Report Number : ICRR0021253

1. Project Data

Project ID	Project Name	
P079708	IN: TN Empwr & Pov Reduction	
Country	**Practice Area(Lead)**	**Additional Financing**
India	Agriculture	P107668

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-41030,IDA-48370,TF-52880	30-Sep-2011	350,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
12-Jul-2005	30-Jun-2017	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	120,000,000.00	595,140.00
Revised Commitment	267,812,211.43	595,140.00
Actual	260,041,278.48	595,140.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Katharina Ferl	Victoria Alexeeva	Christopher David Nelson	IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

According to the Project Appraisal Document (PAD) (p. 4) and the Credit Agreement of September 14, 2005 (p.17), the objective of the project was “to empower the poor and improve their livelihood through: (a) developing, strengthening and synergizing pro-poor local institutions/groups (including Village Panchayats); (b) enhancing skills and capacities of the poor (especially women and the vulnerable); and (c) financing productive demand-driven sub-project investments related to livelihoods for the target poor”. The PAD defined the target poor as the poor including the ultra poor (bottom 50 percent of the poor), and special groups that included disabled and the vulnerable -destitute, widows, deserted women, aged, orphans and tribals.

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

No

c. Will a split evaluation be undertaken?

No

d. Components

The project included three components:

Component 1: Village Livelihood Program (appraisal estimate US$142.5 million; additional financing of US$176.7 million; actual US$301.2 million). This component was to finance the formation and strengthening of village institutions through supporting and developing inclusive, self-reliant, self-managed and sustainable community organizations such as Self-Help Groups (SHGs), EAGs (Economic Activity Groups) and their federation, Village Poverty Reduction Committees (VPRCs) and Village Panchayats (VPs) for livelihood improvement. Also, this component was to finance the Village Fund consisting of four different funds: i) the VPRC Fund was to mobilize the poor into SHGs to build capacity of both existing and new SHGs to plan and implement sub-projects, provide seed funds to new SHG, skills development and training, and provide special assistance to the disabled and vulnerable; ii) the Livelihood Fund was to enhance livelihoods of the poor and vulnerable by financing productive investments on a matching grant basis; iii) the Village Panchayat Incentive Fund was to provide incentives for local government institutions to become pro-poor and support targeted activities for the ultra-poor and other vulnerable groups such as the disabled. The release of installments of the incentive fund was to be linked to the VP measurable performance indicators including involvement in social mobilization of the left out poor and their participation in the VPRC; and iv) the Federation Fund was to provide start-up capital to federations of community organizations to become self-reliant and self- sustainable.

Component 2: District and State Support to Village Livelihood Program (appraisal estimate US$6 million, additional financing of US$4.9 million, actual US$9.4 million). This component was to finance the support and build capacity within the project teams and support organizations at the state and district levels to respond to the needs of the poor and build institutional linkages and livelihood options for enhanced sustainability of the livelihoods of the poor and vulnerable.

Component 3: Project Management (appraisal estimate US$10.50 million, additional financing of US$11 million, actual US$31.6 million). This component was to finance the overall co-ordination, implementation, monitoring and learning of the project at state and district levels. Activities were to include setting up and strengthening state level and district level project management units, and providing office infrastructure and logistical support.

The Additional Financing (AF) was to finance the expansion of project coverage to an additional 10 districts and focus at the intra-village level (the Basic model) in the new districts and on aggregating inter-village institutions and investments (the Basic Plus model) in the existing districts. The Basic model (same project design, components and activities as implemented in the first few years of operations under the original project) focusing on initial social mobilization, institution building and early livelihoods development within the village. The Basic Plus model was to consolidate and deepen the activities in the ongoing project areas to address ‘second generation’ issues, in terms of scaling up livelihoods activities through aggregation and federation, and with institutional development looking beyond the village, to inter-village opportunities for sustainability and enhanced livelihoods for the poor.

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

Project Cost: The project was estimated to cost US$159 million. Actual project cost US$334.3 million, due to increase in the project scope through additional financing.

Financing: The project was financed by an International Development Agency (IDA) credit of US$120 million of which US$121.39 million were disbursed (higher due to exchange rate flucutuations). The project received Additional Financing in the amount of US$154 million in 2010, of which US$138.64 million were disbursed.

Borrower Contribution: The government was to contribute US$64 million; actual contribution was US$73.85 million. Local communities were to contribute US$12 million; actual contribution was US$8.84 million.

Dates: In total, the project closing date was extended by five years and nine months (from September 30, 2011 to June 30, 2017).

- On October 22, 2010 the project received Additional Financing of US$154 million in order to expand the project into an additional 46 new blocks (an administrative unit comprising a cluster of villages) spread across 10 new districts, and four additional blocks in existing districts. Also, the Additional Financing was to make up for a lack of funds in the original project implementation area where: i) the project entered into a greater number of villages than originally planned (10% increase); and ii) a 30% increase in the number of identified target population. The Closing Date of the original credit would be extended from September 30, 2011 to September 30, 2014.
- On September 23, 2011 the project was restructured to re-allocate proceeds within Category 1 to ensure that sufficient funds under category 1a (formation and strengthening of village institutions) to finance activities related to village panchayat initiation and incentive.
- On June 26, 2014 the project was restructured to: i) extend the closing date for the Additional Financing from September 30, 2014 to September 29, 2016 to allow the project to achieve the outcome indicators in the new districts that are supported through the Additional Financing; ii) add two PDO indicators to measure improvements to people's empowerment and broader economic well-being; iii) revise the Results Framework Revisions to ensure that there are a common set of indicators to be monitored for both the original and expanded project area. No split evaluation will be undertaken since the modifications of PDO Indicator 2 and 4 were minor and PDO Indicator 3 was added to better capture the project’s effect on empowerment of women.

3. Relevance of Objectives

Rationale

In 2005, Tamil Nadu was India’s seventh largest state with a population of 62 million. Despite having higher economic growth and faster urban-rural poverty reduction than the national average, 20 percent of Tamil

Nadu's population lived in poverty, especially Scheduled Castes, Scheduled Tribes, and women were among the poorest. 44 percent of the rural population was employed as agricultural laborers. Even though agricultural growth and productivity were higher than the national average, the sector's performance was threatened by Tamil Nadu's increasingly vulnerable to droughts. Furthermore, jobs in non-agriculture sectors such as manufacturing, were increasingly in demand, however, the lack of skills and access to credit and markets presented an entry barrier for the rural population. In addition, especially women and the vulnerable were excluded from social and economic opportunities in the state.

The project was in line with the Government of Tamil Nadu (GoTN)'s 10th Five-Year Plan (2002-2007), which identified improving the quality of life of the rural poor as its main goal for rural development. The plan also stressed the importance of empowering the poor and women through creating viable livelihoods for them in the villages. At project closing, the objective was also in line with the 12th and most recent Five-Year Plan (2017-2022), which continued to focus on women empowerment and stated the importance of financially supporting women farmers through credits to stimulate agricultural production and increase household incomes and to enhance the sustainability of Self Help Group (SHG) movement through intensifying the federation activities and grooming them into full fledged community based organizations.

The project also supported the Bank's Country Assistance Strategy (CAS) (2005-2008) at the time of appraisal. The CAS pointed out the importance of the Bank's role in expanding rural livelihoods through the Community Driven Development (CDD) approach. The project's objective was also in line with the most recent Country Partnership Strategy (FY2013-17), which focused on enhancing access to services to excluded groups of the population and improving rural livelihood opportunities.

Rating

High

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To empower the poor.

Rationale

The theory of change linked the objective of *empowering the poor and improving their livelihoods* with social and political empowerment (ability to influence decisions and participation), economic empowerment (increases in incomes), and well-being of targeted households (increase in livelihood assets). This was to be achieved through: (a) developing, strengthening and synergizing pro-poor local institutions/groups (including Village Panchayats); (b) enhancing skills and capacities of the poor (especially women, youth, differently-abled, and the vulnerable); and (c) financing productive demand-driven sub-project investments related to livelihoods for the target poor. The project was built on the premise that building social capital of the target women in rural poor households, vulnerable and marginalized communities provides them the agency to access both social and economic opportunities which then in effect leads to improved livelihoods. In addition, the project aimed to provide incentives to local government institutions – Village Panchayats- to strengthen their ability to govern and become more pro-poor and accountable to community members.

Outputs
• 4,465 Village Poverty Reduction Committees (VPRCs) were formed in all the 4,174 panchayats covered, of which 351 were tribal VPRCs.
• 4,465 Panchayat Level Federations (PLFs) were restructured and enhanced to increase their transparency and representative of the poor. PLFs are affiliations of the Self-Help Groups (SHGs) formed into federations and takes care of the financial and non-financial needs of the members.
• At project closure, 75% of the CBOs (VPRCs and PLFs) were graded as categories A or B, surpassing the target of 70%. These categories correspond to grading used to assess the performance of the SHGs along the following parameters: regular savings, holding regular meetings, regular repayments, regular on-lending, regular and transparent book-keeping, and determine their eligibility for funding.
• All VPRCs received the first installment of funds, 99% received the second installment of funds, and 78% received the third installment of funds, achieving the target of 80% of CBOs having accessed and managed project funds according to rules and procedures.
• The 87% of VPRCs created a Development Fund (total of INR 79,860,764 with an average amount of INR 3,87,674 per VPRC). The fund was used to provide services to the differently abled, youth training, loans to SHGs livelihood activities, and operational expenses. The ICR did not include a target for this activity.
• At project closure, 906 PLFs had not received the second installment of Amudha Suabhi Fund. Throughout project implementation, PLFs managed funds worth 2.5 times the costs of building their capacity and providing seed financing. The ICR did not include a target for this activity.
• 40% of the total Village Panchayats (VPs) accessed the incentive fund as per agreed guideline, surpassing the target of 30% of VPs.
Outcomes:
• According to the Bank's Impact Evaluation for phase 1, in comparison to non-project areas, the percentage of women who attended Gram Sabha meetings was 65.5% higher, more women reported making decisions on the purchase of household (9.9% higher), their children's education (9.8% higher), and choice of livelihood activity they wish to pursue (21% higher), achieving the target of women's ability to influence decisions and household participation in Gram Sabha meetings by at least 10%. The project's impact on political participation extended beyond its core target group of women. 30.6% of households in the project areas reported attending the last Gram Sabha meeting. Also, 16.8% of project respondents than non-project respondents stated that they would approach the police for help. However, a similar Impact Evaluation for phase 2 found no differences in terms of women's empowerment between project areas and control areas. According to a stratified household survey, women's participation in Gram Sabha meetings was higher in phase 2 than in phase 1 blocks (95% and 79% respectively). About 91% of respondents of the household survey perceived an increase in participation in Gram Sabha meetings due to the project (95% in phase 1 and 88% in phase 2).
• 98% of the CBO's poor/ultra-poor women were occupying decision making positions in VPRCs and PLFs, surpassing the target of at least 90% CBOs.
• 97% of target households were mobilized into Community Business Organizations (CBOs), surpassing the target of 80% of households.
• 92.5% of the identified vulnerable population (disabled and tribal) were organized into Self-Help Groups (SHGs), surpassing the target of 70% of vulnerable population.
• 96% of differently abled, vulnerable and tribals accessed funds from the project and other sources and have started livelihood activities or employment, surpassing the target of 70%.

- A profitability analysis of PLFs showed that at project closure, 90% of PLFs were making net operational profits after the deduction of costs, 9% were at loss, and 1% were breaking even. Also, at project closure the PLFs had successfully rotated the initial Amudha Suabhi Fund of INR 5.19 billion 3.3 times and had a loan outstanding of INR 5.12 billion, total portfolio at risk of INR 692.5 million and idle fund of INR 829.8 million.

Rating
Substantial

Objective 2

Objective
To improve the livelihood of the poor.

Rationale
The project strategy for improving livelihoods was creating livelihood groups to generate a second level of asset accumulation and income enhancement through credit, convergence and partnerships with the private sector.
Outputs
- 917,193 households were integrated into 36,140 new SHGs and 71,159 existing SHGs to allow for the access of funds from various sources.
- 5,264 Common Livelihood Groups with a total membership of 190,346 households were established.
- 23 Community Farm Schools (CFS) were established. However, the ICR (p. 19) stated that, with a few exceptions, they were financially unsustainable, lacked vision, technical capacity and ownership by project beneficiaries.
- 49,115 VPRC members were trained in accounting and auditing, e-book keeping and fund management.
- 100% of SHG members were trained in accounting, preparation of loan applications and annual budget and financial reporting.
- Approximately 6,698 PLF members were trained in fund management and accounting.
- 154,920 Community Livelihoods Groups (CLGs) members were trained in book keeping and marketing.
- All village institutions have federated and are benefitting through access to financial linkages or through delivery of services, surpassing the target of 40%.
- 85% of CLFs are making profits after two years of commencement of business, surpassing the target of 60%.
- 15 partnerships were established across at least five sectors of at least five public/private sector organizations and communities, achieving the target of 15.
- 75% of VPRCs and EAGs receive support for livelihood plans in accordance with agreed service standards conducted through report card, surpassing the target of 70%.
- 393,038 members of target households were placed in jobs through project facilitation (for both existing and additional project districts), surpassing the target of 100,000.

Outcomes
- 100% of SHG members used internal loans to strengthen their livelihood portfolio or to smoothen

consumption.

- 775,378 households benefitted from the Amudha Suabhi Fund. 847,776 households received direct credit from financial institutions at least once. The ICR did not include a target.
- At least 92% of the SHGs of the poor received multiple doses of credit (two or more bank linkages) either directly from the Bank or through the PLF bulk loan with a total amount of INR 57,201 million mobilized. According to the ICR's economic and financial analysis, based on a number of producer models and the amount of funds that were borrowed for livelihood activities, households were able to generate average incremental incomes of 0.8 INR every year.
- A retrospective evaluation of phase 1 on the project found that high cost debt was 23.4% lower than in non-project areas moving the likelihoods portfolio towards more skilled employment since the household loan portfolio favored non-farm livelihoods at 53.37%.
- According to the ICR's study (p. 19) on the debt profile of project beneficiaries in new blocks before and after exposure to project activities, results show an average decrease of annual interest rate from all loan sources of about 30% and an average reduction in loan from non-institutional sources of 22.5%, an increase in repayment periods (15.7% of primary loans), and a reduction of loans from multiple sources (three to five loans), indicating that borrowers have become more creditworthy.
- The retrospective Impact Evaluation of phase 1 found an increase of 0.23 units in livelihood assets for project beneficiaries relative to beneficiaries in the control group. However, due to the implementation of project activities in the control block, no significant difference in assets increase was found for phase 2 by the prospective impact evaluation. There is not enough evidence to assess the achievement of a 20% increase in livelihood assets by project beneficiaries.
- The proportion of skilled laborers trained through project activities increased by at least 33%, surpassing the target of 20%.
- 96% of target youth received skills enhancement and were linked to employment/self-employment, surpassing the target of 50%.
- According to the ICR (p. 19) there are several sources to confirm the achievement of income increase targets across phase 1 and phase 2 of the project. 1) At the Mid-Term Review (MTR) an external evaluation was conducted which estimated a mean income per month for beneficiary households of INR 13,402 against a baseline value of INR 8,614 (a 27% difference). 2) The ICR's economic and financial analysis estimated increases against baseline values ranging from 53% to 136% due to access to credit, technical assistance and linkages to convergence with government schemes. The economic and financial analysis used information from a third-party impact assessment of the skills component and showed that an average incremental monthly income of INR 3,840 for youth employed prior to the project and higher for those previously unemployed. 3) the commissioned households survey showed that project beneficiary households' earning IRN 10,000/months or more increased from 4% to 27.7% in project areas and from 4% to 20.6% in non-project areas.
- 93% of the target households have accessed funds through the project, linkage with banks or other financial resources or benefitted through income generating activities or through social safety net, surpassing the target of 85%.
- 75% of VORCs and EAGs received support for livelihood plans in accordance with agreed service standards conducted through report cards, achieving the target of at least 70%. To ensure that the project was providing support to VPRCs and EAFs/CLFs/CLGs in a timely manner, certain service standards were developed to track whether funds for livelihoods plans were disbursed for utilization as per service

standards. The service standards were further elaborated in the Project Implementation Plan (PIP) and to monitoring the implementation of service standards, report cards were administrated to check if the service standards were followed.

- The number of direct project beneficiaries was 1.45 million people, close to the target of 1.5 million.

Rating
Substantial

Rationale
The achievement of both objectives was Substantial resulting in the overall efficacy rating of Substantial.

Overall Efficacy Rating
Substantial

5. Efficiency

Economic Analysis
The PAD did not include an economic and financial analysis. At appraisal, it was assumed that the project would lead to a wide array of social, institutional and economic benefits, mostly long term, that were not easily quantifiable, and no attempt was made to quantify these benefits resulting from the project (PAD, page 14). When the project received Additional Financing, a cost-benefit analysis was conducted to estimate the financial and economic returns of the proposed scaled-up activities in five major sectors such as livestock, agriculture, manufacturing, services, and trade. The estimated Economic Internal Rate of Return (EIRR) was 13.8%. When the impacts of village institutional development were included the EIRR increased to 20.6%. The Net Present Value (NPV) was estimated at INR 416 million (US$8.9 million). The EIRR for the overall project was 16.6%. The average cost per skilled job generated was INR 4,000.
The ICR (p. 21) stated that these returns were on the conservative side since other expected benefits relating to multiplier effects on the access to diverse sources of funds by village communities and other positive impacts of strengthened and empowered village institutions had not been quantified.
The ICR conducted a cost-benefit analysis for each of the three pillars: livelihoods, microfinance, and skills training for the entire life of the project (phase 1 and 2). According to the ICR (p. 54) livelihood models included financing plans which showed how asset accumulation and working capital financing were possible through project support and access to institutional sources of finance. The analysis of microfinance activities focused on the benefits generated by the Amudha Suabhi Fund regarding increased incomes of project beneficiaries investing in livelihood activities. The analysis for the cost-benefit analysis for skills training compared incremental incomes for target youth employed and retained in the sector for which they received training with the costs of implementing the costs of implementing the program over throughout the implementation period. The estimated EIRR for livelihoods was 16%, the EIRR for microfinance was 21%, and

the EIRR for skills training was 151%. The average cost per skilled job generated was INR 10,000, significantly higher than estimated at the Additional Financing stage.
Operational/ Administrative Efficiency
The project's closing date was extended twice for a total of five years and nine months in connection with the increase in project scope and delays in completion.

On balance, the project efficiency is rated Substantial.

Efficiency Rating

Substantial

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

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

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

6. Outcome

Relevance of objectives is High. Despite having higher economic growth and faster urban-rural poverty reduction than the national average, 20 percent of Tamil Nadu's population lived in poverty, especially women. Achievement of both objectives of empowering the poor and improving their livelihood as well as efficiency are rated Substantial resulting in the overall outcome rating of Satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

According to the ICR (p. 31), the government continues to be committed to the project's objective as shown by the highlighting of the project's approach in the rural poverty reduction policies and priorities of the Government of Tamil Nadu which was endorsed and ratified by the State Government and included in its budget document. The ICR (p. 31) stated that the project's achieved outcomes are institutionally sustainable for various reasons: First, the project manuals and the implementation process was integrated into the manual and delivery system of the State Rural Livelihood Mission. Second, the capacity built under the project was integrated into the implementation structure of the State Rural Livelihood Mission. Third, the government of Tamil Nadu continues to be committed to provide the necessary financial funds to maintain the support and assistance to the Community Business Organizations to operate as institutions of the poor. And fourth, the Community Business Organizations have demonstrated a high level of ownership with a revenue generating model that will allow them to operate. Overall, according to the ICR (p. 31) Community Business Organizations are financially and economically sustainable. Even though the MakaMais will require financial support during the initial years of the development of Community Business Organizations they will be able to function independently once the demand for financial and livelihood services increases.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project's design was built on lessons learned from other rural livelihoods projects implemented in India and Tamil Nadu. The project design aimed to empower the poor and improve their livelihoods through a CDD and value chain approach. Due to the previous experience of the GoTN in implementing livelihood projects, its staff had the necessary capacity. The project was in line with the GoTN's poverty reduction strategy which focused on improving livelihoods through CDD. The project was piloted as a grant under Japan Social Development Fund (JSDF) to assess the capacity of the local governments and the role of community organizations to achieve more equitable processes. The Bank identified relevant risk factors and assessed the following as Substantial: society's operations and targeting of the poorest are subject to political interference, vulnerable people are not being listened to and their interest is being sidelined by the VPRC, and PFTs at the cluster level do not have capacity to respond to the community needs and priorities. According to the Bank team, mitigation efforts were adequate. The Bank did not identify other risks such as a high turnover of Project Directors, which affected the project implementation. M&E, fiduciary and safeguards arrangements were adequate.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

According to the ICR (p. 30), the Bank conducted regular supervision missions (20 in total) and addressed emerging implementation challenges in a timely manner. For example, when it turned out that the Economic Activity Groups model was not functioning, the Bank supported the counterpart to switch to the Common Livelihoods Model. Throughout the project's life cycle the Bank's Task Team Leader changed five times while the members of the team remained almost the same throughout implementation. The Bank successfully restructured the project twice and applied for Additional Financing.

According to the Bank team, during the project experienced a few cases of misutilization of funds at the community level, which were largely related to misuse of the loan instalments repaid by the Self-Help Groups (SHG's) to the Panchayat Level Federations (PLF's). The project, in line with the non-negotiable principles took a two-pronged approach to address this issue: i) recovery of the funds, termination of the concerned staff or office bearer of the CBO, restructuring of the CBO office bearers, re-training and in some extreme cases filing of legal complaints; and ii) strengthening of systems and processes across the board. As reported by the ICR (p. 30), the extension of the project to additional districts compromised reporting on project activities and resulted in inconsistencies in data due to lack of knowledge of new MIS software, lack of training in the new system, and lack of capacity within implementing agency to coordinate M&E activities. The team took steps to strengthen the monitoring system of the project, which did not fully address data fragmentation. These weaknesses related to the project MIS did not jeopardize the assessment of the overall project results that included retrospective and prospective impact evaluations conducted by the World Bank's Social Observatory for Phase I and II.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The objectives of the project were clearly stated. The original Results Framework included three PDO indicators aiming to measure improvements in household incomes (PDO indicator 1 and 2), which were aligned with the project's activities related to the financing of productive demand driven sub-projects. PDO indicator 3, concerning community-based organizations access to project funds, aligned with the activities related to the development, strengthening and synergizing of pro-poor local institutions. Most of the selected indicators were adequately specific, measurable, and time-bound. In addition, the intermediate results indicators were adequate to capture how the project's activities were to contribute towards achieving the PDO.

Planned M&E activities included conducting a baseline study, thematic studies, and an impact evaluation, establishing a Monitoring Information System (MIS), Financial Management System, and accounting packages for Self-Help Groups and Economic Activity Groups, and implementing community monitoring activities. The M&E system was designed to operate at the village, cluster, district, and state level.

b. M&E Implementation

According to the ICR (p. 27) between 2005 and 2010, the initial phase of project implementation, the M&E system was implemented through a learning by doing approach. The planned baseline study was conducted, and the MIS system was implemented. The Mid-Term Review was based on the baseline study and data collected through the MIS system. During the first phase of project implementation the MIS system was a paper based and participatory system at the village level allowing community based organizations to

participate in collecting, tracking and updating of M&E data.
However, during the second phase of the project (2010 until closing), the MIS system was changed to a computer-based system called TALLY. According to the ICR (p. 28), this led to several challenges since some people continued to use the paper-based system resulting in a highly fragmented system with parallel methods of reporting on project components and funding sources. The MIS faced technical challenges, such as the lack of a fully functioning and integrated MIS platform. The ICR (p. 27) stated that an independent assessment conducted by the Bank in October 2015 showed that there were several inconsistencies in the Identification of the Poor (PIP) such as new PIP numbers, deletion of old PIP numbers, and PIP numbers changing PIP categories and disabled categories over time. The ICR (p. 28) also stated that the Bank noticed during supervision missions that sector specialists were collecting project data separately for reporting purposes. Towards project closing the PVP team tried to strengthen the MIS system. In 2015 the Bank conducted an audit to identify issues of the MIS system. In addition, the PVP team developed a location-based mobile application with facial recognition to monitor attendance of members at trainings and skills session and piloted it in a few districts. However, according to the ICR (p. 28), the application was not scaled up in other project districts due to the low accuracy of the facial recognition software. At the end of the project, information housed in the MIS continued to be fragmented and the quality was doubtful.

c. M&E Utilization

According to the ICR (p. 28), M&E data was used throughout project implementation to inform decision making. However, with project expansion, due to parallel reporting methods and fragmentation of information, it is questionable to what extent the data was reliable and of adequate quality in the MIS system. During the second phase of project implementation starting in 2010, the release of funds to project beneficiaries was based on data reported in the TALLY. However, due to the inconsistencies in the system as identified by the Bank's independent assessment, it is unclear whether the funds were released as planned.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was classified as category B and triggered the Bank's safeguard policies OP/BP 4.01 (Environmental Assessment), OP/BP 4.09 (Pest Management), OP/BP 4.11 (Physical Cultural Resources) and OP/BP 4.10 (Indigenous People). According to the ICR (p. 29) the project conducted an Environmental Assessment study to ensure that village investments were conducted in an environmentally sustainable manner. Based on this assessment, an Environmental Management Framework (EMF) was developed. A state Environment Specialist and a State Environment Resource Agency (SERA) were responsible for the implementation of the EMF and providing support for monitoring and building capacity. The SERA conducted

yearly supervisions and internal audits of the EMF and reported to the State Project Management Unit (SPMU) and the District Project Management Units (DPMUs). In addition, the project developed a pest management, cultural property plan and tribal plan as part of the Environmental assessment.
The ICR (p. 29) stated that compliance with environmental safeguards was highly satisfactory throughout project implementation.
Since the Indigenous people safeguard was triggered in view of tribal groups' presence in the hilly blocks of Thiruvannamalai, Salem, Villupuram and Namakkal districts, a tribal development plan was prepared. According to the Bank team it was successfully implemented.

b. Fiduciary Compliance

Procurement:
According to the ICR (p. 29) the project had robust procurement arrangements and a procurement manual was developed at appraisal and all procurement activities were carried out in accordance to the manual. The DPMUs and SPMUs had adequate staff to overlook the project's procurement activities. Internal and external audits were conducted and no significant issues were found. The ICR (p. 29) stated that procurement was rated Satisfactory throughout project implementation.
Financial Management:
The ICR (p. 29) stated that the GoTN transferred and released the funds to the project society in a timely manner. According to the Bank team the project complied with the Bank's financial covenants. Furthermore, while financial reporting experienced some delays, accounting and internal control systems at the state and district levels were adequate. An internal and external audit, which was conducted for the state and district societies, did not find any major weaknesses.
The project developed an IT based information system on financial and non-financial information which was implemented across all the Community Based Organizations.
According to the Bank team, over the project period the external audit reports were qualified, but the grounds for qualification were not significant and were addressed by the project. The Bank team also stated that there were some internal control issues raised by the auditors such as a few cases of misutilization of funds at the community level, which were largely related to misuse of the loan instalments repaid by the Self-Help Groups (SHG's) to the Panchayat Level Federations (PLF's). The Bank team took specific action on the identified cases, which included recovery of the funds, termination of the concerned staff or office bearer of the CBO, restructuring of the CBO office bearers, re-training and in some extreme cases filing of legal complaints.
Also, the Bank strengthened systems and processes across the board, which included: (i) institutionalizing the practice of periodic loan balance confirmation between PLF and linked SHG's; (ii) reviewing the Portfolio at Risk (PAR) for any sudden changes and following up on the same for identifying accounting errors, possible miss-use etc.; and, (iii) loan repayments by SHG's directly into the bank etc. This practice, which was continued until the end of the project resulted in over 98% loan balances being regularly confirmed on a six-monthly basis.

c. Unintended impacts (Positive or Negative)

NA

d. Other

---

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Bank Performance	Satisfactory	Satisfactory	---
Quality of M&E	Modest	Modest	---
Quality of ICR		Substantial	---

12. Lessons

The ICR (p. 32-33) provided several lessons including the following which were modified by IEG:

- **When a project is being scaled up it is critical to take into account if the existing M&E system can cope with a larger amount of project data to be monitored.** In this project, the expansion of the project resulted in a higher fragmentation of information due to the lack of a single MIS. Parallel reporting methods on project components and fund sources, the lack of a complete and consolidated PVP master frame and a verified Participatory Identification of the Poor master file to allow for cross-referencing of data in addition of missing adequate procedures and protocols for data validation and quality control had a negative impact on the reliability and use of M&E data to inform decision making.
- **Setting up institutions within communities is important for ensuring transparency and accountability. Also, establishing institutional groups for the vulnerable supports their inclusion and allows for activities targeted to their needs.** Under this project, rules, sanctions for violations and methods for information sharing and verification were put in place to foster transparency and accountability. In addition, social and political empowerment and sustainability was ensured by the strengthening of local community institutions, community mobilization and convergence. Furthermore, while the disabled and the tribals had been previously neglected by the other rural livelihoods state programs, this project was able to implement targeted activities according to their needs.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is sufficiently candid and outcome driven. The ICR provides a good overview of project preparation and implementation. The ICR uses several sources of data to provide evidence in support of the project achievements. The ICR includes an adequate economic analysis and useful lessons based on the project's implementation experience. The ICR would have benefitted from doing a risk analysis and discussion of adequacy of the project mitigation measures. It is not clear why some data presented in the main body of the document is different from data presented in the Results Framework included in the Annex such as Village Panchayats and VPRCs on receiving first, second and third installments (ICR p. 16).

a. Quality of ICR Rating

Substantial