

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC819

Project Name	AP Rural Inclusive Growth (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
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	13-Mar-2013
Date PID Approved/ Disclosed	25-Mar-2014
Estimated Date of Appraisal Completion	08-Aug-2014
Estimated Date of Board Approval	25-Sep-2014
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

With high rates of investment and savings and strong export growth, India's national Gross Domestic Product (GDP) grew at 8.2 percent per annum during XI Five Year Plan. This implies a nearly 35 per cent increase in per-capita GDP during this period. Though the growth has shown declining trend during last couple of years, there has been substantial increase in investments by public and private sectors with visible results even as the country positions itself as an emerging middle income economy. At the same time, India faces formidable challenges ahead: more than 400 million people, that is twice the size of the population of Brazil, still live under US\$1.25/day, with the majority living in rural areas and dependent on agriculture or other land-based resources. The key challenge facing India is to ensure that its economic growth is inclusive and leads to significant

rural poverty reduction.

The state of Andhra Pradesh, fifth largest in terms of population and geographical area, accounts for the second largest economy in the country with a nominal Gross State Domestic Product (GSDP) of US\$ 1230 billion in 2012. Despite the recessionary trends during 2007-10, the State has recorded an impressive GSDP growth of 9.50 percent during XI Plan period, which is higher than the all India average growth rate of GDP of 8.40 percent. The State recorded a poverty ratio of 20.00 percent for the state (rural-20.70 percent and urban-18.10 percent) compared with the national average of 32.20 percent for 2009-10. In terms of HDI too, the state has been placed above the national average index of 0.473 in 2011. The state has recorded an impressive increase in literacy ratio both for male and female during 2010-11 (male literacy 75 percent and female literacy 60 percent in 2011). The macro level aggregates mask large intra-state and inter-social group disparities in levels of economic and human development indicators in Andhra Pradesh.

- a. 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.
- b. Over the past 10 years, the progress of AP towards health related Millennium Development Goals (MDGs) has been slow. The Infant Mortality Rate (IMR) was reported to be 46 per 1,000 live births in 2010 and MMR per 100,000 live births was 134 in 2011.
- c. Despite continuous increase in enrolment and school completion rates, dropout ratio 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.

Sectoral and Institutional Context

The State of Andhra Pradesh has seen a significant shift away from the agriculture sector in favor of services sector in the State resulting in falling share of agriculture in the GSDP from 25 percent in 2004-05 to just 19 percent in 2011-12, even while it continues to employ more than 75 percent of the rural workforce. Agriculture has shown a growth of just 5 percent over last five years, which further drops to 3.9 percent if only the crop and horticulture output is considered. The growth in livestock sub sector at 6.7 percent increases the overall growth rate for agriculture sector. The growth rate would be even lower for the small and marginal farmers that constitute 81 percent of the operational holdings and 47 percent of the output as these small and marginal farmers who typically have low access to extension services, good quality inputs like improved seeds and institutional credit. The problems for these farmers are also compounded by the very low share of income accruing from non-farm sources (less than 20 percent).

In order to achieve inclusive growth in Andhra Pradesh, there is a need to increase growth in agriculture and rural non-farm sectors. The State is a leading producer of vegetables, flowers and fruits and has comparative advantages in milk production (second largest producer), egg and meat production (first in the country), and brackish water shrimp and fresh water prawn and fish production (second largest producer in the country). The 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.

The state of Andhra Pradesh also presents a paradoxical situation wherein malnutrition during Ante

Natal Care (ANC) Post Natal Care (PNC) and under-5 children continues to be a major problem. The National Family Health Survey-3 (2006) reveals that 30 percent of women (15-49 years) have a Body Mass Index (BMI) below normal and 62.7 percent are anemic. In addition, among the children under three years, 38.4 percent are stunted; 14.9 percent wasted; and 29.8 percent are under-weight. The incidence of stunting, wasting and under-weight among the SC and the ST children is substantially higher. Similarly, Annual Survey of Educational Report (ASER), 2011 also brings relatively poor learning outcomes of children attending government schools in terms of reading and arithmetic abilities, reflecting the low quality of education. Further, the proportion of the SC and the ST children below six years of age attending the pre-school is substantially lower compared to the other children. Therefore, there is also a need for making investments in making public services and entitlements work for the poorest and vulnerable households.

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 the 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 Andhra Pradesh (GoAP) 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.

Relationship to CAS

The proposed project aims at supporting the GoAP's goal of making the State poverty free by 2017 through a strategy of including the poor in the benefits of economic growth and human development outcomes. The project is also aligned with approach for XII Five Year Plan for a 'faster, sustainable and more inclusive growth' and growth target of 8.2 percent. The overall strategy is to look beyond growth and focus on generation of employment to the millions of the youth in the State. This would eventually result in a faster reduction in unemployment and poverty through skill development and also help bridging multiple divides. The project is consistent with the proposed Country Partnership

strategy (FY2013-2017) contributing to two main engagement areas viz. spatial transformation, and social inclusion. The project will integrate the small and marginal producers to urban markets by making them competitive through value addition and creating jobs for the youth in semi-urban and urban locations. Improving access to services such as education, nutrition, etc. and increased coverage of social safety net and social risk management programs help poor to share benefits of economic growth. Finally, the project also supports the Government of India's "Finance Plus" approach by investing in building community institutions that can foster higher order impacts. Firstly, it will aim to bring various schemes together on to one synergistic platform (gender, nutrition health and livelihoods leveraging major govt. scheme such as Integrated Child Development Services (ICDS) and National Rural Health Mission (NRHM). Secondly, it will invest in ICT and social accountability mechanisms for improving service delivery in a sustainable manner. Finally, innovations such as, alternate service delivery models, Public-Private-Community-Partnerships (PPCP) will be the key drivers of this project. Experiences and learnings from AP can thus show the way for a new generation of livelihood projects in India, especially in low income states such as Bihar and Madhya Pradesh.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The PDO would be to enable selected poor households to diversify and enhance sources of income and secure increased access to human development services and social entitlements.

This would be achieved by supporting Government of Andhra Pradesh in scaling up the rural poverty reduction initiatives and the existing institutional platforms of the rural poor under previous IDA supported APDPIP and APRPRP with an emphasis on inclusive economic growth and livelihood sustainability. These programs will be implemented in selected geographies based on value chain potential and inclusion deficit in accessing services and entitlements.

Key Results (From PCN)

Key Results

The key results indicators for the proposed project would be:

- a. 500,000 producers (of whom at least 70 percent are poorest) increase their income by at least 50 percent through livelihood diversification, productivity enhancement and improved market access
- b. 500,000 poor households obtain increased access to good quality health, nutrition and education services
- c. 1 million poor households, are covered by social security programs and protected from risks and vulnerabilities

III. Preliminary Description

Concept Description

The proposed project would be focused on achieving inclusive growth built on 3 key pillars namely, Livelihood Promotion through a value chain approach in key livelihood sectors, 'Life cycle approach' to the achievement of MDGs in Health and Education and leveraging the existing institutional platforms of the poor to ensure reliable and universal access to entitlements. This will be achieved by linking small and marginal producers to formal markets; convergence with Government programs; demand-side investments for improving effectiveness of programs for food

security, health and nutrition, education, drinking water, sanitation, etc. and delivery of safety nets and social security schemes. It would also leverage innovations and the best global/national experiences and technologies through dedicated human resources for the three key pillars, and spearhead teams for specific interventions and partnerships with technical agencies.

Component 1: Value Chain Enhancement through Producer Organizations (US\$ 60 million): This component will work with those small and marginal producers who have built up productive assets and have previously participated in productivity improvement and technology introduction programs. The focus of this component will be to add value through investment in economic organizations of small and marginal farmers like producer organizations and producer companies and investments in value addition, quality enhancement and partnerships with agribusiness enterprises in private and cooperative sector. Special programs will be developed for promoting economic organizations focused on tribal and indigenous producers. Value chain approach will be adopted in key sub-sectors like agriculture (grains like paddy, maize, red gram, green gram, etc.), plantation and horticulture crops (fruits and vegetables, cashew and coffee) which have potential to scale up and impact large number of poor households. The proposed project will tap the market opportunities arising from consumer led innovations like organic value chain, fair trade, etc. taking advantage of farmer mobilization under Community Managed Sustainable Agriculture initiative. Cluster approach in promoting rural non-farm enterprises, handicrafts, handlooms and other specialty goods with strong geographical identity will be adopted to open up new opportunities for the small rural producers to participate in urban markets. The key organizing principles for this component include strengthening support systems like community based extension, collective inputs supply and output marketing, appropriate technology, skill development, local value addition, logistics and market linkages and bundled service provision for improved productivity and competitiveness of small holder production systems. This component will invest in TA, training and institution building, small scale productive infrastructure and viability gap funding for selected value chain investments.

Component 2: Human Development (US\$ 30 million): This component will invest in a 'lifecycle approach' to achieving MDGs in health and education, focusing on the various phases of an individual's life, and specifically target poor households and vulnerable segments of the population (such as adolescent girls, pregnant women and children under two years of age) that may not have benefitted adequately from previous government interventions. Alternative modalities for achieving this objective will be supported and assessed for their effectiveness/viability. These programs will enable poor households to access health services entitlements, improve their health and nutrition status and reduce health expenses. The enhancements will involve the provision of additional health, nutrition, child rearing and sanitation services to the ones already being provided. The project will support the implementation of a program called "Maarpu," to facilitate the convergence of existing flagship government programs in health and nutrition (such as ICDS and NRHM) with the demand side interventions being promoted by SERP. The Social Observatory set up by Development Impact and Evaluation (DIME) in collaboration with the Bank-supported livelihoods projects in India is measuring the impact of Nutrition and Day Care Centers (NDCCs) in Andhra Pradesh. The baseline collected by them will be used for undertaking rigorous impact evaluation of the two modalities in order to assess their impact on the outcomes of interest and, further, to facilitate a scaling-up of the preferred model across the state. Community-based organizations have also partnered with the state Department of Education to establish early childhood education centers and offer higher education for poor children. The key organizing principles for this component will be the targeted mobilization of poor households, and the bundling of community contributions, public services and

entitlements through convergence with existing flagship government programs like ICDS and NRHM for effective last mile service delivery. Annual consumer feedback surveys/service delivery reports will also be supported to identify specific areas of public service improvement. This component will finance TA, institution building, one time revolving grant and robust M&E including Impact Assessment Systems to assess impact of various interventions.

Component 3: Access to entitlements and social development (US\$ 20 million): Access to social safety nets and entitlements will be the core agenda in the strategy for inclusion of the poorest households. This component will invest in leveraging existing institutional platform to ensure reliable and universal access to entitlements and public services (like food security, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), social pensions, scholarships, etc.). The project will support convergence strategies with government departments and agree upon business process re-engineering for streamlined enrollment processes and delivery of key entitlements. Assistance will be provided for technology up-gradation assistance for improved efficiency, transparency and social audit mechanisms in the last mile. Besides, strengthening the existing smart card and Unique Identity (UID) linked electronic benefit transfer solutions; the project will also support design, implementation and evaluation of cash transfer schemes. Special emphasis will be given to households with Persons with Disability (PwD), and other vulnerable categories. The community institutions will be encouraged pro-actively address gender issues such as violence against women, early girl child marriage, female infanticide, etc. Similarly, special emphasis will be given to households with Persons with Disability (PwD), and other vulnerable categories. The neighborhood centers managed by communities will be mainstreamed for provision of recreational, therapeutic and referral services for the disabled. Support will be extended for decentralization & increased community management of life and disability insurance programs will be encouraged. The key organizing principles for this component include the following: (i) engaging community institutions network for mobilizing eligible clients for entitlement and public services, (ii) single stage enrollment for package of entitlement schemes, (iii) arranging Information Education and Communication (IEC), counseling and support services, (iv) Leveraging Information and Communication Technologies (ICT) for predictable service delivery, and (v) social accountability mechanisms. This component will finance TA, institution building, systems development and robust M&E and Impact Assessment Systems.

Component 4: ICT & Partnerships (US\$ 15 million): The objective of this component will be to improve the performance of project implementation and enhance coordination mechanisms with supply/demand side partner institutions by providing them technical assistance, strategic advisory and knowledge management services with national and international expertise in the above three areas. The project will encourage productive partnerships with public, private and social enterprise sectors to increase the integration of poor in performing and remunerative value chains. The project will organize solutions and innovations marketplaces for identifying high impact innovations and developing productive alliances between small and marginal producers and the public, private and social enterprise sector aimed at improving technical service provision and market linkages in the project areas. A framework for Public-Private-Community Partnerships (PPCP) will be developed that allows the community institutions to form productive alliances at the local level. The project will make strategic investments in ICT and m-Governance systems to develop state of the art IT platform for hosting and delivering variety of project services like management information system (MIS), decision support systems (DSS), financial management system (FMS), etc. This digital grid connecting village to the State level will be Aadhar (UID) enabled and will be leveraged to deliver ICT based services to rural poor households in the last mile.

Component 5: Project Implementation Support (US\$ 25 million): The objective of this component is to strengthen the project implementation and will finance dedicated staffing for the project activities that are attributable to outcomes of the project, consultancies, training and related material, office equipment, and operational costs. It will also support establishing Monitoring, Evaluation and Learning (MEL) systems, Financial Management systems, Procurement Management, Governance and Accountability Systems, Knowledge Management and Communication, etc.

Over last 10 years, SERP has built capacity in project and financial management, procurement, monitoring and evaluation, including environment and social safeguards. It has mainstreamed operational strategies on poverty targeting, social inclusion, gender equity and women's empowerment in all its programs on micro-credit, livelihoods, entitlements and vulnerability reduction. Similarly, it has promoted several interventions to mitigate micro level environmental risks and steps to promote climate friendly initiatives, including sustainable agriculture practices and convergence with national programs supporting land improvement, ground water development and soil fertility treatments. However, capacity for systematically implementing, monitoring and reporting on Bank's social and environment safeguard policies does need a more 'institutionalized' approach. The capacity for environmental and social safeguard assessments, mitigation and monitoring will be reviewed as part of project preparation and any capacity and/or human resource gaps will be addressed.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

V. Financing (in USD Million)

Total Project Cost:	250.00	Total Bank Financing:	150.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			100.00
International Development Association (IDA)			150.00
Total			250.00

VI. Contact point

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