



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

Geographical Location	Andhra Pradesh, Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, and Orissa
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## 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>
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