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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Dispatch of documentation:

For: Approval
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II. Logical framework

<table>
<thead>
<tr>
<th>Project delivery team</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Director:</td>
<td>Nigel Brett</td>
</tr>
<tr>
<td>Country Director:</td>
<td>Rasha Omar</td>
</tr>
<tr>
<td>Technical Lead:</td>
<td>Elizabeth Ssendiwal</td>
</tr>
<tr>
<td>Finance Officer:</td>
<td>Robert Creswell</td>
</tr>
<tr>
<td>Climate and Environment Specialist:</td>
<td>Kisa Mfalila</td>
</tr>
<tr>
<td>Legal Officer:</td>
<td>Itziar Garcia Villanueva</td>
</tr>
</tbody>
</table>
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
## Financing summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
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<tbody>
<tr>
<td>Initiating institution:</td>
<td>IFAD</td>
</tr>
<tr>
<td>Borrower/recipient:</td>
<td>Republic of India</td>
</tr>
<tr>
<td>Executing agency:</td>
<td>Maharashtra Mahila Arthik Vikas Mahamandal</td>
</tr>
<tr>
<td></td>
<td>(Women’s Development Corporation)</td>
</tr>
<tr>
<td>Total project cost:</td>
<td>US$421.9 million</td>
</tr>
<tr>
<td>Amount of IFAD loan:</td>
<td>US$38.0 million</td>
</tr>
<tr>
<td>Terms of IFAD loan:</td>
<td>Ordinary</td>
</tr>
<tr>
<td>Amount of IFAD grant:</td>
<td>US$1.4 million</td>
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<tr>
<td>Cofinanciers:</td>
<td>Domestic financial institutions and local private sector</td>
</tr>
<tr>
<td>Amount of cofinancing:</td>
<td>US$260.7 million</td>
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<tr>
<td>Terms of cofinancing:</td>
<td>To be determined</td>
</tr>
<tr>
<td>Contribution of borrower/recipient:</td>
<td>US$104.9 million</td>
</tr>
<tr>
<td>Contribution of beneficiaries:</td>
<td>US$4.9 million</td>
</tr>
<tr>
<td>Financing gap:</td>
<td>US$12.0 million</td>
</tr>
<tr>
<td>Amount of IFAD climate finance:</td>
<td>US$20.6 million</td>
</tr>
</tbody>
</table>
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 US$421.9 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>
<thead>
<tr>
<th>Table 1</th>
<th>Project costs by component and financier</th>
</tr>
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<tbody>
<tr>
<td>(Thousands of United States dollars)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Component</th>
<th>IFAD loan</th>
<th>IFAD grant</th>
<th>Financing gap</th>
<th>Borrower/recipient</th>
<th>Other cofinanciers</th>
<th>Beneficiaries</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>1. Market-driven enterprise development</td>
<td>24,103 20%</td>
<td>-</td>
<td>10,199 9%</td>
<td>69,800 59%</td>
<td>9,900 8%</td>
<td>4,900 4%</td>
<td>118,902 28%</td>
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<tr>
<td>2. Enabling support services</td>
<td>7,338 3%</td>
<td>-</td>
<td>1,801 1%</td>
<td>1,280 1%</td>
<td>250,800 96%</td>
<td>-</td>
<td>261,219 62%</td>
</tr>
<tr>
<td>3. Institutional strengthening and project management</td>
<td>6,559 16%</td>
<td>1,400 3%</td>
<td>-</td>
<td>33,820 81%</td>
<td>-</td>
<td>-</td>
<td>41,779 10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38,000 9%</strong></td>
<td><strong>1,400 0.3%</strong></td>
<td><strong>12,000 3%</strong></td>
<td><strong>104,900 25%</strong></td>
<td><strong>260,700 62%</strong></td>
<td><strong>4,900 1%</strong></td>
<td><strong>421,899 100%</strong></td>
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Table 2
Project costs by expenditure category and financier
(Thousands of United States dollars)

<table>
<thead>
<tr>
<th>Expenditure category</th>
<th>IFAD loan Amount</th>
<th>IFAD loan %</th>
<th>Financing gap Amount</th>
<th>Financing gap %</th>
<th>Borrower/ recipient Amount</th>
<th>Other cofinanciers Amount</th>
<th>Beneficiaries Amount</th>
<th>Total Amount</th>
<th>Total %</th>
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<tr>
<td>1. Enterprise development fund</td>
<td>19 912</td>
<td>22%</td>
<td>-</td>
<td>-</td>
<td>5 388</td>
<td>6%</td>
<td>66 991</td>
<td>73%</td>
<td>-</td>
</tr>
<tr>
<td>2. Workshops, training, study, campaign and consultancy</td>
<td>12 669</td>
<td>52%</td>
<td>647</td>
<td>3%</td>
<td>6 613</td>
<td>27%</td>
<td>4 375</td>
<td>18%</td>
<td>-</td>
</tr>
<tr>
<td>3. Equipment, materials and vehicles</td>
<td>92</td>
<td>9%</td>
<td>753</td>
<td>73%</td>
<td>-</td>
<td>-</td>
<td>191</td>
<td>18%</td>
<td>-</td>
</tr>
<tr>
<td>4. Operational costs, salaries and allowances</td>
<td>5 326</td>
<td>14%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33 342</td>
<td>66%</td>
<td>-</td>
</tr>
<tr>
<td>5. Credit line</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>250 800</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6. Beneficiary</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9 900</td>
<td>67%</td>
<td>4 900</td>
</tr>
<tr>
<td>Total</td>
<td>38 000</td>
<td>9%</td>
<td>1 400</td>
<td>0.3%</td>
<td>12 000</td>
<td>3%</td>
<td>104 900</td>
<td>25%</td>
<td>260 700</td>
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Table 3
Project costs by component and project year (PY)
(Thousands of United States dollars)

<table>
<thead>
<tr>
<th>Component</th>
<th>PY1 (2020/21)</th>
<th>PY2 (2021/22)</th>
<th>PY3 (2022/23)</th>
<th>PY4 (2023/24)</th>
<th>PY5 (2024/25)</th>
<th>PY6 (2025/26)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market-driven enterprise development</td>
<td>10 758</td>
<td>26 285</td>
<td>35 583</td>
<td>30 205</td>
<td>14 768</td>
<td>1 303</td>
<td>118 902</td>
</tr>
<tr>
<td>2. Enabling support services</td>
<td>16 813</td>
<td>33 021</td>
<td>41 570</td>
<td>63 635</td>
<td>52 053</td>
<td>54 128</td>
<td>261 220</td>
</tr>
<tr>
<td>3. Institutional strengthening and project management</td>
<td>6 206</td>
<td>5 849</td>
<td>6 514</td>
<td>6 959</td>
<td>7 787</td>
<td>8 463</td>
<td>41 779</td>
</tr>
<tr>
<td>Total</td>
<td>33 777</td>
<td>65 155</td>
<td>83 667</td>
<td>100 799</td>
<td>74 608</td>
<td>63 895</td>
<td>421 899</td>
</tr>
</tbody>
</table>

Financing and cofinancing strategy and plan

33. The project costs will be financed by an IFAD loan of US$50 million (including financing gap) on ordinary terms and an IFAD grant of US$1.4 million. The Government will contribute US$104.9 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$250.8 million, local private sector contributions of US$9.9 million and beneficiary contributions of US$4.9 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 low. Table 4 summarizes the residual risk and the mitigation measures.

Table 4
Risks and mitigation measures

<table>
<thead>
<tr>
<th>Risks</th>
<th>Residual risk rating</th>
<th>Mitigation measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macroeconomic</td>
<td>Low</td>
<td>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.</td>
</tr>
<tr>
<td>Sector strategies and policies</td>
<td>Moderate</td>
<td>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.</td>
</tr>
<tr>
<td>Institutional capacity</td>
<td>Low</td>
<td>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.</td>
</tr>
<tr>
<td>Fiduciary</td>
<td>Moderate</td>
<td>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</td>
</tr>
</tbody>
</table>

**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 project coordinator from MAVIM 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 will be delivered to Executive Board representatives at least five business days prior to the lapse of the 21 days following delivery to those representatives of the President’s report and the project design document.

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. Houngbo
President
Appendix I

Negotiated financing agreement

[To be presented to the Executive Board representatives.]
## Logical framework

### Results Hierarchy

<table>
<thead>
<tr>
<th>Name</th>
<th>Baseline</th>
<th>Mid-term</th>
<th>End target</th>
<th>Source</th>
<th>Frequency</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outreach</strong></td>
<td></td>
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</tr>
<tr>
<td>• No. of persons receiving project services (M/F/Age)</td>
<td>-</td>
<td>841,579</td>
<td>1,000,000</td>
<td>MIS</td>
<td>Monthly</td>
<td>MAVIM</td>
</tr>
<tr>
<td>• Number of HHs</td>
<td>-</td>
<td>841,579</td>
<td>1,000,000</td>
<td>MIS</td>
<td>Monthly</td>
<td>MAVIM</td>
</tr>
<tr>
<td>• Number of HH members</td>
<td>-</td>
<td>3,364,000</td>
<td>4,500,000</td>
<td>MIS</td>
<td>Monthly</td>
<td>MAVIM</td>
</tr>
<tr>
<td>• Number of women-headed households</td>
<td>-</td>
<td>117,821</td>
<td>117,821</td>
<td>MIS</td>
<td>Yearly</td>
<td>MAVIM</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
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<tr>
<td>Enable rural poor households to overcome poverty</td>
<td></td>
<td></td>
<td>1,000,000</td>
<td>Impact Study, Outcome study</td>
<td>Mid-term, end-term</td>
<td>MAVIM</td>
</tr>
<tr>
<td><strong>Development Objective</strong></td>
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<tr>
<td>Improve capacity of rural women to diversify into sustainable enterprises or engage in remunerative employment and enhance their access to markets</td>
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<tr>
<td>• 80% of targeted women are engaged in sustainable enterprises or gainful employment</td>
<td>0</td>
<td>35%</td>
<td>80%</td>
<td>1) Baseline survey report, 2) Mid term, 3) AOS, 4) End line/Impact Study</td>
<td>1) One time, 2) One time, 3) Annual, 4) At the end</td>
<td>MAVIM</td>
</tr>
<tr>
<td>• Percentage of women, 15-49 years of age, who consume at least 5 out of 10 food groups (CI 1.2.8)</td>
<td>Tbd at baseline</td>
<td>30%</td>
<td>70%</td>
<td></td>
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<tr>
<td>• 75% of targeted women report an increase in score on pro-WEAI survey</td>
<td>0</td>
<td></td>
<td>75%</td>
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<tr>
<td><strong>Outcome 1</strong></td>
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<tr>
<td>Creation of sustainable business linkages for farm and non/off farm enterprises</td>
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<td></td>
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</tr>
<tr>
<td>• Number of supported rural enterprises reporting an increase in profit (CI 2.2.2)</td>
<td>0</td>
<td>200,000</td>
<td>565,400</td>
<td>1) AOS, 2) Thematic study, 3) Yearly Survey</td>
<td>Annual, MTR onwards</td>
<td>MAVIM</td>
</tr>
<tr>
<td>• Rural enterprises reporting on adoption of environmentally sustainable and climate resilient technologies and practices (CI 3.2.2)</td>
<td>0</td>
<td>200,000</td>
<td>565,400</td>
<td></td>
<td></td>
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<tr>
<td><strong>Output 1</strong></td>
<td></td>
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<tr>
<td>Farm, non/off farm enterprise development plans</td>
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<tr>
<td>• Rural enterprises accessing business development services (CI 2.1.1)</td>
<td>0</td>
<td>250,000</td>
<td>765,400</td>
<td>1) AOS, 2) Thematic study, 3) Yearly Survey</td>
<td>Annual</td>
<td>MAVIM</td>
</tr>
<tr>
<td>• 2000 batches of standalone businesses receive technical/management training</td>
<td>0</td>
<td>700</td>
<td>2000</td>
<td>1) MIS</td>
<td>Annual</td>
<td>MAVIM</td>
</tr>
<tr>
<td>• 250 cooperatives formed</td>
<td>0</td>
<td>100</td>
<td>250</td>
<td>2) MIS</td>
<td></td>
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</tr>
<tr>
<td><strong>Output 2</strong></td>
<td></td>
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<tr>
<td>Development of value chain project management capacity of CMRCs</td>
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</tr>
<tr>
<td>• 1500 CMRC staff trained in enterprise development and management</td>
<td>0</td>
<td>1000</td>
<td>1500</td>
<td>MIS, Training report</td>
<td>Annual</td>
<td>MAVIM</td>
</tr>
<tr>
<td><strong>Output 3</strong></td>
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<tr>
<td>Results Hierarchy</td>
<td>Indicators</td>
<td>Means of verification</td>
<td>Assumptions</td>
<td></td>
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<tr>
<td>Supporting innovation</td>
<td>• At least 40 innovations tested and 20 scaled up by the project</td>
<td>MIS, Enterprise reports</td>
<td>MAVIM</td>
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<tr>
<td><strong>Outcome 2</strong></td>
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</tr>
<tr>
<td>An enabling environment to facilitate women’s enterprise development and employability in decent and remunerative jobs</td>
<td>• 100,000 women accessing financing for enterprise development of Rs 100,000 or more (disagg: Age)</td>
<td>MIS reports</td>
<td>Banking Partner, MAVIM</td>
<td></td>
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<tr>
<td><strong>Output 1</strong></td>
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</tr>
<tr>
<td>Financial linkages</td>
<td>• 3 financial institutions offering &gt; 100,000 Rs financing for enterprise development</td>
<td>MOUs</td>
<td>NA</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• 800,000 SHG members continue to receive loan under SHG-Bank linkage program</td>
<td>MIS</td>
<td>Quarterly</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Increase in loan outstanding under SHG-Bank Program</td>
<td>Tbd at baseline</td>
<td>MAVIM</td>
<td></td>
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<tr>
<td></td>
<td>• Loan repayment rate (%)</td>
<td>99.5</td>
<td>MAVIM</td>
<td></td>
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<tr>
<td></td>
<td>• Livestock health and insurance recover operating cost</td>
<td>10%</td>
<td>MAVIM</td>
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<tr>
<td><strong>Output 2</strong></td>
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<tr>
<td>Mentoring the ultra-poor and skill development training</td>
<td>• 26,800 ultra-poor persons trained in income-generating activities (CI 2.1.2) (M/F/Age)</td>
<td>MIS, Ultra poor study reports</td>
<td>MAVIM</td>
<td></td>
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<tr>
<td></td>
<td>• 34,000 wage employment generated</td>
<td>10,000</td>
<td>MAVIM</td>
<td></td>
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<tr>
<td><strong>Output 3</strong></td>
<td></td>
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<tr>
<td>Improved nutritional status of households</td>
<td>• 800,000 persons provided with targeted support to improve their nutrition (CI 1.1.8) (M/F/Age)</td>
<td>MIS reports</td>
<td>MAVIM</td>
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<tr>
<td><strong>Output 4</strong></td>
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<tr>
<td>Policy engagement</td>
<td>• 8 of policy-relevant knowledge products completed</td>
<td>Policy papers</td>
<td>MAVIM</td>
<td></td>
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</tr>
<tr>
<td><strong>Outcome 3</strong></td>
<td></td>
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</tr>
<tr>
<td>Capacity of MAVIM strengthened and project satisfactorily managed</td>
<td>Center of Excellence set up and well-functioning</td>
<td>MAVIM report</td>
<td>MAVIM</td>
<td></td>
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<tr>
<td><strong>Output 1</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Training of MAVIM officials on enterprise development and system upgraded</td>
<td>80 MAVIM officials trained (M/F/Age)</td>
<td>MAVIM report</td>
<td>MAVIM</td>
<td></td>
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<tr>
<td></td>
<td>Institutional assessment of MAVIM completed</td>
<td>MAVIM report</td>
<td>MAVIM</td>
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<tr>
<td></td>
<td>All four computerized system installed and upgraded</td>
<td>MAVIM</td>
<td>MAVIM</td>
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</tbody>
</table>