



## India: Rural Cooperative Credit Restructuring and Development Program

|   |  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
|---|--|---|--|----------------------------|-----------------------|--|--|------------------|---------------------|--|--|---------------------------|-------------------|
| Project Name  | Rural Cooperative Credit Restructuring and Development Program   |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Project Number  | 36343-013  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Country   | India  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Project Status  | Closed   |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Project Type / Modality of Assistance   | Loan<br>Technical Assistance   |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Source of Funding / Amount  | <table border="1"> <tr> <td colspan="2"><b>Loan 2281-IND: Rural Cooperative Credit Restructuring and Development Program (formerly Rural Finance -Cooperative Banks - Restructuring and Development Program Loan)</b></td> </tr> <tr> <td>Ordinary capital resources</td> <td>US\$ 1,000.00 million</td> </tr> <tr> <td colspan="2"><b>Loan: Rural Cooperative Credit Restructuring and Development Program (formerly Rural Finance -Cooperative Banks - Restructuring and Development Program Loan)</b></td> </tr> <tr> <td>KfW Bankengruppe</td> <td>US\$ 151.80 million</td> </tr> <tr> <td colspan="2"><b>TA 4887-IND: Capacity Building for Rural Cooperative Credit Structure Reform (piggybacked to Loan 36343-01)</b></td> </tr> <tr> <td>ATF - DFID-United Kingdom</td> <td>US\$ 2.00 million</td> </tr> </table> | <b>Loan 2281-IND: Rural Cooperative Credit Restructuring and Development Program (formerly Rural Finance -Cooperative Banks - Restructuring and Development Program Loan)</b> |  | Ordinary capital resources | US\$ 1,000.00 million | <b>Loan: Rural Cooperative Credit Restructuring and Development Program (formerly Rural Finance -Cooperative Banks - Restructuring and Development Program Loan)</b> |  | KfW Bankengruppe | US\$ 151.80 million | <b>TA 4887-IND: Capacity Building for Rural Cooperative Credit Structure Reform (piggybacked to Loan 36343-01)</b> |  | ATF - DFID-United Kingdom | US\$ 2.00 million |
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| Ordinary capital resources  | US\$ 1,000.00 million  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| <b>Loan: Rural Cooperative Credit Restructuring and Development Program (formerly Rural Finance -Cooperative Banks - Restructuring and Development Program Loan)</b>          |  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| KfW Bankengruppe  | US\$ 151.80 million  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| <b>TA 4887-IND: Capacity Building for Rural Cooperative Credit Structure Reform (piggybacked to Loan 36343-01)</b>  |  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| ATF - DFID-United Kingdom   | US\$ 2.00 million  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Strategic Agendas   | Inclusive economic growth  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Drivers of Change   | Governance and capacity development  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Sector / Subsector  | <b>Finance</b> - Inclusive finance   |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Gender Equity and Mainstreaming   | Some gender elements   |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |
| Description   | The goal of the Program is to develop a sustainable CCS and the objective is to help the Government carry out its CCS reform agenda. Its impact is enhanced income and employment growth for the rural poor, while its purpose is to improve rural households' access to affordable financial services through an efficient CCS. The scope is comprehensive CCS reform in five states (from among Andhra Pradesh, Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, and Orissa) that have concurred with the reform agenda. The estimated adjustment cost of implementing the Program in the five participating states (PS) is about \$1.43 billion.  |   |  |                            |                       |  |  |                  |                     |  |  |                           |                   |

|  |  |
|--|--|
| Project Rationale and Linkage to Country/Regional Strategy | <p>While overall gross domestic product growth has been robust in recent years, it has not been broad-based or inclusive. Of particular concern in this regard is the poor performance of agriculture, which has been on a long-term declining growth trend. With about two-thirds of the population deriving their livelihood from agriculture and nearly three quarters of the poor (or nearly 200 million) living in rural areas, the impact of the decline in agricultural performance on the quality of life of the poor has been severe. The plight of the rural poor has been thrust into the international spotlight in recent years as a result of suicides by highly indebted farmers and growing rural unrest in many areas.</p> <p>Development experience has confirmed that rapid, broad-based, and labor-intensive economic growth is the best means to reduce poverty. Broad-based agricultural growth offers enormous opportunities for reducing rural poverty by expanding on- and off-farm employment. Public policies, therefore, must continue to reduce the deterioration in the rural-urban terms of trade, strengthen social and economic infrastructure in rural areas, and revamp rural finance delivery systems.</p> <p>While finance is a critical input for strengthening the rural economy and agricultural production base, the response of the formal rural finance system has been increasingly inadequate. The rural finance paradigm for the most part has been driven by credit expansion through government-owned or -controlled financial institutions, particularly within the CCS comprising primary agricultural credit societies, district central cooperative banks (DCCB), and state cooperative banks. While a substantial network of CCS institutions and an enhanced supply of services were established as a result, the CCS has neither been able to effectively address the demand and supply gaps in rural finance, nor function as a sustainable financial intermediary.</p> <p>Although organized on the principles of self-governance and self-reliance, the CCS has fundamental policy, governance, legal, and institutional problems that have impaired its solvency, sustainability, and efficiency. As a result, the intended objective of enhancing rural financial intermediation, especially to the asset-poor and disadvantaged, has only been partially realized. The prevailing policy and legal environment for the CCS has increased the tolerance for poor financial and operational performance and prevented CCS members from having their say in the management of the CCS institutions.</p> <p>Rapid rural finance outreach for poverty reduction and improved living standards can be significantly facilitated by revitalizing the CCS. CCS reform is critical to rural transformation because it has an all India membership base of 135 million and has links to the broader cooperative movement comprising processing, marketing, input distribution, dairy, and weaving. Reforming the CCS will provide the institutional base for potentially significant changes in the rural economic and sociopolitical landscape. Legal, regulatory, governance, and institutional reforms are required to remove these deep-seated obstacles to enable the CCS to provide more efficient and affordable financial services to the poor.</p> |
| Impact   | Enhanced income and employment growth for the rural poor in the participating states (PSs)   |

## Project Outcome

|                        |   |
|------------------------|---|
| Description of Outcome | Improved access by rural households to affordable financial services through a sustainable and efficient CCS in the PSs |
|------------------------|---|

Progress Toward Outcome

### Implementation Progress

|                                |   |
|--------------------------------|---|
| Description of Project Outputs | <ol style="list-style-type: none"> <li>1. Establishing a Policy Reform and Implementation Framework <ol style="list-style-type: none"> <li>a. A nationwide policy framework for strengthening the short-term CCS</li> </ol> </li> <li>2. Building a Facilitating Legal, Regulatory and Governance Framework <ol style="list-style-type: none"> <li>a. A conducive legal framework for autonomous CCS operations</li> <li>b. Orderly development of CCS and enhanced depositor protection</li> <li>c. Democratic character of the CCS restored and governance enhanced</li> </ol> </li> <li>3. Institutional Reforms for Sustainability <ol style="list-style-type: none"> <li>a. International best practices mainstreamed in the CCS</li> <li>b. PACSs strengthened to provide stronger foundation for the CCS</li> <li>c. DCCBs reformed into sustainable institutions</li> <li>d. SCBs reformed to effectively perform as apex institutions supporting efficiency and sustainability of the CCS</li> </ol> </li> </ol> |
|--------------------------------|---|

Status of Implementation Progress (Outputs, Activities, and Issues)

|                       |   |
|-----------------------|---|
| Geographical Location | Andhra Pradesh, Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, and Orissa |
|-----------------------|---|

## Safeguard Categories

|                          |   |
|--------------------------|---|
| Environment              | C |
| Involuntary Resettlement | C |
| Indigenous Peoples       | C |

## Summary of Environmental and Social Aspects

Environmental Aspects An environmental assessment of the policy reforms was undertaken and no potential environmental impacts are expected.

Involuntary Resettlement

Indigenous Peoples

### Stakeholder Communication, Participation, and Consultation

During Project Design The project preparatory technical assistance conducted various levels of participatory stakeholder analysis.

During Project Implementation The reformed CCS will provide a forum for discussion of local issues, mobilize local resources, build up bargaining and claim-making power of local communities to widen the options for income-generating activities, and enhance local control over factors of production. Improved access to rural finance services through the CCS will bring the rural poor into the economic mainstream. Furthermore, the Program will support social intermediation to empower the rural poor, including rural women, for effective access to rural finance services.

### Business Opportunities

Consulting Services No consulting services required

Procurement The proceeds of the policy loan will be used to finance the full foreign exchange costs (excluding local duties and taxes) of imports produced in, and procured from, ADB's member countries, other than those specified in the list of ineligible items and imports financed by other bilateral and multilateral sources and from countries that are not ADB members.

### Responsible Staff

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### Timetable

Concept Clearance 23 Nov 2005

Fact Finding 09 Aug 2004 to 30 Aug 2004

MRM 12 Sep 2006

Approval 08 Dec 2006

Last Review Mission -

PDS Creation Date 31 Jan 2007

Last PDS Update 28 Sep 2012

### Loan 2281-IND

| Milestones  |              |                  |             |             |             |
|-------------|--------------|------------------|-------------|-------------|-------------|
| Approval    | Signing Date | Effectivity Date | Closing     |             |             |
|             |              |                  | Original    | Revised     | Actual      |
| 08 Dec 2006 | 11 Dec 2006  | 21 Feb 2007      | 30 Jun 2010 | 30 Jun 2013 | 30 Jun 2013 |

| Financing Plan |                                | Loan Utilization           |        |        |                |
|----------------|--------------------------------|----------------------------|--------|--------|----------------|
|                | Total (Amount in US\$ million) | Date                       | ADB    | Others | Net Percentage |
| Project Cost   | 1,151.80                       | Cumulative Contract Awards |        |        |                |
| ADB            | 1,000.00                       | 08 Dec 2006                | 800.00 | 0.00   | 100%           |

|             |        |                          |        |      |      |
|-------------|--------|--------------------------|--------|------|------|
| Counterpart | 0.00   | Cumulative Disbursements |        |      |      |
| Cofinancing | 151.80 | 08 Dec 2006              | 800.00 | 0.00 | 100% |

| Status of Covenants |              |            |        |              |          |              |
|---------------------|--------------|------------|--------|--------------|----------|--------------|
| Category            | Sector       | Safeguards | Social | Financial    | Economic | Others       |
| Rating              | Satisfactory | -          | -      | Satisfactory | -        | Satisfactory |

## TA 4887-IND

| Milestones  |              |                  |             |             |        |
|-------------|--------------|------------------|-------------|-------------|--------|
| Approval    | Signing Date | Effectivity Date | Closing     |             |        |
|             |              |                  | Original    | Revised     | Actual |
| 08 Dec 2006 | 11 Dec 2006  | 11 Dec 2006      | 31 Dec 2007 | 31 Dec 2009 | -      |

| Financing Plan/TA Utilization |              |             |               |                 |        | Cumulative Disbursements |             |           |
|-------------------------------|--------------|-------------|---------------|-----------------|--------|--------------------------|-------------|-----------|
| ADB                           | Cofinancing  | Counterpart |               |                 |        | Total                    | Date        | Amount    |
|                               |              | Gov         | Beneficiaries | Project Sponsor | Others |                          |             |           |
| 0.00                          | 2,000,000.00 | 0.00        | 0.00          | 0.00            | 0.00   | 2,000,000.00             | 08 Dec 2006 | 51,397.42 |

| Status of Covenants |              |            |        |              |          |              |
|---------------------|--------------|------------|--------|--------------|----------|--------------|
| Category            | Sector       | Safeguards | Social | Financial    | Economic | Others       |
| Rating              | Satisfactory | -          | -      | Satisfactory | -        | Satisfactory |

|                         |   |
|-------------------------|---|
| Project Page            | <a href="https://www.adb.org/projects/36343-013/main">https://www.adb.org/projects/36343-013/main</a>   |
| Request for Information | <a href="http://www.adb.org/forms/request-information-form?subject=36343-013">http://www.adb.org/forms/request-information-form?subject=36343-013</a> |
| Date Generated          | 18 April 2017   |

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