

# Agreement at Completion Point

## A. Introduction

1. This is the second country programme evaluation (CPE) by the Independent Office of Evaluation of IFAD (IOE) in the Republic of India since the Fund started its operations in the country in 1979. The first CPE was completed in 2009 and the report published in 2010. The current CPE had two main objectives: (i) assess the overall partnership between India and IFAD in reducing rural poverty; and (ii) generate a series of findings and recommendations that will inform the definition of future cooperation between the Government of the Republic of India and IFAD, as well as to assist in the implementation of ongoing operations and in the design of future IFAD-funded projects in the country.
2. Based on the analysis of the cooperation during the period 2010-2015, the CPE aims at providing an overarching assessment of: (i) the performance and impact of programmes and projects supported by IFAD operations; (ii) the performance and results of IFAD's non-lending activities in India: policy dialogue, knowledge management and partnership-building; (iii) the relevance and effectiveness of IFAD's country strategic opportunities programme (COSOPs) of 2011. This Agreement at Completion Point (ACP) contains a summary of the main findings from the CPE (see section B below).
3. The ACP has been reached between the Government of India (represented by the Department of Economic Affairs, Ministry of Finance) and the IFAD management (represented by the Programme Management Department) and reflects their understanding of the main findings from the CPE as well as their commitment to adopt and implement the recommendations contained in section C, within specified timeframes.
4. It is noted that IOE does not sign the ACP, although it facilitates the process leading up to its conclusion. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.
5. This ACP will be included as an annex of the new COSOP for India. In line with the decision of the Executive Board in 2013, the India CPE will be discussed in the IFAD Executive Board at the same time when the new India COSOP is considered by the Board. IOE will prepare written comments on the new COSOP for consideration at the same Board session, focusing on the extent to which the main findings and recommendations from the India CPE have been internalized in the new COSOP.

## B. Main evaluation findings

### Portfolio performance

6. Portfolio relevance is assessed as satisfactory. IFAD-funded projects focused on particularly disadvantaged groups, including the scheduled tribes, scheduled castes, women and the landless. A considerable portion of the investments were for agricultural activities. In the past, the technical contents of agricultural interventions were not always built upon a sound analysis of local farming systems and did not optimise opportunities to collaborate with local agricultural research and extension centres. These issues are better acknowledged in recent project designs. Recent projects have tried to build "convergence" with national rural development schemes, notably with NRLM and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) and to coordinate with local government entities (Panchayat Raj Institutions).
7. Effectiveness is assessed as moderately satisfactory. Results are better consolidated in community mobilization and infrastructure serving basic needs,

while emerging in two key areas: promoting agricultural production and rural livelihoods and enabling access to credit and financial services.

8. Efficiency has been rated moderately unsatisfactory. The main problems have been: delays in entry into force and in project implementation, reflected in loan disbursement lags. Looking at the factors that explain delays and sluggish implementation, on the one side there are the challenging agro-ecologic and socio-economic conditions of the project areas. On the other hand, there are gaps in the implementation capacity of state level agencies responsible for the projects.
9. Rural poverty impact is assessed as satisfactory under the domains of household assets and income, human and social capital, while moderately satisfactory in food security, natural resource management and climate change, and institutions and policies. In several instances, IFAD-funded projects have contributed to raise income and diversify income sources and helped build assets for the targeted households. Most projects have been successful at establishing high numbers of community-based organizations. People are better aware of opportunities to improve their lives and undertake collective initiatives.
10. Sustainability of benefits is overall assessed as moderately satisfactory due to the combination of political support, community-based support to the initiatives, and positive (albeit variable) support from the technical and economic fundamentals. In the past, design attention to "sustainability" was mostly confined to creating federations of self-help groups. More recent projects have better acknowledged at the design stage the need to support in the long-run institutions, human capacities as well as linkages to markets.
11. Pro-poor innovation and scaling up is assessed as satisfactory. There has been progress in introducing improved agricultural technologies and techniques which are also pertinent to climate change adaptation. There are some recent initiatives on information and communication technology (ICT) and commodity value chains and insurance products.
12. There are several examples of scaling up. In Odisha, the state government is funding the largest share of tribal community development project to expand outreach to 90,000 households in 1,500 villages. In addition, convergence with central government schemes is being pursued with MNREGS, NRLM and other national and state initiatives. In the North Eastern Region, there is an example of a third phase of a community development project, entirely funded by the central Government of India, so as to cover new districts.
13. Gender equality and women's empowerment is assessed as satisfactory. IFAD-funded projects try to create an enabling environment for women to take part in village councils, claim rights to agricultural land, access natural resources and financial services. There is qualitative evidence that intra-family household decision making now happens in a more participatory form. An increasing number of women are running for local elections.
14. Projects have also focused on reducing both household and livelihood related drudgery. Initiatives include the introduction of smokeless stoves, strengthening access to drinking water, sanitation and roads, increasing forest cover and access to fodder. In Madhya Pradesh, the Tejaswini project cooperated with a state initiative to introduce initiatives against gambling, alcoholism, domestic violence which directly affect the welfare of women and their families. The Madhya Pradesh government plans to scale up this strategy to the entire state.

#### **Non-lending activities**

15. Individual projects and the IFAD country office ran knowledge sharing and learning initiatives and products (websites, videos, blogs, newsletters, and booklets). Yet, much of the knowledge from the programme has not been documented or

analysed. In India there is a higher level of expectation from IFAD as a knowledge broker to help address an expanded range of issues confronting rural poverty.

16. During the evaluation period, the relationship with the central coordinating ministry (Department of Economic Affairs [DEA], Ministry of Finance) was cordial and characterized by mutual respect. However, IFAD has had little engagement with key related technical ministries in the central government (e.g. Tribal Affairs, Rural Development, and Agriculture).
17. Overall, there is good ownership at the state level: state governments are responsible for the implementation of IFAD-funded projects and there are cases of replication of projects or project sub-components funded by state resources (e.g. in Odisha and in Madhya Pradesh). The appreciation of the importance of a sustained relationship with the Panchayat Raj Institutions is emerging. Partnership with the NGO community for project implementation at the grass-roots level has been an intrinsic strength of the IFAD business model.
18. IFAD has been involved in United Nations (UN) sponsored cooperative efforts (UN Country team, UNDAF Task Teams) but fully-fledged programmatic partnerships with UN agencies are yet to emerge. According to the CPE interviews, multilateral donors such as the World Bank and Asian Development Bank recognize IFAD's comparative advantage and niche in rural poverty alleviation interventions, especially involving the extreme poor. However, the present level of interaction with IFAD is only one of consultation during project formulation.
19. Partnership with the National Agriculture Research System, including state and local research centres, presents opportunities for availing of the fruit of cutting-edge research and applying appropriate farming solutions. IFAD-funded projects do not make adequate use of this resource. An exception is the Integrated Livelihood Support Project, building cooperative partnerships in Uttarakhand on fruit, vegetable, milk production. Private sector partnerships are flagged as an important aspect of IFAD's strategy and this has been only an emerging area, with some pilot experiences in Maharashtra and in Uttarakhand.
20. At the state level, some projects usefully contributed to policy-related inputs. For example, projects in Maharashtra and Madhya Pradesh have provided an input into the Maharashtra Women's Policy 2013 and the Madhya Pradesh Vision 2018. There have also been missed opportunities, as in Jharkhand and Chhattisgarh where little policy dialogue happened on convergence options with public programmes in the two states.

#### **Strategic (COSOP) performance**

21. COSOP relevance is assessed as satisfactory. The COSOP 2011 reflected well the previous CPE's findings and recommendations. It maintained IFAD's focus on the deeper poverty segments, with a thrust on convergence with public schemes. It had more explicit recognition for the "technical" side of rainfed agriculture development, linkages to markets and processing. It stated two key objectives: (i) increased access to agricultural technologies and natural resources; and (ii) increased access to financial services and value chains. These are not only strategically relevant to the IFAD portfolio but imperatives for agricultural and rural development, nationally. The 2011 COSOP brought in for the first time the cross-cutting objective of sharing knowledge and learning on poverty reduction and nutritional security.
22. COSOP **effectiveness** is assessed as moderately satisfactory. As for the first strategic objective, the programme contributed to productivity increase and risk management for rainfed agriculture, albeit with variations between projects. Most project interventions contributed to increase yields and enhanced risk management by promoting sustainable agricultural practices, water conservation, agroforestry,

soil fertility management, selected livestock breeds, vaccination campaigns. Progress is visible across the portfolio, although with implementation delays.

23. With reference to the second strategic objective, propelled by self-help group, monetary savings and credit linkages have helped beneficiaries invest in circulating capital, sometimes also fixed capital. Despite good track record of SHGs and associated borrowers, public sector banks have been extremely cautious before extending credit support to community-based organizations.
24. The cross-cutting objective of knowledge and learning on poverty reduction and nutritional security has been partly achieved. In spite of the efforts at project-level to prepare communication products, there is a gap between the rich experiences on the ground and the capacity to analyse and systematize them in a way that is suitable for higher-level policy discussion.

### **C. Recommendations**

25. The following recommendations are geared towards the preparation of the next COSOP, through a consultation between the Government of India, IFAD and other key partners. It is assumed that the future lending envelope for India will remain at the same level as at present: US\$130-140 million per triennium.
26. **Recommendation 1. Keep priority to disadvantaged areas and groups but explore differentiated approaches.** Disadvantaged areas will continue to be a priority in the national rural development context and IFAD has recognized comparative advantages in disadvantaged areas in India. IFAD-funded interventions should continue to target disadvantaged areas, particularly in states with large rainfed areas, where they can establish effective and innovative approaches for future replication and scaling up of results. At the national level, it will be important to avoid excessive geographic spread-out of the portfolio. Given the human resources available in the IFAD country office, there is a limit to the number of states and projects that can be effectively supervised. Key recommendations of the previous CPE continue to be well-grounded such as the general principle of "one state one loan" and the "saturation" approach (maximizing coverage of a block/district before moving to the next one).
27. **Differentiating the approaches according to the target groups.** The future programme should continue to target disadvantaged communities and groups, with special attention to women and scheduled tribes. Attention to building and strengthening social capital should continue. However, in different agro-ecological and socio-economic contexts, IFAD will face different challenges. The design approach, component-mix and level of specialization will need to be adapted.
28. The traditional self-help group paradigm will continue to be relevant for areas and groups where basic needs, building of grass-roots organizations and subsistence agriculture are still the priority. These are interventions requiring several years of investments, starting from low economic base and human development conditions. Instead, in areas where communities are already organized and there is potential for marketing of surplus production, project designs, in addition to SHGs, should continue to explore additional approaches to community and group building with focus on collectively linking to markets and commercialization (e.g. producers' groups, mutually-aided cooperative societies and producers' companies).

#### **Proposed follow-up by the Government and IFAD**

29. The new country strategy for India will retain the focus on improving the incomes and nutrition of the rural poor households whose livelihoods rely on rainfed agriculture. The country programme will continue to pursue one loan – one state and the saturation approach. It is worth noting here that the current country programme demonstrated effective one loan-multiple state operations (such as the North Eastern Region Community Resource Management Project for Upland Areas – phase II [NERCORMP II]). Under the new country strategy, one loan multiple

states operations would be considered on an exceptional basis particularly for the North East Region where implementation through a regional agency (NEC) proved satisfactory. The Government of India invites IFAD to expand the size of the country office in India in order to increase the geographic reach and effectiveness of its programme.

30. With regard to the sub-recommendation related to the differentiated approaches which is more relevant to new projects, the design of IFAD-funded operations will be informed by poverty and gender analysis studies (current practice) and value chain studies. The information derived from these studies would help define the problem/ opportunity statement and therefore the component/activity mix required and arrive at approaches that would add value to Government's ongoing efforts to reduce rural poverty, increase agricultural productivity, and improve farmers' welfare. Attention will be given to ensure that the projects do not have an unduly long tenure and that all projects have a well-defined exit strategy.
31. Building social capital will continue to be a key feature of the country programme and the new strategy. Experience has shown that the Self-Help Group methodology with its key feature of poverty targeting, thrift and credit activities and women empowerment, is an effective entry point to building socially cohesive and autonomous higher-tier organizations. Experience shows that the higher-tier organizations are now playing an important role in financial intermediation and development of agricultural services to farmers (input supply, machinery/equipment hiring centers, and produce aggregation and processing). The legal entity for the higher-tier organizations will be explored on a case by case basis to determine the most appropriate set-up in view of the nature of services to be provided to farmers.

**Responsible partners:** IFAD, Government of India.

**Timeline:** New RB-COSOP covering the period 2017-2021.

32. **Recommendation 2. Projects' agricultural development components need to focus more prominently on technical solutions for rainfed agriculture, especially in light of the climate change, collaborate more with local and national applied research and extension, and commercialization of smallholder agriculture.** From a technical perspective, interventions need more direct emphasis on reducing the large intra-district yield differentials, better analyse constraints, risks and opportunities of farming systems. There is also a need for more systematic programme-based partnerships with state and local public research and extension organizations (e.g. district-level *Krishi Vigyan Kendras* and higher research organizations) on technical packages to improve productivity of crops, fodder, fruit trees and livestock and mitigate weather-related losses.
33. Investments in agriculture need to be crafted more strategically around territorial and commodity clusters, to better coordinate interventions and concentrate on a critical mass and streams of initiatives. This will also put projects in a better position to support linkages to markets and opportunities for value addition. To improve farmers' access to information on markets and reduce risks, attention needs to be paid to expose them to information technology and insurance products.
34. Emphasis on market access and value chains also implies: (i) better market access and value chain diagnostics upfront to identify the barriers that smallholder farmers face; (ii) clearer identification of the envisaged role of a project (e.g. enhancing access to market information; facilitating access to wholesale markets; investing on improved processing capacity); and (iii) exploring the interest of private sector operators at the design stage. Recent legislation on

reinvesting a percentage of corporate profits on corporate social responsibility provides new opportunities.

**Proposed follow-up by the Government and IFAD**

35. The design of new operations will pay more attention to defining clear farming system and packages of practices (POP) to improve the crop and livestock production systems and their integration. The supervision and implementation support of ongoing projects will share tested packages of practices that reduce production costs, promote sustainable methods of agricultural production, and improve productivity. Expanding the partnership with national applied research and extension organizations will be pursued more vigorously building on the lessons learned from the ongoing country programme. The successful results from the IFAD grant programme will be mainstreamed into new or ongoing operations taking into consideration the agro-ecological and socio-economic contexts. With the development of IT and Communication tools geared to agriculture, the new and ongoing operations will strive to link farmers with knowledge resource centers, low cost extension/communication services through IEC and will strive to document success stories & case studies. The new and ongoing projects will also collaborate with the flagship government programs for water and soil conservation, soil health management, crop insurance and e-marketing.
36. With regards the sub-recommendations related to the territorial and commodity clusters and market access, these are well noted. As indicated under the first recommendation, the detailed component/activity mix and approach will be based on the conclusions of the value chain studies and the definition of the problem/opportunity statement.

**Responsible partners:** IFAD, Government of India.

**Timeline:** ongoing. Recommendation already implemented for the design of the Drought Mitigation Project in Andhra Pradesh.

37. **Recommendation 3. Complementary interventions in non-agricultural activities are important** not only as a measure to diversify rural incomes (primary production will absorb only a part of the burgeoning youth labour supply in rural areas) but, equally important, to develop processing and value addition in agricultural commodity supply chain. In particular, there is scope to better connect these activities with projects' agricultural investments (e.g. in the areas of processing and packaging of products, agricultural tool repair shops, marketing of agricultural inputs, eco-tourism).

**Proposed follow-up by the Government and IFAD**

38. It is important to note that smallholders and marginal farmers currently derive less than 60 per cent of their incomes from agriculture. Non-agricultural income is therefore an important complement to the income of rural households. We take note of the CPE recommendations of connecting the non-farm agricultural activities with the development of value chains and the services linked with improving the effectiveness of the forward and backward linkages in the value chain; as well as targeting youth in such activities. Such activities are already ongoing and we will pursue these efforts both in ongoing and future projects, and build on achievements and lessons learned to date.

**Responsible partners:** IFAD, Government of India.

**Timeline:** ongoing projects; design of new projects under COSOP 2017-2021.

39. **Recommendation 4. Portfolio implementation efficiency needs to be addressed aggressively.** A first area of thrust is to simplify project design. This may entail more conservative plans for project coverage (e.g. fewer blocks or districts, following a saturation approach). In addition, in particularly disadvantaged communities (e.g. scheduled tribes), projects could follow a modular

approach: rather than concentrate numerous components and sub-components in a single project, the intervention could be sequenced in a modular fashion. For example, a first loan could focus on human and social capital building, support to food self-sufficiency and sustainable livelihood approach. A follow-up loan could then emphasize market linkages and support and scaling up in collaboration with public programmes and local governments (PRIs).

40. The central government, state governments and IFAD should review issues that cause delays in recruiting the project team, staff turn-over and lengthy procurement, affecting the pace of implementation, for example: (i) project personnel recruitment procedures, particularly for senior staff, given the difficulty to hire staff on deputation from state agencies and programmes; (ii) procurement procedures and contractual arrangements that have proven to be non-conducive (e.g. the output-based payment schemes for NGOs); (iii) compensation packages for project staff, to ensure equal treatment with other public programmes; (iv) concurrent charges of project directors that compete for their time and focus. IFAD could further support by preparing guidelines based on previous implementation experience and training modules on financial management, procurement and other fiduciary aspects.

#### **Proposed follow-up by the Government and IFAD**

41. The efficiency of Portfolio implementation is indeed an area where additional improvements are required and yet it is also important to take stock of what has been achieved so far. IFAD and the Government of India have been addressing efficiency in implementation in a vigorous manner over the last 5 years and the main results achieved to date are (and reported in the CPE): (i) the time from approval to first disbursement has decreased from 16.2 months to 9.5 months for the last five projects; (ii) the volume of disbursement has doubled from approx. US\$11 million in 2010 to US\$23 million in 2015; (iii) the number of problem projects has reduced from five to two over the period 2010-2015. We plan to build on these results to further improve the programme implementation efficiency with special focus on: (i) ensuring that the project design process further meets the DEA and IFAD readiness conditions for start-up in order to reduce the period from board approval to first disbursement ; (ii) ensuring that experienced candidates are designated as project directors as their competency, their personality and their full time responsibility for the project are a determining factor for project efficiency and effectiveness; (iii) streamlining project management in terms of delegation of authority and staffing; (iv) working on effective mechanisms for the release of loan proceeds by State Governments.
42. Based on the consultation with programme stakeholders at the CPE roundtable, it was agreed that additional measures to improve efficiency would cover: (i) simplify project design in line with recommendations 1 and 2 above; (ii) provide hands-on and systematic capacity-building to project management units on project planning, monitoring and evaluation (M&E), financial management and procurement especially in the start-up phase; (iii) plan start-up workshops in such a manner so as to facilitate sharing knowledge between design and implementation teams on project rationale and modalities of implementation; (iv) allow for sufficient time during the first year for detailed planning of implementation, undertaking required staffing and procurement, setting up the financial management and M&E systems; (v) ensure that appropriate delegation of authority is provided to PMU and that employment conditions are competitive so that qualified staff are attracted to the job, motivated and retained. It is also agreed that all new and ongoing operations will have a computerized financial management system.
43. It is worth noting that despite issues in implementation efficiency, the projects are effectively reaching their objectives: once the implementation systems are in place, the projects quickly achieve very good coverage of the beneficiaries and become very good at mobilizing community participation, bank financing and convergence

with Government programs and this somewhat compensates for delayed disbursement of IFAD funds. The projects are subsequently scaled up by the State Government.

**Responsible partners:** IFAD, Government of India.

**Timeline:** Ongoing.

44. **Recommendation 5. Strengthen partnerships and non-lending activities at four levels: state government, central government, private actors and the rural finance sub-sector and south-south cooperation.** There are four main levels of action, each requiring slightly different partners and skills. First, at the state level, project partnerships and experiences could be supported by analytical work to provide inputs into policy design and revision and pave the way for benefits to reach a larger number of people.
45. Second, at the central level, building on previous state-level experiences, lessons of processes and experiences could be distilled at a higher level and shared with central-level authorities and international development partners, including Rome-based agencies and International Financial Institutions in a number of fora.
46. Third, the private sector needs to be involved more prominently at the time of the new COSOP preparation and project design. Pilot experiences of the Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Programme (CAIM) and Integrated Livelihood Support Project (ILSP) with private operators need to be analysed more in detail to extract lessons and approaches. The rural finance sub-sector needs more attention given the so far limited responsiveness in financing village groups. In addition to working with private microfinance entities, the experience of MPOWER with publicly-owned banks deserves dissemination.
47. Fourth, experiences need to be shared with other countries in the sub-region (and beyond). The sub-regional mandate of the IFAD country office in India creates fertile ground for south-south knowledge exchanges. Beyond the sub-region, there should be central-level efforts from IFAD headquarters to facilitate strategic initiatives of South-South cooperation from a global perspective.

**Proposed follow-up by the Government and IFAD**

48. The country programme is already active at state level in disseminating successful experiences to state authorities which in turn scale these up and the CPE has confirmed the policy impact and scaling up at state level. Knowledge and policy related activities at national level are addressed under the sixth recommendation. Private sector is increasingly consulted at project design and supervision and as recommended by the CPE, IFAD is in the process of documenting the successful private sector and bank linkage activities of the portfolio. With regard to the sub-regional mandate of the country office in India, a work plan was already developed for knowledge sharing and is under implementation. IFAD has just provided a grant to a regional organization, SAWTEE, to define the engagement with the SAARC community and this is likely to strengthen cooperation within this sub-region. The Government of India is also in the process of developing its South-South cooperation strategy and IFAD will contribute to the key areas of relevance to its mandate and competencies, within the available resources.

**Responsible partners:** IFAD.

**Timeline:** Ongoing.

49. **Recommendation 6. Enhance capacity and resources for non-lending activities.** At present, non-lending activities are constrained by limited in-house technical expertise and budget. Within the current resource profile, some improvements could be made by exploring the following options: (i) embedding knowledge management and policy dialogue components in individual loan project financing; (ii) using the already existing opportunity of periodic tripartite meetings

to discuss selected sectoral/thematic issues and facilitate knowledge transfer across projects; (iii) mobilising additional funding from external sources (e.g. national, international foundations).

50. IFAD also needs to demonstrate capacity of strategic thinking and to bring specialized technical skills to the table. Partnerships with reputed national and international high-calibre specialists and think tanks would enhance quality and credibility of policy analysis. IFAD could consider creating an engagement forum comprising of researchers/scholars and practitioners, commission think pieces on issues of priority and convene with the government an annual or bi-annual high profile event. This would require IFAD Headquarter engagement and support including a moderate allocation of additional resources.

**Proposed follow-up by the Government and IFAD**

51. The implementation of this recommendation is already ongoing. Inclusion of knowledge management and policy dialogue activities in every individual project may not be relevant. Therefore, the Government of India believes that the issue of inclusion of KM and policy dialogue may be need based and should be included in a particular project only if necessary and in consultation with the Government.
52. In terms of knowledge management, the more recent projects, have expanded the activities in this field and are very active in the production of communication materials, training materials, case studies as illustrated by CAIM, ILSP and LAMP. There is also agreement on using the TPRM as a knowledge sharing platform. Within the next country strategy, and given the limitations on resources and time of staff, and the existence of several well recognized policy fora, IFAD plans to engage with the existing fora as well as existing Government-donor policy platforms (such as the work that FAO and World Bank are conducting on the policy options for agricultural development). IFAD will strive to mobilize additional resources to the extent possible, with the approval of GOI, to support relevant policy dialogue.

**Responsible partners:** IFAD and GOI.

**Timeline:** Ongoing.

Signed by:

Mr. Raj Kumar  
Joint Secretary (MI)  
Department of Economic Affairs  
New Delhi  
Republic of India

Date: \_\_\_\_\_

Signature



3/11/2016

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