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Investing in rural people

President's memorandum

Proposal for additional financing to the
Republic of India for the Post-Tsunami
Sustainable Livelihoods Programme for the
Coastal Communities of Tamil Nadu

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 Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu, as contained in paragraph 19.

Proposed additional financing to the Republic of India for the Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu

I. Background

1. The present memorandum seeks approval for additional financing in the form of a loan of approximately 15.7 million special drawing rights (SDR) (equivalent to approximately US\$22 million) for the Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu (PTSLP), approved by the Executive Board in April 2005 (EB 2005/84/R.16/Rev.2). The IFAD additional financing will cofinance, with the Government of Tamil Nadu, banks and programme beneficiaries, the cost of scaling up the programme to cover six new districts and implementing additional activities in districts already covered by the current financing. The additional financing will allow the programme to reach an additional 90,000 beneficiary households.
2. The programme financing plan as originally appraised comprised: (i) IFAD loans of SDR 9.95 million and SDR 10.4 million (totalling approximately US\$30 million); (ii) a Government contribution of US\$3.41 million; (iii) a beneficiary contribution of US\$10.35 million; and (iv) a contribution from banks of US\$24.92 million.
3. In line with IFAD's policy on reallocating funds within a country programme (EB 2014/111/R.12/Rev.1), IFAD and the Government of India have agreed that SDR 15.7 million of the remaining IFAD financing for the Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains should be reallocated as additional financing to scale up the PTSLP.

II. Justification and rationale

4. At present, the PTSLP operates in 109 village panchayats (local self-government units) in 24 blocks in six coastal districts covering some 129,890 households. The target groups include poor fishers, scheduled castes, scheduled tribes, women and rural youth.
5. The programme is located in the coastal belt of Tamil Nadu, where fishing is the major source of livelihood. The fragile natural resources and declining fish resources present complex management challenges. With low-to-medium levels of literacy among the programme households, low penetration of modern technologies and scarce access to formal credit among fishers, development has been very slow in the programme area. Despite these constraints and challenges, significant progress has been made in all the targeted villages and across all programme components.
6. The performance of PTSLP is "satisfactory", with significant impact reported on the ground. A community resource management planning process has completed 1,181 microplans. Further achievements include:
 - (i) 380 community infrastructure projects constructed and under operation

and maintenance by panchayats; (ii) 62.5 km of link roads to fish-landing sites completed and in use; (iii) 1,200 artificial-reef modules completed and deployed; (iv) one boat yard completed and in use; (v) 50 fish marketing societies (FMS) organized involving 2,417 fishers; (vi) 1,965 fishers provided redemption loans; (vii) 6,603 self-help groups (SHGs) strengthened and 6,330 of them linked to banks; (viii) 1,953 primary producer groups organized and supported; (ix) approximately 341 million Indian rupees (INR) in credit disbursed by banks, providing 70 per cent of households access to credit; (x) 199 microenterprises established, 70 per cent of them running profitably; and (xi) 4,167 rural youth provided various vocational trainings and 1,165 placed in jobs. In terms of impact, household income has reportedly increased by 38 per cent over baseline values.

7. Considering the success of the ongoing PTSLP and its impact in enhancing incomes and diversifying livelihoods in coastal communities, the Government of Tamil Nadu expressed an interest in scaling up the IFAD programme to six additional coastal districts. As in the baseline programme, the additional financing will target coastal dwellers, including coastal fishers, fishing boat crew members, small-scale fish-vendors, particularly women, those engaged in making fish-drying, sea-weed cultivators and gatherers, salt-workers, small and marginal farmers, and agricultural labourers. A total of approximately 90,000 households will be targeted, and more than 70 per cent of beneficiaries will be women. Following a formal request from the State Government for additional financing, IFAD launched a design mission in August 2015 to appraise the proposal. It was concluded that PTSLP has a very strong case for additional financing given that: (i) it is a highly performing programme with good impact on the ground; (ii) PTSLP fiduciary management is compliant with IFAD requirements; (iii) PTSLP disbursement rates are good; (iv) audit opinions continue to be unqualified; (v) PTSLP has an excellent management team in place to oversee scaling up; (vi) interventions proposed for financing under the scaling up effort are consistent with the ongoing programme objectives and interventions, and considered economically viable; (vii) the additional financing would enable a significant increase in programme outreach; and (viii) the additional financing is in line with all relevant IFAD policies.

III. Details of the scaling up proposal

8. The PTSLP employs a flexible and demand-driven approach in the planning and implementation of all its interventions. This approach will continue under the proposed scaling up to new districts including Thoothukudi, Tirunelveli, Ramanathapuram, Pudukkottai, Thanjavur and Thiruvarur. The additional financing will continue support to the PTSLP development interventions under way and will comprise three components: (i) coastal area resource management; (ii) employment generation and skills training; and (iii) programme management.
9. Component 1: Coastal area resource management will have three subcomponents: (i) community resource planning, which will provide for livelihood mapping, microplanning for infrastructure development and the construction of common livelihood infrastructure; (ii) support for community institutions, to establish and support cluster resource centres, and strengthen panchayat-level federations and risk funds; and (iii) fisheries resource management, which will provide for cluster- and state-level workshops, the deployment of artificial reefs, and alternative livelihoods and technologies for better resource management.
10. Component 2: Employment generation and skills training will have three subcomponents: (i) agriculture and off-farm livelihoods and enterprises,

engaging technical support agencies and consultants to support enterprise development and credit to SHGs, joint liability groups and individuals; (ii) fish marketing societies, which will provide for the creation of 50 additional such societies and their federations; and (iii) a vocational training subcomponent, which will help offer vocational training to 5,000 youth.

11. Component 3: Programme management will provide for district implementation offices in the new districts, and incremental staff and equipment to enable scaling up. The existing Programme Management Unit will manage all interventions proposed under the additional financing.

IV. Programme costs and financing

12. In calculating costs of scaling up PTSLP, the following key assumptions were made: (i) a three-year implementation period, starting in April 2016; (ii) price contingencies at 6 per cent and staff salaries at 10 per cent increment a year; (iii) an exchange rate of INR 63 to one dollar; (iv) taxes and duties are excluded from reimbursement by IFAD; and (v) application of IFAD financing rules for reimbursement as per the ongoing PTSLP. Based on the current prices, the total programme costs are tentatively estimated at INR 2,768.69 million (US\$43.95 million). Details are presented in the table below.

Table 1
Programme costs by subcomponent

	<i>(Thousands of Indian rupees)</i>	<i>(Thousands of United States dollars)</i>	
	<i>Total</i>	<i>Total</i>	<i>% total base costs</i>
A. Coastal area resource management			
1. Community resource planning	282 655	4 487	11
2. Community support	100 046	1 588	4
3. Fisheries resource management	129 618	2 057	5
Subtotal Coastal area resource management	512 319	8 132	20
B. Employment generation and skills training			
1. Agriculture and off-farm livelihoods and enterprises	1 498 876	23 792	58
2. Fish marketing societies	295 775	4 695	12
3. Vocational training	100 000	1 587	4
Subtotal employment generation and skills training	1 894 651	30 074	74
C. Programme management			
1. Programme Management Unit	42 410	673	2
2. District implementation offices	90 390	1 435	4
3. Programme monitoring and evaluation	27 723	440	1
Subtotal programme management	160 523	2 548	6
Total baseline costs	2 567 493	40 754	100
Physical contingencies	80 956	1 285	3
Price contingencies	120 247	1 909	5
Total Programme costs	2 768 696	43 948	108

13. The scaling up of the PTSLP will be financed as follows: IFAD additional financing of approximately US\$22 million; US\$2.7 million equivalents from the Government of Tamil Nadu, including counterpart funding, taxes and duties, etc.; US\$14.97 million equivalent of institutional credit from banks and the

National Bank for Agriculture and Rural Development Financial Services Limited; and US\$4.27 million equivalents from the participating beneficiaries, as shown in table 2 below.

Table 2
Programme costs by expenditure category and financier
 (Thousands of United States dollars)

	<i>Government of Tamil Nadu</i>		<i>Banks</i>		<i>IFAD</i>		<i>Beneficiaries</i>		<i>Total</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. Civil works	1 394	25.0	-	-	4 183	75.0	-	-	5 577	12.7
2. Grants, subsidies	-	-	-	-	5 737	100.0	-	-	5 737	13.1
3. Institutional credit	-	-	14 857	100.0	-	-	-	-	14 857	33.8
4. Vehicles	30	30.0	-	-	71	70.0	-	-	101	0.2
5. Equipment and materials	37	10.0	-	-	317	86.5	13	3.5	366	0.8
6. Training & workshops	-	-	-	-	2 423	100.0	-	-	2 423	5.5
7. Goods, services and inputs	603	5.3	115	1.0	6 508	56.6	4 264	37.1	11 490	26.1
8. Consultancies, technical assistance and services	-	-	-	-	856	100.0	-	-	856	1.9
9. Salaries and allowances	413	25.0	-	-	1 239	75.0	-	-	1 652	3.8
10. Operating costs	222	25.0	-	-	666	75.0	-	-	888	2.0
Total programme costs	2 700	6.1	14 972	34.1	21 999	50.1	4 277	9.7	43 948	100.0

14. IFAD will finance: (i) 100 per cent of expenditure on training and workshops, grants and subsidies, and consultancies, technical assistance and services; (ii) 75 per cent of expenditure on civil works; (iii) 70 per cent of expenditures on vehicles; (iv) 90 per cent of expenditures on equipment and materials, and goods, services and inputs; and (v) 75 per cent of expenditures on incremental staff salaries, allowances and office operating costs. In addition to the investments above, convergence funds from ongoing government programmes equivalent to approximately INR 150 million will be available.

V. Financial management

15. Financial management is considered sufficiently robust. Annual budgets are prepared in a timely manner, the internal control framework is effective and the accounting software has been customized to meet programme needs. Financial transactions are recorded in a timely manner and the established chart of accounts provides adequate detail for the correct exposure of information in financial reports. The submission of claims to IFAD is regular, as are counterpart contributions. The programme does not suffer any cash shortage.
16. Procurement is, in general, performed in accordance with the approved procurement plan. Significant delays in the completion of civil works for fisheries-related infrastructure arose in the past, but most works are now progressing in line with the agreed plan.
17. Financial reporting and audit. Financial reports are submitted to IFAD regularly. They are adequately informative but require further improvement to better disclose the financial position of the programme. All audits have been submitted on time and with unqualified opinion, generally in accordance with the stipulated terms of reference. Internal control issues identified by auditors are, in general, resolved in a timely manner. The programme is now introducing an internal audit function, which is expected to provide substantial benefits in the medium term.

VI. Proposed modifications to the programme loan agreement

18. Subject to the approval of the Executive Board, the programme loan agreement will be amended to include the provisions of the additional financing. The amendment will be carried out through an exchange of letters. The additional financing will be available for implementation after countersigning of the amendment letter by the borrower. The major changes in the programme loan agreement relate to: (i) expanding the programme area, with the addition of six new districts; (ii) revised lending terms for the additional financing with repayment dates for the principal and interest; (iii) revised provisions in Schedule 1 for additional financing; and (iv) extending the closing date by three years to provide sufficient time for scaling up.

VII. Recommendation

19. 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 of fifteen million seven hundred thousand special drawing rights (SDR 15.7 million) (equivalent to about US\$22 million) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

LOGICAL FRAMEWORK

Results Hierarchy	Indicators					Means of verification			Assumptions
	Name	Baseline	YR 1	Mid-term	End Target	Source	Frequenc y	Responsibilit y	
Goal: self-reliant coastal communities, resilient to shocks, and able to manage their livelihood base in sustainable manner	-Average number of assets of 90,000 HH (radio, TV, mobile, bicycle, motor cycle)	0	0	0	Significant changes in HH assets	MIS report RIMS survey a/ Impact Assessment Survey	Annual Annual endline	M&E unit PMU PMU	Relatively stable economic conditions exists and continued government support
	-Prevalence of child malnutrition	36%			33%				
	-Household incomes increased %	INR 29,000 b/	0%	10%	50%				
Development Objectives: -Improved livelihoods for poor men & women	-Households with access to 121 PLF-based community infrastructure c/	0	5 person-day labour saved/hh/year	10 person-day labour saved/hh/year	10 person-day labour saved/hh/year	MIS report Annual report Mission report Thematic surveys	Quarterly Annual Annual Random	M&E unit PMU IFAD PMU	Households respond to opportunities for improved livelihoods
	-Incremental incomes to households with financially & environmentally sustainable livelihoods enterprises (INR)	INR 0/HH	INR 0/HH	INR 0/HH	INR 17,256/HH				
-Enhanced fisheries resources management	-Increased returns to fishers (INR)	INR 0	INR 0	INR 0	INR 357,000				
-Creation of new viable enterprises	-Number of new viable enterprises set up	0	3,600	11,040	16,920 units; (70% operating profitably)				
a/ RIMS survey will capture sex disaggregated data; b/ proxy value adopted from Phase-1 project; c/ mostly drudgery reduction benefits from common livelihoods infrastructure									
Components outputs									
Comp-1: Coastal areas resource management									
Community resource planning: Common livelihoods infrastructure completed in 121 PLFs	-PLF with completed common livelihoods infrastructure -Women SHG trained	0	60 PLFs (80% of members are women) 1,500 SHG	121 PLFs (80% of members are women) 4,000 SHG	121 PLFs (80% of members are women) 4,000 SHG credit linked	MIS report Annual report RIMS survey Mission report Thematic study	Quarterly Annual Annual Random	M&E unit PMU M&E unit IFAD PMU	PMU's engineering wings adequately strengthened and contractors have advance payment facilities

Community support	-CRC set up	0	30 CRP	30 CRP	30 CRP effective social mobilisation	Annual report Mission report NGO report	Annual Annual periodic	PMU IFAD NGO	Competent FNGOs deployed
Fisheries resource management	-Artificial reef deployed	0	0 reefs	3 reefs	6 reefs	Annual report Mission report	Annual Annual	PMU IFAD	CMFRI provide technical support
Comp.2: Employment generation & skills training									
Promotion of agriculture and off-farm enterprises promoted including 3120 farm, 2500 livestock, 6500 aquaculture, 4800 non-farm enterprises	-Farm, livestock, aquaculture and non-farm enterprises set up and operating profitably	0	3,600 units with 15,220 HH	11,040 units With 44,260 HH	16,920 units; With 54,910 HH	MIS MIS Annual report Mission report Report from TSP (Technical service provider)	Quarterly	M&E PMU IFAD TSP	Competent technical service providers deployed and technical support reach all scattered entrepreneurs
	-PPGs organised	0	200 PPGs	500 PPGs	500 PPGs		Quarterly	M&E	
	-Processing units set up	0	4 units	8 units	9 units (60% operating profitably)		Annual	M&E	
	-Aggregation centres set up	0	10 centres	35 centres	35 centres (60% operating profitably)		Annual	M&E	
Fish marketing societies (FMS):	-FMS organised	0	17 FMS	46 FMS	50 FMS; 60% operating successfully;	Annual report Mission report MIS report SIFFS report	Annual Annual Quarterly periodic	PMU IFAD M&E SIFFS	SIFFS service deployed in time and provided requisite support
	-Debt redemption to fishers and women seaweed collectors	0 0	660 fishers; 200 women;	1,840 fishers; 500 women;	2,000 fishers; 500 women;				
Vocational training:	-Youth and women trainees supported	0	1,500 youth and women	3,500 youth and women	5,000 youth and women 25% placement	Annual report Mission report MIS	Annual Annual Quarterly	PMU IFAD M&E	Youth respond to training opportunities and scope exists for placement