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Enabling poor rural people  
to overcome poverty

## **Republic of India Country Programme Evaluation Agreement at Completion Point**

Evaluation Committee — Sixty-second Session  
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For: **information**

## **Note to Evaluation Committee members**

This document is submitted for the information of the Evaluation Committee.

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

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# Republic of India

## Country Programme Evaluation

### Agreement at Completion Point

#### A. Background

1. India is the largest borrower from IFAD, both in terms of number of projects financed and resources invested. The Fund has provided loans for 24 agriculture and rural development projects at highly concessional terms since 1979. The total cost of the project portfolio is US\$1.9 billion, including US\$656 million in loans from IFAD and US\$877 million in counterpart funds from the Government. Currently, 9 out of the 24 projects are under implementation. A large majority of loan-funded projects aimed to promote tribal development, women's empowerment and development, and establish sustainable rural financial services. IFAD has also provided grant funding for capacity building, electronic networking among projects to enhance communication and knowledge sharing, agriculture research and other areas. At the same time, India is the largest contributor to IFAD from developing countries, and therefore all this makes for a special relationship between India and IFAD.
2. The Office of Evaluation (OE) undertook a country programme evaluation (CPE) in India in 2009. This was the first CPE done by IFAD in India since the Fund started its operations in 1978. The main objective of the CPE was to assess the performance and impact of IFAD operations, and to generate building blocks that would serve as inputs for the preparation of the new India country strategic opportunities programme (COSOP), which will be prepared by the Fund's Asia and Pacific Division and the Government of India following the completion of the CPE.
3. This Agreement at Completion Point (ACP) contains a summary of the main findings and recommendations from the CPE. It benefits from the main points emerging from the CPE national roundtable workshop held in New Delhi on 7-8 December 2009. As per the decision of the Executive Board, the ACP will be attached as an Annex to the new India COSOP, which is expected to be presented for Board consideration during 2010.
4. The ACP has been reached between the IFAD Management (represented by the Programme Management Department) and the Government of India (represented by the Department of Economic Affairs, Ministry of Finance), and reflects their understanding of the main findings from the CPE (see Section B below) as well as their commitment to adopt and implement the recommendations contained in section C of the ACP within specified timeframes.

#### B. Main Evaluation Findings

5. The CPE affirms the value of IFAD's contribution to addressing rural poverty in India. The Fund has particularly contributed to promoting pro-poor innovations, and served as a 'demonstrator' of how to methodically design, implement, supervise, monitor and evaluate pro-poor agriculture and rural development projects. These two characteristics make IFAD different from other donor organisations operating in India, and can serve to generate lessons and good practices that can be replicated and scaled up by Government and other partners to achieve wider developmental impact on rural poverty.
6. The projects funded by IFAD have achieved satisfactory results, especially in terms of livelihoods promotion amongst tribal people, women's development, and the promotion of rural finance systems. In particular, women are more empowered and have generally a greater voice in decision making and resource allocation of development projects and programmes. Efforts to promote tribal development have

been good, for example in terms of promoting greater access to natural resources, including land and non-timber forest products which are central to their livelihoods. There is evidence that some of the IFAD-funded projects contributed to peace-building and reducing conflict (e.g., Andhra Pradesh and the North East). However, given the vast numbers of tribal people (more than 80 million) in the country and their very low economic and social status, the agenda remains incomplete and more efforts and resources are required to ensure their full integration into the economy, while at the same time preserving their cultural heritage. IFAD-funded operations have contributed significantly to developing new and successful models for the provision of micro-finance to the rural poor, and for linking them and their organisations to commercial banks. There are however areas in which micro-finance activities can be further developed to ensure an even wider impact on poverty, for example, by supporting microfinance institutions to build rural money transfer systems and networks for effectively and efficiently channelling remittances to and within rural areas. The CPE also found evidence of policy impact, for example, in terms of ensuring secure land titles for tribal people and inclusion of NGOs in development activities.

7. In general, the overall IFAD loan-funded project portfolio achievement in India is satisfactory, and better than the results of IFAD-funded projects in all regions - as reported in the 2008 Annual Report on Results and Impact of IFAD Operations. Performance has been particularly good in terms of relevance of operations and in the impact domains of natural resources management and environment, followed by household income and assets, food security and agricultural productivity, institutions and policies, as well as innovations, replication and upscaling. The area of relative weak performance is the efficiency of operations, where there is room for improvement.
8. The CPE found that frequent rotation of project directors is a cause for concern, and a solution needs to be found for better impact. Another issue is the rather wide geographic coverage of the country programme, with numerous relatively small projects dispersed throughout the country in 17 states. Five projects were designed to cover two or three states, which in some cases are not even contiguous. A wide and fragmented programme coverage poses deep challenges to country programme management, for example, in terms of co-ordination, monitoring, supervision, efficiency and sustainability of benefits.
9. Various innovations have been successfully tested on the ground through IFAD-funded projects and programme, several of which have been replicated and upscaled by the Government and other donors. This is a remarkable achievement. In spite of that, however, the CPE did not discern a systematic or strategic approach by IFAD to replication and upscaling, and the Fund's grants programme has not been used to its potential for promoting pro-poor innovations.
10. The evaluation found however insufficient attention until the most recent operations to agriculture, which is extremely important given that around 600 million people in the country derive their livelihoods from agriculture-related activities. Selected crop development and research activities were funded through IFAD's grants but had limited linkages with loan-funded projects. The establishment of market-linkages, engagement with the private sector and involvement of *panchayati raj* institutions has been limited. One recent interesting feature however is the US\$20 million funding raised from the Sir Ratan Tata Trust and other private sector operators in the context of the most recent programme in Maharashtra for, *inter-alia*, bio-fuels development, promotion of organic cotton, and dairy development including milk collection centres.
11. Project monitoring and evaluation systems have mainly focused on input-output measurements, and evaluation capacity especially in the agriculture and rural sector focusing on results and impact is generally insufficient. There is a proposal

currently under consideration of the Planning Commission to establish an independent evaluation outfit in India, which would be responsible for undertaking rigorous and useful evaluations of development projects and programmes.

12. The CPE underlines that the convergence of IFAD assistance with government schemes is extremely important, especially at the district level. The absence of convergence has contributed in the past to poor utilisation and results, as there has been duplication of efforts between departments (e.g., in terms of capacity building of communities), overlapping development activities, and multiple reporting requirements. The newest programme in Maharashtra however is a good example of efforts by IFAD to ensure convergence with Government's own initiatives.
13. Performance of non-lending activities (knowledge management, policy dialogue and partnership building) has been moderately satisfactory. IFAD has made important contributions in few policy areas, but resources and capacities for analytic work and knowledge management have been few. In recent years, there are some interesting knowledge management initiatives, but these have not spanned throughout the period covered by the CPE. As mentioned above, there have been some important achievements in policy dialogue (e.g., institutionalising the self-help groups as an instrument for poverty reduction in national policies and programme, the provision of land titles to tribal people, the wide spread involvement of NGOs in development initiatives), but these have not been systematic and largely confined within project-related processes. Engagement in agriculture and rural development national policy formulation has been limited, partly due to inadequate resources. Partnership with government in general is very good, as it is with civil society and the NGO community, but partnership with the private sector and other multilateral organisations working in agriculture in India has not been vibrant, even though there are signs of improvement in the recent past. Partnership in the central government is particularly strong with the Ministry of Finance, and somewhat limited with other key agriculture and rural development-related ministries, and other central agencies. Even though project execution is the responsibility of state authorities, central government agencies have an important role, not least because they are responsible for formulation of national policies and acts, establishing nation-wide priorities and targets for poverty reduction. They also finance large centrally sponsored schemes for agriculture and rural development.
14. A number of grants have been provided in support of the country programme, both from IFAD's global/regional and country-specific grant windows. Apart from some global/regional grants (e.g., for ENRAP), the evaluation found little evidence that they have much of an impact on the loan funded activities in the country. Country-specific grants tied within selected projects and programmes more directly support project activities, but their total volume has been very small. This is partly due to the fact that the country-specific window only became available following the approval of the IFAD grants policy in 2003.
15. The evaluation concurs with the recent move to direct supervision and implementation, even though there are resource issues that need consideration, especially given the size of the ongoing portfolio in the country. Similarly, good efforts have been made to establish a country presence in India since 2001, which is growing and involved in a range of activities related to the country strategy and programme management. There are challenges however in the current arrangements and the impact it can truly have especially in terms of implementation support, partnership building, policy dialogue, knowledge management, and donor co-ordination is limited - given the level of delegation of authority as well as the size and complexity of the country programme. According to the CPE, a strengthened country office in India would not only contribute to achieving better results in the country, but it could also possibly play a wider role in the sub-continent in terms of enhancing efficiency and improving performance in selected countries in the region as well. The evaluation also concludes that overall

the hosting arrangements by WFP may no longer be the most attractive option moving forward for IFAD country presence, partly due to the forthcoming cost increases for services rendered by WFP as well as the limited space available. The temporary nature of staff contracts does not provide required job security and incentives for further enhancing performance.

16. Maybe the most important message from the CPE is that the context has changed significantly in India since the beginning of the IFAD-Government partnership in 1979. The emerging middle income status of India will have important implications for IFAD's role and focus in the country in the coming decade and beyond, even though the Fund's lending terms to the country may not change in the next three year (2010-2012) Performance Based Allocation System cycle. Together with the vast amount of national technical expertise and funds available both through centrally sponsored schemes and state financed initiatives, this will pose a major challenge for IFAD in articulating its objectives and priorities moving forward, also in light of the relatively high transaction costs for the government in nurturing and expanding its partnership with IFAD. All in all, the implications are far-reaching, and after 30 years of co-operation, IFAD and the Government are at a cross-road. They will need to carefully and jointly reflect on the alternative options, directions and approaches to pursue, in order to ensure the continued high relevance of their important partnership for the future. But one thing is clear: the transfer of financial resources will not be the main focus of the partnership in the future.

### C. Recommendations

17. In light of the above, what role could a relatively small organisation such as IFAD play in India, especially taking into account that in the near future the Fund may no longer be able to lend to the country on highly concessional terms? The CPE offers the below broad recommendations for IFAD and the government to consider in the development of the new India COSOP and future projects and programme. The recommendations are clustered in two broad categories: strategic and operational issues.

#### Strategic Issues

18. **Give more priority to smallholder agriculture.** Sustainable smallholder agriculture should be included as a central strategic objective in the new COSOP, as an engine for promoting pro-poor growth and reducing hunger and rural poverty. Among other issues, this would include an emphasis on promoting the viability and risk-management of farming activities by smallholder farmers, with specific attention to rainfed areas with emphasis also on in-situ water conservation, livestock development, and crop production, including staple cereal and pulse productivity.
19. **Targeting and reduced geographic coverage.** In terms of targeting, it is recommended that in future greater emphasis be devoted to smallholder farmers, but also continue to support rural women and tribals. The geographic focus should in principle be narrowed to a smaller group of states, and not expanded beyond the 11 states covered by ongoing operations. Also, two-state projects through one loan and one supervision budget should be avoided in the future. However, the CPE recognises that national programmes that focus on knowledge management and policy dialogue may be pertinent moving forward, as they can contribute towards promoting the innovation and upscaling agenda of the Government and IFAD.
20. Given IFAD's positive experiences in India and other countries (e.g., the Philippines), opportunities to work in conflict areas could be pursued in consultation with Government. This will however require projects to include in crisis prevention measures (e.g., flexibility in terms of project area coverage), and adequate expertise will need to be mobilised for supervision and implementation support purposes.

21. **Enhance private sector engagement in line with corporate social responsibility principles.** The partnership with the private sector should be enhanced further, for example with agriculture related entrepreneurs, who can among other issues deliver rural finance and extension services to the rural poor, provide input supply and access to agro-processing infrastructure, facilitate transport of agricultural produce to market points, promote innovations and up-scaling, make information and communication technology more widely available in rural areas, and so on.
22. **Innovation with deeper attention to replication and upscaling.** The main aim of IFAD-funded projects and programme in India in the future should be to promote pro-poor innovations that can be replicated and upscaled by government, other donors, the private sector, and others. It is therefore recommended that the new COSOP include a well-defined innovations agenda, which would outline the areas that merit to be prioritised. Some examples of the agenda include promoting innovations in micro-finance (e.g., to enable crop insurance, transfer of remittances to the poorest), pro-poor drought and pest resistant agriculture technology, and use of information and telecommunications to link the poor to markets. Moreover, the country strategy should make explicit the approach that will be pursued for replication and upscaling, as this is the ultimate aim of IFAD's capability to promote innovative approaches. Opportunities for developing and strengthening partnerships with national institutions, such as the Indian Council for Agricultural Research, but also the private sector including foundations, for the implementation of this recommendation should be actively explored. Similarly, partnership with NGOs and other rural institutions need to be further expanded in order to scout for, develop, pilot test and assess innovations emerging from the grassroots level
23. **Launch a coherent knowledge programme.** The new COSOP should include a distinct and clearly resourced knowledge programme. One of the key aims of the programme would be to fill any knowledge gaps on agriculture and rural development and more generally in rural poverty reduction in the country. It could be funded by grants, but also supported by individual operations financed through loans. This programme could contribute to a wider PI initiative together with other IFAD regional divisions to systematically exchange knowledge on rural poverty reduction drawing upon the experiences, lessons learned, and good practices from the Fund's operations in other countries and regions, especially in other middle income countries (e.g., Brazil, China, Argentina and Morocco).
24. The programme could include, *inter-alia*, activities to document and share experiences from IFAD's own experience in India, distillation and promotion of relevant lessons and experiences from IFAD operations in other countries that may be of relevance to the India country programme, promotion of exchange visits by government officials project staff and members of civil society and NGOs to IFAD-financed projects within and outside India. Another option could be the organisation of thematic workshops in India with prominent guest speakers and other resource persons from other countries with international expertise and reputation in agriculture and rural development issues, focusing on those areas that may be constraining rural poverty reduction in the country at any particular juncture.
25. **Seek deeper convergence with government.** A very large amount of resources are allocated by the Central and State governments for agriculture and rural development activities. If this funding is to be efficiently used, there must be greater convergence within government-funded programmes, and between operations and other donor-funded activities and Government-assisted programmes. Among other issues, this will require in-depth analysis during project design of other ongoing or planned development initiatives in the districts to be covered by IFAD-supported projects. The aim would be to ensure complementarities in objectives and activities between IFAD-funded and government-financed agriculture and rural development projects and programmes.

One way of ensuring convergence is to link project management units more directly with state and district administrations, so convergence can be facilitated during project execution. Further, IFAD-supported projects should build and strengthen the communities' capacity to access the available schemes of different Government's departments.

26. **Widen partnership with central government.** The Department of Economic Affairs (DEA) in the Ministry of Finance is the nodal entity responsible for external assistance to India including funding provided by IFAD. In coordination with DEA, IFAD needs to engage more proactively with the central Ministry of Agriculture and other Ministries to leverage their expertise and experience to focus on some of the important areas that help achieve sustainable livelihoods in the agricultural sector. These agencies also play an important role in national policy formulation and legislation, coordination and monitoring and evaluation, as well as in financing large and important centrally sponsored schemes. Among other issues, a wider partnership with key central Ministries can provide an opportunity for the Fund to contribute towards shaping the design of centrally sponsored schemes and national policies and acts, building on IFAD's own priorities and experiences in the country. For example, partnership with the Ministry of Agriculture needs development. While there is some collaboration with the Ministry of Tribal Affairs and Ministry of Women and Child Development, these too could be further expanded. Opportunities to also establish partnership with the Ministry of Rural Development should be explored, as they are responsible for a number of centrally sponsored schemes of relevance to IFAD, such as the National Rural Employment Guarantee Act and Bharat Nirman (a business plan for promoting rural infrastructure including roads and irrigation), but also take the lead in all matters related to Panchayati Raj institutions. Further, IFAD should encourage exposure visits of central government officials to project areas.
27. **Ensure ownership and commitment with State Governments.** State Governments need to be involved from the very beginning of project design to ensure that they take full responsibility of the activities and act on the issues that IFAD-supported operations are recurrently facing. In particular, State Government should ensure: (i) smooth flow of funds; (ii) timely provision of counterpart funds; (iii) their direct participation in Joint Review Missions; (iv) timely follow-up on agreed recommendations; (v) ensure competitive and attractive salaries and allowances, including their timely adjustments, so as to recruit and retain highly qualified project staff, including NGO staff; and (vi) and last but not least, continuity of tenure of Project Directors and key-management staff.
28. **Increase loan size.** IFAD should consider increasing the average loan size of the operations in the country and undertaking fewer projects in the next COSOP cycle. This would contribute to lowering transaction and administrative costs for both Government and IFAD, while allowing greater attention to implementation support, learning, and impact achievement in general. Such a shift is expected to improve the overall quality of the country programme, and also free up time and resources for greater attention to non-lending activities in the future. Acknowledging the difficulties being occasionally faced in loan disbursements, larger loan size will have implications for targeting and absorptive capacities, and ways will need to be found in future projects to address the corresponding implications. Few examples should be considered: (i) greater investments may be made in rural infrastructure including, *inter alia*, renewable energy technologies, communications and small scale irrigation, which is essential for agriculture and rural development in line with IFAD's targeting policy of 2006; (ii) adoption of a saturation approach in targeting of the poorest families at village and block level; and (iii) ensuring provision for an adequate project implementation period of around 8 years. Given the size of the programme, the country and the number of rural poor, it is recommended that financing larger projects should not result in a commensurate cut in IFAD's administrative budget allocated towards country programme management.



29. **Implementation responsibilities and timeframes.** Both IFAD and the Government of India would be responsible for the implementation of the above-mentioned strategic recommendations. They will be appropriately reflected in the new India COSOP, as well as in all the new projects and programmes funded by IFAD following the adoption of the COSOP.

### **Operational Issues**

30. **Strengthen the India country office.** There is a need to further strengthen the IFAD country office in India. In general, a strengthened country office is required to enhance project supervision and implementation support, improve policy dialogue, strengthen cooperation and harmonisation with other donors, and further facilitate follow-up on supervision and mid-term review decisions. This would also contribute towards implementation of the CPE recommendations related to the knowledge programme, as discussed above.
31. The role, priorities and organisation of the India country office will need to be reconsidered in developing the new COSOP and implementing the CPE recommendations. This is because the new COSOP is expected to introduce additional priorities and activities, such as a wider focus on smallholder agriculture, a more coherent knowledge programme and systematic engagement in policy dialogue. In this regard, the opportunities, challenges and budgetary implications of out posting the India CPM should be examined in order to bring full decision making and follow-up actions related to IFAD operations closer to the country level.. The core personnel of the country presence office in New Delhi should eventually be enhanced through the addition of an agriculture and rural development economist to contribute to the analytic work required for the preparation of project and programmes as well as the supervision and implementation support. Country office staff should be provided with fixed-term contracts and better mainstreamed into IFAD's overall work force, to provide greater job security and incentives and improve performance. The current hosting arrangements with WFP should be reconsidered, especially in light of the cost escalation in services charged by WFP, and the merits of hiring alternative premises analysed. For example, the possibility of finding premises closer to or within the UN complex or World Bank office would facilitate dialogue and co-operation with other donors. The office infrastructure also needs upgrading, for example, in terms of space and information technology facilities, which are currently constraining the work of the office, inter alia, such as the access to IFAD databases and reports at headquarters. The strengthening of the country office will have important resource implications that would need to be considered to ensure the office's effectiveness and its ability to contribute to the achievement of COSOP objectives.
32. The Agreement at Completion Point of the evaluation on the Field Presence Pilot Programme, discussed by the Board in September 2007, contains a recommendation for IFAD to experiment with sub-regional offices. Recognising this recommendation might have some corporate implications for IFAD to consider, the CPE recommends that, as a contribution to the forthcoming IFAD country presence policy to be developed in 2011, consideration be given to establishing the India country office as a sub-regional office. The idea would be to establish an office which could cover a number of countries in the region - in addition to India - that can be efficiently and feasibly covered from New Delhi, such as Afghanistan, Bhutan, Maldives, Myanmar, Nepal, Sri Lanka, and others. The CPE recognises that the eventual establishment of a sub-regional office would require consultations with the representatives of the neighbouring countries to be covered from the India office.
33. The sub-regional office is expected to contribute towards lowering IFAD's overall administrative costs of managing the various country programmes, facilitate knowledge sharing among staff and the countries covered by the office, and bring

IFAD closer to the action on the ground. This recommendation would be consistent with the approach followed by several multilateral organisations (e.g., WHO, UNIFEM, UNESCO, ILO, UNIDO and others), whose New Delhi offices cover their activities in other countries in the region. Obviously, the establishment of an IFAD sub-regional office would have implications in terms of organisation and structure, management and responsibilities, and resources, in addition to those mentioned under paragraphs 30-31 concerning the strengthening of the India country office.

34. **Ensure greater continuity in project directors.** Rapid turn-over of some project directors remains a critical issue in IFAD-funded projects and programmes, particularly in the early phases of implementation. While this is a systemic concern for IFAD and other multilateral development organisations in India, IFAD should reach a written agreement right at the beginning of project design with the State Governments that qualified Project Directors will remain in their positions for at least three years and preferably longer. Failing this agreement, IFAD should consider alternatives including, *inter alia*, recruiting from the open market or deputing senior level staff from established civil society organization. These agreements with State Governments should be captured in the Financing Agreements and monitored and enforced by Central Government.
35. **The need to improve project efficiency.** There is scope for improving the efficiency of IFAD-funded projects and programmes in the country. Some of the measures recommended above are expected to ensuring better efficiency, such as limiting the coverage of projects to one state, and by ensuring deeper convergence between the IFAD and government programmes. However, there are other measures that should be deployed to improve efficiency, including streamlining the flow of funds to limit implementation delays, strengthen the capacity in the project management unit but also state governments in procurement and other loan administration issues, and ensuring the assignment and continuity of staff to the project with adequate expertise and experience in project management.
36. **Resource issues.** Among other issues, greater attention in the future to non-lending activities, implementation support, mobilisation of expertise in conflict-resolution, upscaling of innovations, deeper engagement with the central government and the private sector, and the strengthening of the existing country office and establishment of a sub-regional office in India are likely to have additional recurrent administrative resource implications to IFAD, both in terms of staff time and finances. It is therefore recommended that the management conduct a detailed cost analysis during the formulation of the next COSOP and make the necessary allocations commensurate with the size, focus and coverage of IFAD-supported activities in the country. The additional resources are critical if the CPE recommendations are to be fully implemented, in order to achieve more far-reaching development results on the ground.
37. **Evaluation capacity development.** In close collaboration with the Asia and Pacific Division, OE will explore opportunities for supporting the Planning Commission's efforts to establish an independent evaluation outfit in India. Given its mandate and specialisation, IFAD's contribution will be restricted to evaluation capacity development in the agriculture and rural sectors. This will include initiatives to further enhance project-level monitoring and evaluation systems, so that they are also equipped to effectively collect, analyse and report on results and impact in addition to the achievement of physical and financial targets.
38. **Implementation responsibilities and timeframes.** IFAD would be responsible for the first, fourth and fifth operational recommendations, and the Government for the second. Both IFAD and Government would be jointly responsible for ensuring the implementation the third operational recommendation.

Signed by:

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