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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED RESTRUCTURING AND ADDITIONAL FINANCING

IN THE AMOUNT OF US\$ 250 MILLION

TO THE

REPUBLIC OF INDIA

FOR A

NATIONAL RURAL ECONOMIC TRANSFORMATION PROJECT  
ADDITIONAL FINANCING TO NRLP

March 30, 2018

South Asia Region  
Agriculture Global Practice

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective April, 2018)

Currency Unit = Indian Rupee (Rs.)

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Rs. 65 = US\$1

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US\$ = SDR 1

FISCAL YEAR  
April 1- March 31

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## ABBREVIATIONS AND ACRONYMS

BC	Business Correspondent
BPIU/BMMU	Block Project Implementation Unit/Block Mission Management Unit
CBO	Community Based Organization
CLF/GPLF	Cluster Level Federation/Gram Panchayat Level Federation
CPF	Country Partnership Framework
CRP	Community Resource Person
DDUGKY	Deen Dayal Upadyaya Grameen Kaushalya Yojana
DPMU/DMMU	District Project Management Unit/District Mission Management Unit
EFA	Economic and Financial Analysis
ESF/SMF	Environmental Management Framework/Social Management Framework
FM	Financial Management
GDP	Gross Domestic Product
GoI	Government of India
GRM	Grievance Redressal Mechanism
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IFC	International Finance Corporation
IUFR	Interim Unaudited Financial Report
IPF	Investment Project Financing
IRR	Internal Rate of Return
MFD	Maximizing Finance for Development
M&E	Monitoring and Evaluation
MFIs	Micro-finance Institutions
MIS	Management Information System
MoRD	Ministry of Rural Development
MoU	Memorandum of Understanding
MSE	Micro and Small Enterprise
MSME	Micro, Small, and Medium Enterprise
MUDRA	Micro Units Development & Refinance Agency Ltd
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental Organization
NME	Nano and Micro Enterprises
NMMU	National Mission Management Unit
NRLPS	National Rural Livelihood Promotion Society
NPV	Net Present Value
NRETP	National Rural Economic Transformation Project
DAY-NRLM	Deen Dayal Antyodaya Yojana - National Rural Livelihoods Mission
NRLP	National Rural Livelihoods Project
NRO/NSO	National Resource Organization/National Support Organization
PC	Producer Collective - includes farmer producer organizations/company, producer organizations/company, farmer producer groups and producer groups
PDO	Project Development Objective

PMU	Project Management Unit
PPP	Purchasing Power Parity
PPSD	Project Procurement Strategy Document
RSETI	Rural Self Employment Training Institute
SC	Scheduled Caste
SFAC	Small Farmers' Agribusiness Consortium
SHG	Self-help Groups
SORT	Systematic Operations Risk-rating Tool
SPMU	State Project Management Unit
ST	Scheduled Tribe
SVEP	Start-up Village Entrepreneurship Program
ToR	Terms of Reference
TSA	Technical Support Agency
VCD	Value Chain Development
VO	Village Organization



**BASIC INFORMATION – PARENT (National Rural Livelihoods Project - P104164)**

Country India	Product Line IBRD/IDA	Team Leader(s) Vinay Kumar Vutukuru		
Project ID P104164	Financing Instrument Investment Project Financing	Resp CC GFA06 (9243)	Req CC SACIN (347)	Practice Area (Lead) Agriculture

Implementing Agency: Ministry of Rural Development

Is this a regionally tagged project?  No				
<input type="checkbox"/> Situations of Urgent Need or Capacity Constraints <input type="checkbox"/> Financial Intermediaries <input type="checkbox"/> Series of Projects	Bank/IFC Collaboration  No			
Approval Date 05-Jul-2011	Closing Date 30-Jun-2018	Original Environmental Assessment Category Partial Assessment (B)	Current EA Category Partial Assessment (B)	

**Development Objective(s)**

To establish efficient and effective institutional platforms of the rural poor to enable them to increase household income through sustainable livelihood enhancements, and improved access to financial and selected public services.

**Ratings (from Parent ISR)**

	<b>Implementation</b>	<b>Latest ISR</b>
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	08-Jan-2016	23-May-2016	23-Nov-2016	28-May-2017	08-Aug-2017	01-Mar-2018
Progress towards achievement of PDO	MS	MS	MS	MS	S	S
Overall Implementation Progress (IP)	MS	S	S	S	S	S
Overall Safeguards Rating	S	S	S	S	S	S
Overall Risk	S	M	M	M	M	M

**BASIC INFORMATION – ADDITIONAL FINANCING (National Rural Economic Transformation Project ( Additional Financing to National Rural Livelihoods Project ) - P166745)**

Project ID P166745	Project Name National Rural Economic Transformation Project ( Additional Financing to National Rural Livelihoods Project )	Additional Financing Type Cost Overrun, Restructuring	Urgent Need or Capacity Constraints No
Financing instrument Investment Project Financing	Product line IBRD/IDA	Approval Date 26-Apr-2018	
Projected Date of Full Disbursement 30-Jun-2023	Bank/IFC Collaboration Yes	Joint Level Complementary or Interdependent project requiring active coordination	
Is this a regionally tagged project? No			

Situations of Urgent Need or Capacity Constraints

Financial Intermediaries



Series of Projects

**PROJECT FINANCING DATA – PARENT (National Rural Livelihoods Project - P104164)**

**Disbursement Summary (from Parent ISR)**

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD				<div style="width: 0%;"></div>	%
IDA	549.70	453.84	20.81	<div style="width: 96%;"></div>	96 %
Grants				<div style="width: 0%;"></div>	%

**PROJECT FINANCING DATA – ADDITIONAL FINANCING (National Rural Economic Transformation Project ( Additional Financing to National Rural Livelihoods Project ) - P166745)**

**FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	500.00
<b>Total Financing</b>	500.00
<b>Financing Gap</b>	0.00

**DETAILS**

Counterpart Funding	250.00
Borrower	250.00
International Bank for Reconstruction and Development (IBRD)	250.00

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No



Does the project require any other Policy waiver(s)?

[ ] Yes [  ] No

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Agriculture

**Contributing Practice Areas**

Finance, Competitiveness and Innovation

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

**PROJECT TEAM**

**Bank Staff**

Name	Role	Specialization	Unit
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Vinay Kumar Vutukuru	Team Leader	Co Team Leader	GFA06
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<b>Extended Team</b>			
<b>Name</b>	<b>Title</b>	<b>Organization</b>	<b>Location</b>
Kundan Singh	Economist	FAO	



INDIA

NATIONAL RURAL ECONOMIC TRANSFORMATION PROJECT (NRETP)

(NATIONAL RURAL LIVELIHOODS PROJECT - ADDITIONAL FINANCING)

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## I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

### A. Background

1. The National Rural Livelihoods Project (NRLP) was approved on July 5, 2011. The size of the originally approved project was US\$ 1000 million (SDR 635.8 million). The NRLP had a two-fold objective. Firstly, to support the launch and expansion of the Government of India's Deen Dayal National Rural Livelihood Mission (DAY-NRLM) and a strategic shift within the Ministry of Rural Development (MoRD) from a focus on allocation, disbursement, and monitoring of central government financial resources, to the provision of skilled technical assistance to states implementing the DAY-NRLM. Secondly, the NRLP aimed to provide additional pro-poor investments in 13 states<sup>1</sup> with the highest poverty rates and highest number of absolute poor in India. At the time of preparation, these **13 states accounted for almost 85% of the poor in India**. The NRLP aimed to reach approximately 4.8 million rural women across 100 districts of the 13 states. It was envisaged that MoRD would reach all remaining rural poor throughout the country through its own resources using the institutions created and supported by the NRLP at the national and state level.
2. The NRLP got off to a slow start primarily due to the delay in setting up of the State Rural Livelihood Missions (SRLMs) and recruitment of staff. As a result, the project was restructured in May 2013 and the credit amount was subsequently reduced to US\$ 500 million (SDR 334 million). As part of this restructuring, the project period was also extended by one year (to end in December 31, 2017 instead of December 31, 2016). The then Government of India (GoI) agreed to co-finance investments at the block level based on performance and progress of the participating states so that geographical and household coverage of the project remain unchanged. The restructuring paper also recorded GoI's stated intent to request additional finance if project performance picked up. There were no changes in the Project Development Objective (PDO), the components remained unchanged and since the core design of the project was not changed, indicators remained the same. Since then, several steps were undertaken to support implementation, which resulted in substantial improvements in the overall progress and disbursement under the project. The disbursement ratio subsequently increased to 46% by January 2016 from a level of 5.6% at the time of restructuring (May 2013). However, the scale of investments specifically related to the economic activities and convergence activities was considerably lower than envisaged under the original project.
3. It is in this context that a second restructuring of the project was carried out in January – February 2016 primarily based on the mid-term review (MTR) of the project and to increase alignment with strategic changes that the MoRD had made in the delivery of rural development programs over the last 3 years, since the launch of the project. The MTR had highlighted the need to increase focus on capitalization of self-help groups; financial inclusion to increase access to private capital; skills development for jobs; and livelihood development in the selected states for the remaining duration of the project. The key changes that were introduced as part of the second restructuring were therefore the creation of dedicated funds (a new financing window) for economic initiatives related to a) agriculture, livestock,

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<sup>1</sup> Assam, Bihar, Chhattisgarh, Jharkhand, Gujarat, Maharashtra, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal, Karnataka and Tamil Nadu



non-farm and skills development, b) financial inclusion and c) convergence initiatives<sup>2</sup>. In addition, the financing allocation across the components was also revised and re-allocated based on historical expenditure patterns. Given these changes, the results framework was also revised in this second restructuring.

4. A third restructuring in September 2016 was necessitated by the Government's decision to change the funding parameters of the DAY-NRLM. The relative contribution of the Central Government and State Government under DAY-NRLM was changed to 60:40, from an earlier ratio of 75:25. Since NRLP was co-financing DAY-NRLM, the financing share of the Bank was reduced from 75% to 60%. There were no other changes made in this third restructuring.

## B. Original Project Design

1. The project development objective for the NRLP is *to establish efficient and effective institutional platforms of the rural poor that enable them to increase household income through sustainable livelihood enhancements and improved access to financial and selected public services*. The original design of NRLP was shaped by lessons drawn from various World Bank financed State level rural livelihoods projects, as well as livelihood initiatives of the National and State Governments and several civil society organizations. Activities supported under NRLP were intended to enhance effectiveness of public expenditures through the DAY-NRLM by a) improving the quality and allocative efficiency of DAY-NRLM resources and b) leveraging resources (capital and service delivery) for the poor from private commercial banks and through other government programs. The project identified 13 states to work in and included the following four components.
2. **Component 1. Institutional and Human Capacity Development:** This component enabled the provision of skilled technical assistance to newly established State Rural Livelihoods Missions (SRLMs) through thematic professional staff and technical support consultancies. The component supported the development of partnerships with identified national resource organizations and well-established training and research institutions to provide technical support and deliver focused training for the successful implementation of the NRLP and DAY-NRLM. The activities included development of training materials, design and conduct of training programs, creation of immersion areas and development of master trainers and local resource persons in the states.
3. **Component 2. State Livelihood Support:** The objective of this component was to support 13 high poverty, low social mobilization States towards the establishment of institutional structures and mechanisms i.e. SRLMs, to support the implementation of the DAY-NRLM. As part of this component, the 13 state governments have established an autonomous, multi-disciplinary and professionally managed support structure from the block up to the State level. The SRLMs provide support to the formation of institutions of the rural poor (SHGs) and to their interactions and participation with local government/Panchayati Raj Institutions. This component also financed livelihood grants to poor rural households (i.e. SHGs/federations) to plan and undertake productive livelihood activities and set up nano and micro enterprises (NMEs). Technical assistance consultancies, training and related material, office equipment, and operational costs at the state, block and village level are also provided.

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<sup>2</sup> To improve targeted access to other state and Government of India welfare schemes and services.



4. **Component 3. Innovation and Partnership Support:** The objective of this component was to create an institutional mechanism to identify, nurture and support innovative ideas from across the country to address the livelihood needs of the rural poor. This component was to finance pilot initiatives and technical assistance consultancies that support innovative livelihoods activities in agriculture, livestock, youth employment, among others, for rural poor households. Support under this component aimed to organize Innovation Forums and Action Pilots; motivate development of network of grassroots innovators and social entrepreneurs; develop Public-Private-Community-Partnerships including with agribusiness firms, commercial banks/MFIs and other financial service providers; and encourage youth employment.
5. **Component 4. Project Implementation Support:** The objective of this component was to establish and strengthen a dedicated National Mission Management Unit (NMMU) for effective project management at the national level, with systems and processes for coordination and management of the NRLP and the DAY-NRLM. The component has supported the implementation of the monitoring and evaluation system to track implementation progress and provide meaningful reports on implementation experiences. The component has also financed a user friendly and responsive governance and accountability mechanism and various knowledge and communications related activities for enhancing the quality of the program.

### C. Implementation Status

1. The project is currently being implemented across 13 states, 162 districts and 575 blocks. In each of the 13 states, an autonomous State Rural Livelihood Mission under the Rural Development Department has been established and district and block level teams consisting of qualified professionals in the rural development sector have been recruited.
2. **Progress and results achieved to date through NRLP:** The project has consistently continued to perform well since the initial restructuring in May 2013. Disbursements under the project have accelerated and 91 % of the total project funds have been disbursed, with an expected disbursement of 100% by the current project closing date. Several results have been achieved. These can be broadly categorized into those related to a) Social Mobilization of the poor into self-help groups (SHGs) and their federations and building of individual and institutional capacity b) Enhanced access to credit and other financial services and c) Income Improvements. These results are summarized below, with greater details provided in Annexure 1.
3. **Social mobilization and capacity building:** The project has thus far mobilized more than 8.8 million women from poor rural households into 750,000 self-help groups (SHGs) (against an original project target of 400,000 SHGs). These SHGs have been further federated into 48,700 Village Organizations (VOs) and 2900 Cluster/Gram Panchayat level Federations (CLFs/GPLFs). More than 57% of the SHG members belong to Scheduled Castes, Scheduled Tribes or other minority households. Targeting under the project has been effective with demonstrated benefits reaching the poorest households in the poorest states. All the above institutions (SHGs and the federations) have received extensive training and capacity building support to ensure that they are fully self-managed institutions. In addition, because of the capacity building efforts since the launch of the project, nearly 500,000 community



professionals and community resource persons (CRPs) who are from the SHGs themselves have been trained and it is these CRPs who are primarily responsible for project implementation on the ground.

4. **Financial inclusion:** An estimated US\$ 1,190 million in private financing has been accessed by the SHG households against a total investment of nearly US\$400 million from the project (of which nearly US\$ 300 million in direct community level grants provided as revolving funds and community investment funds). This includes own savings mobilized by SHG members worth US\$ 229 million and institutional credit worth US\$ 640 million leveraged from banks. In addition, the project has introduced and scaled up digital financial services over the last two years through the window of the financial inclusion dedicated fund introduced in January 2016. Currently, nearly 1400 Business Correspondents (BCs), all of whom are women, are trained and provide last mile digital financial services to 142,000 SHG households.
5. **Income enhancement:** The project has scaled up specific interventions related to agriculture and livestock management to diversify and enhance incomes of rural poor households. Of the 8.8 million households reached by the NRLP, more than 2 million households are currently benefitting from the provision of technical services for enhancing agriculture productivity. Additionally, economic initiatives such as the development of producer collectives focused on high value agriculture commodities, digital finance interventions and convergence activities to enhance human development outcomes have been rolled out through the mechanism of “dedicated funds” introduced in the second project restructuring in January 2016 in select geographies. Currently, seven States are using the livelihood funds to promote 12 producer collectives and support around 50,000 farmers with an overall budget of US\$ 24 million.
6. **Results achieved through technical assistance to the National Rural Livelihood Mission:** NRLP support and technical assistance has enabled the MoRD to successfully expand the DAY-NRLM to all 29 states and 5 union territories of the country. Support provided through NRLP includes a) the setting up of the National Mission Management Unit (NMMU) with professionals having the requisite technical expertise to support the states in the implementation of DAY-NRLM; b) development of all relevant program guidelines for the implementation of DAY-NRLM; and c) development of the financial management, procurement management, human resource management and MIS systems for the roll out of the program at the state level.
7. **Maximizing Finance for Development (MFD):** The NRLP is a good operational example of leveraging resources under the principles of MFD. The approach successfully demonstrated by NRLP in 13 states is now being implemented across nearly 2,500 blocks across 29 states and 5 Union Territories through the DAY-NRLM. A total of 47.3 million rural women are currently part of self-help groups and have cumulatively leveraged nearly 25 billion US\$ of financing from formal financial institutions since the launch of the DAY-NRLM in 2011. In terms of financing leverage with the public sector, US\$ 500 million investment of the Bank leverages an investment of US\$ 2 billion from the GoI for DAY-NRLM, without accounting for the convergence with additional resources from welfare schemes targeted at and successfully reaching the population supported through the NRLP and DAY-NRLM. At the State Level multiple partnerships with development partners and private sector support technical assistance while at the National level, partnerships with the Bill and Melinda Gates Foundation enable technical assessments and learning for improved impact.



#### D. Rationale for Additional Financing

1. A new phase of the project, namely the National Rural Economic Transformation Project (NRETP) through an Additional Financing (AF) of US\$ 250 million IBRD Loan, has been requested by the Ministry of Rural Development through the Department of Economic Affairs, Government of India. The proposed NRETP (NRLP AF) will provide technical assistance and investment support for economic initiatives that were introduced in the second restructuring of January 2016. This additional financing will address the financing gap that was created due to the downsizing of the project from USD 1000 million to USD 500 million in May 2013. The current request also proposes specific and focused technical assistance to the *Mission Antyodaya*<sup>3</sup> program recently launched by the Ministry of Rural Development that intends to further accelerate economic transformation in selected project areas along with increased convergence of existing government programs with DAY-NRLM, building on NRLP outcomes. The detailed rationale for the current additional financing request is as follows:
2. **Investment support for economic initiatives:** A project restructuring undertaken in January 2016, has been successful in piloting models of economic transformation activities. These pilots and other initiatives under DAY-NRLM have demonstrated that this approach of building strong social and financial capital can provide a launch pad for new generation economic initiatives such as the promotion of high value agriculture commodities and value chain development (VCD) through improvements in market access, rural enterprise and skills development and the introduction of digital finance innovations.
3. Results to date indicate that these investments are starting to transform a proportion of the SHGs into viable economic agents with the potential to engage with an evolving rural economy. There is now a need for additional financing to increase access to these initiatives across states and districts and to deepen impacts of the current initiatives. These economic initiatives will also generate learnings for application across the country through the DAY-NRLM as the project management systems and the prototypes developed through NRETP (NRLP AF) will be fully integrated into DAY-NRLM.
4. **Technical Assistance (TA) for the next phase of DAY-NRLM:** The community-driven development (CDD) approach of the NRLP has been fully integrated into the larger DAY-NRLM program of the Ministry of Rural Development with an annual budget of nearly US\$ 760 million in 2017 and a cumulative investment of nearly US\$ 2 billion over the last 5 years. Technical assistance to strengthen the national, state, district level institutional bodies to enable the DAY-NRLM to successfully transition to the next phase of enabling higher order economic initiatives is essential. This TA will largely be at the institutional level with the intention to strengthen state level bodies, including where SRLMs are not yet well established or are technically weak and to enable them to access relevant technical support from external agencies having the requisite technical expertise.
5. **Technical Assistance for Mission Antyodaya:** The Ministry of Rural Development, Government of India has recently launched the Mission Antyodaya to spur rural economic growth and development with

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<sup>3</sup> Mission Antyodaya ([rural.nic.in/more/mission-antyodaya](http://rural.nic.in/more/mission-antyodaya)) is a program of the MoRD which seeks convergence impacts across a number of target Gram Panchayats. In areas that overlap with the project, NRLP will complement Mission Antyodaya's objectives through project investments to SHGs/POs and by providing technical assistance for identifying the scope for convergence and for monitoring.



participation of private sector, self- help groups and local self-governance institutions. The program aims to support convergence of a number of government programs including those of the Ministry of Rural Development. Such a convergence approach has been piloted under NRLP for the last 2 years through the convergence funds. Apart from ensuring convergence of the various government programs, the program also aims to facilitate the convergence of private sector, philanthropy, social enterprises, impact investors and other development partner supported programs to achieve targeted impacts in chosen/pre-defined development/village clusters. There is a need to ensure that the experiences of NRLP are fully leveraged in the design and roll out of Mission Antyodaya. Existing NRLP geographies where livelihood and economic initiatives have been piloted will be given priority under the program. The NRETP (NRLP AF) will finance good quality technical assistance through professional staff for the successful roll out of the Mission Antyodaya program.

## II. DESCRIPTION OF ADDITIONAL FINANCING

- A. Proposed Changes in the Project:** The following changes are proposed as part of the additional financing:
- 1. Project Development Objective (PDO):** The PDO for the NRETP (Additional Financing to the NRLP) remains the same and is: *to establish efficient and effective institutional platforms of the rural poor that enable them to increase household income through sustainable livelihood enhancements and improved access to financial and selected public services.* Since there are no changes to the PDO, the PDO indicators largely remain the same with minor modifications for clarification and simplification. One additional indicator to measure change in income<sup>4</sup> has been introduced. The results targets and the intermediate indicators are updated to reflect the changes introduced by the proposed AF.
  - 2. Project Coverage:** While the original 13 states will continue to be part of the project implementation, 125 districts within these states will be identified for project support under the AF<sup>5</sup>. These will be identified from districts with the highest amount of mobilization and capitalization to date (both catalytic capital from DAY-NRLM and finance from commercial banks). These districts also will be selected based on their potential to take up economic initiatives. Additionally, as far as possible, the project will co-locate areas for investment with those selected under Mission Antyodaya.
  - 3. Revised Project Components:** The NRETP (NRLP AF) will finance the costs of expanding the scope of economic initiatives and associated technical and institutional support. A detailed description of the updated project components is outlined below:
  - 4. Component 1: Institutional and Human Capacity Development:** This component will finance technical assistance consultancies, human resources, training and development of training material/approaches. Financing under this component will endeavor to place skilled professionals and technical agencies to work with DAY-NRLM at the national, state and district levels. As

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<sup>4</sup> The income indicator was included in the original design of the project but was subsequently dropped in the restructuring.

<sup>5</sup> The AF will build on the social, financial and human capital created in the existing villages and will not expand to new blocks and villages. It will deepen support to 125 districts within the current project area.





mentioned in the section on rationale, the TA will be focused on helping the National and State teams transition to a new phase of the DAY-NRLM that involves greater focus on economic initiatives such as high value agriculture and value chain development, enterprise and skills development. The implementation of these economic activities would require both retention and some new recruitment of professionals with business management expertise and client systems tailored to implement a market-based approach. Also, given that experiences from these initiatives are relatively nascent, the additional financing support will emphasize on sourcing of technical support from agencies (Public, Private and NGOs) with the requisite technical expertise in rural enterprise development. National, regional and international experiences and skills may be sourced for this objective. State to state learning would also be funded under this component as will technical assistance through professional human resources and other capacity building support for Mission Antyodaya. This component will also finance convergence initiatives which aim to enable access to both economic and human development services from existing government programs. Such initiatives have been piloted under NRLP over the last 2 years. Based on the implementation experience of the ongoing project, NRETP (NRLP AF) will expand support for mainstreaming of environmental and social sustainability of investments made under the project. New training modules on specific aspects of resource efficiency and minimization of adverse impacts of climate change will be developed and rolled out.

5. **Component 2. State Livelihood Support:** The focus under this component will be to increase the uptake of economic activities like value chain development (VCD), enterprise and skills development. Specifically, the activities to be financed include: a) Support to the SRLMs, with a focus on districts that will be selected for project coverage; b) Mobilization and strengthening of producer collectives, including support to strengthening existing community institutions (village organizations and cluster level federations); c) Financing for community organizations (both SHG federations and producer collectives) mainly for VCD for farm and non-farm commodities, enterprise and skill development; d) End to end value chain investments for high value commodities and innovative pilots involving community organizations and; e) Facilitation of higher order financing for producer collectives and skills development and provision of digital financial services. The sections below elaborate on the type of activities to be financed under component 2.
6. Value chain development for high value farm and non-farm commodities: In the last 3 years, the NRLP has financed investments to increase productivity in agriculture and livestock and to diversify and enhance incomes of more than 2 million rural poor households. Additionally, through pilots (under the dedicated funds) the development of producer collectives and value chain interventions in agriculture, food and livestock sector were introduced across seven states. Building on these experiences, NRETP (NRLP AF) will continue to strengthen women owned and women led producer collectives to increase market access and value addition for high value farm and non-farm commodities such as commercial crops and livestock products, fisheries, etc. Technical assistance, skills building and investment support will be provided to enable such farmer owned and farmer led organizations to enhance productivity, improve market access, processing, quality enhancements and market information to inform investment decisions. Coordination with government departments such as agriculture, food processing, small & medium enterprise, science & technology and with technical agencies such as Small Farmers Agri-Business Consortium (SFAC), Central Food Technology Research Institute (CFTRI), Fragrance & Flavor Development Centre (FFDC) etc. will be



facilitated. Through specific investments, and in partnerships with the private sector, improvements in economic and productive infrastructure for grading, sorting, food handling and hygiene, storage and warehousing for small scale local value addition and processing; delivery of technical services for enhancing productivity including climate resilient agriculture practices; development of financial products and services for value chain finance, commodity finance, enterprise finance, small economic infrastructure finance and digital payment systems; nutrition supportive agriculture and other technological innovations (e.g. ICT-based crop and rural advisories including climate and weather related services etc.<sup>6</sup>) for rural producers and entrepreneurs will be financed. The approach adapts the productive alliance model and is designed to help small producer collectives engage with the market, and will build on the successful approaches piloted both by the NRLP and partners.

7. Enterprise development: DAY-NRLM has created a platform for 47.3 million rural poor women to access finance available to start-ups or build their individual and/or collectively owned and managed enterprises. Anecdotal evidence suggests that approximately 10% of the total mobilized households increased their investments in existing nano<sup>7</sup> and micro enterprises<sup>8</sup> or became first-generation entrepreneurs over a period of 3 years. To further strengthen entrepreneurship as an economic pathway for SHG households, DAY-NRLM has recently rolled out initiatives such as the Start-up Village Entrepreneurship Program (SVEP). NRETP (NRLP AF) will build on lessons from on-going entrepreneurship building approaches in identifying a customized enterprise development program for rural poor women and youth. The project will also draw on experiences from other efforts initiated by Government of India e.g. Scheme for Promoting Innovation and Rural Entrepreneurship (ASPIRE) and Standup India; experiences of non-profits; incubators and accelerators; and private-sector initiatives in promoting entrepreneurship. Economic, environmental and social sustainability aspects will be included in the strategy of enterprise development. Learning from similar and successful regional and international programs such as the Bangladesh Rural Advancement Committee (BRAC<sup>9</sup>), the Village Enterprise Model<sup>10</sup> etc. will also inform the project design.
8. The proposed approach to be used by NRETP (NRLP AF) will be a) cross-cutting across sectors (high value agriculture, manufacturing and services); b) deliver all requisite products/services (finance, technology, mentoring etc.) through a single source; c) have a differentiated support strategy based on the age, size and potential of enterprise and; d) leverage technology and private sector in program delivery. This approach has shown to be effective in helping NMEs that have demonstrated some potential to graduate. The project will also continue to provide technical support to new entrepreneurs and nano enterprises, through DAY-NRLM and SVEP which form the majority of SHG member-owned businesses. Women led and women owned enterprises will be prioritized.

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<sup>6</sup> Sustainable Livelihoods and Adaptation to Climate Change (SLACC) project has piloted such ICT-based crop services and climate resilient practices in MP and Bihar at small scale, and initial results have been promising. NRETP (NRLP AF) will build on these learnings and scale-up some of these pilots.

<sup>7</sup> Nano Enterprises: Owned by one or more individuals (not exceeding five individuals, usually from the same household). The investment of these enterprises would be up to Rs. 5 lakhs (approximately US\$7,500)

<sup>8</sup> Micro Enterprises: Owned by one or more individuals such enterprises would significantly contribute to value chain, investment, and employment. The investments of these enterprises would range from Rs. 5 lakhs (approximately US\$7,500) to Rs. 15 lakhs (approximately US\$22,500).

<sup>9</sup> <http://www.brac.net/>

<sup>10</sup> <http://villageenterprise.org/>



9. *Skills training interventions* will be aligned to the value chain and enterprise development objectives of the project. The objective of skills training initiatives will be to enhance access of poor and marginalized populations in project areas to jobs in focus value chains and sectors; to strengthen value chains and enable enterprise growth through adequate availability of skilled labor; and to enhance productivity and incomes of rural poor women through upgrading skills in selected self-employment occupations. To achieve these objectives, the project will seek to leverage the existing network of Rural Self Employment Training Institutes (RSETIs) in project districts and to develop and deliver skills training aligned to national standards.
10. *Digital financial services and access to finance especially for farmer producer collectives and rural enterprises*: With increased focus on improving household income through higher order economic initiatives in farm and non-farm sectors enabling larger value loans (beyond SHG bank linkage) for nano and micro enterprises (NME) and producer collectives is required. The need for such customized financing products has also emerged in the process of developing sub-national projects with states such as Bihar Transformative Development Project (BTDP), Jharkhand Opportunities for Harnessing Rural Growth Project (JOHAR) and Tamil Nadu Rural Transformation Project (TNRTP). This will require technical assistance to DAY-NRLM, SRLMs and financial institutions to develop suitable financial instruments besides continuing to develop financial solutions to mitigate financial risk of lenders to non-collateralized loans. Pilots underway will be used to inform support under NRETP (NRLP AF). The NRETP (NRLP AF) will also actively engage with programs such as MUDRA<sup>11</sup> to finance growth oriented individual enterprises emerging from the SHG network. It will also support the development of a national level system of grading and ratings of producer collectives and federations, and systematically engage with social impact investors to mobilize financial resources and linkages. The Project will finance the analysis of transaction based and digitized MIS data to build objective credit histories of SHG members, with the potential for this information to be used in the identification of high-growth entrepreneurs and for ratings of producer collectives (with due attention to maintaining privacy and control over the release of individual data).
11. In the last 18 months, digital financial initiatives including the Bank-Business Correspondent (BC) approach (under convergence with the flagship PMJDY<sup>12</sup> programme), mobile wallet and banking based services to support digitization of financial transactions at community institutions level have been piloted. Encouraged by these positive experiences of bridging last mile gaps in service delivery of financial services, several states (e.g. Bihar, Jharkhand, Odisha) have expressed a keen interest in these initiatives. These initiatives have also gained support from the Department of Financial Services (DFS) under the Ministry of Finance (which is the nodal entity for PMJDY). NRETP (NRLP AF) aims to increase these initiatives by building on partnerships with banking and non-banking institutions (including small finance and payments banks) e.g. m-Pesa; Paytm etc.
12. **Component 3. Innovation and Partnership Support:** In line with the original design of the project, the component will finance pilot initiatives and technical assistance consultancies that support innovative livelihoods activities in agriculture, livestock, youth employment, nutrition activities among others, for rural poor households. It will also support partnerships with private sector, public

<sup>11</sup> Micro Units Development & Refinance Agency Ltd

<sup>12</sup> PMJDY stands for the Pradhan Mantri Jan Dhan Yojana. This was launched in 2014 with the objective of ensuring access to various financial services like availability of a bank account, credit, remittances, insurance etc.



sector and civil society organizations.

- 13. **Component 4. Project Implementation Support:** This component will strengthen the National Mission Management Unit (NMMU) for effective project management at the national level; finance Monitoring and Evaluation (M&E) activities and ICT initiatives.
- 14. **Project Costs:** The revised component costs, reflecting the changes in activities and the additional financing allocations, are outlined in the Table below.

Table 1: Component Costs (in US\$)					
Project Costs by Component	Original Project		Additional Financing		Total Bank Financing: Original + AF
	Total Original Project Cost	Total Original Bank Financing	Total AF Project Cost	Total Bank AF	
Component 1:	44.25	39.00	40.3	40.3	79.3
Component 2:	716.60	430.00	431.5	181.5	611.5
Component 3:	6.67	4.00	15.5	15.5	19.5
Component 4:	30.26	27.00	12.7	12.7	39.7
<b>TOTAL</b>	<b>798.00</b>	<b>500.00</b>	<b>500.00</b>	<b>250.00</b>	<b>750.00</b>

- 15. **Project Closing Date:** The proposed closing date for the NRETP (NRLP AF) is June 30, 2023. The credit associated with the on-going NRLP (IDA CR. 4978-IN) is expected to be fully expended by June 30, 2018 and will be closed once disbursement/associated activities are complete
- 16. **Monitoring & Evaluation:** The NRETP (NRLP AF) resources would be used to strengthen the M&E system and bring in new institutional arrangements. NRLP’s transaction-based Management Information System (MIS) system roll-out is now stable after the initial delay but additional efforts are needed to strengthen it further through upgrading existing transaction modules and build new ones to meet the requirements of the new components (value chain development, enterprise development, financing of enterprises, special programmes etc.) Further, efforts would be required to augment the decision support system of the Mission, possibly through hiring a TSA or partnering with other development partners. Various strategies to build the M&E and analytics capacity of NMMU and the state missions under NRLP have yielded mixed results. Based on the experience to date and the relative success of Technical Support Agencies (TSAs) under state projects such as Jharkhand and Andhra Pradesh, a capacity building strategy focused on in-house NMMU capacity strengthening will be adopted (with supplementary support at the state level). TSAs will be contracted for activities such as process monitoring, follow-up data collection of the ongoing impact evaluation, concurrent monitoring and general M&E activities. Specific thematic studies would also be required to be commissioned for assessing the functioning of new components. In addition, the continuation of externally supported technical assistance partnerships will be explored.
- 17. **Results Framework:** The Results Framework (RF) has been updated to reflect the changes introduced with the NRETP (NRLP AF) as well as to reflect outcomes expected from a longer implementation period. Some of the intermediate level indicators from the original project that are no longer relevant



will be dropped, while others for which either definitions or targets have been significantly modified will be introduced as new indicators. While the current versions of these indicators will be retained to enable documentation of achievements of the full project Implementation Completion Report, these will not be reported against during the NRETP (NRLP AF) implementation period (details in Section VIII: Results Framework and Monitoring).

### III. KEY RISKS

18. **Overall Risk Rating:** The overall risk rating for the project is Moderate. Project approach has been integrated into Ministry of Rural Development's flagship program of National Rural Livelihoods Mission (DAY-NRLM) with allocation of annual budget of 5,750 crores (US\$ 900 million) in 2018 and a cumulative investment of nearly 13,000 crores (US\$ 2 billion) over the last 5 years. Systems and processes for project implementation are well entrenched within the 13 State Rural Livelihoods Missions and National Mission Management Unit. Economic initiatives financed through the dedicated funds under NRLP were initiated only in 2016 and in limited geographies. Implementation risks will be mitigated by continued support of technical agencies and private sector partners, including partners from the pilot phase and by bringing in new private and technical partners.
19. **Political and Governance:** The Political and Governance risk is Moderate. The Government of India has expressed renewed commitment to the community-driven model of SHG-based livelihoods, evidenced by placing SHGs as key stakeholders in Mission Antyodaya, the flagship initiative announced for rural economic growth and convergence. The economic models demonstrated under NRLP are in alignment with the approach outlined by Government of India in terms of focus on partnerships with private sector and value-chain approach towards rural development. The only apparent political risk is that General Elections and a few State Elections are expected during the next two years although program implementation is unlikely to be affected.
20. **Macro-Economic:** The macro-economic risk is Moderate. The Indian economy registered gradually rising growth from 5.5 percent in 2012-13 to 8 percent in 2015-16. In recent months, temporary disruptions slowed India's economic momentum and real GDP growth declined to 7.1 percent in 2016-17 and to average 6.46 percent during the first three quarters of FY17/18. However, economic activity is expected to stabilize during 2017-18 and growth is expected to resume gradual acceleration in the near term. India has also made remarkable progress in reducing absolute poverty. Between 2004 and 2011, poverty has declined sharply from 38.9 to 21.6 percent at the international poverty line (\$1.90 PPP/day). However, there is a risk that this consistent macro-growth need not translate into rural economy, if there are inadequate investments in building enabling infrastructure for enterprise promotion and climatic shocks.
21. **Sector strategies and policies:** The priorities outlined by Niti Aayog, Government of India's policy think-tank<sup>13</sup>, indicate that the focus on doubling agricultural incomes will be through promoting competitive value chains, high-value commodities and private sector partnerships. Economic initiatives piloted and to be scaled-up such as producer collectives are aligned with GoI's shift from production to market-based and farmer income-centric approaches. The other key project focus of

<sup>13</sup> <http://niti.gov.in/content/overview#>



enterprise promotion is also aligned with Government of India's strategy of providing incubation support to farm-based and non-farm enterprises, as evidenced through scale-up of investments under the Start-up Village Entrepreneurship Program (SVEP).

22. **Technical design:** The technical design risk is Moderate. The central design of project in terms of systems and processes for institution building and financial inclusion has already been tested for scale under the National Rural Livelihoods Mission. Further, the project design was significantly simplified through the January 2016 restructuring wherein the dedicated funds were introduced. The risk in terms of technical capacity of the implementing agency to facilitate with communities and develop viable projects to leverage financing for economic initiatives will be mitigated through on-boarding of qualified technical support agencies, an approach which has already been tested in these contexts through other Bank-financed projects. Increased investments in high value agriculture, enterprises, productive infrastructure and financing of producer collectives may need more explicit criteria for inclusive beneficiary targeting and benefit sharing as well as social safeguard screening to minimize elite capture and social exclusion.
23. **Fiduciary Management:** The financial management (FM) arrangements for the NRETP (NRLP AF) will follow the agreed arrangements of the ongoing project. The FM arrangements for the project are reliant on the 'use of country fiduciary systems', to the extent feasible and considered satisfactory for meeting the essential fiduciary requirements, which have been working well in each of the participating states for the on-going project. The overall FM risk is rated to be Substantial.
24. **Institutional capacity for implementation and sustainability:** The risk for institutional capacity for implementation and sustainability is Moderate. 13 State Rural Livelihoods Missions (SRLMs) have built capacities with the support of National Resource Organizations (NROs) and National Mission Management Units. NROs are an innovative mechanism to facilitate knowledge transfer from experienced State Missions to newly established State Missions. National level Civil Society Organizations such as National Support Organizations (NSOs) have also built implementation capacities through learning and exposure visits. However, implementation of economic activities will require recruitment and retention of professionals with business management expertise and client systems tailored to implement a market-based approach. The risk will be mitigated by building capacities of existing Young Professionals within SRLMs and continued handholding of technical support agencies. Further, Bank will provide technical assistance, in building managerial systems and processes for facilitating economic development. In addition, international, national and state level external agencies (both public and private) will be brought on board to bring in the requisite technical expertise. Dedicated human resources and capacity building programs on socially inclusive and gendered value chains/enterprises, social safeguard screening, risk mitigation and social sustainability will be needed to ensure satisfactory social performance and monitoring.
25. **Stakeholders:** The stakeholder risk is Moderate. Coordination with other relevant agencies within the Government e.g., Department of Agriculture, has been high, as evidenced through leveraging of production subsidies and extension services by producer collectives promoted under the project. However, engagement with private sector partners for value chain investments has been sporadic and remains a risk. The establishment of a team at the national level within the implementation agency to manage relations with private sector partners will facilitate these relationships. The MoRD



has created an advisory board with professionals from varied sectors including social enterprises and reputed national philanthropies to guide the department's functioning. A mechanism of joint reviews with participation from advisors will be introduced to coordinate with implementation support missions. Additionally, citizen engagement and grievance redressal systems to facilitate two-way communication will be strengthened between beneficiaries and implementing agency to mitigate risks further.

#### **IV. APPRAISAL SUMMARY**

##### **A. Economic and Financial Analysis:**

1. NRLP has been successful in mobilizing rural poor households into community organizations and in the uptake of specific interventions related to agriculture and livestock management to diversify and enhance household incomes. The NRETP (NRLP AF) targets to reach 5 million households in 125 districts of the 13 identified states with increased technical assistance and investment support to strengthen the livelihood activities and to provide a launch pad for new generation economic initiatives such as the promotion of high value agriculture commodities and value chain development (VCD) through improvements in market access, establishment of producer collectives and rural enterprises. The quantifiable benefits of the NRETP (NRLP AF) comes from the communities that will be mobilized into producer collectives and supported with enhanced credit and intensive production techniques; supporting households with enhanced credit; supporting households to continue to avail services as under the current NRETP (NRLP AF) as well as promoting individual enterprises.
2. Target households under NRETP (NRLP AF) can be broadly classified into a) communities that may be mobilized into producer collectives and can be supported with enhanced credit through linkages with formal financial institutions, intensive production techniques and support for market access and linkages; b) beneficiaries that may continue to avail of services as provided under the current NRLP/DAY-NRLM approaches and c) individual enterprises in need of specialized services. NRETP (NRLP AF) will focus on facilitating a sustainable transition from farm to non-farm sectors and supporting the growth of women owned and women led enterprises.
3. The main benefit of the economic activities would be increased and diversified incomes of the target beneficiaries. In addition, it is expected that substantial employment will be generated from farm as well as off-farm labor due to the investment in VCD activities. However, for the purpose of this EFA, only the incremental benefits due to income increase have been considered. The EFA assumes that over the five years of project implementation an additional amount of approximately US\$ 1500 million will be mobilized from credit linkages with formal financial institutions. The EFA also assumes that a 10 percent recurring cost over the next 13 years for operation and maintenance of the assets. The economic rate of return (EIRR) calculated over a 13-year period for the base case is 28.63 percent with a net present value (NPV) of US\$ 1,246.6 million at a discount rate of 12 percent.
4. A sensitivity analysis was conducted to assess variations in benefits and costs and for the various lags in the realization of benefits. Even under adverse scenarios (20 percent cost increase, 20 percent benefits decrease or two years lag in the realization of benefits), IRRs remain within acceptable values, well above the discount rate used for the analysis. Switching values were calculated as 43.2



percent for project benefits and 75.2 percent for total project costs.

**B. Technical:**

1. NRETP (NRLP AF) intends to expand access to and deepen the impacts of economic initiatives previously piloted under the NRLP in limited geographies. The technical design of the project is robust and is built on this experience. The pilots have demonstrated that the DAY-NRLM approach of building strong social and financial capital can provide a launch pad for new generation economic initiatives such as the promotion of high value agriculture commodities including development of producer collectives, rural enterprise and skills development, digital finance innovations and convergence of programs to support broader development outcomes. Lessons from other successful experiences of rural economic transformation projects being implemented in India and globally have been also incorporated into the design of NRETP. The project interventions proposed have been extensively discussed with States Missions, development partners and with sector experts (part of DAY-NRLM advisory committee) in a series of consultation workshops jointly organized both by the World Bank and the MoRD.
2. The design of the project, which responds to the client's emerging needs and prototypes related to aggregation of small producers, promotion of producer collectives and linking them to the market for better price realization, has already been initiated in many states. The guidelines and manual prepared for the implementation of dedicated funds has been revised and updated for the implementation of the NRETP (NRLP AF). With the growing importance of non-farm enterprises in the rural economy, special emphasis has been provided on building on the initial lessons from SVEP and other rural enterprises development efforts. Adequate provisions have been made in NRETP (NRLP AF) to obtain technical services and build partnerships with both private and public organizations and to encourage crowd sourcing of the best practices piloted under various projects and with development partners. The framework of peer learning i.e. mature and established State Missions providing technical and implementation support to other new State Missions has been established and widely demonstrated as National Resource Organizations (NROs) and National Support Organizations (NSOs). Such approaches of both seeking and providing technical and implementation support will be further encouraged and strengthened.

**C. Financial Management:**

1. The National Mission Management (NMMU) of the Ministry of Rural Development is responsible for establishing and maintaining satisfactory financial management arrangements for the project, both at the national level and across 13 participating states, including providing guidance and monitoring the states' performance. The continued under-staffing of accounting and finance positions at the NMMU under the existing project is of significant concern and requires immediate strengthening. In order to augment capacity, NMMU will engage a chartered accountancy firm to provide FM technical support, similar to the arrangement being followed by the SRLMs in various states.
2. Efforts are being made under the on-going project to implement Public Financial Management System (PFMS), the fund monitoring system developed by CGA office. Under the NTREP (NRLP AF) phase, it will be important to strategize and develop an action plan for implementation across the





participating states. Further, the afore mentioned FM technical support firm could also facilitate the PFMS rollout. The Financial Management Manual (FMM) was drafted in 2011, and has not been updated since then. The FMM has been revised in consultation with the stakeholders to include the relevant provisions for the NRETP (NRLP AF). Support to economic activities with substantial funding are proposed under the NRETP (NRLP AF). It is important to note that clearances for these will follow the Annual Action Plan (AAP) protocol for ensuring adequate fiduciary control over the management of these funds.

3. The project envisages non-revolving transfers to producer collectives for procurement of machinery, working capital and staff costs. The transferring entity (SPMU/DPMU/Block, as the case maybe) will record such transfers as advances, and expenditures will be booked upon submission of expenditure details by the producer collectives. Further, the project does not envisage transfer of non-revolving grants to the VO and CLF; however, if during the life of the project such transfers are made then these too will be done on advance or reimbursement basis. This practice will allow linkage of actual expenditures with disbursements at the CBOs.
  
4. Financial Reporting under the NRETP (NRLP AF) will continue as per the agreed existing arrangements. The quarterly financial reporting i.e. the Interim Unaudited Financial Reports (IUFs) for the ongoing project has been submitted till the quarter ending December 31, 2017. NMMU is responsible for compiling and preparing consolidated project financial progress reports on a quarterly basis. These Interim Unaudited Financial Reports (IUFs) will aggregate the financial reports for the following: (a) national level expenditures – NMMU and MoRD (through Pay & Accounts Officer (PAO) reports); (b) fund releases to SRLMs by MoRD, as obtained from PAO reports; (c) SRLM level financial reports, as obtained from the individual state financial management systems. The quarterly consolidated project IUFs will be submitted to the Bank within 45 days of the end of each quarter. The existing reporting formats (IUFs) will be revised to reflect the additional dedicated funds and other activities. The agreed formats are included in the revised NRETP (NRLP AF) Financial Manual. The disbursement summary table is given below.

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consultants’ services, and operating costs incurred under Parts 1, 3 and 4 of the Project	67,875,000	100%
(2) Goods, works, non-consulting services, consultants’ services, operating costs and investment support incurred under Part 2 of the Project	181,500,000	42%



(3) Front-end Fee	625,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	-0-	Amount due pursuant to Section 4.05 (c) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>250,000,000</b>	

5. Components 1, 3 and 4 will be financed at 100% by the Central share, with no contribution from the states towards such Components. NMMU will also provide copies of the Sanction orders for releases to the states under these Components to the Bank, in addition to the Audit arrangements, based on which the Bank will consider the expenditure under these components as eligible expenditures and reimburse the same at 100% to Gol. Further, Component 2 will be at 60:40 sharing ratio between the Centre and State; the Bank will reimburse the expenditures incurred under Component 2 at 42%.
  
6. The annual statutory audit of MoRD will be conducted by the Comptroller and Auditor General (C&AG) of India as per standard terms of reference agreed with the World Bank. Audit of NRLPS and 13 SRLMs will be conducted by Chartered Accountant firms acceptable to the Bank, as per terms of reference agreed with the World Bank. The audit reports along with the annual project financial statements will be submitted to the Bank within 9 months from the close of the financial year (i.e. December 31). For the ongoing project, audit reports for the year 2016-17 from all 13 State Missions and NRLPS at the central level have been received. The SHG Federations annual accounts will be subject to statutory audits as required by state laws and these will be monitored at the state level and will not be considered a part of NRETP audit requirements. Further, the approach to train a cadre of community auditors for undertaking audit of SHG federations will be expanded across the intervention states.

**D. Procurement**

1. The National Mission Management (NMMU) of the Ministry of Rural Development is responsible for establishing and maintaining satisfactory procurement arrangements for the project, both at the national level and across 13 participating states, including by providing guidance and monitoring the states’ performance. The under-staffing of procurement positions in a few states under the existing project is of concern and requires strengthening. The SRLMs will have to retain their existing arrangements under NRLP for their procurement units and provide the necessary staff.
  
2. The NRLP Procurement Manual was prepared in May 2011, and was updated in April 2017 and has been cleared by the Bank. For the NRETP, the Bank’s Procurement Regulations (November 2017) are to become applicable instead of the Procurement Guidelines (January 2011). The Procurement Manual has been revised and the Project Procurement Strategy for Development (PPSD) for the



Project has been prepared.

3. The Procurement Post Review (PPR-2017) for the NRLP States was carried out in June 2017 and no major issues have been reported. The Procurement Risk Rating for the ongoing NRLP is Moderate and is likely to be moderate upon updating.

**E. Social (including Safeguards)**

1. The NRLP Social Management Framework (SMF), including OP 4.10 on Indigenous Peoples (Scheduled Tribes), will continue to apply to the NRETP (NRLP AF). The SMF comprises strategies for targeting and inclusion of scheduled castes and schedule tribe groups/areas, consultation and participation, gender and women's economic empowerment, citizen's engagement, safeguard screening/mitigation planning for community projects involving land/infrastructure. The SMF also provides for institutional arrangements and capacity building activities of project staff, community institutions and partner agencies. As in the ongoing NRLP, OP 4.12 on Involuntary Resettlement does not apply, since no involuntary acquisition of land is anticipated under the AF.
2. The NRETP (NRLP AF) aims to intensify interventions, financing and technical support for high value agriculture, rural value chains, skills and enterprises, producer collectives, innovative livelihood approaches, digital financial inclusion as well as productive infrastructure for post-production processes and value addition. Technical Assistance will also be provided to convergence (Mission Antyodaya). Partnerships with technical resource agencies from private and non-profit and public sector will be expanded to include social impact investors and social enterprises. To respond to these focus areas in the NRETP (NRLP AF), MoRD has updated the existing SMF especially with respect to social inclusion protocols, social safeguard screening mechanisms and inclusive beneficiary targeting and benefit sharing criteria for financing of producer collectives and productive infrastructure. Additional measures on staffing, capacity building, technical assistance, knowledge programs as well as citizen engagement and grievance redressal would be implemented. The results framework will continue to track and report on gender, inclusion, citizens engagement and women's economic empowerment.

**F. Gender**

1. The NRLP and DAY-NRLM are fundamentally aimed to address voice, agency and economic opportunities for rural women. NRLP has mobilized more than 8.8 million women from poor rural households into 749,000 SHGs in 13 high poverty states, making it among the largest social, financial and economic empowerment program for women across India, and the world. The project aimed to reach out to around 4.8 million households. More than 58% of these 8.7 million women members come from Scheduled Castes, Scheduled Tribes or Minority households. The program has trained and mobilized nearly 500,000 community professionals and community resource persons, with significant proportion of women leaders. Nearly 1400 Business Correspondents (BCs), all of whom are women, have been trained and are providing last mile digital financial services to 142,000 SHG households.
2. The NRETP (NRLP AF) will also help address the loss of income earning opportunities for women.



Over the last decade, 27 million women have shifted from farm to non-farm sectors but the decline in agricultural jobs has not been offset by other employment for women. Diversification of employment evident across the economy has left women behind with a significantly lower proportion of rural women benefitting from non-farm employment. In the last decade, 5 million additional women joined the non-farm sector while the rest withdrew from the labor force for possible reasons of safety, job immobility, lack of skills, increased education opportunities and increased male earning potential. Women face significant constraints to entrepreneurship stemming from low levels of skill, inhospitable enabling environment, lack of access to formal finance, business development services, infrastructure and technology.

3. For women, education and skills is the biggest constraint and source of opportunity: a 10% increase in education is correlated with an 18% increase in female entrepreneurship<sup>14</sup>. Access to finance is also a major constraint to grow and formalize household and sustainable enterprises. More than 90% of household enterprises are self-financed indicating an unmet demand of US\$ 520bn<sup>15</sup>. Women ownership of enterprises is also highly correlated with increased labor participation by women. An estimated 73% of demand for finance for female businesses is unmet<sup>16</sup> and the data suggests that female networks and access to business and advisory services are important determinants of enterprise growth. The NRLP has successfully mobilized women into SHGs and has initiated their engagement with enterprise development. In partnership with the DAY-NRLM, 47.3 million women have been supported to build their own institutional platforms through which they can increasingly engage with local government processes, access finance and diversify incomes. The NRETP (NRLP AF) will build on these initial successes and will continue to emphasize women's access to economic opportunities. As opportunities emerge, additional efforts will be required to engage women entrepreneurs and ensure that women are recognized and accorded rights in the ownership and management of emerging producer collectives and rural enterprises.
4. The NRETP (NRLP AF) will significantly advance the gender mainstreaming and women's economic empowerment agenda through strategies/specific interventions on women led producer collectives and enterprises, SVEP and upgrading of skills in selected self-employment occupations for women SHG members and youth. Interventions on digital payments, financial inclusion/literacy, BC and enterprise financing will lead to significant financial empowerment of rural women. Support to Mission Antyodaya will strengthen women's advocacy and agency in delivery of social safety nets and entitlement services for the rural poor. Nutrition sensitive agriculture and interventions on food handling and hygiene will benefit women and household health. The results framework will continue to track and report on gender, inclusion, citizens engagement and women's economic empowerment.

#### **G. Citizen Engagement**

5. The NRETP (NRLP AF) will further strengthen the citizen-centric approaches that are being supported

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<sup>14</sup> Determinants of Female Entrepreneurship in India - OECD 2015, [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2015\)9&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2015)9&docLanguage=En)

<sup>15</sup> Micro, Small and Medium Enterprise Finance in India - IFC 2012, <http://www.intellegrow.com/images/download/publication/Publication%20-%20IFC%20MSME%20Report.pdf>

<sup>16</sup> Ibid



under the ongoing NRLP. The project enables women led community institutions such as village organizations and cluster level federations and producer collectives to participate in and benefit from a range of social, financial and economic empowerment interventions and investments. These institutions participate in joint level planning of the Annual Action Plans which provide detailed information on activities to be carried out within the year. At the block and cluster panchayat level there is joint monitoring by the community organizations and project staff and course correction as needed. Under the ongoing NRLP, a range of GRM approaches are being used such as hotlines, Chief Minister's helplines, public hearings, wall paintings, MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) helplines, citizen's charters. These feedback mechanisms will be used to inform the NRETP (NRLP AF) grievance redress mechanism. Under the NRETP (NRLP AF) there will be participatory planning for livelihoods and economic cluster plans, promotion of producer led organizations and strengthening of existing community federations as well as increased monitoring of entitlements and social services. An indicator related to citizen engagement and grievance redressal mechanism has been incorporated in the project result framework.

#### **H. Environment (including Safeguards)**

1. The measures taken during the original credit for addressing safeguard policies issues will continue throughout the implementation of the additional financing. EMF compliance with the mandatory regulatory requirements list would apply to all the clusters in the project and appropriate capacity building support for compliance with regulations and awareness building on better environmental practices in livelihood activities would be provided. The existing ESF is being updated to reflect the proposed design changes and s mitigation measures as well as sustainability approaches for the proposed investments. A Sustainability Index to renew NRETP (NRLP AF) investments is proposed to be developed based on the principles of resource efficiency, minimal adverse impacts and continuation of the livelihood activities.
2. No new safeguard policies are triggered for the additional financing. In addition to Environmental Assessment (OP 4.01), the safeguard policies on Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36) and Pest Management (OP/BP 4.09) have been triggered recognizing the importance of integrating sustainable management practices in forest-dependent and agriculture-based livelihoods. Additional measures will be implemented to build borrower capacity, through a series of training programs targeting members of SHGs and Federations. Further efforts will be made to integrate environmental safeguards through project implementation arrangements. This is possible, as the borrower, including state and district level entities, already has experience with Bank's safeguard policies and implementing the ESF.

#### **I. Climate Co- Benefits**

1. This project has been screened for Climate and Disaster Risk. The project is being implemented across the following 13 states in India: Assam, Bihar, Chhattisgarh, Jharkhand, Gujarat, Maharashtra, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal, Karnataka and Tamil Nadu. These 13 states cover all the 4 climatological regions in India<sup>17</sup>. The climate and disaster risk screening

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<sup>17</sup> India is a climatologically diverse country. Its climate is characteristic of the sub-regional physical features, which also typifies its very diverse biological reserves and natural resources. Climatologically, the entire Indian region is



revealed the fact that in terms of climate hazards, the project was moderately exposed to drought, extreme precipitation and flooding and extreme temperatures. It also captured the impacts of identified climate and geophysical hazards on the project's physical components as currently designed under the project. It showed that both the crop and land management and livestock interventions under the project would have a moderate potential impact due to the climate hazards. Project interventions will focus on diversifying the household incomes to more remunerative high value crops and to nonfarm sources for minimizing the impact on crops and land management. To minimize the impact on livestock management, the project interventions will ensure better animal health management practices and greater access to markets thereby making the livestock interventions more productive, economically viable while ensuring sustainable use of natural resources. Furthermore, the potential impact on key components/subsectors due to exposure from hazards can be *modulated* (referred to as adaptive capacity) by the project's components. The right kind of capacity building measures could increase preparedness and longer-term resilience and reduced the risks. For example, in the agriculture sector, policies and programs that facilitate diversified agricultural production systems may help reduce risks. In addition, vulnerable groups, namely women, migrants and displaced populations may be particularly affected by climate and disaster risks. This project's focus on women led activities implies that project activities can be designed to help alleviate the risks to women from climate and hydro-meteorological hazards through diversification and improved adaptive capacity.

2. The entire project intends to address the above vulnerabilities (as mentioned in the Climate and Disaster Risk Screening report) through a) Building Capacity of the implementing agencies at the National, State and District level to identify and proactively address climate vulnerabilities and b) Building capacity at the community level to address climate vulnerabilities and by identifying and investing in climate resilience activities at the community level. The section below provides details of such activities that are designed to build climate resilience in the farm and non-farm sectors.
3. Under component 1, the project will finance agencies similar to those engaged under the Sustainable Livelihoods for Climate Change Project (SLACC) with the requisite expertise to provide technical support on climate resilient agriculture technologies and also climate and weather services. Such technical assistance will enable the capacity development of both the National and State level implementing agencies i.e. the National Mission Management Unit (NMMU) and State Rural Livelihoods Mission (SRLMs) on the issue of addressing climate vulnerabilities and the use of climate resilient practices.
4. Under Component 2, the project will finance activities that have the potential to address both current and future climate related challenges including: a) use of climate resilient agriculture practices and land use practices like zero tillage and reduced use of chemical fertilizer; b) use of agricultural practices such as the use of multi-cropping systems by small and marginal farmers to enable diversification of risk beyond just one crop, which is most often paddy (such investments will also reduce GHG emissions since the shift away from paddy will contribute to lower emissions and hence contribute to mitigation benefits); c) promotion of water-use efficient technologies such as drip irrigation to reduce the risk of large crop failures due to drought; d) training of farmer producer

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divided as western Himalayas, north-west, north-east, northern-central region, eastern coast, western coast and the interior plateau



collectives and stakeholders involved in agriculture value-chain on climate adaptation and mitigation initiatives; e) adoption of sustainable fisheries and aquaculture techniques in fishery value-chain projects; f) training of community para professionals to support improved livestock feeding practices, which would reduce methane emissions by shifting from cellulose rich to carbohydrate based feeding practices; g) provision of financial and technical support to strengthen micro enterprises promoting green technologies such as solar lamps for household lighting and solar pumps for developing micro-irrigation facilities; h) training and support to micro entrepreneurs in the use of energy efficient and climate smart practices in their business; i) promotion of refrigeration and cold storage facilities across agriculture value-chain projects to reduce the risk of lower price realizations for farmers due to distress sales during glut periods. Many of these approaches have been piloted through the ongoing SLACC project.

5. Under Component 3, the project will give preferential treatment for pilot initiatives that contribute to climate change adaptation or mitigation. These initiatives include innovations and partnerships in the areas of small and micro green enterprises, water-use efficiency devices, weather advisory services, climate-smart agriculture and food processing technologies. The innovations will be promoted through partnerships with social enterprises, private sector and non-profits. Convergence with Pradhan Mantri Ujjwala Yojana (PMUY), flagship initiative of Government of India, will also be promoted under the project. PMUY provides rural poor women with Liquefied Petroleum Gas (LPG) connection with the objective to replace existing prevalent use of solid fuels and firewood with cleaner and more energy efficient LPG. Pilot initiatives on community-driven initiatives, specifically through Self-Help Groups (SHG), to implement Climate Change Action Plans developed by state governments will also be strengthened and replicated through technical assistance to resource agencies<sup>18</sup>. Appropriate mechanisms to track the progress of the above interventions will be put in place as part of the monitoring arrangements under the project.

## 1. WORLD BANK GRIEVANCE REDRESS

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)

<sup>18</sup> Lessons from Meenangadi in Kerala, India's first carbon-neutral Panchayat (primary administrative unit of governance) will be studied further. In Meenangadi, SHG women are trained technicians and managers, who undertake collection, transportation, processing, recycling and management of waste.



**V. SUMMARY TABLE OF CHANGES**

	Changed	Not Changed
Change in Results Framework	✓	
Change in Components and Cost	✓	
Change in Implementing Agency		✓
Change in Project's Development Objectives		✓
Change in Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Change in Disbursements Arrangements		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Financial Management		✓
Change in Procurement		✓
Other Change(s)		✓

**VI. DETAILED CHANGE(S)**

**RESULTS FRAMEWORK**

**Project Development Objective Indicators**

% of SHGs federated into Village Level federations

Unit of Measure: Percentage

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	76.00	90.00	Revised





Date	18-Jul-2011	23-Feb-2018	30-Jun-2023	
<b>% of SHG members reporting 30% increase in assests</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		50.00	Revised
Date	18-Jul-2011	23-Feb-2018	30-Jun-2023	
<b>% of SHG members report reduction in high cost debt</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		50.00	Revised
Date	18-Jul-2011		30-Jun-2023	
<b>% increase in Income of households that have accessed technical and financial services</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		20.00	New
Date	28-Feb-2018		30-Jun-2023	

**Intermediate Indicators**

<b>% of SHGs achieved quality and sustainability parameters as per agreed standards/rating systems</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	60.00	80.00	Revised
Date	18-Jul-2011	23-Feb-2018	30-Jun-2023	
<b>Direct investments in SHG households including revolving funds, group savings and bank credits ( USD Million)</b>				
Unit of Measure: Amount(USD)				
Indicator Type: Custom				



	Baseline	Actual (Current)	End Target	Action
Value	0.00	1,190.00	2,000.00	Revised
Date	18-Jul-2011	23-Feb-2018	30-Jun-2023	
<b>% of SHG households with atleast one additional source of income</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		40.00	Revised
Date	18-Jul-2011		30-Jun-2023	
<b>Innovative initiatives funded and implemented</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	5.00	15.00	Revised
Date	18-Jul-2011	23-Feb-2018	30-Jun-2023	
<b>Key learning from NRLP and NRETP (NRLP AF) replicated in other states</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	10.00	10.00	Revised
Date	18-Jul-2011	22-Jun-2017	30-Jun-2023	
<b>State Rural Livelihoods Missions functioning with strengthened capacity for new economic initiatives</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	4.00	4.00	13.00	New
Date	28-Feb-2018	19-Mar-2018	30-Jun-2023	
<b>SHG members mobilized into producer collectives</b>				
Unit of Measure: Number				
Indicator Type: Custom				



	Baseline	Actual (Current)	End Target	Action
Value	50,000.00	50,000.00	500,000.00	New
Date	28-Feb-2018	28-Feb-2018	30-Jun-2023	
<b>% of SC, ST and Minority households among the total members mobilized into producer collectives</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	20.00	20.00	50.00	New
Date	28-Feb-2018	28-Feb-2018	30-Jun-2023	
<b>Farmers adopting improved agricultural technology</b>				
Unit of Measure: Number				
Indicator Type: Core				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		500,000.00	New
Date	28-Feb-2018		30-Jun-2023	
<b>Farmers adopting improved agricultural technology - Female</b>				
Unit of Measure: Number				
Indicator Type: Core Supplement				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		400,000.00	New
<b>Farmers adopting improved agricultural technology - male</b>				
Unit of Measure: Number				
Indicator Type: Core Supplement				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		100,000.00	New
<b>Enterprises ( Individual and Collective ) supported</b>				
Unit of Measure: Number				
Indicator Type: Custom				



	Baseline	Actual (Current)	End Target	Action
Value	0.00		80,000.00	New
Date	28-Feb-2018		30-Jun-2023	
<b>Enterprises ( Individual and Collective ) supported - Women-owned/Women-led</b>				
Unit of Measure: Number				
Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		64,000.00	New
Date	28-Feb-2018		30-Jun-2023	
<b>% of Enterprises (individual and collective) supported by the Project that have accessed funds from Financial Institutions</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		50.00	New
Date	28-Feb-2018		30-Jun-2023	
<b>% of enterprises (individual and collective) functioning after two years of project support</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		40.00	New
Date	28-Feb-2018		30-Jun-2023	
<b>Beneficiaries of job-focused interventions</b>				
Unit of Measure: Number				
Indicator Type: Core				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		100,000.00	New
Date	28-Feb-2018		30-Jun-2023	
<b>Beneficiaries of job-focused interventions - Female</b>				
Unit of Measure: Number				
Indicator Type: Core Supplement				



	Baseline	Actual (Current)	End Target	Action
Value	0.00		50,000.00	New
<b>SHG households that have accessed digital financial services and allied services</b> Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	142,000.00	142,000.00	500,000.00	New
Date	28-Feb-2018	28-Feb-2018	30-Jun-2023	
<b>% of Grievances registered related to delivery of project benefits that are actually addressed across the 13 states</b> Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		80.00	New
Date	28-Feb-2018		30-Jun-2023	
<b>At least half of the SRLMs have instituted community MIS</b> Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	13.00	7.00	Marked for Deletion
Date	18-Jul-2011	23-Feb-2018	31-Dec-2017	
<b>13 state rural livelihoods missions established and functioning</b> Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	1.00	13.00	13.00	Marked for Deletion
Date	18-Jul-2011	23-Feb-2018	31-Dec-2017	
<b>80% of NRLP staff inducted and immersed as per NRLP protocols</b> Unit of Measure: Percentage Indicator Type: Custom				



	Baseline	Actual (Current)	End Target	Action
Value	0.00	80.00	80.00	Marked for Deletion
Date	18-Jul-2011	23-Feb-2018	31-Dec-2017	
<b>80% of the targeted poor mobilized into SHGs.</b> Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	8.00	80.00	80.00	Marked for Deletion
Date	18-Jul-2011	23-Feb-2018	31-Dec-2017	
<b>50% of the households mobilized into SHGs belong to either SC, ST, or minority groups</b> Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	57.00	50.00	Marked for Deletion
Date	18-Jul-2011	23-Feb-2018	31-Dec-2017	
<b>Households mobilized in SHGs cumulatively save USD 100 million through thrift and financial inclusion</b> Unit of Measure: Amount(USD) Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	229.00	100.00	Marked for Deletion
Date	18-Jul-2011	23-Feb-2018	31-Dec-2017	
<b>Youth from SHG households trained and placed</b> Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	30,000.00	100,000.00	Marked for Deletion
Date	18-Jul-2011	23-Feb-2018	31-Dec-2017	



**COMPONENTS**

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Component 1. Institutional and Human Capacity Development	39.00	Revised	Component 1. Institutional and Human Capacity Development	40.30
Component 2. State Livelihood Support	430.00	Revised	Component 2. State Livelihood Support	181.50
Component 3. Innovation and Partnership Support	4.00	Revised	Component 3. Innovation and Partnership Support	15.50
Component 4. Project Implementation Support:	27.00	Revised	Component 4. Project Implementation Support:	12.70
<b>TOTAL</b>	<b>500.00</b>			<b>250.00</b>

**Expected Disbursements (in US\$, millions)**

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Annual</b>	4.06	9.13	12.16	14.15	17.75	21.06	23.63	20.00	30.00	70.00
<b>Cumulative</b>	4.06	13.19	25.36	39.51	57.26	78.32	101.95	121.95	151.95	221.95

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Moderate	● Moderate
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Moderate	● Moderate
Fiduciary	● Moderate	● Substantial
Environment and Social	● Moderate	● Moderate
Stakeholders	● Moderate	● Moderate
Other	● Moderate	● Moderate
Overall	● Moderate	● Moderate



**LEGAL COVENANTS – National Rural Economic Transformation Project ( Additional Financing to National Rural Livelihoods Project ) (P166745)**

**Sections and Description**

No information available

**Conditions**





**VIII. RESULTS FRAMEWORK AND MONITORING**

**Results Framework**

COUNTRY : India

National Rural Economic Transformation Project ( Additional Financing to National Rural Livelihoods Project )

**Project Development Objectives**

To establish efficient and effective institutional platforms of the rural poor to enable them to increase household income through sustainable livelihood enhancements, and improved access to financial and selected public services.

**Project Development Objective Indicators**

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	<b>Name:</b> % of SHGs federated into Village Level federations		Percentage	0.00	90.00	Half yearly	Project MIS	National and State Missions
Description: % to be drawn from SHGs that are more than 6 months old. Village Level Federations defined as any village or higher level community federation of SHG Members. All SHG members are women.								
Revised	<b>Name:</b> % of SHG members		Percentage	0.00	50.00	Mid Term and End	Household Surveys and	National and



	reporting 30% increase in assests					Term	Evaluations	State Missions
Description: Members of SHGs that have received CIF and/or have accessed credit through bank linkage are to be considered as the denominator. The objective is to achieve at least a 30% increase in the value of assets will be measured. All SHG members are women.								
Revised	<b>Name:</b> % of SHG members report reduction in high cost debt		Percentage	0.00	50.00	Mid Term and End Term	Household Surveys and Impact Evaluations	National and State Missions
Description: High cost debt refers to loans taken by SHG members from non-formal sources and at interest rates higher than 4% per month.All SHG members are women.								
New	<b>Name:</b> % increase in Income of households that have accessed technical and financial services		Percentage	0.00	20.00	Mid Term and End Term	Household Surveys and Evaluations	National and State Missions
Description: Based on household surveys drawn from a sample of SHG member households that have accessed services ( technical and financial) under the project for at least 2 years.								

**Intermediate Results Indicators**



Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	<b>Name:</b> % of SHGs achieved quality and sustainability parameters as per agreed standards/rating systems		Percentage	0.00	80.00	Half-Yearly	MIS and progress reports	National and State Missions
Description: SHGs following Panchsutra and graded (B and above) according to the NABARD SHG grading tool.								
Revised	<b>Name:</b> Direct investments in SHG households including revolving funds, group savings and bank credits ( USD Million)		Amount(USD)	0.00	2,000.00	Half-Yearly	MIS	National and State Missions
Description: Includes Community Investment Support and Funds								
Revised	<b>Name:</b> % of SHG households with at least one additional source of income		Percentage	0.00	40.00	Midterm & Endterm	Household Survey & Impact Evaluations	National and State Missions
Description: This indicator captures the diversification of the income at the household level during the project period. The mid-term and the end term surveys will measure the proportion of beneficiary households that report one or more additional sources of income compared to the baseline on a								



sample basis.

Revised	<b>Name:</b> Innovative initiatives funded and implemented		Number	0.00	15.00	Half-Yearly	MIS and Annual Progress Reports	National and State Missions
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Description: Innovative initiatives refers to those identified and financed under the innovative window of component 3. This includes financing under NRLP and NRETP ( NRLP AF)

Revised	<b>Name:</b> Key learning from NRLP and NRETP (NRLP AF) replicated in other states		Number	0.00	10.00	Yearly	Annual Progress Report	National and State Missions
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Description: Experience of the intensive NRLP approach and the new economic initiatives of NRETP ( NRLP AF) are replicated in other states

New	<b>Name:</b> State Rural Livelihoods Missions functioning with strengthened capacity for new economic initiatives		Number	4.00	13.00	Yearly	MIS and Progress Reports	National and State Missions
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Description: Strengthened capacity refers to reliable presence of technical experts through staffing or technical support agencies and use of these experts for new economic activities.

New	<b>Name:</b> SHG members mobilized into producer collectives		Number	50,000.00	500,000.00	Half-Yearly	MIS	National and State Missions
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Description: This indicator captures the economic focused institution building efforts of the project. All SHG members are women.

New	<b>Name:</b> % of SC, ST and Minority households among the total members mobilized into producer collectives		Percentage	20.00	50.00	Half-Yearly	MIS	National and State Missions
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Description:

New	<b>Name:</b> Farmers adopting improved agricultural technology	✓	Number	0.00	500,000.00	Half Yearly	MIS and Progress Reports	National and State Missions
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New	Farmers adopting improved agricultural technology - Female	✓	Number	0.00	400,000.00	Half- Yearly	MIS and Progress Reports	National and State Missions
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New	Farmers adopting improved agricultural technology - male	✓	Number	0.00	100,000.00	Half Yearly	MIS and Progress Reports	National and State Missions
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Description:

New	<b>Name:</b> Enterprises ( Individual and Collective )		Number	0.00	80,000.00	Half-Yearly	MIS	National and State Missions
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	supported							
New	Enterprises ( Individual and Collective ) supported - Women-owned/Women-led		Number	0.00	64,000.00	Half-Yearly	MIS	National and State Missions
<p><b>Description:</b> All existing and newly created enterprises that are supported by the project through technical (business development services and productivity enhancement) and financial services (credit and insurance) and are functioning. Collective enterprises will include farmer producer organizations/company, producer organizations/company, farmer producer groups and producer groups.</p>								
New	<b>Name:</b> % of Enterprises (individual and collective) supported by the Project that have accessed funds from Financial Institutions		Percentage	0.00	50.00	Half-Yearly	MIS	National and State Missions
<p><b>Description:</b> All existing and newly created enterprises that are supported through technical and financial services. Collective enterprises will include farmer producer organizations/company, producer organizations/company, farmer producer groups and producer groups.</p>								
New	<b>Name:</b> % of enterprises (individual and collective) functioning after two years of project		Percentage	0.00	40.00	Midterm & Endterm	MIS, Surveys and Impact Evaluations	National and State Missions



	support							
<p>Description: Refers to enterprises that have received technical and financial support for a minimum period of two years. Functionality would also look at viability. Collective enterprises will include farmer producer organizations/company, producer organizations/company, farmer producer groups and producer groups.</p>								
New	<b>Name:</b> Beneficiaries of job-focused interventions	✓	Number	0.00	100,000.00	Half yearly	Jobs MIS	National and State Missions
New	Beneficiaries of job-focused interventions - Female	✓	Number	0.00	50,000.00	Half Yearly	jobs MIS	National and State missions
Description:								
New	<b>Name:</b> SHG households that have accessed digital financial services and allied services		Number	142,000.00	500,000.00	Half-Yearly	MIS	National and State Missions
<p>Description: Digital Financial (&amp; Allied) Services will include services such as account opening, fund transfer, payments, deposits (including recurring and fixed deposits), credit, insurance, pension etc. availed through alternate channels such as Business Correspondent, Internet, Mobile etc.</p>								
New	<b>Name:</b> % of Grievances registered related to delivery of project benefits that are		Percentage	0.00	80.00			



	actually addressed across the 13 states							
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Description:





**Target Values**

**Project Development Objective Indicators**

Action	Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
Revised	% of SHGs federated into Village Level federations	0.00	5.00	10.00	30.00	40.00	50.00	60.00	70.00	80.00	90.00	90.00
Revised	% of SHG members reporting 30% increase in assets	0.00	0.00								50.00	50.00
Revised	% of SHG members report reduction in high cost debt	0.00	0.00								50.00	50.00
New	% increase in Income of households that have accessed technical and financial services	0.00	0.00								20.00	20.00

**Intermediate Results Indicators**



Action	Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
Revised	% of SHGs achieved quality and sustainability parameters as per agreed standards/rating systems	0.00	0.00	10.00	20.00	30.00	40.00	50.00	60.00	70.00	80.00	80.00
Revised	Direct investments in SHG households including revolving funds, group savings and bank credits ( USD Million)	0.00	0.00	50.00	70.00	150.00	350.00	550.00	1,000.00	1,500.00	2,000.00	2,000.00
Revised	% of SHG households with atleast one additional source of income	0.00									40.00	40.00
Revised	Innovative initiatives funded and implemented	0.00	0.00	1.00	2.00	3.00	4.00	5.00	7.00	12.00	15.00	15.00
Revised	Key learning from NRLP and NRETP (NRLP AF) replicated in other	0.00	0.00	1.00	2.00	3.00	4.00	5.00	7.00	8.00	10.00	10.00



	states												
New	State Rural Livelihoods Missions functioning with strengthened capacity for new economic initiatives	4.00	0.00	1.00	2.00	3.00	4.00	5.00	7.00	9.00	13.00	13.00	
New	SHG members mobilized into producer collectives	50,000.00	0.00					50,000.00	100,000.00	300,000.00	500,000.00	500,000.00	
New	% of SC, ST and Minority households among the total members mobilized into producer collectives	20.00	0.00					10.00	20.00	40.00	50.00	50.00	
New	Farmers adopting improved agricultural technology	0.00	0.00						100,000.00	300,000.00	500,000.00	500,000.00	
New	Farmers adopting improved agricultural technology - Female	0.00	0.00						80,000.00	260,000.00	400,000.00	400,000.00	
New	Farmers adopting improved agricultural	0.00	0.00						20,000.00	40,000.00	100,000.00	100,000.00	



	technology - male											
New	Enterprises ( Individual and Collective ) supported	0.00	0.00					20,000.00	40,000.00	80,000.00	80,000.00	
New	Enterprises ( Individual and Collective ) supported - Women-owned/Women-led	0.00	0.00					16,000.00	48,000.00	64,000.00	64,000.00	
New	% of Enterprises (individual and collective) supported by the Project that have accessed funds from Financial Institutions	0.00	0.00					10.00	25.00	50.00	50.00	
New	% of enterprises (individual and collective) functioning after two years of project support	0.00								40.00	40.00	
New	Beneficiaries of job-focused interventions	0.00	0.00					40,000.00	60,000.00	100,000.00	100,000.00	



New	Beneficiaries of job-focused interventions - Female	0.00	0.00						20,000.00	30,000.00	50,000.00	50,000.00
New	SHG households that have accessed digital financial services and allied services	142,000.00							200,000.00	300,000.00	500,000.00	500,000.00
New	% of Grievances registered related to delivery of project benefits that are actually addressed across the 13 states	0.00										80.00



## **Annexure 1: NRLP Implementation Status**

This section is an overview of the implementation progress and key achievements till date under NRLP.

### **1. Institution and capacity building**

#### **A. Setting up of State Rural Livelihood Missions**

1. The establishment of dedicated and autonomous societies with the intention to anchor the implementation of NRLP and DAY-NRLM at the state level has been a fundamental institutional achievement of the Project. These State Missions (SRLMs) are headed by a senior government official and are supported by qualified rural development professionals. 13 State Missions have been set up as part of NRLP and employ nearly 7,000 professionals, including young professionals, from some of the best national management institutes, selected through a transparent and competitive selection process. The SRLMs also have modern human resource systems that provide an appropriate and professional atmosphere of accountability and retention of high performing talent.

#### **B. Institution Building & Social inclusion**

2. A key objective of NRLP was to build strong self-managed institutional platforms of women, namely the self-help groups (SHGs) and their federations. Accordingly, the project invested heavily on ensuring regular capacity building of the communities and the professionals working with them. Training modules customized for various levels of the community institutions (i.e. SHGs and their federations at the village and cluster/block level) were developed and a cadre of over 500,000 community professionals and community resource persons (CRPs) were identified and trained to deliver this training. The project has thus far mobilized more than 8.8 million women from poor rural households into 749,000 SHGs (against an original project target of 400,000 SHGs). These SHGs have been further federated into 48,700 Village Organizations (VOs) and 2900 Cluster/Panchayat level Federations (CLFs/GPLFs). More than 60% of these groups belong to low-income states of Bihar, Jharkhand, Chhattisgarh, Uttar Pradesh, Madhya Pradesh, Rajasthan and Odisha.
3. One of the hallmarks of the project has been its highly inclusive nature with more than 58% of households mobilized in SHGs belonging to the Scheduled Caste, Scheduled Tribes and Minority households (HHs). For low-income states, the figure is even higher at 61%. Overall, about 62% of total estimated poor HHs have already been included in the project, indicating the quality of social mobilization which is focused on pro-poor targeting and geographical saturation approach.
4. Two innovations that have contributed significantly to the success of these institution building efforts are as follows:



5. **i. State-to-State Technical Assistance:** Under NRLP, a new approach for sourcing Technical Assistance (TA) and providing implementation advisory support based on the principles of peer-to-peer knowledge sharing was developed. The Andhra Pradesh (AP) and Bihar state missions<sup>19</sup> supported the state missions in Chhattisgarh, Rajasthan, and Jharkhand, Maharashtra, Jammu and Kashmir etc. in social mobilization, institution building, financial inclusion and livelihoods. Kerala's Kudumbshree<sup>20</sup> is providing technical and capacity building support to many states on Panchayat Raj Institutions and Village Organisations (PRI-VO) convergence, microenterprises and social businesses.
6. **ii. Community-to-Community Outreach:** Under NRLP, a nationwide expansion of the SHG program is being led by community resource persons (CRPs). These are SHG members who have experienced, as well as come out of poverty themselves. At present, more than 3,000 CRPs from AP and Bihar and 10,000 from other states are spearheading the implementation of NRLP in Chhattisgarh, Maharashtra, Jharkhand, Madhya Pradesh, Rajasthan, Uttar Pradesh, Haryana, Nagaland, Mizoram, West Bengal, Gujarat and Karnataka.

## 2. Financial Inclusion

7. The key focus of the financial inclusion efforts under the project were to a) build financial literacy and financial management capacity; b) institutionalize the culture of regular savings, internal lending and regular repayment within the SHGs; and c) enable access to financial services from the public and private sector banks. The project also provided investment grants that serve as the first source of capital for SHGs and help in establishing a culture of regular inter-lending and repayment, reducing reliance on extortionist money lending traditions. This has also helped the group in accessing institutional finance from banks as they have an established credit and repayment history. Because of these efforts, against a total investment of \$400 million from the project (of which nearly \$300 million in direct community level investment grants provided as revolving funds), the SHG households have been able to cumulatively save \$170 million and access institutional credit worth \$650 million from banks. In January 2016, based on the recommendations of the midterm review, the project introduced a dedicated financial inclusion fund (\$20 million) that focussed on digital financial inclusion service delivery through leveraging the 'India stack' model of JAM trinity (Jan Dhan Accounts -Mobile & Aadhaar) to provide multiple financial services at doorsteps to SHGs and their members. Under this fund, 20 sub-projects from 10 different states were approved under the Financial Inclusion dedicated fund supported by the NRLP, with an overall budget of \$7 million. These sub projects covered two broad categories:
8. **i. Use of alternate channel such as Business Correspondent Agents (BCA), mobile wallets and banking services with focus on SHG members as the last mile agent (BCA) to deliver banking services.** As result of the efforts thus far, more than 1400 BCAs, known as Bank Sakhis, have been trained, and are providing

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<sup>19</sup> Society for Elimination of Rural Poverty (SERP) in AP and "Jeevika"- Bihar Rural Livelihood Promotion Society in Bihar

<sup>20</sup>Kudumbshree is the poverty eradication and women empowerment programme ( DAY-NRLM ) implemented by the State Poverty Eradication Mission (SPEM) of the Government of Kerala



services to communities. By December 2017 over 890,000 transactions of over \$29 million had been carried out under the project, servicing over 142,000 SHG members.

9. ii. Establishment of Federations as community managed financial institutions: It is expected that by June 2018, more than 20 federations will be established as community managed MFIs that have strong a fiduciary management system in place.
10. With continued technical support from the NMMU and realisation of the benefits of these initiatives, SRLMs are expected to further increase these projects in FY 2018-19 and mainstream them into the DAY-NRLM program Also, there is growing interest both at the NMMU and SRLMs in engaging on initiatives to enable Micro, Small and Medium Enterprises (MSME) and Agriculture Financing through alternate channel/branch banking by developing new partnerships with Financial Institutions.

### **3. Skills**

11. Upgrading skills of the rural poor, with a focus on youth, and facilitating self-employment and placement in formal jobs was a part of the core strategy of NRLP. The project envisioned a range of activities from identification and mobilization of youth to mentoring and enabling placements. Placement linked skills training efforts were formalized under a dedicated government scheme – the Deen Dayal Upadaya Grameen Kaushalya Yojana (DDUGKY), which developed detailed operational guidelines for implementation of the above activities.
12. In 2014, NRLP earmarked dedicated funds of \$12.7 million were allocated for TA to DDUGKY for building management capacity, instituting IT-based management processes and M&E systems, and supporting pilot projects. The dedicated fund was restructured in August 2017 to \$9.7 million due to procurement delays with a bigger focus on self-employment and entrepreneurship outcomes through strengthening Rural Self Employment Training Institutes (RSETIs).
13. Both these programs represent a significant opportunity to enhance skills and improve jobs and income enhancement outcomes for rural poor households. DDUGKY is now one of the largest skills training programs in the country. Approximately 300,000 rural poor youth have been trained since 2015, and more than 150,000 have been placed in jobs. 50% of these youth are women. 587 RSETIs, one in each district of the country, are the largest source of self-employment and entrepreneurship-related training provision in rural areas.

### **4. Livelihoods and economic activities**

14. State Missions have followed a number of pathways to enhance agriculture incomes including (i) partnerships with reputed NGOs, technical agencies and government line departments to implement homegrown models through convergence; (ii) promotion of an improved package of practices with support from community resource professionals; (iii) sustainable agriculture through the Mahila Kisan Shashaktikaran Pariyojana (MKSP) etc. In all, NRLP/DAY-NRLM has reached out to approximately 2 million households through livelihoods promotion activities. A key common feature of all these initiatives is a





concerted focus on partnerships and developing community capacities. However, most of these livelihood activities lacked market interface. To address this issue, a dedicated fund for promoting new economic initiatives was created. 12 value chain development projects from 7 States<sup>21</sup>, with the objective of covering 155,000 women farmers and a total budget of \$25 million were approved. The proposals covered a wide range of sub-sectors from dairy to fresh fruits and vegetables; floriculture; non-timber forest produce, goats and fisheries.

15. The MoRD has also formalized collaboration between DAY-NRLM and National Dairy Development Board (NDDB) for the promotion of milk Producer Companies (PCs) to build an agriculture-value chain ecosystem both at National and State levels. Additionally, a call down list of nationally short-listed competent agencies was circulated to all State Missions for hiring of services as technical and implementation support agencies in the areas of agriculture value chain. At the national level, TechnoServe was hired to establish an Agriculture Value Chain Support Cell with a mandate to help State Missions in developing robust sub-project proposals based on State diagnostics and to provide technical and implementation support. A group of National Resource Persons (NRPs) for capacity building and handholding support was also empaneled.
16. MoRD has also organized several rounds of workshops and set up a high-powered advisory committee to guide DAY-NRLM/NRLP to transition to a high-impact transformative livelihoods agenda. As part of these new economic initiatives, 8 producer companies have been promoted and over 105,011 farmers are linked to market-based production systems. However, lack of technically skilled human resources remains a key constraint in the sustainability and success of these initiatives.
17. **Non-Farm Enterprises:** The 'Start-up Village Entrepreneurship Programme' (SVEP) under DAY-NRLM aims to promote and support existing rural entrepreneurs by providing a bouquet of business development services, including entrepreneur capacity building, seed & growth capital, handholding support for business development, IT-enabled enterprise planning and performance tracking systems and technical support through resource organizations.
18. The implementation of programs started in 2016-17 and has been rolled-out in 47 Blocks across 14 states with the support of 5 technical support agencies. 11,801 enterprises have been supported over the last two years. NRLP blocks with high mobilization and capitalization have been chosen for the SVEP pilots so that the existing community institutions and the established credit history of the SHG members along with the strong relationship with bankers in these blocks could be leveraged. The results from these pilots will inform enterprise development initiatives to be taken up under NRLP-AF.

## 5. Convergence

19. The objective of the convergence fund was to provide an impetus to convergent planning and to demonstrate sustained mechanisms for mainstreaming results-based convergence as envisaged under "Mission Antyodaya". The MoRD has approved nine sub-projects worth \$10 million under the Special Convergence Fund of NRLP. Collectively, these sub-projects plan to reach out to 628,000 in 39 districts/54

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<sup>21</sup> Madhya Pradesh, Maharashtra, Odisha, Jharkhand, Bihar, Assam, Chhattisgarh



blocks and intend to mobilize more than USD 78 million from various other government programs e.g. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Pradhan Mantri Awas Yojana (PMAY), Swachh Bharat Mission (SBM), National Social Assistance Programme (NSAP), etc. These funds are expected to promote increased access to health, nutrition, sanitation, wage labor and other social entitlements and services such as pensions, rural housing, and productive assets.

20. All State Missions (except Karnataka), have made substantial progress towards the implementation of convergence sub-projects and as of December 2017 more, than 200 crores has been leveraged. States like Bihar, Jharkhand, Chhattisgarh and Maharashtra have done exceedingly well and each state has come up with their own priority programs and convergence model. Furthermore, based on the experiences from the convergence blocks, the recently established National Nutrition Mission has issued a joint advisory to focus on Nutrition by MoRD, Ministry of Health (MoH) and Ministry of Women and Child Development (MWCD) aligned with the outcomes expected under “Mission Antyodaya” and “National Nutrition Mission”.

## **6. Monitoring & Evaluation**

21. The NRLP’s M&E system was intended to reinforce the culture of result-based management and provide the basis for evidence-based decision-making processes, of both strategic and operational nature. However, the roll out has not been as successful as planned. After various delays and intermediary systems, a fully digital transaction-based MIS was launched only in March 2017. All old systems are linked to this new system and will be fully transitioned to it. This community MIS system is also linked with SHG-Bank Linkage MIS and the newly developed Livelihoods MIS. However, there is significant variation in the rollout of this transaction-based system across states. In addition to the MIS, several states hired monitoring agencies but more effort needs to be made towards a systematic approach to process monitoring and cross learning that aids course correction and self-improvement.
22. An independent assessment of DAY-NRLM was commission by the Prime Minister’s Office and was conducted by Institute of Rural Management Anand (IRMA) in 2016-17 in three NRLP States viz. Jharkhand, Madhya Pradesh and Maharashtra. The study provided encouraging evidence to suggest that the program has positive impacts on livestock assets, income and savings. Perceptions of multiple stakeholders showed that SHGs had propagated awareness on range of social issues including alcoholism, child marriages, gender discrimination and domestic violence. Overall, the results suggest a variety of program impacts on diverse aspects of livelihoods linked to improved development outcomes. Households in NRLP villages reported higher per-capita incomes but were not significantly higher than that of non-NRLP areas. In addition, participation in NRLP was also associated with significantly higher loans and savings from formal institutions (such as banks and MFIs), larger loans, and higher productive livestock assets.
23. In addition, a partnership has also been developed with 3ie, Stanford University and Vrutti to provide technical assistance for a rigorous impact evaluation of the intensive approach promoted under NRLP and will cover 9 program states. The evaluation is currently underway and the results are expected by end 2018. With the exception of Bihar, all baseline surveys will be dropped from this impact evaluation. This



is largely because of differences in methodology and sampling frames adopted by the states, as well as different timelines of baseline surveys in states. The evaluation will include a comprehensive household survey, and community (including SHG and VO) survey measuring all the relevant indicators in the results framework as well as other key outcomes of interest at the national level<sup>22</sup>. The evaluation will use an instrumental variable (IV) approach by exploiting the phased implementation of NRLP and the consequent variation in the age of a cross-section of SHGs.

- 24. In addition to the national evaluation, several state level impact evaluations have been conducted by the World Bank through its state projects in the NRLP states that have used the same approach as NRLP. These evaluations have been conducted in Bihar (*Christian, 2015; Hoffmann, Rao, Surendra, & Datta, 2017; Datta, 2015*), Odisha (*Joshi, Palaniswamy & Rao, 2017*) and Tamil Nadu (*Khanna, Kochhar & Palaniswamy, 2013*). In addition, qualitative evaluations have also been conducted in Bihar (*Majumdar, Rao & Sanyal, 2017; Sanyal, Rao & Majumdar, 2015*) and Tamil Nadu (*Parthasarathy, Rao & Palaniswamy, 2017*). The results of these studies are a good reflection of NRLP, but also its complexity as each state has a unique model.
- 25. The evaluations find that across the board there have been positive impacts on access to formal credit, asset ownership, livelihood outcomes, and women’s participation in political and community development outcomes. The projects reported substantial decrease in the use of informal credit (*Bihar – 14.5% decline in informal credit, Orissa –7.7% more likely to report formal borrowing*). A decrease in the number of high cost loans was also recorded (*Tamil Nadu – 29.3%, Bihar – 14.5%*). The analysis also finds that the projects significantly increase women’s political participation, mobility and household decision-making (*Tamil Nadu – decisions on household durables: 9.96% higher, children’s education: 9.85% higher*).
- 26. Impact on asset ownership was more heterogeneous and there were differential effects mostly on the focus populations of that specific state program (Bihar – landless, Tamil Nadu – SC). For instance, an 8% increase in ownership of mobiles phones was detected among treatment and control households in Bihar across the board. In housing quality, there was a differential impact of over 100% amongst the landless. In addition, in consumptive and productive assets, there was a differential impact of amongst the landless, but the results were not significant. In Tamil Nadu, a first component of principal component analysis on 29 consumer durables revealed a doubling impact of treatment on consumption assets with a differential impact of over 40% on SC households. However, the results on income and consumption have been more elusive in the NRLP states. Only in Tamil Nadu, a 9% increase in per capital daily calorific (Kcal) intake was observed, with most of the increase coming from SC households. Further details of the impact evaluations have been presented in the table below:

**Table 2: Summary of impact evaluations related to NRLP**

Sr.	Title & Authors	Summary	States
1	Unheard voices: the challenge of	The paper evaluates the impact of the Pudhu Vaazhvu Project, a woman-centered poverty alleviation program, which explicitly aims	Tamil Nadu

<sup>22</sup> Some states have requested for a follow-up survey of their baseline for state level results and NRETP(NRLP AF) will support it on a case to case basis.



	<p>inducing women's civic speech</p> <p>Parthasarathy, Ramya; Rao, Vijayendra; Palaniswamy, Nethra</p>	<p>to bring women into greater contact with the village government and to provide them with greater agency in the administration of a government program, on women’s civic participation in rural Tamil Nadu. The analysis finds that the project significantly increases women’s participation in the gram sabha (village assemblies) along several dimensions —meeting attendance, propensity to speak, and the length of floor time they enjoy. Although women in the project villages enjoy greater voice, this does not lead to greater agenda setting power or responsiveness from the state.</p> <p><a href="http://documents.worldbank.org/curated/en/216591498569537722/Unheard-voices-the-challenge-of-inducing-womens-civic-speech">http://documents.worldbank.org/curated/en/216591498569537722/Unheard-voices-the-challenge-of-inducing-womens-civic-speech</a></p>	
2	<p>On the Frontlines of Scaling-Up: A Qualitative Analysis of Implementation Challenges in a CDD Project in Rural India</p> <p>Majumdar, Shruti; Rao, Vijayendra; Sanyal, Paromita</p>	<p>This paper summarizes the dynamics of community-level facilitation in a participatory development project by analyzing four years of qualitative data in Bihar as it scales up from its first phase to its second. The analysis finds that the key difference between implementation in the two phases of the project was that facilitators in the first phase deployed a discourse that was carefully “co-produced” with its beneficiaries. However, as the project scaled up, participants were mobilized quickly with a homogenous and fixed script that lacked the kind of improvisation that characterized the first phase, and which failed to include diverse stakeholder interests, objectives, and voices. These differences significantly reduced the intensity of participation and its concomitant social impacts.</p> <p><a href="http://documents.worldbank.org/curated/en/610721493131639450/pdf/WPS8039.pdf">http://documents.worldbank.org/curated/en/610721493131639450/pdf/WPS8039.pdf</a></p>	Bihar
3	<p>How do Self-Help Groups empower women and reduce poverty – and by how much do they do so? Evidence from Odisha</p> <p>Joshi, Shareen; Palaniswamy, Nethra; Rao, Vijayendra</p>	<p>The study is an impact evaluation of the Odisha Rural Livelihoods Project based on a Regression Discontinuity Design (RDD) framework that exploits the phased implementation of the program over a three-year period. Results indicate first order effects of improved participation in SHGs with a 22% increase in SHG membership in project areas. Project (TRIPTI) households were 7.7% more likely to report borrowing from formal or institutional sources of credit. There are also results on some metrics of women’s agency. In particular, there is evidence of a greater fraction of expenditure on women and children’s goods, alongside some improvements in women’s mobility. These improvement in mobility are however restricted in scope to activities that relate to credit access (going to SHG meetings, and visiting banks). Women in TRIPTI areas were 17.8% more likely to go alone to an SHG meeting and 5.3% more likely visit a bank</p>	Orissa



		<p>alone, conditioned on them seeking permission to do so. There is also an indication of a greater willingness to report problems in local public service delivery and a significant increase in willingness to pursue institutional action on community problems including domestic violence and alcoholism. An index of willingness to act on these problems was higher by 8.1 percent in project areas. We also see a 12.8 percent greater increase in an index of willingness of women to pursue institutional responses to these community problems in TRIPTI areas.</p> <p><i><a href="http://pubdocs.worldbank.org/en/462521477331602676/ResearchPaper6-Orissa-Core-RDD.pdf">http://pubdocs.worldbank.org/en/462521477331602676/ResearchPaper6-Orissa-Core-RDD.pdf</a></i></p>	
4	<p>Recasting Culture to Undo Gender: A Sociological Analysis of Jeevika in Rural Bihar, India</p> <p>Sanyal, Paromita, Rao, Vijayendra; Majumdar, Shruti</p>	<p>The study examines the nexus between development and culture in the context of Jeevika, a World Bank-assisted poverty alleviation project targeted at women, and finds support for an integrative view of culture. The paper argues that Jeevika created new “cultural configurations” by giving economically and socially disadvantaged women access to a well-defined network of people and new systems of knowledge, which changed women’s habitus and broke down normative restrictions constitutive of the symbolic boundary of gender. The study demonstrates that a development intervention is capable of inducing a large-scale cultural change that leads to greater gender equality, and that this is not simply a matter of making behavioral “nudges” at the individual level, but is akin to creating a mini-social movement within the village that challenges traditional structures of power and patriarchy.</p> <p><i><a href="http://documents.worldbank.org/curated/en/346831467995637047/pdf/WPS7411.pdf">http://documents.worldbank.org/curated/en/346831467995637047/pdf/WPS7411.pdf</a></i></p>	Bihar
5	<p>The Distributional Consequences of Group Procurement: Evidence from a Randomized Trial of a Food Security Program in Rural India</p> <p>Christian, Paul</p>	<p>The study is designed as a randomized trial in Bihar which tests a model showing that program targeting and consumption impacts are tied to selected quality of the provided good. Evidence from the study in which groups of beneficiaries choose the variety of rice to be offered as a subsidized loan confirms that choosing lower cost goods self-targets the program towards the poorest beneficiaries. Consumption impacts are biggest for wealthiest households and may be negative for moderately poor households. The paper also asks whether the strategy of local procurement and public choice is compatible with the goal of self-targeting through the provision of a good generally preferred by the poorest members of the communities in a context where basic staple goods have some heterogeneity.</p>	Bihar



		<a href="http://documents.worldbank.org/curated/en/438651467041713497/pdf/106448-WP-PUBLIC.pdf">http://documents.worldbank.org/curated/en/438651467041713497/pdf/106448-WP-PUBLIC.pdf</a>	
6	<p>Relief from Usury: Impact of a Community-Based Microcredit Program in Rural India</p> <p>Hoffmann, Vivian; Rao, Vijayendra; Surendra, Vaishnavi; Datta, Upamanyu</p>	<p>This paper presents the first randomized controlled trial-based evidence on the impact of micro-credit interventions on existing credit markets especially effects on interest rates. Households in rural Bihar were offered low-cost credit through a government-led self-help group program, the rollout of which was randomized at the panchayat level. The intervention led to a dramatic 14.5 percent decline in the use of informal credit, as households substituted to lower-cost self-help group loans. Due to the program, the average rate paid on recent loans fell from 69 to 58 percent per year overall. Rates on informal loans also declined slightly. Among landless households, informal lending rates fell from 65.5 to 63.2 percent, decreasing the gap in rates paid by landless versus landowning households by 40 percent. Two years after the initiation of the program, significant positive impacts on asset ownership among landless households were apparent. Impacts on various indicators of women’s empowerment were mixed, and showed no clear direction when aggregated, nor was there any impact on consumption expenditures.</p> <p><a href="http://documents.worldbank.org/curated/en/619581491240135589/pdf/WPS8021.pdf">http://documents.worldbank.org/curated/en/619581491240135589/pdf/WPS8021.pdf</a></p>	Bihar
7	<p>Socio-Economic Effects of a Self-Help Group Intervention: Evidence from Bihar, India</p> <p>Datta, Upamanyu</p>	<p>The paper studies the socio-economic impacts of the Bihar Rural Livelihoods Project (JEEViKA) using a retrospective survey instrument, coupled with PSM techniques. The study finds that JEEViKA has engendered some significant results in restructuring the debt portfolio of project households and has been instrumental in providing women with higher levels of empowerment. The interventions also contributed towards building of assets and smoothing of consumption in project households. Households in treatment areas increased their holding of cows by 4.6% over the 3 year period as against control areas (2.9%). Ownership of mobiles in 2010 was significantly higher among treatment households (56%) as opposed to control households (51%). Although there are some positive results on change in holdings of other assets like watches, they are small and non-robust. No effects could be found on land ownership or leasing in. Also, a significantly higher proportion of treated HHs (3%) had stopped using open fields for defecation, as opposed to control households (1.5%) during the reference period. Lastly, the evidence suggests that the percentage of insecure households reduced faster in project areas.</p>	Bihar



		<a href="http://pubdocs.worldbank.org/en/715151459872408615/Socio-Economic-Impacts-of-JEEViKA-A-Large-Scale-Self-Help-Group-Project-in-Bihar-India.pdf">http://pubdocs.worldbank.org/en/715151459872408615/Socio-Economic-Impacts-of-JEEViKA-A-Large-Scale-Self-Help-Group-Project-in-Bihar-India.pdf</a>	
8	<p>A Retrospective Impact Evaluation of the Tamil Nadu Empowerment and Poverty Alleviation (Pudhu Vaazhvu) Project</p> <p>Khanna, Madhulika; Kochhar, Nishtha; Palaniswamy, Nethra</p>	<p>The paper explores the impact of the Pudhu Vaazhvu Project (PVP) on its core goals of empowering women and the rural poor, improving their economic welfare, and facilitating public action. The study finds significant effects of PVP on reducing the incidence of high cost debt with a 29.3% reduction in number of high cost loans in PVP areas. Results also suggest diversification of livelihoods and a shift in the livelihoods portfolios towards more skilled employment in PVP areas with an increase in household members working in relatively more skilled jobs as their primary occupations (31.57% higher in PVP areas). There is also evidence of women’s empowerment, and increased political participation. On multiple dimensions of women’s agency within the household, it is noted that women in PVP areas report having a greater say in intra-household decisions. In particular, more women reported making decisions on purchase of household durables in PVP areas (9.96% higher) and making decisions on their children’s education (9.84% higher). More women in PVP areas also reported making their own decisions on the livelihoods activities they may choose to pursue (21.01% higher in PVP areas).</p> <p><a href="http://pubdocs.worldbank.org/en/623561459872407029/A-Retrospective-Impact-Evaluation-of-the-Tamil-Nadu-Empowerment-and-Poverty-Alleviation-Pudhu-Vaazhvu-Project.pdf">http://pubdocs.worldbank.org/en/623561459872407029/A-Retrospective-Impact-Evaluation-of-the-Tamil-Nadu-Empowerment-and-Poverty-Alleviation-Pudhu-Vaazhvu-Project.pdf</a></p>	Tamil Nadu
9	<p>Deliberative Inequality: A Text-As-Data Study of Tamil Nadu’s Village Assemblies</p> <p>Parthasarathy, Ramya; Rao, Vijayendra; Palaniswamy, Nethra</p>	<p>This paper uses text-as-data methods on an original corpus of village assembly transcripts from rural Tamil Nadu, India, to examine the gendered and status-based patterns of influence in line with theories of deliberation. The study first shows that these assemblies are not mere “talking shop” for state officials, but provide opportunities for citizens to challenge their elected officials, demand transparency, and provide information about authentic local development needs. Second, the study finds that across multiple measures of deliberative influence, women are at a disadvantage relative to men; women are less likely to speak, set the agenda, and receive a relevant response from state officials. Finally, the paper shows that although quotas for women on village councils have little impact on the likelihood that they speak, they do improve the likelihood that female citizens are heard.</p> <p><a href="http://documents.worldbank.org/curated/en/582551498568606865/pdf/WPS8119.pdf">http://documents.worldbank.org/curated/en/582551498568606865/pdf/WPS8119.pdf</a></p>	Tamil Nadu



## **Annexure 2: Economic and Financial Analysis**

### **Economic and Financial Analysis (EFA) at Appraisal**

The EFA for the original project has been updated based on the learning from the implementation thus far and the proposed investments under the additional financing.

#### **The Original EFA**

The project envisaged that the major benefits would come from (i) productive livelihood investments by poor households; (ii) improved access to institutional credit for expanding/diversifying livelihood investments; (iii) improved integration with markets and institutions for expansion of livelihood activities; (iv) participatory targeting of poor beneficiaries; (v) community management of investment funds; and (vi) enhanced skills linked with gainful employment opportunities for one million rural youth. Being a demand driven project, the likely choice of broad livelihood project categories by households were projected as follows: livestock related (40%), agriculture related (25%), small trade related (20%) and service related (15%).

#### **Economic Analysis for NRETP (NRLP AF)**

The proposed NRETP (NRLP AF) targets to reach approximately 5 million households in around 100 districts of the 13 identified states with increased technical assistance and investment support to strengthen the livelihood activities and to provide a launch pad for new generation economic initiatives such as the promotion of high value agriculture commodities and value chain development through improvements in market access, establishment of producer organizations and rural enterprises. The target households can be classified into five distinct groups (a) approximately 10 percent of the target beneficiaries will form Producer Organizations (PO) that will be supported with enhanced credit, intensive production techniques and support for market access and linkages; (b) approximately 25 percent of the target beneficiaries will form Producer Groups (PG) that will be supported with enhanced credit and intensive production techniques; (c) approximately 50 percent of the target beneficiaries will be supported with enhanced credit through linkages with formal financial institutions and dedicated livelihood funds; (d) remaining beneficiaries continue to avail services as under the current NRLP system; and (e) individual enterprises. While the NRLP was focused on mobilization and production focused investment support, the NRETP (NRLP AF) will focus on reducing dependency on the farm sector to non-farm sectors and greater diversification of income sources. Hence the distribution of livelihood choices under NRETP (NRLP AF) is assumed as follows: agriculture (50%), livestock (10%) and non-farm and service sectors (40%), comprising of small manufacturing, trade and services.

The main benefit of the livelihood activities would be increased and diversified incomes of the target beneficiaries. In addition, it is expected that substantial employment will be generated from farm as well as off-farm labor due to investments in value chain development activities. However, for this EFA, only the incremental benefits due to income increase has been considered. The EFA assumes that over the five years of project implementation an additional amount of approximately USD 1,500 million will be mobilized from credit linkages with formal financial institutions. The EFA also assumes a 10 percent recurring cost over the next 13 years for operation and maintenance of the assets. Further, it is assumed that the targeted households would achieve 100 percent of the expected increases in incomes in year 4





of project support with incremental increases in income from year 1 to year 3 (25 percent each year).

Currently, higher order economic investments by DAY-NRLM are at a nascent stage of implementation. Hence, to conduct the ex-ante cost benefit analysis for NRETP (NRLP AF), the incremental benefits are based on estimates for similar activities of these sectors calculated for other World Bank funded sub-national projects such as Bihar Transformative Development Project (BTDP), Jharkhand Opportunities for Harnessing Rural Growth (JOHAR) and the Tamil Nadu Rural Transformation Project (TNRTP).

**Table 1: Livelihood activity and investments**

	Farm		Off-farm		Non-farm	
	Households	Incremental benefit per INR of investment	Households	Incremental benefit per INR of investment	Households	Incremental benefit per INR of investment
Producer Organisations	192,000	0.77	144,000	1.14	144,000	0.67
Producer Groups	530,000	1.08	325,000	0.79	325,000	0.54
Enhanced credit	1,000,000	1.07	750,000	1.20	750,000	1.14
Simple credit	310,000	0.85	232,500	0.83	232,500	0.84
Micro Enterprises	6,000	2.84	4,500	0.90	4,500	1.88
Small enterprises	4,000	1.02	3,000	0.60	3,000	1.43

*Source: Incremental benefit per INR of investments are based on average values of similar interventions in BDTP, JOHAR, TNRTP, FAO's study on Value Chain intervention for DAY-NRLM and SVEP case studies on enterprise promotion*

Financial prices have been converted into economic prices by applying a applying a 0.9 Standard Conversion Factor (SCF) to net revenues and a 1.1 SCF to investments, to eliminate the effects of taxes and subsidies. The economic rate of return (EIRR) calculated over a 13-year period for the base case is 28.63 percent with a net present value (NPV) of USD 1,246.6 million at a discount rate of 12 percent.

### Sensitivity Analysis

A sensitivity analysis was conducted to assess the variations in benefits and costs and for the various lags in the realization of benefits. Even under adverse scenarios (20 percent cost increase, 20 percent benefits decrease or two years lag in the realization of benefits), IRRs remain within acceptable values, well above the 12% discount rate used for the analysis. Switching values were also calculated and are as follows: 41 percent for project benefits and 69.5 percent for total project costs.



**Table 2: Economic Rate of Return and Sensitivity Analysis**

Scenario			EIRR	ENPV (USD million)
Base Case			28.6%	1,246.6
Changes				
Programme Costs	Incremental Benefits	Benefits delayed by		
+ 20%			22.6%	915.9
+ 40%			18.0%	585.1
	- 20%		21.4%	666.5
	- 40%		13.3%	86.4
+ 20%	- 20%		16.1%	335.7
+ 40%	- 40%		5.2%	-575.2
Base Case		1 year	21.2%	783.0
		2 years	16.0%	369.1
		3 years	12.0%	-0.4
+ 20%	- 20%	1 year	11.6%	-35.1
		2 years	8.1%	-366.3
		3 years	5.1%	-661.9
Switching Values /a				
Costs	+	75.2%		
Benefits	-	43.0%		

EIRR = Economic Internal Rate of Return. ENPV = Economic Net Present Value.

\a Percentage change in cost and/or benefit streams to obtain an EIRR of 12 percent, i.e., economic viability threshold.