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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Enabling the rural poor to overcome poverty

President's report

Proposed loan to the Republic of India for the

Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains

Executive Board — Eighty-ninth Session
Rome, 12–14 December 2006

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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Contents

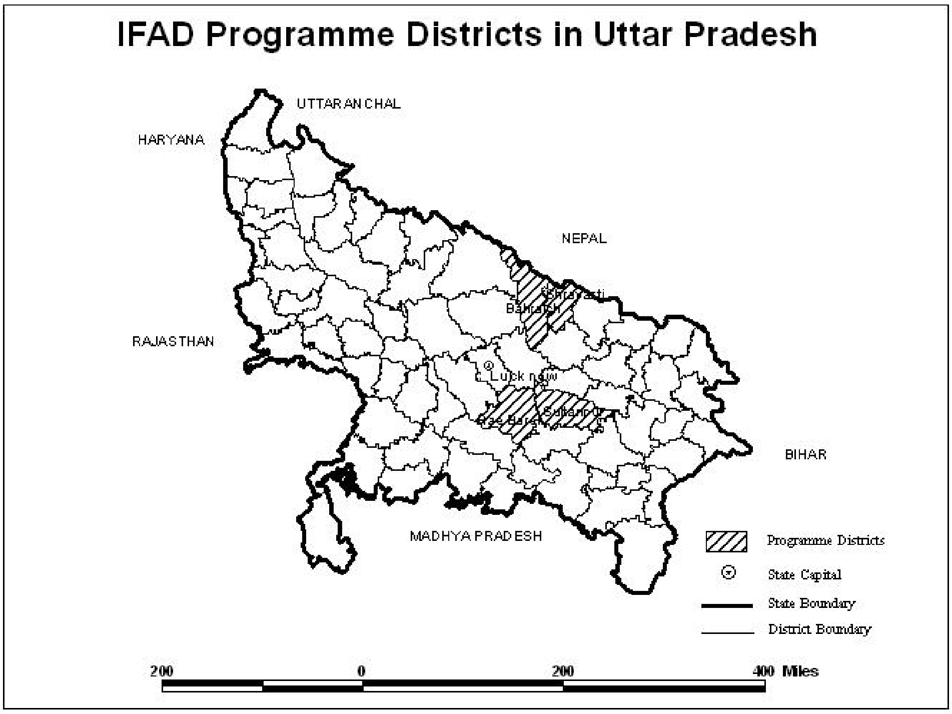
Abbreviations and acronyms

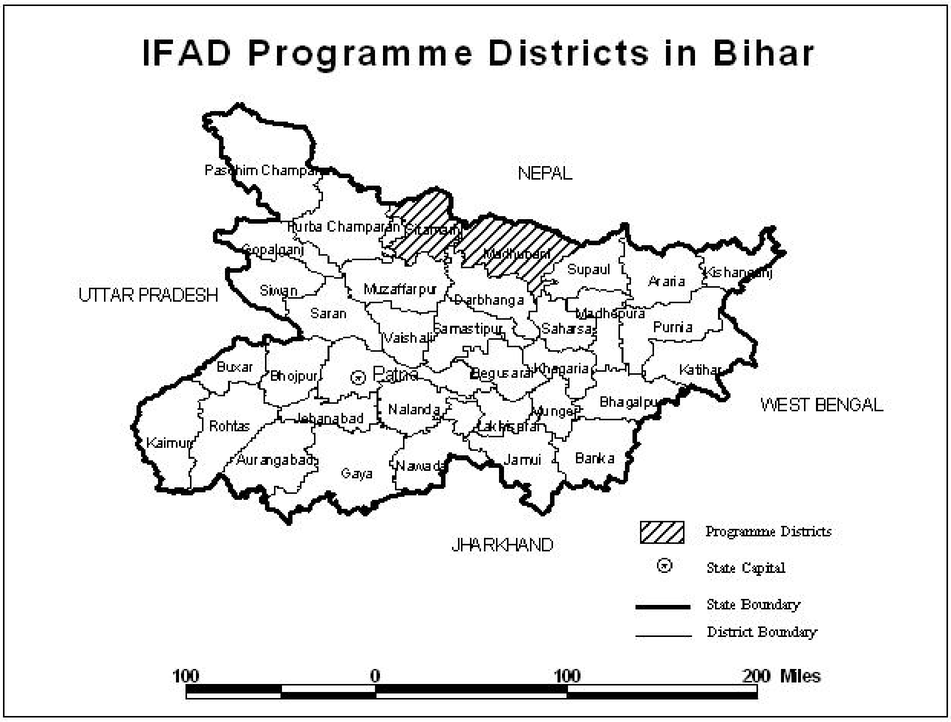
DFID	Department for International Development
MFI	microfinance institution
MWCD	Ministry of Women and Child Development
PDD	project design document
SHG	self-help group
WDC	women's development corporation

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan to the Republic of India for the Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains, as contained in paragraph 35.

Map of the programme area





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

Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains

Loan summary

Initiating institution:	IFAD
Borrower:	Republic of India
Executing agency:	Ministry of Women and Child Development
Total programme cost:	US$52.47 million
Amount of IFAD loan:	SDR 20.4 million (equivalent to approximately US$30.17 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum
Cofinancier(s):	Rural financial institutions
Amount of cofinancing:	US$18.09 million
Terms of cofinancing:	Grant
Contribution of borrower:	US$1.74 million
Contribution of beneficiaries:	US$2.47 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Proposed loan to the Republic of India for the Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains

I. The programme

A. Main development opportunity addressed by the programme

1. The mid-Gangetic Plains constitute India's largest pocket of poverty in terms of population. Despite abundant groundwater endowments and fertile soils, growth of the rural economy is inhibited by acute population pressure, low crop productivity and inequitable land tenure. Women suffer deeper deprivation than elsewhere in India as here the forces of patriarchy are strong and caste divisions are rigid. There is an opportunity to promote social and economic empowerment of women through the establishment of sustainable grass-roots institutions and ensuring access to microfinance and business development services.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a loan to the Republic of India in the amount of SDR 20.4 million (equivalent to approximately US$30.17 million) on highly concessional terms to help finance the Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains. The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The allocation defined for India under the PBAS is US$78.5 million over the current three-year PBAS allocation period. This will be the second IFAD loan to India approved within this period, and it is in line with the assigned allocation.

Country debt burden and absorptive capacity of the State

4. There has been a marked improvement in India's external balance, thanks to the accumulation of reserves and prudent debt management. In 2005, total external debt fell to below 18 per cent of GDP and the debt service ratio has been estimated at 6.2 per cent of current account receipts. Capacity to service external debt is good. India received 21 loans from IFAD between 1978 and 2005, with total annual disbursements from ongoing operations averaging SDR 8.5 million over the past 10 years. Typically, India receives one loan each year; the average loan size over the past 10 years has been US$24.5 million. The Government's repayment record for IFAD loans is excellent.

Flow of funds

5. The IFAD loan will be channelled to the Ministry of Finance through a standard IFAD loan agreement. The loan proceeds will then be made available as a grant to the Ministry of Women and Child Development (MWCD) and transferred to women's development corporations (WDCs) in the states of Bihar and Uttar Pradesh. The corporations will direct funds to their district-level programme implementation units. Partner organizations will receive funding in accordance with contracts.[1]

[1] A table showing the flow of funds is available in the project design document (PDD).

Supervision arrangements

6. IFAD will be responsible for programme supervision and loan administration through national institutions coordinated by the IFAD field presence unit in New Delhi. This arrangement will enhance the cost-effectiveness of supervision and implementation support, allowing several visits each year to both states and increasing national ownership of the review process.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

7. No exceptions are foreseen.

Governance

8. The following planned measures are intended to enhance the governance aspects of the IFAD loan: (i) a multi-stakeholder approach during implementation with support in service provision by the private sector, commercial banks and NGOs; and (ii) use of a private auditing firm.

C. Target group and participation

Target group

9. The primary target group will comprise women and adolescent girls from an estimated 108,000 poor households: 67,500 in Uttar Pradesh (Bahraich, Shravasti, Sultanpur and Rae Bareli districts) and 40,500 in Bihar (Madhubani and Sitamarhi districts). Most of these women are from food-insecure and resource-poor households.

Targeting approach

10. District selection was completed during the design phase based on poverty/gender indicators and on the Government’s priorities. The programme will use targeting criteria to select blocks, villages and households, and wealth-ranking exercises will be carried out in each target village by the local community. Special attention will be given to the most vulnerable households, such as those with a single, female head of household, disabled members, irregular employment, dependence on distress migration or no access to social services.[2]

Participation

11. The programme aims to go beyond simple participatory modalities to effectively empower the target group through their own institutions. The programme is expected to mobilize 4,500 self-help groups (SHGs) in Uttar Pradesh and 2,700 SHGs in Bihar. The target group will also participate in monitoring and in impact assessment.

D. Development objectives

Key programme objectives

12. The programme has three objectives: (i) building and/or strengthening community-level institutions for social and economic empowerment; (ii) enabling the target group to access productive resources and social services; and (iii) building a sustainable livelihood base that is integrated with the wider economy.

Policy and institutional objectives

13. In accordance with the country strategic opportunities paper (COSOP), the programme will ensure that the results achieved during implementation are shared with relevant government authorities, at the central and state levels, so as to identify policy issues and facilitate policy change. During design, the following issues were identified and discussed: (i) women’s access to productive resources and credit; (ii) land and pond leasing; (iii) involvement of the private sector and NGOs in enterprise development; (iv) strengthening of SHGs; and (v) effectiveness of linkages between SHGs and banks.

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2 Target group categories are detailed in the key files.

IFAD policy and strategy alignment

14. The programme will seek to implement the three strategic thrusts of the COSOP: (i) grass-roots institution-building and 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. The programme is fully aligned with all three strategic objectives of the IFAD Strategic Framework: (i) strengthening the capacity of the rural poor and their organizations; (ii) improving equitable access to productive natural resources and technology; and (iii) increasing access to financial services and markets.[3]

E. Harmonization and alignment

Alignment with national priorities

15. The programme is aligned with several elements of the Government's poverty reduction strategy and the draft 11th Five-Year Development Plan (2007-2012), for instance: (i) broad-based income growth; (ii) investing in agriculture; (iii) special focus on scheduled castes, scheduled tribes and vulnerable groups, especially through the economic empowerment of women; and (iv) equipping people with the necessary assets and skills for self-employment.

Harmonization with development partners

16. In terms of active links with development partners, the programme has been designed to enable cross-fertilization with the World Bank Bihar Livelihood Programme; the Government's National Rural Employment Guarantee Act; and the World Bank and government programmes in the social sector.[4]

F. Components and expenditure categories

Main components

17. The programme has three components: (i) empowerment and institutional development of communities; (ii) livelihood enhancement and enterprise development; and (iii) programme management.

Expenditure categories

18. The programme has the following expenditure categories: (i) community services (4 per cent of costs); (ii) enterprise development (61 per cent); (iii) equipment and materials (2 per cent); (iv) vehicles (1 per cent); (v) training (7 per cent); (vi) demonstrations (0.4 per cent); (vii) national technical assistance (4 per cent); (viii) surveys and studies (0.2 per cent); and (ix) recurrent costs (21 per cent).[5]

G. Management, implementation responsibilities and partnerships

Key implementing partners

19. These are (i) MWCD/WDC; (ii) rural financial institutions; (iii) national resource NGOs; (iv) local facilitating NGOs; and (v) contracted private-sector service providers.

Implementation responsibilities

20. Overall responsibility for programme execution at the national level will rest with MWCD. A central programme support unit set up within MWCD will monitor programme progress and performance. At the state level, state programme management units will be established under the relevant WDC and will provide coordination and implementation support to district-level programme implementation units and engage NGOs and service providers. The programme implementation units in each district will be responsible for preparing annual workplans and budgets, maintaining a management information system and

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[3] A list of the key IFAD operational policies and papers used during programme design is included in appendix I.
[4] Details of these partnerships can be found in the PDD.
[5] Details of programme costs by component and expenditure category are available in the PDD.

managing the innovation fund. National resource NGOs will be contracted to provide training and capacity-building to facilitating NGOs. Local facilitating NGOs will promote and support grass-roots institutions, while private service providers will support enterprise development activities, market linkages and the provision of financial services.[6]

Role of technical assistance

21. The programme will draw exclusively on national expertise. No external technical assistance will be provided by other donors aside from implementation support by IFAD. The programme will seek areas of synergy with operations planned by the United Kingdom of Great Britain and Northern Ireland's Department for International Development (DFID) in Uttar Pradesh and Bihar.

Status of key implementation agreements

22. Programme implementation will require (i) a loan agreement between IFAD and the Government; (ii) a programme implementation manual, as a condition of loan disbursement; (iii) a grant agreement between the Ministry of Finance and MWCD; and (iv) contracts between WDCs and resource NGOs, facilitating NGOs and service providers.

Key financing partners and amounts committed

23. The total programme cost is US$52.47 million. The principal sources of financing are: IFAD (57.5 per cent), rural financial institutions (34.5 per cent), beneficiary (4.7 per cent) and the Government (3.3 per cent).[7]

H. Benefits and economic and financial justification

Main categories of benefits generated

24. The programme will bring about increased productivity and incomes mainly through the introduction of market-linked enterprises. In addition, it will generate a series of benefits related to human and social capital, for instance: (i) formation of sustainable grass-roots institutions, such as SHGs, producers' groups and community service centres; (ii) increased participation by women in local government; (iii) increased capacity of civil society organizations; and (iv) enhanced capacity of financial institutions and the private sector to operate in targeted areas.

Economic and financial viability

25. Fourteen indicative enterprise models were examined at appraisal and showed potential to increase farm incomes significantly. The overall economic rate of return is satisfactory. The sensitivity analysis indicates that the programme will remain economically viable under foreseeable adverse conditions.[8]

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

26. The widespread awareness of past failures in the target area means that there will be significant institutional interest at the central and state level to document and share this programme's successes or failures. The central programme support unit will facilitate the exchange of experiences between the two states. Each state programme management unit will be responsible for reviewing implementation and carrying out analytical studies, when required, with the objective of documenting achievements having policy implications. Multi-stakeholder workshops will be held regularly to share lessons learned.

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6 A strengths, weaknesses, opportunities and threats (SWOT) analysis of the main programme partners can be found in the key files.

7 The appraisal PDD shows expenditure accounts by financier.

8 Details of the financial analysis are included in the main text of the appraisal PDD.

Development innovations that the programme will promote

27. The programme's innovative features include (i) special attention to ensure convergence with existing development schemes funded by the Government and other organizations; (ii) the establishment of sustainable community service centres; (iii) the inclusion of business facilitators in these centres; (iv) the implementation of a value-chain/subsector business development service; (v) the establishment of an innovation fund; and (vi) supervision arrangements through national institutions.

Scaling-up approach

28. The programme has received much attention from the Government and from such major donors as the World Bank and DFID, both of which are planning similar operations in the two states. It is expected that, by the time of the mid-term review, the programme will be able to enter into discussions with the Government on how to scale up programme activities by using the funding already available and also by attracting new financial resources.

J. Main risks

Main risks and mitigation measures

29. The main perceived risks are as follows: (i) difficulty in engaging NGOs with the experience and capacity necessary for the success of the programme; (ii) possibility that bank credit will not flow smoothly; (iii) presence of existing subsidized schemes that may jeopardize the implementation of a genuine SHG approach; and (iv) need to ensure an effective working relationship among all stakeholders, i.e. the Government, banks/microfinance institutions, the private sector and NGOs. To mitigate the first risk, WDCs in both states will be proactive in reaching out to national NGOs that have gained a reputation for their development work and have expressed their commitment to make their experience available to the programme. On the second risk, the programme will support microfinance institutions (MFIs) in establishing branches in the target areas. The third risk is mitigated by clear communication of the potential negative impact of subsidies and provision of training on this subject to SHGs. Finally, the programme will adopt effective multi-stakeholder coordination mechanisms.[9]

Environmental classification

30. Pursuant to IFAD's environmental assessment procedures, the programme has been classified as a Category B operation in that it is not likely to have any significant environmental impact. In fact, the programme will have a positive environmental impact by encouraging low-input, sustainable agriculture and organic farming.

K. Sustainability

31. It is expected that, at the end of the programme, all 7,200 SHGs will have gained experience in managing their group activities in a sustainable manner, with their own group funds and support from financial institutions. The SHGs will be supported by the community service centres, made financially sustainable thanks to contributions by SHGs and cost-recovery mechanisms. Finally, linkages with microfinance institutions and the private sector will be established and made secure.

II. Legal instruments and authority

32. 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 agreement is attached as an annex.

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

[9] The risks are described in detail in the logical framework (appendix II).

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

III. Recommendation

35. 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 million four hundred thousand special drawing rights (SDR 20,400,000) to mature on or prior to 1 December 2046 and to bear a service charge of three fourths of one per cent (0.75 per cent) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge
President

Summary of important supplementary assurances included in the negotiated loan agreement

(Negotiations concluded on 24 November 2006)

Gender focus

1. Each WDC will ensure that women occupy decision-making positions within their structures. In addition, each programme party will ensure its commitment to gender-mainstreaming and will ensure that (i) women will participate and be represented in programme activities and on programme implementation teams at the grass-roots level and in managerial positions; (ii) capacity-building on gender mainstreaming activities is available to all project and line department staff; (iii) women participate in and benefit from capacity-building programmes, exposure visits, skills development, perspective building, life skills training and legal aid; and (iv) preference is given to women candidates in the recruitment of programme staff, all other things being equal.

Monitoring

2. Monitoring and evaluation will be an integral part of programme implementation. Monitoring and evaluation activities will include (i) activity reporting, in which all programme parties will report on a monthly basis on the activities undertaken, and the information will be stored in the programme's management information system (MIS); (ii) process monitoring, in which the MIS officer based in the programme implementation units (PIUs) will make regular visits to a sample of SHGs to obtain feedback from participating communities on programme outputs, for storage in the MIS; (iii) outcome monitoring, in which the WDCs in the states of Bihar and Uttar Pradesh will gather information on logical framework indicators via baseline beneficiary profiles and sample surveys; and (iv) impact monitoring, in which information on indicators of programme objectives, including those indicators required under IFAD's Results and Impact Management System (RIMS), will be gathered. The Government will ensure that the RIMS indicators required by IFAD are incorporated into and form part of the programme's monitoring system.

Pest management practices

3. As part of maintaining sound environmental practices, the programme parties will maintain appropriate pest management practices under the programme and, to that end, the Government, through each state, 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 Classification 1996-1997, as amended from time to time.

Reporting

4. Each programme party will prepare and submit quarterly physical and financial progress reports to the state programme management units (SPMUs) in Bihar and Uttar Pradesh, based on reporting formats developed and communicated by the WDCs in the two states to all programme parties. The reports will track such issues as the financial progress of the programme implemented by each such programme party against the annual workplan and budget for the relevant period. Each programme party will submit its quarterly report to the SPMU not later than two months after the end of each quarter during the programme implementation period. The SPMUs in Bihar and in Uttar Pradesh will base their obligatory six-monthly and annual reports to IFAD on these quarterly reports.

Staff recruitment

5. All programme professional and technical staff will be recruited on a renewable contract and selected through an open, competitive process from among professionally qualified candidates.

Insurance of programme personnel

6. The lead programme agencies will insure key programme personnel against health and accident risks to the extent consistent with sound commercial practice.

Additional events of suspension

7. (a) IFAD 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 following events:

    (i) The programme implementation manual, or any provision thereof, has been waived, suspended, terminated, amended or modified without prior consultation with 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 the WDC in Bihar or the WDC in Uttar Pradesh, 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 the WDC in Bihar or the WDC in Uttar Pradesh among their respective creditors, and no alternative solution is proposed by the states to the satisfaction of IFAD.

    (iii) The lead programme agencies have failed to perform any of their respective obligations under the memorandums of understanding.

    (iv) The lead programme agencies have amended or abrogated any provision of their respective constitutional documents – with the exception of those amendments required herein as approved by IFAD – without prior consultation with IFAD, and which amendment or abrogation, in the opinion of IFAD, may affect the ability of lead programme agencies 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.

    (vi) Any of the memorandums of understanding 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 part 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) Procurement has not been carried out in accordance with the approved procurement plans and the loan agreement.

(b) IFAD 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.

Conditions precedent to withdrawal

8. The conditions precedent to withdrawal are as follows:

(a) the annual workplan and budget and procurement plan for the first 18 months have been submitted to and approved by IFAD;

(b) the programme implementation manual has been approved by IFAD in draft; a copy of the programme implementation manual as adopted by the country programme support unit (CPSU), substantially in the form so approved and certified as true and complete by a competent officer of the CPSU, has been delivered to IFAD; and

(c) the conditions precedent to effectiveness specified under paragraph 9 (a) below have been met in any state that has not fulfilled them by the effective date.

Conditions of effectiveness

9. The following are specified as conditions precedent to the effectiveness of the loan agreement:

(a) either the State of Bihar or the State of Uttar Pradesh has fulfilled all of the following conditions:

(i) the state programme coordinator for the SPMU has been appointed;
(ii) the SPMU has been duly established;
(iii) a copy of the signed memorandum of understanding between the Government and the lead programme agency has been delivered to IFAD; the signature and performance thereof by the Government and the respective lead programme agency have 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
(iv) the lead programme agency has duly opened the programme account.

(b) the programme director has been appointed;

(c) the CPSU has been duly established;

(d) the Government has duly opened the special account;

(e) the loan agreement has been duly signed; and

(f) a favourable legal opinion, issued by the Solicitor General of the Government in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

Key reference documents

Country reference documents

Draft XI 5-year Development Plan

IFAD reference documents

PDD and Key Files
India COSOP
Learning Notes on Targeting, Gender, Rural Finance, Sustainability
Policies on Rural Finance, Rural Enterprises and Procurement
Administrative Procedures on Environmental Assessment
Gender Plan of Action
Private Sector Partnership and Development Strategy
Loan and Grant Administration Manual

Other miscellaneous reference documents

World Bank Bihar Livelihood Development Programme

Logical framework

Goal	Indicators	Monitoring mechanism and info sources	Assumptions
Holistic empowerment of rural poor women and adolescent girls[a] supported by sustainable and improved livelihoods, in selected districts of the states of Uttar Pradesh and Bihar, in line with the goals of the GOI's 11th Plan and MDGs	- *Number of households with improvement in household assets ownership index; and* - *Percentage reduction in the prevalence of child malnutrition.*[b] - Increased women participation in PRIs.	- RIMS survey – bench mark, mid term and completion. - Special Studies – baseline, mid term and completion. - Supervision reports. - Programme progress reports.	- Continuous support by Central and State - level Governments. - Continuous economic growth of India's economy. - Banks support financing SHG and enterprises.
Programme purpose	**Indicators**	**Monitoring mechanism and info sources**	**Assumptions**
Building and/or strengthening SHGs and People's Organizations of women for social and economic empowerment and enabling the target group (from an estimated 108,000 households organised in 7,200 SHGs) to access productive resources, social services and to build a sustainable livelihood base integrated with the wider economy.	- Number of sustainable SHGs and People's Organizations. - Reduction in borrowing from high cost sources. - Linkages with banks and MFIs. - Number of livelihood activities/ enterprises. - Convergence with other government Programmes.	- Special Studies – baseline, mid term and completion - MIS reports - Programme progress reports - Supervision reports - NGO reports.	- Central and State-level ownership of Programme proposals - Effective relationship between. Government, banks/MFIs, private sector and NGOs - Programme implementing agencies engage competent NGOs and Service Providers to implement Programme activities.
Programme Outputs Capacity Building and Empowerment	**Indicators**	**Monitoring mechanism and info sources**	**Assumptions**
1 - Capacity Building and Empowerment **2 - Livelihood Enhancement and Enterprise Development** **3 - Programme Management**	- No. of SHGs formed, strengthened. - No. of forward and backward linkages enterprise established with cluster level producer organisations - No. of SHGs linked to banks and MFIs. - Number of enterprises that have developed technology for drudgery reduction. - Number of training programmes to build capacity of women in life skills, HIV/AIDS, etc. - Number of demonstrations of economic activities launched. - Repayment performance of loan granted to SHGs from Banks and MFI.	- Programme MIS, M&E, RIMS, reports - Supervision reports. - Programme progress reports. - NGO reports - Case studies	- Successful partnership between WDC and capable NGOs for SHG mobilisation. - Banks and other financial institutions will provide necessary credit support to enterprises - WDCs able to solicit support of banks and MFIs to work with the Programme - GOUP would strengthen the capacity of WDC-UP by appointing full time top management staff.

[a] from vulnerable households living in the Programme districts of Uttar Pradesh and Bihar
[b] RIMS Anchor Indicators