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Investing in rural people

President's report

Proposed loan and grant

Republic of India

Maharashtra Rural Women's Enterprise Development Project (Nav Tejaswini)

Project ID: 2000002980

Note to Executive Board representatives

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Abbreviations and acronyms

AWP/B	annual workplan and budget
CMRC	community-managed resource centre
MAVIM	Mahila Arthik Vikas Mahamandal (Women's Development Corporation)
PMU	project management unit

Map of the project area



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.

Map compiled by IFAD | 02-08-2019

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Republic of India
Executing agency:	Maharashtra Mahila Arthik Vikas Mahamandal (Women's Development Corporation)
Total project cost:	US\$413.28 million
Amount of IFAD loan:	US\$38.0 million
Terms of IFAD loan:	Ordinary
Amount of IFAD grant:	US\$1.4 million
Cofinanciers:	Domestic financial institutions and local private sector
Amount of cofinancing:	US\$260.74 million
Terms of cofinancing:	To be determined
Contribution of borrower/recipient:	US\$96.19 million
Contribution of beneficiaries:	US\$4.95 million
Financing gap:	US\$12.0 million
Amount of IFAD climate finance:	US\$20.6 million

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 56.

I. Context

A. National context and rationale for IFAD involvement

National context

1. **Political and economic context.** The Republic of India is the world's largest democracy, second most populous country and third largest economy in terms of purchasing power parity. Despite strong economic performance, growth and poverty reduction have been uneven. Long-term average growth in GDP is expected to be around 6 per cent with stable, diversified and resilient economic growth. Agriculture continues to be the primary source of livelihood for nearly 50 per cent of the Indian population, although its contribution to GDP remains low at 12 per cent.
 2. Maharashtra is the second most populous state in India. Maharashtra's GDP accounted for 14.89 per cent of India's GDP in 2017/18, the highest among all states. In 2018, Maharashtra's economy grew by 7.5 per cent. Service and manufacturing sectors dominate the economy of Maharashtra with a share of approximately 61 per cent, and agriculture contributes about 13 per cent of the state's GDP. According to the 2011 census, the state is home to more than 112 million people, of whom 55 per cent live in rural areas. There is a growing trend among rural men and women to move to urban areas in search of employment in the service sectors.
 3. **Poverty, food security and nutrition.** The incidence of poverty in India was almost halved between 2005/06 and 2015/16. Poverty is still largely concentrated in rural areas: 80 per cent of India's poor live in rural areas. In Maharashtra, the poverty headcount ratio is 17.4 per cent. The National Food Security Act 2013, enacted by the Government of India to provide food and nutritional security, has been implemented in Maharashtra since 2014, and about 62.3 per cent of the state's population is entitled to food grains at subsidized rates. However, all districts in Maharashtra are to some extent food insecure and eight districts are severely food insecure.¹
 4. **Relevant national strategies, policies and programmes.** The state and central governments have rolled out several policies to tackle the challenge of high unemployment in both rural and urban areas. The Ministry of Micro, Small and Medium Enterprises has launched a new programme to facilitate registration of small and medium-sized enterprises, lending at low interest rates and other enabling measures. The Maharashtra government also launched the Women Entrepreneurs' Policy in 2017 to encourage and empower women entrepreneurs. In addition, it is implementing the State Rural Livelihood Mission to promote financial inclusion and rural livelihoods.
- Special aspects relating to IFAD's corporate mainstreaming priorities**
5. In line with the Eleventh Replenishment of IFAD's Resources mainstreaming commitments, the project has been validated as:
 - Including climate finance;
 - Gender transformational;
 - Nutrition-sensitive.

¹ Interior Health Authority, 2010, Food Security Outcome Index.

6. **Climate change.** As an emerging economy, India's greenhouse gas emissions are set to rise by as much as 85 per cent. However, the Government has set clear and ambitious targets, and India is on track to exceed its Paris targets according to the Climate Action Tracker. With a large population base, long coastline, multiple agroclimatic zones and rapid urbanization, Maharashtra is acutely vulnerable to climate change. Acknowledging the impact of recurrent droughts, heavy precipitation, floods, heat waves and the potential risk of rising sea levels, the Government of Maharashtra prepared the Maharashtra State Adaptation Action Plan on Climate Change in 2014. The plan identifies state-level strategies for adaptation, prioritizing hydrology and water resources, agriculture and food systems, coastal areas, livelihoods and the cross-cutting areas of health, biodiversity and disaster risk management.
7. **Gender.** India ranked 127th of 160 countries on the Gender Inequality Index in 2017. The Government is making concerted efforts to bridge the gender gap, and is giving priority to women's social and economic empowerment. This is reflected in the Draft National Policy for Women (2016). Maharashtra ranks fifth in the country with regard to women-owned establishments (8.25 per cent of the total). While 83 per cent of women-owned enterprises are self-financed, access to finance continues to be a constraint for women entrepreneurs in addition to issues with technical and business development support. The political participation of women is having a positive impact on women's empowerment: women residing in areas with a female village head show significantly higher levels of political participation and empowerment, with improved outcomes for women from low socio-economic strata. However, in rural India, women's economic opportunities remain restricted by social, cultural and financial barriers.
8. **Youth.** Young people account for almost a fifth of India's population. The Government formulated a National Youth Policy in 2014 that defines youth as the age group between 15 and 29 years. At present, about 34 per cent of India's gross national income is contributed by youth. However, 10 per cent of young people were unemployed in 2018. There is a growing trend among young men and women to migrate to cities, and they often find that their skills do not meet market requirements. In this regard, the state of Maharashtra has undertaken a study to identify sectors with a deficit of skilled employees, and intends to provide skills-building training around market needs.
9. **Nutrition.** Despite implementing the world's largest food and nutrition security programme, the country's nutrition status remains poor. The central government launched the National Nutrition Mission to address the situation. Maharashtra is often cited as a success story for creating a State Nutrition Mission and managing to reduce stunting by 15 percentage points over the period 2006-2012. However, the incidence of wasting and severe wasting in Maharashtra increased from 16.5 per cent and 5.2 per cent in 2005/06 to 25.6 per cent and 9.4 per cent in 2015/16, respectively. Adult women and men in the rural areas also suffer from low body mass index, at rates of 30 per cent of women and 23 per cent of men. Furthermore, almost 50 per cent of adult women in rural areas are reported to be anaemic, compared to 20 per cent of men.

Rationale for IFAD involvement

10. The rationale for IFAD's involvement in this project is twofold: (i) in consideration of persistent rural poverty in Maharashtra, vulnerability to climate shocks and high rates of malnutrition, targeted productive investments are required in rural areas to build resilience among poor households, by diversifying livelihoods and ensuring household food and nutrition security; and (ii) the success of the Tejaswini Rural Women Empowerment Programme (Tejaswini) implemented by the *Mahila Arthik Vikas Mahamandal* (Women's Development Corporation) (MAVIM) in Maharashtra can be leveraged to integrate smallholder women farmers and women microentrepreneurs into commodity value chains. With the strong capacity base

created under Tejaswini, women members of self-help groups are actively participating in and benefiting from Maharashtra's growing economy through their nano and microenterprises.

11. In light of the above, the new project will: (i) leverage the institutional and capacity gains made under the Tejaswini programme to promote women's enterprise in rural Maharashtra; (ii) build on the successful model of community-managed resource centres (CMRCs) to enable women themselves to transform their initiatives into profit-making and profit-sharing enterprises; (iii) leverage successful partnerships with commercial banks to provide microenterprise loans for women entrepreneurs; and (iv) build on past convergence with government schemes to leverage greater benefits for communities.

B. Lessons learned

12. Lessons learned from the Tejaswini programme include:
13. **Poor women are willing to pay for quality services.** Under Tejaswini, no household subsidies were provided. Clearly, therefore, poor rural women are willing to pay for relevant quality services from their organizations.
14. **Grassroots institution-building is the key to empowerment of rural women.** Federations of self-help groups are an efficient, last mile service delivery vehicle with the least burden on public funds, and can be leveraged to deliver a wide range of services to households at the bottom of the pyramid.
15. **Providing support services can have an impact on the livelihoods of a large number of households.** Tejaswini adopted a simple strategy of providing support services to a large number of households rather than subsidizing individual households. The CMRCs demonstrated that they are able to cover a large number of households with limited investment, and that they can manage such services sustainably.
16. **Vibrant and disciplined grassroots institutions attract both public and private sector service providers.** Disciplined financial behaviour and rigorous monitoring by CMRCs attracted private commercial banks to lend to women previously considered, with an enviable on-time recovery of over 99 per cent. The CMRCs in Maharashtra also mobilized approximately US\$30 million through government programmes, which they delivered to their membership base.
17. **Reducing women's workload is crucial to women's participation in economic activities and public spaces.** Under Tejaswini, women adopted a range of drudgery reduction techniques that freed up their time for participation in livelihoods and self-help group activities, as well as in local governance, markets and government bodies.

II. Project description

A. Objectives, geographical area of intervention and target groups

18. **Goal and objective.** The overall goal of the project is to enable one million poor rural households to sustainably overcome poverty. The project's development objective is to improve the capacity of rural women to diversify into sustainable enterprises or engage in remunerative employment and enhance their access to markets.
19. **Project area.** The project will work across the 34 rural districts of Maharashtra, in the blocks, taluka and villages where MAVIM has organized self-help groups, village organizations and CMRCs.
20. **Target groups.** The project's direct target groups are women members of existing viable self-help groups having participated in Tejaswini, and their families. By

profession, the target beneficiaries are marginal farmers, livestock and fisheries microentrepreneurs, producers of non-farm products, workers in service sectors and agricultural labourers.

B. Components, outcomes and activities

21. The project will have three interrelated components: (i) market-driven enterprise development; (ii) enabling support services; and (iii) institutional strengthening and project management.
22. **Component 1: Market-driven enterprise development.** This component will support the establishment or expansion of micro and small enterprises. It will enable farm and off-farm producers and businesses to link with markets and buyers, and increase sales and profits through a combination of interventions in marketing, product development and quality improvement, productivity enhancement, and sustainable business relationships with other businesses. It will facilitate new and expanding enterprises to establish or strengthen their linkages with agricultural and non-agricultural businesses and other value chain actors. The component will contribute to the economic empowerment of women and rural youth and will enhance climate resilience through the adoption of climate smart technologies and agriculture practices.
23. **Component 2: Enabling support service.** This component will focus on promoting an enabling environment to facilitate women's enterprise development and employability in remunerative jobs. It will cover: (i) facilitation of access to finance, especially microenterprise loans, loans to producer collectives, financial literacy and insurance; (ii) support to ultra-poor households to secure remunerative and decent employment; (iii) enhancing nutrition to reduce the incidence of anaemia and improve productivity at work among women entrepreneurs; and (iv) policy engagement of relevance for women's social and economic empowerment.
24. **Component 3: Institutional strengthening and project management.** This component covers the institutional strengthening of MAVIM to strategically assume broader roles as a: (i) promoter of enterprise development; (ii) centre of excellence in the self-help group approach to community development; (iii) capacity builder for grassroots institutions; and (iv) implementer of various government schemes for its beneficiaries; in addition to project management.

C. Theory of change

25. **Contextual challenges.** The major contextual challenges are as follows: (i) women-led enterprises in rural Maharashtra still face constraints in terms of productivity, market participation, financial services and business capacities. These constraints are compounded by women's poor nutritional status, which further undermines their productivity and raises the risk of illness; and (ii) rural poverty and vulnerability persist among households in Maharashtra. Poor livelihoods diversification makes rural households vulnerable to climate and market shocks.
26. **Pathways.** (i) Market-driven enterprise development, including provision of technical services to women and women's groups to develop farm, manufacturing and service enterprises; (ii) provision of an enabling environment at enterprise level for women to access financial services; (iii) mentoring ultra-poor households to seek pathways out of extreme poverty; and (iv) enhancing nutritional status and gender relations at household and community levels as well as policy engagement on specific issues.
27. **Outcomes.** The project interventions are expected to result in: (i) women establishing sustainable and profitable enterprises; (ii) women's enterprises not being considered high-risk for commercial loans; (iii) sustainable and profitable enterprises creating incremental employment opportunities; (iv) members of

ultra-poor households engaging in remunerative employment; (v) higher incomes for all targeted households; (vi) improved nutritional status for women and families; and (vii) women-led enterprises being recognized as profitable models for replication and scaling up.

D. Alignment, ownership and partnerships

28. **Alignment with the Sustainable Development Goals (SDGs).** The project will contribute to SDGs 1, 2, 5 and 8 through poverty reduction strategies and its focus on women and women's enterprises.
29. **Ownership.** MAVIM, under the Women and Child Development Department, will be the lead implementing agency for the project. MAVIM's sole mandate is women's social and economic empowerment. MAVIM has already obtained the required administrative clearances for project implementation and has initiated the preparatory activities for implementation readiness.
30. **Alignment with IFAD corporate priorities.** Nav Tejaswini is fully aligned with the strategic objective set by IFAD's results-based country strategic opportunities programme (RB-COSOP) for India 2018-2024: smallholder food and agricultural production systems are remunerative, sustainable and resilient. The project also adheres to IFAD's targeting policy and new targeting guidelines. The mainstreaming themes under Nav Tejaswini are informed by the following IFAD thematic action plans: Mainstreaming Gender-transformative Approaches at IFAD – Action Plan 2019-2025; the Nutrition Action Plan 2019-2025; Mainstreaming Nutrition at IFAD – Action Plan 2019-2025; and IFAD Strategy and Action Plan on Environment and Climate Change 2019-2025.
31. **Partnerships.** The project will promote convergence and partnerships with existing government programmes in Maharashtra. It will also partner with agricultural advisory service providers and private businesses for component 1, and with banking and non-banking financial institutions for component 2. Other partners will include research institutions and donors such as the Bill & Melinda Gates Foundation.

E. Costs, benefits and financing

Project costs

32. The total project cost is estimated at US\$413.28 million, of which US\$38 million will be an IFAD loan, US\$1.4 million an IFAD grant and US\$12 million as a financing gap, allocated as follows: US\$24.1 million for component 1; US\$7.3 million for component 2; and US\$6.6 million for component 3. Project components 1, 2 and 3 are computed in part as climate finance. According to the multilateral development banks methodologies, the total amount of IFAD climate finance for this project is calculated on a preliminary basis as 52 per cent of the IFAD financing, equivalent to US\$20.6 million.

Table 1
Project costs by component and financier
(Thousands of United States dollars)

Component	IFAD loan		IFAD grant		Financing gap		Borrower/ recipient		Other cofinanciers		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Market-driven enterprise development	24 103	20%	-	-	10 199	9%	69 698	59%	9 900	8%	4 950	4%	118 850	29%
2. Enabling support services	7 338	3%	-	-	1 801	1%	1 276	0.5%	250 840	96%	-	-	261 255	63%
3. Institutional strengthening and project management	6 559	20%	1 400	4%	-	-	25 214	76%	-	-	-	-	33 173	8%
Total	38 000	9%	1 400	0.3%	12 000	3%	96 188	23%	260 740	63%	4 950	1%	413 278	100%

Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

Expenditure category	IFAD loan		IFAD grant		Financing gap		Borrower/recipient		Other cofinanciers		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Enterprise development fund	19 912	22%	-	-	5 387	6%	66 992	73%	-	-	-	-	92 291	22%
2. Workshops, training, study, campaign and consultancy	12 669	52%	647	3%	6 613	27%	4 375	18%	-	-	-	-	24 304	6%
3. Equipment, materials and vehicles	92	9%	753	73%	-	-	191	18%	-	-	-	-	1 036	0%
4. Operational costs, salaries and allowances	5 327	18%	-	-	-	-	24 630	82%	-	-	-	-	29 957	7%
5. Credit line	-	-	-	-	-	-	-	-	250 840	100%	-	-	250 840	61%
6. Beneficiary	-	-	-	-	-	-	-	-	9 900	67%	4 950	33%	14 850	4%
Total	38 000	9.2%	1 400	0.3%	12 000	2.9%	96 188	23.3%	260 740	63%	4 950	1.2%	413 278	100%

Table 3

Project costs by component and project year (PY)

(Thousands of United States dollars)

Component	PY1 (2020/21)	PY2 (2021/22)	PY3 (2022/23)	PY4 (2023/24)	PY5 (2024/25)	PY6 (2025/26)	Total
1. Market-driven enterprise development	10 758	26 285	35 527	30 205	14 768	1 303	118 846
2. Enabling support services	16 813	32 991	41 572	63 635	52 053	54 196	261 259
3. Institutional strengthening and project management	5 142	4 659	5 181	5 468	6 119	6 603	33 172
Total	32 713	63 935	82 280	99 308	72 940	62 102	413 278

Financing and cofinancing strategy and plan

33. The project costs will be financed by an IFAD loan of US\$38 million on ordinary terms, an IFAD grant of US\$1.4 million and a financing gap US\$12 million. The Government will contribute US\$96.19 million in salaries and operational expenses, taxes and duties, and convergence schemes. The balance will be financed by domestic financial institutions in the amount of US\$250.84 million, local private sector contributions of US\$9.9 million and beneficiary contributions of US\$4.95 million.
34. The financing gap of US\$12.0 million may be sourced under subsequent performance-based allocation system cycles (on financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or through finances made available from restructured projects in the India portfolio.

Disbursement

35. Two designated accounts denominated in United States dollars will be opened by the Government at the Reserve Bank of India to receive funds from the IFAD loan and grant, which will then be transferred to the Government of Maharashtra. The advance funding from IFAD will be equivalent to about six months' budgeted expenditures. The project will have a separate bank account at each of the implementing units wherein the amounts received from the Government of Maharashtra, including IFAD and its own share, will be deposited and used for project activities. IFAD encourages the use of pre-approved start-up advance funding for specific activities to expedite project start-up. In addition, as an

exception to the General Conditions for Agricultural Development Financing, IFAD is seeking Executive Board approval for retroactive financing from the loan of up to US\$1.0 million for eligible expenditures incurred as from 1 November 2019 until the date of entry into force of the financing agreement.

36. Close attention will be paid during implementation to ensure that Government of Maharashtra funds are released on time. The enterprise development fund represents over half of the loan financing and as such no IFAD funds will flow until the controls including procedures have been fully agreed.

Summary of benefits and economic analysis

37. Eighteen different subsectors were identified to implement subprojects across the state, with the participation of a projected one million households. Cost benefit analysis indicates that the cash flows for all subsectors identified are positive. The financial internal rate of return of the project is 32 per cent. The economic internal rate of return is 35 per cent (base case) with a benefit to cost ratio of 2.93. Net present value for the 20-year period is US\$1,207 million at a discount rate of 7.5 per cent.

Exit strategy and sustainability

38. Nav Tejaswini will be implemented through a network of strong CMRCs and self-help groups; given this and the commercial approach to be taken, there is a high likelihood for long-term sustainability. The project's exit strategy is based on: (i) strengthened institutions, whereby the project builds on CMRCS, which are largely self-sustaining community institutions supported by MAVIM, whose mandate is women's socio-economic empowerment. These factors, combined with significant capacity-building on business development and access to finance, will lay the groundwork for the project's sustainability; (ii) market-led enterprise development whereby the value chain approach is primarily led by market demand and the project will build the capacity of producers to address this demand in terms of volume and quality; and (iii) sustainable technologies and practices, so that the project will promote good agronomic practices that are climate smart and locally adapted.

III. Risks

A. Risks and mitigation measures

39. The overall project risk impact is rated moderate; with mitigation strategies, the residual risk is rated moderate. Table 4 summarizes the residual risk and the mitigation measures.

Table 4
Risks and mitigation measures

<i>Risks</i>	<i>Residual risk rating</i>	<i>Mitigation measures</i>
Macroeconomic	Low	High inflation and import-export policies have a direct impact on prices of commodities that might adversely impact the poor. The project is focused on diversification of livelihoods and promotion of agriculture insurance to mitigate the adverse impact of macroeconomic factors.
Sector strategies and policies	Moderate	Improved market linkages and assurance of off-take will shift decision-making to entirely commercial parameters. The project's central theme is improving product quality and establishing linkages with mainstream private markets.
Institutional capacity	Low	MAVIM will have a dedicated project management unit (PMU) and additional trained staff members in all districts. MAVIM will seek help from sectoral experts in designing value chain subprojects. Moreover, the project will enhance its institutional capacity through targeted training and exposure. Management information systems and microfinance software will also be upgraded.

Fiduciary		
Financial management	Moderate	MAVIM has an established accounting and financial system in place, with adequate human resources. Additional staff will be recruited to handle the extra workload generated by the project. Accounting software will be upgraded.
Procurement	Moderate	MAVIM, through the project, will hire a procurement specialist to handle procurement and contracting as per IFAD regulations.
Environment and climate	Substantial	Mitigation strategy includes promotion of agricultural technologies that are climate-smart, such as integrated pest management, drip irrigation, bio-fertilizers and compost technologies. In addition, global good agriculture practices will address environmentally sustainable practices and reduce food safety risks. The project promotes diversifying income sources including non-farm income such as service sector and wage employment.
Social	Low	The project will not have any severe negative impact on the livelihoods of other people or social groups, such as involuntary takeover or restrictions on land use resulting in physical or economic displacement. It is not expected to have any negative effect on indigenous peoples or sites of cultural significance. The project and MAVIM will have a zero tolerance policy on child labour.
Overall	Moderate	

B. Environment and social category

40. The project is rated as a category B operation with moderate overall environmental and social risk. The mitigation options proposed for environmental concerns provide opportunities to mainstream environment and climate-resilient production and processing systems and create additional chains (such as waste recycling) within the existing system established by the previous project, without excessive additional costs.

C. Climate risk classification

41. The project is classified as a high climate risk, and the residual climate risk is moderate. Projected climate changes in the project area include fluctuations in temperatures and precipitation due to increased climate variability. This implies the possibility of increased dry spells, drought and delayed rains during the wet season and increased rainfall intensity. The project has integrated climate resilience measures through climate-smart agricultural strategies, strong collaboration with extension and weather/climate monitoring institutions for regular agro-climatic information and use of appropriate crops and breeds.

D. Debt sustainability

42. The International Monetary Fund Article IV consultation, dated December 2019, noted that general government debt remains high at 69 per cent of GDP, but the country profile is conducive to debt sustainability with debt largely held by residents, denominated in domestic currency, and with relatively long maturity.

IV. Implementation

A. Organizational framework

Project management and coordination

43. The Women and Child Development Department will be the state-level nodal department for the project and MAVIM will be the lead implementing agency. The secretary of the department will chair the executive committee, the project's oversight body. The managing director of MAVIM will be ex officio project director with overall responsibility for project management and achievement of project goals and objectives. A PMU headed by a general manager- Programme of MAVIM as project coordinator will manage planning and implementation. An appropriate

number of full-time MAVIM head office officers will be responsible for activities and the district offices will be responsible for project implementation in their respective districts.

Financial management, procurement and governance

44. MAVIM has adequate qualified and experienced finance and accounting staff to implement the project. Accounting and reporting will be in accordance with Indian accounting standards. The MAVIM PMU will have overall responsibility to prepare the consolidated annual workplan and budget (AWP/B) in accordance with the project design report and aligned with the cost categories outlined in schedule II of the financing agreement.
45. Internal control procedures and record keeping will be largely based on government procedures and as documented in the project implementation manual. The project will follow a double entry and computerized accounting system at all levels, in accordance with generally accepted accounting standards in India. The current accounting software Tally will be used by MAVIM head office, district offices and CMRCs, customized to generate reports in the format required for preparation of the project financial statements. The external audit of MAVIM will be conducted by an auditing firm in accordance with IFAD requirements and the Office of the Comptroller and Auditor General will conduct transaction audits of MAVIM.

Procurement

46. Procurement of goods, works and services will take place in accordance with IFAD's procurement guidelines. The independent authority responsible for receiving, reviewing and investigating allegations of fraud and corruption will be the additional secretary, Vigilance Branch, Government of Maharashtra.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

47. **Planning.** The project's logical framework will guide AWP/Bs. Planning and budgeting will be integrated into Government of Maharashtra processes and budgets and will be based on AWP/Bs. The planning process will start at CMRC level. District offices will consolidate their respective plans and the MAVIM PMU will then prepare a consolidated comprehensive state level AWP/B. Each year the AWP/B will be submitted to the executive committee for review and approval and then to IFAD for review and concurrence.
48. **Monitoring and evaluation (M&E).** Nav Tejaswini will develop a robust M&E system in compliance with IFAD and Government of Maharashtra requirements and fully aligned with the Operational Results Management System. The M&E system will: (i) collect and analyse information on project results and impact; (ii) support the PMU in planning and making informed decisions, particularly for course correction; (iii) review the performance of partnerships with technical service providers, marketing players including contract farming, financial institutions and others; and (iv) create opportunities for learning and sharing results.

Innovation and scaling up

49. The project will introduce innovations in its approach, activities and products:
 - (i) **Approach.** Systematic graduation from micro-livelihoods to enterprises for rural poor with CMRCs functioning as enterprise promoters is a new approach. This will be done by adopting: (a) robust microfinance software that can handle loans to self-help groups and individuals and real time tracking of transactions, including mobile phone based financial transactions; and (b) project management software to manage all subprojects; (ii) **Activities.** Subprojects will promote piloting of new enterprises, technologies and products that have not been fully tested or adopted in the project area. This will include promotion of niche crops and non-farm products, innovations related to renewable energy and waste management; and (iii) **Products.** The project will pilot new financial products, including a livestock

health service cum insurance programme working with veterinary service providers and private insurance firms to develop a low-cost and reliable insurance service.

C. Implementation plans

Implementation readiness and start-up plans

50. The project will be implemented over a period of six years beginning in 2020. The project implementation manual will guide implementation arrangements.
51. In order to facilitate effective project start-up, MAVIM agreed to pre-finance and undertake a set of activities to ensure implementation readiness, including conducting a baseline survey, recruiting project staff and installing management software.

Supervision, midterm review and completion plans

52. This project will be directly supervised by IFAD, and annual supervision missions will be conducted. A mid-term review will be carried out by the end of year three to review project achievements. When nearing completion, the project will prepare a draft project completion report, and IFAD and the Government of Maharashtra will then carry out a joint project completion review. Beneficiary participation in project monitoring will be ensured using three primary tools: (i) participatory supervision; (ii) annual outcome surveys; and (iii) grievance redress mechanisms.

V. Legal instruments and authority

53. A project financing agreement between the Republic of India and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.
54. The Republic of India is empowered under its laws to receive financing from IFAD.
55. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

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

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of India in an amount of thirty eight million United States dollars (US\$38.0 million) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of India in an amount of one million four hundred thousand United States dollars (US\$1.4 million) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing agreement

15 July 2020

LOAN NO. [number]
GRANT NO. [number]

FINANCING AGREEMENT

between the

REPUBLIC OF INDIA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

[Signed in [Town], [Country]]

on _____

OR

[Signed in [Town], [Country], and [Town], [Country]]

FINANCING AGREEMENT

Loan No: _____
Grant No: _____

Project name: Nav Tejaswini Maharashtra Rural Women's Enterprise Development Project ("the Project")

The Republic of India (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

WHEREAS the Borrower/Recipient has requested a loan and a grant (the "Financing") from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS this agreement is to finance the implementation of the Project in the state of Maharashtra

WHEREAS, for this purpose, the Borrower/Recipient shall make available to the State of Maharashtra the respective part of the proceeds of the Financing upon terms and conditions set forth in this Agreement;

WHEREAS, the Project shall be implemented in the state of Maharashtra (the "State") pursuant to a separate agreement of even date herewith between the Fund and the State (the "Project Agreement");

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.
3. The Fund shall provide a Loan and a Grant (the "Financing") to the Borrower/Recipient, which the Borrower/Recipient shall cause the State of Maharashtra to use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the loan is thirty eight million United States Dollars (USD 38 000 000).

- B. The amount of the grant is one million and four hundred thousand United States Dollars (USD 1 400 000).
2. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding of the Loan rate equal to the IFAD Reference Interest Rate with variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of 18 years, including a grace period of 3 years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
 3. The Loan Service Payment Currency shall be the United States Dollars (USD).
 4. The first day of the applicable Fiscal Year shall be the 1st of April.
 5. Payments of principal and interest shall be payable on each 15th of June and 15th of December.
 6. There shall be two separate Designated Accounts in USD, one for the loan and one for the grant respectively, for the exclusive use of the Project opened in the Reserve Bank of India.
 7. The arrangements for the Designated Account(s) denominated in USD opened by the Borrower at Reserve Bank of India (RBI) through which the proceeds of the IFAD Financing shall be channelled as well as the dedicated operational bank accounts for the purposes of the Project opened by the Lead Project Agency shall be detailed in the Letter to the Borrower.
 8. The Borrower/Recipient shall cause the State to provide counterpart financing for the Programme in the amount of approximately US\$ 29.2 million for Institutional Development and Project Management and taxes and duties. The total IFAD financing for this Project is US\$ 51.4 million, comprising a loan (US\$ 38.0 million) and grant US\$ 1.4 million and a financing gap of US\$ 12.0 million which IFAD will submit for approval as soon as resources become available.

Section C

1. The Women and Child Development Department, Government of Maharashtra will be the state-level nodal department for the Project and the Mahila Arthik Vikas Mahamandal (MAVIM) will be the Lead Project Agency (LPA). The LPA has overall responsibility for the execution of the Project.
2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, a different date for the Mid-Term Review of the implementation of the Project may be agreed with the Fund.
3. The Programme Completion Date shall be the 6th year anniversary of the date of entry into force of this Agreement.

Section D

1. The Fund will administer the Financing and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

(a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional general conditions precedent to withdrawal:

(a) The IFAD no objection to the PIM shall have been obtained.

(b) Key project staff, including the finance team, has been appointed as per Schedule 1 of this Agreement by the LPA.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Secretary
Department of Economic Affairs
Ministry of Finance
North Block
New Delhi 110 001

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Hougbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project's direct target groups are the members of existing viable self-help groups (SHGs) and their families who participated in the Tejaswini Rural Women's Empowerment Programme financed through an IFAD loan (Loan No.682-IN). By profession, the target beneficiaries are marginal farmers, livestock/fisheries micro-entrepreneurs, producers of non-farm products, workers in service sectors and agricultural labourers. About 20% of SHG members are young adults, under 35 years of age. The Project will also target young people, women and men, from beneficiary families for skill development programmes to gain remunerative employment. It will indirectly support all value chain actors (input suppliers, traders, processors, aggregators, and advisory service providers).

2. *Project Area.* The Project will work across the 34 rural districts of Maharashtra, in the blocks/talukas/villages where the Lead Project Agency, MAVIM, have organized SHGs, Village Organizations (VOs) and Community Managed Resources Centres (CMRCs).

3. *Goal.* The overall goal of the Project is to enable one million poor rural households to overcome poverty sustainably (sustainable in economic, social, and environmental terms).

4. *Objective.* The Project's development objective is to improve capacity of rural women to diversify into sustainable enterprises or engage in remunerative employment and enhance their access to markets.

5. *Components.* The Project will have three inter-related components: (i) Component 1: Market-driven enterprise development; (ii) Component 2: Enabling support services; and (iii) Component 3: Institutional Strengthening and Project Management.

5.1 Component 1: Market-driven enterprise development. The component will support the establishment/expansion of micro and small enterprises. It will enable farm and non/off farm producers and businesses to link with markets and buyers, increase sales and profit through a combination of interventions in marketing, product development and quality improvement, productivity enhancement, and sustainable business relationships with other businesses. It will facilitate new and expanding enterprises to establish/strengthen their linkages with the agri/non-agri businesses and other value-chain actors. It is expected that the enterprises supported through this component will generate over 200,000 remunerative and permanent employment opportunities, particularly for rural youth. The component will contribute to economic empowerment of women and rural youth and enhance climate resilience through the adoption of climate smart technologies and agriculture practices. This component will comprise four (4) sub-components: 1.1: Farm sector enterprise development; 1.2: Manufacturing and service sector enterprise development; 1.3: Capacity development of CMRCs; 1.4: Supporting innovation.

5.2 Component 2: Enabling Support Services. This component will focus on providing an enabling environment at the enterprise levels as well as at household levels, to optimise SHG member's HH's participation in the enterprise development process. To create an enabling environment for ultra-poor households, the Project will provide household mentorship and gradually integrate them in savings and credits activities. Under this component, the Project will also focus on nutrition security at household level and continue the work on gender transformative activities initiated under the preceding Tejaswini Project. The component has four (4) main sub-components: 2.1: Facilitating financial linkages; 2.2: New pathways for ultra-poor households; 2.3: Enhancing nutritional status and gender relations at HH and community levels; and 2.4: Policy engagement.

5.3 Component 3: Institutional Strengthening and Project Management. This component comprises of two subcomponents to ensure efficiency of the Project: 3.1: Institutional strengthening of MAVIM to strategically assume broader roles of a) promoter of enterprise development; b) centre of excellence in areas of SHG approach to community development; c) capacity builder for grassroots institutions; and d) implementer of various government schemes for its beneficiaries; and 3.2: Project Management.

6. *Gender transformational.* This is a gender transformative Project. The Project will additionally address root causes of gender inequalities, by consolidating the gains and expanding the successes of the previous project in: i) work-load reduction through machinery and women friendly technologies; ii) legal rights awareness training on gender responsive legislations including domestic violence, dowry, sexual harassment etc.; iii) women's participation in public spaces and institutions such as local governance, markets and government bodies; iv) promoting joint titling of land and property; v) decision making at community, group and household levels; vi) gender sensitization and orienting services, including specific men's sensitization workshops.

7. *Nutrition focus.* Micro-nutrient deficiency is a major health problem in Maharashtra, especially among women adolescent girls and children in the rural areas. The project's investments will be nutrition-sensitive. The Project will promote commodities/crops and its related products that have high nutritional value. Furthermore, recognizing that improved incomes do not automatically lead to better nutrition outcomes, the Project will pursue behaviour change, awareness/education campaigns primarily through convergence with government schemes.

II. Implementation Arrangements

8. *Nodal Department and Lead Project Agency.* The Women and Child Development Department will be the state-level nodal department for the Project. The Secretary of the Department will be the chair of the State level Executive Committee which will be responsible for approval of the Annual Workplan and Budget, timely release of funds, periodic review of the progress and performance of the Project, and effective coordination and convergence with other Government Departments and schemes. The Mahila Arthik Vikas Mahamandal (MAVIM), the Government of Maharashtra's Women Development Corporation, will be the Lead Project Agency and responsible for project implementation.

9. *Governance and oversight.* There will be two oversight entities: (i) Empowerment Committee, chaired by the Hon. Chief Secretary Maharashtra; and (ii) the Executive Committee, chaired by the Secretary of Women and Child Development Department.

10. *Implementation arrangements.* MAVIM will implement the Project in accordance with the Project Design Report and Project Implementation Manual (PIM). The Project will be implemented in association with CMRCs and SHGs and in partnership with other government and non-government institutions, and private sector businesses as per needs of specific business sector. MAVIM has management autonomy and receives resources annually from Government of Maharashtra (GoM) for staff salary and other management costs.

11. *Management.* The Managing Director of MAVIM will be ex-officio Project Director with full responsibility of proper management of the Project as per design and achieving project goals/objectives.

12. *Project Management Unit (PMU).* The Project will be managed by a Project Management Unit (PMU) headed by Project Coordinator (General Manager- Programme of MAVIM) to manage planning and implementation of the Project. An appropriate number of full time officials of MAVIM at the Head Office (HO) will be responsible for various activities and all District Offices of MAVIM will be responsible for the implementation of Nav Tejaswini at the respective district. MAVIM will need to recruit additional experts including: a) Market and Business Development Specialist; b) Value Chain and Project Supervision Specialist (3); c) Financial Services Program Specialist; d) M &E Specialist; e) Procurement Specialist; f) KM and Communication Specialist; g) short-term consultants to do specific jobs. MAVIM's support divisions such as Audit, Administration, Human Resources, Accounts and Finance, Research, Training, MIS, and IT will provide relevant services to the Project. The PMU will be supported by Regional Coordinating and District Coordinating Offices.

13. *Regional Coordinating office of MAVIM.* The Regional Coordinating Officer will be responsible for overall monitoring of activities of the Project in the Region.

14. *District Coordinating Office (DCO):* DCOs will be responsible for overall implementation of the Project in collaboration with CMRCs. Since the Project will implement several value chain development subprojects in each district, it will deploy a full-time Project Supervisor and Monitoring Officer in each district who will report to DCO/MAVIM.

15. *CMRCs: CMRCs will be grassroots implementers of the Project.* The Project will deploy one Project Supervisor in each CMRC when a CMRC starts implementation to supervise and monitor progress.

16. *Management of Convergence.* The District Coordinators will be responsible for management of convergence projects as per standard government procedures and design of each Government scheme.

17. *Project Implementation Manual.* The PMU shall be responsible for the finalisation of a Project Implementation Manual (PIM) that shall describe: (i) implementation of project activities; (ii) the administration of Loan proceeds and Project Parties' responsibilities; (iii) financial management and procurement procedures; and (iv) monitoring and evaluation of

project progress and results. The PIM shall be approved by the Executive Committee, before IFAD's non objection is obtained.

18. The Lead Project Agency shall forward the draft PIM to IFAD for its no-objection. If IFAD does not comment on the draft PIM within thirty (30) days after receipt, it shall be deemed to have been no objected. The Lead Project Agency shall adopt the PIM substantially in the form endorsed by IFAD. The PIM may subsequently be revised, upon mutual agreement, following supervision or implementation support missions.

19. *Procurement.* The procurement of goods, works and services under the Project, financed from resources provided or administered by IFAD, will be undertaken in accordance with IFAD's Project Procurement Guidelines, December 2019 and Procurement Handbook and as amended from time to time.

Schedule 2

Allocation Table

1. *Allocation of Loan/Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan/Grant and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in USD)	Grant Amount Allocated- (expressed in USD)	Percentage (net of Government in kind contributions, Financing Gap and other Contributions)
I Grants & Subsidies	17,910,000	-	100%
II Consultancies	11,400,000	647,000	82%
III Equipment & Materials	90,000	753,000	82% for equipment and materials 72% for Vehicles
IV Operating Costs	4,800,000	-	99%
Unallocated	3,800,000		
Total	38,000,000	1,400,000	

(b) The terms used in the Table above are defined as follows:

“Grants & Subsidies” under Category I, shall mean eligible expenditures incurred related to Enterprise Development Fund to support the establishment/expansion of micro and small enterprises under the component 1.

“Consultancies” under Category II –Loan, shall mean eligible expenditures incurred related to workshop, training, study, campaign and consultancies for the Project.

“Consultancies” under Category II-Grant, shall mean eligible expenditures incurred related to training, studies under Component 3-Institutional Development of MAVIM.

“Equipment & Materials” under Category III- Loan, shall mean eligible expenditures incurred related to equipment, material and project vehicles.

“Equipment & Materials” under Category III-Grant, shall mean eligible expenditures incurred related to software purchase.

“Operating Costs” under Category IV, shall mean eligible expenditures incurred related to the operational costs, salaries and allowances.

2. *Disbursement arrangements*

- (a) *Start-up Costs.* Withdrawals are permitted in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal. Eligible activities include technical assistance, training, equipment other than vehicles and the initial operating costs. Start-up Costs will require the prior no objection from IFAD to be considered eligible.
- (b) *Retroactive financing.* As an exception to section 4.08(a) (ii) of the General Conditions, specific eligible expenditures from the loan and grant incurred from 1 November 2019, until the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to USD 300,000 and USD 700,000 for activities relating to Equipment & Materials and consultancies specified in the Work Plan and Budget. Activities to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no objection from IFAD to be considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once conditions precedent to the first disbursement of funds are fulfilled.
- (c) *Contributions.* The contribution made in cash by the implementing agencies, beneficiaries and other organizations shall be recorded as expenditure as incurred. Beneficiary in-kind contributions will not be quantified whereas MAVIM's in-kind contributions will be quantified.

LOAN NO. ____
GRANT NO. ____

PROJECT AGREEMENT

between the

STATE OF MAHARASHTRA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed in _____

PROJECT AGREEMENT

Loan Number: _____
Grant Number: _____

Project Title: Nav Tejaswini Maharashtra Rural Women's Enterprise Development Project ("the Project")

The State of Maharashtra of the Republic of India (the "State") acting by _____
and

The International Fund for Agricultural Development (the "Fund" or "IFAD")
(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

WHREAS:

(A) By Financing Agreement (the "Financing Agreement") between the Republic of India (the "Borrower/Recipient") and the Fund to finance the implementation of the Project in the State of Maharashtra, the Fund has agreed to make available to the Borrower/Recipient a loan in the amount of thirty eight million United States dollars (USD 38 000 000) and a grant in the amount of one million four hundred thousand United States dollars (USD 1 400 000) for the purposes of partially financing the Project to be implemented in the State of Maharashtra, and on the condition that the State agrees to undertake such obligations toward the Fund as are set forth in this Agreement;

(B) A Subsidiary Agreement (the "Subsidiary Agreement") will be entered into between the State, through Women and Child Development Department, and Mahila Arthik Vikas Mahamandal (MAVIM) for the purpose of implementing the Project. The State shall make the proceeds of the financing as received from the Borrower/Recipient, together with its own counterpart funding share in accordance with the Financing Agreement. The Subsidiary Agreement shall specify the project implementing modalities, financing and flow of funds arrangements in accordance with the Financing Agreement.

(C) The State, in consideration for the Fund entering into the Financing Agreement with the Borrower/Recipient, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE, the Parties hereto hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document and the Financing Agreement.
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009 , amended as of December 2018, as may be amended from time to time (the "General Conditions") are annexed to this Agreement and all provisions thereof, with the exceptions indicated in the Financing Agreement, shall apply to this Agreement.
3. The State declares its commitment to the goal and objective of the Project as set forth in Schedule 1 of the Financing Agreement and accepts the obligations ascribed to it in the Financing Agreement, as valid, binding obligations of the State to the Fund.
4. For the purposes of this Agreement, any obligation of the Borrower/Recipient, either independently or jointly with the Lead Project Agency/Project Parties to cause or ensure the taking of or forbearance from taking certain actions, shall be deemed a direct obligation of the State to the Fund to take or forbear from taking such actions or to cause or ensure the taking of or forbearance from taking such actions.
5. Any obligation of any Project Party or other implementing agency to take or forebear from taking any actions, shall be deemed a direct obligation of the State to the Fund to take or forebear from taking such actions.

Section B

1. In accordance with the Financing Agreement and the Preamble of this Agreement, the State shall enter into a Subsidiary Agreement with the Lead Project Agency (LPA) in form and substance acceptable by the Fund.
2. The State shall duly perform all its obligations under the Financing Agreement, the Subsidiary Agreement, and this Agreement. The State shall cause the LPA to perform its respective obligations under the Project and under the Subsidiary Agreement entered into to implement the Project.
3. As provided for in the Financing Agreement, the State shall provide advance funds including its counterpart funds in an amount of approximately twenty nine million two hundred thousand United States dollars equivalent (USD 29 200 000) for implementing the project activities as per the approved annual work plan and budget, and shall ensure that no budgetary cuts are imposed on the LPA.
4. The State, shall strive to undertake proactive measures for convergence of other Government schemes, for an amount of approximately sixty seven million United States dollars equivalent (USD 67 000 000), and strive to ensure contributions from beneficiaries in an amount of approximately four million nine hundred and fifty thousand United States dollars equivalent (USD 4 950 0000), mainly in cash, to achieve the project development objective. In addition, the State shall ensure that the LPA endeavour to mobilize two hundred and fifty million eight hundred and forty thousand United States dollars equivalent (USD 250 840 000) and nine million nine hundred thousand United States dollars equivalent (USD 9 900 000) from respectively financial institutions and private sector enterprises. The total IFAD financing for this Project is US\$ 51.4 million, comprising a loan (US\$38.0 million) and grant US\$1.4 million and a financing gap of US\$ 12.0 million which IFAD will submit for approval as soon as resources become available.

5. The State shall cause the Project Management Unit (PMU) to enter into contracts, through the LPA, with service providers including for international technical assistance and administer the contracts as per the provisions contained therein.
6. Procurement. The State shall cause the LPA to undertake procurement of goods, works and services including consultancy services under the Project, financed from the resources provided by the Fund, in accordance with IFAD Procurement Guidelines, December 2019 and IFAD Procurement Handbook, as amended hereafter from time to time. IFAD review of procurement actions, thresholds for procurement methods shall be as per the provisions of the Letter to the Borrower issued by the Fund and as amended from time to time.
7. The State shall ensure that the accounts of the Project are annually audited by a private audit firm empanelled by the Office of the Controller and Auditor General of the State of Maharashtra. The terms of reference for the external audit will be agreed with the Fund; and the external audit will be conducted in accordance with the IFAD Handbook for Financial Reporting and Auditing for IFAD financed projects.
8. In addition, the State shall cause the LPA to establish a system of internal audit, whereby a firm of Chartered Accountants will be engaged to conduct internal audit of the Project Management Unit of the LPA, on a quarterly basis and reports to Vice-Chairperson and Managing Director of the LPA. In addition, the LPA will form an in-house team to conduct the internal audit of the District Coordination Offices. The arrangements for the internal audit will be further detailed in the Project Implementation Manual.
9. Accounting and Financial management. The PIU will maintain an accounting software that satisfies National Accounting Standards and IFAD's requirements. Within 6 months from the date of entry into force, the current accounting software TALLY would have been customized to generate reports in the format required for preparation of the Project Financial Statements.
10. Monitoring and Evaluation. The State shall cause the LPA to develop a fully functional monitoring and evaluation system within 12 months from entry into force, in compliance with IFAD and the GoM requirements. In addition, participatory monitoring will be conducted. The State shall cause the LPA to disseminate the Government of Maharashtra's grievance redressal portal which enables project participants to register complaints about the Project. The M&E system and the redressal process will be spelt out in the Project Implementation Manual.
11. In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the State, after consultation with the Borrower/ Recipient, to request withdrawals from the Loan/Grant Account if the LPA has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:
 - (a) *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The State shall cause the LPA to ensure that the Project Implementation Manual reflects the recommendations of the SECAP as they apply to the project objectives and activities.
 - (b) *Anticorruption Measures.* The State shall ensure compliance and shall cause LPA to ensure compliance with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations and shall ensure that the compliance provisions are extended to the entities/organizations/parties and contractors.
 - (c) *Policy on Preventing and Responding to Sexual Harassment and Exploitation and Abuse.* The State shall cause the LPA to comply with IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse and cause LPA to ensure that the compliance provisions are extended to the

entities/organizations/parties and contractors engaged during implementation of the Project.

- (d) *Zero tolerance for Child Labour.* The State shall cause the LPA to ensure compliance with the State's zero tolerance policy against child labour.

12. The State shall take appropriate and necessary actions to implement the agreed actions resulting out of the Mid Term Review and the annual Supervision Missions.

13. This Agreement shall come into force and effect on the date upon which the Financing Agreement enters into force. It shall terminate on the date on which the Financing Agreement terminates.

Section C

The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the State:

[Title of designated representative]

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement has been prepared in the English language in three (3) original copies, one (1) for the Fund, one (1) for the State and one (1) for the Borrower/Recipient.

STATE OF MAHARASHTRA

"[Authorised Representative Name]"
"[Authorised Representative title]"

Dated: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Dated: _____

Logical framework

Results Hierarchy	Name	Indicators			Means of verification			Assumptions
		Baseline	Mid-term	End target	Source	Frequency	Responsibility	
Outreach	• No. of persons receiving project services (M/F/Age)	-	841,579	1,000,000	MIS	Monthly	MAVIM	Project is implemented effectively
	• Number of HHs	-	841,579	1,000,000	MIS	Monthly	MAVIM	
	• Number of HH members	-	3,364,000	4,500,000	MIS	Monthly	MAVIM	
	• Number of women-headed households	-	117,821	117,821	MIS	Yearly	MAVIM	
Goal								
Enable rural poor households to overcome poverty	• Rural households sustainably out of income poverty (> 58,000 Rs/ year)			1,000,000	Impact Study, Outcome study	Mid-term, end-term	MAVIM	
Development Objective								
Improve capacity of rural women to diversify into sustainable enterprises or engage in remunerative employment and enhance their access to markets	<ul style="list-style-type: none"> • 80% of targeted women are engaged in sustainable enterprises or gainful employment • Percentage of women, 15-49 years of age, who consume at least 5 out of 10 food groups (CI 1.2.8) • 75% of targeted women report an increase in score on pro-WEAI survey 	0 Tbd at baseline 0	35% 30%	80% 70% 75%	1) Baseline survey report, 2) Mid term, 3)AOS, 4) End line/Impact Study	1) One time, 2) One time, 3) Annual, 4) At the end	MAVIM	
Outcome 1								
Creation of sustainable business linkages for farm and non/off farm enterprises	<ul style="list-style-type: none"> • Number of supported rural enterprises reporting an increase in profit (CI 2.2.2) • Rural enterprises reporting on adoption of environmentally sustainable and climate resilient technologies and practices (CI 3.2.2) 	0 0	200,000 200,000	565,400 565,400	1) AOS, 2)Thematic study, 3) Yearly Survey	Annual, MTR onwards	MAVIM	
Output 1								
Farm, non/off farm enterprise development plans	<ul style="list-style-type: none"> • Rural enterprises accessing business development services (CI 2.1.1) • 2000 batches of standalone businesses receive technical/management training • 250 cooperatives formed 	0 0 0	250,000 700 100	765,400 2000 250	1) AOS, 2)Thematic study, 3) Yearly Survey 1) MIS 2) MIS	Annual Annual Annually	MAVIM MAVIM MAVIM	
Rural enterprises supported to sustainably manage natural resources and climate related risks (CI 3.1.1)	<ul style="list-style-type: none"> • Rural enterprises supported to sustainably manage natural resources and climate related risks (CI 3.1.1) 	0	250,000	765,400	Annual Outcome Survey	Annually	MAVIM	
Output 2								
Development of value chain project management capacity of CMRCs	<ul style="list-style-type: none"> • 1500 CMRC staff trained in enterprise development and management 	0	1000	1500	MIS, Training report	Annual	MAVIM	
Output 3								

Results Hierarchy		Indicators			Means of verification			Assumptions
Supporting innovation	<ul style="list-style-type: none"> At least 40 innovations tested and 20 scaled up by the project 	0	20	20	MIS, Enterprise reports	Annual	MAVIM	
Outcome 2								
An enabling environment to facilitate women's enterprise development and employability in decent and remunerative jobs	<ul style="list-style-type: none"> 100,000 women accessing financing for enterprise development of Rs 100,000 or more (disagg: Age) 	0	50,000	100,000	MIS reports	Monthly	Banking Partner, MAVIM	
Output 1								
Financial linkages	<ul style="list-style-type: none"> 3 financial institutions offering > 100,000 Rs financing for enterprise development 		1	3	MOUs	NA	Banking Partner, MAVIM	
	<ul style="list-style-type: none"> 800,000 SHG members continue to receive loan under SHG-Bank linkage program 	800,000	800,000	800,000	MIS	Quarterly	MAVIM	
	<ul style="list-style-type: none"> Increase in loan outstanding under SHG-Bank Program 	Tbd at baseline	Rs 3442 million	Rs 9769. million	MIS	Quarterly	MAVIM	
	<ul style="list-style-type: none"> Loan repayment rate (%) 	99.5	99.5	99.5	MIS	Quarterly	MAVIM	
	<ul style="list-style-type: none"> Livestock health and insurance recover operating cost 	10%	60%	100%	MIS	Quarterly	MAVIM	
Output 2								
Mentoring the ultra-poor and skill development training	<ul style="list-style-type: none"> 26,800 ultra-poor persons trained in income-generating activities (CI 2.1.2) (M/F/Age) 34,000 wage employment generated 	0	10,000	26,800	MIS, Ultra poor study reports	Quarterly	MAVIM	
			10,000	34,000				
Output 3								
Improved nutritional status of households	<ul style="list-style-type: none"> 800,000 persons provided with targeted support to improve their nutrition (CI 1.1.8) (M/F/Age) 	0	300,000	800,000	MIS reports	Annually	MAVIM	
Output 4								
Policy engagement	<ul style="list-style-type: none"> 8 of policy-relevant knowledge products completed 	0	4	8	Policy papers	Annually	MAVIM	
Outcome 3								
Capacity of MAVIM strengthened and project satisfactorily managed	Center of Excellence set up and well-functioning	0	1	1	MAVIM report	Annually	MAVIM	
Output 1								
Training of MAVIM officials on enterprise development and system upgraded	80 MAVIM officials trained (M/F/Age)	0	80	80	MAVIM report	Annually	MAVIM	
	Institutional assessment of MAVIM completed	0	1	1	MAVIM report	once	MAVIM	
	All four computerized system installed and upgraded	0	4	4	MAVIM	once	MAVIM	