

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC13493

Project Name	India: Andhra Pradesh Rural Inclusive Growth Project (P152210)
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%), Social Inclusion (20%)
Lending Instrument	Investment Project Financing
Project ID	P152210
Borrower(s)	Department of Economic Affairs
Implementing Agency	Society for eimanation of Poverty (SERP)
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Concept Review Decision	

I. Introduction and 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, 400 million people are living on less than \$1.25/day in PPP terms 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 absolutely poverty over the past 20 years, it has not benefited everyone uniformly. India's consumption inequality as measured by the Gini coefficient is 0.34 and is on the rise, with widening disparities between urban and rural areas. Despite accelerated

social mobility and urbanization, Indian society remains exclusionary, and income inequality alone does not reflect the depth and range of social inequities. Structural and persistent inequalities by gender, caste, and tribe persist, and indicators of poverty and human development for these groups lag behind those of the general population. Poverty rates are especially high among scheduled tribes (46.1 percent in 2009–10), and scheduled castes (40.8 percent). 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. Thus one of the biggest challenges faced by India is to ensure that its economic growth is inclusive and leads to equitable, significant and sustained rural poverty reduction.

Sectoral and Institutional Context

2. The state of Andhra Pradesh is the tenth largest in terms of population and eighth largest in terms of geographical area. The Gross State Domestic Product (GSDP) of Andhra Pradesh was USD 39.5 billion (at constant prices) in 2012-13, accounting for about 4.3% of the national GDP. It has an area of 160,200 square kilometers and a population of 49.38 million (2011 census). This region is divided into thirteen districts and is commonly grouped into two regions, Rayalaseema and Coastal Andhra. Rayalaseema recorded a poverty ratio of 28% and Coastal Andhra 15%, compared with the national average of 32.2% for 2007-08. The poverty ratio has declined by 42 percentage points in Rayalaseema and by 38 percentage points in Coastal Andhra during the period 1983 to 2007. Although the state has achieved significant results in terms of both economic growth and poverty reduction, prosperity is very unevenly distributed. For instance, the proportion of poor among the socially excluded sections of population: scheduled tribes, scheduled castes, and Muslims is quite high in Coastal Andhra at 23% versus only 12% among the non-SC/ST/Muslim population. Thus, although extreme poverty has decreased significantly in the state, ensuring a more equitable distribution of the growth and achieving significant improvement in terms of shared prosperity is a key challenge going forward.

3. Overview of the Agriculture Sector in Andhra Pradesh: 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%. The greatest potential for growth in the agriculture sector comes from the cash-crops and livestock sub sectors. However, most of the small and marginal farmers and the farmers are not able to access opportunities from growth in these sectors as they have low access to extension services, good quality inputs like improved seeds, access to market services and institutional credit.

4. Overview of the Human Development context in Andhra Pradesh:

In spite of the strong growth in GSDP over the past 10 years, the progress of Andhra Pradesh towards health related MDGs has been slow in comparison to other South Indian states like Tamil Nadu and Kerala. The state is ranked 11th among all states in terms of GSDP per capita but it does poorly in terms of the Human Development Index (HDI). The Infant Mortality Rate (IMR) was

reported to be 43 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. Similarly the Maternal Mortality Rate(MMR) for the state was reported to be 132 per 100,000 live births. The access to sanitation service for the rural households is also low. 52% of the rural households in Andhra Pradesh defecate in the open. The corresponding number for Uttar Pradesh is 64% and Bihar 76%. Kerala, which is by far the best performer has only has 5% of the households defecating in the open.

5. In terms of nutrition indicators, the National Family Health Survey-3 (2006) reveals that 30 percent of women (15-49 years) in the erstwhile Andhra Pradesh state have a Body Mass Index (BMI) below normal and 62.7 percent are anemic. Malnutrition among the children under three years continues to be a problem. Among these children, 38.4 percent are stunted, 14.9 percent wasted, and 29.8 percent are under-weight. The national Family Health Survey-3 had revealed that about 6.4 per cent of all children below five years of age are severely affected in the state. These indices are far worse for the Schedule Castes (SC) and Schedule Tribes (ST) and poorest quintile (20%). The incidence of stunting, wasting and under-weight among the SC and the ST children is substantially higher.

6. In terms of the literacy rate as well the state's literacy rate at 68% 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. It is quite clear from the above data that the consistent economic growth that has taken place in the state over the last few decades has not been translated to corresponding achievements on the human development front in terms of access to health, sanitation, nutrition and education services especially for the most marginalized communities namely the scheduled castes and schedules tribes.

7. World Banks engagement in Rural Livelihoods in the state and at the national level: The Bank's engagement with the State in the area of rural livelihoods and community based approaches has spanned a decade through two operations, Andhra Pradesh District Poverty Initiatives Project (APDPPI) and Andhra Pradesh Rural Poverty Reduction Project (APRPRP). These programs have helped mobilize more than 11 million poor households into community institutions, and created an institutional platform for facilitating a diverse range of services and achievement of development outcomes. These programs have achieved significant results in terms of increased savings, access to credit, livelihoods (particularly agriculture, livestock, and market linked skills) and public services and enabled increased public and private investment to flow into these households, communities and regions.

8. APRPRP was primarily focused on community mobilization, livelihoods and financial inclusion. It also aimed to improve the quality and household access to basic services like education, health and entitlements. By the time it ended, about 929,000 SHGs had been linked to banks, accessing credit worth USD 7.8 billion. There was substantial increase in the percentage of beneficiaries accessing PDS (Public Distribution System, the national food security system) and in procuring additional quantities of cereals, sugar, edible oil and pulses from PDS. The project participants accessed cereals at double the rate of non-participants. On the health front, the number of unsafe deliveries has declined by 9% among participants from around 30%. Over 115,000 girl children

were enrolled in Residential Schools with pass percentages consistently 10-15% higher than government schools. Also 21,700 children, mainly tribal, were enrolled in Early Childhood Centers.

9. The Society for Elimination of Rural Poverty (SERP), an autonomous society created by the erstwhile government of Andhra Pradesh with the mandate to work on rural poverty reduction in the state has been the implementing agency for the above bank operations. It continues to build upon the successes of APRPRP. Today, nearly 90 percent of poor households have been mobilized into community institutions (SHGs/Federations). As on January 2014, there are 11.6 million SHG members in 1.05 million SHGs organized into 43,597 Village Organizations (VOs) and 1098 Mandal Samakhyas (MSs). In addition, there are 936 Mandal Vikalangula Sangams, 8 Zilla Vikalangula Samakhyas, 17 Chenchu Mandal Samakhyas, 7 Fishermen Mandal Samakhyas and 20 Yanadi Mandal Samakhyas in the State .

10. This network of Community Based Organizations (CBOs) has been leveraged to promote financial inclusion and livelihoods. Total savings & corpus of SHG members by the end of January, 2014 is Rs 4447.63 crores (about USD 743 million) and Rs 5720.66 (about USD 950 million) crores respectively. Through the SHG-Bank linkage programme, these SHGs have been able to borrow more than Rs 62,700 crores (about USD 10.5 billion). More than 3.8 million acres of land benefiting about 1.2 million farmers have been brought under sustainable agricultural practices and 257,000 dairy farmers in 3800 villages have been linked to formal dairy markets through 195 bulk milk coolers.

11. On the human development front, GOAP has piloted establishment of 4264 community managed health and nutrition centres (covering about 100,000 households). These have led to significant increase in access to services and improved outcomes in terms of health and nutrition indicators. SERP has also established 2636 early childhood education centres (called Balabadis) catering to over 40,000 children. In terms of access to entitlements, about 440,000 persons with disabilities (PwDs) have been organized into exclusive SHGs of PwDs and 9.3 million members of SHGs are covered by life insurance services. These programs have also resulted in social and economic empowerment of most vulnerable groups primarily the rural women. It has also supported the state government to develop a professional support and service delivery architecture for social and economic mobilization of the poor.

12. Thus, both APDPIP and APRPRP have produced transformative outcomes in the areas of social mobilization & institution building, financial inclusion and productivity enhancement for small and marginal farmers. They have also successfully piloted several approaches to improve health, education, and gender outcomes. Government of India (GoI) has modelled their rural livelihood strategy around National Rural Livelihoods Mission building(NRLM) on the lessons from erstwhile Andhra Pradesh. The National Rural Livelihoods Project is supporting the implementation of NRLM in nearly 100 districts and 400 blocks of 13 high poverty states (Bihar, Chhattisgarh, Jharkhand, Gujarat, Maharashtra, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal, Karnataka, Tamil Nadu and Assam), accounting for 85 percent of the rural poor in the country. All of these are substantially inspired by the work already done in Andhra Pradesh. Thus, the previous work done by the World Bank in erstwhile Andhra Pradesh has had a national level demonstration effect.

13. The central lesson learnt during the last ten years of the above engagements is that significant investment in building institutional platforms of rural poor households is a critical foundation for

sustainable poverty reduction. The strong social capital that has been built up over the last decades of work has successfully been leveraged to significantly enhance access to financial services and entitlements for the self-help group members. The results show that social capital can be transformed into financial capital. However, to achieve sustained growth in rural household income and achieve rural transformation, the households which have increased access to financial capital need to move up on the value chain and access new technologies, services and markets. This requires change in emphasis from current institutional approach of self help groups to producer organizations and companies. They need to work on commercial principles of engagement with market entities on commodity value chains.

14. Also, the status of the human development indicators in the state shows that the strategies used in the current livelihood programs are necessary but not sufficient for leveraging this social capital to ensure access to health, nutrition and sanitation services. There is need to work on both demand and supply side to ensure that human development outcomes are achieved especially for the SC and ST households. There is also a need to have a multisectoral approach for design, implementation, management and monitoring of these programs, particularly for HD outcomes.

15. Inclusion Challenge: There are two main aspects of inclusion that are primarily responsible for the current status of economic and human development outcomes in the state. The first is the income deficit which means that the small & marginal farmers and the SC/STs have not adequately benefitted from the potential growth in the agriculture and allied sectors because of which the decrease in extreme poverty is much lesser among these communities. The other deficit is the human development deficit which means that the benefits from the economic growth have not been translated into improvements in the human development outcomes.

16. The income deficit among the small the small & marginal farmers and the SC/STs is mainly because of the fact that they have not been able to take advantage of the potential benefits from the sub sectors like horticulture, livestock and fisheries. Typically they have low access to extension services, good quality inputs like improved seeds and institutional credit and find it difficult to cultivate lucrative and new crops which can be processed because of the marketing problems and price risks involved. For example, baseline data collected for the project preparation shows that for many commodities like paddy, red gram and livestock products like milk and poultry, the productivity is much less than the average across comparable agro ecological regions among the farmers from these poorest communities. The annual income from the commodity is also less than half the potential because of poor productivity, lack of access to remunerative markets and lack of value addition. This clearly shows that there is a significant income deficit that needs to be addressed.

17. The income deficit exists in combination with the deficit in terms of the human development indices. Analysis of the baseline data showsthat the status of the Schedule Castes (SC) and Schedule Tribes (ST) is much worse that other social categories for most of t he health and nutrition indicators. The table below provides a detailed comparison of the difference between the status for SC/STs on some key nutrition indicators as per National Health and Family survey (NHFS) -III.

IMR	Stunted*	Wasted*	Underweight*
Sche dules Castes	66	42.7% 9.5%	43.4%
Scheduled Tribes	78	44.2% 7.5%	45.9%
Overall 53	38.4% 6.4%	38.4%	

*: Figures are presented as percent of children under 3 years who are below 2 standard deviations from the median growth indicator value calculated from the WHO reference population

18. The income deficit and the human development deficit that have been described above need to be addressed to ensure inclusive growth in the state thereby ensuring shared prosperity and greater pace in the reduction of extreme poverty.

19. Enabling policies and legislations to aid inclusive growth: The newly elected government of Andhra Pradesh has adopted a mission-based approach focusing on inclusive growth and poverty alleviation. Under its “primary” mission, it aims to improve agricultural productivity and human development indicators through integration of agricultural value chains, health and nutrition improvements, and better delivery of entitlements. This ties in very well with the overall approach of this project as well. The government has announced comprehensive district-wise plans to develop the new state. These district plans include the development of large food parks in every district of the state. These food parks are envisaged to function as end-to-end processing hubs and export processing zones. The government also plans to create aqua-culture processing units in four districts. Thus the government has expressed strong interest in developing the value chains for agricultural commodities. The APRIGP project will be able to take advantage of the infrastructure provided through these food parks and processing units to increase the income of producers through interventions along the entire value chain.

20. Realizing the need to undertake specific investments towards the improvement of both economic and human development outcomes of the SC/STs, the Government of erstwhile Andhra Pradesh had enacted “The Andhra Pradesh Scheduled Castes Sub-Plan and Tribal Sub-Plan (Planning, Allocation and Utilization of Financial Resources) Act in 2013. The legislation was done to ensure accelerated development of Scheduled Castes (SC) and Scheduled Tribes (ST) with emphasis on achieving economic, educational and human development along with ensuring security, social dignity and promoting equity. AP is the first state to enact this landmark legislation in the entire country. By ensuring allocation of funds to these sections in proportion to their population, the legislation would be helpful in ensuring the right to equality for the SC and ST community. This legislation will continue to be in force in the newly created Andhra Pradesh State.

21. Additionally, realizing the poor status of Human Development in the state, the Government of erstwhile AP launched the Maarpu initiative aimed at addressing this issue over the last two years. This initiative will continue in both the new states. Maarpu (meaning change) is a converged health and nutrition service delivery initiative. It focuses on the reduction of maternal and infant mortality, regular pre-natal monitoring of health and nutrition status of pregnant women and safe institutional deliveries. The scheme envisages convergence across departments and active engagement of the community organisations promoted through APRPRP to effect behavioral change to ensure better delivery of healthcare and nutritional services. In particular, Maarpu signifies the convergence of efforts of the Health, Women's Development & Child Welfare, Panchayati Raj and Rural Development Departments, working along with the Self Help Groups (SHGs) and their federations, to bring about a quick decline in the Infant Mortality Rate (IMR), Maternal Mortality Ratio (MMR) and malnutrition in Andhra Pradesh. Led directly by the District Collector in each district, Maarpu takes shape through a combination of improved service delivery, convergence across departments, community-led demand stimulation and behavioral change. On supply side, the concerned departments are expected to ensure universal availability of quality services and to improve the design of their respective programmes. On the demand side, active community participation is

anchored in meetings of the village level convergence committees resulting in the identification of service delivery gaps for timely corrective action.

22. Rationale for the bank involvement: There are three reasons why the bank needs to develop this inclusive rural growth project in Andhra Pradesh. Firstly, the bank has been involved in supporting development of institutional platforms of rural women at state and national level and with various states which have achieved significant outcomes in terms of social and financial capital for the poor households. However, in order to achieve sustainable increases in income, households need to access economic opportunities through value chain development and market access opportunities. This project will demonstrate new generation of rural transformation programs through access to the entrepreneurial and market based opportunities in agriculture and allied sectors and generate new learnings for rest of the country. Secondly, in spite of a number of welfare programs and increased allocation to HD sectors, outlays are not getting converted into service delivery outcomes. There is a need to invest on both demand and supply side in a multi-sectoral manner. This project will work on integrating demand, supply and enterprise aspects for last mile delivery of human development services including health, nutrition and sanitation and achieving higher human development outcomes. Thirdly, Andhra Pradesh is offering an opportunity for bank to internally work in a multi-sectoral way and across GPs. Government of Andhra Pradesh has also shown intent by creating a multi-sectoral and multiagency institutional platform which brings both demand and supply side aspects together. It has also recently enacted many legislations and government orders to improve the targeting and effectiveness of the government programs. On the demand side, bank's engagement over the last decade or so has resulted in the creation of a strong social and financial capital in the form of the institutional platforms of the poor. This project will primarily aim to convert this social and financial capital into human capital and better service delivery outcomes by ensuring significant improvements in the effectiveness of the large public investments in the state. State of Andhra Pradesh also has a dense network of IT and social entrepreneurs in areas of ICT, mobiles, data analytics and other innovative development applications. The proposed project will demonstrate how government can work with this innovation and entrepreneurial ecosystem with significant private sector and entrepreneur participation.

23. The other key rationale for the project is that the lessons learnt from the project will be taken to several low income states like Bihar, Madhya Pradesh, Orissa, Jharkhand and Chhattisgarh where similar institutional platforms of the poor are currently being built through dedicated bank supported livelihood projects at the state and national level. Lessons from this project will be taken to rest of the country through a dedicated knowledge hub in the State. The proposed project will put in place the following transformational strategies and approaches:

- In order to address the human development deficit, the project will firstly leverage on the existing social capital to ensure mobilization of the communities around human development issues thereby strengthening demand side accountability. The project will provide strong technical assistance to the line departments to improve the monitoring of the earmarked public expenditures for the SC/STs through proactive legislation. It will also increase the effectiveness and efficiency of service delivery by enabling the use of ICT especially at the last mile. The project will thus create a converged architecture of service delivery at the last mile to ensure reliable and universal access to health, nutrition & sanitation services and entitlements. The project will also build on national and global evaluations done on identifying effective intervention strategies
- In order to address the income deficit, the project will enable small and marginal farmers to move significantly up on the value chain across key value chains by aggregating producer

organizations and making investments in value addition and processing to enable strong linkages with markets. Leveraging the gains from the practice of sustainable agriculture over 3 million acres, the project will develop niche markets in organic and fair trade sector through strong partnership with large agri-businesses.

- The project will build an ecosystem for 'solutions', 'innovations' and 'value creation' toward a pro-poor growth by working with diverse set of players including social entrepreneurs, established cooperatives and private sector, in contrast to earlier public sector centric approach. Open data platforms in particular can be a powerful lever to create 'ground-up' solutions with ultimate program beneficiaries as the focal point of data-driven services. This will enable creation of a pro poor investment climate for investment in poor and remote regions.
- Given the policy push from the Government of Andhra Pradesh towards empowering panchayats, the project will have significant convergence initiatives with the Panchayati raj institutions.
- The project will involve rigorous monitoring, evaluation and impact assessment using both national and international resources.
- The project will benefit from global best practices especially from the Bank's experience of successful implementation of similar programs in comparable economies like the rural productive partnerships work in Latin America and the conditional cash transfers work supported by the bank in Mexico and Brazil. The Government of Andhra Pradesh has already started building these partnerships as a part of South- South Exchange to Progres program in Mexico and has already been invited to be a possible candidate for opening a Country Level Knowledge.
- The project shall build strong technical assistance partnerships and knowledge exchange arrangements between Andhra Pradesh and the low income States (Bihar, Odisha, Jharkhand, Madhya Pradesh) in India to ensure that lessons learnt are systematically incorporated into the design of the existing rural livelihood projects being implemented in those states. Human development outcomes in these states are much worse than Andhra Pradesh and lessons learnt from this operation would be applied concurrently to enable significant improvements in the human development outcomes of those states.

Relationship to CAS

The project is consistent with proposed CPS (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. The project also contributes to the inclusion pillar as it is being implemented in the 150 most backward mandals of the state and focusses on the communities that are socially and geographically excluded and have low income levels. The project also supports the Government of India's "Finance Plus" approach by enabling convergence with major govt. scheme such as Integrated Child Development Services (ICDS) and National Rural Health Mission (NRHM). It will also invest in ICT and social accountability mechanisms for improving service delivery in a sustainable manner.

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)

Enhanced income of 250,000 producers in selected project mandals.

250,000 poor households obtain improved human development status.

500,000 poor households have enhanced access to systems that deliver improved information, enrollment and payment for social protection and entitlement programs.

III. Preliminary Description

Concept Description

This project has a spatial focus on the most backward mandals in the State with the lowest economic and human development indicators. On one hand, it will work concurrently on substantially increasing economic opportunities for small and marginal farmers which have not been able to access economic services and markets across the value chains. It will also invest in increasing the nutrition content of the agricultural production (milk, vegetables and poultry) and also use innovative access to rural retail chains and enterprises with focus on food and nutrition related enterprises in terms of value addition. Concurrently the project will also invest in new ways of accessing human development, nutrition and sanitation combining demand, supply and enterprise approaches. It will invest in grafting current investment in social mobilization for credit and financial services to mobilization for human development in conjunction with local governments (panchayats) and developing innovative solutions for service delivery through public and private efforts. These efforts will be also underpinned by significant investment in ICT and mobile based service delivery systems for social accountability, better targeting, increased transaction efficiency and increased effectiveness.

The proposed project will focus on the following transformational strategies and approaches for shared prosperity and reducing poverty in AP:

- Enabling small and marginal farmers and dairy producers move significantly up on the value chain by aggregating producer organizations on the pattern of Amul and making investments in value addition and processing to enable strong linkages with markets. Leveraging the gains from the practice of sustainable agriculture over 3 million acres, the project will develop niche markets in organic and fair trade sector through strong partnership with large agri-businesses.
- Building on the results achieved through community organization in earlier projects, the project will forge a convergence with existing public sector and civil society initiatives, in order to help AP improve its human development outcomes (including the MDGs) and ensure that the poor and the vulnerable share in these gains.
- Building an ecosystem for attracting investment for 'solutions', 'innovations' and 'value creation' for reducing poverty and working with diverse set of players including social entrepreneurs, established cooperatives and private sector, in contrast to earlier public sector centric approach.
- Encouraging knowledge exchange, technical assistance and rigorous monitoring and impact

assessment using both national and international resources.

AP has enabling conditions for achieving inclusive rural growth which will lay down lessons for other States. There are active TA partnership and knowledge exchange arrangements between AP and several lagging States including Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan, etc. under NRLP. Lessons learnt from AP will be used concurrently in lagging regions and in NRLP to reduce the learning curve as rural livelihood programs get implemented in these regions.

The proposed project aiming to achieve rural inclusive growth is 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 & 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\$ 45 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 & 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 identification of value-chains or clusters could take two routes (a) resource based approach or producer driven value chains based on pre-dominant activity in the area (for e.g. food grains, handloom, handicrafts, etc.), and (b) market induced approach or buyer driven value chain (for e.g. dairy, fresh fruits and vegetables, etc.). 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\$ 20 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. Two alternative modalities for achieving this objective will be supported and assessed for their effectiveness/viability. First, the project will support the expansion and enhancement (including better targeting) of the offerings of the Nutrition Cum Day Care Centers (NDCCs) created under the earlier Bank supported Andhra Pradesh Rural Poverty Reduction Project. These programs have enabled 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 expansion of the NDCCs and early childhood education center will entail the inclusion of specific tribal areas of the State, with packages introduced to cater to the unique needs of these tribal populations. Second, the project will support the implementation in selected blocks of the recently issued government order (No. 249) that aims, through 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. Maarpu has eight key components ranging from the implementation and monitoring of 20 key interventions that are expected to reduce MMR, IMR and malnutrition to convergence in service delivery at the habitation level and convergent behavioral change communication (BCC). The Social Observatory set up by DIME in collaboration with the WB livelihoods projects in India is measuring the impact of 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 Department of Education to establish early childhood education centers and offer higher education for poor children. Building on such initiatives, the project will help strengthen community mechanisms to improve the functioning of school systems and their social accountability. Provision of supplementary learning opportunities to children from poorest households will also be made.

Overall, the component seeks to build on program innovations in Andhra Pradesh and elsewhere in order to improve access of the poor and vulnerable to good quality nutrition, health and educational services. 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\$ 11 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, MNREGS, social pensions, scholarships, etc.). The project will support convergence strategies with the 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 UID linked electronic benefit transfer solutions; the project will also support design, implementation and evaluation of cash transfer schemes.

The community institutions through social action committees (SACs) and 'help line' pro-actively address gender issues such as violence against women, early girl child marriage, female infanticide, etc. The project will deepen the SACs agenda to even address intra household, community level gender issues and issues related to adolescent girls. 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 project will leverage institutions experience and expertise like Center for Good Governance (CGG), Society for Social Audit, Accountability and Transparency (SSAAT) for strengthening accountability of public services and entitlements in the last mile. 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 IEC, counseling and support services, (iv) Leveraging 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\$ 20 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\$ 11 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.

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:	107.00	Total Bank Financing:	75.00
Financing Gap:	0.00		
Financing Source		Amount	
BORROWER/RECIPIENT		32.00	
International Development Association (IDA)		75.00	
Total		107.00	

VI. Contact point

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