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Enabling poor rural people
to overcome poverty

President's memorandum

Proposal for supplementary financing to the Republic of India for the

Orissa Tribal Empowerment and Livelihoods Programme

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing in the form of a loan to the Republic of India for the Orissa Tribal Empowerment and Livelihoods Programme, as contained in paragraph 17.

President's memorandum

Proposal for supplementary financing to the Republic of India for the Orissa Tribal Empowerment and Livelihoods Programme

I. Background

1. This memorandum seeks approval for supplementary financing in the form of a loan of approximately US\$15 million (equivalent to SDR 9.9 million) for the Orissa Tribal Empowerment and Livelihoods Programme (OTELP), approved by the Executive Board in April 2002 (EB 2002/75/R.19/Rev.1). The IFAD supplementary loan will be used to cofinance, together with the Government of India and programme beneficiaries, the cost of scaling up the programme to cover an additional 24,950 beneficiary households in the programme area.
2. The programme financing plan as originally approved consisted of: (i) IFAD, with a loan of SDR 16.05 million (approximately US\$19.996 million); (ii) Department for International Development (DFID) with a grant of GBP 7.54 million; (iii) World Food Programme with a grant equivalent to US\$12.32 million; (iv) the Government, with a contribution of US\$9.94 million; and (iv) beneficiaries, with a contribution of US\$8.88 million.
3. IFAD and the Government of India have agreed that US\$15 million from the 2013-2015 performance-based allocation system (PBAS) cycle should be used to fund the programme's supplementary requirements, and in particular the scaling up of programme impact.

II. Justification and rationale

4. In Odisha State (formerly Orissa State), there are 62 tribal groups, accounting for about 22 per cent of the State's population. In line with national policies, Odisha has adopted tribal development strategies that are a combination of protective and welfare measures. The State has enacted various laws to safeguard the interests of the tribal communities. Yet the tribal economy remains at a primitive stage from the point of view of resource utilization, technology, adoption of diverse livelihood sources and market and credit access. Significant effort is still required to enable sustainable and inclusive development in these tribal areas.
5. In spite of the significant challenges in rural Odisha, the IFAD-financed OTELP programme has achieved considerable impact in tribal villages. It currently reaches 56,180 households, and has mobilized approximately 4,273 self-help groups (SHGs), and federated these SHGs into 325 SHG federations. SHGs supported by the programme have saved over 113 million Indian rupees (INR), and mobilized INR 10 million in bank loans. A cumulative total of 231,774 persons have been trained by the programme. Importantly, 26,038 households have benefitted from the settlement of land rights. Irrigation potential has been developed across 17,131 hectares, and 11,282 hectares of fallow land have now been converted into farmland. Together, these factors have had a big impact on food security. Impact

surveys show that only 6 per cent of villagers in target villages report food shortages, compared to 31 per cent in control villages.

6. Given the success achieved under OTELP, the Government of Odisha has proposed that the programme be scaled up to new watersheds in the current programme districts. The State Government has indicated that it is ready to commit approximately US\$100 million to this state-wide scaling-up effort. This would enable OTELP to reach an additional 70,000 households across 520 micro-watersheds. The Government of Odisha has requested IFAD to assist in financing the scaling up of OTELP with a contribution of US\$15 million. Following a formal request from the State Government for supplementary financing, IFAD launched a mission in August 2013 to appraise the proposal. It was concluded that OTELP has a very strong case for supplementary financing given that: (i) it is a high-performing programme with good impact on the ground; (ii) OTELP disbursement rates are good; (iii) OTELP fiduciary management is compliant with the requirements of IFAD; (iv) the audit opinions of OTELP continue to be unqualified; (v) the OTELP programme has the required staff in place to enable scaling up to be achieved quickly and effectively; (vi) interventions proposed for financing under the scaling-up effort are consistent with the ongoing programme objective and programme interventions, and are considered economically viable; (vii) the supplementary financing would enable a significant incremental increase in the outreach of the programme; and (viii) the supplementary financing would be used within the framework of the relevant IFAD policies.

III. Details of the scaling up proposal

7. The proposed scaling up of OTELP will support all five components of the ongoing programme: (i) capacity-building for empowerment; (ii) livelihood enhancement; (iii) support for policy initiatives; (iv) development initiatives fund; and (v) programme management.
8. The first component will be entirely funded by the State Government and will continue to cover: creating awareness on tribal rights and gender and equity issues; conducting micro-planning exercises to identify and prioritize development needs; and assisting in the formulation and implementation of development proposals. In addition, this component will continue to strengthen the capacity of Integrated Tribal Development Agency (ITDA) staff and staff from facilitating NGOs to work effectively with communities.
9. The second component will be entirely funded by the State Government and will continue to cover: land and water management interventions; agricultural and horticultural development; livestock and aquaculture development; and rural financial services.
10. The third component will be entirely funded by the State Government and will continue to support facilitation in the allotment of land to landless households and securing of land titles.
11. The fourth component will be entirely financed through the IFAD supplementary loan of US\$15 million. This component will continue to operate through the current implementation procedures and provide funds to meet development needs as identified by the communities during the participatory planning processes. This will enable an additional 24,950 households from 503 villages and 202 micro-watersheds to benefit from the programme, including through access to irrigation and sanitation facilities.
12. Finally, the fifth component will be entirely financed by the State Government, which will ensure the all programme management and administration costs are covered, including staff salaries. The scaled-up programme will continue to be implemented through the existing programme support unit of OTELP, and the same arrangements will continue to be used for disbursement, flow of funds and financial management.

IV. Programme costs and financing

13. In undertaking the cost calculations for the scaling up of OTELP, price contingencies were set at 5 per cent and an exchange rate of INR 60 per United States dollar was applied. Based on current prices, total scaling-up base costs are estimated at approximately US\$25.25 million (INR 1,494 million). Price contingencies add a further US\$589,000, bringing total costs to US\$25.84 million (INR 1 544 million). Details are presented in the table below.

Table 1
Programme cost summary

	(INR '000) Total	(US\$ '000) Total	% Total Base Costs	Financing
A. Capacity-building for empowerment				
1. Community empowerment and management	58 517	975	4	
2. Beneficiary skills development	30 734	512	2	
3. Capacity- building of support agencies	15 801	263	1	
Subtotal capacity-building for empowerment	105 051	1 751	7	
B. Livelihood enhancement				
1. Land and water management	130 660	2 178	9	
2. Production systems enhancement				
a. Agricultural/horticultural development	64 075	1 068	4	
Subtotal livelihood enhancement	194 735	3 246	13	
C. Support for policy initiatives				
D. Development initiatives fund	902 000	15 033	60	IFAD
E. Programme Management				
1. Programme management at the district level	231 840	3 864	15	
2. State programme management unit	68 285	1 138	5	
Subtotal programme management	300 125	5 002	20	
F. Knowledge management/M&E	12 832	214	1	
Total baseline costs	1 514 743	25 246	100	
Physical contingencies	15 502	258	1	
Price contingencies	35 656	331	1	
Total programme costs	1 565 901	25 835	102	

14. The scaling up of OTELP across existing OTELP districts will be financed by an IFAD supplementary loan of US\$15 million; a contribution of US\$7.99 million from the Government of Odisha; US\$2.55 million from convergence with other State Government programmes; and US\$258,000 from beneficiaries. The overall allocation of the Government of Odisha to the scaling up of OTELP across the entire State will be close to US\$100 million.

Table 2
Disbursement accounts by financiers
(Thousands of United States dollars)

	State Govt.		Convergence		IFAD		Beneficiaries		Total		Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
1. Vehicle, equipment and materials	107	9.8	994	90.2	—	—	—	—	1 101	4.3	9
2. Training	837	100.0	—	—	—	—	—	—	837	3.2	39
3. Investment fund	310	17.4	1 474	82.6	—	—	—	—	1 784	6.9	—
4. Technical assistance, contractual services and studies	2 076	97.7	49	2.3	—	—	—	—	2 125	8.2	98
5. Community labour	—	—	—	—	—	—	147	100	147	0.6	—
6. development initiative fund	—	—	—	—	15 033	100	—	—	15 033	58.2	—
7. Salaries and allowances	1 265	100.0	—	—	—	—	—	—	1 265	4.9	25
8.other incremental costs	3 396	95.8	37	1.0	—	—	111	3.1	3 543	13.7	36
Total programme costs	7 991	30.9	2 553	9.9	15 033	58.2	258	1.0	25 835	100	2 047

15. The entire IFAD contribution of US\$15 million will be allocated to component 4 – the development initiatives fund. The supplementary IFAD loan will be extended to the Republic of India on blend terms. An extension in the current completion and closing dates of the ongoing OTELP programme of between 12 and 24 months will be needed.

V. Proposed modifications to the programme financing agreement

16. Upon the approval of the Executive Board, the programme financing agreement will be amended to reflect the supplementary IFAD financing. This financing strengthens the financing plan initially agreed at design and does not imply any modification of the programme description. The OTELP programme area remains the same: 30 existing blocks with additional funds being invested in adjoining micro-watershed areas within the existing blocks. There will be no changes in disbursement accounts and consequently the IFAD financing rules will be unaltered. Similarly, there will be no changes in the OTELP expenditure accounts.

VI. Recommendation

17. I recommend that the Executive Board approve the proposed supplementary financing in terms of the following resolution:

RESOLVED: that the Fund shall make a supplementary loan to the Republic of India on blend terms in an amount equivalent to US\$15 million (SDR 9.9 million) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President