Report Number: ICRR0022115

1. Project Data

Project ID	Project Name
P102330	IN: North East Rural Livelihoods Project
Country	**Practice Area(Lead)**
India	Agriculture and Food

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-50350	31-Mar-2017	98,884,414.55
Bank Approval Date	**Closing Date (Actual)**	
20-Dec-2011	30-Sep-2019	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	130,000,000.00	0.00
Revised Commitment	115,975,808.28	0.00
Actual	98,884,414.55	0.00

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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as articulated in the Project Appraisal Document (PAD, paragraph 19) was to:

"improve rural livelihoods, especially that of women, unemployed youth and the most disadvantaged, in the participating North Eastern states."

The Project Development Objective (PDO) as articulated in the Financing agreement (FA, page 4) was identical to the one in the PAD except where underlined and aimed to:

"improve rural livelihoods, especially that of women, unemployed youth and the most disadvantaged, in the participating states."

This Review will evaluate the project against the PDO as stated in the Financing Agreement.

b. Were the project objectives/key associated outcome targets revised during implementation?
Yes

Did the Board approve the revised objectives/key associated outcome targets?
No

c. Will a split evaluation be undertaken?
No

d. Components
The PDO was supported by the following four Components:

1. Social Empowerment (appraisal cost: US$28.6 million, actual cost: US$21.43 million). The aim of this component was to empower the rural communities and create sustainable institutions so that they could manage common activities around microfinance, livelihoods and Natural Resource Management (NRM). Benefits of broad economic growth would trickle down very slowly when the poor had little access to key physical, social and financial endowments and development is conducted in a top-down manner. The project would provide support to project facilitation teams (PCT) to help social mobilization and beneficiary identification, and provide facilitation and hand-holding support to the Self Help Groups (SHGs) throughout the course of the project. PFTs would help train the SHGs and SHG village federations on livelihood promotion, financial management, and participatory monitoring among others. The project would also support community mobilization and institution building.

2. Economic Empowerment (appraisal cos: US$86.9 million, actual cost: US$70.89 million). The aim of this component was to provide funds to the above-mentioned community institutions to undertake various individual and common economic livelihood activities in a demand-driven manner, as well as enable unemployed youth in project areas to capture new employment or self-entrepreneurship opportunities. This component would provide: (i) Self Help Groups (SHG) investment support; (ii) community development investment support; (iii) producer organizations investment support; (iv) skill development and placement support; and (v) innovation support. To ensure that the funds were not misused, PFTs would provide close monitoring and ensure that formal and informal grievance redress mechanisms are well developed and disseminated to mitigate/capture problems at an early stage.

3. Partnership Development (appraisal cost: US$14.3 million, actual cost: US$1.79 million). The aim of this component was to develop and support effective partnerships with the private sector, public sector, and civil society to enhance the communities‟ major livelihood activities such as agriculture and livestock/dairy through strategic public-private partnerships. The project would bring various resources and support for the communities to facilitate access to finance, technology, procurement of inputs, establishing value chains and marketing for livelihoods development of the rural poor. The project would work to create mutually beneficial relationships for both community organizations and service providers, and ensure that the linkages are sustainable beyond the project. To this end, the component would finance technical assistance consultancies, training, and development of related training materials. The following linkages would be supported: financial, technical and market support linkages.

4. Project Management (appraisal cost: US$14.6 million, actual cost: US$10.76 million). The aim of this component was to facilitate the implementation, coordination, monitoring and evaluation, learning and quality enhancement efforts of the project. This component would finance technical assistance consultancies, training and related material, office equipment, management information system (MIS) development, and operational costs.

Revised Components. Following the Mid-Term Review (MTR), elements of component 3 were consolidated into a new component 4.

Component 4. Value Chains and Livelihoods Models (appraisal cost: US$ 9.5 million, actual cost: US$5.98 million). This component was added because with the substantial initial delays and exchange rate savings, it was not possible to meaningfully spend financial resources as per the original project design. Funds were reallocated from component 3 to the new component but the overall project budget remained the same. The aim of the new component was to make strategic investments across livelihood value chains in selected sub-sectors that enhance productivity and incomes of households and develop sustainable linkages to mainstream markets. The new component thus provided focus in support of clusters in goatery, piggery, fishery, bamboo and horticulture segments. The new component also opened up an opportunity to support existing livelihood business models that were either successful or had the potential for scaling up, such as bamboo clusters in Tripura in partnership with the Tripura Bamboo Mission.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. The total project cost was estimated at US$144.4 million. This amount was revised down during implementation to US$128.52 million. The actual cost reported by the ICR (Annex 3) was US$110.84 million or 86% of the revised mount and about 77% of the appraisal estimate.

Financing. The project was financed through an IDA Credit worth US$130 million. This amount was revised down during implementation to US$115.98 million. The actual amount disbursed was US$98.88 million or 76% of the actual amount and 85% of the revised amount. The ICR (paragraph 21) reported that US$11.46 million of the loan proceeds were cancelled on September 25, 2019.

Borrower Contribution. The Borrower was expected to contribute US$14.4 million of counterpart funds. This amount was revised down during implementation to US$12.54 million. The actual amount contributed was US$11.96 million or 83% of the original amount and 95% of the revised amount.

Dates. The project was approved on December 20, 2011 and became effective on March 12, 2012. The Mid-Term Review (MTR) was conducted on May 15, 2014, the PAD did not provide a specific date for the MTR, but stated (paragraph 138) that it would be commissioned in the third year of the project intervention. The project closed on September 30, 2019 which was 30 months later than the original closing date on March 31, 2017. The thirty months extension was needed to accommodate for initial implementation delays, and later flood damage and state elections slowed down critical activities (ICR, paragraphs 20 and 21). The project was restructured three times, all of which were Level 2 restructuring as follows:

1. On November 27, 2015, when the amount disbursed was US$12.89 million, in order to introduce changes to: the Results Framework, components, and the implementation schedule.

2. On July 25, 2016, when the amount disbursed was US$29.26 million, in order to modify the Results Framework, extend the Loan closing date by 23 months to March 15, 2019, and change the implementation schedule.

3. On March 1, 2019, when the amount disbursed was US$82.88 million, in order to extend the loan closing date to September 30, 2019 instead of March 15, 2019.

3. Relevance of Objectives

Rationale

Context at Appraisal. In 2010, the North East (NE) region had a population of more than 44 million and accounted for about 3.7% of India's total population, and 4.4% of the country's rural population living below the poverty line. Agriculture had been the backbone of the economy, contributing close to 30% of the regional GDP (2003) and provided employment to over 75% of the people. Despite its rich natural resources and relatively good human development indicators, the NE region lagged in important parameters of growth, and the gap between the rest of India continued to expand. The poor in the NE region suffered from three key impediments for development: (i) natural resources degradation; (ii) protracted insurgency in some areas; and (iii) lack of well targeted and quality development efforts. The project would help vitalize the local economy in a bottom-up approach so as to make the intervention responsive to the people's needs.

At appraisal, objectives were in line with the Government of India's Vision for the North Eastern Region (NER, 2020). The NER Vision puts communities and the needs of the poor at the center of development through focusing on the aspirations of the people to find improved livelihood opportunities, seek local empowerment and aim for sustainable management of the natural resource base. Objectives were also in line with India's Eleventh Five Year Plan (2007 – 2012) which aimed to promote inclusive growth so that the benefits are shared by all people. Objectives were also in line with Bank's Country Assistance Strategy for India (CAS, FY09-12) which featured three pillars: inclusive growth, sustainable development, and better access to services. The CAS focused on providing support for programs that addressed rising inequality, ensure sustainable development, and enhance access to services by the poor.

At completion, objectives continued to be in line with the Government of India's (GoI) priorities for the North Eastern States. Objectives were in line with GoI's priority to double farmers' incomes by 2022 by supporting its efforts to: foster inclusion in enterprise development in agriculture, increase income diversification in rural livelihoods, improve resource use efficiency in agriculture by strengthening the ecological base particularly water resources, assist in closer linkages with the formal financial sector and integrate women's SHGs into rural value chains.The GoI's high priority Committee report on Doubling Farmer's Income (2018) emphasized support to small, marginal and women farmers, and recommended mobilization and aggregation for their integration in agricultural value chains. The GoI's Budget 2020-2021 also reflected commitment to the goal of doubling farmers' incomes and recognizes the contribution of financial inclusion, aggregation and value addition through the involvement of SHGs. Objectives also remained in line with the priorities of the four State governments, according to the ICR (paragraph 23) this was evidenced in "policy documents including the Socio-economic Development Policy of Mizoram 2019, the Vision 2034 of Nagaland and the North Eastern Vision 2020 Document, that emphasize agriculture diversification and value-addition incorporating the SHG approach, as well as skill development." Finally, objectives continued to be in line with the Bank's Country Program Framework (CPF) 2018-2022 for India, which emphasized promoting resource-efficient growth; enhancing competitiveness and enabling job creation by supporting product and market innovations to increase financial inclusion with specific focus on rural areas, micro-enterprises, women and farmers; and investing in human capital, through increased access to quality market-relevant skills, and more quality jobs for women. Objectives also were in line with the CPF's focus on measures to address India's gender gap.

The statement of objectives clearly identified the target population "***women, unemployed youth and the most disadvantaged",*** however, the term "improve rural livelihoods" was broad. The statement also lacked a connection to higher level objectives, namely, promoting inclusive growth ensuring sustainable development, and enhancing access to services.

Based on the above-mentioned assessment, the Relevance of Objectives is rated Substantial.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
PDO: to improve rural livelihoods, especially that of women, unemployed youth and the most disadvantaged, in the participating states.

Rationale
Theory of Change. To achieve the stated objective *"to improve rural livelihoods, especially that of women, unemployed youth and the most disadvantaged, in the participating states",* the project would provide technical assistance for the following activities: community mobilization, skill development and job creation for rural youth, development of partnerships with financial intermediaries, development of partnerships with value chains, and improving input and output market access. The project would also provide investments to: value chains, Self Help Groups, Producer Organizations, Producer Groups and Community Development Groups. These activities were expected to result in trained community service providers and community resource persons, formation of functional self-help groups and self-help groups federations, community development groups, producer groups and producer organizations. Also, critical infrastructure would be built including: irrigation and marketing structures such as common service centers for post-harvest processing, establishment of nurseries and plantations. As a result of these activities, the following outcomes would be achieved: community institutions of the rural poor would be operational and sustainable, improved management of natural resources; upgrading of selected value chains; enhanced agricultural productivity; development of sustainable market linkages; enhanced youth employment; and community institutions developed supportive partnerships. Collectively, the afore mentioned outcomes would contribute to achieving the stated PDO as well as to the higher level outcomes namely, increased rural incomes, better quality of life, less social unrest, and a strengthened role of women in the rural economy of NE states.

The achievement of the project outcomes was underpinned by the following assumptions: communities find value in forming and sustaining: self-help groups, community development groups, producer groups, and producer organizations; community development groups find value in community development plans, develop and implement them in a timely manner; producers cooperate to undertake collective activities; youth are interested in the skill training courses and placement offers; self help group members maintain loan repayments (else, loan cycle would not be sustained); good quality agencies are available and interested in partnerships;
banks are interested to expand credit outreach in rural areas; markets will respond to products created the

project-supported institutions; and non-farm sectors have continued demand for skilled youth in peri-urban/urban areas (ICR, p. 8).

The project activities were directly linked to the PDO and the stated assumptions were logical.

Outputs

The information below is cited from the ICR (Annex 1) unless referenced otherwise. Targets were not available for every output.

Empowered rural communities and sustainable institutions that can manage common activities around microfinance, livelihoods and natural resources management

- The project was active in 11 districts (target: 8) and 1,545 villages (target:1,645).
- Under the project 28,154 SHGs (target: 26,000) and 1,212 SHG federations (target: 1,200), 1,599 Community Development Groups (CDGs) (target: 1,645) were formed and 2,459 Community Service Providers (CSPs) and Community Resource Persons (CRPs) professionals were trained and their capacity developed.
- At project completion, 20,346 SHGs and 902 SHG federations had a Grade A rating.

Increased economic and livelihood opportunities of targeted households

- 26,419 SHGs were provided with seed funding.
- 27,333 SHGs established bank accounts.
- 5,535 SHGs availing bank loans.
- 1,114 Community Development plans (CDPs, target 2600) were completed. The CDPs and livelihood infrastructure activities introduced a number of innovations to the region such as solar powered rice mills and dryers, village electrification through hydro-generators, fodder cultivation through hydroponics, production of bio-fertilizers (ICR, paragraph 38).
- 13,300 number of youth trained (target: 20,000).
- 22,247 people were trained in package of practice.
- 27,850 (cluster); 174,200 (non-cluster) people were supported with livelihood interventions.
- 501 producer Groups (PGs, target: 245) and 22 Producer Organizations (POs target: 20) were formed.

Establishment of formal partnerships between community institutions and public, private and civil society organizations to enhance major livelihoods activities

- 2 partnerships were established with financial institutions.
- 5 partnerships were established for agriculture technical support services.
- 8 partnerships were established for skills development.
- 6 partnerships were established for market linkages.
- By project completion, 40 formal partnerships compared to a target of 8 were formed between community institutions and public, private and civil society organizations to enhance major livelihoods

activities. This included links to state and district formal institutions, helping to generate counterpart funds for CDPs from Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), trainings from Krishi Vigyan Kendras, bank linkages with commercial banks, technical support from government sectoral agencies (livestock, agriculture marketing), specialist agencies, NGOs and companies from around India for livelihoods and value chains, and several government-certified training institutes for skills development (ICR, paragraph 40).

Enhanced productivity of households and development of sustainable linkages to mainstream markets, across the livelihoods value chains in selected sub-sectors

- 18 clusters were formed.
- 5 sub-sectors were addressed (livestock, horticulture, pulses, spices/NTFP, non-farm).
- 27,850 farmers were provided with market and business-oriented training.
- The project created 30 clusters, vegetable clusters in Tripura and Sikkim, pig and goat clusters in Tripura, spice and poultry clusters in Mizoram and handloom cluster in Peren, Nagaland (ICR, paragraph 41).

Outcome

The achievement of the PDO was mainly measured by the increased income (Project Development Objective Indicator 1) of 300,000 direct beneficiary households (PDO core indicator). This was achieved mainly through outreach to women SHG members. A smaller number of unemployed youth were to gain employment (PDOI 2) through specifically developed project skills and job linkage activities. The analysis of the project's achievements in the ICR relied mainly on the impact evaluation report (2019). This report analyzed a random sample of 3,000 project village households and compared them through propensity score matching to a similar number of non-project area households (ICR, paragraph 26).

The achievement of the PDO is assessed through the following elements:

Impact on outreach and beneficiary inclusion. The project covered 1,651 villages slightly exceeding the target of 1,645. A total of 344,549 households benefited from the project exceeding the core PDO indicator target of 300,000 by 15%. The project supported the formation 28,154 SHGs exceeding the target number of 26,000 SHGs by 8%. Also, women SHG members reached 292,881 beneficiaries exceeding the core indicator target of 260,000 women by 13%. The ICR (paragraph 29) reported that according to a Social Inclusion thematic study conducted in 2019, 68% of the poorest of the poor and 66% of the poor households in the villages were included in SHGs exceeding the project outcome indicator target of 50% of the Poorest of the Poor and Poor being included in SHGs. The share of both the poorest of the poor and poor among SHG members was close to 80%. Further, the impact evaluation report (2019) found that 86% of the beneficiary households belonged to vulnerable and marginalized groups including members of a scheduled caste (SC) and members of a scheduled tribe (ST). In project areas, the percentage inclusion of members was 64% for SC, and 63% for ST households. According to the ICR (paragraph 29) this was greater than the proportion in the general communities. Leadership in the institutions supported by the project was inclusive of tribal representatives and marginalized groups. At least 30% of positions in traditional and formal village institutions were held by members of the most disadvantaged households, significantly exceeding the target of 5%. Overall, the project achieved notable success in its outreach efforts to women, poor, low caste and tribal households in all project areas and targeted villages.

Impact on increase in income among beneficiaries, in an inclusive manner. The impact evaluation 2019 survey found that by applying a weighted analysis of the baseline (2014) and end-line (2019) incomes, 51% of the 3,000 sampled project households experienced an increase in income of 30% or more, in real terms over incomes registered during the baseline. This represented 56% of households when adjusted to the overall targeted number of SHG households, slightly lower than the PDO target of 60% of households showing a 30% or more increase in income. While the target was slightly underachieved, propensity score matching (PSM) showed that SHG households in the project area had an average income increase of 17.80% (US$ 303) compared to sampled SHG households in the non-project area at the end of project. According to the ICR (paragraph 30) the difference was "statistically highly significant." The same study showed that for project households in the higher quartile experienced an increase in assets from 58% (baseline) to 78% (end-line). The ICR (paragraph 30) reported that the increase in household income for those below the poverty line in project households was higher compared to non-project households. However, no figures were reported in the ICR and it was not clear whether the difference was statistically significant.

Impact on generating youth employment. Under the project 13,300 youth were registered for training, 10,462 were trained and of these 5,494 were placed in jobs; representing about 91% of the outcome target of 6,000. The ICR (paragraph 31) explained that this was a demand-driven activity with the trainee required to cover 20% of the training cost. The project achieved an employment rate of 52.5% for the trained youth compared to a target of 30% despite falling slightly short of the total number of employed trainees. Over 3,000 local people, largely young women, were working for Project Facilitation Teams (PFTs) or otherwise as community service providers (CSPs), community resource persons (CRPs), or SHG facilitators played a key role in mobilizing and building capacity of all institutions.

Impact on creating sustainable community institutions. An independent assessment of SHGs, federations, CDGs, and POs, at the end of the project, using a tracking tool with rigorous grading criteria, showed that 16,796 institutions were sustainable, with 57% of operationally targeted institutions (29,345) achieving 114% of indicator target of 50%. Under the project 28,154 SHGs were formed, and 25,229 (90%) were graded with 20,346 (81%) were graded ‘A’. This represented 78% in relation to expected number of 26,000 SHG, considerably surpassing the indicator target of 60%. The impact evaluation report 2019 provides considerable statistical confidence that household level PDO income increases were underpinned by membership in SHGs, and thus a result of local institutional support changes and subsequent financial inclusion benefits. All SHGs were part of 1,212 functioning federations, where 902 of these or 82% of the were graded A. Also, 1,599 community development groups (CDGs) were created representing 97% of the final target of 1,645. According to the ICR (paragraph 34), these were inclusive and active in planning community projects, and 80% of the CDGs had good sustainability and institutional capacity, and operations and maintenance (O&M) systems. However, funding larger potential future repairs remains a concern (ICR, paragraph 34).

Impact on increased economic and livelihood opportunities. By project completion, 63% (compared to target of 60%) of the SHG households had taken at least one loan from the project supported SHGs, at least half of which was for productive purposes. However, only 18% of SHGs compared to a target of 30% took at least one loan from a bank. The ICR (paragraph 36) explained that falling short on the bank loan target was due to "supply side and demand side challenges, such as geographic access and bank coverage." By project completion, 5,067 SHGs were linked for credit with the banks amounting to US$ 7.4 million with relatively better disbursement capacity compared to non-project SHGs (ICR, paragraph 37).

By project completion, 1,114 CDPs (target:2,600) were implemented in 63% of all villages, where implementing CDPs was deemed feasible, significantly exceeding the target of 30% of villages (ICR, paragraph 38). According to the ICR (page 78) "CDPs became fewer than planned due to two reasons: (i) policy decision by the Ministry of Development of North Eastern Region during implementation to prepare CDPs in villages with at least 50 households; (ii) 280 CDPs were dropped because they were too complex to implement in the last year (such as seed processing unit, cold storage)." The CDPs covered different activities including irrigation, plantation, rain water harvesting, wasteland development, solar energy applications. The project also funded small scale irrigation, nurseries, watershed activities and simple market structures estimated to benefit 127,395 households, including marginalized groups. The ICR (paragraph 39) reported that 53% of households either diversified or up-scaled their income-generating activities which was lower than the target of 70% expected by the end of project. This underachievement was attributed to the late introduction of productive activities in the project cycle and the relatively limited number of farmers (14,434) who adopted improved farm or non-farm practices promoted by the project, this represented 9% of households compared to a target of 25% (ICR, paragraph 39 and Annex 1). Also, 26% of the households became linked to new input and output markets through key simple infrastructure. Further, according to the ICR (paragraph 41) "a smaller number received support for better-quality inputs (seeds, better livestock breeds, better processing equipment), better product prices by common services centers for collection, grading and processing, developing links with formal markets, and direct procurement of produce." It was not clear how many households benefited from the aforementioned support.

Based on the above-mentioned assessment, efficacy is rated substantial despite some shortcomings.

Rating
Substantial

OVERALL EFFICACY

Rationale

Overall Efficacy is rated Substantial despite some shortcomings. The evidence provided point to the success of the project in in its outreach efforts to women, poor, low caste and tribal households in all project areas and targeted villages. The project also helped in establishing inclusive community institutions and contributed to significant income increments to SHG members. While the project fell short of achieving its targets on CDPs (1,114 compared to ,2600) and on households either diversified or up-scaled their income-generating activities (53% compared to 70%), the ICR provided plausible explanations for these two under-achievements. Finally, more time is needed to fully assess the sustainability of the community institutions and for the benefits of the CDP investments to fully materialize.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic and Financial Efficiency

ex ante

The PAD (Annex 7) included a detailed economic and financial analysis for the project which estimated the economic rate of return (ERR) at 22.4% and the financial rate of return (FRR) at 23.2%. Major benefits quantified for the analysis were (i) expected benefits from livelihood investments targeting 300,000 poor households, (ii) expected benefits from the social and economic empowerment of communities in project villages through effective targeting of the beneficiaries and sustaining the investment activities once initiated, and (iii) benefits from community led development investments in the project villages.

Sensitivity analysis confirmed the robustness of the project investments. A change in both costs and benefits by 20% each depressed the ERR to the lowest level of 13.3%. Switching value analysis revealed that project costs need to increase by 40% and project benefits need to fall by 38% independently for the ERR to come down to 12%. A one year implementation delay decreased the ERR to 18.1%. While limiting the sustainability of CDD investment activities/cycles to only 40% decreased the ERR to 14.5%. The Sensitivity analysis also revealed that optimal returns to scarce project resources was contingent upon; (i) timely implementation of the project interventions in the designed sequence, (ii) strong community led village level institutions and (iii) effective integration with markets and linkage with multiple sources of credit.

ex post

The project was estimated to generate an economic rate of return (ERR) of 26.9% which exceeded the ERR estimated at appraisal of 22.4%. The ex post analysis could not repeat the ex ante methodology because according to the ICR (Annex 4) "the detailed calculations including the underlying data set and assumptions were not available." The following elements were considered in the ex post efficiency assessment:

(i) the actual project costs and duration for realizing the objectives stated in the RF, in relation to the plan, in this respect the project achieved its PDO at US$108.64 million which was 75% of the original estimated project cost of US$144.4 million;

(ii) the actual costs per beneficiary and per unit of output, in relation to the costs estimated at appraisal and costs of comparable projects; in this respect, the average cost per project beneficiary was US$63 or 66% of the project cost per beneficiary of US$95 estimated at appraisal; and

(iii) the extent to which economic outcomes estimated at appraisal were realized, in this respect, the ex post ERR was estimated at 26.9% with an NPV of US$70.78 million over 20 years at 10% discount rate exceeding the appraisal ERR at 22.4%.

The ex-post EFA estimated benefits from the Community Investment Fund; SHG-Bank credit linkages; Community Development Plans; Cluster/PG/PO development; Market infrastructure support; and skills development and placement. A sensitivity analysis for different scenarios showed that ERR would decrease to 17.8% when the total number of SHG households supported by the project realizing increased income dropped to 50% compared to 60%. The ERR would increase to 36.2% and 45.9% when the of total number of SHG households supported by the project realizing increased income increased to 70% and 80%, respectively.

While the project was implemented in over 7.5 years compared to an original duration of 5 years (50% more time), it exceeded its target on households by 15% (344,549 compared to the original target of 300,000 households). It was not clear in the ex post analysis whether the impact of the 2.5 years implementation delay on the ERR was taken into account. Also, it is worth noting that the actual project cost in local currency was 10% higher than appraisal estimate due to inflation pressure and a longer implementation period. This increase was offset by the depreciation of the local currency against the US dollar over the project period.

The ex post EFA (ICR, Annex 4) was detailed and comprehensive and provided good justification for the validity of the project investments. However, the sensitivity analysis could have benefited from exploring other factors that might impact the ERR, for example market prices, and input prices, among others.

Administrative and Institutional Efficiency

The project closed 2.5 years later than the expected closing date. According to the ICR (paragraph 61) the project experienced initial delays due to several factors including: "weak State government ownership, inadequate project policy decisions, low budgetary allocations, delayed staff recruitment and management issues, and initial delays in appointing a regular Project Director." There were also delays towards the end of the project due to the need to rehire a project director. There were also implementation delays in Tripura State after the monsoons in late 2018 damaged 50 community infrastructure sites.

Efficiency is rated Substantial. This rating reflects a higher ex post ERR of 26.9% compared to 22.4% at appraisal. The project also achieved its outcomes with 75% of the appraisal cost and at lower cost per beneficiary. However, there were some weaknesses with respect to administrative and institutional efficiency that resulted in significant implementation delays.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	22.40	100.00 ☐ Not Applicable
ICR Estimate	✓	26.90	100.00 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of Objectives was rated Substantial. Overall Efficacy was rated Substantial. The evidence provided point to the success of the project in in its outreach efforts to women, poor, low caste and tribal households in all project areas and targeted villages. The project also helped in establishing inclusive community institutions and contributed to significant income increments for SHG members. However, more time is needed to fully assess the sustainability of the community institutions and for the benefits of the CDP investments to fully materialize. Efficiency was rated Substantial despite significant implementation delays because the project achieved higher ex post ERR (26.9%) compared to appraisal (22.4%). The project also achieved its outcomes with 75% of the appraisal cost and at lower cost per beneficiary.

Based on a Substantial rating for each of the three criteria (Relevance of Objectives, Efficacy and Efficiency), Outcome is rated Satisfactory.

a. **Outcome Rating**
Satisfactory

7. Risk to Development Outcome

The ICR (paragraph 81) identified the following key risks that could potentially impact the development outcome:

- **Sustained social and financial inclusion and household investments.** The project established Self-Help Groups (SHGs) and federations with lending mechanisms and bank linkages. The majority of these showed good repayment flows on loans and increased their investments and resources. According to the ICR (paragraph 82) "a considerable number of SHGs and federations are expected to be independently sustainable, with systems in place for further lending and growing linkages to commercial banks." That said, some federations would still need further support to manage growth and change, and deal with fund management and monitoring. With an ongoing transition to State Rural Livelihood Missions, SHG structures are expected to be sustained (ICR paragraph 83).

- **Sustained operation of community infrastructure.** While O&M arrangements were in place, the established O&M funds would not be sufficient to address large scale maintenance or costly repairs. The process of long-term institutional set up and operation of Community Development Groups, to decide on and guide future operations, was being finalized at closing under different set-ups in each state, in some cases including handover to SGF federations (ICR, paragraph 84).
- **Livelihoods and marketing activities.** While production and livelihoods activities generated good returns, especially for livestock and fisheries, market linkages were less mature for more complex vegetable and other agriculture produce. This could be partially attributable to the late completion of market infrastructure in the last few months of the project (ICR, paragraph 85).
- **Supportive overall long-term institutional structure.** The project is transitioning to be under the National Rural Livelihood Mission. This process started early enough between the Bank-project management and local institutions, hence, ensuring a smooth transition process (ICR, paragraph 86). However, late project financing to Producer Groups and Producer Organizations raises doubts on their long-term sustainability, in the absence of continued financial and technical support (ICR, paragraph 88).

8. Assessment of Bank Performance

a. Quality-at-Entry

This was the World Bank’s first project in India's North East (NE) region which is known for its fragility and weak capacity of the State governments (ICR, paragraph 6). The project aimed to empower the rural poor and improve their livelihoods in four states of the NE region (Mizoram, Nagaland, Sikkim and Tripura). The Bank conducted six pre-preparation missions that included detailed consultations with key stakeholders on project design and preparation requirements. The project objectives were in line with the Government of India's priorities for the NE region namely, reaching the rural poor and helping them rise out of poverty. The project design aimed to "promote effective skill development for the youth, link community-based organizations with wider markets, improve communities’ access to credit and other financial services by forming sustainable institutions of the poor, and ensuring convergence with other government programs (ICR, paragraph 6)."

The project's design benefited from the experience of the Bank in other states in India including: Andhra Pradesh, Bihar, Madhya Pradesh, Orissa, Rajasthan and Tamil Nadu, as well as the experience of the International Fund for Agricultural Development (IFAD)-supported North East Region Community Resource Management Project for Upland Areas. Notable lessons reflected in the project design included: Poverty targeting through a combination of participatory methods and village assembly's endorsement is effective and raises transparency; strong forward/backward linkages are key to ensuring income generation; and convergence with line departments allows sustaining achievements of the project.

The design featured multiple activities including a community infrastructure component, skills development, and advanced livelihoods activities. Overall, design was complex with multiple activities which were to be implemented against the background of four fragile states with limited capacity. Five key risks were identified at appraisal and the design featured several mitigation measures including: establishing an autonomous independent regional society (NELPS) with strong management and human resources to oversee project implementation in all four states; project facilitation teams (PFTs) were established using staff from local NGOs at the block level to expedite outreach to remote communities; the project was rolled out in a phase manner to give enough time to the states to meet readiness criteria; and a governance mechanism was established at the Ministry of Development of North Eastern Region and North Eastern Council levels to help make strategic decisions related to the project (ICR, paragraph 76). Despite the mitigation measures the project experienced significant start-up delays.

M&E design lacked relevant gender disaggregated indicators and some indicators were complex and difficult to measure (see Section 9 for more information).

Overall, Quality at Entry is rated Moderately Satisfactory based on a sound project design that included relevant implementation arrangements. However, M&E design could have benefited from the inclusion of relevant gender disaggregated indicators, and implementation readiness should have been better assessed to avoid costly delays.

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision
The project was implemented in a challenging environment in four fragile states with weak capacity. Over the implementation period the Bank conducted bi-annual implementation support missions. The project struggled in the first half of the implementation period until Mid-2016-where the implementation performance and development outcome ratings in the project documents were both consistently rated moderately unsatisfactory most of the time. According to the ICR (paragraph 78) "the Bank provided consistent support to the project at both strategic and operational levels." Specifically, post Mid-Term Review, supervision benefited from stronger engagement between the Country Management Unit and senior government leadership of the Ministry of Development of North Eastern Region, North Eastern Council, and the Department of Economic Affairs to coordinate regular performance reviews that were led by the government and World Bank. Also, from expanding the Bank team to include high quality national experts combined with FAO collaboration to strengthen technical areas; and from re-focusing regional and district teams and partners on results and achievement of the PDO through a series of workshops and meetings (ICR, paragraph 77). The Bank team also addressed policy and management issues, and coordinated with the Ministry of Development of North Eastern Region and the Department of Economic Affairs for restructuring and project extensions. Post MTR, the Bank provided more support to M&E and refocused the RF, and supported the development of a rigorous impact assessment (ICR, paragraph 78).

The Bank also worked with the Ministry of Development of North Eastern Region to ensure a smooth transition process of the project activities to the National Rural Livelihood Mission.

However, the Bank could have provided broader M&E capacity building support earlier in the implementation cycle.

Quality of Supervision is rated Satisfactory. This rating reflects the success of the Bank supervision in turning around the project post MTR and working closely with the Government and other donors (FAO) to improve implementation and remedy weaknesses.

Overall, Bank Performance is rated Moderately Satisfactory. This rating reflects some shortcomings including over estimating implementation readiness, concerns on M&E design, and a relatively late attention to M&E issues.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The PAD did not include an explicit Theory of Change since it was not required at the time of appraisal. Nonetheless, the detailed project description clearly reflected the linkages between the activities, outputs and outcomes. The M&E activities would be undertaken by the internal M&E team s at different levels – namely that of the Project Facilitation Teams at the Block level, District Project Management Unit at the district level and the Regional Project Management Unit at the regional level. The project undertook a baseline survey in 2010 to assess the situation before project interventions start up in sampled localities.

The achievement of the PDO would be assessed through four PDO-level outcome indicators as follows: 1. At least 60% of women SHG members achieve a minimum of 30% increased income in real terms by end of project,2. At least 30% of project-benefited unemployed youths are employed, 3. At least 50% of the most disadvantaged households achieve a minimum of 30% improvement in livelihood-where Livelihood indices include weighted average increases in: total household cash income; days of employment per year of household members, age 15 and above; household's productive assets; and months of food grain reserves per year, and 4. At least 70% of the SHGs formed/supported by the project are institutionally sustainable-where sustainability is defined as being active (i.e. regular attendance at meetings), financially viable (i.e. taking and repaying loans) and a governance structure that ensures independence and representation. These indicators were relevant and directly linked to the PDO, and including a PDO level indicator to track institution building reflected the importance of investments in institution building to achieve effective social and livelihood development for the poor. While these indicators were relevant and directly linked to the PDO, the indicator on well-being was complex. According to the ICR (paragraph 17) " its indices were difficult to measure" and " the definition included elements such as four months of food grain reserves/buffer stocks and other expectations that were not attributable to the project." This indicator was later dropped (see section b for more details). Also, the indicator on SHG sustainability was also dropped because it was a duplication of intermediate indicators under component 1.

The Results Framework (RF) included 19 intermediate outcome indicators, 15 of these were to assess the different activities supported by the project and 4 indicators were concerned with project management. While most of these indicators were relevant, some were poorly defined in the RF. For example, the indicator "At least 50% of institutions supported by the project are sustainable" was poorly defined in the RF in terms of expected numbers. Also, the indicator "At least 50% of eligible village youth have received training through the project" where the PAD wording was ambiguous in terms of numbers and percentages. In addition, the indicator "Partnership is established by the project with at least eight organizations" was not clearly worded.

Overall, M&E design was mixed with well-defined measurable indicators on one hand, and a few indicators that were poorly defined and difficult to measure on the other. A notable shortcoming was the lack of relevant gender disaggregation for many indicators eventhough women were an integral part of the PDO.

b. M&E Implementation

While project implementation was slow prior to the MTR, M&E data were still collected at the SHG level. M&E quality improved after the MTR when the pace of implementation picked-up (ICR, paragraph 68). M&E activities benefited from realigning the Results Framework after the MTR to facilitate a more effective and accurate M&E. Also, M&E activities at the district level benefited from multiple rounds of trainings in 2017 and 2018. The Management Information System (MIS) included a comprehensive set of indicators that were linked to the RF. To facilitate tracking implementation activities in remote areas, a special GPS based application was developed to report on implementation of Community Development Plans (CDPs). However, the project started tracking outcomes including sustainability of federations, and scaling up of livelihood activities very late (ICR, paragraph 70). The ICR (paragraph 69) reported that the "baseline survey conducted lacked rigor and could not be used for comparison with end-line results." While a mid-line study was also absent, a rigorous large-scale end-line impact evaluation was conducted. The end-line survey captured the project attribution through applying a difference-in-difference technique (ICR, paragraph, 69). To assess the changes brought about by the different components, five thematic studies were conducted by independent consults. According to the ICR (paragraph 69) these "provided a considerably rigorous base for assessing specific benefits and contributions from project activities."

Restructuring and changes to the RF. After the mid-term review (MTR) in 2014, the project was restructured on November 20, 2015. Two of the original PDO indicators on income and employment were retained with the same targets. The indicator on well-being was dropped, because it was too complex, and its indices were difficult to measure. The indicator on SHG sustainability was also dropped, as it was a duplication of intermediate indicators under component 1. Finally, there were clarifications and minor adjustments in the intermediate indicators introduced the RF at MTR, and new indicators were added to cover the activities under the new component 4 (ICR, paragraph 17). These changes were logical and aimed to refocus the RF and improve the accuracy and effectiveness of M&E. However, the lack of relevant gender disaggregation of the indicators was not addressed.

Implementation was mixed as M&E activities experienced a slow start then improved after the MTR. However, the late tracking of some activities is a concern.

c. M&E Utilization

The MIS was used to track activities where special modules were used to track functioning of federations, livelihoods and credit usage. The MIS was also used to identify "indicators showing weak performance and ways and means to improve performance (ICR, paragraph 70)." Utilization benefited from the end-line impact evaluation study which was the first in India in the livelihoods sector and the first for the NE region. However, the use of M&E information could have been more effective in decision making and to avoid delays and cancellations of project activities, such as CDPs.

Overall, M&E is rated Modest. While design weaknesses were rectified after the MTR, the lack of base and mid-line surveys and late tracking of some activities is a concern. Despite the Modest rating of M&E Quality, an Impact evaluation and five thematic additional studies of sound quality were conducted and produced reliable evidence of achievement independent from the weak M&E performance.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was classified as an environmental category B-partial assessment. It triggered five safeguard policies: Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Pest Management (OP 4.09), and Indigenous Peoples (OP/BP 4.10). An environmental Assessment study identified potential key environmental issues that could impact livelihoods as a result of project activities including: shifting cultivation with short cycle leading to forest degradation, soil erosion and loss of soil nutrients; lack of pasture and grazing land; water scarcity affecting availability for both drinking water and irrigation; poor water quality; and construction of minor infrastructure with regard to geology. Natural resource management is identified as one of the strategies of the project (PAD, paragraph 74). An Environmental Management Framework (EMF) was developed to addresses the identified issues through a detailed strategy and procedures for screening and development of environmental management plans and the necessary measures to ensure compliance with the triggered safeguard policies as well as with the relevant laws and regulations of Government of India. Also, a dedicated Tribal Development Framework (TDF) was prepared for Sikkim and Tripura based on social assessment and consultations with tribal communities. The Environmental Assessment documents and the TDF were disclosed on the Bank website on June 2, 2011 (ICR, paragraph 71 and 73).

Environmental Compliance. According to the ICR (paragraph 72) "the project complied with all the triggered safeguard policies of the World Bank, including those on pesticide use and protecting critical natural habitats." The project successfully mainstreamed environment guidelines and best practices into livelihoods and positively contributed to better natural resource management at the village level. The project also supported plantations with local species in degraded forest lands by arresting soil erosion and contributing to carbon sequestration. Community infrastructure interventions were screened for identifying potential adverse impacts. Notable environmental achievements under the project included: 45,623 farmers practiced organic farming; fodder cultivation was practiced on 7,150 ha; 108 rain water harvesting and water conservation structures were created; 19 solar rice-mills and driers were installed.

Social Compliance. To ensure social inclusion, the project focused on targeted outreach, informed consultations, tribal participation. According to the ICR (paragraph 73) there was "a high level of outreach and inclusion of women, tribal groups and other disadvantaged groups in all four states covered by the project." Small land parcels that were either voluntarily donated or leased had adequate documentation. Compliance benefited from regular safeguard supervision missions, multiple training events for project staff and clear implementation guidelines. According to the ICR (paragraph 73), this "ensured full compliance with the policy." Finally, the project supported a decentralized grievance redress mechanism (GRM) which addressed and resolved issues at the community level. The ICR did not report on the number of issues resolved by the GRM.

b. Fiduciary Compliance

Financial Management (FM). FM was challenging due to the remoteness of some project areas, limited connectivity through internet and limited administrative capacity in remote areas. FM suffered from lack of capacity provision in the initial years. The implementation of fiduciary requirements improved when project established and incrementally developed manuals, user-friendly guidelines, combined with consistent staffing and capacity building at all levels, and all this backed by regular reviews. While Financial reports and audits were at times submitted late, they identified shortcomings and addressed capacity requirements, and identified the need for training and support. The ICR (paragraph 74) reported that "for both procurement and financial management, no major deviations from agreed policies were noted during implementation." There were audits that had qualified opinions in relation to strengthening community finances. These issues were resolved through strengthening internal control mechanisms at community level and adjusting any ineligible expenditures (identified by auditor) in the project claims.

Procurement. Management of procurement activities was challenging due to the remoteness of some project areas, limited connectivity through internet and limited administrative capacity in remote areas. To address capacity constraints, the Bank used a multi-pronged approach that included: using a Procurement Manual in the local language with information, education and communication materials on community procurement; providing customized training on procurement to all RPMU and DPMU staff; conducting an Integrated Fiduciary Supervision Mission (in 2014) for enhanced oversight; providing regular post procurement reviews; ensuring standardization of formats and checklists; facilitating public disclosure of frequently asked questions on procurement; using an on-line system plus a toll free number for procurement related complaints and to enhance transparency. While financial management suffered a similar lack of capacity provision in the initial years, when underway the project established and incrementally developed manuals, user-friendly guidelines, as well as consistent staffing and capacity building at all levels, supported by regular reviews, to implement fiduciary requirements. While financial

c. Unintended impacts (Positive or Negative)

-

d. Other

-

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Moderately Satisfactory	Qualiy at Entry suffered from shortcomings related to implementation readiness and M&E design.
Quality of M&E	Substantial	Modest	Lack of gender disaggregated data, poor baseline and delayed reporting on project activities.
Quality of ICR	---	Substantial	

12. Lessons

The ICR included eleven lessons and recommendations. The following three lessons are emphasized with some adaptation of language:

- **To ensure financial inclusion, it is critical to identify and rectify demand and supply issues that impact bank linkages early in the implementation cycle.** The project experience revealed several demand and supply issues. Early stage demand-side limitations included: project timelines, inadequate priority to bank linkages (as livelihood funds were available), and lack of local income-generating opportunities. Supply side constraints included inertia of bankers to engage in SHG loans and lack of bank branches in certain project areas. Early identification of the afore-mentioned issues could have helped the project achieve better results.
- **To ensure sustainable income generation, it is necessary to develop livelihood activities involving markets providing higher order support to livelihoods.** The project experience showed that adequate time is needed to establish and allow producer organizations to mature. Also, there needs to be a stronger emphasis on initial cluster development, and sustained group-targeted, specialized business-oriented technical and managerial support, to be carried through to adequate group maturity.

- **To ensure sustainability of the development outcomes, it is critical to plan an exit strategy earlier in the implementation cycle to allow enough time for a smooth transition to local institutions.** While the transition of the North East Rural Livelihood Project to the Government-supported National Rural Livelihood Mission served as a strong institutional exit and sustainability strategy, it should have been planned earlier. This exit strategy has provided opportunities for mirroring future efforts in thematic areas of financial inclusion, federation strengthening, non-farm skills development and agricultural value chains with the National Rural Livelihood Mission approaches. These transition arrangements take a long time to plan in government systems. The role of the World Bank is of a facilitator in the process. National ministries and state governments should be encouraged to establish solutions and guidelines through dialogue and consensus.

The following lesson is emphasized by IEG:

- **To avoid costly start-up delays, more emphasis should be put on ensuring the client's readiness for project implementation.** The project experience showed that the project took about three years to take off. Such delays could be avoided or reduced through putting greater focus on ensuring client readiness for project implementation and a simpler design given the limited implementation capacity.

13. Assessment Recommended?

Yes

Please Explain

An assessment would be useful to verify results on the ground especially for the activities that were implemented late. As the first World Bank project in India's NE region, as assessment would generate useful lessons to inform future projects. This could also provide an opportunity to obtain more specific and relevant gender disaggregated data.

14. Comments on Quality of ICR

Quality of Evidence. The ICR benefited from the comprehensive end-line impact evaluation study which also provided evidence on attribution. The ICR also included detailed annexes.

Quality of Analysis. The ICR provided clear linking between evidence and findings. The EFA was comprehensive and the discussion of outcomes followed a logical sequence.

Lessons were generally based on evidence and analysis, and reflected the project experience, although they could have benefited from slightly better formulation.

Results Orientation. The ICR included a good discussion on outcomes that followed a logical sequence and skillfully connected the achievements of the project to the indicators.

Internal Consistency. Overall, various parts of the ICR were internally consistent and logically linked and integrated. However, there were some inconsistencies between the reported achievements in the data sheet and the EFA data.

Consistency with guidelines. The assigned ratings in the ICR were justified and overall the document was consistent and followed the guidelines.

Conciseness. The ICR provided thorough coverage of the implementation experience and candidly reported on shortcomings. There was enough clarity in the report’s messaging and attribution was clear.

Overall, the Quality of the ICR is rated Substantial. The document is well written and comprehensively covered the project activities and reflected the implementation experience.

a. Quality of ICR Rating
Substantial