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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-Sixth Session

Rome, 12-13 December 2005

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF INDIA

FOR THE

TEJASWINI RURAL WOMEN'S EMPOWERMENT PROGRAMME

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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 ²)	=	10.76 square feet ft ²
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

BDS	business development service
DWCD	Department of Women and Child Development
MAVIM	Maharashtra Women's Development Corporation (<i>Mahila Arthik Vikas Mahamandal Limited</i>)
M&E	monitoring and evaluation
MFI	microfinance institution
MIS	management and information system
MVVN	Madhya Pradesh Women's Finance and Development Corporation (<i>Mahila Vitta Evam Vikas Nigam</i>)
NABARD	National Bank for Agriculture and Rural Development
PMU	programme management unit
SHGs	self-help groups

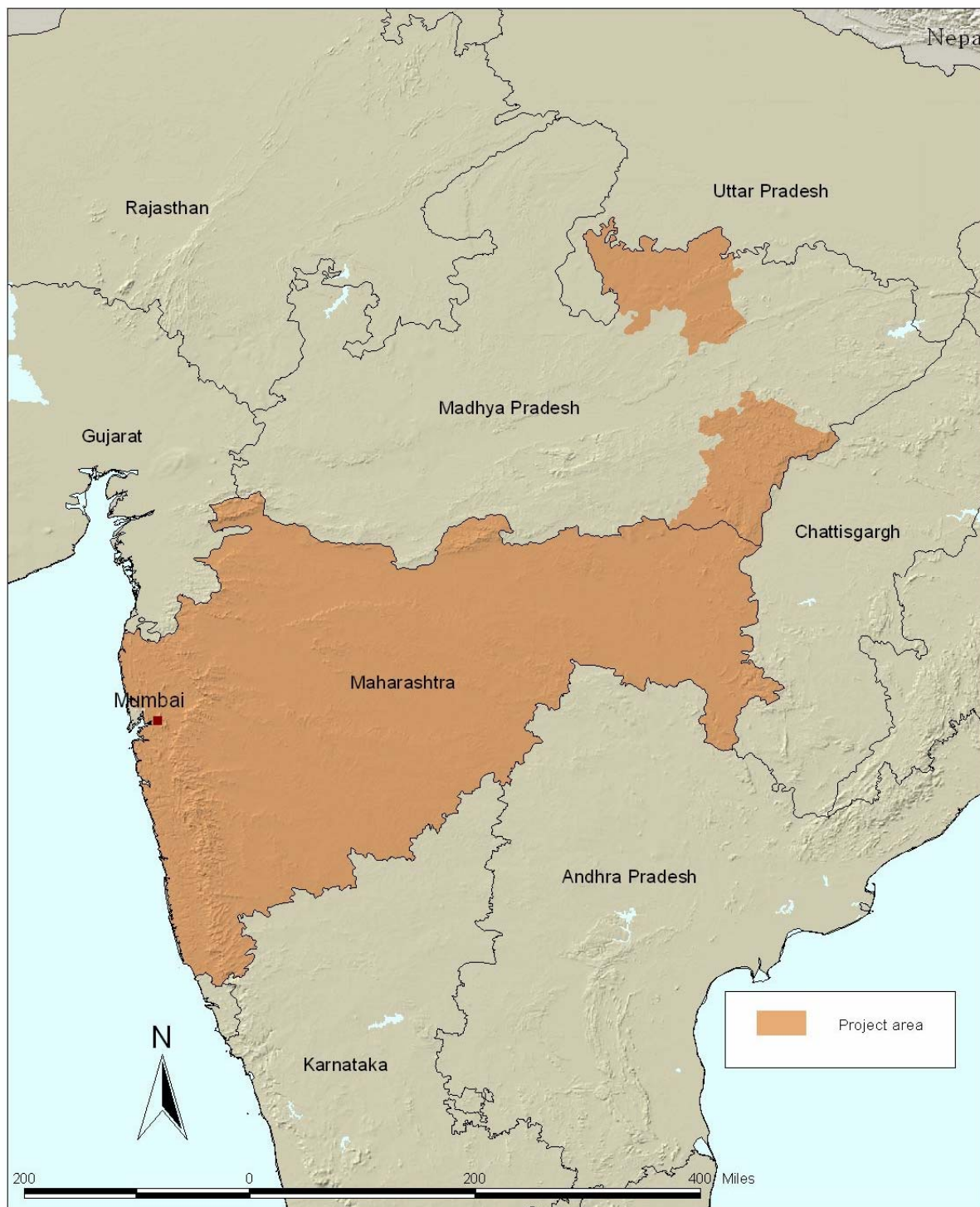
**GOVERNMENT OF THE REPUBLIC OF INDIA
Fiscal Year**

1 April – 31 March

MAP OF THE PROGRAMME AREA

India

Tejaswini - Rural Women's Empowerment Project



Source: IFAD

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

REPUBLIC OF INDIA

TEJASWINI RURAL WOMEN'S EMPOWERMENT PROGRAMME

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of India
EXECUTING AGENCY:	Maharashtra: Maharashtra Women's Development Corporation Madhya Pradesh: Madhya Pradesh Women's Finance and Development Corporation
TOTAL PROGRAMME COST:	USD 208.7 million
AMOUNT OF IFAD LOAN:	SDR 27.75 million (equivalent to approximately USD 39.5 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	International agencies
AMOUNT OF COFINANCING:	USD 270 000
TERMS OF COFINANCING:	To be determined
CONTRIBUTION OF BORROWER:	State governments: USD 12.6 million Maharashtra Health Department: USD 160 000 Banks: USD 140.8 million National Bank for Agriculture and Rural Development: USD 1.5 million
CONTRIBUTION OF BENEFICIARIES:	USD 13.9 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services

PROGRAMME BRIEF

Programme objectives. The overall goal of the Tejaswini Rural Women's Empowerment Programme is to enable poor women to avail themselves of choices, spaces and opportunities in the economic, social and political spheres for their improved well-being. This will be achieved through: (a) creating strong and sustainable self-help groups (SHGs) and SHG apex organizations; (b) providing access to microfinance services; (c) promoting new and improved livelihood opportunities; and (d) creating access to functional literacy and labour-saving infrastructure, and strengthening participation in local governance. In addition, the programme aims to support government policies that empower women and develop the capacity of the Maharashtra Women's Development Corporation (MAVIM) to improve the livelihoods of poor women.

Target area. The programme will target all 33 rural districts of Maharashtra state and six districts of Madhya Pradesh state.

Target Group. The target group will be made up of women members of SHGs. It is envisaged that about 80% of the target group will be women living below the poverty line, many from disadvantaged groups.

Programme components

- Grass-roots institution-building. This will entail support for 62 675 SHGs in Maharashtra and 12 000 SHGs in Madhya Pradesh, together with their federations or other apex organizations.
- Microfinance services: (i) support for SHG-bank linkages; (ii) support for microfinance institutions; and (iii) policy dialogue, pilot schemes and action research.
- Livelihood and enterprise development: (i) livelihood skill development for all SHG members; (ii) enterprise and market linkages via business development service centres; and (iii) market and policy support (for example through producer companies, policy dialogue and pilots for new technologies).
- Women's empowerment and social equity: (i) gender integration (through staff sensitization, studies and policy advocacy); (ii) enabling environment (through sensitization of men, paralegal training and drudgery reduction investment); and (iii) enhancing women's capability (through training for functional literacy; orientation for local government; health [including HIV/AIDS], hygiene and childcare; and family life education for adolescent boys and girls).
- Programme management and institutional support: (i) support for MAVIM and the Madhya Pradesh Women's Finance and Development Corporation (MVVN) at the state and district levels; and (ii) monitoring and evaluation.

Benefits and beneficiaries: Primarily, benefits will go to poor women SHG members and their households. Indirect beneficiaries will include banks, microfinance institutions (who will benefit from an improved customer base) and implementing agencies (MAVIM, the MVVN, NGOs and service-providers) receiving institutional support from the programme. The programme will target 74 675 SHGs with an average membership of 15 women per group, therefore a total of 1.12 million women will benefit from the programme. With about 5.5 persons per household, poor household members benefiting from the programme will amount to 6.16 million.

An analysis of programme costs against expected gains in terms of increased income and employment shows that programme investment is justified and that it should make a significant contribution to poverty reduction.

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
REPUBLIC OF INDIA
FOR THE
TEJASWINI RURAL WOMEN'S EMPOWERMENT PROGRAMME**

I submit the following report and recommendation on a proposed loan to the Republic of India for SDR 27.75 million (equivalent to approximately USD 39.5 million) on highly concessional terms to help finance the Tejaswini¹ Rural Women's Empowerment Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services as IFAD's cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY²

A. The Economy and Agricultural Sector

1. The Indian economy is now recognized as one of the world's powerhouses. Average GDP growth increased from 3.5% during the 1950s-1970s, to 5.4% in the 1980s and, following structural reforms, to 5.9% in the 1990s. GDP growth in 2004 was 6.5% and is forecast to reach 7.0% in 2005. The acceleration in growth has resulted in a rise in per capita GDP from USD 260 in 1980 to USD 538 in 2004 and is expected to rise to USD 620 in 2005.³ National income per person in 2002-2003 was USD 443. GDP growth has varied across economic subsectors, resulting in declining contributions from some subsectors and the increasing importance of others. The contribution of agriculture, in particular, has declined from 57% of GDP in 1950 to 22% in 2002. In the same period, the contribution of services rose from 28% to 51% of GDP, while industry increased more modestly, to 27%.

B. Lessons Learned from Previous IFAD Experience

2. IFAD has so far financed three projects in India with a focus on women's development: the Tamil Nadu Women's Development Project, the Maharashtra Rural Credit Project, and the multi-state Rural Women's Development and Empowerment Project. Some of the main lessons from these projects are that: (i) self-help groups (SHGs) are an appropriate means of targeting support at poor households and can bring significant livelihood and economic benefits; (ii) targeting in terms of the selection of women to become SHG members needs to be flexible; (iii) SHGs need relevant training and continuing support if they are to become sustainable; (iv) banks and other financial institutions need to be fully involved in the project to help foster linkages to enable groups to access loans; (v) support for income-generating activities initially needs to build on existing livelihood strategies (which are primarily agricultural); (vi) monitoring and management information has not been adequate to provide necessary data on SHG performance and enable weak groups to be identified and assisted; (vii) where possible, larger NGOs with proven capacity should be selected; and (viii) women's SHGs provide a platform for women to take action on issues of mutual concern, and

¹ Literally, "a woman who is radiant", thus an empowered woman.

² See Appendix I for additional information.

³ International Monetary Fund. World Economic Outlook, April 2004 Database.

strengthen the empowerment effect of access to savings and credit services. This can be further enhanced by SHGs joining together in village-level committees. There is a need for more explicit support to the empowerment aspect of women groups.

C. IFAD's Strategy for Collaboration with India

India's Policy for Poverty Eradication

3. The tenth Five-Year Plan (2002-07) has set a target of reducing poverty by 5% and achieving annual GDP growth of 8%. It has recognized the importance of developing effective poverty reduction programmes including self-employment programmes, wage employment programmes, social security schemes, land reforms and rural housing. The plan also emphasizes livelihood security, and the need to sustain an agricultural growth rate of 4.0%-4.5%. The Planning Commission's visioning exercise for India in 2020 aims at quadrupling GDP by achieving annual growth rates of GDP of 8.5% to 9%, thus making India an upper-middle-income country. It also aims to reduce the poverty incidence to 13%, about half the current level, and recommends addressing the problems of food insecurity through increased food production and targeted food and nutrition programmes.

The Poverty Eradication Activities of Other Major Donors

4. 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 and accounts for approximately 0.6% of the country's GDP. There are a limited number of bilateral donors in the country including: the Japan Bank for International Cooperation (JBIC), the Department for International Development (DFID) of the United Kingdom of Great Britain and Northern Ireland, the German Credit Institution for Reconstruction (KfW) and the European Union.

IFAD's Strategy in India

5. IFAD's strategic thrust in India is to finance specially targeted programmes aimed at improving the livelihoods of the poorest segments of the population – scheduled castes, scheduled tribes and women – by: (i) building the capacity of the grass-roots institutions of the target groups and supporting agencies; (ii) promoting their access to, and protecting their interests in, natural resources; and (iii) promoting and diversifying livelihoods. It is IFAD's policy to incorporate a number of cross-cutting themes in all project interventions, and these constitute imperative design criteria. They include support for women, with the focus on enhancing their access to microfinance activities, synergies with HIV/AIDS programmes, development of sustainable agriculture, and project implementation through NGOs.

Programme Rationale

6. The programme is designed to support the commitment of the state governments of Maharashtra and Madhya Pradesh to the social and economic empowerment of women through improvements in incomes and material conditions, participation in decision-making processes and control over their lives and livelihoods. The rationale of the programme lies in: (i) the fact that the SHG movement has taken off on a large scale and is used by numerous government rural development projects and rural banks. However, many of these projects are not providing the support needed to bring groups to a self-sustaining level, or both to empower women and to lift them out of poverty; (ii) although rural credit policies support SHGs and their strong credit performance has generated keen interest among rural banks, most groups do not have access to bank finance on a sustainable basis; (iii) SHGs will need continued support from outside agencies. Cluster-level federations or resource centres can fulfil this role, and be financed on a sustainable basis by SHGs; SHG members need additional support to utilize loans efficiently for improved livelihoods. This requires skill-training, market linkages and

other support services; (iv) in addition to providing financial services and livelihood support, SHGs and cluster organizations also provide an effective base for other actions that empower women, such as functional literacy, awareness-raising of legal rights, and dissemination of knowledge on better health and hygiene practices; and (v) all these actions to empower women can feed into local-level governance and state-level policy. Women's village-level committees have been shown to be effective in promoting local initiatives for the welfare and empowerment of women, and in making demands to local government structures.

PART II – THE PROGRAMME

A. Programme Area and Target Group

7. In supporting the overall development of the Maharashtra Women's Development Corporation (MAVIM), the programme will cover all 33 rural districts of Maharashtra, and about 10 000 villages out of the total of 43 000. However, the activities to be funded by the programme will tend to concentrate on the 16 tribal districts and other backward areas. In Madhya Pradesh, the programme will be implemented initially in six districts including the three districts in the tribal-dominated south-east of the state (Balaghat, Dindori and Mandla). This is the poorest part of the state, and women suffer considerably from the overall burden of household poverty. The three other districts (Panna, Chhattarpur and Tikangarh) in the north-east of the state, are not as poor but here, women tend to be worse off. In the northern part of the state, society is, by any standards, very conservative, with the role of women strictly limited to domestic and agricultural labour tasks. The selection of these six districts means that the programme will face challenging poverty and gender issues, and should result in useful lessons for the future improvement of conditions for women in Madhya Pradesh.

8. The programme will draw on lessons from previous IFAD implementation experience, which suggest that targeting in terms of poverty should be flexible and responsive to local conditions. In Maharashtra, the programme will support established groups, and groups that will be formed by other programmes – in particular the Scheduled Tribe Programme and Scheduled Caste Programme. Targeting for the latter groups will be determined by the relevant programme but, in most cases, will have a degree of flexibility. The below-poverty-line system is often used as criteria for poverty targeting, but has been criticized for including some households that are non-poor, while excluding some of the poorest. However, the system is to be reformed with new 13-point selection criteria. In Madhya Pradesh, it is planned that at least 10% of groups formed will be made up of women from the poorest households – defined by the fact that they rely on casual labour and own no agricultural land.

B. Objectives and Scope

9. The overall goal of the programme is to enable poor women to avail of choices, spaces and opportunities in the economic, social and political spheres for their improved well-being. This will be achieved through: (i) creating strong and sustainable SHGs and SHG apex organizations that provide their members with economic and social support; (ii) providing access to savings, credit and insurance services, and building up financial security; (iii) creating opportunities for new and improved livelihood opportunities, by establishing or expanding enterprises and strengthening market linkages and support services; and (iv) providing access to functional literacy training, social services and labour-saving infrastructure, and strengthening participation in local governance. In addition, the programme aims to support government policies that empower women and develop the capacity of MAVIM and the Madhya Pradesh Women's Finance and Development Corporation (MNVN) to improve the livelihoods of poor women.

10. The focus of the programme will be on social mobilization through the formation of SHGs as the basic instrument of women's empowerment. The programme will also promote awareness-raising campaigns in terms of legal, policy and programmatic provisions, which will assist women in

organizing and networking for advocacy purposes. The programme will place considerable emphasis on the development of livelihoods, and while this livelihood support will focus on agricultural activities, non-farm enterprises will also be covered.

11. In Maharashtra, the programme will support MAVIM's overall business plan, which involves about 62 675 already established or new SHGs. Most field-level work will be done by MAVIM's own group organizers, with around 25% of groups being supported by contracted NGOs. In Madhya Pradesh, the MVVN has much less capacity and no district-level offices. It will adopt a flexible approach, working with established SHGs but will also form new groups. The MVVN will engage the services of NGOs for this work.

C. Components

12. The programme will have five components: (i) grass-roots institution-building; (ii) microfinance services; (iii) livelihood and enterprise development; (iv) women's empowerment and social equity; and (v) programme management and institutional support.

Grass-roots Institution-Building

13. **Maharashtra.** The programme will strengthen or reorganize established women's SHGs, or mobilize new groups. As of May 2005, MAVIM was supporting 34 234 SHGs. MAVIM estimates that this will have increased to 38 905 before the Tejaswini Rural Women's Empowerment Programme starts up in April 2006, and rise to 62 675 over the following four years. Of these additional 23 770 SHGs, 9 556 will be formed under the Scheduled Caste Programme and 4 214 under the Scheduled Tribe Programme (both Government of Maharashtra programmes), and 10 000 under the Tejaswini programme. For the two government programmes, MAVIM receives funding from the Government of Maharashtra, and the IFAD programme will aim to supplement this to promote enhanced livelihoods and empowerment, and to support service-centre clusters or federations. The IFAD programme will also reinforce established groups. Around 25% of the new SHGs will be formed and supported by facilitating NGOs contracted to MAVIM. Each NGO will support at least 200 SHGs to be formed over a period of three years. A resource or lead NGO will be contracted to: (i) review the systems and processes of SHG mobilization and book-keeping, and identify the improvements required; (ii) develop curricula for training of location and district staff; and (iii) prepare training material and train the trainers in SHG mobilization methodology.

14. The present strategy of linking older groups to cluster-level federations and entrusting federation leaders with monitoring their member groups is not functioning well. A revised strategy is needed to build and strengthen sustainable grass-roots institutions. This will involve larger federations, each with around 200 SHGs (current federations embrace typically 20-40 SHGs). These federations will lead to both greater professionalism and greater accountability. They will be set up either through MAVIM or through location offices, established by NGOs, which have the potential to become federations of 200 SHGs. While it is envisaged that the location offices will evolve into federations, they may remain as mere service providers. These federations/service-providers will become financially self-reliant by charging groups for book-keeping, auditing and other services.

15. Programme funds for training group members and leaders in the concept of self-help, empowerment, entitlements, financial management, participatory monitoring and leadership will be gradually phased out by year 6, and location staff will be absorbed by SHG federations (or other income-generating service organizations). At a more local level, SHGs may form village-level committees as forums for local planning, resource allocation, and gender and governance issues. SHG activity clusters may also be formed for economic activities involving members from more than one SHG, such as marketing for milk collection centres.

16. **Madhya Pradesh.** The programme will support some 12 000 women's SHGs with a total of 180 000 beneficiaries – either by strengthening or reorganizing established groups, or mobilizing new groups. With an average of five groups per village, around 2 400 villages will be covered. All SHG support will be implemented by NGOs contracted to the programme. Each NGO will undertake support for between 100 and 200 SHGs, or possibly more. NGOs working with the programme may be a mixture of large reputable organizations capable of undertaking SHG mobilization activities in at least one entire district, and medium-sized NGOs that may only cover 100 to 200 groups. These medium-sized NGOs may be supported by one of the larger NGOs in a facilitating role, providing services in the form of training, computerization and supervision. A resource or lead NGO will be contracted to: (i) review the systems and processes of SHG mobilization and book-keeping, and identify necessary improvements; (ii) develop curricula for training of location and district staff; and (iii) prepare training material and train the trainers in SHG mobilization methodology. The best option would be to engage resource/lead NGOs to establish one to two locations in a district and use these locations as focal points for training and capacity-building of location staff managed by facilitating NGOs.

17. While it is envisaged that the location offices will evolve into federations, they may also remain as mere service-providers. These federations/service-providers will become financially self-reliant by charging groups for book-keeping, auditing and other services. They could earn additional income by undertaking business development services, acting as financial agencies and carrying out other functions. However, federations will only be formed on the request of SHGs, and the location offices may remain under NGO supervision and provide SHGs with services for a fee. NGO location staff will train the members and leaders of each group in the concepts of self-help, empowerment, entitlements, financial management, participatory monitoring and leadership. Programme funds for this work will be gradually phased out by year 6, and location staff absorbed by SHG federations (or other income-generating service organizations).

18. Locally, SHGs may form village-level committees as forums for local planning, resource allocation, and addressing gender and governance issues. SHG activity clusters may also be formed for economic activities involving members from more than one SHG, such as marketing for milk collection centres.

Microfinance services

19. The programme will enable SHG members to avail of microfinance services via: (i) generation of SHG savings and lending these funds to group members; (ii) linking of the SHG to a bank or other financial institution to enable the group to access a larger volume of loan funds; and (iii) linking with insurance companies for insurance services. This component will have three subcomponents: (i) support for linkages among SHGs, banks and other financial institutions; (ii) support for microfinance institutions (MFIs) (as a supplement and back-up to credit from banks); and (iii) action research, pilot schemes and policy dialogue to encourage innovation. Linkages will be developed primarily between SHGs and banks.

20. The National Bank for Agriculture and Rural Development (NABARD) and the banks operating in the programme area in both states have confirmed that they are keen to lend to viable and well managed SHGs. The programme will also provide training for staff of location offices, MAVIM and NGOs in microfinance, and support any additional training needed for SHG members, e.g. for SHG auditors. Funds will be provided to build awareness among SHG members of the benefits of insurance services. Significant resources will go to building partnerships with banks – through meetings, training workshops and exposure visits for bank staff to build their relationship with the programme.

21. The third subcomponent in both states involves policy dialogue, pilot schemes and action research. The programme will fund studies on the impact of certain aspects of microfinance on very poor women, e.g. pilot products such as insurance. Studies will also review the performance of groups formed under different programmes. Action research will involve five primary agricultural cooperative societies to act as location offices, and an evaluation of the impact of SHGs on improving the performance of rural bank branches with high levels of overdue loans. Pilot programmes will support the development of new microfinance products.

22. **Maharashtra.** Support for the microfinance institutions subcomponent will provide assistance to Mahila Swavalamban Nidhi (MSN) in functioning as a professionally managed MFI, rather than as part of MAVIM. This will include legal fees, exposure visits to established MFIs, setting up the management information system (MIS), and consultancy support. The programme will also fund start-up costs for the first two years (salaries and equipment), after which MSN should become self-financing. The MSN will provide bridge finance to groups before they get bank loans, or where bank loans are not otherwise available.

23. The programme will not support the development of federations as financial intermediaries. Although many of the federations established by MAVIM are lending to SHGs, their available capital is very limited, and they are unlikely to succeed as financial intermediaries as they lack the financial strength and management skills. Although a few of the federations may also act as financial intermediaries for specialized loans (such as housing), their primary role will be in providing support services to SHGs and promoting improved livelihoods.

24. **Madhya Pradesh.** The support for microfinance institutions subcomponent will support the establishment of about eight new MFI branches to provide bridge finance to groups before they obtain bank loans, or where bank loans are not otherwise available. However, the growth of the MFIs will not be at the cost of bank linkages for groups and will not exclude banks from lending directly to SHGs. The programme will finance some of the first year establishment costs of new branches. In addition, to provide an incentive for the MFI to lend to programme groups, USD 17 per group will be paid to the MFI when the group has been credit-linked twice with the MFI and has reached a loan size of USD 687. The MFIs can mobilize resources for this lending from loan and equity funds that are already established in the country.

Livelihood and Enterprise Development

25. This component will have three subcomponents: (i) livelihood skill development; (ii) enterprise and market linkages; and (iii) marketing support. The first of these aims to boost the livelihoods of all SHG members at the local level – largely through building on their existing income-generating activities (such as agriculture) and addressing the needs of local markets. An initial awareness-raising activity regarding livelihood options will be followed up by two to three days of non-residential training in a range of income-generating skills provided by: (i) location office staff; and (ii) external organizations such as resource NGOs and government agencies such as the Maharashtra Centre for Entrepreneurship Development. Progressive entrepreneurs from SHGs will be granted opportunities to attend further training at courses organized by outside organizations. To help identify viable and appropriate livelihood opportunities, determine training needs and draw up training plans, and provide post-training follow-up, the programme will fund support from a resource NGO that is involved in such work with SHGs (e.g. the Professional Assistance for Development Action [PRADAN] or the BAIF Development Research Foundation), together with short-term inputs from livelihood consultants.

26. The second subcomponent, enterprise development and market linkages, aims to encourage higher volumes of production that better address the needs of larger and more distant markets. This will permit a higher level of investment and greater value-added, and so increase employment and

income. Implementation will be based on a subsector approach, with an initial state-wide subsector identification study to be undertaken by a qualified external agency. This will identify high-potential subsectors by taking account of available resources, market demand and the potential capacity of SHG members. The study will also indicate how selected subsectors could best be developed, which in turn will help in the selection of the business development service (BDS) providers. These providers will be recruited for a five-year period, to establish six centres.

27. The third subcomponent will provide other marketing support. For the first three years of the programme, an experienced marketing consultant will be employed to advise on all aspects of market-related livelihoods, including recruitment of the BDS providers and market/livelihood policy issues that affect the programme.

28. The programme will also support the establishment of producer companies to bring collective strength to procurement and marketing. It is anticipated that the BDS centres will play an important role in sponsoring and supporting producer companies. These companies will have an equity-based ownership structure through which SHGs could share ownership with commercial organizations (such as large buyers), an NGO or even the BDS provider. An annual event could be conducted to encourage networking among sector players from the two states concerned, share learning and undergo a higher level of training in managing such operations.

29. Finally, the programme will have a fund in both states to support pilot schemes for new technologies. The growth in production among SHG members will stem from a combination of increasing market demand and improved technology. Technology may help reduce production costs, and improve on the quality and type of products. Care is needed in selecting partners who can assist in this process (for example, the Khadi and Village Industries Commission, the BAIF Development Research Foundation, the National Innovation Foundation and the International Development Enterprises [India]).

30. Through the Rural Women's Development and Empowerment Project in Madhya Pradesh, the MVVN has already helped women's SHGs assume management control of 19 local markets from local government. This has significantly added to the social empowerment of SHG members, as markets are an important community institution. The Tejaswini programme will aim to foster similar market management through SHGs.

Women's Empowerment and Social Equity

31. This component aims at reinforcing empowerment processes by enhancing women's capacities through demand-driven training and support, by sensitizing men and social institutions to reduce resistance to transformation in women's roles, and by leveraging the benefits of progressive legislation and schemes of the state governments. It will have three subcomponents: (i) gender integration; (ii) creating an enabling environment; and (iii) enhancing women's capabilities. The first subcomponent will aim to ensure gender responsiveness across all the components, with staff being sensitized to gender, caste and class issues.

32. The second subcomponent aims to create an enabling environment for women by sensitizing men, in addition to local government and other institutions, in order to begin transforming gender roles. Some SHG leaders will obtain paralegal training to enable them to deal with crises, such as child marriage and violence, and to resist demands for dowry. The programme will also support an investment of USD 229 per village (50% contributed by the village) in small items of village infrastructure that will reduce the drudgery of women, such as pulleys for open wells, woodlots for fuel and smoke-free stoves.

33. The third subcomponent will enhance the capability of women through demand-driven training and support in the fields of: (i) functional literacy; (ii) orientation for local government to increase women's participation; (iii) health, hygiene and child care (including HIV/AIDS); and (iv) family life education for adolescent boys and girls. Where possible, training and support for SHG members will be provided by linking SHGs to existing government programmes that provide this support – especially in functional literacy.

Programme Management and Institutional Support

34. **Maharashtra.** The current organizational structure of MAVIM at the state level will be strengthened by appointing a senior adviser with extensive experience in implementing large livelihood programmes. This person will be groomed to become the executive director of MAVIM. In addition, a general manager, two other managers and three development officers will be recruited. Positions at the district level will be reduced as many functions will be transferred to location offices. A senior district coordinating officer will be nominated as regional coordinator covering three to four districts. In the third programme year, the programme will fund management consultants for MAVIM to draw up a future strategy for the organization based on emerging revenue streams, taking account of reduced SHG mobilization in future years and the need to match costs to available revenue. Management of location offices will be undertaken by both MAVIM and by contracted facilitating NGOs. Resource or lead NGOs will be contracted to support the process of SHG mobilization, livelihood development and training, gender integration and health education.

35. The programme will establish a monitoring and evaluation (M&E)/MIS unit within MAVIM. The programme will provide additional support to enhance the MIS. Some monitoring and impact surveys will be contracted to external organizations.

36. **Madhya Pradesh.** The programme will establish a state programme management unit (PMU) within the MVVN in Bhopal with a programme director, a finance manager and two professionals. There will also be a district PMU in each of the programme districts. Each district unit will have a programme manager, a finance officer and programme/finance assistants. The programme director will report to the managing director of the MVVN. The field-level activities will be implemented by NGOs, which will establish location offices to support SHGs.

37. The programme will provide management consultancy support to the MVVN in the second programme year to assess: (i) the emerging revenue and expenditure streams of the MVVN; (ii) the need for and feasibility of developing new revenue streams taking into account government ownership of the MVVN; and (iii) the need for field presence and the required extent of such presence. Based on this analysis, a strategy for achieving the objectives will be worked out and an operational plan will be developed for institutional development of the MVVN.

38. An M&E unit will be established in the state PMU with a manager for M&E and MIS, and an MIS officer. They will be supported by two M&E assistants at the state level and an M&E assistant in each district PMU. All district M&E assistants will report directly to the manager, M&E and MIS, to enhance independence of this cell.

39. The programme will fund incremental staff, equipment and recurrent costs to implement the programme both at the state and at the district level. The IFAD contribution towards salaries will ensure that the MVVN assumes all these costs before programme closure. It is envisaged that the Government of Madhya Pradesh will agree that a portion (USD 572 738) of IFAD's contribution be allocated to the MVVN. This will provide the resources for the MVVN both to fund non-programme staff and to take over gradually funding of programme staff. This income will also enable the MVVN to sustain its operations after the end of the programme.

D. Costs and Financing

40. Total investment and incremental recurrent programme costs, including physical and price contingencies, have been estimated at USD 208.7 million. The foreign exchange element is estimated at USD 1.6 million or less than 1% of total programme costs. In Maharashtra, the base costs of the overall programme for MAVIM for the next eight years are estimated at USD 158.3 million. For Madhya Pradesh, base costs are estimated at USD 34.3 million. In addition, some USD 1.6 million has been provided for contingencies.

41. The programme will be financed from a number of sources. The core activities will be financed by the states of Maharashtra and Madhya Pradesh from state-level revenue resources, and from IFAD loan funds on-lent to the states by the Government of India. In addition, as mentioned above, the incremental loans for enterprise development will be financed by participating banks. The IFAD loan will finance the majority of investment costs, and incremental recurrent costs on a sliding scale of 100% for the first six years, decreasing to 50% in year 7 and 0% in year 8. In addition, IFAD will finance 50% of village development funds with the remaining contribution from communities themselves. SHG members will take on the recurrent costs of the location offices (under the grass-roots institution-building component) from years 6 to 8 of the programme. The state governments will finance existing recurrent costs and staff salaries, the balance of incremental costs and all taxes. Finally, some specific activities will be financed by other banks and agencies.

42. IFAD's loan to finance the programme will amount to USD 39.5 million. Of this, USD 26.5 million will be allocated to financing MAVIM's programme in Maharashtra, and USD 13.0 million will finance the implementation of the programme in Madhya Pradesh. Beneficiaries will contribute USD 13.9 million in taking over the costs of the location centres and contributing towards village development activities. A contribution of approximately USD 1.5 million will be expected from NABARD to cover some of the costs of on-farm livelihood training. The Government of India will establish a special account for each state in New Delhi to receive funds from IFAD. The loan will pass through the Government of India as a loan to the state governments on the same terms.

TABLE 1: SUMMARY OF PROGRAMME COSTS^a
(USD million)

Component	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Maharashtra					
1. Grass-roots institution-building	21.0	0.7	21.7	3	11
2. Microfinance services	116.9	-	116.9	-	61
3. Livelihood and enterprise development	7.5	-	7.5	-	4
4. Women's empowerment and social equity	2.7	-	2.7	-	1
5. Programme management and institutional support	9.1	0.5	9.6	6	5
Subtotal Maharashtra	157.1	1.3	158.3	1	82
B. Madhya Pradesh					
1. Grass-roots institution-building	6.5	-	6.6	1	3
2. Microfinance services	20.0	-	20.0	-	10
3. Livelihood and enterprise development	4.0	-	4.0	-	2
4. Women's empowerment and social equity	1.4	-	1.4	-	1
5. Programme management and institutional support	2.2	0.1	2.3	6	1
Subtotal Madhya Pradesh	34.1	0.2	34.3	1	18
Total base costs	191.1	1.5	192.6	1	100
Physical contingencies	8.4	0.1	8.5	1	4
Price contingencies	7.5	0.1	7.6	1	4
Total programme costs	207.1	1.6	208.7	1	108

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD million)

Component	IFAD		Maharashtra Health Department		International Agencies		Banks		NABARD		State Governments		Beneficiaries		Total		Foreign Exchange	Local. (Excl Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
A. Maharashtra																			
1. Grass-roots institution-building	15.17	59	-	-	-	-	-	-	-	-	0.62	2	9.99	39	25.78	12	0.8	24.4	0.6
2. Microfinance services	1.18	1	-	-	-	-	121.53	99	-	-	0.12	0	-	-	122.83	59	0.0	122.7	0.1
3. Livelihood and enterprise development	6.90	77	-	-	-	-	-	-	1.19	13	0.82	9	-	-	8.91	4	0.0	8.1	0.8
4. Women's empowerment and social equity	1.55	54	0.16	6	0.23	8	-	-	-	-	0.10	3	0.80	28	2.84	1	0.0	2.7	0.1
5. Programme management and institutional support	1.64	15	-	-	-	-	-	-	-	-	9.66	88	-	-	11.31	5	0.6	10.3	0.4
Subtotal Maharashtra	26.45	15	0.16	0	0.23	0	121.53	71	1.19	1	11.32	7	10.79	6	171.66	82	1.4	168.2	2.0
B. Madhya Pradesh																			
1. Grass-roots institution-building	4.86	62	-	-	-	-	-	-	-	-	0.04	1	2.96	38	7.87	4	0.1	7.8	0.0
2. Livelihood and enterprise development	3.99	85	-	-	-	-	-	-	0.29	6	0.43	9	-	-	4.71	2	0.0	4.3	0.4
3. Microfinance services	0.79	4	-	-	-	-	19.30	96	-	-	0.05	0	-	-	20.14	10	0.0	20.1	0.0
4. Women's empowerment and social equity	1.22	78	-	-	0.04	3	-	-	-	-	0.11	6	0.19	12	1.57	1	0/0	1.5	0.1
5. Programme management and institutional support	2.13	78	-	-	-	-	-	-	-	-	0.61	22	-	-	2.74	1	0.2	2.5	0.1
Subtotal Madhya Pradesh	13.00	35	-	-	0.04	0	19.30	52	0.29	1	1.24	3	3.16	9	37.02	18	0.	36.1	0.7
Total programme costs	39.45	19	0.16	0	0.27	0	140.82	67	1.49	1	12.56	6	13.94	7	208.69	100	1.	204.3	2.8

^a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audit

Procurement

43. Procurement of all goods and services financed by the IFAD loan will be subject to the provisions of IFAD's Procurement Guidelines. Current procurement provisions of the governments of Maharashtra and Madhya Pradesh meet IFAD's requirements. Equipment and materials will be procured using national competitive bidding or local shopping procedures as applicable to the state government funds. Direct procurement will be allowed for goods and services less than USD 10 000 on terms and conditions approved by IFAD. Local shopping procedure will be applied for procurement costing between USD 10 000 and USD 25 000. Local competitive bidding procedures will apply for procurement of goods and services costing USD 25 000 or more.

Disbursement

44. Funds for programme implementation will flow to MAVIM and the MVVN from the Department of Women and Child Development (DWCD) in each state based on their annual workplans and budgets. The DWCDs, being the nodal agencies, will incorporate the budgetary requirements of MAVIM and the MVVN for programme implementation into their budget, which will include the contributions of both IFAD and the state governments. Memorandums of understanding will be signed by MAVIM and the MVVN with the DWCD of each state outlining the procedure for release of funds, and the accounting, audit and reporting obligations on terms acceptable to IFAD. The DWCDs will release funds on a quarterly basis directly to the bank accounts of MAVIM and the MVVN for regular programme activities. MAVIM and the MVVN will release the funds on a quarterly basis to its district offices according to the workplan and budget. MAVIM and the MVVN will prepare reimbursement applications and submit them to IFAD or the cooperating institution through the two DWCDs and the Department of Economic Affairs. Withdrawals not exceeding the equivalent of SDR 450 000 may be made from the loan account in respect of expenditures for equipment and materials, NGOs and service providers, training, consultants and studies and incremental operating costs incurred between 15 September 2005 and loan effectiveness.

Accounts and Audit

45. Programme accounts will be audited annually by reputable firms of independent auditors acceptable to the Governments of Maharashtra and Madhya Pradesh. Certified copies of the audit reports and financial statements, including a separate opinion on the statement of expenditures and a management letter addressing the adequacy of the accounting and internal control systems, will be submitted to IFAD within six months of the end of the reporting period. In these statements, the expenditures made under the programme will be separated from the overall accounts. Funds of the Governments of Maharashtra and Madhya Pradesh are subject to the Comptroller and Auditor General's audit in line with the Government of India's current provisions, even after the independent auditors have undertaken auditing. In addition to the external audit, the programme will establish internal audit mechanisms to ensure regular checks on the use of funds and adherence to established procedures. Allocations have been made for the appointment of four internal auditors at the MAVIM head-office level.

F. Organization and Management

Programme Management

46. In both states, the DWCD will be the state-level nodal agency for the programme. In Maharashtra, MAVIM will be the implementing agency, and in Madhya Pradesh, the MVVN will

implement the programme. In Maharashtra, the MAVIM head office will coordinate all programme activities, including those related to programme start-up and ensure flow of funds, financial management, and M&E support. In Madhya Pradesh, the MVVN will establish PMUs at the state and district levels to carry out these programme activities. In both states, implementation of core programme activities will be carried out by the district-level offices of MAVIM/PMUs and location offices.

47. In Maharashtra, support for SHGs through location offices will be undertaken by both MAVIM and selected facilitating NGOs. In areas with large numbers of established SHGs, MAVIM will initiate the process of setting up location offices. In areas with large numbers of NGO-mobilized SHGs, facilitating NGOs will establish location offices. In Madhya Pradesh, all location offices will be established by facilitating NGOs. In both states, resource/lead NGOs will be contracted to support grass-roots institution-building. The programme will also engage specialist NGOs and service-providers to implement various activities related to gender, microfinance and livelihoods.

48. A three-level coordination mechanism is envisaged at the state level in Maharashtra. First, the board of directors of MAVIM includes representatives of the government line departments and non-official members. The board meetings are held regularly and serve as a coordination forum for the government departments. Second, a State Programme Advisory Committee is envisaged as NGOs and financial institutions are not represented on MAVIM's board of directors. This advisory committee will include representatives of NGO networks involved in programme implementation, resource/lead NGOs, NABARD, the Small Industries Development Bank of India and some of the major participating commercial banks as members. The committee will be chaired by the managing director of MAVIM and the senior adviser/executive director will be member secretary. Third, the programme will establish an "empowered committee" chaired by the Chief Secretary (Government of Maharashtra). The principal secretaries or secretaries of the departments of finance, rural development, revenue, agriculture, women and child development, justice and tribal development will be the committee members.

49. A four-level coordination mechanism is envisaged at the state level in Madhya Pradesh. First, the board of directors of the MVVN includes representatives of the government line departments and non-official members. Board meetings are held regularly and serve as a coordination forum for the government departments. Second, a State Programme Advisory Committee is envisaged as the MVVN board of directors has no representation by NGOs or financial institutions. Committee members will be representatives of resource/lead NGOs, NABARD, the Small Industries Development Bank of India and some of the major participating commercial banks. The committee will be chaired by the managing director of the MVVN and the programme director will be member secretary. Third, the programme will establish a programme liaison unit at the DWCD. This unit will coordinate activities among the state PMU, the MVVN and the DWCD. It will assist in the release of funds from the DWCD budget for programme activities. Fourth, the programme will establish an empowered committee chaired by the Chief Secretary (Government of Madhya Pradesh). This committee will meet every six months and will have an oversight role in programme implementation. It will also facilitate the process of budget approval and integration of the budget of the MVVN/state PMU into the annual budget of the Government of Madhya Pradesh.

G. Economic Justification

50. The economic analysis indicates that this programme will generate sufficient returns from the investment in income-generating activities to justify the investments made in capacity-building, institution-building, empowerment and enterprise development. The analysis also indicates, based on experience, that significant economic benefits can be achieved, well in excess of the opportunity costs of funds. While there are risks of underparticipation and underutilization of funds, it is highly unlikely that achievements in these areas would fall to levels that would render the programme non-viable. The analysis also indicates that the programme, as designed, should make a sufficient contribution to reducing poverty for all participants. In addition to quantifiable returns, the financial benefits arising from empowerment have a significant impact on the poverty status of beneficiaries.

H. Risks

51. The programme faces a number of risks. While programme design has incorporated provisions to minimize these risks, some major considerations remain. There are significant social and cultural barriers to the empowerment of women – the overall goal of the programme. Many poor people in remote and backward districts in both states lack the entrepreneurial drive to take risks and invest loans in productive ventures. In both states, it is important that support continues for the development of SHGs as the means of social mobilization. In Madhya Pradesh, there is the additional issue of the District Poverty Initiatives Programme, which provides grants for livelihood activities. This district programme now covers 2 907 villages in 14 districts in Madhya Pradesh, and may be expanded. It has been shown that it is difficult to form or sustain SHGs in these villages as grants are naturally preferred over loans. Funds for investments in improving livelihoods will largely come from banks, and their active participation is essential for the success of the proposed programme.

52. The development of better livelihoods requires the right market conditions and terms of trade for the rural economy. The economy in much of the programme area is underdeveloped, with Madhya Pradesh being one of the poorest states in the country, and Maharashtra having a large divide between its booming cities and poor rural districts. Demand for the basic products produced by village people is low. There is a risk that, under these circumstances, SHG members will not wish to invest loans in improved income-generating activities.

53. Long-term sustainability of SHGs requires continuing external support from federations or other cluster organizations. There are risks that these organizations will not be able to attract the funding they need from member SHGs, and that building these organizations as self-financing people's organizations will be a major challenge for programme management. The programme will also contract NGOs and other service-providers, and these agencies need to have the required capacity, especially in Madhya Pradesh.

54. Overall programme management will be the responsibility of MAVIM and the MVVN. MAVIM has a large staff with offices in all districts. The challenge for MAVIM is to expand its operations further while also improving the quality of SHGs and federations. The MVVN is a much smaller organization, is staffed by only 15 people and has no field or district offices. Programme funding will provide resources to hire NGOs to form and support SHGs, and set up a MVVN programme management unit at the state and district levels. The risk in Madhya Pradesh is that the DWCD, the MVVN's parent organization, will feel the need to be involved in programme implementation through its own district offices and field staff.

I. Environmental Impact

55. The programme will support mostly micro to small interventions undertaken by poor women at the village level. These will be localized, labour-intensive and concern both farm and off-farm activities. Because of the small scale of the activities, investments are not expected to have an impact on the environment. In all, over one million women will be undertaking small-scale economic activities, the scope of which will remain modest compared with other economic sectors in the states, and it is expected that there will be no significant environmental effect. It is anticipated that a small number of activities will be in organic farming, reducing present pollution levels. Due to these factors, the programme has been classified as Category B.

J. Innovative Features

56. The programme's focus on microfinance, on support services and business development services and on the provision of market linkages reflects the innovative nature of the programme.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

57. A loan agreement between the Republic of India and IFAD will constitute the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

58. The Republic of India is empowered under its laws to borrow from IFAD.

59. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV – RECOMMENDATION

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

RESOLVED: that the Fund shall make a loan to the Republic of India in various currencies in an amount equivalent to twenty seven million seven hundred and fifty thousand special drawing rights (SDR 27 750 000) to mature on or prior to 1 December 2045 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this report and recommendation of the President.

Lennart Båge
President

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

(Loan negotiations concluded on 8 December 2005)

1. The programme will be carried out by Maharashtra state (“Maharashtra”), through MAVIM, pursuant to a separate agreement of even date between IFAD and the state (the “MAVIM programme agreement”); and Madhya Pradesh state (“Madhya Pradesh”), through the Madhya Pradesh Women’s Finance and Development Corporation (MVVN), pursuant to a separate agreement of even date between IFAD and the state (the “MVVN programme agreement”); being both states referred to as “the states”.

2. **Programme account.** MAVIM and the MVVN will each open, and thereafter maintain in a commercial bank accepted by IFAD, an account denominated in local currency for programme operations (the “programme account”) in their respective states. The programme accounts will be protected against set-off, seizure or attachment on terms and conditions proposed by the states and accepted by IFAD. The persons duly authorized by MAVIM and the MVVN pursuant to their respective internal procedures will operate the programme accounts.

3. **Counterpart funds.** The Government of the Republic of India (the “Government”) will ensure that the states make available to MAVIM and the MVVN during the programme implementation period counterpart funds from their own respective resources as per the annual work plans and budgets (AWP/Bs) for each programme year in accordance with the respective subsidiary agreement, the programme agreement and the loan agreement.

4. **Channelling of programme resources.** Each state, through the DWCD, will transfer available funds and other resources called for in the AWP/Bs respectively to MAVIM and the MVVN in accordance with the respective subsidiary agreement to carry out the programme. In their turn, MAVIM and the MVVN will transfer available funds and other resources for certain activities called for in the AWP/Bs to the respective district offices.

5. **Pest management practices.** As part of maintaining sound environmental practices, the programme parties will maintain appropriate pest management practices under the programme. To that end, the Government, through the states, will ensure that pesticides procured under the programme do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in Tables 1 (extremely hazardous) and 2 (highly hazardous) of the World Health Organization’s Recommended Classification of Pesticides by Hazard and Guidelines to Classification 1996-1997, as amended from time to time.

6. **Monitoring**

(a) Monitoring and evaluation (M&E) will be an integral part of programme implementation. There will be an M&E unit within MAVIM and the MVVN-state PMU with an M&E and MIS manager and an MIS officer. Each district will have an M&E assistant. The M&E and MIS assistant will be professionally responsible to the M&E and MIS manager, but will be under the administrative authority of the district coordinating officer.

(b) M&E activities will include: activity reporting, by which all programme parties will report on a monthly basis on the activities undertaken, and the information will be stored in the programme’s MIS; process monitoring, by which the M&E officer will make

regular visits to a sample of beneficiary groups to obtain feedback from participating communities on programme outputs, which data will be stored in the MIS; outcome monitoring, by which the MAVIM and MVVN-state PMU will gather information on logical framework indicators via baseline beneficiary profiles and sample surveys; and impact monitoring, by which information will be gathered on indicators of programme objectives, including those indicators required under IFAD's Results and Impact Management System (RIMS). The Government will ensure that the RIMS indicators required by IFAD are incorporated in and form part of the programme's monitoring system.

7. **Gender focus.** The programme's targeting approach will ensure equitable programme benefits for women. Each programme party will ensure that women participate in and are represented in programme activities.

8. **Reporting.** Each programme party will prepare and submit quarterly physical and financial progress reports to MAVIM and the MVVN-state PMU, based on reporting formats developed and communicated by the district PMU to all programme parties. Among other things, the reports will track financial progress of the programme implemented by each such programme party against the AWP/B for the relevant period. Each programme party will submit its quarterly report to the district PMU no later than two months after the end of each quarter during the programme implementation period. MAVIM and the MVVN-state PMU will base its six-monthly and annual reporting obligations to IFAD on such quarterly reports.

9. **Procurement.** MAVIM and the MVVN-state PMU will prepare a shortlist of interested and reputed NGOs with substantial experience in promoting sustainable SHGs and their apex organizations. Each NGO will prepare and submit a technical proposal. These proposals will be evaluated with a view to partnership agreements after obtaining approval from the cooperating institution and IFAD. Similarly, selection of institutional service providers in the areas of livelihoods, grass-roots institution-building, microfinance and M&E, will follow the process of advertising on the websites of MAVIM and/or the MVVN and of the relevant state, in one national and one regional newspaper calling for expressions of interest (EOIs) supported by annual reports, summaries of activities and an indication of financial status. Based on the analysis of these EOIs, a shortlist will be prepared. Short-listed service providers will submit technical and financial proposals. Based on the evaluation of these proposals, partnership agreements will be signed after obtaining approval from the cooperating institution and IFAD. In respect of individual consultants, MAVIM will initially prepare a roster of consultants approved by MAVIM, the cooperating institution and IFAD.

10. **Suspension.** In addition to the events set forth in Article 12.01 of the General Conditions, IFAD:

- (a) may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account upon the occurrence of any of the events set forth therein or any of the following events:
 - (i) The programme implementation manual, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme.
 - (ii) Any competent authority has taken any action for the dissolution of MAVIM, or the MVVN, or the suspension of the operations of either or both, or any action or proceeding has been commenced for the distribution of any assets of MAVIM or

the MVVN among their respective creditors, and no alternative solution is proposed by the states to the satisfaction of IFAD.

- (iii) The states and/or the lead programme agencies have failed to perform any of their respective obligations under the programme agreements or the subsidiary agreements.
 - (iv) MAVIM and/or the MVVN have amended or abrogated any provision of their constitutional documents, with the exception of those amendments as required herein as will have been approved by IFAD, without the prior consent of IFAD, and which amendment or abrogation, in the opinion of IFAD, may impact MAVIM's and/or the MVVN's ability to implement the programme in accordance with the terms of the loan agreement.
 - (v) The recommendations and action plan resulting from the mid-term review have not been implemented to the satisfaction of IFAD within the time specified therefor.
 - (vi) Any of the subsidiary agreements, or any provision thereof, have been violated or have been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such violation or waiver, suspension, termination, amendment or other modification has had, or is likely to have, a material adverse effect on any portion of the programme.
 - (vii) IFAD has determined that the material benefits of the programme are not adequately reaching the target group, or are benefiting persons outside the target group to the detriment of target group members.
 - (viii) There has been a repeal, invalidation, suspension, amendment or other change to any national law that may result in a detriment to any of the terms and conditions of the loan agreement.
 - (ix) Procurement has not been carried out in accordance with the loan agreement.
- (b) will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if the audit report required by the loan agreement has not been satisfactorily completed within 12 months after the financial reporting period set forth therein.

11. **Conditions precedent to withdrawal.** The conditions precedent to withdrawal are as follows:

- (a) Overall programme:
 - (i) MAVIM and the MVVN each have appointed a programme finance manager in their respective states;
 - (ii) MAVIM and the MVVN each have established a state programme advisory committee comprising representatives of NGOs and financial institutions in their respective states;
 - (iii) the programme implementation manual has been approved by IFAD in draft and a copy of the manual as adopted by the board of directors of MAVIM and the MVVN, substantially in the form approved and certified as true and complete by a competent officer of those entities, has been delivered to IFAD; and

- (iv) the Government has confirmed its counterpart fund contribution, including that to cover taxes and the contribution for each fiscal year of the programme, and this contribution has been included in the Government's budget for the said fiscal year.

(b) Maharashtra:

MAVIM has recruited a human resources development consultant to draw up staff terms of reference and re-engineer working systems and processes.

12. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the loan agreement:

- (a) the senior adviser of MAVIM and the programme director of the MVVN have been appointed;
- (b) the MVVN state and district PMUs have been duly established;
- (c) the Government has duly opened the special accounts;
- (d) MAVIM and the MVVN have duly opened the respective programme account;
- (e) the loan agreement has been duly signed, and the signature and performance thereof by the Government has been duly authorized and ratified by all necessary administrative and governmental action;
- (f) the programme agreements have been duly signed and a favourable legal opinion has been issued by competent legal counsels of each state in respect of the programme agreement's legally binding nature upon the state and delivered to IFAD; and the signature and performance thereof by the states has been duly authorized or ratified by all necessary administrative and governmental action;
- (g) a copy of the signed MVVN/DWCD and MAVIM/DWCD memoranda of understanding has been delivered to IFAD; the signature and performance thereof by the states and MAVIM and the MVVN respectively has been duly authorized or ratified by all necessary administrative, corporate and/or governmental action; all conditions precedent to the effectiveness thereof (other than the effectiveness of the loan documents) have been fulfilled; and a favourable legal opinion has been issued by a competent legal counsel in the respective state and delivered to IFAD, attesting (i) the memorandum of understanding is legally binding upon the state and MAVIM/MVVN respectively, and (ii) MAVIM and the MVVN are duly organized, validly existing and in good standing under the laws of the respective states and have the legal right to conduct the business in which they are engaged;
- (h) a favourable legal opinion, issued by the solicitor general of the Government in form and substance acceptable IFAD, has been delivered by the Government to IFAD.

APPENDIX I

COUNTRY DATA

Land area (km² thousand) 2003 1/	2 973	GNI per capita (USD) 2003 1/	540
Total population (million) 2003 1/	1 064	GDP per capita growth (annual %) 2003 1/	7.1
Population density (people per km²) 2003 1/	358	Inflation, consumer prices (annual %) 2003 1/	4
Local currency	Indian Rupee (INR)	Exchange rate: USD 1 =	INR 43.65
Social Indicators		Economic Indicators	
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/ 1983-1993	5.4
Crude death rate (per thousand people) 2003 1/	8	1993-2003	5.9
Infant mortality rate (per thousand live births) 2003 1/	63	Sectoral distribution of GDP 2003 1/	
Life expectancy at birth (years) 2003 1/	63	% agriculture	22
Number of rural poor (million) (approximate) 1/	n/a	% industry	27
Poor as % of total rural population 1/	n/a	% manufacturing	16
Total labour force (million) 2003 1/	473.3	% services	51
Female labour force as % of total 2003 1/	33	Consumption 2003 1/	
Education		General government final consumption expenditure (as % of GDP)	13
School enrolment, primary (% gross) 2003 1/	99 a/	Household final consumption expenditure, etc. (as % of GDP)	65
Adult illiteracy rate (% age 15 and above) 2003 1/	39 a/	Gross domestic savings (as % of GDP)	22
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita	n/a	Merchandise exports 2003 1/	55 982
Malnutrition prevalence, height for age (% of children under 5) 2003 3/	46 a/	Merchandise imports 2003 1/	70 707
Malnutrition prevalence, weight for age (% of children under 5) 2003 3/	47 a/	Balance of merchandise trade	-14 725
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2003 1/	6 a/	before official transfers 2003 1/	-12 169 a/
Physicians (per thousand people) /	n/a	after official transfers 2003 1/	177 a/
Population using improved water sources (%) 2002 2/	86	Foreign direct investment, net 2003 1/	4 269
Population with access to essential drugs (%) 2/	n/a	Government Finance	
Population using adequate sanitation facilities (%) 2002 2/	30	Cash surplus/deficit (as % of GDP) 2003 1/	-4
Agriculture and Food		Total expenditure (% of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	6	Total external debt (USD million) 2003 1/	113 467
Fertilizer consumption (hundreds of grams per ha of arable land) 2003 1/	996 a/	Present value of debt (as % of GNI) 2003 1/	19
Food production index (1999-01=100) 2003 1/	105	Total debt service (% of exports of goods and services) 2003 1/	18
Cereal yield (kg per ha) 2003 1/	2 364	Lending interest rate (%) 2003 1/	12
Land Use		Deposit interest rate (%) 2003 1/	n/a
Arable land as % of land area 2003 1/	54 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

PREVIOUS IFAD FINANCING IN 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 - I - 23 - IN	SDR	38 500 000	100
Rajasthan Command Area Development and Settlement Project	IFAD	World Bank: IBRD	HC	19 Dec 79	03 Mar 80	31 Dec 88	L - I - 32 - IN	SDR	42 700 000	100
Sundarban Development Project	IFAD	World Bank: IDA	HC	03 Dec 80	04 Feb 81	30 Jun 89	L - I - 49 - IN	SDR	13 350 000	100
Madhya Pradesh Medium Irrigation Project	World Bank: IDA	World Bank: IDA	HC	17 Dec 81	17 Sep 82	31 Mar 88	L - I - 81 - IN	SDR	21 900 000	100
Second Uttar Pradesh Public Tubewells Project	World Bank: IDA	World Bank: IDA	HC	21 Apr 83	06 Oct 83	31 Mar 91	L - I - 124 - IN	SDR	27 280 000	100
Orissa Tribal Development Project	IFAD	UNOPS	HC	03 Dec 87	27 May 88	31 Dec 97	L - I - 214 - IN	SDR	9 250 000	100
Tamil Nadu Women's Development Project	IFAD	UNOPS	HC	26 Apr 89	26 Jan 90	31 Dec 98	L - I - 240 - IN	SDR	12 932 000	100
Andhra Pradesh Tribal Development Project	IFAD	UNOPS	HC	04 Apr 91	27 Aug 91	31 Mar 99	L - I - 282 - IN	SDR	12 961 000	100
Maharashtra Rural Credit Project	IFAD	UNOPS	HC	06 Apr 93	06 Jan 94	30 Sep 02	L - I - 325 - IN	SDR	18 971 000	100
Andhra Pradesh Participatory Tribal Development Project	IFAD	UNOPS	HC	19 Apr 94	18 Aug 94	31 Mar 03	L - I - 349 - IN	SDR	18 950 000	100
Mewat Area Development Project	IFAD	UNOPS	HC	12 Apr 95	07 Jul 95	30 Jun 05	L - I - 379 - IN	SDR	9 650 000	99
Rural Women's Development and Empowerment Project	IFAD	World Bank: IDA	HC	05 Dec 96	19 May 99	31 Dec 04	L - I - 439 - IN	SDR	8 000 000	44
North Eastern Region Community Resource Management Project for Upland Areas	IFAD	UNOPS	HC	29 Apr 97	23 Feb 99	31 Dec 04	L - I - 444 - IN	SDR	16 550 000	43
Jharkhand-Chhattisgarh Tribal Development Programme	IFAD	IFAD	HC	29 Apr 99	21 Jun 01	31 Dec 09	L - I - 506 - IN	SDR	16 950 000	9
National Microfinance Support Programme	IFAD	UNOPS	HC	04 May 00	01 Apr 02	31 Dec 09	L - I - 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 - I - 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 - I - 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 - I - 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 - I - 662 - IN	SDR	9 950 000	0

HC: Highly concessional; IBRD: International Bank for Reconstruction and Development; IDA: International Development Association; UNOPS: United Nations Office for Project Services

LOGICAL FRAMEWORK

Narrative summary	Indicators	Monitoring mechanism and info sources	Assumptions and risks
<p>Goal Poor women make use of choices, spaces and opportunities in economic, social and political spheres for their improved well-being</p>	<ul style="list-style-type: none"> • <u>Reduced child malnutrition</u> • <u>Increase in household asset index</u> • <u>No. of households with improved food security</u> • <u>No. of households with adequate water supply</u> • <u>No. of households with sanitary latrines</u> • <u>No. of girls attending and completing schooling</u> • <u>No of women becoming literate</u> • No. of women with own income (and amount of income) • Increased mobility of women • Increased role of women in household decisions • Effective representation of women in local governance 	<ul style="list-style-type: none"> • Results and Impact Management System (RIMS) anthropometric impact surveys • Sample household survey of programme outcome • Participatory analysis and impact monitoring • Government household surveys and statistics (for control data) 	<ul style="list-style-type: none"> • Social and cultural constraints in the material and social environment of women can be effectively overcome • Empowerment of women benefits all household members • Overall policy environment remains in favour of women empowerment • Level of income generated is sufficient for households to cross the poverty line
<p>Purpose of components</p>			
<p>1. <u>Grass-roots institution-building</u> Strong and sustainable SHGs, and SHG apex organisations that provide their members with economic and social support</p>	<ul style="list-style-type: none"> • <u>No. of SHG and federations providing economic and social services</u> • No. of SHG and federations mobilising service providers in NGO and government sectors • No. of women with better access to productive resources for livelihood activities 	<ul style="list-style-type: none"> • Sample household survey of programme outcome • Process monitoring 	<ul style="list-style-type: none"> • Government policy allows SHGs to develop as strong and independent institutions • SHG formation and sustainability is not adversely affected by other subsidy-driven programmes
<p>2. <u>Microfinance services</u> Women access savings, credit and insurance services, and build up financial security. Programme results in policy changes by banks and other financial institutions</p>	<ul style="list-style-type: none"> • <u>No. SHG with acceptable financial performance – recovery rate (portfolio at risk) etc.</u> • Recovery rate for SHG loans to members • Recovery rate for bank and MFI loans to SHGs • Value of SHG net worth • Policy changes by banks, MFIs and insurance companies 	<ul style="list-style-type: none"> • Process monitoring • SHG reporting via Location Offices • Bank and MFI reports 	<ul style="list-style-type: none"> • Banks remain enthusiastic about lending to SHGs • Other sources of funding available for SHGs where bank loans not available
<p>3. <u>Livelihood and enterprise development</u> Women get opportunities for new and improved livelihood opportunities, establish or expand enterprises. New types of linkages developed between SHGs, markets and support services. Reformed policies and regulations relating to women's enterprises and marketing</p>	<ul style="list-style-type: none"> • <u>No. of individual enterprises established/expanded</u> • <u>No. of group enterprises established/expanded</u> • <u>No. of cluster level enterprises established</u> • <u>Employment and self-employment created</u> • Quantities of high value crops produced and marketed • Quantities of livestock/fish products produced and marketed • Quantities of non-farm products produced and marketed • No. of forward and backward linkages established 	<ul style="list-style-type: none"> • Sample household survey of programme outcome • Process monitoring 	<ul style="list-style-type: none"> • Market conditions and rural terms of trade remain acceptable • Programme is able to foster an entrepreneurial spirit amongst SHG members • Groups and clusters able to manage collective enterprises in a cohesive manner
<p>4. <u>Women's empowerment and social equity</u> Women get access to functional education and social services, benefit from labour-saving infrastructure, and participate in local governance. Local government responds to needs of women</p>	<p>No. of women accessing health and education services, applying appropriate strategies to improve health, using counselling against domestic violence and participating in local governance</p>	<ul style="list-style-type: none"> • Sample household survey of programme outcome • Process monitoring 	<ul style="list-style-type: none"> • Other government agencies and NGOs willing to provide educational and social services to group members

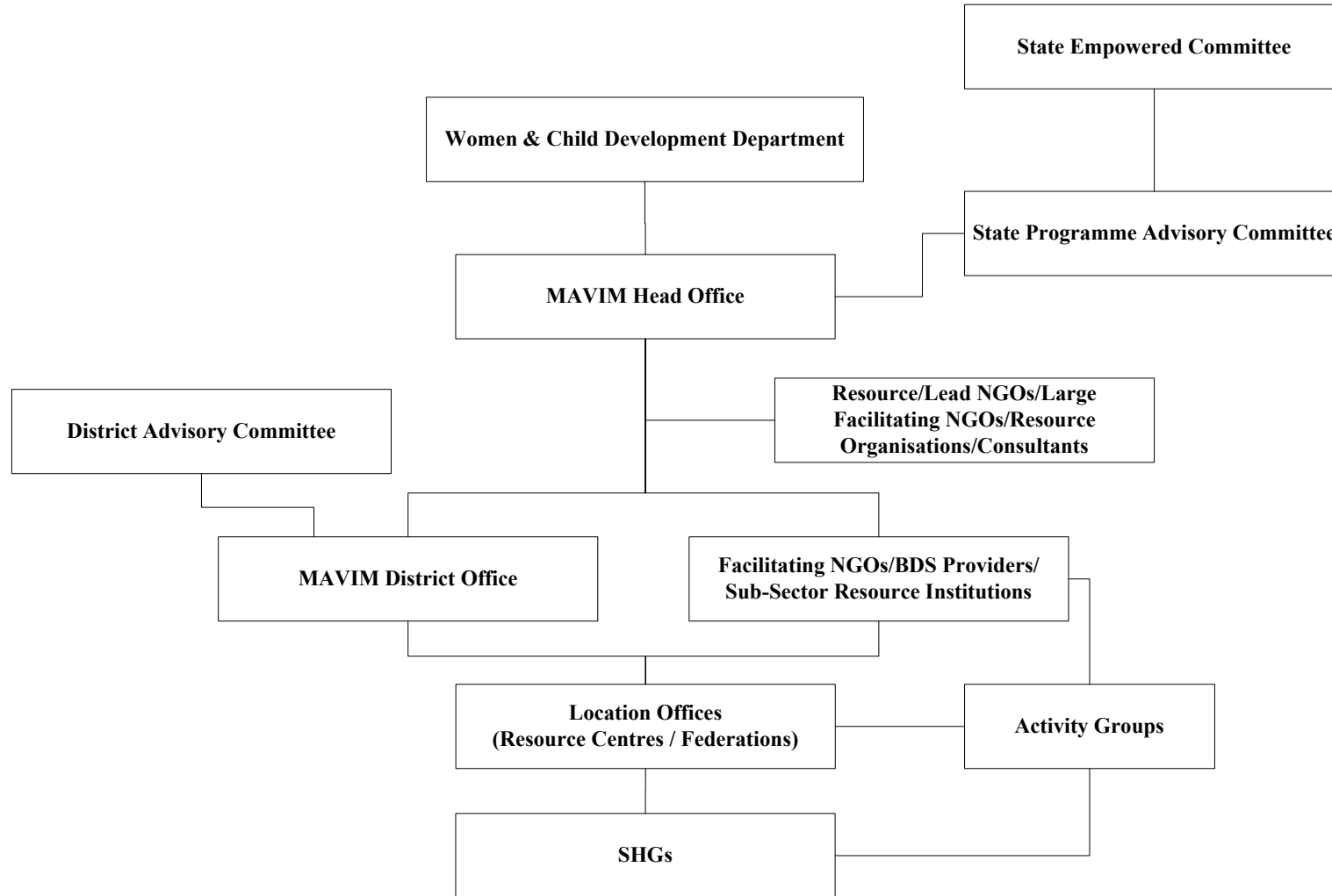
Narrative summary	Indicators	Monitoring mechanism and info sources	Assumptions and risks
5. Programme management and institutional support Promote government policies and institutional support that empower women. MAVIM and MVVN develop their capacity to improve the livelihoods and position of poor women	MAVIM and MVVN have long term strategic plans, assured funding and management and staff capacity, and inform policy	<ul style="list-style-type: none"> Supervision mission reports 	<ul style="list-style-type: none"> GOM continues to support MAVIM and increases funding of overhead costs
Outputs			
1. <u>Grass-roots institution-building</u> <ul style="list-style-type: none"> Existing SHGs strengthened New SHG formed Cluster organizations/Federations established. Cluster organizations/Federations provider services Village-level committees established 	<ul style="list-style-type: none"> <u>No. of groups formed, strengthened</u> <u>No. of members in groups</u> (by wealth, caste) No. of women trained No. of groups with satisfactory accounts No. of groups with rotating group management No. of federations formed, strengthened 	<ul style="list-style-type: none"> Process monitoring SHG reporting via Location Offices 	<ul style="list-style-type: none"> SHG internal procedures do not discriminate against poorest SHG benefits are not captured by elites Federations able to offer sufficient services to SHGs to become financially sustainable
<i>Activities (targets)</i>	<i>Key Inputs</i>	<i>Cost (USD million)</i>	
<u>Maharashtra</u> <ul style="list-style-type: none"> SHG strengthening or formation – 62,675 SHG Federations / Clusters established – 315 organizations Village-level committees in all villages 	<ul style="list-style-type: none"> Training and support via Location Offices run by MAVIM and Facilitating NGOs Support for Resource/Lead NGO 	25.78	<ul style="list-style-type: none"> Possible to identify and contract competent NGOs
<u>Madhya Pradesh</u> <ul style="list-style-type: none"> SHG strengthening or formation – 12,000 SHG Federations /Clusters established – 60 organizations Village-level committees in all villages 	<ul style="list-style-type: none"> Training and support via Location Offices run by Facilitating NGOs Support for Resource/Lead NGO 	7.87	<ul style="list-style-type: none"> Possible to identify and contract competent NGOs
2. Microfinance Services <ul style="list-style-type: none"> SHGs mobilize members savings SHGs operate internal lending system SHGs develop sustainable links with banks. MSN (Maharashtra) becomes an operational MFI MFI (MP) establish operations in programme districts Learning derived from pilots and action research. 	<ul style="list-style-type: none"> <u>No. of members saving and value of savings</u> <u>No. of members borrowing and amount of loan outstanding</u> No. of SHGs with loan from bank and amount outstanding Lending and net income of MSN No. of SHGs where insurance being utilized 	<ul style="list-style-type: none"> Process monitoring SHG reporting via Location Offices 	<ul style="list-style-type: none"> SHGs able to manage savings and loans in an open and transparent manner Lending by federations and MFI does not compete or conflict with lending by banks Insurance products available that are viable for insurance cos. and attractive for members
<i>Activities (targets)</i>	<i>Key Inputs</i>	<i>Cost (USD million)</i>	
<u>Maharashtra</u> <ul style="list-style-type: none"> Training members of 62,675 SHGs in financial services Training staff of 315 federations in financial services Awards for bank branches that perform well Training and exposure visits for bank managers Start-up support for MSN Policy studies, action research and pilots 	<ul style="list-style-type: none"> Training and support for SHGs and federations from NGOs Workshops and training for bank staff Tours and visits (including a few overseas) Funds for MSN start-up costs 	122.83	<ul style="list-style-type: none"> Bank staff motivated to lend to SHGs and able to effectively monitor SHG performance MSN able to develop a viable business model

Narrative summary	Indicators	Monitoring mechanism and info sources	Assumptions and risks
<u>Madhya Pradesh</u> <ul style="list-style-type: none"> • Training members of 12,000 SHG in financial services • Training staff of 60 federations in financial services • Awards for bank branches that perform well • Training and exposure visits for bank managers • Start-up support for new MFI branches (8) • Policy studies, action research and pilots 	<ul style="list-style-type: none"> • Training and support for SHGs and federations from NGOs • Workshops and training for bank staff • Tours and visits (including a few overseas) • Funds for MFI branch start-up costs 	20.14	<ul style="list-style-type: none"> • Bank staff motivated to lend to SHGs and able to effectively monitor SHG performance • MFIs attracted to establish branches on programme districts
3. Livelihood and enterprise development <ul style="list-style-type: none"> • Groups and members investing in enterprises • Group members (and family members) develop skills in production and marketing • Producer companies set up • Market linkages established • Policy and regulation reforms proposed 	<ul style="list-style-type: none"> • No. of loans (group, individual) used for productive purposes • No. of women and men receive vocational training • No. of SHGs linked to extension support programmes • No. of producer companies established and operating • No. of BDS centres operational • No. of market and sub-sector studies completed and conclusions successfully implemented 	<ul style="list-style-type: none"> • Process monitoring • SHG reporting via Location Offices • Reports from BDS provider 	<ul style="list-style-type: none"> • Viable investment opportunities exist • Women have sufficient time to undertake income generating activities • Sufficient demand for BDS services • Potential to charge for BDS services so they can continue to be delivered after the programme.
<i>Activities (targets)</i>	<i>Key Inputs</i>	<i>Cost (USD million)</i>	
<u>Maharashtra</u> <ul style="list-style-type: none"> • Skill development training in agricultural and non-agricultural enterprises (1.35 million training places) • BDS centres established (6) • Market and sub-sector studies • Producer companies (no target) • Policy dialogue and workshop 	<ul style="list-style-type: none"> • Training from NGOs, public agencies and other service providers • BDS contracted to service providers • Market and sub-sector studies by BDS contractor • SHGs establish producer companies 	8.91	<ul style="list-style-type: none"> • Possible to identify and recruit suitable BDS service providers
<u>Madhya Pradesh</u> <ul style="list-style-type: none"> • Skill development training in agricultural and non-agricultural enterprises (368,000 training places) • BDS centres established (6), • local markets managed by SHGs • Market and sub-sector studies • Producer companies (no target) • Policy dialogue and workshop 	<ul style="list-style-type: none"> • Training from NGOs, public agencies and other service providers • BDS contracted to service providers • Market and sub-sector studies by BDS contractor • SHGs establish producer companies 	4.71	<ul style="list-style-type: none"> • Possible to identify and recruit suitable BDS service providers
4. Women's empowerment and social equity <ul style="list-style-type: none"> • Gender integration for programme staff. • Enabling environment via mass media, awareness programmes and sensitisation of men • Para-legal training & family counselling centres • Drudgery reduction investments • Functional literacy at SHG meetings • Literacy programme • Family life education for adolescent girls and boys • Training in health • Women's participation in local government 	<ul style="list-style-type: none"> • <u>No. of women trained in literacy.</u> • <u>No. of women trained in family health</u> • No. of women trained in legal rights, and no. counselled about family and community issues • No. of adolescent boys and girls provided family life education • No. of schemes for drudgery reduction infrastructure 	<ul style="list-style-type: none"> • Process monitoring • SHG reporting via Location Offices 	<ul style="list-style-type: none"> • Women SHG members motivated and have the time to attend training • Group facilitators effective in passing on information • Possible to identify useful labour-saving infrastructure schemes

Narrative summary	Indicators	Monitoring mechanism and info sources	Assumptions and risks
<i>Activities (targets)</i>	<i>Key Inputs</i>	<i>Cost (USD million)</i>	
<u>Maharashtra</u> <ul style="list-style-type: none"> • Gender integration programme • Participants in literacy programme (45,000) • Family life education for adolescents (10,000 villages) • Labour-saving infrastructure (7,000 villages) 	<ul style="list-style-type: none"> • Resource organization for gender integration • Gender studies, workshops and policy advocacy • Training and incentives for group facilitators • Village infrastructure with 50% community contributions 	2.84	
<u>Madhya Pradesh</u> <ul style="list-style-type: none"> • Gender integration programme • Participants in literacy programme (30,000) • Family life education for adolescents (2,400 villages) • Labour-saving infrastructure (1,680 villages) 	<ul style="list-style-type: none"> • Resource organization for gender integration • Gender studies, workshops and policy advocacy • Training and incentives for group facilitators • Village infrastructure with 50% community contributions 	1.57	
5. <u>Programme management and institutional support</u> MAVIM and MVVN develop capacity to support SHG development	<ul style="list-style-type: none"> • PMU established • M&E system operates and generates useful data • Progress reports and other programme reports 	<ul style="list-style-type: none"> • Programme reports 	MAVIM overhead costs do not absorb funds required for field activities.
<i>Activities (targets)</i>	<i>Key Inputs</i>	<i>Cost (USD million)</i>	
<ul style="list-style-type: none"> • Annual plans and budgets • Procurement of equipment and vehicles • Programme coordination & management meetings • Training of programme management staff • Contracting of NGOs and service providers 	<ul style="list-style-type: none"> • Staff recruited • Programme accounts 	11.31 (Maharashtra) 2.74 (MP)	MAVIM able to efficiently organize large number of training courses while maintaining quality of training.

ORGANIGRAMME

Programme Management Structure – Maharashtra



Programme Management Structure – Madhya Pradesh

