

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA13353

Project Name	Telangana Rural Inclusive Growth Project (P143608)
Region	SOUTH ASIA
Country	India
Sector(s)	General agriculture, fishing and forestry sector (60%), Health (20%), Other social services (20%)
Theme(s)	Rural policies and institutions (20%), Rural markets (20%), Gender (20%), Nutrition and food security (20%), Participation and civic engagement (20%)
Lending Instrument	Specific Investment Loan
Project ID	P143608
Borrower(s)	Department of Economic Affairs, Ministry of Finance, Government of India
Implementing Agency	Society for Elimination of Rural Poverty (SERP)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	19-Sep-2014
Date PID Approved/Disclosed	19-Sep-2014
Estimated Date of Appraisal Completion	17-Oct-2014
Estimated Date of Board Approval	18-Dec-2014
Decision	

I. Project Context

Country Context

India has achieved significant economic growth in the last decade. This has enabled it to make significant progress in reducing absolute poverty; it has already achieved MDG1 and halved the proportion of people living under extreme poverty (whose income is less than \$1.25 a day), to under 30 percent. Shared prosperity – defined as the growth rate of the bottom 40 percent of the Population – improved, with the gap between growth rates of the less well-off and average growth narrowing considerably between 2005 and 2010. However, in absolute terms, 269 million people are still poor and the benefits of rapid growth have not been equally shared across all sections of population. Most of these poor people still live in rural areas. Despite significant achievements in reducing absolute poverty over the past 20 years, the key challenge facing India is to ensure that its economic growth is inclusive and leads to significant and sustained rural poverty reduction. The progress on achieving other human development MDGs has also been patchy in spite of significant economic growth and poverty reduction. Many programs have been launched at national and state level to tackle it, but their outreach and impact have been below expectations.

The state of Telangana, twelfth largest in terms of population and geographical area, accounts for the fifteenth largest economy in the country with a nominal Gross State Domestic Product (GSDP) of US\$ 55 billion in 2012. Despite the recessionary trends during 2007-10, the State has recorded an impressive annual GSDP growth of 16.5 percent between 2004-05 and 2012-13. The State recorded a poverty ratio of 14% compared with the national average of 32.2% for 2009-10. The state has achieved one of the fastest rates of poverty reduction in the country. The poverty ratio has declined by 45% percentage points (from 59% to 14%) during the period 1983 to 2007.

The macro level aggregates mask large intra-state and inter-social group disparities in levels of economic and human development indicators in Telangana. In spite of the strong growth in GSDP over the past 10 years, the performance of Telangana in terms of Human Development Indicators has been poor in comparison to other South Indian states like Tamil Nadu and Kerala.

a) Although the state has achieved significant results in terms of both economic growth and poverty reduction, there are still 5.3 million poor in the state. The proportion of poor among the socially excluded sections of population: scheduled tribes, scheduled castes, and Muslims is quite high (compared to the overall state average) at 21%. Among the non-SC/ST/Muslim population, the poverty headcount is only 10%.

b) The poor continue to spend 30 to 40% of their consumption expenditure on private health care and out of pocket expenses, often leading to heavy debt, distress sale of assets and even migration.

c) Over the past 10 years, the progress of Telangana towards health related Millennium Development Goals (MDGs) has been slow. The Infant Mortality Rate (IMR) was reported to be 42 per 1,000 live births in 2010, while the corresponding figure for other Southern comparable states like Tamil Nadu is 24 and for Kerala further lower at 13. The IMR is especially high in Mahbubnagar district, at 59. Similarly the MMR for the state was reported to be 136 per 100,000 live births (excluding Hyderabad). It is highest in Adilabad district, at 222. The corresponding figure for Tamil Nadu is 97 and for Kerala 81.

d) The access to sanitation service for the rural households is also low in the state. Nearly 83% of the rural SC households defecate in the open as they have no toilets. Among STs, the number is even higher at 86%. The proportion of rural households that defecate in the open for other states are as follows: Uttar Pradesh 77%, Bihar 82%, and Goa 28%. Kerala, which is by far the best performer has only has 5% of the households defecating in the open.

e) Child malnutrition is very widely prevalent in this state. It is especially severe among the SC/ST population. In terms of the literacy rate as well the state's literacy rate at 55% compares poorly to Tamil Nadu (80.3%) and Kerala (93.2%). More importantly, despite continuous increase in enrolment and school completion rates, dropout ratio in erstwhile AP at secondary level was 73 percent among the boys and the girls from the SCs and the STs compared to 46 percent for all pupils in 2011-12. The Annual Survey of Educational Report (ASER), 2011 shows relatively poor learning outcomes of children attending government schools in terms of reading and arithmetic abilities, reflecting the low quality of education.

Sectoral and institutional Context

The agriculture sector employed more than 75 percent of the rural workforce in the erstwhile Andhra Pradesh state. In the post-liberalization 1990-2009 period, the agricultural sector has grown

annually by 2.7%. During this time, there has been a significant shift in the cropping patterns towards cash crops replacing cereal crops. This shift has happened both in terms of the cropped area and value. Share of area under the cereals decreased from 59% to 43% of gross cropped area, while the share of area increased for cash crops from 10% to 18%, for pulses (from 11% to 14%) and for oilseeds from 18% to 23%. This indicates that there is significant diversification of area from cereals to cash crops, pulses and oilseeds. If we consider the value of the production, the reduction was much more significant in cereals from 49% to 36%, while it increased significantly for cash crops from 27% to 43%.

If we consider Telangana alone, much of the state is semi-arid, with predominantly rain-fed agriculture. The agricultural productivity is very low - the per hectare output is only Rs 20,200 as opposed to coastal Andhra, which had a corresponding figure of Rs 33,000. Telangana (excluding Hyderabad) draws only 24% of its income from agriculture though 63% of the labour works in that sector.

In order to achieve inclusive growth in Telangana, there is a need to increase growth in agriculture and rural non-farm sectors. The State is a leading producer of cotton, maize, pulses and coarse grains and it has comparative advantages in milk production and egg and meat production. Small and marginal farmers can exploit the growth opportunities resulting from demand for higher value food products and significantly increase their farm gate income through appropriate institutional support for aggregation, value addition and marketing. The growth in service sector has opened up several job opportunities for rural youth which can be availed by skilling them and linking them up to these jobs would also go a long way in ensuring that the growth is inclusive.

In the eleven years of the Bank's engagement with the State to sister operations of Andhra Pradesh District Poverty Initiatives Project (APDPIP) and Andhra Pradesh Rural Poverty Reduction Project (APRPRP), the projects had met or exceeded all of their targets. Several program innovations, including convergence with Government programs have been piloted and significantly scaled up. Some of the key results achieved in these projects include:

- a. Poverty incidence reduced from 29.2 percent to 17.6 percent
- b. 90 percent of poor households mobilized into community institutions (SHGs/Federations)
- c. Poor have cumulatively saved around US\$ 1.5 billion and leveraged cumulative credit from commercial banks to the tune of US\$ 8.5 billion
- d. 9.3 million members/spouses of SHGs are covered by life insurance services
- e. 3.4 million acres of land brought under sustainable agriculture practices
- f. 0.14 million dairy producers linked to formal dairy markets pouring 0.28 million liters of milk per day
- g. 0.4 million young people trained and placed in jobs through partnerships with private sector
- h. 4200 villages achieve MDG indicators for neo-natal and peri-natal outcomes
- i. 1186 Early Childhood Education centers managed by community institutions
- j. 0.3 million Persons With Disabilities (PwDs) organized into exclusive SHGs of PwDs

Society for Elimination of Rural Poverty (SERP) was implementing agency for both APDPIP and APRPRP and is also for designated as implementing agency for the proposed project. It now aims at inclusive growth of the rural poor, including the poorest of the poor, and enhancing opportunities for them to participate in the market for products, services and jobs – existing and emerging, while strengthening their institutions towards their full potential with self-reliance. The Government of Telangana (GoT) has now proposed focused, targeted and thematic based interventions leveraging the community institutional architecture, social capital and the R&D efforts done with the

investments under APDPIP and APRPRP to generate stream of higher order economic impacts and human development outcomes at the household level.

II. Proposed Development Objectives

The PDO would be to enable selected poor households to enhance agricultural incomes and secure increased access to human development services and social entitlements.

The “selected poor households” will include households that are geographically & socially excluded and have low income levels. The incomes for these households will be enhanced by ensuring increased incomes from agriculture and allied sectors through increased productivity and enhanced market access. The “human development services” include services related to health, nutrition and sanitation. The “social entitlements” mainly include social safety nets like the wages from National Rural Employment Guarantee Scheme, pensions and insurance benefits that are provided by the government.

III. Project Description

Component Name

Value Chain Enhancement through Producer Organizations

Comments (optional)

The objective of this component is to increase the income of 250,000 small and marginal farmers by at least 50% through productivity enhancement and improved market access.

The component will have two sub-components: Rural Value Chains and Rural Retails Chains/Social Enterprises.

Rural Value Chains: This subcomponent includes the activities and investments aimed at organizing small and marginal farmers into producer organizations and enabling them high quality support services like technology, credit, extension, marketing, etc.; and sustainable access to markets.

Rural Retail Chains: The objective of this sub-component is to connect rural producers and enterprises with the rural consumers and enhance the quality of consumption of the poor households.

Component Name

Human Development

Comments (optional)

The focus of project interventions under the component is to enable the demand side to hold the supply side accountable to improve HD service delivery. It will also strengthen the existing public systems to deliver quality services.

The specific interventions include:

- a. Strengthening the demand for services by undertaking specific mobilization at the village level centred on HD outcomes including nutrition, sanitation, health and pre-school education.
- b. Strengthening the supply of key nutrition, health and pre-school education services by introducing and improving mechanisms for community engagement, community monitoring and ICT based monitoring systems
- c. Focus on community led approaches to improving access to water & sanitation services.

Component Name

Access to entitlements and social development

Comments (optional)

This component aims to improve the coverage and service delivery of social protection entitlements to 500,000 of poorest households mainly belonging to the SC/STs and particularly those with Person With Disabilities (PWDs). The component will consist of two main sub components:

Subcomponent 1: Improved delivery of service and entitlement at the Panchayat levels: This sub-component will support the establishment of one stop shop service points to improve the outreach and quality of access for select services and entitlements by poor communities.

Subcomponent 2: Pilots on Improved access to vulnerability services: This subcomponent seeks to achieve an improved access to vulnerability services for Persons with Disabilities (PwDs) and Gender related services.

Component Name

ICT & Partnerships

Comments (optional)

The component will include 4 sub components :

Sub Component 1- ICT: This will make involve strategic investments in ICT and m-Governance systems to develop state of the art IT platform for hosting and delivering variety of project services.

Sub Component 2 - Partnerships: This will involve developing partnerships with innovators, social entrepreneurs and reputed agencies

Sub Component 3: Technical Assistance: This will include technical assistance to line departments in improving their implementation and monitoring capacity.

Sub Component 4: Centre of Excellence and Knowledge Management: A Centre for Excellence and Knowledge management shall be set up to share lessons with other low income states in India working with National Rural Livelihoods Mission.

Component Name

Project Implementation Support

Comments (optional)

The objective of this component is to strengthen the project implementation and will finance dedicated staffing, Monitoring & Evaluation , Financial Management, Procurement Management and Governance & Accountability Systems.

The project has developed an Environmental Management Framework (EMF) which identifies the possible environmental implications of each interventions proposed under each component and sub component and suggests environment friendly alternatives or mitigation measures for each. The client has also prepared a social management framework (SMF) to further strengthen the social impact of Rural Inclusive Growth Project (RIGP). The SMF include strategies for targeting and inclusion of tribal, SC and vulnerable households and for gender inclusion.

IV. Financing (in USD Million)

Total Project Cost:	107.00	Total Bank Financing:	75.00
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Financing Gap:	0.00	
For Loans/Credits/Others		Amount
BORROWER/RECIPIENT		32.00
International Development Association (IDA)		75.00
Total		107.00

V. Implementation

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36	x	
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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