** In full alignment with the strategic framework of IFAD, the project aims at empowering the poor by developing grass-roots institutions and by raising the target group's incomes through the introduction of an innovative microenterprise development strategy. It will provide the poorest with a range of livelihood opportunities enabling them to choose those most closely matching their needs, skills and resource bases. In general, it will adopt a flexible, process-oriented and demand-driven approach to enable the primary stakeholders to determine the scope, timing, pace and sequencing of project activities. Project design will thus be revised and improved based on lessons learned. A system of participatory planning and ongoing process evaluation will facilitate this process.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD  
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE  
REPUBLIC OF INDIA  
FOR THE  
LIVELIHOODS IMPROVEMENT PROJECT IN THE HIMALAYAS**

I submit the following Report and Recommendation on a proposed loan to the Republic of India for SDR 27.90 million (equivalent to approximately USD 39.92 million) on highly concessional terms to help finance the Livelihoods Improvement Project in the Himalayas. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services as IFAD's cooperating institution.

**PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy and Agricultural Sector**

1. With a land area of 3.29 million square kilometres and a population of over one billion in 2001, India is the seventh-largest and the second most populous country in the world. Some 73% of its people live in rural areas, relying mainly on agriculture for their livelihoods. Only 55% of the land area is considered arable, and each cultivable hectare supports from four to seven people. Over time, average annual population growth has declined but continues to remain close to 1.94%. Economic growth rates peaked at 6.7% during 1993-1997, but then stabilized at about 5.5% during 1998-2002. Investment and savings rates have recently hovered at about 22 to 25% with a tendency towards increasing public-sector deficits and private-sector surpluses. In recent decades, India has made substantial progress in terms of both economic and human development. As it started from a very low base, however, it ranked only 127th out of 175 countries in the 2001 Human Development Index, and its per capita gross national income is still a low USD 460.

2. Although its share in the total gross domestic product (GDP) has steadily declined, agriculture contributes 25% to the GDP and remains the single largest contributor to the well-being of the poor. In recognition of this, the Government of India has assigned high priority to agricultural development. As a result, food grain output now exceeds 200 million tonnes and the country has become a marginal exporter. Food production increases have been made possible by the increase in the irrigated area and by a greater use of inputs. This trend, however, may not be sustainable. Almost two thirds of the total cultivated area is still rainfed, and rainfed areas currently support 40% of the population and account for 44% of overall food production. The rainfed areas suffer from low and erratic rainfall and increasingly degraded environments. With increases in the rural population, the average size of holding per household is constantly declining. In the long run, this problem has to be solved, at least in part, by bringing about a structural transformation of the economy and moving a significant part of the labour force out of agriculture.

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<sup>1</sup> See Appendix I for additional information.

## B. Lessons Learned from Previous IFAD Experience

3. IFAD has financed 17 projects in India since 1979, with the funding level reaching USD 425 million.<sup>2</sup> The first five projects supported large-scale irrigation development, but after 1987 IFAD adopted a new strategy that focused on the needs of the most vulnerable groups. Past projects have shown that in addition to economic development, empowerment through a coalition of the poor is crucial. In general, women have displayed a remarkable willingness and capacity to take responsibility for managing development. The lack of access to financial resources and lack of support for microenterprise development are major handicaps to the development of the poor. Experience also shows that meaningful and sustainable participation and empowerment of communities require extensive training of both communities and facilitators. Furthermore, self-reliance strategies have to be implemented from the outset; and it is important to listen to people, take note of indigenous knowledge and adapt traditional techniques. It has also been realized that changes can be negotiated locally to facilitate the poor's access to resources.

## C. IFAD's Strategy for Collaboration with India

4. **India's policy for poverty reduction.** The incidence of poverty in India hovered at around 53% in the first 25 years after independence, but started to diminish thereafter. The most recent estimate (1999/2000), though not made on a comparable basis, shows 27% of households living below the official poverty line. Since the population has steadily increased, the absolute number of poor in India has not decreased significantly. Even under the optimistic scenario depicted in 1999/2000, over 260 million people live below the poverty line. Of these, almost three quarters, or over 193 million, are in rural areas. The incidence of rural poverty varies widely between and within states, among different ethnic, social and occupational groups, and between women and men. Generally speaking, poverty levels are higher in the northern and eastern states and among scheduled castes and scheduled tribes. Overall, states vary significantly in terms of their performance in achieving economic growth and reducing poverty. Rising regional inequality is thus a matter of concern.

5. Over the past few decades, India has allocated 6 to 7% of budgetary expenditures or 1% of the GDP to targeted anti-poverty programmes, mainly for food subsidies (55%), subsidized credit for asset creation (33%) and rural employment schemes (5%). It has recently revamped its anti-poverty programmes and now focuses more on channelling assistance through grass-roots self-help groups (SHGs). A greater role for local self-government institutions is envisaged in programme implementation, beneficiary selection and monitoring. The Government also recognizes the critical role of non-governmental organizations (NGOs) as facilitators of a genuinely participatory approach to development.

6. **The poverty reduction activities of other major donors.** At about 18% of the development budget, official development assistance (ODA) contributes relatively less in India than elsewhere. Yet, its disproportionately high share in social-sector investments and its innovative inputs help make ODA a catalyst for development. Gross pledges by bilateral and multilateral participants have been about USD 4.2 billion per annum since 1996/97, and average utilization is about USD 3.3 billion. The World Bank Group's volume is the largest and in recent years has tilted towards the social sector, especially education, health and poverty reduction. Agriculture still makes up a large share, and anti-poverty programmes are being intensified.

7. **IFAD's strategy in India.** Given the vastness of India's development scene, IFAD has adopted a strategy that focuses on identifying niche areas where the development of innovative approaches contribute meaningfully to the broader development effort. India's relatively open political and social system, its constitutional guarantees for the protection of minority and disadvantaged groups, and the abundance of NGOs and other civil-society partners provide a sufficiently broad framework for

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<sup>2</sup> See Appendix II.

fostering genuine beneficiary participation, developing grass-roots institutions, and ultimately empowering such marginalized categories as tribal people, scheduled castes, the landless and other minorities. In this context, the Fund's lending strategy for India envisages: (i) a focus on 'niche investments' that – if proven successful – are likely to be taken up on a larger scale by the Government and/or other donors; (ii) empowerment of the poor by taking advantage of the opportunities created by the ongoing efforts to empower local bodies; (iii) integration of SHGs with local self-government institutions as a means of generating positive synergies between economic advancement and empowerment and social and institutional development; (iv) priority to the development of areas where rainfed agriculture is practised; and (v) targeting of rural populations, with a special focus on the scheduled castes and tribes and on women.

8. **Project rationale.** Like all mountain habitats, the eastern and western Indian Himalayas are characterized, in varying degrees, by inaccessibility, fragility, marginality, diversity and niches. The communities in these regions recognize their natural resource limitations and are dependent upon subsistence-oriented but stable agriculture. They maximize their options through diversified, interlinked land-based activities combining crops, livestock and forestry. They also frequently resort to resource recycling and collective sharing. Communities have overcome the constraints imposed by the low-carrying capacity of resources by upgrading resources (through terracing, for example), and by using low-cost, locally regenerated resources and land-intensive and land-extensive practices. They have procured some items that are not available locally through barter and, more recently, through migrant remittances. Over the years, this equilibrium has, however, been seriously disrupted and the virtually self-sufficient system has broken down. Two reasons can be identified for the breakdown: first, population pressure has led to the increased cultivation of marginal and forest lands, making the food-crop-based farming system unsustainable; and second, improved communications have brought awareness of vastly different lifestyles, causing aspirations to rise. The result of this process has been a weakening of the sustainability of past survival systems and an accentuation of poverty; this has also led to the degradation of natural resources, particularly land and forests.

9. Overall, when compared with the prime land situation, mountain conditions tend to be inferior, limiting growth and development at current levels of technology. The potentiality for further economic growth has not, however, been exhausted. Substantial opportunities can be harnessed to enhance economic growth and reduce poverty while at the same time conserving the natural resource base. The state governments in the project area have shown their willingness to create the needed enabling environment by: (i) supporting innovations in project management and the delivery of support services for livelihoods enhancement; (ii) encouraging genuine community participation and involvement at all stages; and (iii) recognizing the important role of NGOs as facilitators. Most importantly, the people themselves are ready and anxious for change in the direction of development assistance. A growing tradition of cooperation through the SHG movement, especially among women, offers a strong foundation from which innovative initiatives can be launched. High levels of literacy hold promise for quick adoption of the improved methods and relevant technologies required for sustainable livelihood development.

## PART II – THE PROJECT

### A. Project Area, Target Group and Gender Strategy

10. The proposed project will cover the states of Meghalaya and Uttaranchal and will be implemented in the most underdeveloped and remote blocks in five districts of each state: (i) in Meghalaya, the East Garo Hills, South Garo Hills, Jaintia Hills, East Khasi Hills and Ribhoi districts; and (ii) in Uttaranchal, the Almora, Bageshwar, Chamoli, Tehri Garhwal and Uttarkashi districts. Altogether, at completion the project will cover an estimated 72 000 households in 1 730 villages.

11. In view of the economic differentiation that exists in both states and the added problem of significant social differentiation in Uttaranchal, the project needs to identify the very poor and prioritize its actions focusing on them. It is also important, however, that its targeting strategy does

not unduly disturb the social network. In view of the above, groups targeted for project participation are those that either fall below or hover just above the poverty line. Within this broad framework, the project will target the worse-off households by: (i) selecting blocks and villages with a comparatively higher incidence of poverty and a higher ratio of scheduled castes and tribes; (ii) integrating assistance by using available natural resources more productively through appropriate small-scale interventions, which will rely on affordable technologies, in agriculture, livestock, horticulture and water resources; and (iii) limiting demonstrations to households living below the poverty line, which will mean differential levels of assistance between the worse- and the better-off. Participatory rural appraisal exercises for poverty mapping, the identification of self-targeted activities and intensive sensitization programmes are some of the tools that will be used to achieve this goal.

12. In Meghalaya, almost 86% of the total population are tribals, and poverty is prevalent among those households that are heavily dependent on *jhum* (shifting cultivation) and that face progressive marginalization because of the continuous decline in *jhum* yields. The society is overwhelmingly matrilineal, and compared to Indian women elsewhere, women in the state have fewer constraints (for instance, linked to dowries), although illiteracy, broken marriages, divorce, unwed mothers, early marriage and male drunkenness do exist. In Uttaranchal, scheduled castes have the least access to land and remittances, and the situation of women in general is worse than in Meghalaya, particularly in terms of the gender division of labour. Against this background, an important element of the project's gender strategy will be to introduce both indigenous and mechanized technologies that will improve efficiency and reduce women's workloads. The project will also positively influence the gender division of labour by sensitizing men. In addition, while screening feasible enterprises, it will introduce a gender perspective and devise mitigating strategies. It will further reinforce this approach by ensuring that: (i) women are well represented in the various management units of the project, NGOs and grass-roots institutions; (ii) intensive training aimed at building gender perspectives is provided to all project partners in the initial project phase; and (iii) gender concerns are built into all economic and institutional capacity-building aspects.

### B. Objectives and Scope

13. The project's primary objective is to improve the livelihoods of vulnerable groups sustainably by promoting greater livelihood opportunities and strengthening the local institutions concerned with livelihood development.<sup>3</sup> Specific objectives are to: (i) promote a more sensitive approach to the design and implementation of development interventions; (ii) enhance the capabilities of local people to select appropriate livelihood opportunities, access required financial resources, and manage new technologies and institutions at the village level; (iii) increase incomes through more sustainable income-generating cultivation systems and the establishment of non-farm enterprises at the micro and small-scale level; and (iv) establish effective and appropriate delivery systems for inputs and for the maintenance of assets and resources, with emphasis on microfinance, savings and thrift, and micro-insurance products, along with access to business development services that will link household-based livelihood activities with the larger economy.

### C. Components

14. As the project will adopt a flexible, process-oriented and demand-driven approach and will also respond to the emerging opportunities for microenterprise development, the components and their mix are *indicative*. Subject to this, the proposed project comprises components related to empowerment and capacity-building of communities and support organizations, livelihood enhancement and development, development of livelihood support systems, and project management. The institution-building strategy adopted by the project aims to create community-owned organizations from the village level upwards, and gradually transfer project ownership and management to these institutions after suitably equipping them to perform this role.

<sup>3</sup> See Appendix III.

15. **Pre-project implementation.** During a period of six months, the core staff of the two state-level project management units (PMUs) and the various district management units (DMUs) will be selected and provided intensive orientation in project concepts before they begin discharging their responsibilities.

16. **Empowerment and capacity-building of communities and support organizations.** The primary objective of this component is to build community-based organizations (CBOs) capable of making informed choices, and planning and managing livelihood activities in a microenterprise mode.<sup>4</sup> For this, the project will adopt SHG methodology to mobilize groups. At the same time, it will sensitize traditional leaders and *panchayati raj* institutions (PRIs) to its microenterprise focus and demand-driven orientation, and to the need to prepare the community to take a business approach to livelihood improvement. Community resource persons selected through local CBOs will provide villages with services in SHG training, bookkeeping, auditing, animal husbandry, medicinal and aromatic plants (MAPs) and non-timber forest products (NTFPs). They will also carry out other activities, including completing forms for bank linkages, obtaining assistance from government departments, helping producer groups cost their activities, collecting market information and assisting in livestock development.

17. **Livelihood enhancement and development.** Within the agriculture sub-component, organic agriculture and *jhum* interventions will build upon the growing awareness, particularly among women, that subsistence agriculture is very labour-intensive and yields minimal returns to labour. The project therefore will concentrate on agricultural activities that require less labour and offer greater income opportunities. It will promote specialization in organic production wherever this is economically feasible. It will also address the income-generation and food security concerns of the *jhumias* (farmers practising shifting cultivation) by integrating practices in all three components of *jhum* systems: (i) *jhum*-cropping phase, involving higher-yielding upland paddy, crop diversification and cash crops; (ii) *jhum*-fallow/forestry phase, involving multipurpose trees, NTFPs, bamboos and MAPs; and (iii) *jhum*-homestead, including cash crops, vegetables (such as chilies), pigs, poultry and apiculture.

18. Both states are in strong positions to develop horticulture because of their favourable climatic conditions. The proposed project envisages intervening at each link of the supply chain (cultivation, post harvest, processing and marketing) in order to improve the livelihoods of the target group. Similarly, it will emphasize livestock-based livelihoods, which potentially can have substantial impacts on a large number of participating households. Initial pilot demonstrations will pave the way for full subsector development including: (i) backward linkages to breeding stock and hatcheries, feed production and veterinary care; (ii) horizontal linkages at cluster and federation formation of microdairies, piggeries and poultry units; and (iii) forward linkages to product development and marketing.

19. Under the forestry component in Uttaranchal, demonstrations will be carried out, among others, for silviculture, agroforestry, fodder, nurseries, the production and processing of *ringal* (a type of bamboo) and rearing of silk worms for *tasar* (a kind of silk). In Meghalaya, demonstrations will be carried out for agroforestry, fodder, silviculture, nurseries, MAPs, bamboo and other NTFPs. Soil and water conservation/management measures will be built in initially to enable communities to improve their agricultural-based enterprises. The interventions in Meghalaya will include micro-irrigation, gravity irrigation, water-harvesting techniques and land consolidation. In Uttaranchal, a hydraulic ram will also be included.

20. In addition, the project will promote enterprise-based experimentation under the ecotourism sub-component with three activities: ecolodges, interpretation centres, and leasing and operating of forest lodges in selected areas with the idea of developing ecotourism facilities. Other enterprise opportunities that appear to have potential are alternative fuels, rural transport and handmade paper.

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<sup>4</sup> See Appendix VI.

21. The potential livelihood activities being proposed are all dependent on access to markets. In Meghalaya, the scope for higher incomes from agriculture and other allied activities is considerable given the state's favourable agro-climatic conditions and its proximity to Bangladesh, which facilitates exports. Rather than adopting a general promotion strategy, the project will encourage the cultivation of specific crops and other allied activities where there is distinct advantage. Similarly, Uttaranchal has good potential to access the national capital's market.

22. Through the policy studies and advocacy sub-component, the project will seek to broaden the range of development options in the Himalayan region. To this end, it will finance studies to improve the data available for planning and to gain a better understanding of test-pilot activities related to land tenure and the legal, administrative, biophysical, and socio-economic factors that affect the decisions of *jhumias*.<sup>5</sup> Similarly for Uttaranchal, apart from funding a development planner with experience in remote area development to provide guidance to the strategy development process, the project will fund four key studies. Its information, education and communication activities will focus mainly on the development of communications materials for the project's target group and their elected representatives, PRIs and other opinion makers at various community levels.

23. **Livelihood support systems.** Nearly two thirds of the project's investments are in livelihood support systems that will leverage substantial amounts of financing from domestic financial institutions. The project's strategy recognizes that attention must be given not only to the enhancement of income-generating activities at the grass-roots level, but also to backward, forward and horizontal linkages and their development. This objective will be achieved through a strategy combining subsector analysis and business development services, with all activities focusing on microenterprise development.<sup>6</sup>

24. Within the above framework, the project will offer rural financial services mainly by mobilizing the SHGs.<sup>7</sup> This will involve capacity-building of: (i) participating NGO staff and group promoters; (ii) SHG members, in all aspects of financial management; and (iii) banks, in establishing SHG-bank linkages. In Uttaranchal, the state Cooperative Bank will pilot the formation of SHGs, including through its primary agricultural institutions. The project, through a social venture capital company (SVCC) with broad-based capability of promoting business development, will also provide equity/near-equity funding to the companies, mutually aided cooperative societies (MACSs) and individuals interested in establishing enterprises related to backward and forward linkages. Capital and business development services will be available to financial institutions interested in providing financial assistance to these enterprises. In Meghalaya, some absentee landlords are keen to find long-term solutions to land management, and some examples of informal land pooling have emerged. This experimentation will be facilitated through the establishment of a land bank, operating on a pilot basis.

25. **Project management.** Under this component, the project will finance: (i) operating expenses for the PMUs and DMUs; (ii) staff training costs; (iii) orientation and annual review workshops, including stakeholder workshops; (iv) establishment of a monitoring and evaluation (M&E) system, including process documentation; and (v) development of appropriate communication methodologies taking account of local languages and folklore.

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<sup>5</sup> See Appendix IV.

<sup>6</sup> See Appendix VII.

<sup>7</sup> See Appendix VIII.



### D. Costs and Financing

26. Total project costs over an eight-year period amount to USD 84.29 million (Table 1), with Meghalaya receiving USD 36.4 million and Uttaranchal USD 47.9 million. Of the total, some 84% is for livelihood enhancement and development and livelihood support systems, and 10% for grass-roots capacity-building.

27. The proposed financing plan shows that IFAD will finance about 48% of the total project costs, beneficiaries 11%, formal financial institutions 28% and the state governments 14% (Table 2). IFAD has approached a number of multilateral and bilateral agencies for possible funding (including the World Food Programme, the United States Agency for International Development, and the German Agency for Technical Cooperation), and post-approval cooperation is a distinct possibility. Any such arrangement, however, will not form part of the cofinancing plan, and will be coordinated and managed by the state governments through respective rural development societies (RDSs) in consultation and agreement with the Government of India. The project has been flexibly designed to allow for any additional inputs from other agencies, and substitution and reallocation of the IFAD loan.

28. The IFAD loan for the project will also provide for retroactive financing of project activities beginning 1 October 2003. This will cover preparatory activities for an estimated amount of USD 800 000: about USD 300 000 for Meghalaya and USD 500 000 for Uttaranchal.

**TABLE 1: SUMMARY OF PROJECT COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
<b>A. Pre-project implementation</b>	<b>216</b>	<b>-</b>	<b>216</b>		
<b>B. Empowerment and capacity-building of communities and support organizations</b>					
Community empowerment	4 753	11	4 763	-	6
NGO costs	2 547	10	2 558	-	3
Interventions to reduce women's workloads	433	-	433	-	1
<b>Subtotal</b>	<b>7 733</b>	<b>21</b>	<b>7 754</b>	<b>-</b>	<b>10</b>
<b>C. Livelihood enhancement and development</b>					
Agriculture	2 189	-	2 189	-	3
Horticulture	3 140	-	3 140	-	4
Soil and water resources	3 178	28	3 206	1	4
Livestock development	3 195	49	3 244	2	4
Forestry development	5 668	-	5 668	-	7
Ecotourism	446	25	471	5	1
<b>Subtotal</b>	<b>17 816</b>	<b>102</b>	<b>17 917</b>	<b>1</b>	<b>23</b>
<b>D. Livelihood support systems</b>					
Entrepreneurship development	2 501	73	2 573	3	3
Rural finance	32 603	-	32 603	-	41
Rural finance services support	1 299	8	1 308	1	2
Social venture capital company	7 970	151	8 121	2	10
Policy studies and advocacy	423	-	423	-	1
Leverage fund	2 864	-	2 864	-	4
<b>Subtotal</b>	<b>47 660</b>	<b>232</b>	<b>47 892</b>	<b>-</b>	<b>61</b>
<b>E. Project management</b>	<b>5 158</b>	<b>96</b>	<b>5 254</b>	<b>2</b>	<b>7</b>
<b>Total base costs</b>	<b>78 582</b>	<b>452</b>	<b>79 033</b>	<b>1</b>	<b>100</b>
Physical contingencies	1 205	0	1 206	-	2
Price contingencies	4 008	39	4 047	1	5
<b>Total project costs</b>	<b>83 795</b>	<b>491</b>	<b>84 286</b>	<b>1</b>	<b>107</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	IFAD		Formal Financial Institutions		State Governments		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>A. Pre-project implementation</b>													
Pre-project implementation	216	100.0	-	-	-	-	-	-	216	0.3	-	216	-
<b>B. Empowerment and capacity-building of communities and support organizations</b>													
Community empowerment	4 437	82.4	-	-	949	17.6	-	-	5 386	6.4	1	5 072	303
NGO costs	2 149	73.3	-	-	783	26.7	-	-	2 932	3.5	11	2 763	40
Interventions to reduce women's workloads	409	81.8	-	-	91	18.2	-	-	499	0.6	-	460	501
<b>Subtotal</b>	<b>6 995</b>	<b>79.3</b>	<b>-</b>	<b>-</b>	<b>1 823</b>	<b>20.7</b>	<b>-</b>	<b>-</b>	<b>8 818</b>	<b>10.5</b>	<b>22</b>	<b>8 295</b>	
<b>C. Livelihood enhancement and development</b>													
Agriculture	1 927	78.0	-	-	544	22.0	-	-	2 471	2.9	-	2 252	219
Horticulture	2 679	75.5	-	-	867	24.5	-	-	3 546	4.2	-	3 212	334
Soil and water resources	2 537	67.8	-	-	929	24.8	278	7.4	3 744	4.4	31	3 345	368
Livestock development	2 992	80.6	-	-	721	19.4	-	-	3 713	4.4	55	3 333	326
Forestry development	5 312	83.0	-	-	1 085	17.0	-	-	6 397	7.6	-	5 881	516
Ecotourism	398	76.2	-	-	125	23.8	-	-	523	0.6	27	439	57
<b>Subtotal</b>	<b>15 844</b>	<b>77.7</b>	<b>-</b>	<b>-</b>	<b>4 271</b>	<b>20.9</b>	<b>278</b>	<b>1.4</b>	<b>20 393</b>	<b>24.2</b>	<b>113</b>	<b>18 462</b>	<b>1 819</b>
<b>D. Livelihood support systems</b>													
Entrepreneurship development	2 208	77.7	-	-	635	22.3	-	-	2 843	3.4	80	2 287	477
Rural finance	-	-	23 396	71.8	-	-	9 207	28.2	32 603	38.7	-	32 603	-
Rural finance services support	1 192	87.2	48	3.5	127	9.3	-	-	1 367	1.6	9	1 271	87
Social venture capital company	5 943	66.9	-	-	2 941	33.1	-	-	8 884	10.5	163	7 276	1 444
Policy studies and advocacy	413	90.0	-	-	46	10.0	-	-	459	0.5	-	413	46
Leverage fund	2 971	100.0	-	-	-	-	-	-	2 971	3.5	-	2 971	-
<b>Subtotal</b>	<b>12 727</b>	<b>25.9</b>	<b>23 443</b>	<b>47.7</b>	<b>3 749</b>	<b>7.6</b>	<b>9 207</b>	<b>18.7</b>	<b>49 127</b>	<b>58.3</b>	<b>252</b>	<b>46 820</b>	<b>2 054</b>
<b>E. Project management</b>	<b>4 137</b>	<b>72.2</b>	<b>-</b>	<b>-</b>	<b>1 594</b>	<b>27.8</b>	<b>-</b>	<b>-</b>	<b>5 732</b>	<b>6.8</b>	<b>103</b>	<b>4 800</b>	<b>828</b>
<b>Total disbursement</b>	<b>39 920</b>	<b>47.4</b>	<b>23 443</b>	<b>27.8</b>	<b>11 438</b>	<b>13.6</b>	<b>9 485</b>	<b>11.3</b>	<b>84 286</b>	<b>100.0</b>	<b>491</b>	<b>78 593</b>	<b>5 202</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

### E. Procurement, Disbursement, Accounts and Audit

29. Procurement of all goods and services financed by the loan will be subject to the provisions of IFAD guidelines on procurement. Current procurement provisions within the state governments are adequate to meet IFAD requirements. Works will all be small-scale and will be executed by SHGs/activity groups. The PMUs will procure vehicles and office equipment using national competitive bidding or local shopping procedures as applicable to the state government funds. Contracts between the PMUs or DMUs and the NGOs will specify procurement procedures to be adopted by the NGOs, and these will be in line with IFAD's procurement guidelines and the provisions of the loan agreement. Direct procurement will be allowed for goods and services costing less than USD 10 000; local shopping procedures for procurements costing between USD 10 000 and USD 25 000; and local competitive bidding for procurements costing more than USD 25 000. The PMU, through the state governments, will provide copies of terms of reference and all bidding documents relative to the procurement of consultant services to IFAD for prior review and approval.

30. The proposed IFAD loan of USD 39.92 million will be disbursed over an eight-year period. Separate records and accounts related to project expenditures will be maintained by all concerned institutions. The accounts will be consolidated at the district level by the DMU and forwarded to the PMU concerned. The PMU and the SVCC will submit six-monthly and annual financial reports to IFAD no later than three months after the end of the reporting period in a format acceptable to IFAD. A qualified chartered accountant will audit the PMU, DMU and SVCC accounts annually, and the accounts will be open for audit by the auditor general of India as per government regulations. Certified copies of the audit reports and financial statements, including a separate opinion on the statements of expenditures, will be submitted to IFAD within six months of the end of the financial year. Contracted NGOs and other service providers will submit audited utilization certificates in a form and substance acceptable to the RDSs.

### F. Organization and Management

31. The Department of Economic Affairs at the central level, the Department of Rural Development of the Uttaranchal state government and the Planning Department of the Meghalaya state government will be the nodal agencies for the project.<sup>8</sup> By virtue of the designated role of the central Government in the development of the north-east, the Department of the North-Eastern Region will review and monitor project progress in Meghalaya. The project will have a three-tiered project management structure: (i) the grass-roots institutions at the primary level consisting of SHGs, activity groups, *van panchayats* (forest councils), etc.; (ii) the DMUs at the secondary level; and (iii) the PMUs at the apex level. The SVCC will also have a similar structure at the apex and secondary level to service the grass-roots institutions. The project will engage a resource NGO/institution (RNGO/I) at the apex level in each state to select and train facilitating NGO/institutions (FNGO/Is). The FNGO/Is will be responsible for mobilizing and building the capacity of SHGs and other grass-roots institutions. They will also assist the grass-roots institutions in developing social-sector activities.

32. **Rural development societies.** The project will establish an RDS in each state as an autonomous society with branches in the project districts. The chief secretary, additional chief secretary and the secretaries of relevant line ministries will be the initial promoters of the society. The board will then be expanded to include district commissioners, and representatives of *zilla parishads* (district-level PRIs), financial institutions, mountain research institutes, and NGOs. Mechanisms will be built to transfer the decision-making role to the leaders of SHG federations as project implementation progresses. Under the aegis of the RDS, a PMU at the headquarters level and DMUs in the project districts will be created. These are administrative extensions of the RDS. The PMU is the project's central administrative unit in each state and is responsible for overall project implementation. It will be headed by a project director appointed by the board of directors of the

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<sup>8</sup> See Appendix V.

RDS, with the concurrence of IFAD. The project director will be supported by a core team of professional staff.

33. **Social venture capital company.** After SHG mobilization, the SVCC will facilitate activities related to pursuing the economic growth trajectory. It will be the project's major vehicle for implementation. While the two state governments will be shareholders along with the private sector, efforts will be made to involve progressive private financial institutions in promoting these institutions.

34. **Facilitating and resource NGOs/institutions, and grass-roots institutions.** The project will engage an RNGO/I in each state to assist it in selecting, building the capacity of and supervising the local FNGO/Is that will implement field-level activities related to SHG mobilization and the SHG-bank linkage programme. SHGs and *van panchayats* will be the basic units for capacity-building. SHG mobilization will lay the foundation for implementing other activities related to savings and credit, and demonstration. In the project's enterprise development phase, activity groups will be created around the successful demonstrations. Members of these groups may undertake activities individually or form a company or a MACS to undertake group activities that cannot be undertaken at the household level. The SHGs are expected to form federations at the block level.

35. **Coordination.** A steering committee chaired by the chief secretary will be constituted at the state level by the nodal department, with the secretaries for finance, forestry, agriculture and industries as permanent members, and the secretary for rural development as member-secretary. This committee will meet at least twice yearly to review the project's general progress and examine the need for recommending major policy changes to the state government. At the district level, a coordination committee, chaired by the collector/deputy commissioner of the district, will coordinate and facilitate the project.

36. **Monitoring and evaluation.** The project will be monitored and evaluated from the perspective of input, output and impact. A specialist M&E agency will be contracted to design the management information system. Emphasis will be placed on participatory M&E to assist the communities in monitoring their own progress, evaluating performance and identifying implementation issues. Qualified service providers will be recruited to carry out periodic impact assessments, thematic and diagnostic studies, nutrition surveys and environmental monitoring. A mid-term review will be undertaken towards the end of the third project year to assess the project's readiness for its second phase and to suggest any necessary reorientation of activities and modifications required in the project design or implementation arrangements. The RDS will submit a completion report to IFAD within six months of the project's closing date.

## G. Economic Justification

37. As the project is intended to be process-oriented, the final mix of activities is difficult to ascertain at this stage. An indicative assessment shows that approximately 72 000 households in over 1 730 villages will benefit directly from significant increases in incomes and subsequent economic security. The CBOs (such as the SHGs, *van panchayats* and activity groups) will have developed greater capacity to take charge of their own destinies and greater confidence in dealing with external development entities. Household activity models show that households, though poor at present, have sufficient resources and the ability to realize significant increases in farm income. Farm households adopting project recommendations sustainably will contribute to increased agricultural production (both crops and livestock products). In doing so, they will generate an increased demand for agricultural inputs. Households availing of business development services and credit during the project investment period will successfully maintain higher levels of on-farm production.

38. By ensuring that women take an active part in local institutions, the project will draw women into the public life of their villages and strengthen their voice in community affairs. To this end,

efforts will be made to ensure that women, both as individuals and in groups, participate actively in all grass-roots institutions. Household food security will also be improved. SHG savings and credit programmes will help households move out of exploitative relationships. Enterprise credit with business development services will fast-track the movement of households from subsistence farming to microenterprise.

39. Overall, the proposed project yields an economic internal rate of return of 27% over a period of 20 years. The sensitivity analysis undertaken assuming a number of adverse conditions also indicates that the project is robust and will remain economically viable.

#### **H. Risks**

40. The major risks that the project faces relate to dysfunctions in the development process. First, the subsidy mentality among the very poor may make it difficult for them to achieve self-reliance. Second, the appropriation of SHGs by government programmes with inadequate capacity-building may negatively affect the project's grass-roots institution-building approach. Third, there are inherent risks with regard to the ability of the RDSs and the SVCC to attract competent and motivated staff and to establish an effective work culture. The fourth risk concerns how to identify and attract competent NGOs and resource institutions oriented towards building community self-reliance rather than fostering another sort of dependency.

#### **I. Environmental Impact**

41. The project is not likely to have any adverse environment impacts on the project area and instead will have beneficial impacts through the development of an environmentally sensitive approach. However, it is classified as Category B as the project area includes protected areas and national parks. The project will have its most significant beneficial impact on the environment by improving the *jhum* farming system, promoting organic agricultural technologies and organic apiculture, carrying out reforestation with tree crop farming and fodder tree plantations, and promoting sustainable harvesting of NTFP resources. Furthermore, through its soil and water management sub-component, it will promote environmentally sound and beneficial alternative and appropriate technologies. In addition, the project will build capacity at PMU and DMU levels by training staff on environmental screening and scoping.

#### **J. Innovative Features**

42. The proposed project introduces various innovations that fit well with IFAD's corporate strategy. First, it proposes to devolve responsibility to the village communities and to strengthen the role of community institutions in planning and managing development initiatives. It will not only make programme planning and implementation participatory, but it will also promote self-reliance. Second, combining subsector analyses with a business services strategy is an innovation that will contribute significantly to livelihood development. Third, using an SVCC to promote investment and linkages for microenterprises is also an innovation, as is the land bank for addressing anomalies in *jhum* and tenure systems in Meghalaya. Finally, the exit strategy proposed is new and may have substantial potential benefit in terms of the sustainability of project benefits in the post-project situation. It may also herald the beginning of a new model that will ensure the participation and control of beneficiaries in running formal institutions that are of relevance to them.

**PART III - LEGAL INSTRUMENTS AND AUTHORITY**

43. A loan agreement between the Republic of India and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.
44. The Republic of India is empowered under its laws to borrow from IFAD.
45. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

**PART IV - RECOMMENDATION**

46. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of India in various currencies in an amount equivalent to twenty-seven million nine hundred thousand Special Drawing Rights (SDR 27 900 000) to mature on or prior to 15 December 2043 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge  
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES  
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Loan negotiations concluded on 15 November 2003)

1. The project activities will be carried out in the states of Meghalaya and Uttaranchal (the "States"). The Department of Rural Development in Uttaranchal and the Planning Department in Meghalaya will monitor the project. The project will be implemented over a period of eight years, with a mid-term review of project implementation toward the end of project year three.
2. One RDS will be formed in each State to serve as lead project agency (LPA) and will have overall responsibility for project implementation in the State. Each RDS will be established under the Societies Registration Act of 1860 as a non-profit society overseen by a board of directors. Each RDS will create a PMU to be responsible for day-to-day implementation of the project.
3. One SVCC will be organized in each State under the appropriate law and governed by a board of directors. The SVCCs will also be major implementation vehicles of the project.
4. The project will use the services of NGOs and other competent service providers.
5. IFAD agrees to extend a loan to the Government in the principal amount of twenty-seven million nine hundred thousand Special Drawing Rights (SDR 27 900 000) for purposes of financing the project.
6. The Government will ensure that each LPA and each of the other project parties carry out the project in accordance with the goals and purpose of the project.
7. The Government will ensure that the States and each project party use the proceeds of the loan exclusively to finance eligible expenditures in accordance with the loan agreement and the General Conditions. Without limiting the generality of the foregoing, it is agreed and understood that it is IFAD policy that loan proceeds not be used to pay taxes, including (but not limited to) any taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the loan.
8. The PMU of each LPA will open and thereafter maintain in a bank accepted by IFAD a current account denominated in Indian rupees for project operations ("project account"). Each LPA will endeavour to ensure that the project account is protected against set-off, seizure or attachment on terms and conditions proposed by the PMU and accepted by IFAD. The project director and chief financial officer will be fully authorized to operate each PMU project account.
9. (a) In addition to the proceeds of the loan, the Government will make available to both LPAs and each of the other project parties, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the project in accordance with the loan agreement.  
  
(b) Without limiting the generality of paragraph (a) above, the Government will ensure that each State will make available to its LPA during the project implementation period counterpart funds from its own resources, in an aggregate amount of USD 6.16 million from the State of Uttaranchal and USD 5.03 million from the State of Meghalaya in accordance with the project agreement.
10. (a) Within 90 days after the effective date, each LPA will designate or appoint, with the prior approval of IFAD, the Controller and Auditor-General of the Government – or any other

independent auditor selected in accordance with the procedures and criteria agreed upon by IFAD – to audit the accounts relating to the project for each fiscal year until the closing date.

(b) Each LPA will have the accounts and financial statements relating to the project audited each fiscal year by such independent auditors in accordance with international standards on auditing. In accordance with Section 9.03 of the General Conditions, in addition to the audit report on the financial statements, the Controller and Auditor-General or such other auditors will provide: (i) an opinion on the certified statements of expenditure and the operation of the special account; and (ii) a management letter addressing the adequacy of the accounting and internal control systems. Each LPA will deliver the above-mentioned items to the State, IFAD and the cooperating institution within six months after the end of each fiscal year. The reply to the management letter of the auditors will be submitted by the LPA to IFAD within one month of receipt thereof.

11. Within three months after the effective date, the board of directors of each RDS will appoint a qualified and experienced project director. The project director will be appointed only after prior consultation with IFAD. To ensure continuity and success, it is the goal of the project to limit the number of project director turnovers to no more than three throughout the project implementation period. The project director's term will be subject to satisfactory performance as determined by the board of directors.

12. Each PMU will establish – as soon as practicable but in no event no later than six months after the effective date and will thereafter maintain – an appropriate information management system to enable it to continuously monitor the project, pursuant to Section 8.02 (Monitoring of Project Implementation) of the General Conditions, based on indicators agreed by the Government and IFAD.

13. (a) The project will be monitored and evaluated from the perspective of input, output and impact of all project parties, including SHGs and NGOs.

(b) The PMU Manager for Gender, NGOs and CBOs and the district-level offices will make supervisory visits to monitor community organizations and the NGOs.

(c) A monitoring and evaluation agency or consultants will develop a web-based management information system to enable all the stakeholders to track and monitor the performance of project implementation.

(d) Each LPA will commission studies and ongoing impact assessments to track the impact of the project on the participating communities and the performance of NGOs and the SVCCs.

14. Each State will enter into a subsidiary loan agreement (SLA) with the respective LPA and will duly perform all its obligations under the SLA and the project agreement. Each State will cause the LPA to perform all its obligations under the SLA. The State will ensure that each of the other project parties and implementing agencies perform their respective obligations under the project and the respective subsidiary agreement or memorandum of understanding as called for in the project loan agreement and any other loan document, in such a manner as to protect the interests of the Government and IFAD and to accomplish the purposes of the loan.

15. The following are specified as additional events suspending the rights of the Government to request withdrawals from the loan account:

- (a) any competent authority has taken any action for the dissolution of one or both of the LPAs or the suspension of its operations, or any action or proceeding has been commenced for the distribution of any assets of either LPA among its creditors;



ANNEX

- (b) either State or either LPA has failed to perform any of its obligations under the project agreement; or
  - (c) the recommendations and action plan and design resulting from the mid-term review have not been implemented to the satisfaction of IFAD within the time specified therefore.
16. The following is specified as an additional event for cancellation of the right of the Government to request withdrawals from the loan account: the mid-term review has recommended that the project be terminated.
17. The following are specified as conditions precedent to loan disbursements or withdrawal of funds:
- (a) No disbursement will be made from the loan accounts until the SLA, in form and substance acceptable to IFAD, has been signed between the State and the RDS. Additionally, no loan disbursements will be made to Uttaranchal Cooperative Bank Limited (UCBL) until the assets and liabilities of the private cooperative banks have been bifurcated and transferred to the UCBL or, in the alternative, the UCBL obtains a license to operate from the Reserve Bank of India.
  - (b) No disbursements will be made to any NGO until such NGO has been duly selected in accordance with selection criteria approved by IFAD and the NGO has entered into a memorandum of understanding with LPA/DMU/SVCC, in a form and substance accepted by IFAD.
18. The following are specified as conditions precedent to the effectiveness of the loan agreement.
- (a) the project steering committee has been duly established;
  - (b) the Meghalaya RDS and Uttaranchal RDS have been duly established and registered in accordance with applicable law and pursuant to constitutional documents acceptable in form and substance to IFAD;
  - (c) the project directors and chief finance officers of the Meghalaya RDS and Uttaranchal RDS have been duly appointed and approved by IFAD;
  - (d) the Government has duly opened the special account;
  - (e) the Meghalaya RDS and Uttaranchal RDS have duly opened the respective project accounts;
  - (f) the loan agreement has been duly signed, and the signature and performance thereof by the Government has been duly authorized and ratified by all necessary administrative and governmental action;
  - (g) the project agreement, in form and substance acceptable to IFAD, has been duly concluded between IFAD and the States; and
  - (h) a favourable legal opinion, issued by the Solicitor General of the Government in respect of the matters set forth in Section 7.02 of the Loan Agreement and in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.



APPENDIX I

COUNTRY DATA  
INDIA

<b>Land area (km<sup>2</sup> thousand) 2001 1/</b>	2 973	<b>GNI per capita (USD) 2001 1/</b>	460
<b>Total population (million) 2001 1/</b>	1 032.35	<b>GDP per capita growth (annual %) 2000 1/</b>	3.7
<b>Population density (people per km<sup>2</sup>) 2001 1/</b>	347	<b>Inflation, consumer prices (annual %) 2001 1/</b>	4
<b>Local currency</b>	Indian Rupee (INR)	<b>Exchange rate: USD 1.00 =</b>	INR 47.00
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1995-2001 1/	2	GDP (USD million) 2001 1/	477 342
Crude birth rate (per thousand people) 2001 1/	25	Average annual rate of growth of GDP 2/	
Crude death rate (per thousand people) 2001 1/	9	1981-1991	6
Infant mortality rate (per thousand live births) 2001 1/	67	1991-2001	6
Life expectancy at birth (years) 2000 1/	63	Sectoral distribution of GDP 2001 1/	
Number of rural poor (million) (approximate) 1/	460.5	% agriculture	25
Poor as % of total rural population 1/	43.5	% industry	27
Total labour force (million) 2001 1/	461.0	% manufacturing	16
Female labour force as % of total 2001 1/	32	% services	48
<b>Education</b>		Consumption 2001 1/	
School enrolment, primary (% gross) 2001 1/	102 a/	General government final consumption expenditure (as % of GDP)	13
Adult illiteracy rate (% age 15 and above) 2001 1/	42	Household final consumption expenditure, etc. (as % of GDP)	66
<b>Nutrition</b>		Gross domestic savings (as % of GDP)	21
Daily calorie supply per capita, 1997 3/	2 836	<b>Balance of Payments (USD million)</b>	
Malnutrition prevalence, height for age (% of children under 5) 2001 1/	42	Merchandise exports 2001 1/	43 611
Malnutrition prevalence, weight for age (% of children under 5) 2001 1/	47 a/	Merchandise imports 2001 1/	49 618
<b>Health</b>		Balance of merchandise trade	-6 007
Health expenditure, total (as % of GDP) 2001 1/	5 a/	Current account balances (USD million)	
Physicians (per thousand people) 2001 3/	..	before official transfers 2001 1/	n/a
Population using improved water sources (%) 2000 3/	84	after official transfers 2001 1/	1 300
Population with access to essential drugs (%) 1999 3/	0-49	Foreign direct investment, net 2001 1/	3 300
Population using adequate sanitation facilities (%) 2000 3/	28	<b>Government Finance</b>	
<b>Agriculture and Food</b>		Overall budget deficit (including grants) (as % of GDP) 2001 1/	-5 a/
Food imports (% of merchandise imports) 2001 1/	5	Total expenditure (% of GDP) 2001 1/	17 a/
Fertilizer consumption (hundreds of grams per ha of arable land) 2001 1/	1,034 a/	Total external debt (USD million) 2000 1/	97 320
Food production index (1989-91=100) 2001 1/	129	Present value of debt (as % of GNI) 2000 1/	14.3
Cereal yield (kg per ha) 2001 1/	2 318	Total debt service (% of exports of goods and services) 2000 1/	11.7
<b>Land Use</b>		Lending interest rate (%) 2001 1/	12
Arable land as % of land area 1999 1/	54	Deposit interest rate (%) 2001 1/	n/a
Forest area as % of total land area 2000 1/	22		
Irrigated land as % of cropland 1999 1/	35		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD Rom 2003

2/ UNDP, *Human Development Report*, 2000

3/ UNDP, *Human Development Report*, 2002

PREVIOUS IFAD FINANCING IN INDIA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan Acronym	Currency	Approved Loan Amount	Disbursement (as % of approved amount)
Bhima Command Area Development Project	IFAD	World Bank: IDA	HC	18 Sep 79	14 Dec 79	31 Dec 85	L - I - 23 - IN	SDR	38 500 000	100%
Rajasthan Command Area Development and Settlement Project	IFAD	World Bank: IBRD	HC	19 Dec 79	03 Mar 80	31 Dec 88	L - I - 32 - IN	SDR	42 700 000	100%
Sundarban Development Project	IFAD	World Bank: IDA	HC	03 Dec 80	04 Feb 81	30 Jun 89	L - I - 49 - IN	SDR	13 350 000	100%
Madhya Pradesh Medium Irrigation Project	World Bank: IDA	World Bank: IDA	HC	17 Dec 81	17 Sep 82	31 Mar 88	L - I - 81 - IN	SDR	21 900 000	100%
Second Uttar Pradesh Public Tubewells Project	World Bank: IDA	World Bank: IDA	HC	21 Apr 83	06 Oct 83	31 Mar 91	L - I - 124 - IN	SDR	27 280 000	100%
Orissa Tribal Development Project	IFAD	UNOPS	HC	03 Dec 87	27 May 88	31 Dec 97	L - I - 214 - IN	SDR	9 250 000	100%
Tamil Nadu Women's Development Project	IFAD	UNOPS	HC	26 Apr 89	26 Jan 90	31 Dec 98	L - I - 240 - IN	SDR	12 932 000	100%
Andhra Pradesh Tribal Development Project	IFAD	UNOPS	HC	04 Apr 91	27 Aug 91	31 Mar 99	L - I - 282 - IN	SDR	12 961 000	100%
Maharashtra Rural Credit Project	IFAD	UNOPS	HC	06 Apr 93	06 Jan 94	30 Sep 02	L - I - 325 - IN	SDR	18 971 000	100%
Andhra Pradesh Participatory Tribal Development Project	IFAD	UNOPS	HC	19 Apr 94	18 Aug 94	31 Mar 03	L - I - 349 - IN	SDR	18 950 000	100%
Mewat Area Development Project	IFAD	UNOPS	HC	12 Apr 95	07 Jul 95	30 Jun 05	L - I - 379 - IN	SDR	9 650 000	82%
Rural Women's Development and Empowerment Project	IFAD	World Bank: IDA	HC	05 Dec 96	19 May 99	31 Dec 04	L - I - 439 - IN	SDR	8 000 000	45%
North Eastern Region Community Resource Management Project for Upland Areas	IFAD	UNOPS	HC	29 Apr 97	23 Feb 99	31 Dec 04	L - I - 444 - IN	SDR	16 550 000	14%
Jharkhand-Chhattisgarh Tribal Development Programme	IFAD	IFAD	HC	29 Apr 99	21 Jun 01	31 Dec 09	L - I - 506 - IN	SDR	16 950 000	5%
National Microfinance Support Programme	IFAD	UNOPS	HC	04 May 00	01 Apr 02	31 Dec 09	L - I - 538 - IN	SDR	16 350 000	12
Livelihood Security Project for Earthquake-Affected Rural Households in Gujarat	IFAD	UNOPS	HC	12 Sep 01	04 Nov 02	30 Jun 10	L - I - 568 - IN	SDR	11 650 000	6
Orissa Tribal Empowerment and Livelihoods Programme	IFAD	UNOPS	HC	23 Apr 02	15 Jul 03	30 Sept 13	L - I - 585 - IN	SDR	16 050 000	

Note: HC = highly concessional  
IDA = International Development Association  
UNOPS = United Nations Office for Project Services

### LOGICAL FRAMEWORK

Narrative Summary	Key Performance Indicators	Means of Verification	Critical Assumptions
<b>Objective</b>			
Sustainable improvement in the livelihood opportunities of mountain people residing in the Indian Himalayan states of Meghalaya and Uttaranchal.	Replication of similar intervention methodology – investment projects with focus on microenterprise development with backward and forward linkages.	Investments by other donors to similar development projects.	
<b>Purpose</b>			
Sustainable, equitable and systematic approach to ensure improved livelihood opportunities of 29 300 poor households in Meghalaya and 42 700 poor households in Uttaranchal developed and implemented.	Improved income levels of participating households. Improved household food security of the participating households. Improved nutritional status of children under five.	Output to purpose review in the third project year and at the end of the project.  External impact assessment studies using baseline (before and after) and comparative (with/without) data.	The holistic approach to microenterprise development using subsector/business service results in increased investment in the project area with effective credit delivery by formal financial institutions (FFIs) and primary agricultural institutions (PACs).  The project is able to overcome the dependency mentality created by overreliance on subsidies in other development programmes.
<b>Outputs</b>			
1. Participatory community institutions established, operational and meeting the needs of poor households.	Number of SHGs/ <i>van panchayats</i> established/strengthened by the project: 1 955 in Meghalaya and 2 846 in Uttaranchal.  Number of groups that have started savings and credit operation.  Number of block offices that have become SHG federations.	Records kept by the groups.  Regular monitoring and management information (MIS) system reports from PMUs, DMUs and NGOs.	SHG/ <i>van panchayat</i> mobilization processes are well thought out and efficiently implemented.  NGOs use appropriate participatory processes for formation of SHGs/ <i>van panchayats</i> /SHG federations.
2. Empowerment and capacity-building of target population, especially women and other marginal groups such as landless and unemployed youth, enhancing their ability to plan and manage	Number of SHGs that have taken up social sector activities. Total amount mobilized by SHGs from other sources for social sector activities. Number of <i>van panchayats</i> that have formulated and implemented forest use plans. Number of technology demonstrations and their uptake to	Findings of regular monitoring, MIS and impact assessment surveys.	NGOs use appropriate participatory processes for community mobilization.  Active participation of households in project activities realizing the

Narrative Summary	Key Performance Indicators	Means of Verification	Critical Assumptions
their own development effectively and sustainably.	reduce women's workloads.		potential of self-help activities vis-à-vis subsidy-driven delivery of services by other projects.
3. Effective savings and credit operation within SHGs and SHG/formal financial institution (FFI)/PAC linkage programme established.	Improved net worth of SHGs. Number of SHGs that have received seed capital and the amount of seed capital provided. Number of SHGs linked to banks – Number of SHGs receiving one/two/three/four cycle loans. Number of SHGs that have taken over payment to group promoters. Reduction in the dependence of target group on informal lending sector.	Records kept by the groups. Regular monitoring and MIS reports from PMUs, DMUs and NGOs Impact evaluation studies.	FFIs and PACs effectively respond to SHG credit needs.
4. Adoption of subsector/business services approach for identification and development of livelihoods as microenterprises. Business plan development by activity groups/companies/MACS for microenterprise development.	Number of subsectors, identified for development. Number and type of demonstrations designed and implemented. Number and type of successful demonstrations and number of activity groups formed. Number of individuals/groups accessing and investment flows into microenterprise sector from FFIs/PACs. Disbursement and recovery performance of FFIs/PACs.	Records kept by the activity groups. Regular monitoring and MIS reports from SVCC, FFIs/PACs. Impact evaluation studies.	SVCC staff receives adequate technical support to implement subsector/business services strategy. FFIs and PACs effectively respond to the microenterprise investment needs.
5. Business plan development for establishing enterprises required for providing backward and forward linkages to the microenterprise.	Number of companies/MACS/individuals obtaining loans for establishing forward and backward linkages. Type of activities for which loan has been obtained. Number of enterprises that have obtained equity/near-equity funding. Producer price comparison between project and non-project areas.	Regular monitoring and MIS reports from SVCC, FFIs/PACs. Impact evaluation studies.	FFIs and PACs effectively respond to enterprise (backward and forward) investment needs.
6. A land bank pilot initiative implemented in Meghalaya to assist resource-poor households in obtaining long-term tenurial rights.	Number of SHG/households leasing/purchasing land from landlords with the assistance of the Land Bank Committee. Number of households that have obtained long-term land allocation from Syiem/Nokma in respect of community-owned land. Number of SHG/households that have obtained loans and amount of loan obtained from SVCC for leasing/purchasing land from landlords. Investment levels in land-based activity.	Regular monitoring and MIS reports from SVCC and NGOs. Impact evaluation studies.	Traditional institutions participate in assisting the resource-poor households in gaining access to land.
7. Capacity-building of project stakeholders for effective project implementation.	<b>Government:</b> Timely flow of funds and support for policy changes. <b>NGOs:</b> Implementation capacity to solicit active participation of the community in developmental efforts,	Regular monitoring and MIS reports of PMUs, DMUs and NGOs. Supervision reports.	Willingness of stakeholders to participate actively in project implementation with focus on sustainability.

Narrative Summary	Key Performance Indicators	Means of Verification	Critical Assumptions
	<p>resource mobilization for implementing other development activities and phased transfer of control including costs to the SHGs.</p> <p><b>FFIs/PACs:</b> Adoption of SHG methodology as a tool to enhance size of the quality loan portfolio, credit-deposit ratio and PAC profitability.</p>	Impact evaluation studies.	
8. Social venture capital company established and operating.	<p>Movement towards self-financing of operating costs – profitability of SVCC.</p> <p>Demand for business development services offered by SVCC.</p>	Annual audited reports of SVCC.	Demand for equity/near-equity investment opportunities with possible exit options and other business development services develops with project activities.
9. Policy issues that affect the livelihood systems identified, studied and result in policy modification.	<p>Land tenurial system in Meghalaya becomes farmer/tiller-friendly.</p> <p>Emergence of land consolidation plans for production enhancement in Uttaranchal.</p> <p>Emergence of sustainable management and uses of forests and forest lands.</p>	<p>Regular reports monitoring and MIS reports of PMUs, DMUs and NGOs.</p> <p>Periodic review of policy activities by oversight committees.</p>	The government is amenable to adopting policy changes.
10. Effective project management system established and operational.	<p>Management systems – administrative, financial and human resource policies prepared and implemented.</p> <p>Project implementation as per approved annual workplan and budget.</p> <p>Shift in operational modalities of rural development societies (RDSs) to those of a quasi-NGO with independent resource mobilization.</p> <p>Active community participation in the management of RDSs.</p> <p>A system of periodic reviews and mid-course corrections established.</p>	Regular documents/reports available for verification at various levels of project management.	
11. Project learning system developed and operational.	<p>M&amp;E and learning systems documented and established.</p> <p>Meaningful lessons learned disseminated to stakeholders.</p> <p>Learning incorporated in project strategies and activities.</p>	Regular reports available for verification at various levels of project management.	

<b>Activities</b>
1.1 Identify and select RNGO/Is and FNGOs/Is. 1.2 Undertake training, exposure visits, other capacity-building exercises for partner NGOs. 1.3 Mobilize SHGs (existing and new)/ <i>van panchayats</i> and build capacity. 1.4 Develop SHG federations at the block level.
2.1 Develop capacity of SHGs and their federations for undertaking microplanning. 2.2 Build capacity of SHGs and their federations to source funding for social-sector activities and to implement microplans. 2.3 Identify and provide appropriate technology for reducing women's workloads. 2.4 Formulate and implement forest use plans.
3.1 Build capacity of SHGs to implement savings and credit programme training and exposure visits. 3.2 Evaluate the performance of SHGs. 3.3 Provide seed capital. 3.4 Establish linkage of SHGs with FFIs/PACs. 3.5 Facilitate the SHGs' obtaining block loans from FFIs/PACs. 3.6 Implement the exit strategy for NGOs.
4.1 Undertake subsector survey – identify and prioritize growth opportunities. 4.2 Design and implement pilot schemes that demonstrate various livelihood opportunities in different subsectors. 4.3 Expose participants to demonstrations through exposure visits, manuals and group discussions. 4.4 Develop activity groups around successful demonstrations. 4.5 Assist members of activity groups in implementing interventions with credit from FFIs/PACs.
5.1 Provide assistance for developing enterprises in backward and forward linkages. 5.2 Provide business development services. 5.3 Provide equity/near-equity support. 5.4 Establish linkage with FFIs/PACs for credit assistance.
6.1 Fine-tune the land bank pilot initiative methodology. 6.2 Establish land bank committee and build capacity. 6.3 Provide facilitation to the community/leaders to understand the importance of tenurial security to enhance investment in land-based activities. 6.4 Provide funding to obtain lease or to buy land.
7.1 Recruit and build capacity of staff. 7.2 Provide deliverables-based contract to implementing partners. Ensure smooth flow of funds to project activities. 7.3 Develop and implement an exit strategy for NGOs.
8.1 Establish SVCCs in both states.



<b>Activities</b>
8.2 Recruit and train staff in subsector business services approach to enterprise development. 8.3 Implement livelihood development activities of the project. 8.4 Develop instruments and mechanisms for providing equity/near-equity support to enterprise. 8.5 Provide business development services. 8.6 Review and revise SVCC model as needed.
9.1 Undertake policy discussions with both state governments. 9.2 Design a working plan for addressing policy issues. 9.3 Periodic review of progress in correcting policy anomalies.
10.1 Establish registered societies in both states to serve as PMUs; establish offices, recruit staff; establish working, financial and other procedures; MIS, human resource development. 10.2 Regular management meetings to plan, review, revise, etc. 10.3 Design and implement impact assessments, periodic monitoring reviews and evaluations of progress. 10.4 Mobilize funds from other sources to assist SHGs and NGOs in implementing social-sector activities. 10.5 Provide support to phased transfer of control of RDS to SHGs.
11.1 Establish M&E systems with appropriate feedback mechanisms to disseminate learning. 11.2 Establish strategy for involving project participants in contributing their experiences to project learning. 11.3 Conduct regular workshops with government, other donors and other interested development organizations. 11.4 Organize publication and dissemination of project learning.

## SUMMARY OF POLICY ISSUES AND FOLLOW-UP ACTION REQUIRED

Issue	Possible Action Required Prior to Project Start-Up	Possible Actions to Be Taken during Implementation
1. Land tenure in Meghalaya: insecurity of tenancy, absence of clear land records and titles, and anomalies in matrilineal inheritance significantly reduce the potential success of any livelihood activities based on land resources.	<ul style="list-style-type: none"> <li>• Government of Meghalaya agrees to establish a broad-based working group that will propose effective, practical and lasting solutions to land tenure problems.</li> <li>• IFAD identifies technical assistance to assist the working group.</li> </ul>	<ul style="list-style-type: none"> <li>• Relevant legislative and administrative action needs to be taken by the mid-term review (MTR) to implement solutions to tenure problems if the project is to continue into full implementation.</li> <li>• A land bank is established to assist in solving tenure problems.</li> </ul>
2. Land management in Meghalaya: <i>jhum</i> (shifting cultivation), unregulated use and privatization of common lands and clan lands, and inequitable access to common property resources also significantly reduce the potential success of investment in land-based livelihood activities.	<ul style="list-style-type: none"> <li>• Government of Meghalaya agrees to establish a broad-based working group that will propose solutions for the various land management issues including recognizing the potential sustainability of <i>jhum</i> and the need to halt unwarranted privatization of common property and clan lands.</li> <li>• IFAD identifies technical assistance to assist the working group.</li> </ul>	<ul style="list-style-type: none"> <li>• Relevant legislative and administrative action needs to be taken by the MTR to implement solutions to land management problems.</li> <li>• <i>Jhum</i> experiments to strengthen the sustainability of the system and sustainably develop its potential for supporting other livelihood activities are implemented.</li> <li>• A land bank is established to assist in solving land management issues.</li> </ul>
3. Land consolidation in Uttaranchal: fragmentation of land holdings reduces potential for introducing land-based livelihood activities.	<ul style="list-style-type: none"> <li>• Government of Uttaranchal agrees to establish a working group to propose solutions for addressing land fragmentation issues that affect improving economic security of poor households.</li> </ul>	Experiments in consolidation of land holdings for enhancing livelihood opportunities are undertaken in target districts.
4. Forest management in Meghalaya.	<ul style="list-style-type: none"> <li>• Government of Meghalaya agrees to the draft of the tripartite agreement between the Autonomous District Council (ADC), forest-land owners and the village communities.</li> <li>• Government of Meghalaya established a joint forest management programme in cooperation with traditional institutions (autonomous district councils and dorbars).</li> </ul>	Government of Meghalaya reviews the United Khasi-Jaintia Hills Autonomous Districts (Management and Control of Forests) Act, 1958 (especially section 4) and the Garo Hills District (Forest) Act, 1958 (section 3) to devolve day-to-day management control to the village forest committees and accommodate the interests of NTFP/MAP producer SHGs.
5. Forest management in Uttaranchal: confusion in contradictory and overlapping rules and regulations; overly bureaucratic procedures in preparing and approving microplans.	<ul style="list-style-type: none"> <li>• Government of Uttaranchal amends the van panchayat rules 2001 to:</li> <li>• enable village communities to include reserve forest area with the permission of the Divisional Forestry Officer.</li> <li>• simplify microplanning process and procedure for sanction of microplans.</li> </ul>	<ul style="list-style-type: none"> <li>• Government of Uttaranchal undertakes a comprehensive review of the Village Joint Forest Management Rules, 2001 and Van Panchayat Rules, 2001, and assesses the scope for formulating only one rule to cover both. The revised rules should allow: <ul style="list-style-type: none"> <li>- inclusion of reserve forest area with the permission of the DFO.</li> <li>- access of CBOs to forest lands and their representation in the committees at the village level and above.</li> <li>- Participation of NGOs in facilitating community forestry management and</li> </ul> </li> </ul>

## APPENDIX IV

Issue	Possible Action Required Prior to Project Start-Up	Possible Actions to Be Taken during Implementation
		<p>formulation of microplans to ensure equity.</p> <ul style="list-style-type: none"> <li>- Empowering village committees to hire/link with persons/institutions for technical advice</li> <li>- Village committees to formulate the microplan without waiting for DFO to write the comprehensive plan (<i>sanhat yojana</i>); village committees also empowered to give final approval of the annual plan according to the sanctioned microplan; Forestry Department to give technical support when required by village committees.</li> <li>- Flexibility in fund used for forest development, and reducing the share of <i>zilla panchayat</i> in the profits.</li> <li>- Local disposal of appeals.</li> </ul>
<p>6. Trade in NTFPs and medicinal and aromatic plants: restrictive collection/harvesting regulations; difficulty in transit of NTFPs and MAPs; state monopoly in the trade of certain forest products and outdated, ineffective institutions reduce the viability of economically viable forest-based livelihoods.</p>	<ul style="list-style-type: none"> <li>• Government of Uttaranchal reviews the ban on commercial harvest of ringal (Government of Uttar Pradesh order dated 28 June 1974) to allow harvesting in target areas.</li> <li>• Government of Uttaranchal reviews the list of banned medicinal plants to allow collection/harvesting of selected species in the project villages (e.g. Government of Uttar Pradesh order dated 30 May 1974).</li> <li>• Government of Uttaranchal reviews the procedure of allotment of firewood and pine resin to village-based rosin and turpentine units run by societies/cooperatives/associations.</li> </ul>	<ul style="list-style-type: none"> <li>• State governments review the respective transit rules to: <ul style="list-style-type: none"> <li>- In Uttaranchal: restrict the application of rules to specified categories of products.</li> <li>- In Meghalaya: provide a single window for grant of transit permit for outside the state.</li> <li>- Both states end rent-seeking behaviour by local government entities on the movement of forest products.</li> </ul> </li> <li>• On harvesting/collection: <ul style="list-style-type: none"> <li>- Governments of Meghalaya and Uttaranchal rationalize the ban on collecting certain MAPs and NTFPs including oak leaves for <i>tasar</i> silk rearing.</li> <li>- Government of Uttaranchal permits sustainable harvesting of ringal for commercial purposes by community-based groups.</li> <li>- Government of Uttaranchal permits rearing of oak <i>tasar</i> silk worms by community-based groups in reserve forests.</li> <li>- Government of Uttaranchal reviews the Uttar Pradesh Resin and Other Forest Produce (Regulation of Trade) Act, 1976 to allow decentralization of price fixation/allotment procedures and participation of natural resource management/SHG representatives on the advisory committee.</li> </ul> </li> </ul>

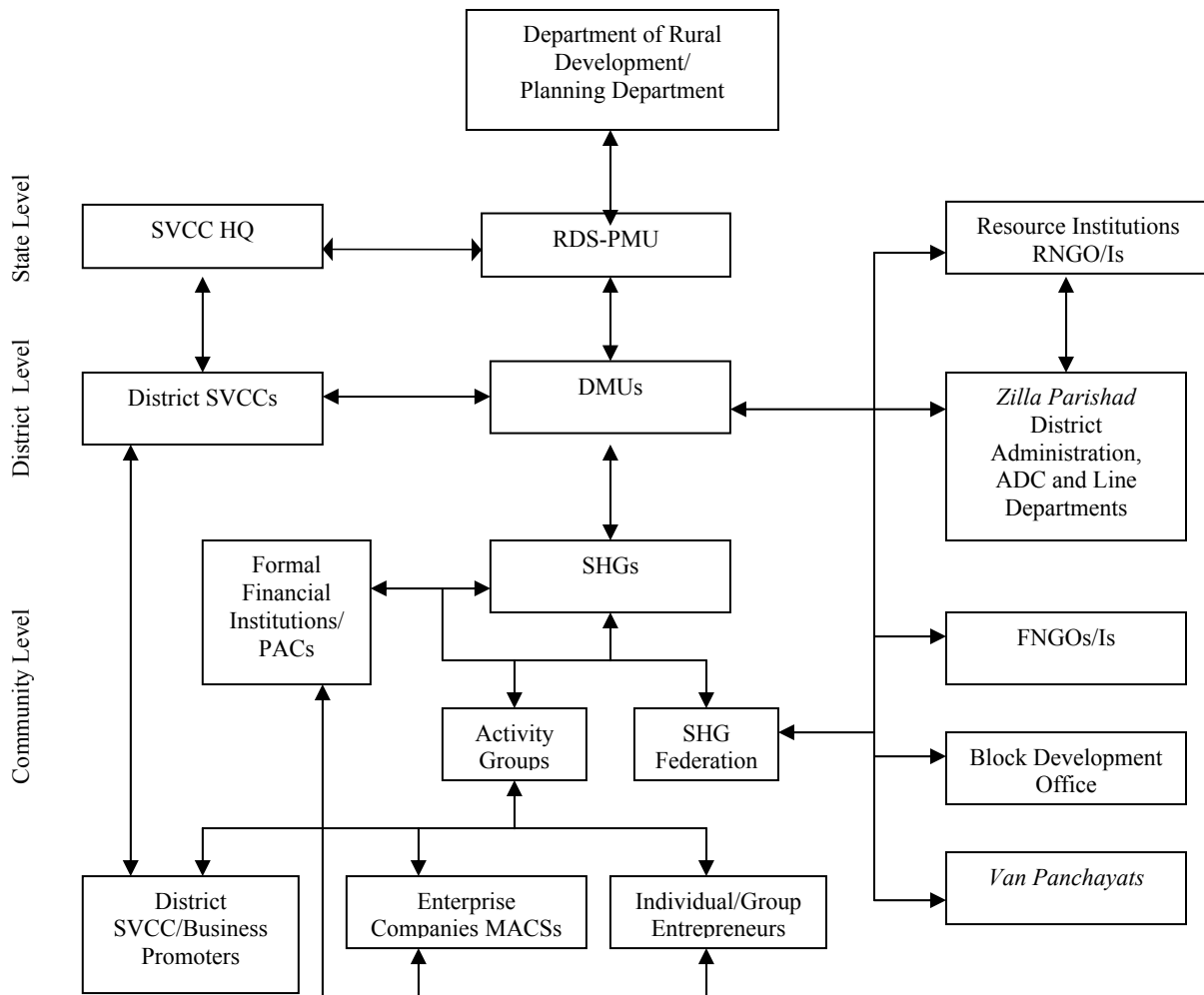
## APPENDIX IV

Issue	Possible Action Required Prior to Project Start-Up	Possible Actions to Be Taken during Implementation
		<ul style="list-style-type: none"> <li>- Government of Uttaranchal addresses the anomalies in the <i>Bheshaj Sanghs</i> (indigenous pharmaceutical firms) or dissolves them.</li> <li>- Government of Uttaranchal simplifies and modifies the Government Order of 26 May, 2001 pertaining to the registration procedure of prospective medicinal plant farmers to correct for overly bureaucratic and cumbersome procedures.</li> <li>- Both state governments need to distinguish community-based forest enterprises from big commercial industry for commercial regulation and restriction.</li> </ul>
<p>7. Bifurcation of the State of Uttar Pradesh created the State of Uttaranchal. The division of the assets and liabilities of the Uttar Pradesh State Cooperative Bank (PCB) and transfer of assets and liabilities related to Uttaranchal to UCBL is not yet complete. Though Government of Uttaranchal has formed the Uttaranchal Cooperative Bank Limited as the state-level cooperative apex bank, the cooperative bank network in the state technically reports to PCB, and UCBL is unable to undertake banking activities.</p>	<ul style="list-style-type: none"> <li>• This anomaly will have to be rectified by dividing and transferring respective assets and liabilities to UCBL. Should this process be delayed, UCBL will have to obtain a license to operate from the Reserve Bank of India. This will be a condition for loan effectiveness.</li> </ul>	
<p>8. Delivery of services in Meghalaya: the situation is characterized by redundant institutions, lack of appreciation for traditional institutions and little cooperation among institutions.</p>	<ul style="list-style-type: none"> <li>• Government of Meghalaya agrees to adopting a plan for capacity-building of ADCs and dorbars to make these traditional institutions more effective and responsive in delivering services to the public.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of progress in implementing capacity-building initiatives by MTR.</li> </ul>
<p>9. Women's participation in village institutions.</p>	<ul style="list-style-type: none"> <li>• Both states need to recognize that women's participation in village governance, even where legislatively mandated, is far from satisfactory and hinders economic advance of society as a whole.</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrated efforts to enforce legislative mandates governing participation of women in local governance.</li> </ul>
<p>10. Self-reliant cooperative act.</p>		<ul style="list-style-type: none"> <li>• MACS Act has been adopted in Uttaranchal and needs to be adopted in Meghalaya before the MTR since it provides an important enabling legal environment for federations/ associations of grass-roots organizations.</li> </ul>

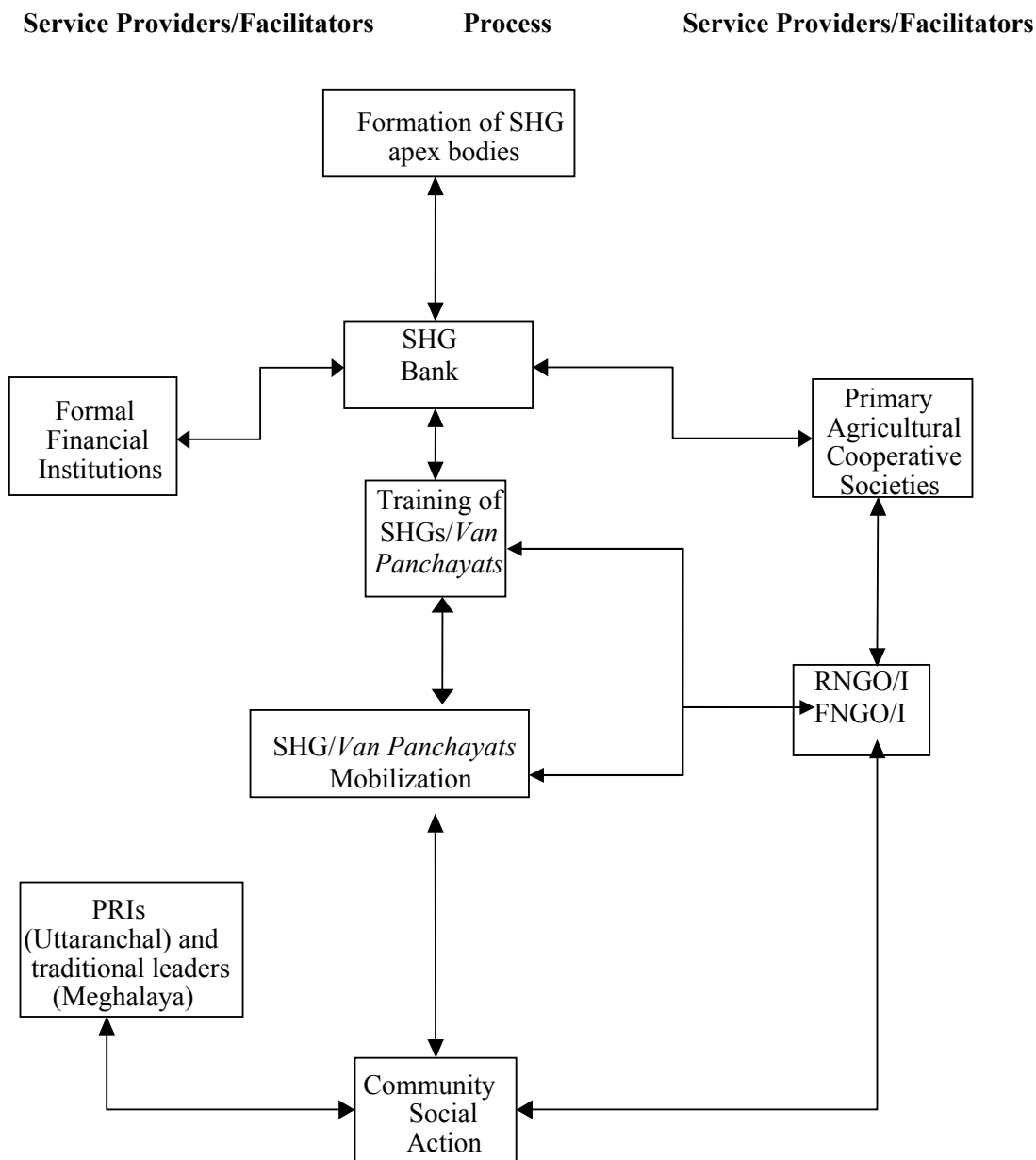
## APPENDIX IV

Issue	Possible Action Required Prior to Project Start-Up	Possible Actions to Be Taken during Implementation
11. Crop insurance for agricultural and horticultural products.		<ul style="list-style-type: none"><li>• Governments of both states need to adopt the centrally sponsored crop insurance scheme, especially for crops other than wheat.</li></ul>
12. Organic production.		<ul style="list-style-type: none"><li>• State governments need to adopt legislative and administrative measures to promote organic cultivation of income-generating products effectively.</li></ul>

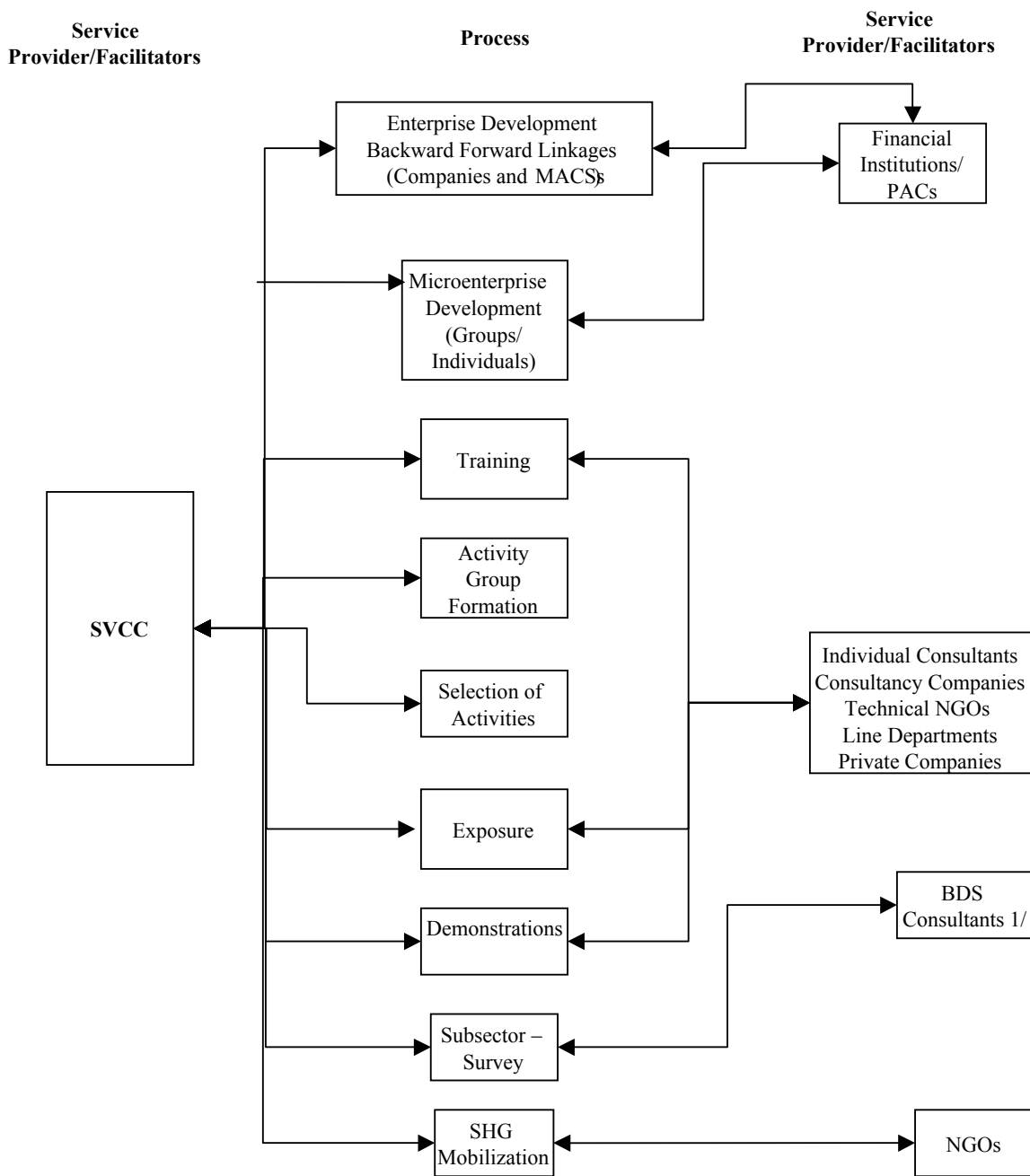
**PROJECT MANAGEMENT CHART**



**PROCESS CHART –  
COMMUNITY INSTITUTIONS DEVELOPMENT**



PROCESS CHART – ENTERPRISE DEVELOPMENT



1/ Experienced in subsector survey using SBS Approach.



PROCESS CHART – FINANCIAL INTERMEDIATION

