Report Number : ICRR0020176

## 1. Project Data

| Project ID | Project Name |
|---|---|
| P093478 | IN: Orissa Rural Livelihoods Project |
| **Country** | **Practice Area(Lead)** |
| India | Agriculture |

| L/C/TF Number(s) | Closing Date (Original) | Total Project Cost (USD) |
|---|---|---|
| IDA-44720 | 31-Dec-2013 | 90,500,000.00 |
| **Bank Approval Date** | **Closing Date (Actual)** | |
| 31-Jul-2008 | 30-Jun-2015 | |

| | IBRD/IDA (USD) | Grants (USD) |
|---|---|---|
| Original Commitment | 82,400,000.00 | 0.00 |
| Revised Commitment | 75,109,339.90 | 0.00 |
| Actual | 67,520,037.45 | 0.00 |

Sector(s)
General agriculture, fishing and forestry sector(57%):Agro-industry, marketing, and trade(36%):Public administration- Agriculture, fishing and forestry(7%)

Theme(s)
Rural non-farm income generation(30%):Rural markets(30%):Participation and civic engagement(20%):Rural policies and institutions(10%):Gender(10%)

| Prepared by | Reviewed by | ICR Review Coordinator | Group |
|---|---|---|---|
| Ridley Nelson | Lauren Kelly | Christopher David Nelson | IEGSD (Unit 4) |

## 2. Project Objectives and Components

a. Objectives

*Project Portal Project Development Objective:*
Enhancing the socio-economic status of the poor, especially women and disadvantaged groups, in selected districts.
*Financial Agreement Development Objective:*
To assist the Project Implementing Entity in enhancing the socioeconomic status of the poor, especially poor women and disadvantaged groups, in the selected districts in the project area.
The Project Development Objective was similar in substance and language to the Financing Agreement (FA) except that it did not have the

first part of the FA statement referring to “assisting the Project Implementing Entity”. This review uses the Financing Agreement specification but on the assumption that evidence of achievement still calls for evidence on the enhancements achieved in socio-economic status not merely evidence that the project "provided assistance to the implementing agency" which is merely an input.
There were two restructurings, the first Board approved, the second not Board approved. However neither changed the objectives. Both were predominantly focused on the extension of time to project closing.
(Note that, at the time of appraisal, the state’s name was Orissa, but in 2011 the name was changed to Odisha. The new name is used throughout this ICRR)

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

No

c. Components

There were four components proposed in the PAD.

1 **Institution Building** (Appraisal Cost US$17.73 million; Actual US$25.53 million). This component had two parts: (a) a community level institution building activity aimed at financing startup activities including associated analyses, investments in capacity building, preparation and appraisal of micro-investment plans, and, strengthening of poor people’s institutions; (b) a project staff capacity development activity aimed at the development of staff capacity at state, district, block, and cluster level to implement the program. There was a particular focus on Cluster Coordinators (CC) and Community Resource Persons (CRP) who would provide support for Self Help Groups (SHG) and supporting federations.
2 **Community Investment Fund** (Appraisal Cost US$45.5 8 million; Actual US$42.42 million). This component had two parts: (a) the Community Investment Fund (CIF) aimed at transferring financial resources to federations at the panchayat level and the block level as grants for investments at the household level. It was also intended to build capacity for community organizations, leverage additional funds from financial institutions, and develop new financial products. This activity included Micro Investment Planning (MIP) at household level and the aggregation of these plans to enable prioritization at the SHG and federation level; (b) a Pro-poor Inclusion Fund aimed at providing bridging grants for the extreme poor and vulnerable groups to help them organize into SHG’s. It also provided technical assistance and funding for innovations to enhance the productive capacity of the poorest. Approximately 10% of the CIF was to be provided to the extreme poor and vulnerable groups. The latter included the differently-abled. Initially, there was to be a focus on the assessment of needs. This was backed by inclusion plans produced by federations at the panchayat level.
3 **Livelihood Promotion Fund** (Appraisal Cost US$15.59 million; Actual US$5.94 million). This component had three main activities: (a) the development of value chain proposals and the identification of strategic investments drawn from value chain analysis including a focus on production, productivity, and profitability in agriculture, horticulture, handlooms, fisheries, and livestock. There was a particular focus on the coastal districts. It included support for producer organizations, improved market linkages, and support services; (b) skills development and jobs for youth activities linked to service sector jobs or to support migration (during implementation, this was not supported after mid-term since, in the event, it was largely covered under government programs); (c) the livelihood fund itself which was to support an annual development marketplace event aimed at identifying innovations to encourage community and NGO groups to innovate and scale up through the project.
4 **Project Management, Knowledge Management, and Replication** (Appraisal Cost US$5.05 million; Actual US$3.26 million). This component was for project staffing, monitoring, evaluation, studies and pilots for learning. It included project management units at state and district level, project Management Information Systems and M&E at several levels, other learning activities and studies, information and communications including a website, the documentation of project experience and dissemination, and pilots for tests in selected blocks for future scaling up.

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

***Costs***
Total project costs at appraisal were projected at US$90.50 million. Actual was US$77.16 million, a considerable reduction. The difference left undisbursed balances at closing but was partly due to SDR/US$ exchange rate changes. Also, there were expenditure reductions over the original appraisal projection in the Community Investment Fund, the Livelihoods Fund, and, unusually, in Project Management.

***Financing and Borrower Contribution***
The planned IDA financing at appraisal was US $82.40 million with a borrower contribution of US $4.26 million and a community contribution of US $3.84 million. (It is not clear how this community contribution was to be made.) There was no cofinancier. The actual borrower share rose to US$9 .64 million. The IDA amount fell to US$67.52 million and there was zero community contribution.

***Dates***
The project was approved on July 31, 2008 and closed one and a half years behind schedule on June 30, 2015. There were two relatively minor restructurings with no change in objectives or key indicators, mainly related to extensions, on October 22, 2013 and May 21, 2015.

## 3. Relevance of Objectives & Design

a. Relevance of Objectives

The Country Partnership Strategy of 2013 to 2017, which was applicable at the time of project closing, had three overarching goals: economic growth, poverty reduction, and shared prosperity. The country strategy emphasized inclusion of the disadvantaged which was a major focus of this project. At the time of project closing Odisha remained one of India's poorest states. Due to its location, it has always been one of the most climatically vulnerable states with frequent impacts of floods and droughts. The ICR notes (p. 13) that, at the time of appraisal, the poor had limited access to services and entitlements and suffered from weak bargaining power.
While the ICR does not summarize the state strategy, it notes that the project is consistent with the National Rural Livelihoods Mission, a national program supporting state-level activities applying a similar strategy and supporting similar activities. The PAD (p. 27) notes that the state development strategy had three cross-sectoral components: (a) a private and group enterprise development component focused on inclusive growth including agricultural productivity and market access for small farmers, nonfarm income opportunities for women, and the improvement of the business environment for small and medium scale enterprises; (b) a fiscal, financial management, and public accountability component; and, (c) a public service delivery and human development component including social protection and antipoverty programs through institutional reforms, better use of information technology, and data and increased attention to M&E. The project design gave particular attention to the first and third of these cross-sectoral components.

Rating
High

b. Relevance of Design

The project broadly followed the design of other prior India livelihoods projects but shifted somewhat towards the value chain approach. Drawing from the PAD results framework, the theory of change, which was sound, emerges as follows:

- Institutional support for community-based organizations at several levels supported by skilled community resource persons would assist a range of activities aimed at helping the disadvantaged. The main focus would be on channeling the support through women members of the household.
- The support would include the improvement of the asset base and technological improvements in several productive sectors, particularly agriculture, leading to enhanced productivity and incomes partly through group connections to available credit sources and a modest level of grants.
- This would reduce reliance on expensive borrowing from moneylenders, releasing more household resources for productive investments or consumption smoothing and leading gradually to increased savings by households.
- The community-based organizations, with sustained project support for capacity building and the provision of financial resources, would eventually reach a point of institutional maturity enabling them to graduate from this support. For sustainability, they would then be partly supported in terms of both capacity and resources not only through their own growth but through their supporting federations.
- In order to ensure the productivity and income increases needed by the disadvantaged, value chain linkages would support greater efficiency and increased product prices through better business linkages.
- In parallel, productivity and incomes would be enhanced through a greater flow of innovations both technical and organizational.
- Again in parallel, the most vulnerable would need access to safety net support such as mid-day meals and other assistance.
- For such a logical chain to enhance the socio-economic status of the poorest and most disadvantaged, it would be essential for a high percentage of these households to become members of the community-based organizations.

The Results Framework was similar to several other state-level livelihoods projects reviewed by IEG. The chain of logic was well designed and the indicators appropriate and mostly measurable. Several of the design elements were creative although not entirely unprecedented, in particular, the Development Market Place proposal. There was also attention to the often neglected area of performance-based incentives for staff. The project appropriately included a complaints handling mechanism.
More attention could have been given in the PAD to how the poorest and most vulnerable, currently operating at low levels of productivity predominantly aimed at subsistence and food security, would make the challenging leap towards operating within a value chain approach producing marketed output.
The ICR (p. 13) notes weaknesses in the original design. It notes that the proposed expansion under the project was excessively linear and that a phased approach would have been better. The approach, as implemented, contributed to delaying some of the livelihoods activities. The ICR also notes a weakness in the analysis of the numbers of households in the target group. This is picked up later in this review under the Quality at Entry section.

Rating
Substantial

## 4. Achievement of Objectives (Efficacy)

### Objective 1

Objective
To assist the Project Implementing Entity in enhancing the socioeconomic status of the poor, especially poor women and disadvantaged groups, in the selected districts in the project area.

Rationale
Much of the evidence for output and outcome level achievements given here comes from the M&E system, some comes from the Impact Evaluation with a “baseline” survey in 2011, about two and a half years after the project became effective. The follow-up survey was in 2014, leaving a narrow time spread.
As with other India livelihoods projects, there is an issue of attribution that has been difficult to resolve. The methodological problem is that nearly all villages in the state were getting support from a range of programs including particularly those under the Mission Shakti program initiated in 2001. This methodology issue is discussed further under M&E.
**Output** achievements were the following:

- Support for beneficiaries came through 79,000 Self-Help Groups and 1,000 Gram Panchayat Level Federations (GPLF). The Project Team reports that about 55% of the SHGs were newly formed.The project benefited about 625,000 women but about 770,000 SHG members were facilitated to obtain insurance coverage under the government program and there were as many as 940,000 SHG registered members (ICR p.27) although from the activity data it appears that some of those 940,000 may not have been very active participants.
- There was an original investment credit target of INR 10,000 per household planned on an original household target number of about 300,000. This was more than achieved with INR 10,580 per household actually taken as credit for about 750,000 members, more than twice the target.
- The original target was for 60% of all types of the community-based organization to be graded at a C (satisfactory) rating or above. The target was exceeded with 74% of SHGs being graded C or above and 100% of GPLF’s being graded C or above, leaving 26% below the satisfactory level. The ICR notes (p.iii) that none of the GPLFs were able to achieve a grading of A, the grade that signified self-sustaining. There remains, therefore, unfinished business on the capacity side particularly at GPLF level..
- A key target was that at least 60% of federations would have at least two representatives from the Extremely Poor and Vulnerable Groups (EPVGs). This was greatly exceeded with 99% achieving that level of representation.
- A key target was that at least 60% of the Community Resource Persons would be operating on a self-sustaining basis either through their own fees or through community-based organization payment. This was achieved in one respect, although all of them were paid through their community-based organizations. However, the evidence presented does not show how the 8,356 CRP’s could become self-sustaining in the future.
- As in other states assessed by IEG (e.g. Telangana and Andhra Pradesh), of particular importance among the CRPs were the “Bank Mitras”, women who provide neutral and independent banking services at bank branches to SHG representatives who may be making deposits or

applying for loans, sometimes for the first time. The ICR reports (p.33) that 377 Bank Mitras were trained. (This was among a total of 10,306 CRPs trained in all the necessary skills including extension services, bookkeeping, and livelihoods activities.)

- A number of exposure visits for community members were organized by the project including visits to best practice sites supported by a range of experienced NGOs both within and outside the state. There were also group visits within the state to selected SHG's considered to be following good practices. In addition there were a number of Gram Panchayat Level Federation and Cluster level fora for learning purposes.
- A key poverty target was to get 80% of the Below Poverty Line households to become members of community-based organizations. This was slightly exceeded at a percentage of 82%. The ICR notes (p. 28) that the original Below Poverty Line survey of 2002 used by the PAD was outdated by the time of project effectiveness. To address this the state government undertook a participatory survey to create the target group list.
- A target was that 60% of community-based organizations would meet the graduation criteria of the project. It is not clear that this was met because the way graduation was measured under the project was to assume that all those Gram Panchayat Level Federations that received a second Community Investment Fund installment were considered to meet the graduation criteria. While meeting the requirements for a second installment called for meeting certain operational standards, it is not clear that these were the standards originally set for graduation which, at the time of appraisal, had defined them as being "self-sustaining". However, the Project Team in discussion reported that the criteria were similar.
- The GPLFs are reported to have carried out a lot of "convergence" activities aimed at linking their activities with the existing Panchayati Raj Institutions. An example given is with some district activities related to household latrines, also entitlements for the elderly, widows and the disabled. Unfortunately, as noted by the ICR (p.32), in many cases, the setting of interest rates by GPLFs had not factored in sufficient margins to support their operational costs.
- An investment target was that at least 80% of Micro Investment Plans would have been appraised, approved and financed. This was measured at the Gram Panchayat Level Federations. For this target, 100% (of the larger number than planned of GPLFs 1,000 versus1,005) was achieved. Similarly, 100% of these federations achieved the implementation of an inclusion plan (i.e. a plan for the disadvantaged)
- In terms of investment and lending, the Pro-Poor Investment Fund disbursed an amount of US$7.8 million to a total of 39,993 SHG's, a little under 80% of those eligible.
- A key target was to have "at least nine local innovations identified, financed and publicized through the Development Market Place". In the event, the project was unable to organize the Development Market Place. The Project Team reported that this was partly a casualty of the slow start-up.
- There was a target to develop a performance-based incentive mechanism for project staff. The ICR states that it was achieved because an annual staff increment of 3% was implemented based on a Key Performance Indicator assessment. However it is not entirely clear to what extent this provided individual as opposed to group incentives, leaving a potential free rider problem. Unfortunately, at the local block team level, a planned performance target that 80% of the block teams receive positive scoring from the community through participatory monitoring was not, in the end, measured. The ICR reports that a community-based scoring system could not be established.
- In terms of project process, a complaints handling mechanism was to be set up. This was established and was reported to have been functioning satisfactorily. Also, the project was able to harmonize its policies and procedures with the wider Mission Shakti program at state level.

**Intermediate Outcome and Outcome** level main achievements were the following:
**Savings and Lending**

- Under the Community Investment Fund, a total of US$32.3 million was disbursed to GPLFs over three tranches. The project MIS system reports that the CIF loan velocity by the end of the project was 149% with an average idle funds of 23.5%, suggesting a quite active utilization and cycling of available funds. The Portfolio at Risk 90 days percentage (i.e. installments overdue for more than three months) included 1.56% of the SHG's (based on a sample of 690 GPLFs), suggesting quite good repayments in aggregate, although, based on project experience from other livelihoods projects, this probably masked some household disparities within the groups.
- The savings target was for 50% of households to achieve savings of at least INR 2500 for an original total planned of 300,000 households. Actual achievement fell somewhat short of the savings amount at INR 2,050 but, at 750,000 members, covered more than twice the original target of beneficiaries.
- A target was that at least 75% of households would report reduced dependency on high cost private moneylenders. This was not actually measured in terms of indebtedness to private moneylenders but a measurement of total household debt was made. More than 250,000 households were found to have reduced household debt.
- The impact study data show that 78% of SHG members availed of loans from within the group including own funds, bank loan, and CIF. The fact that 74% of the poor and vulnerable members availed loans from SHG's suggests that there was no discrimination against the poorer households. However, the impact study found that the improved access to cheaper credit did not translate into improved economic welfare as measured by increases in household consumption expenditure or assets. (However, as noted earlier, the impact study was across a span of only 3 years and

Odisha farmers typically face and did face a range of seasonal conditions with drought and flood. There were two major flood events over the project period. This makes it particularly difficult to draw conclusions from asset changes.)

- The impact evaluation did not record a significant increase in the overall individual household loan volumes at village level compared to households in control villages. However, it did note that there was a relative 7.7% switch to institutional loans, meaning SHG and commercial bank loans (ICR p.15). (It is assumed that the "relative" reported here refers to relative to the control group.) Third, the impact study found only a small but statistically significant increase of 2% in the average volume of household savings in project villages compared to control villages.

In conclusion, borrowing was more from institutional sources than moneylenders, savings increased and there was good loan repayment. Consumption expenditure did not increase much but this may be due to the short time period between surveys and two flood events.

**Productivity, Value Chains and Marketing**

- On productivity and the supporting asset base, a target was that at least 50% of households would have increased productivity and a sustainable asset base. It is not clear how this was supposed to be measured but the ICR reports that a total of 140,897 households had participated in productive activities such as the System of Rice Intensification (SRI), seed production at the village level, and poultry. The number of households achieved fell a little short of the original target which would have been 50% of 300,000 households. But, on a percentage basis, it fell considerably short taking the actual total number of beneficiary households at the achieved 770,000 SHG members. Based on these figures, only about 20% of beneficiaries gained any project-supported productive activity. These seem likely to have been the less poor who had some land holding. It would be presumably from among the less poor with some marketable surplus that the main beneficiaries of the value chain support would come.
- An important target in terms of the project intent was that there would be a 10% increased share of poor households participating in financed value chains leading to enhanced income. Unfortunately, this indicator was not measured. The ICR implies qualitatively, but does not quantify by enterprise, that poorer households benefitted from investments in paddy, seed, onions, and vegetables.
- A target was that 50% of producer organizations would be commercially viable. This was defined as "having balance sheets indicating positive turnover trends". This was not measured. However the ICR reports that 473 producer groups had received project support for three years or more and were "still functioning at project closure". The implication appears to be that, since they were still functioning, there was a significant probability of them being commercially viable and being sustained.
- A target had been to have at least 15 major business linkages established for producers. Achievement fell quantitatively short at 10 linkages although there seems to have been no measurement weighting by scale.
- In conclusion, the productivity target in terms of number of households benefitting was almost met, about 140,000 hh implemented new technologies. However, since the number of beneficiaries was, in the end, more than double the original target, in terms of percentage, only about 20% of farming households benefitted.

**Welfare, Employment and Food Security**

- On food security, there was a target that at least 50% of households of GPLFs would report improved access to the Mid-Day Meal Program. This was not achieved by the project itself because it was not possible to track and attribute any of the activities of the project to this program.
- On employment, the original target was to have at least 10,000 direct jobs created through project facilitation and at least 75% of the trained and placed rural use getting sustained income. The actual fell short of the target on both training and placement with only 2,366 placed in jobs out of 4,568 trained (that is assuming "placed in jobs" is the same as "sustained income" since the target for sustained income was 7,500)
- On social well-being, the impact study found a 22% increase in SHG membership in the project areas compared to non-project areas. This increase was in a situation with already high baseline membership of 67.9% SHG membership in project areas and 74.2% in non-project areas. (The difference presumably being due to the fact that the project had prioritized under-served poor areas.)
- As in other recent India livelihoods projects, the ICR reports that a number of studies have found an increase in the mobility of women although there was no target. As a result of SHG membership and the demands for participation, women have begun to move about independently, increasing their participation in community activities. The impact evaluation found that 18% of women reported that they were now more likely to go to SHG meetings alone and 5% more likely to go to banks alone. In the same vein, while there is limited quantified evidence, the ICR reports increased participation of women in political activities. It is reported that a large number of women members of SHG's contested local panchayat elections. The ICR reports that one member was elected a state Member of Parliament in the last parliamentary elections.
- The ICR (p.57) provides evidence of a 54 household sample comparing the first set of household micro-investment plans in 2012 with the second set for the same households in 2014 which shows a small reduction, rather than increase, in average total income and average total expenditure, and a small increase in average food expenditure and average expenditure on education and a small reduction in average expenditure on health (as opposed to an increase found in the impact data noted above) but it showed also a substantial decrease in indebtedness. While the impact study

data does not cover all the parameters picked up in the M&E system and in some other sources of data, it seems to suggest that the selected project blocks and villages, and the direct beneficiaries within those villages, did not enhance their socioeconomic welfare very far beyond that achieved by those supported under other programs. To know whether this represents a weakness in the project is not possible without an assessment of the project/program costs per household in the selected project communities compared to the costs of other parts of the state program. It appears that all boats were being lifted making the measurement of attributable incremental gains difficult.

In conclusion, the main welfare achievement was covering a considerably larger number of SHG members than originally planned. For those reached, there appears to have been greater women's participation in community activities due to SHG support and greater mobility. Employment creation through training did not reach the target. However, it is not clear how on-farm employment was affected by the productivity support or the broader welfare support across the larger than planned number of beneficiaries. (SRI rice often requires more labor, and more skilled labor, at peak seasons.)
As noted earlier, there are some attribution questions in a number of these reported achievements. First, the impact study showed no significant change in overall consumption compared to control villages. However, there were increases in spending on education but no increase in food expenditure (ICR p.60). (But on expenditure there are some differences of findings between sources.) The short period between the baseline and end study makes the identification of welfare progress with a long term social aim of giving greater voice to the poor, especially women, quite difficult.
In conclusion, in terms of overall Outcome, the picture is somewhat mixed. The scale of the main achievement at about 750,000 members, over twice the original target, achieving significant savings, gaining access to credit of about INR 10,000, providing a substantial support system of 79,000 SHGs and over 1,000 federations, generally performing satisfactorily, was, on the face of it, substantial. The aim to reach the poor appears to have been largely achieved given the high level of membership of poor and disadvantaged in the community based organizations. There was increased spending on health and children by some measures but not by others. However, it is difficult to say whether the expenditure on this particular project, along with the processes and the organizational structure, performed significantly better than other parallel programs. As noted, there appears to have been no significant increase over the control group in overall consumption. But the implication of this finding is difficult to interpret due to the limited availability of truly untreated controls.
We return to this issue of costs and incremental benefits under the section on efficiency. However, on balance, the achievement of the objective is rated **Substantial**. There was a significant scale of impact on women and the poor and disadvantaged, there was very high representation from the poor and vulnerable groups at federation level, considerably higher than the target. There seems likely to be a longer-term potential from the community organizational structure to continue to enhance socioeconomic welfare in the future. Achieving greater women's voice and skills has always proved to be a long term program.

Rating
Substantial

## 5. Efficiency

As indicated in the section above on the achievement of objectives, there are some questions about efficiency.
The Project Appraisal Document efficiency analysis was rudimentary and of very little value as a comparator for the ICR analysis which, while still focused almost entirely on investment costs and benefits at the household level as opposed to an aggregate economic analysis, was somewhat more comprehensive.
In the PAD, the financial rate of return for the four representative income earning activities were estimated at between 10% and 46%. At an estimated cost of US $90.50 million to cover 300,000 poor households the projected cost per household was approximately US$300.
The PAD provided some discussion of the fiscal impact of the project on the state.
The ICR efficiency analysis was based largely on a small 50 household stratified random sample collecting recall information using a farm budget modeling technique and program. This analysis calculated cost-benefit ratios ranging from 1.66 for fisheries to 3.41 for traditional paddy cultivation and 5.48 for vegetable production. A small business model cost-benefit ratio yielded 1.26, quite low for a business environment with significant risk.
At an actual total project cost of US $77.1 6 million and assuming 700,000 beneficiaries (these figures vary depending on the definition of beneficiary) the actual cost per household was substantially reduced below the PAD plan but, in implementation, a number of activities were different from those proposed or were not implemented which makes comparison difficult. Also, some costs were shifted to other programs.
There remain a number of questions about efficiency. First, as noted above in the discussion of the achievement of objectives, on those parameters that were measured in control communities, or with respect to nonparticipant households, there seems to have been limited incremental achievement by the project over the achievements obtained by other support and other programs in the state in different blocks and villages. The ICR does not give information that would enable a comparison of the means adopted in these other areas and other phases to achieve these apparently quite similar results.

Second, neither in the PAD nor in the ICR is there an attempt to measure an overall economic rate of return. The argument used in the PAD, that such an analysis was not possible because the project was to be based on demand driven micro-investment plans which could not be known in advance may be partly valid at appraisal but is not valid at completion when the chosen investments are known and have been implemented. In the absence of an aggregate economic rate of return, which would still require a number of assumptions, it is difficult to know whether the modeled incremental benefits, when aggregated to project scale, were sufficient to give an adequate rate of return on the total project costs.

In terms of cost effectiveness both quantitatively and qualitatively, there are some indications in the ICR of relative inefficiencies. First, the project took one and a half years longer than planned. Second, as noted in the ICR (p.6), implementation was "not very smooth" in the first two years and this contributed to the dropping of some proposed activities. There were issues in finalizing the methodology for the situational analysis and the project did not follow the phasing of project blocks as designed. There were also delays in getting clearances for required policy changes including policies related to the Community Resource Persons. There were frequent transfers of project directors and issues with inter-departmental cooperation and there were delays in key decisions. At one point during implementation the project was rated moderately unsatisfactory and unsatisfactory. However, after considerable intervention by the Bank, implementation accelerated again. Outside the Bank's or the Borrower's control, there were two major cyclones calling for the redirection of project work on emergency relief which accounted for some of the delays.

Also with respect to cost effectiveness, there is no evidence in the ICR of unit costs of particular investments compared to costs elsewhere in the state or in other states.

Efficiency is rated, on balance, **Modest.** This is mainly due to limited evidence for an aggregate rate of return, limited comparative data against other similar investments, concern about risk and sustainability for the expected longer term benefits, and the lack of growth in real incomes and expenditures.

Efficiency Rating
Modest

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

| | Rate Available? | Point value (%) | *Coverage/Scope (%) |
|---|---|---|---|
| Appraisal | | 0 | 0<br>☐Not Applicable |
| ICR Estimate | | 0 | 0<br>☐Not Applicable |

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

## 6. Outcome

The Relevance of Objectives is rated High. The objective was fully consistent with both borrower and Bank strategies and then program was later expanded by the state government as a result of the project achievements. Relevance of Design is rated Substantial. While generally strong and reflective of a sound logical chain responding to the objective, the proposed expansion under the project was excessively linear, a phased approach would have been better. The achievement of the Objective is rated Substantial on balance although it is a somewhat mixed story and attribution is not easy to differentiate given the wide reach of a number of parallel programs. Efficiency is rated on balance Modest partly due to limited data, implementation delays and weak gains in some areas including household expenditure and consumption. Overall, Outcome is rated **Moderately Satisfactory**, the project had moderate shortcomings.

a. Outcome Rating
Moderately Satisfactory

## 7. Rationale for Risk to Development Outcome Rating

On balance, the risk is rated **Substantial**. On the positive side, the continuation phase of the project now lies embedded within a state program that follows similar approaches. The ICR notes (p. 20) that "at project closure the state government took a policy decision to integrate the core institutional design of the project with that of the Odisha Livelihoods Mission for the National Rural Livelihoods Mission investments in the whole state." Furthermore, substantial skills have been built up in managing the community institutions and processes. But there are a number of concerns.

**Institutional Risk**

There is a considerable risk that there remains a significant percentage of quite fragile federations and self-help groups that can be expected to require handholding for more years than the project was able to provide. The program expansion across the whole state may leave earlier institutions supported under this project that have not yet reached maturity with insufficient sustained support and nurturing. For some time, despite continued state-level support under the national program, there is likely to be conflict between depth and coverage. The Project Team acknowledged that scaling from 38 blocks to 300 is a huge task in a situation with a lot left to be done for the existing groups..

The ICR reports that some staff from the project areas have now been moved to other blocks in the state supported under the ongoing Bank-funded National Rural Livelihoods Project. The Bank continued involvement in the wider program may help to ensure some continued contribution to sustaining the activities in the project blocks under this Orissa Rural Livelihoods Project, but the risk of capacity and investment being spread too thinly remains.

**Livelihood/Economic Risk**

The low percentage of households, about 20%, who benefitted from the first round of support for productivity, suggests the need to now spread the productivity support to four times as many households as were actually assisted under that activity. Since these are likely to have not been the poorest of the poor, there is unfinished business in raising the incomes of the poorest. There is likely also to be a need to ensuring that more of the poorest have access to land and have surplus production to be able to take advantage of value chain approaches. The scale of the national program may not be sufficient to sustain the benefits in these selected project areas that have had only a few years of support.

a. Risk to Development Outcome Rating

Substantial

## 8. Assessment of Bank Performance

a. Quality-at-Entry

The project design reflected well the lessons from other project experiences in India and globally, and had a strong focus on women and poverty. There were issues with beneficiary estimates for the target group and only a modest understanding of the state implementation, coordination, and policy change capacity. Nevertheless, the design did leave flexibility to innovate and there were a number of creative ideas although not all could be implemented. As noted in the ICR, there were some questions about the linearity of design and phasing. The initial delays in implementation could be partly traced to some weaknesses in initial design but the overall approach was sound.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

Based on the evidence in the ICR and in the Project Portal data system, supervision was thorough and responsive to the emerging needs. In the first two years, when there were significant implementation issues, the Bank was proactive in setting targets and moving implementation forward. Technical assistance was provided outside the regular supervision mission cycle. The ICR suggests that there may have been an opportunity to somewhat restructure the project at midterm or a little earlier and to refine the results indicators. It is difficult to judge whether this would have made a substantial difference. Supervision was able to make up for some of the weaknesses in Quality at Entry.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

## 9. Assessment of Borrower Performance

a. Government Performance

The ICR reports that the state government was encouraging and supportive with the principles of the project but that there were issues on which it could have been more supportive. It suggests that more action could have been taken to improve the enabling environment for efficient operation. There was a high turnover of project leaders. As noted earlier, there were delays in policy decisions such as those related to CPRs and there were some weaknesses in following a sustained systematic approach to the project. One mitigating factor on the issue of policy lags may be that, with a number of other similar project or program activities underway throughout the state, GoO presumably had to coordinate policies across projects and programs to be consistent. This would have called for quite time-consuming consultation.
The ICR notes that both government and the implementing agency could have done more to leverage the project model for wider change at the state level. However, the project model was, with modification, adopted so clearly the state was supportive of the overall concept and committed to replicate it.
The government share of financing at US$9.6 million was more than twice the planned contribution at appraisal.

Government Performance Rating
Moderately Satisfactory

b. Implementing Agency Performance

Overall, the implementing agency, now referred to as the Odisha Livelihoods Mission, a registered society, had mixed performance, although, given the institutional structure, it is difficult to differentiate between government and implementing agency performance in terms of responsibility. As noted by the ICR (p.8), "..Instead of strong decision-making, the governing body and executive committee gravitated towards slow departmental file clearing processes.." There was a lot of leadership change. There were nine Project Directors.
More positively, the implementing agency is reported to have been responsible for addressing the need for an intermediate community structure bridging the SHGs and the GPLFs.
One of the project intentions had been to create incentives for project agency staff. This may have been optimistic given established government procedures but there was some achievement in this direction. However, the ICR notes that young staff contracted from the open market did not receive the same incentives. This created inevitable tensions.
The implementing agency mission retained a strong focus on poverty and is reported to have made a particular effort after the midterm review to improve project implementation resulting in the considerable increase in disbursements and lifting the project out of problem status.

Implementing Agency Performance Rating
Moderately Satisfactory

Overall Borrower Performance Rating
Moderately Satisfactory

## 10. M&E Design, Implementation, & Utilization

a. M&E Design

M&E was generally well designed, building on experience in earlier Livelihoods projects in India. There was a comprehensive MIS system, performance tracking of community organizations, a process monitoring system, monitoring of social accountability and transparency, and a number of studies including an impact study. There was also a process of participatory M&E. Overall, it was s strong design with a potential to deliver good performance evidence.

b. M&E Implementation

M&E implementation was a mixed story. There were a number of weaknesses and it was rated only moderately satisfactory in the ICR (p. 9). The Impact study sampling methodology was sound but quite complex (see ICR p. 66 for more detail). The following are the details. It involved the selection of four program blocks based on a backwardness index scoring that, in each district, took the non-program control block with the closest score to the last of the four program blocks. Then, 4 Gram Panchayats were randomly chosen in each block, 2 villages randomly chosen in each GP, and 15 households randomly chosen in each village. Note that the project covered a purposively selected sample of 38 blocks with high levels of poverty of which five blocks had significant tribal populations. Other programs covered other blocks. Thus there were few options for sampling nonparticipant controls. Even within supported villages, non-SHG participant households were receiving a number of benefits from village investments.

The project failed to develop a fully functional MIS system mainly because of a contract issue. Process monitoring was not carried out regularly and mostly had to be accomplished at the Mid-Term Review. Business process efficiency studies were conducted to assess bottlenecks in business processes for funds flow, procurement etc. There were a number of reports that the ICR characterizes as high quality. The consultant survey team was able to benefit from the high level of support provided by the Bank's Social Observatory in New Delhi. There were high quality institutional reports on the self-help groups and their federations at Gram Panchayat level at the baseline, mid-term and end-line points, although, as noted earlier, the baseline was surveyed quite late.

c. M&E Utilization

The ICR reports that the borrower Project Completion Report prepared by an "independent expert with the project team" (p.9) provided a "comprehensive and candid overview of ... achievements and lessons".

Utilization is reported to have been of value in making project adjustments and in following up on problem areas. There were quarterly reports produced that aided management. These enabled the preparation of an annual action plan as a key technical and financial guidance tool.

However, the ICR reports that some of the data were difficult to interpret. As noted earlier, a major challenge in the assessment of the India Livelihoods projects has been that their pervasive impact clouds the measurement of incremental achievements due to the leakage of benefits to potential control groups. There is no easy solution to this.

Overall, M&E was a mixed story. On balance it is rated Substantial allowing for the considerable methodological challenges.

M&E Quality Rating

Substantial

## 11. Other Issues

a. Safeguards

Safeguards

The project was rated a Category B. Only two safeguard policies were triggered at appraisal: Environmental Assessment (OP/BP 4.01) and Indigenous People’s (OP/BP 4.10). It is not entirely clear why the safeguard on Pest Management was not also triggered since one of the main supported activities both in terms of beneficiary credit and technical support was to be traditional intensive rice production as well as the System of Rice Intensification. In discussion, the Project Team thought that probably, at that time, it was not appreciated how much intensive paddy would be an activity. There was no compulsory land acquisition or involuntary resettlement. In terms of social inclusion, the central strategy of the project through the community organizations was aimed very directly at social inclusion of the poorest, women, and the disadvantaged.

Tribal Development

A Tribal Development Plan was prepared for the tribal households in the five blocks that had significant tribal populations and for the lower density tribal populations in other blocks. Tribal household inclusion was carried out as part of the mainstream project intervention. Tribal households participated in the process of household micro-investment plans. The project partnered with the Rural Development Institute (Landesa), an international NGO, on a pilot focusing on land rights. This enabled the landless tribals to access homestead land. However, there was weak monitoring and tracking of the implemented changes in tribal communities so the ICR rates the implementation of the Tribal

Development Plan as only Moderately Satisfactory.

Gender
The project strategy revolved around support for women and the project implemented its Gender Action Plan. This included the disabled, widows, destitute and other vulnerable peoples. There was also a focus on pregnant and lactating mothers and adolescent girls addressing nutrition, water and sanitation in a partnership with UNICEF in a few blocks.

Environmental Safeguards
The project prepared an Environmental Management Framework (EMF) mainstreaming environmental management and planning, design and implementation. The focus was on the subproject investments and livelihoods activities. There were activity-specific technical environmental guidelines and environmental management indicators for monitoring and evaluation. In 2011, the EMF was modified to be consistent with the Bank-supported National Rural Livelihoods Project. The main aim was to screen micro-investment plans against an environmental negative list. Support was provided by an external technical agency to provide capacity building. This agency developed an environmental management toolkit and manual and provided training. It piloted to Natural Resources Management Projects into districts.The ICR rates the implementation of the EMF as Moderately Satisfactory. Implementation was not institutionalized and capacity building was not sustained over time resulting in several initiatives that did not reach completion stage.

b. Fiduciary Compliance

Financial Management
There were a number of financial/fiduciary issues reported by the ICR (p. 11). There were too many vacancies and accounting positions at district and block levels during the first years of the project so some of this activity had to be outsourced to accountancy firms. There were week systems for tracking and monitoring the use of funds at community level. The project was unable to institute integrated management information systems to enhance the capacity of the GPLFs to manage funds and to improve governance and community oversight following the closing of the project. In the final year of the project, financial audits of all GPLF’s was necessary to ascertain closing unspent balances.

Procurement and Governance
There were shortages of trained procurement staff, delays with the recruitment of consultancies including that for a baseline study, and other problems including delays and payments to consultants. This later improved although there continued to be delayed payments. The Bank had to resort to extensive capacity building and training to improve the situation.
The project implemented a Governance and Accountability Action Plan and established a right-to-information cell which addressed eighty-one complaints over the project period only one of which was a procurement complaint. The ICR reports a zero-tolerance approach to misuse of funds and gives examples of action.

c. Unintended impacts (Positive or Negative)

It is reported that women played a greater political role. This was not a target or an intention signaled in the objectives but it was doubtless expected based on the experience of earlier livelihoods projects in other states..

d. Other

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## 12. Ratings

| Ratings | ICR | IEG | Reason for Disagreements/Comment |
|---|---|---|---|
| Outcome | Moderately Satisfactory | Moderately Satisfactory | --- |

| | | | |
|---|---|---|---|
| Risk to Development Outcome | Modest | Substantial | There are substantial questions about the capacity to continue support to some of the weak community institutions that have not yet reached maturity. Also, there are concerns about the need to spread productivity increases to more beneficiaries. |
| Bank Performance | Moderately Satisfactory | Moderately Satisfactory | --- |
| Borrower Performance | Moderately Satisfactory | Moderately Satisfactory | --- |
| Quality of ICR | | Substantial | --- |

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

## 13. Lessons

The following lessons are drawn from the ICR but with selectivity and adaptation of language.

1 **In rural livelihoods projects targeted at the poorest, participatory targeting is the essential first step for the identification of the target group, but this needs to be supported by a focus subsequently on those identified beneficiaries through all of the implemented project components, through the mobilization process, through incentives and through ensuring leadership positions for the poor.** In this case, the project aimed to work with the entire village. This included older and newer self-help groups and the poor and vulnerable but also the better off population. This breadth of accomodation helped the poor and vulnerable to feel, and to be seen to be, a part of the wider community.
2 **Rural livelihoods projects need to build on a producer group base; this can be accomplished with a combined extension model including demonstrations, farmer field schools, and dedicated resource persons, all working with producer groups to spread and scale up innovations and interventions.** However, in this case, there was a need to considerably advance the work towards integration with the private sector and market players and to better link farmers to technical support systems sensitive to the poorer producers' needs. Also, in this case, it was not clear how the poorest, with little land access and little surplus production, could be reached by a value chain approach.
3 **A state support system for a rural livelihoods project calls for dedicated staff architecture, the identification of champions, attention to political traction, systematic and sustained partnerships, and convergence with existing state government institutions to ensure continued scaling up.** In this case the project supported well-trained and dedicated professionals at all levels but could have been more systematic in involving experienced local partners such as NGOs for innovation and capacity building, particularly in the social area of entitlements.
4 **The complexity and context-specificity of livelihoods and community-based projects means that the design must incorporate flexibility and leave space for lower-level decision-making; to achieve this, performance based approaches to management and strong monitoring and evaluation are required.** In this case, the incorporation of situational analysis data from the project databases was important.

## 14. Assessment Recommended?

No

## 15. Comments on Quality of ICR

The ICR is well prepared and comprehensive. It provides a considerable amount of information and offers thoughtful lessons drawn from the experience. The discussion is outcome-oriented.
The efficiency analysis is somewhat limited partly due to data limitations. It does not attempt to relate the individual activity cost-benefit findings to the overall project costs so it was not possible to deduce any overall project rate of return and it was not easy to assess comparative

efficiency with other programs.
The results of the impact evaluation and the relationship between the impact evaluation results and the findings from overall M&E and other studies is somewhat unclear. IEG accepts that this was partly because of the difficulty of finding any valid control groups to assess attribution in a situation of wide state coverage of the program and the use of existing self-help groups operating prior to the project and supported by earlier investment. The impact study appropriately applied, but on a limited sample, the only available “control” method of regression discontinuity design.
Somewhat more examination would have been useful on how poor subsistence farmers with small land holdings or limited land access were able to benefit from value chain connections which presumably require a marketable surplus. This raises questions about what changes in enterprise patterns and cash flow did actually take place for the poorest. Similarly, more examination of the fact that only about 20% of beneficiaries were involved with the project supported productive activities would have been helpful. It raises the question of where did these 20% stand on the poverty ranking and what might have been done for the rest.
However, overall, the ICR was a strong assessment of a complex project.

a. Quality of ICR Rating
   Substantial