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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

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**REPUBLIC OF INDIA**

**COUNTRY STRATEGIC OPPORTUNITIES PAPER**



**TABLE OF CONTENTS**

|  |            |
|--|------------|
| <b>CURRENCY EQUIVALENTS</b>  | <b>ii</b>  |
| <b>WEIGHTS AND MEASURES</b>  | <b>ii</b>  |
| <b>ABBREVIATIONS AND ACRONYMS</b>  | <b>ii</b>  |
| <b>PORTFOLIO OVERVIEW</b>  | <b>iii</b> |
| <b>EXECUTIVE SUMMARY</b>   | <b>iv</b>  |
| <b>I. INTRODUCTION</b>   | <b>1</b>   |
| <b>II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT</b>                          | <b>1</b>   |
| A. Country Economic Background   | 1          |
| B. Agricultural Sector   | 2          |
| C. Rural Poverty   | 4          |
| D. Constraints on and Opportunities for Rural Poverty Reduction                  | 5          |
| E. National Strategy for Rural Poverty Reduction                                 | 6          |
| <b>III. LESSONS FROM IFAD’S EXPERIENCE IN THE COUNTRY</b>                        | <b>6</b>   |
| <b>IV. STRATEGIC FRAMEWORK FOR IFAD</b>  | <b>7</b>   |
| A. IFAD’s Strategic Niche and Proposed Thrusts                                   | 7          |
| B. Main Opportunities for Innovations and Project Interventions                  | 8          |
| C. Outreach and Partnership Possibilities with NGOs and the Private Sector       | 12         |
| D. Opportunities for Linkages with Other Donors and Institutions                 | 12         |
| E. Areas for Policy Dialogue   | 13         |
| F. Action Areas for Improving Portfolio Management                               | 14         |
| G. Tentative Lending Framework and Rolling Programme of Work                     | 14         |
| <b>APPENDIXES</b>  |            |
| <b>I. COUNTRY DATA</b>   | <b>1</b>   |
| <b>II. LOGICAL FRAMEWORK</b>   | <b>2</b>   |
| <b>III. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS</b>     | <b>4</b>   |
| <b>IV. IFAD’S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME</b> | <b>5</b>   |
| <b>V. ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED</b>      | <b>6</b>   |

**CURRENCY EQUIVALENTS**

|               |   |                    |
|---------------|---|--------------------|
| Currency unit | = | Indian rupee (INR) |
| USD 1.00      | = | INR 43.65          |
| INR 1.00      | = | USD 0.0229         |

**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 hectares                       |
| 1 hectare (ha)                   | = | 2.47 acres                           |

**ABBREVIATIONS AND ACRONYMS**

|       |                                       |
|-------|---------------------------------------|
| COSOP | country strategic opportunities paper |
| SHG   | self-help group                       |

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

1 April – 31 March

**PORTFOLIO OVERVIEW**

**Region: Asia and the Pacific**

**Country: India**

| Project/Programme 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 - 1 - 23 - IN  | SDR      | 38 500 000           | 100                                    |
| Rajasthan Command Area Development and Settlement Project                                | IFAD                   | World Bank              | HC            | 19 Dec 79      | 03 Mar 80          | 31 Dec 88            | L - 1 - 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 - 1 - 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 - 1 - 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 - 1 - 124 - IN | SDR      | 27 280 000           | 100                                    |
| Orissa Tribal Development Project  | IFAD                   | UNOPS                   | HC            | 03 Dec 87      | 27 May 88          | 31 Dec 97            | L - 1 - 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 - 1 - 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 - 1 - 282 - IN | SDR      | 12 961 000           | 100                                    |
| Maharashtra Rural Credit Project   | IFAD                   | UNOPS                   | HC            | 06 Apr 93      | 06 Jan 94          | 30 Sep 02            | L - 1 - 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 - 1 - 349 - IN | SDR      | 18 950 000           | 100                                    |
| Mewat Area Development Project   | IFAD                   | UNOPS                   | HC            | 12 Apr 95      | 07 Jul 95          | 30 Jun 05            | L - 1 - 379 - IN | SDR      | 9 650 000            | 99                                     |
| Rural Women's Development and Empowerment Project  | IFAD                   | World Bank: IDA         | HC            | 05 Dec 96      | 19 May 99          | 31 Dec 04            | L - 1 - 439 - IN | SDR      | 8 000 000            | 44                                     |
| North Eastern Region Community Resource Management Project for Upland Areas              | IFAD                   | UNOPS                   | HC            | 29 Apr 97      | 23 Feb 99          | 31 Dec 04            | L - 1 - 444 - IN | SDR      | 16 550 000           | 43                                     |
| Jharkhand-Chhattisgarh Tribal Development Programme                                      | IFAD                   | IFAD                    | HC            | 29 Apr 99      | 21 Jun 01          | 31 Dec 09            | L - 1 - 506 - IN | SDR      | 16 950 000           | 9                                      |
| National Microfinance Support Programme  | IFAD                   | UNOPS                   | HC            | 04 May 00      | 01 Apr 02          | 31 Dec 09            | L - 1 - 538 - IN | SDR      | 16 350 000           | 35                                     |
| Orissa Tribal Empowerment and Livelihoods Programme                                      | IFAD                   | UNOPS                   | HC            | 23 Apr 02      | 15 Jul 03          | 30 Sept 13           | L - 1 - 585 - IN | SDR      | 16 050 000           | 4                                      |
| Livelihood Security Project for Earthquake-Affected Rural Households in Gujarat          | IFAD                   | UNOPS                   | HC            | 12 Sep 01      | 04 Nov 02          | 30 Jun 10            | L - 1 - 568 - IN | SDR      | 11 650 000           | 10                                     |
| Livelihoods Improvement Project in the Himalayas   | IFAD                   | UNOPS                   | HC            | 18 Dec 03      | 01 Oct 04          | 30 Jun 13            | L - 1 - 624 - IN | SDR      | 27 900 000           | 8                                      |
| Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu | IFAD                   | UNOPS                   | HC            | 19 Apr 05      |                    |                      | L - 1 - 662 - IN | SDR      | 9 950 000            | -                                      |

HC: Highly concessional

IDA: International Development Association (World Bank Group)

UNOPS = United Nations Office for Project Services

## EXECUTIVE SUMMARY

### I. BACKGROUND

1. This paper identifies the strategy for IFAD's future programme in India from 2006 to 2010. It is based on consultations with the Government of India and other stakeholders, the implementation experience gained through IFAD's past activities and the commissioning of a number of background studies. The proposals were reviewed at a stakeholders workshop in January 2004. They were further discussed with the Government in January 2005.

### II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

2. India is the second most populous country in the world, with a 2003 total population of slightly more than 1 billion persons. The proportion of the rural population is declining, reflecting rural to urban migration, and stands at 72%. The overall annual growth rate is also falling, from 2.2% in 1981 to 1.5% in 2003.

3. Average annual GDP growth averaged 5.9% in the 1990s, stemming from a significant step-up in services sector growth, with a leading role for software and information technology development. As a result, GDP per person was USD 538 in 2003 and is expected to reach USD 650 in 2005. The share of agriculture in GDP dropped from 57% in 1950 to 22% in 2002. While significant improvements have been achieved in human development, this clearly lags behind the economic growth, and several indicators are still a cause of concern. The overall gender picture remains one of stark inequality. Overall poverty incidence has been reduced to 26% of the population according to official estimates in 2000. India spent around 6.5% of total budgetary expenditure in 1999/2000 on poverty alleviation programmes. Current policies aim at reducing poverty incidence to 13% by 2020 and at addressing the problems in food security through increased food production and targeted food and nutrition programmes. They also emphasize employment creation, livelihood security and sustaining an agricultural growth rate of 4.0%-4.5%.

### III. LESSONS FROM IFAD'S EXPERIENCE

4. Recent lessons draw on the experience gained in tribal development, microfinance and women's development. The implementation experience acquired through the broad-based tribal development projects points to the effectiveness of the community management of resources, the potential for the development of forest produce and the creation of niche markets for their use, and the importance of social development. The microfinance projects have demonstrated that the approach based on women's group formation, savings and credit, and linkages with the rural banking system has been a forceful instrument in the effective empowerment of women, while, at the same time, tending to achieve commercial sustainability.

### IV. STRATEGIC FRAMEWORK FOR IFAD

5. While IFAD's resources are modest compared to the requirements, the **rationale** of IFAD's involvement in India is based on the following considerations.

- **Innovation:** IFAD's projects, because of their relatively small size in the Indian context, have served as testing grounds for institutional and technical innovations. Positive outcomes have subsequently been scaled up by others. The purpose of the projects corresponds to IFAD's core mandate: improving access to economic and social resources for the poor and supporting development efforts designed and implemented by the poor themselves in a participatory manner.

- **Institutional sustainability:** In practically all of IFAD's support initiatives, emphasis has been placed on institution building at the grass-roots level. This is, however, a staff-intensive and time-consuming process that usually exceeds the typical project time span. There is therefore a need to consider longer term commitments so as to initiate and build grass-roots institutional capacities until these reach full development and have acquired the competence to become autonomous.
  - **Target areas:** In line with its mandate, IFAD support has been focusing on the poor and poorest households. These are located predominately in remote and marginal areas, as well as in tribal lands. In these regions, the presence of major donors is usually limited, and IFAD is often the sole external donor institution in the project area.
  - **Government demand:** IFAD has built up a reputation in India as an institution supporting poverty alleviation and innovation, while maintaining flexibility and an open dialogue with the Government. This is appreciated within the Government, and effective demand for IFAD support is regularly expressed both by state governments and the central Government.
6. The major strategic **thrusts** of IFAD in the future would be on:
- **capacity-building**, comprising two elements: (i) grass-roots institution building among marginalized groups and (ii) institutional strengthening among support agencies;
  - **promoting and protecting the access of marginalized groups to resources** and ensuring the sustainable management of such resources; these include natural resources such as forest lands, highly degraded land, water and fisheries resources, but also financial resources and intangibles such as indigenous knowledge, technical packages, market information and innovation; and
  - **promoting the diversification of livelihood opportunities** within the on-farm and off-farm sectors as avenues out of poverty for the poor in areas of constrained access to resources and as risk mitigation measures.
7. The **targeting** principle will be based on poverty incidence. This will employ both geographic targeting and the targeting of specific groups within priority areas. Target groups will include populations of Scheduled Castes and of Scheduled Tribes and women.
8. To reflect these strategic thrusts, **the country programme** would focus on two main areas: (i) microfinance and women's empowerment, mainly through support for a grass-roots institution-building process; and (ii) expansion in livelihood opportunities among tribal populations in the poorest agroecological zones. In this country strategic opportunities paper, it is anticipated that a lending programme of USD 119 million will be realized in five years.
9. In addition, monitoring and evaluation processes would be strengthened, with the objective of improving the performance of the country programme and of knowledge management. Similarly, the participation of the private sector would be sought in areas such as microfinance activities, which have achieved sufficient maturity and thus could be attractive to financial institutions in the private sector.
10. **Lending framework.** The performance-based allocation system rating for India is reasonably positive with regard to macroeconomic, rural sector and portfolio performance indicators. The lending levels of IFAD to India would range from USD 110 million to USD 119 million for the current programme cycle of 2006-2010, which would permit the development of four relatively large interventions. This would also permit one programmatic approach each for women's empowerment, development among the tribal population, the development of a coastal fisheries project and the development of a highly vulnerable area encompassing the middle Gangetic plains, including Assam.





## REPUBLIC OF INDIA

### COUNTRY STRATEGIC OPPORTUNITIES PAPER

#### I. INTRODUCTION<sup>1</sup>

1. With 18 projects and an approved loan amount of over USD 500 million, India is IFAD's largest borrower. This country strategic opportunities paper (COSOP) updates IFAD's strategy in the country. It has been drafted in collaboration with key stakeholders, and it draws on an analysis of past experiences, discussed at a country portfolio review workshop in Delhi in October 2003, desk reviews of the poverty situation, preliminary consultations with the Government of India and representative state governments, and a number of commissioned studies. The strategy was discussed and endorsed at a review workshop organized in January 2004 together with the World Food Programme and the National Bank for Agriculture and Rural Development, to which stakeholders and policy makers in government, research, non-governmental and donor agencies had been invited. It was further discussed with a cross-section of the Government in January 2005.

#### II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

##### A. Country Economic Background

###### **Population**

2. India is the second most populous country in the world, with a total population in 2003 of a little more than 1 billion persons, representing 17% of the world's population, and occupying 2.4% of the world's land mass. The proportion of the rural population is declining, reflecting rural to urban migration, and stands at 72% in 2003. The overall annual growth rate is also falling: from 2.2% in 1981 to 1.5% in 2003. In common with China and other South Asian countries, the Indian population has a higher percentage of men than women. The women to men ratio has been steadily declining, from 972 in 1901 to 927 in 1991, though there was a slight increase in 2001 to 933. This is largely attributed to the preference for sons and discrimination against girls. This has led to lower literacy, higher fertility and higher mortality rates among women in all age groups up to 45.

###### **Macroeconomic Background**

3. Average GDP growth has increased from 3.5% during 1950-1970, to 5.4% in the 1980s and to 5.9% in the 1990s. Growth acceleration, particularly in the 1990s, has stemmed from a significant step-up in services sector growth, with a leading role for financial services, communications, the trade industry and software and information technology development. As a result, GDP per person doubled from USD 260 in 1980 to USD 538 in 2003 and is expected to reach USD 650 in 2005. Growth has not been evenly spread out among sectors, and the composition of GDP has changed. Agriculture, which was a lead sector, has become less important; its share in GDP dropped from 57% in 1950 to 22% in 2002. In the same period, services rose to prominence; the current share is 51% of GDP, up from 28% in 1950. Industry increased modestly to 27%. As growth in services is much more stable than in agriculture or industry, the rising share of services in GDP implies that growth volatility has also been declining over time.

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

4. Sustaining a high rate of growth will depend primarily on substantial investment, but the investment rate has been stuck at 23%-24% in recent years. The large fiscal deficit, 6%-10% over many years, and the resulting public borrowing also for recurrent expenditures, would have crowded out private investment had the Reserve Bank not applied an accommodative monetary policy, progressively reducing the cash-reserve ratio and the bank rate. Government policies are now aimed at a balanced current budget by 2008. Inflation, which peaked at 13.2% in 1998, has remained moderate since then, fluctuating at around 4% per year.

5. A chronic current account deficit of around 1.6% in the 1980s and 1990s turned into a surplus in 2001, the first time this had occurred in over 20 years. This improvement is primarily attributable to the strong growth in intangibles, especially the surge in export earnings from services associated with information technologies. Along with improvements in the current account position, foreign exchange reserves had increased to USD 125 billion by mid-2005.

### **Human Development**

6. The positive macroeconomic growth has facilitated the alleviation of income poverty and has had a definite impact on social conditions. The country made significant strides in life expectancy and literacy between 1950-1951 and 2000-2001; the former increased from 32.1 years to 63 years, and the latter grew from 16.7% to 61%. However, poverty, as measured in non-income indicators such as health and education, remains a significant challenge. Despite remarkable progress in education, the country has still one of the world's highest levels of illiteracy. Globally, India accounts for 20% of the children not in school and for 20% of the gender gap in elementary education. Maternal mortality remains high, particularly in rural areas, with estimates at 540 deaths per 100 000 live births. While some gender indicators have improved, such as the declining gender gap in school enrolment, the overall picture remains one of stark inequality. Many of India's women are malnourished, and anaemia is a problem among 60% of the female population. Almost half of all children under the age of 5 are malnourished, and 34% of newborns are significantly underweight. The spread of HIV/AIDS, if unchecked, could become a major threat to the country's future; about 4-5 million people are currently living with HIV/AIDS. Although the rates in the general population are still low, India has the second largest HIV-positive population in the world in absolute numbers.

### **B. Agricultural Sector**

7. Agricultural GDP in 2002-2003 amounted to USD 110 billion, or 22% of the national GDP. In spite of the declining share in GDP, the sector provides incomes and employment to approximately 237.8 million persons, or about 60% of the rural labour force. Marginal farmers holding less than 1 ha of land accounted for 62% of all farms in 1995-1996. However, together, they operated around one-sixth of the total farm area. Around two fifths of the total farmed area consists of medium and large farms, which, together, represent 7% of all farms.

8. Aimed at gaining food self-sufficiency, major public investments in irrigation programmes and technology improvements have resulted in substantial increases in production, which peaked in 2001-2002 at 212 million t of food grains as compared to 50 million t in 1950-1951. About 54% of the area planted to rice is under irrigation; for wheat, the figure is 85%. National cropping intensity increased from 123.3% in 1980 to 134.3% in 2000. The long-term growth rate (1980-2003) in the production of food grains was 2.1% per year. As a result, the net cereal availability per person per year of 162.3 kg in 2001 represented a significant improvement over the 140.1 kg in 1980 and exceeds or equals the level of the world's biggest cereal producers, China, the Russian Federation and the United States of America. India today has some of the world's largest grain reserves and is a major exporter of agricultural products. Between 1990-1991 and 2002-2003, the value of food exports increased by 25.9% per year and accounted for 3% of total national exports in 2002-2003. The sector

has achieved broad-based diversification, particularly in horticulture and animal husbandry, and India has become the largest dairy producer in the world.

9. Some main features in the development of the agricultural sector are as follows:

- Public investments in the sector through all the five-year plans represented about 14% of total expenditures. With the ninth plan, starting in 1997, the share of agriculture in investments dropped to 4% due to a strong emphasis on energy and communication investments.
- The improvement in the terms of trade since the late 1980s has spurred private-sector investment and spearheaded a fundamental shift in the pattern of agricultural production in India from growth led by food grains during the 1970s and 1980s to growth led by horticultural products, livestock products and fisheries and an expansion in agricultural exports. But since one of the main constraints is the inadequate base in rural productive assets, increases in private-sector investment cannot be considered a substitute for lower public investments.
- The policy of various states has been to increase production through the mechanization of farming, technology development and development of extension services. In addition, some states have resorted to other means to enhance production, including input subsidies and incentives. At the aggregate level, subsidies on fertilizer, water and electricity combined largely exceed the allocation for rural development. A huge and increasing subsidy is also provided to maintain the minimum support price system, which is skewed towards three crops, namely, sugar cane, paddy rice and wheat, and confined to a few geographical areas and which serves mainly the interests of the medium and large farmers. Apart from being a substantial financial burden on the government budget, the minimum support price system has led to increased monocropping and the overexploitation of natural resources in some areas, thereby adversely affecting crop diversification.
- The concentration of irrigation development on 40% of the cropped area and mainly for intensive rice and wheat production has left 60% under rainfed conditions where farmers tend to apply low-input organic farming systems. There is a growing awareness that, instead of a drawback, this represents a potential asset for the development of organic agriculture as many farmers are “organic by default”. Realizing the strong potential (export) demand, the Government, in 2000, initiated the National Programme for Organic Products, which established standards and certification capabilities. The development of alternative, organic techniques has a long, positive tradition in the country and is often integrated in the local culture. This is particularly, but not exclusively the case in tribal areas.
- Forestry products and medicinal herbs represent a major potential resource that is not yet fully used to the benefit of the women and men harvesting them. This is due to a lack of applied research in possible applications and a lack of appropriate marketing mechanisms. There have been a number of community-based approaches to forestry management that have been successful in improving degraded forests and providing a greater flow of forest related products and services to communities; however, there is a further need to allow communities to take greater responsibility for the regenerated forests. Significant opportunities for the exploitation of medicinal plants and indigenous knowledge on herbal medicines remain unrealized so far.

### **Agricultural Policies**

10. The evolution of agricultural policies can be divided into several phases: an agrarian reform phase (1950-1965) conferring the right of tenure to the tiller and abolishing intermediaries; a

technology push phase (1965-1980), during which the emphasis shifted from institutional solutions to a technology-led approach; and a subsidies and incentives phase (1985-present), during which, with intensive technologies firmly in place, further growth was promoted by subsidies and incentives. In the 1990s, the minimum support price for cereals was rapidly scaled up, leading government agencies in some states to buy up to 70%-80% of the marketable surpluses. The cumulative impact of these policies in terms of poverty alleviation and employment generation has been an imbalance in landholding patterns, complicated land tenure relations in some states and a high incidence of poverty that have remained inhibiting factors in raising agricultural productivity and employment. The impact of the Green Revolution has included national food self-sufficiency, but has been geographically limited and has not covered coarse grains and pulses, the staples of the poor. The increased mechanization caused a fall in agricultural employment in the 1990s. Efforts to promote sustainable rainfed farming have been limited. Finally, strong labour migration among men has led to the further "feminization of agriculture".

### C. Rural Poverty

11. Poverty in India is declining. Between 1968 and 1993-1994, the incidence of poverty dropped from about 64% of the population to 39%. The extent of poverty reduction since then is a matter of debate, as a change in the methodology in the 55th round of the national household survey (1999-2000) meant that the results were not comparable to earlier figures. The official estimate for 2000 is an incidence of 26%, or a total of 260 million persons. Alternative estimates yield an incidence of up to 34%<sup>2</sup> relative to an international poverty line of USD 1.00 per day.

12. Poverty is a rural problem given that about 193 million poor, or 75% of all the poor, live in rural areas. In addition, more than 15% of the rural poor are chronically poor; they remain poorer over a longer period of time and earn incomes which are less than 75% of the poverty line over longer periods.

13. Spatial analyses suggest that a regional pattern of high poverty has emerged to form one contiguous region comprising the eastern states of Assam, Orissa and West Bengal and the two large northern states of Madhya Pradesh and Uttar Pradesh. They also suggest that there is significant variation among regions within the states in terms of poverty incidence. India's pluralistic character in terms of ethnicity, culture and language has considerable implications on the distribution of poverty, and the incidence of poverty is highest among socially disadvantaged groups such as the Scheduled Castes and Scheduled Tribes. Similarly, women constitute one of the most disadvantaged groups in Indian society; the average achievement of women on human development indicators in 2001 was only two thirds of that of men. Approximately 4.6 million people were affected with HIV/AIDS in India in 2002. HIV/AIDS is largely confined to the underprivileged and arises out of the high-risk behaviour of marginalized segments of urban and semi-urban communities living in varying degrees of poverty.

14. Several sources seem to indicate that the recent acceleration in overall growth has only partially translated into lower poverty figures. This follows from the lower growth in agriculture relative to GDP and from the weak relation between agricultural growth and poverty reduction due to lower employment elasticity of agricultural growth during the 1990s, the sharp drop in the growth of real agricultural wages and the relative rise in food prices, which had a particularly adverse effect on the poor who are net purchasers of food. In addition, a hard core of poverty represented by the most disadvantaged groups is unaffected by agricultural growth because of limited human and physical

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<sup>2</sup> More recent, revised estimates of the reduction in rural poverty during the period 1993-1994 to 1999-2000 are lower relative to the official estimate, but still point to a reduction that was more rapid than the one in 1988-1993.

assets, particularly land, the location of the groups in areas that lack infrastructure support, and social exclusion.

#### **D. Constraints on and Opportunities for Rural Poverty Reduction**

15. **Constraints.** Poverty in rural India is a complex phenomenon caused by an array of social, gender and ecological factors.

16. India's pluralistic character in terms of ethnicity, culture and language has considerable implications for the distribution of poverty. The social determinants of poverty have been significant, as demonstrated by the fact that the incidence of poverty is highest among socially disadvantaged groups. For example, the poverty incidence among Scheduled Castes and Scheduled Tribes in rural areas in 2000 was about 38% and 48%, respectively, compared with 27% among all rural households. Also, the reduction of poverty over the period 1993-1999 was negligible among Scheduled Tribes (from 48.8% to 48%), while, among Scheduled Castes, it was moderate (from 45.7% to 38%). These poor people lack access to basic assets, infrastructure and the leveraging power over state institutions required to ensure the proper delivery of services. Scheduled Tribes account for about 8% of the total population. The prevalence of traditional agricultural practices and a low degree of market integration create economic constraints, which are further accentuated by social exclusion. The Scheduled Castes are a section of society that has traditionally been discriminated against and considered 'impure' as a result of the tasks they perform. This has changed since India's independence as a result of constitutional guarantees and the dilution of the caste system. However, a considerable population continues to be marginalized. Almost 85% of the Scheduled Caste population is accounted for by marginal farmers with farm sizes less than 2 ha.

17. Women constitute one of the most disadvantaged groups in Indian society in terms of lower human development and awareness levels. This is exacerbated in most cases by the unequal allocation of food, lower wage rates and the lack of inheritance rights. A closer analysis of the Gender Equality Index of the United Nations Development Programme reveals that, on average, the achievement of women as measured in human development indicators in 2001 was only two thirds of that of men. In general, women were found to be better off in southern India than they were in the northern and eastern parts of the country. Recent census figures show that gender preferences have failed to change and, in fact, have become more disadvantageous for women in spite of economic development. Thus, Punjab, the richest state, reported a gender ratio of 793 girls to 1 000 boys in the 0-6 year age group in 2001, followed by the relatively wealthier states of Haryana (820), Gujarat (878) and Himachal Pradesh (897). In normal situations in most countries, the ratio is some figure over 1 000 for girls relative to 1 000 boys.

18. Poverty is markedly more severe in areas where agricultural potential is deteriorating. This includes the drylands and the semi-arid tropics, where the Green Revolution technology cannot be applied because of shortages of water and recurrent drought. It has been estimated that, in such areas in 1990, the extent of land degradation involved between 35 million and 175 million ha. Likewise, high poverty incidence occurs locally in the flood prone areas extending from eastern Uttar Pradesh to the Assam plains, especially in northern Bihar. In forest zones, often located in tribal areas, the loss of entitlement to resources is a major cause of poverty.

19. High levels of illiteracy and poor health are additional causes of rural poverty. Low levels of social services continue to constrain the development of rural areas. Much of this appears to be the result of the increasing market-determined costs of social services and policies that make resource-strapped local governments responsible for the financing of these services.

20. **Opportunities.** Several factors are favourable to rural poverty reduction in India. Central Government and state governments have demonstrated strong commitment to poverty alleviation and

improved living conditions in remote areas. The current macroeconomic environment of continued strong growth has created opportunities also for the poor, while inequalities need to be addressed. The institutional environment demonstrates high implementation capacity. Public agencies are undertaking sectoral pilot programmes to enhance their impact on the poor.

### E. National Strategy for Rural Poverty Reduction

21. **Programmes.** In recent decades, India has been spending fairly large amounts on targeted anti-poverty programmes, amounting to around 6.5% of the total central-plan budgetary expenditure in 1999/2000. The various programmes adopt three main approaches: (i) the promotion of self-employment opportunities; (ii) wage employment creation; and (iii) social welfare. The present self-employment programme, the Golden Jubilee Rural Self-Employment Programme (*Swarnajayanti Gram Swarozgar Yojana*) represents an integrated approach towards microenterprise development in rural areas with a focus on organizing the rural poor into self-help groups (SHGs) and the provision of infrastructure support, technology, credit and marketing linkages. The lack of adequate skills for social mobilization among the implementing agencies, the district rural development agencies, has meant that *Swarnajayanti Gram Swarozgar Yojana* has achieved only 34% of its target during the ninth plan period.

22. The wage employment programme, the Comprehensive Rural Employment Scheme (*Sampoorna Gramin Rozgar Yojana*) aims to generate employment, create durable economic infrastructure in rural areas and provide food and nutrition security to the poor, but changes in the allocations for rural development schemes during the ninth-plan period resulted in reduced financial allocations and employment generation. The Prime Minister's Village Road Scheme (*Pradhan Mantri Gram Sadak Yojana*) provides central funds for all-weather road linkages for otherwise unconnected villages. The Government also executes the Rural Housing Programme (*Indira Awas Yojana*) to provide free housing to families living under the poverty line, including Scheduled Caste and Scheduled Tribe households and freed bonded labourers, but coverage has been low as a result of resource constraints.

23. **Strategy for rural poverty reduction.** The tenth plan (2002-2007) has set a target of a 5% reduction in poverty, with 8% annual GDP growth. It has recognized the importance of the development of effective poverty reduction programmes, including self-employment programmes, wage employment programmes, social security schemes, land reforms and rural housing; it also emphasizes livelihood security and sustaining an agricultural growth rate of 4.0%-4.5%. The Planning Commission's "visioning" exercise for India in 2020 aims at quadrupling the GDP by achieving annual GDP growth rates of 8.5%-9.0% and thus making India an upper-middle-income country. It aims to reduce the poverty incidence to 13%, about half the current level, and recommends addressing the problems of food security by increased food production and targeted food and nutrition programmes.

### III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY

24. The first five IFAD projects were focused mainly on irrigation and command area development and did not reflect IFAD's specificity. Of the remaining 13, six are aimed at the development of the tribal population, four at microfinance and women's empowerment, and three mainly at improving natural resource management and enterprise development. Lessons from the tribal development and microfinance projects are summarized here.

#### Results and Impact

25. **Tribal development projects.** The interventions for these projects are broadbased and emphasize grass-roots institution building, participatory natural resource management, the protection

of rights, income generation, social services, etc. The implementation experience points to the effectiveness of the community management of resources, the potential for the development of forest produce and the creation of niche markets for the use of the products, and the importance of social development. Perhaps the most significant lesson of the projects has been the growing awareness in Government and among donor agencies of the ecological sustainability of tribal farming systems and indigenous knowledge, both of which are integrated in the tribal culture, but which were previously considered “backward”. Such ecological sustainability values are presently being rediscovered not only in India, but in many parts of the world.

26. **Microfinance and women’s development.** IFAD has a substantial history of involvement in the microfinance sector through four projects and can legitimately take pride in the fact that, over the last 15 years, it has supported two of the main institutional models for the delivery of microfinance in India: the SHG-bank linkage model and the microfinance institutions model. Though not designed as gender-specific interventions, these projects have benefited poor rural women in the overwhelming majority of cases. In terms of impact, they have helped in increasing the resilience of poor households and have brought significant changes in the economic and social status of women. Women have achieved a greater degree of self-confidence, greater mobility and greater ease in dealing with bureaucracy. In several areas, the incidence of alcoholism and domestic violence has been reduced, and more girls are being sent to school. Equally important, a quasi 100%-repayment culture has been developed. This has made a significant contribution to attitudinal change within formal financial institutions towards the poor and the institutions serving them. In 1999, IFAD approved a programme, the National Microfinance Support Programme, in partnership with the Department for International Development (United Kingdom of Great Britain and Northern Ireland), aimed at assisting the Small Industries Development Bank of India so as to enable the direct participation of microfinance intermediaries from the private and public sector nationally and allow for the adoption of a variety of microfinance methodologies. IFAD’s country programme has demonstrated that the approach based on women’s group formation, savings and credit, and linkages with the rural banking system has been a forceful instrument in the effective empowerment of women, while, at the same time, ensuring commercial sustainability.

27. **Policy.** In general terms, IFAD’s India programme has been successful in generating economic and financial returns at the project level, as well as in introducing innovations at the policy level. Examples of the latter include: (i) the introduction of the back-end subsidy in the integrated rural development programmes; (ii) incorporation of the SHG methodology in *Swarnajayanti Gram Swarozgar Yojana*; (iii) the granting of land titles (*dongar pattas*) to tribals; and (iv) emphasis on grass-roots institution building as an approach for the empowerment of women. In addition, where projects have shown positive results, e.g. in Tamil Nadu and Maharashtra, state governments, the Government and other donors have scaled up the initiatives. In 2003-2004, the scheduled commercial banks lent a total of USD 867 million to 1 079 091 SHGs all over the country.

#### IV. STRATEGIC FRAMEWORK FOR IFAD

##### A. IFAD’s Strategic Niche and Proposed Thrusts

28. **Rationale.** In the last quarter century, India has made significant progress in reducing poverty and bringing about improvements in the quality of life of a major proportion of its citizens. The tasks of reducing poverty and improving human conditions, however, are far from completed. While IFAD’s resources are modest relative to the requirements, the rationale of IFAD’s involvement in India is based on the following considerations:

- **Innovation.** In the context of IFAD’s country programme, projects, because of their relatively small size in the Indian context, have served as testing grounds for institutional and technical

innovations, some of which have been enumerated above. Positive outcomes have subsequently been scaled up by others. IFAD's projects have also had a demonstration effect in terms of "best practices" for the design of investment projects. This process of innovation is not a one-off situation, but requires continuity in the further development of the initial findings. In this, innovations are not implemented and tested for the sake of the innovations, but their purpose corresponds to IFAD's core mandate: improving the access to economic and social resources for the poor and supporting development efforts designed and implemented by the poor themselves in a participatory manner.

- **Institutional sustainability.** IFAD's country programme has placed emphasis on institution building at the grass-roots level. In this process, poor village stakeholders are supported in setting up, in a participatory manner, the required associations, groups, or other structures, which then become progressively responsible for the allocation of their own and project resources. In this way, institutional sustainability at the grass-roots level ensures the overall durability of project impact. Building up such structures is, however, a staff-intensive and time-consuming process that usually exceeds the typical project time span. There is therefore a need to consider longer term commitments to initiating and building grass-roots institutional capacities until these reach full development and have acquired the competence to become autonomous.
- **Target areas.** In line with its mandate, IFAD support has been focusing on the poor and poorest households. These are predominately located in remote and marginal areas, as well as in tribal lands. In these regions, the presence of major donors is usually limited, and IFAD is often the sole external donor institution in the target area.
- **Government demand.** IFAD has built up a reputation in India as an institution that supports poverty alleviation and innovation, while maintaining flexibility and an open dialogue with the Government. This is appreciated in the Government, and effective demand for IFAD support is regularly expressed both by state governments and by central Government.

29. IFAD will therefore continue its partnership with India, particularly in assisting the Government of India to achieve its target of reducing the poverty ratio by 5 percentage points by 2007 and 15 percentage points by 2012. While doing so, IFAD will be guided by its corporate thrusts and regional strategy, as well as by the poverty reduction strategy of the Government.

30. **Strategic thrusts.** IFAD is only a small actor in the development arena in India. The Government recognizes IFAD as an innovative institution that develops replicable models and plays a catalytic role to this effect. The development of IFAD's programme in India would be driven by three strategic thrusts: (i) grass-roots institution building and the institutional strengthening of support agencies; (ii) promoting and securing the access of marginalized groups to resources; and (iii) promoting the diversification of livelihood opportunities within the on-farm and off-farm sectors. In terms of targeting, IFAD's strategic focus is to provide particular support to those states that are lagging behind in achieving the Millennium Development Goals (MDGs).

## **B. Main Opportunities for Innovations and Project Interventions**

31. Since 1986, IFAD has focused its strategy on assisting the Government of India to develop innovative approaches that lead towards the empowerment of women, tribal and other marginalized segments of the population. Its achievement in terms of the development of appropriate methodologies for microfinance and women's empowerment is a well recognized fact both within India and among development practitioners. The need now would be to consolidate these achievements by assisting the SHGs in promoting and formalizing higher level organizations.



32. While the impact on tribal development, if looked at from a narrow project perspective, can be considered successful, an overall strategy underpinning these projects has been somewhat lacking. In this light, a more coherent strategy for tribal development that focuses on strengthening the grass-roots institutions of the tribal people was adopted during the last COSOP cycle. The Jharkhand-Chhattisgarh Tribal Development Programme, developed within the above background, is now demonstrating remarkable success. This will be reinforced through the Orissa Tribal Empowerment and Livelihoods Programme. Hence, within this cycle of COSOP, the IFAD country programme should be able to contribute concretely in evolving an effective tribal development methodology. In addition, IFAD would start working in a new agroecological area, i.e. the middle Gangetic plains. This would entail the development of both institutional and technological innovations and has the potential to address the problems of a very large share of the rural poor.

33. **Microfinance services and women's empowerment.** Microfinance services in their various forms have proven to be one of the most promising interventions for poverty alleviation over the last decade and have now been adopted as a major platform in the Government's poverty alleviation programmes. But there is still a range of issues that require attention, which justifies a further engagement of IFAD to addressing unfinished business in this constantly evolving field by extending and deepening its initiatives. These include institutional support for the SHG framework among the rural poor and the promotion of livelihood support agencies and women's empowerment through capacity-building, advocacy through SHGs and the sensitization of men.

34. The country programme would put strong emphasis on capacity-building for women in leadership and management. This has proved instrumental in helping women to achieve greater recognition and respect in the community and a stronger voice in community affairs, including their effective integration into village institutions. In addition, SHGs would be a vehicle for advocacy on gender issues, including violence against women,<sup>3</sup> raising women's awareness of gender discrimination, increasing women's knowledge of their rights and entitlements and equipping them better to deal with the many social issues that affect them. This would be complemented by gender sensitization among men in the community in order to provide a better enabling environment for the emergence of more equitable partnerships. The microfinance and women's empowerment theme would also focus on providing support to the grass-roots institutions developed in the form of SHGs so that second-tier support organizations for microfinance and livelihood promotion can grow organically. As such, this strategic thrust is fairly well developed, and further engagement by the country programme in states such as Maharashtra, would help IFAD attain a greater depth of assistance in India.

35. Institutional development would include: (i) empowering SHGs through the promotion and provision of adequate training among SHGs in all areas (numeracy and functional literacy, management, skill training, etc.) and a focus particularly on facilitating the development of SHG federations, primarily to ensure the sustainable provision of support functions to SHGs; and (ii) building the capacity of all the various stakeholders so as to ensure and maintain the quality of SHGs and community-based microfinance intermediaries. This would include: (a) the strengthening of all the support services required, including NGOs, training institutions, other support organizations and apex institutions such as the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India and other banks; (b) expanding the range of microfinance services, with a focus particularly on providing insurance and other financial services needed by the poor, such as money transfers; (c) nurturing other microfinance delivery models, e.g. the Grameen Bank replication and joint liability groups of individual borrowers (the BASIX smart-card microfinance model for rural poor); and (d) developing promotional agencies through strong state-NGO partnerships for the most disadvantaged and underserved parts of the country; these agencies would take responsibility for identifying the demand for microcredit and providing support structures

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<sup>3</sup> Wife-beating affects over 40% of women.

for training and capacity-building. IFAD should take the lead through a seed contribution for the creation of a trust fund to meet the cost of supporting social intermediaries in underserved areas and to experiment with innovative modalities.

36. **Improving livelihood opportunities for tribal communities in semi-arid tropic areas.** The semi-arid tropics cover around 37% of the geographic area of India, principally in the western states of Rajasthan, Maharashtra and Madhya Pradesh. Around 50% of the poor inhabit these areas, which are also characterized by a high concentration of Scheduled Tribe and Scheduled Caste populations. Overall, 50% of the Scheduled Tribes and 40% of the Scheduled Castes of rural India live in the semi-arid tropics. The semi-arid tropics have not benefited from the process of agricultural transformation. Degradation of the forest resources that account for a large part of the income of the poor has further undermined livelihoods in these regions. In addition, households in these areas face a high probability of drought and consequent shortfalls in income. However, the emerging evidence of higher marginal-productivity gains in these regions, with the concomitant higher impacts on poverty, emphasizes the potential that exists in these areas and the need to prioritize these hitherto overlooked areas in terms of development initiatives. Thus, developments in the more advanced parts of the semi-arid tropics, notably parts of Maharashtra, have shown that diversification in income sources, investment in small scale irrigation, water conservation and improved water management, and the dissemination of improved technologies have had a significant impact in reducing poverty. Also, participatory institutional interventions such as watershed management and joint forest management have shown promising results in rebuilding the productivity of open access resources, while the establishment of common interest groups for processing and marketing have enhanced the returns from non-timber forest products. Potential exists, but the strengthening of research activities, infrastructure, credit, marketing, extension services, land reforms and policies are required to improve the productivity of resources and labour for reducing poverty. In the prioritization of interventions in the semi-arid tropics, the highest priority should be assigned to those areas in which the highest incidence and severity of poverty coincides with medium to high potential for agricultural development in the short run. Such areas would include the mainly tribal districts of southern Madhya Pradesh not covered by other donor projects, southern Rajasthan and part of the northern coastal region of Tamil Nadu.

37. Given the variability of the conditions, the development of the semi-arid tropics requires a flexible approach in order to deliver location-specific solutions. However, the required components of an appropriate multipronged strategy are likely to include some or all of the following options: (i) water resource management, which would encompass the harvesting, storage and conservation of rainwater through watershed management, the recharging of groundwater aquifers, ensuring efficient utilization of water and improved drought-proofing and drought mitigation strategies; (ii) combating land degradation through the wider diffusion of appropriate dryland technologies such as minimum tillage, variety change for higher bio-mass production; (iii) the improved management of common-property resources, particularly forest resources, water bodies and wasteland, thereby ensuring increased access among the poor and sustainable management through the expansion of community-managed forests and wastelands and greater beneficiary control over complementary activities in processing and marketing; (iv) technology development and dissemination through participatory adaptive research that focuses on priority areas such as cost-effective techniques of integrated watershed management, the techno-economics of water-saving micro-irrigation techniques, drought-tolerant varieties of rainfed crops, improvement of sorghum and millet as feed grains, post-harvesting technologies; (v) the establishment of a demand-driven agricultural extension system and the harnessing of modern information and communication technologies for outreach and technology dissemination; (vi) the mainstreaming of gender in agricultural development strategies in the semi-arid tropics; (vii) access to financial services and markets through community-based systems such as SHGs and microfinance intermediaries; and (viii) institutional development for community empowerment and self-reliance through a range of community-based specific-interest groups such as watershed management committees, water user groups, forest management committees, livestock production groups.

38. **Improving livelihood opportunities in the middle Gangetic plains.** The middle Gangetic plains covering eastern and central Uttar Pradesh and the whole of Bihar represent probably the largest poverty patch in the country in terms of population. The area accounts for 33 of the 100 most backward districts in the country and has poverty levels of up to 59% in north Bihar. While blessed with a good resource base in terms of surface and groundwater endowments and fertile soils, this natural advantage is negated by other factors – demographic, economic and structural – that inhibit the growth of the rural economy. The area remains extremely backward because development is constrained by acute population pressure on the land, low investment in irrigation infrastructure, low crop productivity, the predominance of inequitable land tenure and sharecropping arrangements and acute proneness to flooding. The rural landed interests continue to be so politically powerful that meaningful land reforms have eluded the area, and this remains the greatest blockage to development prospects. Land poverty particularly affects the Scheduled Caste and Muslim households, while women in the area not only suffer from deeper levels of deprivation than elsewhere in India as the forces of patriarchy are strong, but, with a decline in the male workforce participation rate, women have had to work harder to achieve even modest improvement in the living standards of their families. Caste divisions dominate public affairs, causing governance, development and effective delivery systems to be marginalized and allowing poverty to persist. At the same time, the middle Gangetic plains have not witnessed the level of momentum that NGOs have been able to generate elsewhere in the country. All this points to a very difficult environment in which to address poverty alleviation.

39. Because the development gaps in rural areas are so wide, a range of strategies are required, including: (i) the enhancement of production systems that focuses on the farm sector in order to raise crop productivity and returns from the land through possible diversification into higher value crops for small areas of private land and the expansion of livelihood opportunities through diversification into non-farm activities; (ii) planning for disaster preparedness that focuses on assisting the poor to develop better strategies for coping with floods; and (iii) the social and economic empowerment of women and marginalized groups through a focus on the provision of access to microfinance and enterprise development services by way of the establishment of SHGs and support for the expansion of other microfinance initiatives in order to promote social and financial capital. These would be key activities in the effort to strengthen the capacity of disadvantaged groups to begin to address the inequitable social, economic and policy environment. IFAD could be involved in capacity-building through the promotion of NGOs and the development of sustainable apex community-based institutions to provide a better platform for policy dialogue and collective pressure.

40. **Improving livelihoods in coastal fishing communities.** Coastal fishing communities are among the poorest groups; they are characterized by lower levels of literacy, poorer housing conditions and an ever deteriorating quality of life. The livelihood of artisanal fishers is threatened by the rapid expansion in fishing capacity and the declining fish catches due in part to the use of non-selective fishing practices by mechanized fleets. Growth in capacity in the absence of effective management is leading to increased pressure on the resource base and to resource depletion. The plight of the primarily non-mechanized artisanal fishers is exacerbated by inadequate implementation of marine fisheries regulations that have been designed to manage resources; this has allowed regular intrusions of commercial fishing vessels into the exclusive inshore artisanal zone. The overall deterioration in the coastal environment through increased pollution has also contributed to the declining productivity of the coastal waters. Higher investment and operating costs have led to greater indebtedness so that artisanal fishers have become dependent mainly on high-cost informal sources of credit, while the low market power of artisanal fishers results in low returns. As resources and returns decline, the operations of non-mechanized craft are becoming increasingly unviable. The artisanal fishing community is largely unorganized and lacks an effective voice to protect its livelihoods.

41. IFAD's engagement in addressing these issues would comprise a wide and comprehensive range of coordinated interventions that would focus on equity and sustainability in the management of coastal and marine fisheries resources and would ensure greater value added and returns to primary

producers and small-scale fish processors and traders. The strategies would include resource management, institutional development, support for small scale processors and traders, techno-economic research and employment diversification.

42. **Tribal development in the north-east.** The failure to harness natural resources effectively so as to generate wealth has resulted in stagnation in the rural economy of north-east India. Geographical, cultural and political isolation from the mainstream of development changes, together with disillusionment with government development efforts that have failed to take account of the specific nature of the region, has fuelled discontent. In light of the high priority accorded by the Government, IFAD has already supported two projects for the north-east in recent years, but remoteness from markets remains one of the greatest constraints to effective development of the region.

### **C. Outreach and Partnership Possibilities with NGOs and the Private Sector**

43. The engagement of over 24 NGOs in implementing the Tamil Nadu Women's Development Project with IFAD in the late 1980s has formed strong and long-running partnerships with civil society institutions in India. The extension of this type of direct partnership with NGOs would depend upon the context of IFAD's assistance, as well as the availability of appropriate and preferably member-based institutions in the civil society sector and the willingness of state governments. Nonetheless, efforts need to be made to deepen and widen the partnerships.

44. While NGOs are important as catalysts, the community-based organizations that they can assist and promote are the key institutions in achieving the sustainability of development initiatives. The assistance that was provided in the form of Extended Cooperation Programme grants will be continued on a strategically selective basis to promote such institutions. The recent emphasis of the Government on devolving authority to local governance (*panchayati raj*) institutions offers an important opportunity for mutually reinforcing economic and social empowerment processes. This is an area to which future project design needs to pay more attention. As stated, this will be addressed by all projects in this cycle as a cross-cutting issue.

45. IFAD has been successful in recent years in developing partnerships with the private sector in the country. The SHGs formed under the Andhra Pradesh Participatory Tribal Development Project were linked to the Project Shakti initiative of Hindustan Lever, the Indian subsidiary of Unilever. In addition, IFAD has entered into an agreement with the Industrial Credit and Investment Corporation of India, India's largest private-sector bank for credit, thereby linking SHGs developed under the Livelihoods Improvement Project in the Himalayas. IFAD would explore similar partnerships with the private sector in the areas of microfinance, market linkages and rural enterprise development.

### **D. Opportunities for Linkages with Other Donors and Institutions**

46. The World Bank and the Asian Development Bank are the major sources of official development assistance, which amounts to around USD 5 billion per year in pledges, accounting for around 0.6% of the country's GDP. As the operational focus of the Asian Development Bank is on economic restructuring, energy, transport and infrastructural development, the opportunities for partnership are somewhat limited. In its new country strategy, the World Bank has recognized the widening gulf between reforming and non-reforming states and has decided to assist the poorer states. Since this is the strategy that IFAD has adopted for its assistance to India, it represents an opportunity to work closely with the World Bank. A good beginning has been made by sharing IFAD's experience in tribal development in India. The mutual learning process would be significantly strengthened.

47. In recent years, IFAD has developed close partnerships with the World Food Programme and the Department for International Development (United Kingdom of Great Britain and Northern

Ireland). The World Food Programme is cofinancier in three projects that provide assistance in the form of commodities in order to support food-for-work and supplementary nutrition services. The partnership with the World Food Programme will also continue facilitating implementation support, knowledge management and policy dialogue under the overall framework of IFAD's field presence pilot initiatives. The partnership with the Department for International Development has enabled grant financing for the vital institutional development aspects of projects, and efforts will be made to deepen and widen this partnership in the future. Partnership with these two institutions is of strategic value and will be sustained throughout this COSOP cycle. Another donor that has expressed interest in the themes proposed for IFAD intervention is Germany, through the German Agency for Technical Cooperation (GTZ), for the newly approved project for the Himalayas, and this partnership could be extended to the proposed assistance for microfinance and women's empowerment.

48. IFAD has also had a very successful partnership with the Consultative Group on International Agricultural Research institutions in the development of pro-poor technologies for resource poor farmers. This partnership would be strengthened by the linkage of the IFAD country programme with the results of the grants for transfer and dissemination of knowledge.

### **E. Areas for Policy Dialogue**

49. In the context of the significant policy challenges that India faces, there are three major areas where macro-policy reform may bring about a significant difference in the situation of the rural poor: (i) differentiated policies for developed and less developed regions that are directed towards market-driven agriculture in the developed regions and focused interventions for rural poverty alleviation in the less developed regions; (ii) land reform, addressed largely through tenancy arrangements, so as to deal with the issue of rural poverty; and (iii) social risk management policies to complement and support policy reform in agriculture.

50. In practical terms, the way in which IFAD can contribute to this is by dovetailing a reformist agenda on policy issues in all its projects that impact on agriculture-based rural livelihoods centred on women. This agenda can be centred on the following areas: (i) refocusing on land reform in order to improve women's access to productive resources, with the emphasis on 'access' as opposed to ownership, by addressing issues such as tenancy provision, allotments of ceiling surplus land to women, the promotion of women's access to wasteland and degraded forest; (ii) enhancing women's access to credit and financial services by, inter alia, linking women with investment credit for agriculture through membership in cooperatives; and (iii) promoting participation in representative institutions by actively fostering women's representation in agricultural marketing federations, milk unions and farmer associations at all levels.

51. Given the limited role that IFAD plays in terms of its financial contribution, it can best contribute to policy dialogue by improving knowledge that leads to policy changes and by working at the ground level to build models that can demonstrate and facilitate policy change as shown by IFAD's previous experience (outlined above). Accordingly, IFAD's involvement in policy dialogue can be best implemented by adopting modalities involving: (i) networking with like-minded partners among the donor community, academics, professional bodies and institutions; (ii) propagating reform knowledge by carrying the messages of successful policy reform from isolated projects to multiple platforms through workshops, occasional reports and papers, exposure visits by key stakeholders, including members of legislatures and policy makers, and planned media campaigns; and (iii) promoting the professional development of critical personnel at the central and state levels through specialized professional courses, workshops and seminars that help to build up knowledge on and understanding of specific policy issues.

## **F. Action Areas for Improving Portfolio Management**

52. While IFAD's assistance programme in India has generally been successful in bringing about the desired impacts, there are a number of areas that need improvement: most projects have taken an inordinately long time to become effective due to legal and administrative hurdles; slow disbursements in terms of special drawing rights, particularly in the early years of a project; mutual learning among projects has not taken place to the extent desirable; sustaining project impacts through a well thought out exit strategy will continue to remain a challenge; further improvements in project management structures are required for the enhanced participation of beneficiaries, NGOs and the private sector; and there is a need to enhance implementation support. This issue is being addressed mainly through the partnership with the World Food Programme since July 2001. While significant progress has been made, this needs further strengthening.

53. After peaking in 1999, IFAD's gross disbursement to India fell sharply in 2000. As India's replenishment contribution went up, the net flow became negative in that year. The recent recovery in disbursements, combined with the more active portfolio management involving project closures and loan cancellations, has enabled a reduction in the undisbursed balance. These improvements need to be sustained and consolidated by expediting implementation rates, quickening the pace of disbursements, the timely closing of projects and, if applicable, timely cancellations. The direct channelling of funds from the Government to autonomous societies at the state level would also constitute a priority. India forms part of both the direct supervision and the field presence pilot initiatives, and these will be utilized to develop local ownership, expand fruitful partnerships, contribute to policy shaping and implementation, and bring overall improvement in portfolio performance.

## **G. Tentative Lending Framework and Rolling Programme of Work**

54. With the implementation of the performance-based allocation system, the level of IFAD's lending to India will be determined largely by IFAD's overall programme size. It could also be constrained by the annual single-country approval limits set by lending policy. In view of these, the lending levels of IFAD to India would range from USD 110 million to USD 119 million for the current programme cycle of 2005-2009; this would permit the development of four relatively large interventions. It would permit one project each for women's empowerment, development among tribal populations, the development of a coastal fisheries project and the development of a highly vulnerable area encompassing the middle Gangetic plains, including Assam. These interventions would be in the order of priority set and subject to overall resource availability. In addition, the inclusion of the middle Gangetic plains, along with Assam, during the present cycle would also be dependent on the flexibility accorded by the state governments of Bihar and Uttar Pradesh/Assam in terms of building participatory grass-roots institutions and dealing with issues related to land tenure and the use of common property resources. Furthermore, the intervention by IFAD in the north-east would be undertaken only under a highly optimistic resource availability scenario and subject to a favourable recommendation through an interim strategic review. In the meantime, IFAD would prioritize the experience gained from existing projects and build a knowledge base for the development of a project for the north-east in the succeeding cycles.

APPENDIX I

COUNTRY DATA

INDIA

|  |                    |   |            |
|--|--------------------|---|------------|
| <b>Land area (km<sup>2</sup> thousand) 2003 1/</b>                       | 2 973              | <b>GNI per capita (USD) 2003 1/</b>                             | 540        |
| <b>Total population (million) 2003 1/</b>                                | 1 064              | <b>GDP per capita growth (annual %) 2003 1/</b>                 | 7.1        |
| <b>Population density (people per km<sup>2</sup>) 2003 1/</b>            | 358                | <b>Inflation, consumer prices (annual %) 2003 1/</b>            | 4          |
| <b>Local currency</b>  | Indian Rupee (INR) | <b>Exchange rate: USD 1 =</b>                                   | INR 43.65  |
| <b>Social Indicators</b>   |                    | <b>Economic Indicators</b>                                      |            |
| Population (average annual population growth rate) 1997-2003 1/          | 1.6                | GDP (USD million) 2003 1/                                       | 600 637    |
| Crude birth rate (per thousand people) 2003 1/                           | 24                 | Average annual rate of growth of GDP 2/                         |            |
| Crude death rate (per thousand people) 2003 1/                           | 8                  | 1983-1993   | 5.4        |
| Infant mortality rate (per thousand live births) 2003 1/                 | 63                 | 1993-2003   | 5.9        |
| Life expectancy at birth (years) 2003 1/                                 | 63                 | Sectoral distribution of GDP 2003 1/                            |            |
| Number of rural poor (million) (approximate) 1/                          | n/a                | % agriculture   | 22         |
| Poor as % of total rural population 1/                                   | n/a                | % industry  | 27         |
| Total labour force (million) 2003 1/                                     | 473.3              | % manufacturing   | 16         |
| Female labour force as % of total 2003 1/                                | 33                 | % services  | 51         |
| <b>Education</b>   |                    | Consumption 2003 1/   |            |
| School enrolment, primary (% gross) 2003 1/                              | 99 a/              | General government final consumption expenditure (as % of GDP)  | 13         |
| Adult illiteracy rate (% age 15 and above) 2003 1/                       | 39 a/              | Household final consumption expenditure, etc. (as % of GDP)     | 65         |
| <b>Nutrition</b>   |                    | Gross domestic savings (as % of GDP)                            | 22         |
| Daily calorie supply per capita  | n/a                | <b>Balance of Payments (USD million)</b>                        |            |
| Malnutrition prevalence, height for age (% of children under 5) 2003 3/  | 46 a/              | Merchandise exports 2003 1/                                     | 55 982     |
| Malnutrition prevalence, weight for age (% of children under 5) 2003 3/  | 47 a/              | Merchandise imports 2003 1/                                     | 70 707     |
| <b>Health</b>  |                    | Balance of merchandise trade                                    | -14 725    |
| Health expenditure, total (as % of GDP) 2003 1/                          | 6 a/               | Current account balances (USD million)                          |            |
| Physicians (per thousand people) 1/                                      | n/a                | before official transfers 2003 1/                               | -12 169 a/ |
| Population using improved water sources (%) 2002 2/                      | 86                 | after official transfers 2003 1/                                | 177 a/     |
| Population with access to essential drugs (%) 2/                         | n/a                | Foreign direct investment, net 2003 1/                          | 4 269      |
| Population using adequate sanitation facilities (%) 2002 2/              | 30                 | <b>Government Finance</b>                                       |            |
| <b>Agriculture and Food</b>  |                    | Cash surplus/deficit (as % of GDP) 2003 1/                      | -4         |
| Food imports (% of merchandise imports) 2003 1/                          | 6                  | Total expenditure (% of GDP) 2003 1/                            | n/a        |
| Fertilizer consumption (hundreds of grams per ha of arable land) 2003 1/ | 996 a/             | Total external debt (USD million) 2003 1/                       | 113 467    |
| Food production index (1999=100) 2003 1/                                 | 105                | Present value of debt (as % of GNI) 2003 1/                     | 19         |
| Cereal yield (kg per ha) 2003 1/   | 2 364              | Total debt service (% of exports of goods and services) 2003 1/ | 18         |
| <b>Land Use</b>  |                    | Lending interest rate (%) 2003 1/                               | 12         |
| Arable land as % of land area 2003 1/                                    | 54 a/              | Deposit interest rate (%) 2003 1/                               | n/a        |
| Forest area as % of total land area 2003 1/                              | 22 a/              |   |            |
| Irrigated land as % of cropland 2003 1/                                  | 34 a/              |   |            |

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

1/ World Bank, *World Development Indicators* CD Rom 2005

2/ UNDP, *Human Development Report*, 2005

**LOGICAL FRAMEWORK**

| <b>Goal</b>   | <b>Indicators</b>   | <b>Means of Verification</b>  | <b>Assumptions</b>  |
|---|---|---|---|
| <ul style="list-style-type: none"> <li>Results of pilot innovative approaches to poverty reduction upscaled by the government and other multilateral agencies successfully</li> </ul>   | <ul style="list-style-type: none"> <li>Innovative poverty reduction programmes implemented</li> <li>Pilot approaches upscaled by government and other multilateral donors</li> <li>Poverty incidence in programme area by social groups and gender</li> <li>Reduced prevalence of malnutrition by gender (RIMS indicator)</li> <li>Improved household asset ownership by gender (RIMS indicator)</li> </ul>   | <ul style="list-style-type: none"> <li>National Household Sample Surveys</li> <li>National and State statistics</li> <li>Policy papers and other government official documents</li> <li>Sector studies</li> <li>Monitoring and impact studies</li> <li>Project baseline and completion reports</li> <li>Participatory Impact Assessment reports</li> </ul>  | <ul style="list-style-type: none"> <li>Continued policy support for poverty reduction</li> <li>Successful upscalable models are developed. Resources are committed by Government and other external agencies</li> <li>MDGs continue to determine national and state policy objectives and budget allocations</li> <li>IFAD's Strategic Framework continues to inspire project and programme design and implementation</li> <li>The poor's perception of poverty coincides with the MDGs and IFAD's strategic thrusts</li> </ul> |
| <b>COSOP Thrust: Capacity-building</b>  | <b>Indicators</b>   | <b>Means of Verification</b>  | <b>Assumptions</b>  |
| <p>A. Participatory grass-roots institutions of disadvantaged groups fully functional and sustainable</p> <p>B. Support services in public, private and NGO sectors are sustainably providing financial, technical, marketing and social services to disadvantaged groups and individuals</p> | <ul style="list-style-type: none"> <li>No. of grass-roots institutions formed and strengthened by gender of membership providing access of poor to natural and financial resources, advice and other services, designing and implementing own programmes, where required with external support, influencing policies to become more equitable and development oriented, instrumental in empowerment of women</li> <li>No. of disadvantaged group members by gender</li> <li>No. of persons trained by gender</li> <li>No. and type of activities designed and implemented</li> <li>Results of activities</li> <li>External support mobilised</li> <li>No. of policy adjustments</li> <li>Changes in roles and responsibilities of women</li> <li>No. of support services strengthened, staff trained, institutional capacities expanded;</li> <li>No. and types of support provided to disadvantaged</li> <li>Sustainability of support services</li> </ul> | <ul style="list-style-type: none"> <li>Annual Reports from grass-roots institutions</li> <li>Socio-economic surveys at institutions and household level</li> <li>Reports on training provided by gender</li> <li>Participatory and economic analysis of institutions activities</li> <li>Reports external support agencies</li> <li>Government policy statements</li> <li>Local government reports</li> <li>Annual reports support services</li> <li>Annual reports on support activities to disadvantaged groups, by gender</li> <li>Reports on strengthening support services: staffing, internal capacities, etc.</li> </ul> | <ul style="list-style-type: none"> <li>Grass-roots institutions continue representing interests of disadvantaged membership</li> <li>Membership conditions of grass-roots institutions do not prohibit poorest to adhere</li> <li>Strengthened support services maintain focus on disadvantaged groups</li> </ul>   |



| <b>COSOP Thrust: Access to resources</b>  | <b>Indicators</b>  | <b>Means of Verification</b>  | <b>Assumptions</b>   |
|---|--|---|--|
| Marginalized groups have access to natural resources, financial services and knowledge and technology and apply them in a sustainable manner to improve their living conditions while maintaining and strengthening their cultural identity   | <ul style="list-style-type: none"> <li>Land, forest areas, water resources managed by poor by gender</li> <li>Output produced from natural resources by gender</li> <li>Financial services used by poor by gender, performance</li> <li>Applied research on applications of indigenous knowledge, results</li> <li>Adoption rate of (indigenous) technologies by gender, results</li> <li>No. of poor participating in knowledge development and exchange</li> </ul> | <ul style="list-style-type: none"> <li>National and State statistics</li> <li>Area and poverty specific studies</li> <li>Household surveys of sample of poor</li> <li>Reports of service providers</li> <li>Research reports</li> <li>Project reports</li> <li>Evaluation and impact studies</li> </ul>                             | <ul style="list-style-type: none"> <li>The trade-off between raising incomes quickly and longer term sustainability will be resolved in a participatory manner, on the basis of indigenous knowledge, cultural values and external technologies and support</li> </ul> |
| <b>COSOP Thrust: Diversification</b>  | <b>Indicators</b>  | <b>Means of Verification</b>  | <b>Assumptions</b>   |
| <ul style="list-style-type: none"> <li>Previously poor households successfully undertake a diversified set of economic activities, which are sustainable, keep them out of poverty and are sufficient resilient to absorb major external shocks</li> </ul>  | No. and type of activities undertaken, performance of each<br>Decreasing poverty incidence and poverty gap<br>Activity mix and poverty incidence after calamities  | Household sample surveys<br>National and State statistics<br>Impact assessments<br>Project reports  | <ul style="list-style-type: none"> <li>Diversification mix of activities remains resilient under conditions of increasing frequency of external shocks (e.g. climate change)</li> </ul>  |
| <b>Outputs</b>  | <b>Indicators</b>  | <b>Means of Verification</b>  | <b>Assumptions</b>   |
| <ul style="list-style-type: none"> <li>Poverty among Scheduled Castes, Scheduled Tribes and women sustainably reduced and further reducing</li> <li>Women being empowered and gender inequalities further reducing</li> <li>Education, health, literacy improved and further improving</li> <li>Participatory grass-roots institutions effectively operating and expanding</li> <li>Innovative pro-poor policies being applied</li> </ul> | <ul style="list-style-type: none"> <li>Poverty incidence among target population annually declining, also under less favourable external conditions</li> <li>No. of women in public positions</li> <li>Reduction in domestic violence</li> <li>Enrolment rates by gender</li> <li>Maternal Mortality rate</li> <li>Female literacy rate in appropriate language</li> <li>Policy statements and their applications</li> </ul>   | <ul style="list-style-type: none"> <li>National and State statistics</li> <li>Government budgets</li> <li>Budget speech, policy statements</li> <li>Household sample surveys</li> <li>Impact assessments by gender</li> <li>Gender studies</li> <li>Annual reports education, health services and other support agencies</li> </ul> | <ul style="list-style-type: none"> <li>Participation, gender and sustainability remain essential elements of project and programme design</li> </ul>   |

### STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

|                | <b>Strengths</b>   | <b>Weaknesses</b>   | <b>Opportunities</b>  | <b>Threats/Risks</b>   |
|----------------|--|---|---|--|
| <b>Overall</b> | <ul style="list-style-type: none"> <li>- Strong commitment of current government to rural poverty reduction</li> <li>- Constitutional Provisions for the socially excluded and marginalized sections of society including Scheduled Castes and Scheduled Tribes</li> <li>- Allocation of substantial resources for poverty reduction through the introduction of new schemes such as National Rural Employment Guarantee Bill</li> <li>- Successful experience in poverty reduction</li> <li>- Improved coordination between central and state governments</li> <li>- Availability of well established NGO community and civil society institutions</li> </ul> | <ul style="list-style-type: none"> <li>- Insufficient priority accorded to monitoring and impact assessment</li> <li>- Previous shortcomings in targeting</li> <li>- Low allocation for agricultural and rural sector previously</li> </ul> | <ul style="list-style-type: none"> <li>- Developing results based management system</li> <li>- Growing awareness of the rural-urban divide and considerable allocation for development of rural areas through the launch of Bharat Nirman Yojana (India Rebuilding Programme)</li> <li>- Increasing allocation and focus on rural areas</li> <li>- Adoption of progressive legislation such as the Right to Information Act (RTIA)</li> </ul> | <ul style="list-style-type: none"> <li>- Priority continuing to be economic growth with redistributive effect</li> <li>- Change in political establishment at the centre and state level might lead to change in priorities</li> <li>- Insurgency movements related to conflict over natural resources such as the leftist insurgencies</li> </ul> |

**IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME**

| IFAD'S STRATEGIC FRAMEWORK   | REGIONAL STRATEGY  | GOVERNMENT POVERTY REDUCTION STRATEGY  | INDIA COSOP   |
|--|--|--|---|
| <p><b><u>Vision Statement</u></b><br/>IFAD believes that increasing access to assets (human, social, natural, technological and financial assets) is crucial for broad-based growth and poverty reduction. Thus it fosters social development, gender equity, income generation, improved nutritional status, environmental sustainability and good governance within the following main thrusts:</p> <p><u>Human and social assets</u></p> <p>Strengthening the capacity of the rural poor and their organization</p> <p><u>Financial assets and markets</u></p> <p>Increasing access to financial services and markets</p> <p><u>Productive assets and technology</u></p> <p>Providing equitable access to productive natural resources and technology</p> | <p>Within the corporate thrusts, the Regional Strategy focuses on:</p> <ul style="list-style-type: none"> <li>□ Enhancing women's capabilities in order to promote their role in agricultural development and improve their position in society</li> <li>□ Reducing poverty by enhancing the capabilities of indigenous peoples and other marginalized groups</li> <li>□ Building coalitions of the poor</li> <li>□ Enhancing peace for poverty reduction</li> <li>□ Developing less favoured areas</li> </ul> | <p><u>Human and social assets</u></p> <ul style="list-style-type: none"> <li>□ Promoting greater participation of common people in decision making</li> <li>□ Creating a network of institutions – CBOs, NGOs, government – for promoting the self-help movement</li> <li>□ Promoting access to education, health, sanitation and water and implementing targeted food and nutrition programmes</li> </ul> <p><u>Financial assets and markets</u></p> <ul style="list-style-type: none"> <li>□ Establishing SHGs for savings mobilization and access to micro-finance</li> <li>□ Establishing marketing linkages with the private sector, industrial enterprises and export houses</li> </ul> <p><u>Productive assets and technology</u></p> <ul style="list-style-type: none"> <li>□ Promoting access to land including purchase of land and its distribution to the landless poor and allocation of common forest and wastelands to the poor</li> <li>□ Promoting expansion of watershed management for rainwater harvesting and conservation</li> <li>□ Provision of technical support for upgradation of technology in farm and non-farm sector</li> </ul> | <p><u>Human and social assets</u></p> <ul style="list-style-type: none"> <li>□ Capacity-building of grass-roots institutions to engender greater ownership of development and promote self-reliance</li> <li>□ Empowerment of women to improve their position within households and communities</li> </ul> <p><u>Financial assets and markets</u></p> <ul style="list-style-type: none"> <li>□ Strengthening micro-finance initiatives, expanding range of micro-finance products to meet needs of the poor</li> <li>□ Strengthening linkages with supporting services to sustain and expand livelihood opportunities including market linkages</li> </ul> <p><u>Productive assets and technology</u></p> <ul style="list-style-type: none"> <li>□ Increasing access of the poor to productive resources, particularly land, forest and fisheries resources</li> <li>□ Promoting institutional development, investment in infrastructure and access to knowledge and technology for income generation and sustainable management of these resources</li> <li>□ Diversifying livelihood opportunities to increase incomes and reduce risk</li> </ul> |

**ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED**

| <b>Donor/Agency</b>  | <b>Nature of Project/Programme</b>   | <b>Project/Programme Coverage</b>   | <b>Status</b> | <b>Complementarity/Synergy Potential</b>  |
|--|--|---|---------------|---|
| <b>World Food Programme</b>  | Commodity assistance   | Support for food-for-work and supplementary nutrition services  | Ongoing       | Strong complementarity with IFAD programmes and high potential for collaboration strengthening existing partnership arrangements on three ongoing IFAD projects   |
| <b>Department for International Development (United Kingdom of Great Britain and Northern Ireland)</b> | Rural development, enhancing rural livelihoods and micro-finance for poverty alleviation   | Support for livelihood improvement and empowerment of poor; sustainable management of resources; education, health and water; and strengthening implementation capacity of government. Works mainly in Orissa, Andhra Pradesh, Karnataka, Madhya Pradesh, West Bengal | Ongoing       | Strategic partnership developed under two on-going IFAD projects – National Micro-Finance Programme and Orissa Tribal Empowerment and Livelihoods Programme and potential exists for deepening and widening this partnership in the future                            |
| <b>German Agency for Technical Cooperation (GTZ)</b>   | Sustainable resource management and capacity-building  | Programmes in support of watershed management, community institution building for self-help, strengthening of water and soil conservation training institute – principally in Maharashtra   | Ongoing       | Strong complementarity with IFAD programmes in natural resource management and has expressed interest in themes proposed for IFAD intervention. Partnership with IFAD for Himalayas Livelihoods Project and potential exists for developing this relationship further |
| <b>World Bank</b>  | Strengthening enabling environment for growth ; accelerating pro-poor development; education and health; financial sector development; governance reform and decentralization; fiscal reform | <b><i>District Poverty Initiatives Project (DPIP)</i></b> – community empowerment, institutional development and asset creation in Andhra Pradesh, Madhya Pradesh, Rajasthan and Chhattisgarh   | Ongoing       | Strong complementarity with IFAD themes - partnership potential limited   |
|  |  | <b><i>Rural Women's Development and Empowerment Project (RWDEP)</i></b> – supports women's capacity-building and micro-finance initiatives through SHGs in Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh and Uttar Pradesh                                       | Ongoing       | Cofinancing partnership with IFAD<br>Strong complementarity with IFAD Programme – partnership potential limited   |

