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Investing in rural people

President's memorandum

Proposal for additional financing to the Republic of India for the Tejaswini Rural Women's Empowerment 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 additional financing in the form of a loan to the Republic of India for the Tejaswini Rural Women's Empowerment Programme, as contained in paragraph 20.

President's memorandum

Proposed additional financing to the Republic of India for the Tejaswini Rural Women's Empowerment Programme

I. Background

1. This memorandum seeks approval for additional financing in the form of a loan of approximately US\$15 million (equivalent to SDR 9.74 million) for the Tejaswini Rural Women's Empowerment Programme (TRWEP), approved by the Executive Board in December 2005. This loan will be used to cofinance, together with the Government of Madhya Pradesh (GoMP) and programme beneficiaries, the cost of scaling-up the programme in the State of Madhya Pradesh to cover an additional 80,000 beneficiary households in the programme area.
2. The original loan of SDR 27.75 million was approved by IFAD for the implementation of a twin state programme covering Maharashtra and Madhya Pradesh. The GoMP was allocated SDR 9.15 million for implementation of the programme in six districts covering the three poorest northern districts of Bundelkhand region (Panna, Chhatarpur and Tikamgarh) and the three poorest southern districts (Mandla, Dindori and Balaghat). These districts have a considerable tribal population and are affected by left-wing extremism in some areas. The programme became effective on 23 July 2007 and has a completion date of 30 September 2015 and a closure date of 31 March 2016.
3. IFAD and the Government of India have agreed that US\$15 million from the 2013-2015 performance based allocation system (PBAS) allocation cycle should be used to fund the programme's supplementary requirements in Madhya Pradesh, and in particular the scaling-up of programme outreach and impact.

II. Justification and rationale

4. The programme design had planned self-help group (SHG) mobilization as a building block to establish self-sustaining community-owned and -managed institutions. In addition, a contribution from SHG members was envisaged in programme design to cover the staff and operating costs of the SHG federations. Madhya Pradesh had no tradition of SHGs prior to implementing this programme and hence it took time to find partners and build their capacity to mobilize SHGs. As a result, the programme was not able to implement the cost recovery process as planned for making the SHG federations sustainable. The process of cost recovery started during the current financial year and another three years are needed for all the federations to become sustainable. The programme will therefore need a two-year extension and additional resources to support the federations.
5. The programme's SHG mobilization strategy focused on the poorest households and as a result did not reach all the eligible households below the poverty line. However, the National Rural Livelihoods Mission (NRLM) launched by the Government of India in 2011 promotes a "saturation approach" that covers all

eligible households in the villages and also supports financial intermediation by the village-level organizations and federations. Further capacity-building is now needed to sustain the community-based institutions (SHGs, village-level committees and federations) built under TRWEP, ensure that all eligible households are covered by SHGs in the programme villages and build synergies with NRLM for long-term support.

6. Investments to reduce drudgery and create livelihood options were made under TRWEP. The absorption capacity of the community-based institutions has increased over the past six years as a result of programme activities and further investments in livelihood development activities would substantially reduce the drudgery of women and increase the income levels of households. This will require an extension of the programme period and additional investments.
7. In light of the success of TRWEP in empowering rural women and the potential to scale-up drudgery reduction and livelihood activities, the GoMP – through the Department of Economic Affairs (DEA) of the Ministry of Finance – has requested an extension of the programme beyond September 2015 and additional financing to meet financing requirements, scale up successful interventions and ensure achievement of development goals. This extension should mobilize a counterpart contribution of INR 143 million and enable the programme to reach an additional 80,000 households prior to completion. In response to the request of DEA, a mission was fielded by IFAD from 18 to 27 November 2013 to identify the areas for support under the proposed additional financing and work out implementation costs and time lines with state government officials.
8. TRWEP is qualified to receive additional funding from IFAD as it meets, or is substantially in the process of meeting, all applicable criteria.

III. Details of scaling-up proposal

9. The additional financing will support selected activities under the five programme components, namely (i) grass-roots institution-building; (ii) microfinance services; (iii) livelihood and enterprise development; (iv) women's empowerment and social equity; and (v) programme management. Only activities that have the potential to deepen programme impact will be implemented.
10. Under the grass-roots institution-building component, activities will be implemented for the inclusion of households that have not yet been covered in the target villages. Programme outreach will increase to 20,000 SHGs and 246,000 households. The activities related to SHG mobilization will be entrusted to federations – the apex structures established under the programme. The federations will initially build the capacity of community resource persons to undertake wealth ranking, SHG mobilization and bookkeeping. Financial NGOs will be engaged in the capacity-building activities. In addition, the federations will receive support to ensure their sustainability.
11. The microfinance services component will continue to pursue efforts to introduce bank *mitras* (village focal points to facilitate access to financial services) and establish bank branches in non-banked areas. In view of this, minimal allocations under the additional financing have been made for the establishment of three ultra-small branches and the appointment of 240 bank *mitras*.
12. The livelihood and enterprise development component supports implementation of livelihood plans to improve the income levels of SHG members. The additional financing will support preparation of two extra livelihood plans for each federation. Overall investment per federation is projected at INR 3.3 million. Proposals with higher levels of bank finance/financial convergence and/or beneficiary contributions will receive priority. The programme expects to increase the income of 6,000 households by about 40 per cent through support for implementing livelihood plans.

13. The women's empowerment and social equity component will support *Shaurya Dals* – groups established to address issues related to violence against women and young girls. GoMP intends to expand this intervention to the entire state. The programme will support training programmes of *Shaurya Dals* and allocate funds for training of trainers to facilitate the GoMP's expansion of the programme to other districts. Under the additional financing, the programme will allocate funds to implement drudgery reduction activities and health-related interventions.
14. The programme management component has allocated funds for engagement of consultants to facilitate expansion of programme outreach, fast-tracking of implementation of livelihood proposals and efficient programme management. The GoMP will provide funding to cover all salary and operating costs for programme implementation during the extended programme period.

IV. Programme costs and financing

15. In undertaking the cost calculations for the scaling up of TRWEP, a domestic inflation rate of 5 per cent and a foreign inflation rate of 2.8 per cent and an exchange rate of INR 62 per United States dollar were applied. Based on current prices, total scaling-up base costs are estimated at approximately US\$19.39 million (INR 1,202 million). Price and physical contingencies add a further US\$347,000, bringing total costs to US\$19.74 million (INR 1,224 million). Details are presented in the table below.

Table 1
Additional Financing – Programme cost summary
 (Thousands)

<i>Components</i>	<i>Total (INR)</i>	<i>Total (US\$)</i>	<i>Percentage base costs</i>
(i) Grass-roots institution-building	364 758	5 883	30
(ii) Microfinance services	18 540	299	2
(iii) Livelihood and enterprise development	270 720	4 366	23
(iv) Women's empowerment and social equity	392 800	6 335	33
(v) Programme management	155 425	2 507	13
Total baseline costs	1 202 243	19 391	100
Physical contingencies	4 819	78	-
Price contingencies	16 707	269	1
Total programme costs	1 223 768	19 738	102

16. The scaling up of TRWEP across existing programme districts will be financed by an IFAD additional loan of US\$15.0 million; a contribution of US\$2.32 million from GoMP; US\$0.12 million from convergence with other State Government programmes; and US\$0.48 million from banks and US\$1.82 million from beneficiaries.

Table 2
MP-TRWEP Supplementary financing — Disbursement accounts by financiers
 (Thousands of United States dollars)

	<i>State Gov.</i>		<i>Banks</i>		<i>IFAD</i>		<i>Beneficiaries</i>		<i>Convergence</i>		<i>Total</i>		<i>Duties and Taxes</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
1. Equipment and materials	84	10	-	-	778	90	-	-	-	-	862	4	84
2. Goods, services and inputs	-	-	-	-	3 216	74	1 161	26	-	-	4 377	22	-
3. Training	118	2	479	8	4 870	84	319	6	-	-	5 786	29	118
4. Grants and subsidies	-0	-	-	-	5 347	92	339	6	121	2	5 806	30	-
5. Consultancies	42	5	-	-	790	95	-	-	-	-	832	4	42
6. Incremental salary and allowances	963	100	-	-	-	-	-	-	-	-	963	5	45
7. Incremental O&M	789	100	-	-	-	-	-	-	-	-	789	4	79
8. Govt salary and O&M	323	100	-	-	-	-	-	-	-	-	323	2	16
Total programme costs	2 319	12	479	2	15 000	76	1 819	9	121	1	19 738	100.0	383

Notes

Goods, services and inputs Payments to NGOs and service providers engaged in promoting federations and developing livelihood plans

Grants and subsidies Community Funds and Grants for expenditures of Federations, VLC and SHGs

Consultancies Include consultants and studies

17. IFAD's contribution of US\$15 million will be allocated to all programme components with a large proportion for the grass-roots institution-building, livelihoods and enterprise development and the women empowerment and social equity components. The additional IFAD loan will be extended to the Republic of India on blend terms. An extension in the current completion and closing dates of the existing programme by 24 months will be required.

V. Financial management

18. While budget and funds flow arrangements have been fine-tuned over several years of implementation (the programme's disbursement rate stands at 62 per cent), the accounting/reporting and audit functions need to be further improved. The overall quality of financial management of the current programme was rated as moderately unsatisfactory during the last corporate review. However, the quality of financial management at the state level has been rated as moderately satisfactory. An action plan has been prepared to further improve fiduciary arrangements, which includes the use of accounting software for all financial transactions and the update of the programme's financial procedures. These actions will be agreed with programme management and will be included in the amendment to the loan agreement as disbursement conditions. Audits in the last few years have been timely and have yielded unqualified opinions indicating that the management of programme resources has been generally acceptable in Madhya Pradesh.

VI. Proposed modifications to the programme loan agreement

19. Upon the approval of the Executive Board, the programme loan agreement will be amended to reflect the additional IFAD financing. This financing strengthens the financing plan initially agreed at design and does not imply any modification of the programme description. The TRWEP programme area in Madhya Pradesh remains the same: 2,676 villages in six districts will be covered with mobilization of new SHGs and producer groups. There will be no changes in disbursement accounts and consequently in the IFAD financing rules. There will be no changes in expenditure accounts.

VII. Recommendation

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

RESOLVED: that the Fund shall make an additional loan to the Republic of India on blend terms in an amount equivalent to nine million seven hundred and forty thousand special drawing rights (SDR 9,740,000) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President