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PROJECT PERFORMANCE ASSESSMENT REPORT

INDIA

TEN MILLION WOMEN AND COUNTING:

An Assessment of World Bank Support for Rural Livelihood Development in Andhra Pradesh, India

ANDHRA PRADESH DISTRICT POVERTY INITIATIVES PROJECT (CREDIT NO. 33320-IN)

ANDHRA PRADESH RURAL POVERTY REDUCTION PROJECT (CREDIT NO. 37320-IN, 37321-IN, 46750-IN)

March 30, 2015

IEG Public Sector Evaluation
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Rupees (Rs.)

1999	US$1.00	Rs.43.0
2000	US$1.00	Rs.44.9
2001	US$1.00	Rs.47.2
2002	US$1.00	Rs.48.6
2003	US$1.00	Rs.46.6
2004	US$1.00	Rs.45.1
2005	US$1.00	Rs.43.9
2006	US$1.00	Rs.45.2
2007	US$1.00	Rs.41.5
2008	US$1.00	Rs.43.8
2009	US$1.00	Rs.49.4
2010	US$1.00	Rs.45.7
2011	US$1.00	Rs.46.5
2012	US$1.00	Rs.53.4
2013	US$1.00	Rs.58.5

Abbreviations and Acronyms

APDPIP	Andhra Pradesh District Poverty Initiatives Project
APRPRPA	Andhra Pradesh Rural Poverty Reduction Project
APMAS	Andhra Pradesh Mahila Abhivruddi Society (Women's Development)
APSWREIS	Andhra Pradesh Social Welfare Residential Institutions Society
BC	Backward Castes
CAS	Country Assistance Strategy
CBO	Community Based Organization
CEO	Chief Executive Officer
CESS	Center for Economic and Social Studies
CIF	Community Investment Fund
CIG	Common Interest Group
CMSA	Community Managed Sustainable Agriculture
CRP	Community Resource Person
DCA	Development Credit Agreement
DIFD	Department of International Development (UK)
DRDA	District Rural Development Agency
EC	Executive Committee
FRR	Financial Rate of Return
FY	Financial Year
GM	Gram Panchayat (an elected body representing one or a group of villages)
GOAP	Government of Andhra Pradesh
GOI	Government of India
GS	Gram Sabha (the adult residents of a village or larger habitation; meetings are open to all adults.)
ICR	Implementation Completion Report
IDA	International Development Association
IEG	Independent Evaluation Group
IEGPS	IEG Public Sector Evaluation
IRR	Internal Rate of Return
ITDA	Integrated Tribal Development Agency

ISR	Implementation Status Report
M&E	Monitoring and Evaluation
MARKFED	Marketing Federation (of AP)
MFI	Micro-Finance Institution
MIS	Management Information System
MPCE	Monthly Per Capita Expenditure
MS	Mandal Samakhya (Mandal = Block; Samakhya = Association)
MTR	Mid-Term Review
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental Organization
NPM	Non-Pesticide Management
NREGS	National Rural Employment Guarantee Scheme
OD	Operational Directive
OP	Operational Policy
OPN	Operational Policy Note
PAD	Project Appraisal Document
PIP	Participatory Identification of the Poor
PPAR	Project Performance Assessment Report
PPM	Participatory Poverty Mapping
PoP	Poorest of the Poor
PRI	Panchayati Raj Institutions (the institutional hierachy of local government)
QAG	Quality Assurance Group (of the World Bank)
SAPAP	South Asia Poverty Alleviation Project
SC	Scheduled Caste
SERPAP	Society for the Elimination of Rural Poverty Andhra Pradesh
SERPT	Society for the Elimination of Rural Poverty Telangana
SHG	Self-Help Group
ST	Scheduled Tribe
UNDP	United Nations Development Program
VO	Village Organization
ZS	Zilla Samakhya (Zilla = District)

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Fiscal Year

Government: January 1 to December 31

Director-General, Independent Evaluation	:	Ms. Caroline Heider
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Contents

This report was prepared by Lauren Kelly and Ridley Nelson (Consultant), who assessed the project in October/November 2014. The report was peer reviewed by April Connelly and panel reviewed by Jack Van Holst Pellekaan. Marie Charles provided administrative support.

Principal Ratings

Andhra Pradesh District Poverty Initiatives Project

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Satisfactory	Satisfactory
Risk to Development Outcome	Negligible	Negligible	Moderate
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

Andhra Pradesh Rural Poverty Reduction Project

	ICR*	ICR Review*	PPAR
Outcome	Highly Satisfactory	Satisfactory	Highly Satisfactory
Risk to Development Outcome	Negligible	Negligible	Moderate
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Highly Satisfactory	Highly Satisfactory	Highly Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

Andhra Pradesh District Poverty Initiatives Project

Project	Task Manager/Leader	Division Chief/ Sector Director	Country Director
Appraisal	Ashok Seth	Ridwan Ali	Edwin Lim
Completion	Parmesh Shah	Adolfo Brizzi	Isabel M. Guerrero

Andhra Pradesh Rural Poverty Reduction Project

Project	Task Manager/Leader	Division Chief/ Sector Director	Country Director
Appraisal	Jeeva Perumalpillai-Essex	Constance Bernard	Michael Carter
Completion	Parmesh Shah	Simeon Ehui	N. Roberto Zagha

IEG Mission: Improving World Bank Group development results through excellence in evaluation.

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The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Preface

This is a Project Performance Assessment Report (PPAR) of the Andhra Pradesh District Poverty Initiatives Project (APDPIP) (Credit No. 33320-IN) approved April 11, 2000 and effective August 7, 2000, and the Andhra Pradesh Rural Poverty Production Project (APRPRP) (Credit No. 37320-IN, Credit No. 37321, Credit No. 46750) approved February 20, 2003 and effective May 13, 2003.

The total project cost at appraisal of APDPIP was US$134.80 million. The Credit was US$111.00 million. This was fully disbursed by the extended closing date of December 31, 2006. The total project cost at appraisal of APRPRP was US$266.19 million. The Credit was S$150.00 million. This was followed by two rounds of additional financing, in 2007 of US$65.00 million, and in 2009 of US$100.00 million. All of this funding was fully disbursed by the extended final closing date of September 30, 2011. The final total project cost of APRPRP was US$472.43 million.

This report is based on a review of project documents, including the Implementation Completion and Results Reports, the Project Appraisal Document, legal documents and project files, the Impact Study and MIS database, the literature, and on discussions held with Bank staff involved in the project. It is also based on an IEG assessment mission to India that was conducted from October 25, 2014 to November 21, 2014. IEG held meetings in New Delhi and conducted site visits to villages, mandals and districts in the states of Andhra Pradesh and Telangana, both states recently formed from the division of the erstwhile state of Andhra Pradesh. The mission expresses its appreciation for the time and attention of the Borrower and all concerned parties, particularly the Society for the Elimination of Rural Poverty Andhra Pradesh (SERP AP) and the Society for the Elimination of Rural Poverty Telangana (SERP T). A list of persons met is given in Annex C.

IEG selected these two projects for a field assessment in order to verify results, assess sustainability, and draw lessons for future Bank support in the area of community development in India and globally. The assessment will also provide input for an IEG study on World Bank Group Support for the Rural Non-Farm Economy and an IEG study on Financial Inclusion.

Following standard IEG procedures, copies of the draft report were sent to government officials and agencies for their review and comment. No comments were received.

Summary

This is a Project Performance Assessment Report (PPAR) of the Andhra Pradesh District Poverty Initiatives Project (APDPIP) (Credit No. 33320-IN) approved April 11, 2000 and effective August 7, 2000, and the Andhra Pradesh Rural Poverty Production Project (APRPRP) (Credit No. 37320-IN, Credit No. 37321, Credit No. 46750) approved February 20, 2003 and effective May 13, 2003.

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Andhra Pradesh District Poverty Initiatives Project (APDPIP)

The objective of the Andhra Pradesh District Poverty Initiatives Project - **the relevance of which is rated High by this assessment** -was *to improve opportunities of the rural poor to meet priority social and economic needs in six of the poorest districts*. It set out to do this by establishing and strengthening institutions of the rural poor – whereby the poor are both members and leaders – and through which their social capital is strengthened. Over time, as evidenced by activities evaluated under the second phase, this social capital has helped to connect the poor to financial and economic knowledge and political capital, thereby enabling the institutions of the poor to increase access to finance, markets, services, infrastructure, knowledge, voice and political participation. **The Relevance of Project Design is rated Substantial**. The designed components and processes were consistent with the stated objectives and the logical framework. However, more could have been done in the first phase to test and learn from alternate approaches in parallel, prior to scaling up state-wide.

The achievement of the objective of improving opportunities of the rural poor to meet priority social needs in six of the poorest districts is rated High. The project helped to establish 171,618 women's Self-Help Groups that enabled 2.3 million female beneficiaries (twice the target) to participate in this rural livelihoods program. Studies find that, as a result of the project, participants experienced an incremental increase in per capita consumption of about US$16.8 per year, representing an 11 percentage point increase over a control. Participants also experienced an estimated increase in per capita intake of energy and protein and investment in non-financial assets at levels that were significant as compared to a control. With regard to the assumption that social capital could support greater political participation, and in turn, more meaningful representation of women and the poor, the end-line impact assessment found that women participating in SHGs were more likely both to contest and win local elections (CESS 2007).

The project also connected project participants to critical social entitlements. SHGs were supported by representative federations of participating members – at the Village, Sub-District, and District Level. This representation allowed women to leverage their voice to

gain access to priority social needs. With the assistance of the implementing agency, these higher level federations of women were, for the first time, able to directly negotiate with government authorities to gain access to pensions for members that had previously been overlooked or where there had been significant leakage. In 2005-2006, the Village Organizations distributed over US$2 million of old age and other pensions including disability pensions to members of the SHGs. The federated arrangement helped to more than triple the number of poor covered by life insurance. With implementing agency support, and the service delivery channels established through the project, more than half a million women purchased life insurance raising the percentage of coverage from 4 percent of the rural poor covered in 2003 to 15 percent in 2007. The arrangement also helped members to gain access to the State's Employment Guarantee Schemes. Focus group discussion facilitated by IEG revealed that increasingly, over time, as women gained confidence, they were using their collective power to confront child marriages, domestic abuse, and child trafficking. The project had a strong focus on delivering nutrition and education services for the poor. The project facilitated implementation of a food security system. A community investment fund – targeted at the district level – enabled the bulk purchase of food grains which in turn allowed for more affordable access of these foodstuffs for some 550,000 participating households, on a credit basis.

The achievement of the objective of improving opportunities of the rural poor to meet priority economic needs in six of the poorest districts is rated Substantial. The project used two main vehicles to provide the rural poor with productive opportunities: a Community Investment Fund and a Savings and Credit scheme and that included linkages to banks. The investment fund, administered through the federated structure to finance demand-driven investments, connected an estimated 1 million households to income generating sub-projects. The project supported over 36,000 income generating activities. An estimated two-thirds of CIF funds were used for agriculture and livestock and a substantial amount of these funds were invested in dairy production. The remaining funds were used for non-farm investments. A farm enterprise study conducted by the implementing agency based on a random sample of 475 subprojects found that the average rate of return for agriculture and livestock investments was between 40-174 percent. The average rate of return for dairying was 103 percent while agriculture was 44 percent. The end-line impact assessment found that average incomes from dairying rose by 85 percent in real terms and that the average incomes from agriculture rose by 42 percent (CESS 2007). The Community Investment Fund was also used to connect rural poor youth to employment opportunities. With the assistance of SERP, the project established Livelihoods Advancement Business Schools which helped to train and connect 11,883 youth to jobs in the textile, services and construction industries, mainly in urban areas. The resulting average annual incomes for trained and employed youth is reported to be US$1,000, with fifty percent of these earnings being remitted back to families in the rural areas.

The second vehicle through which the project supported economic opportunities was through a Groups Savings and Lending Scheme that included a target to link rural poor women's groups to formal banking systems, using the group savings and lending model to demonstrate credit worthiness. As compared to a target of US$15 million, the project supported total group savings of US$113 million. The project set out to link 45,000 groups to formal banking systems. As compared to the target, the project connected

155,091 groups to formal banks. According to the impact assessment, participating household asset income, excluding wage income, subsidy payments and other transfer payments, increased from an average of US$220 to US$589 as a result of the contribution made by livelihood opportunities accessed through these different sources of funding.

Efficiency is rated Substantial. Against a benchmark estimated in the project appraisal document of 19 to 48 percent, the project achieved internal rates of return of 44 percent for agricultural activities, 48 percent for livestock, and 103 percent for dairy. IEG reviewed the enterprise models used to conduct the rate of return analysis and found them to be generally sound. Consumption benefits were calculated for the project as a whole – an external assessment found that applying a 0.9 discount factor, the net present value of benefits from the project were about US$1.69 billion. Assuming the consumption benefits lasted for only one year, the study calculated a benefit cost ratio of 1.5:1. The costs of delivering services were moderate as compared to appraisal estimates, but these costs are likely to be under-reported, although still under appraisal estimates. Missing from the analysis is a calculation of the social welfare benefits – for the individual, household and society as a whole.

Outcome is rated Satisfactory. The Relevance of Objectives and Design are rated High and Substantial respectively. The project was based on the premise that, beginning some fifteen years ago, the rural poor women of Andhra Pradesh required social capital strengthening to enable them to access more productive social and economic opportunities. The project was designed to mobilize this capacity. However an opportunity was missed at the design stage to test and adapt different service delivery models. Project design could have also been strengthened by integrating a more considered long-term strategy for SERP and its staff. The project highly achieved its objectives of improving opportunities for the rural poor to meet priority social needs and substantially met its goal of enabling economic needs. Based on substantial average internal rates of return for the agriculture and livestock activities, high consumption benefits, but a lack of information on the wider societal benefits. Efficiency is rated Substantial.

Bank and Borrower performance are rated Satisfactory. Preparation and appraisal by the Bank was satisfactory. The appraisal team had a satisfactory range of expertise with a spread of skills including finance and community banking, community development, agriculture, engineering, economics, and social development. Attention was paid to poverty and vulnerability at the District and Mandal level and participatory poverty mapping was conducted at the village level in recognition of some of the limitations associated with the state's Below the Poverty Line method of collecting poverty-related data. M&E was comprehensively designed, however the project could have benefitted from more qualitative indices to support a more systematic understanding of behavior change. For those groups that engaged in productive investments, more also could have been learned about the technical outcomes associated with agriculture and dairy investments. Supervision was satisfactory. The balance of expertise applied to the supervision work was optimal. The IEG mission findings are that the supervision team was thorough and flexible, encouraging adaptation and experimentation where it was needed.

From the late 1990s, prior to the approval of the project, the state government had redirected its approach to rural development to a more bottom-up, community-based, approach with increased government line agency accountability. It was fully committed to this project. The implementing agency, SERP, was found to be skilled, dedicated, and highly innovative. It quickly adopted and implemented a program of participatory rural development that involved over 2 million rural poor constituents. SERP adopted and implemented new methods for participatory poverty mapping that gave somewhat different results from the national poverty mapping method. All aspects of supervision managed by the implementing agency were sound including safeguard compliance, community procurement, and financial management.

Andhra Pradesh Rural Poverty Reduction Project (APRPRP)

The second project, the Andhra Pradesh Rural Poverty Reduction Project, became effective three and a half years before the prior project closed, so there was considerable overlap. This project took the previous project approach with modifications, while scaling up nationally, reaching 11.3 million households through the establishment of 1 million Self-Help Groups. In the end, this was aided by two rounds of additional financing. With now greater focus on reaching the poor, the objective was to *enable the poor, particularly the poorest of the poor, to improve their livelihoods and quality of life.*

Relevance of the Objectives and Design are both rated High. The project was fully consistent with the national and state strategy and vision for poverty reduction and the Bank's corporate goal of reducing poverty and increasing shared prosperity. Project design was appropriately focused on developing the architecture and building the capacity of the federated model that had been supported under the first phase. The design was in line with the vision that building institutions for the poor was a prerequisite for encouraging and leveraging voice as a means to engender accountability for the delivery of priority economic and social services. There were alternative options to women's self-help groups, for example a program of conditional cash transfer or a stronger government safety net. However, neither would have enhanced women's empowerment at scale with sustainable potential.

On Efficacy, **the project highly met its objectives** of enabling the poor, particularly the poorest of the poor, to improve their livelihoods and quality of life. The project continued to invest in the formation of rural institutions comprised of and led by the poor. By project end, 11.3 million women were participating in 1 million project supported Self-Help Groups. Of these, 2.85 million were considered the poorest of the poor. According to an impact assessment, based on a sample survey, 70 percent of participating households were either poor or poorest of the poor.

Through the project supported Bank linkages program, the amount of financial capital available to participants grew from US$404 million at project start to about US$7.9 billion by the project end. With greater access to capital, participants undertook investments in agriculture, livestock, and non-farm activities that led to increased incomes for the poor and poorest of the poor. An impact assessment commissioned by the project found that the average annual income for the poorest participants increased by US$107 over non-participants and US$263 for the poor. According to the evaluation, the percentage of participating households that fell below the poverty line dropped from 29.8

percent at baseline to 17.5 percent by project close, compared to a control group of households who barely moved, from a baseline of 29.8 percent to 27.5 percent by project close.

The economic empowerment supported by this project gave voice to millions of rural poor women. The impact assessment found that participation in community discussions on drinking water, irrigation facilities, access to education, approach roads, and child labor were higher for participants than non-participants (and with regard to child labor, non-participants had no voice at all). Other studies have similarly found general improvements over and above evolving societal trends with regard to women’s ability to leave the home without permission, to disagree with their husband, and to participate in village meetings. After controlling for initial propensity to participate, the impact assessment found that project participants were 4 percent more likely to attend village gram sabha meetings than nonparticipants as of project close.

Efficiency is rated High on the basis of a satisfactory Internal Rate of Return (IRR), a high net present value, substantial unquantifiable benefits – especially social, and other qualitative efficiency considerations.

On balance the Outcome is rated **Highly Satisfactory**.

Bank and Borrower Performance

Bank performance is rated **Satisfactory**, and Borrower performance is rated **Highly Satisfactory**. The project thoroughly incorporated lessons from the past and based its design on a substantial livelihoods assessment. Project design adequately assessed risks with regard to difficult design issues that could have handicapped progress, including land market issues, and helped to create an institutional arrangement that was able to connect 2.85 million of the most vulnerable rural poor to assets and services. The project, like its predecessor, targeted some of the most vulnerable persons in society, including members of schedule tribes, backward castes, and the disabled. Project design was dynamic in so far as it also reached out to unemployed youth, and was inclusive with regard to treating non-participants in such critical areas as maternal and child health in the villages in which it was working. While M&E could have included more qualitative indicators to better understand behavior and to periodically assess the feasibility of productive investments – the project, like its predecessor project, supported an impact assessment. Supervision was thorough, flexible and creative and responsive to the needs of the borrower. The Bank played an important role not only in enabling innovation but in feeding in ideas from global and other state experience. The Bank also provided a platform for the implementing agency to try new things that, in the absence of the project, would have been more difficult within administrative constraints. The Government at both the center and the state level was fully committed and provided strong policy and implementation support to the project. The implementing agency, SERP, performed very well, having demonstrated a high level of commitment and skill, creativity, and endurance. SERP attracted and retained excellent staff with very good appreciation of the needs of a participatory approach centered on self-help groups that were also targeted at the poorest.

There are four main lessons from the two projects:

- **Support for the establishment of women's self-help groups with linkages to bank finance and within a supportive policy and institutional environment can lead to enhanced confidence and capacity of women both collectively and individually**. The evidence from Andhra Pradesh suggests that collective empowerment can support greater accountability for service delivery that, in turn, can positively affect the livelihoods of the poor.

- **In the early phases of rural development projects that support large-scale community group formation as a means to leverage more equitable service delivery, including finance, there is a need to think long-term about the transition strategy for the chosen implementing agency.** In the case of Andhra Pradesh, the implementing agency support became an essential pillar of the built system, undertaking roles and responsibilities for service delivery that overlapped with the line ministries. Without an effective transition strategy that integrates the philosophy, training and acquired skills into the broader administration, there is a risk that gains made under the project will be lost and efforts to reach the poorest of the poor may not be sustained.

- **Reaching the poorest of the poor can prove difficult through group formation owing to rigid rules of attendance, set savings contributions, joint liability, and other group non-negotiables.** Going forward, the strategy may need to be altered towards household or individual support, or differentiated models that consider the needs of the poorest of the poor, prior to group formation. This multi-stage approach is bound to incur additional costs. This implies trade-offs between depth and coverage and between short-term and long-term impact that should be accommodated in project design.

- **The pursuit of a single group model, such as women's self-help groups, to the exclusion of other approaches, limits the ability to learn from the user – about what works and why in different contexts – and to test alternatives in parallel rather than in sequence.** Greater experimentation during the first phase, when the project was rolled out in the first six districts, could have laid the ground for more creative destruction, adaptation, and learning prior to scaling.

Caroline Heider
Director-General
Evaluation

1. Background and Methodology

1.1 The origins of the Andhra Pradesh District Poverty Initiative Project (APDPIP), and the later Andhra Pradesh Rural Poverty Reduction Project (APRPRP), lie in India's women's savings-and-loan associations and the UNDP supported South Asia Poverty Alleviation Program of 1996 which grew out of the 1993 Dhaka Declaration for the Eradication of Poverty. These approaches were also based on experience elsewhere in South Asia, including the Rural Support Programs in Pakistan and the Self-Help Affinity Groups implemented in Karnataka, Andhra Pradesh and Tamil Nadu by the Non-Governmental Organizations, MYRADA and PRADAN.

1.2 In India, during the decade prior to appraisal, there was an increasing concern about the failure of antipoverty programs to reduce the number of rural poor. There were a number of problems with these programs including poor targeting, weak management, lack of complementarities, and wasteful subsidies. The state's public spending on social development was low and declining. Social indicators were weak and below the national average. Some 30 percent of the population lived below the poverty line, and malnutrition in children up to six years old was about 30 percent. Notwithstanding some earlier experience in India with women's self-help groups and joint and several liability lending, there was limited availability of credit partly due to the high cost and risks of lending in rural areas to households with small borrowing needs and climatic variability. Line agencies were weak with a limited capacity for providing support and services for the poor. Agricultural productivity needed to be raised to enhance livelihoods. There had been a Bank-funded economic restructuring project (Cr./Ln.49385/IN) but it had been unable to achieve direct coverage of the more vulnerable households. The Government of Andhra Pradesh recognized a need for improved policies, the development of more effective institutions, and an approach that empowered poor rural communities, particularly women. In 1999, the state embarked on a program based on a 2020 Vision strategy. Central to the strategy was the development of women's Self-Help Groups that would be linked to commercial banks to increase the flow of, and reduce the cost of, credit. All line agencies were to adopt more responsive approaches to communities. The first project, APDPIP, in selected districts, followed with overlap by the second project, APRPRP, that eventually extended support to all districts, were key elements in the overall program supporting group formation and bank linkages. For a diagram of the relationships between the levels of community-based organizations and their main roles and coverage under APRPRP see Annex B, Chart 1.

1.3 **Methodology.** The project performance assessment applied a mix-methods approach that aimed to obtain beneficiary feedback at several administrative levels. The evaluation conducted Focus Groups with fifteen randomly selected Self-Help Groups (150 members) in eight randomly selected villages across four districts (Warangal, Mahabubnagar, Guntur, and Chittoor). The districts were purposively selected based on the presence of marginalized groups (scheduled castes, scheduled tribes, backward castes) and in consideration of the time that the mission had to reach the selected groups. A Village Level Protocol was implemented that included an individual interview of the lowest level administrator, or the Sarpanch, at which point IEG introduced the mission and the scope of the village level interviews. Following the focus groups, IEG conducted group interviews with leaders and members of each Village Organization and the relevant Mandal Samakhya. To ascertain information about the relevance, effectiveness and sustainability of the assets acquired through the village organizations, IEG conducted site visits on a select number of economic enterprises including livestock and dairy, Sustainable Rice Intensification (SRI), organic farming, land acquisition and conversion, disability centers, and maternal health care centers. IEG also visited bank managers when available.

1.4 Project level interviews were conducted both in Delhi within the National Rural Livelihoods Mission and the Department of Economic Affairs and at the level of the state, with the Directors and staff of the Society for the Elimination of Rural Poverty Andhra Pradesh (SERP AP) and the Society for the Elimination of Rural Poverty Telangana (SERP T). IEG conducted three full days of meetings with the Heads of the SERP programs, including banking, livelihoods, disability, land acquisition, sustainable agriculture, dairy, M&E, and other staff. SERP staff were also interviewed at the level of the Mandal and the District.

2. Andhra Pradesh District Poverty Initiatives Project

Relevance of Objectives and Design

2.1 **Objective.** The objective of the project as stated in the PAD (p.2), effectively the same as the Development Credit Agreement, was *"to improve opportunities for the rural poor to meet priority social and economic needs in the six poorest Districts of Andhra Pradesh, namely Chitoor, Srikakulam, Adilabad, Vizianagaram, Mahabubnagar and Anantapur."* The Project Appraisal Document (PAD) went on to say, "To achieve this objective the project would: (a) help create self-managed grass-roots institutions; (b) build the capacity of established local institutions, especially the Gram Sabha/Panchayats and the government of Andhra Pradesh (AP) line departments, to operate in a more inclusive manner in addressing the needs of the poor; (c) support investment in sub-projects proposed by grass-roots institutions of the poor to accelerate their entry and expand their involvement in social and economic activities; and, (d) improve access to education for girls to reduce the incidence of child labor among the poor."

2.2 **Relevance of the Objective.** The project was fully consistent with the Bank's 2004 Country Assistance Strategy (CAS), the strategy relevant at the time of project closing. A main pillar of this strategy was the empowerment of communities and investment in people's capacity. Consistent with the strategy, six new Bank-funded operations at state-level following similar approaches were at various stages of preparation at the time of APDPIP effectiveness.

2.3 The project was also consistent with the Andhra Pradesh state government poverty reduction strategy. In 1999 Andhra Pradesh was taking stock of key areas of development and associated poverty indicators. Work was initiated on the state's Vision 2020 and growth engines identified. The state government recognized poverty eradication as a core element in the strategy. A number of "missions" were established at that time including a State Poverty Eradication Mission leading to an Action Plan. As a result of this process, by 2003, a Poverty Eradication Action Plan was being consolidated with a logical framework and there was a move to set the plan in motion through a project-based approach. The strategy was built around the empowerment of women's self-help groups, first proposed by the AP state government in 1995. The stated intent was that the strategy should be a true people's plan implemented through participatory tools.

2.4 Relevance of the objective is rated **High.**

DESIGN AND RELEVANCE OF DESIGN

2.5 The project was designed with four components:

2.6 **Component 1. Institutional and Human Capacity Building.** (Appraisal Cost US$19.01 million; Actual Cost US$30.21 million, including borrower additional financing doubling the state's contribution) This component was designed to: form and strengthen Common Interest Groups (CIGs) and women's Self-Help Groups (SHGs) and the community based organizations that supported them as well as to strengthen the capacity of the Panchayati Raj Institutions (PRIs), the Gram Sabhas and the Gram Panchayats; (ii) to provide education, information, and communications; (iii) to enhance the skills of the state government line departments and NGOs; (iv) to introduce a pilot program of institutional capacity rating to support the planned linkages with banking institutions.

2.7 **Component 2. Community Investment Fund (CIF).** (Appraisal Cost US$70.40 million; Actual Cost US$76.39 million) This component financed two types of sub-projects: (i) those submitted for approval either by SHGs or CIGs including those submitted jointly with Gram Sabhas/Panchayats and, (ii) those covering small infrastructure sub-projects.

2.8 **Component 3. Educational Support for Girl Child Laborers and School Drop-outs.** (Appraisal Cost US$28.13 million; Actual Cost US$30.44 million) This component addressed two needs, to address the school drop-out rate and to reduce girl child labor. It focused on: (i) the need for girls, financing campaigns to sensitize parents about the importance of education for poverty reduction and child welfare; and, (ii) establishment of up to 18 residential "bridge" schools for short and long-term remedial courses from ages 7 to 14 and 6 regular secondary schools for girls.

2.9 **Component 4. Project Management, Monitoring and Evaluation, and Studies.** (Appraisal Cost US$7.20 million, Actual Cost US$8.54 million). This component funded the costs of incremental staff, consultants, technical assistance, training, workshops, study tours, special studies, Monitoring and Evaluation (M&E) and the preparation of a follow-on project, vehicles, office equipment and incremental operating costs.

Relevance of Design

2.10 **Results Framework.** The PAD (p.82) offered a simplified logical framework. The two main project input categories were the capacity building investments and the

Community Investment Fund. The capacity building was expected to lead – through linkages to banks, extension services, trained technicians, micro-planning capacity, common interest group management capacity, and other outputs – to working capital for productive activities, credit for consumption and livestock, fertilizer and other inputs. These were expected to lead to higher factor productivity and incremental economic activities which, in turn, would lead to higher incomes and living standards and improved well-being. In parallel, the CIF was expected to result in improved drinking water supply and road connections, improved seed production, health services, and other output benefits. In turn these would lead to improved health, labor time saved fetching water, time-saving from improved transport, improved access to services, and ultimately more favorable prices due to the road connections which would support productivity and contribute to higher incomes.

2.11 **Relevance of the Component Design.** The design, as revealed in the results framework and the selected investment activities, was largely consistent with the statement of objectives. In Component 1, the formation and the strengthening of the Common Interest Groups (CIG) and Self-Help Groups (SHG) and the community based organizations that supported them, was expected to lead to improved opportunities to meet social and economic needs. The provision of education, information, and communications, and the enhanced skills of the state government line departments and NGOs, was expected to also enhance these opportunities. The introduction of a pilot program of institutional capacity rating to support the planned linkages with banking institutions was expected to lead to improved quality of support for the groups. In Component 2, CIF investment funding was expected to improve priority services and infrastructure that would support the bank linkages. In Component 3, girls' education for the disadvantaged was expected to add to the numbers of well educated women in poor communities who would be expected, in due course, to play important roles in community groups and higher level institutions.

2.12 However, there were some design weaknesses. First, the Results Framework indicators were largely output oriented[1]. Second, in terms of its organizational structure, linkages and processes, the project largely by-passed the Panchayati Raj Institutions (PRI) which were considered weak at the time, although there was the provision of some capacity building for them[2]. Third, the project design suggested ambivalence about supporting the line agencies some of whom, as is discussed later, felt marginalized. This was inevitable once the decision was made to implement the project through the government run autonomous agency, the Society for the Elimination of Rural Poverty (SERP). It was a calculated risk in taking away, for an accelerated learning period, some line department activities in order to demonstrate better approaches linked to SHGs. The

[1]They included supporting the formation of common interest and self-help groups, providing information, education, and communications support, providing the parallel capacity building for the Panchayati Raj institutions, sensitization and capacity enhancement for the state government line departments and NGOs, and initiation of a pilot program to develop institutional and capacity ratings as a first step towards the development of linkages with banking institutions.

[2] It should be noted for background that the relationship between communities, state government, and the PRI institutions was, at the time of project appraisal, different in different parts of erstwhile Andhra Pradesh state. The area that now constitutes the post bifurcation Andhra Pradesh had been historically more feudalistic and less progressive in terms of the roles of the PRIs relative to the Telangana area consequently the aim in those AP areas had been rather to strengthen community capacity to *negotiate with* the PRIs.

learning and demonstration intent was understandable for short to medium term success. However, there have probably been some opportunity costs in terms of stunted growth in line agency capacity and skills. Fourth, while not an issue with the design *per se* since the change happened later, it should be noted that the financial component, the CIF, while originally designed as a grant mechanism, in fact evolved to a lending activity outside of any formal financial institution – the model that the World Bank's Agriculture and Rural Development Department strategy supports. Fifth, at the design stage there was no formal grievance mechanism, although later the options to take grievances to the Village Organization evolved. Sixth, at the design stage there was to be support for the SHGs and the CIGs, the former entirely women, the latter including some men's participation, but there is little offered in the PAD about what differences in approach were to be followed given that women's groups were more aimed at social empowerment and men's activities more at productivity. It is not clear in the design that there was a differentiated strategy for groups involving men. This may have partly contributed to the poor performance of CIGs in terms of sustainability.

2.13 While the limited direct PRI involvement anticipated in the design probably had some sustainability costs in the medium to long term, it is difficult to see how giving PRIs a major role in the delivery of the wider project support including livelihoods would have, at that time, improved project performance given the PRIs' limited capacity, predominant focus on services, and political pressures. More recently, the later rural livelihoods projects in Tamil Nadu and Bihar have tried to achieve greater convergence with the PRI system.

2.14 **Relevance of the Institutional Design.** As formulated in the PAD (p 7), "The management of the project at the state level would be vested in an independent Society headed by the Chief Minister as the ex-officio Chairman of the General Body (GB). This body would have a broad representation from all the key stakeholders who would predominantly be non-officials. The management of SERP would be entrusted to an Executive Committee (EC), of which an eminent non-governmental person would be President and the State Project Director would be the Chief Executive Officer (CEO). The President would also be the Deputy Chairman of the GB. The EC would consist of about seven members, with two as ex-officio government officials and others drawn from the GB representing leading agencies and individuals contributing to rural development, community mobilization and poverty alleviation."

2.15 The SERP institutional design decision was a key choice with advantages and disadvantages. It set the design framework for both this project and the APRPRP. The Design Alternatives Table in the Project Appraisal Document included the option of a social fund with Panchayat Raj links[3]. It rejected this option owing to a concern about long-term sustainability and the argument that "(the) autonomous agency required to channel funds to community organizations by-passes existing institutions (line department/PRIs) for some of the activities". The PAD went on to say that the chosen option was similar to this option of a social fund with strengthened relationships with PRIs. This is puzzling because the chosen option of using a state-supported NGO such as

[3] The Project Alternatives table in the later APRPRP PAD has very similar language for the other options but excludes this option.

SERP also by-passed line agencies and PRIs. This issue is discussed more fully later under Quality at Entry.

2.16 On balance, IEG concludes that a hybrid design with some project districts or mandals implemented through experienced NGOs, some mandals experimenting with strengthened direct relationships to PRIs, and some mandals experimenting with enhanced coordination and oversight with promising rural microfinance institutions, along with other experiments, would have given wider and more creative learning while leaving behind a broader stock of capacity and skills outside government. In the event, there was later (2003/2004) a PRI Pilot that supported Gram Panchayats with CIF grant funds and did mapping of needs and funding of PRI capacity building to support the pilot.

2.17 **M&E Design.** M&E was carefully and thoughtfully designed. There were three main elements. First, a comprehensive MIS-type data system was established mainly aimed at tracking and measuring inputs and outputs. Second, the same system monitored changes in processes. Third, evaluation was to be carried out partly through an impact study carried out by an independent agency (in the event contracted to CESS (the Center for Economic and Social Studies) and partly through smaller internal studies to be carried out either by SERP itself or contracted to other agencies. As implemented and as discussed later, the impact study consisted of a 2001 baseline survey, a 2004 midterm and a 2006 completion survey. There were monitoring units at both the state and district level feeding data into the MIS. During implementation, there was the addition of monthly videoconferencing between the state and district monitoring units.

2.18 On balance, relevance of design is rated **Substantial**.

Implementation

2.19 The project was implemented by the Society for the Elimination of Rural Poverty (SERP). Initially, implementation was largely as designed but a number of additional activities were added or changed as unmet needs were revealed and as some designed activities were found to be sub-optimal. The project was not formally restructured.

2.20 The main changes during implementation demonstrate a willingness to learn and adapt during implementation, including a focus on service integration, project efficiency and sustainability over the long-term. Foremost amongst these changes was the decision to wholly adopt the women's self -help group model, moving away from the less successful community interest group model, since the latter proved to be less resilient than the former. The financing model was also adjusted. Originally conceived as a grant, the Community Investment Fund was re-structured as a revolving loan fund for sub-project investment administered through the federated model. An increased level of responsibility was placed with the district and sub-district level groups (the Zilla and Mandal Samakhya) who managed and on-lent funds to the Village Organizations who in turn would lend to the Self-Help Groups (see Annex B, Chart 1 for the relationships between CBOs [4]). As noted by the MTR (2003), the project would have benefitted from

[4] Note that the numbers in that Chart refer to the second project, APRPRP, but the structure was the same for both projects.

better client communication (throughout all group levels) during this shift since beneficiaries were confused about the eventual need to pay back what had previously been a grant.

2.21 Several administrative and institutional changes were introduced over the course of the project cycle. The changes included a decision to move the project's district level administrative offices into the AP's District Rural Development Agencies to improve coordination; the creation of Tribal Project Management Units in predominantly tribal districts to better integrate and access the State's Integrated Tribal Development Agency; and the addition of an Area Coordinator to fill a noticeable service delivery gap between the District and the Sub-District Level. The project also supported the gradual development of Community Resource Persons at the Mandal (sub-district) level to support capacity building within the federated approach. Resource persons were recruited mainly from the more successful Self-Help Groups, Village Organizations and Mandal Samakhya who had demonstrated leadership and had the trust of their peers. Initially funded by SERP, these organizers would eventually be paid for their services by the communities themselves.

2.22 The project holds lessons for the Bank's reorganization: as noted by the internal Quality Assurance Group of the World Bank in a review of the project design (1999), one of the project's strongest features was its attention to cross-sectoral coordination, while recognizing the "heavy transaction focus" of this type of project. Many of the implementation changes made were highly responsive to this review that also recommended a more direct transfer of resources, away from the state, to communities. As the project progressed, there was a continued recognition of the need to build capacity at all levels so that eventually communities could wean themselves off SERP assistance

Safeguard Requirements and Compliance

2.23 At appraisal, two safeguards were considered applicable, Environmental Management (OP 4.01) and Indigenous Peoples (OD 4.20). The project was rated Environment Category B. An Environmental Management Framework was prepared for the Community Investment Fund for sub-project screening. Guidelines for Impact Assessment were prepared for the construction of the residential schools. Both featured in the Project Operational Manual. On indigenous people, a Tribal Development Plan was prepared. The project focused substantially on areas with tribal people and therefore was designed partly around their special needs through the demand-driven approach. Implementation of the plan was through the state Integrated Tribal Development Agency and its village level representatives in the Tribal Development Agency offices who, in any case, would have been major project players. No significant problems were reported in the ICR and none were encountered during the field visits by IEG. The main mission observation is that the agricultural activities supported were non-pesticide low external input approaches that are generally positive in terms of environmental impact.

Fiduciary Management and Procurement

2.24 Fiduciary management was rated satisfactory during supervision. On procurement there was a period of skills build-up in the early years. As noted above, the project decentralized its funds flow mid-way through the project (FY 04-05) so that funds went directly from the Zilla Samakhya to the Mandal Samakhya. Repayment problems emerged when the Community Investment Fund shifted from a grant to a revolving loan model which resulted in some loss of tracking of the original CIF corpus (since the resources became part of the MS loan funds and were by project close recycled several times over).

Achievement of the Objectives

2.25 The objective of the project was *to improve opportunities for the rural poor to meet priority social and economic needs in the six poorest districts of Andhra Pradesh.*

2.26 The main evidence on outcomes and impacts is derived from the Management Information System, external research undertakings such as Deininger and Liu, 2009; an end-line impact assessment conducted by the Center for Economic and Social Studies, or CESS (2007),[5] mission interviews with SERP staff, CESS, members of a sample of 15 SHGs, group interviews with select associated Village Organizations, Mandal and Zilla Samakhyas, and other relevant stakeholders (see Annex B, Table 1, for the main APDPIP activities). To assess the achievements of this project, this review considers outcomes and impacts under two separate headings: (i) the extent to which the project improved opportunities to meet the priority ***social needs***; and, (ii) the extent to which the project improved opportunities to meet the priority ***economic n***eeds.

Objective No. 1. The Extent to which the Project Improved Opportunities for the Rural Poor to Meet Social Needs

2.27 The project set out to improve opportunities for the rural poor to meet both their priority social and economic needs by helping to collectivize into self-managed rural institutions, or Self-Help Groups. The rural institutions were organized at four levels: within villages, a number of Self Help Groups consisting of 10-12 women were formed. The Self-Help Groups would then represent themselves within a federated model at the Village, Sub-District (Mandal Samakhya) and District level (Zilla Samakhya). Against a target of supporting 930,000 women in 180 Mandals to form 75,000 groups, the project helped 2.3 million women join 171,618 groups in 316 Mandals across the then state of Andra Pradesh.

2.28 The quality of the group decision-making and leadership matters with regard to the ability of the model to sufficiently meet members' social and economic needs. The CESS (2007) impact evaluation suggests that there was only a 6 percent membership attrition rate from the groups that were recorded, but information is not available on the number of Self-Help Groups that did not survive early rounds. Data provided by the end-line assessment suggests that membership attrition was not aligned with welfare differences. According to the end-line, there was only a modest difference between poor

[5] The CESS Impact Study 2007 was based on a random sample design covering three of the six districts, Srikakulam, Anantapur, and Adilabad. It included 33 program mandals and 12 control mandals, 204 program villages and 60 control villages covering a total of 2,640 households, 1,590 SHGs, 264 VOs, 48 MSs and 3 ZSs.

and non-poor attrition (30 percent of those leaving were poor, 31 percent poorest of poor and 24 percent were non-poor). Group leadership also experienced some challenges, with 73 percent of SHGs deciding not to rotate their leadership in spite of the project guidelines.

Box 1: The Self-Help Group Counterfactuals.

For the formation of self-help groups, the two most likely alternatives would have been: (i) to have formed and supported self-help groups, or some other forms of affinity groups, through a wider range of NGOs, each, under guidance, adopting somewhat different approaches; or, (ii) to have relied on the banking system to create its own self-help groups to enable bank linkages and savings and lending services. This had already been done on a smaller scale in India with support from the National Agriculture and Rural Development Bank (NABARD). While it is unlikely that either of these approaches would have reached the scale within the same timeframe as the project, from the first option there might have been some longer-term advantages for testing and learning. For the second option – a commercial bank financial services counterfactual – the banks could have, and in the absence of the project probably would have, attempted to reach their poverty lending targets by supporting the establishment of some savings-and-loan groups of their own. However, it is doubtful whether they would have achieved more than a third of what was achieved by the project. Moreover, this approach presumably would have had a narrow focus on SHGs as a channel for lending with no attention to complementary women's needs such as accessing government services and mutual social support. For most of the other project activities, the counterfactual would have been to increase support to the line agencies and to expect them to perform better and with greater coordination and poverty focus. Again, it is difficult to conceive of this reaching the same level of achievement in the timeframe and, in any case, without some form of affinity group formation to channel services through.

2.29 Priority social needs that were met as a result of participation in the groups, include increased access to social services – such as pension, life insurance, funds for girls' education, and links to employment opportunities. Increasingly, over time, the groups federated at the sub-district and district level gained confidence and the ability to directly approach government agencies. In interviews conducted by IEG, women's groups at these higher levels attested that they were able to break through service delivery barriers. Prior to the groups, only their husbands could approach these revenue officers, and in so doing, many of the services also required a bribe. The system had lacked transparency and accountability, and the women had lacked a voice. While data on the level of social services that were provided through the program is less substantial in the first phase than the second, a SERP survey recorded that in 2005-2006, the Village Organizations distributed over US$2 million of old age and other (disability) pensions to members of the SHGs. Interviews conducted for this evaluation revealed that in many cases, rural poor and disabled persons were not receiving the pensions that were due, or in other cases, they were receiving only a portion of what was due. Pension officers in the

SERP team helped to facilitate access, while members of the groups helped to identify and connect the rural poor to SERP in order to access these services.

2.30 **Insurance**. Another service provided was life insurance. The federated model helped to target and deliver life insurance benefits to more than three times the number of rural poor women by project close than had received it early on in the project cycle. By project close, more than half a million women in the SHGs purchased life insurance products, raising the percentage of coverage from 4 percent of the rural poor covered in 2003 to 15 percent in 2007.

2.31 **Food Security**. The project had a strong focus on delivering nutrition and education services for the poor. The project facilitated implementation of a food security system. The community investment fund – targeted at the district level – enabled the bulk purchase of food grains which in turn allowed for more affordable access of these foodstuffs for some 550,00 participating households, on a credit basis.

2.32 **Education**. The project also aimed to provide access to education for girls from poor families. The project sought to achieve this by using the federated system and SERP to identify school age girls that were out of school and by convincing their families about the importance of education. This advocacy helped to place 209,543 previously out of school girls into public schools. The project also sought to achieve this aim by building rural bridge schools for girl child laborers. It constructed 24 bridge schools in which 21,468 girls from poor families were enrolled. These new residential schools for girls are reported to have outperformed the public schools in educational achievement standards. All of these project activities helped the state to implement its Full Enrollment Policy.

2.33 Increasingly, over time, as women gained confidence, focus group discussion facilitated by IEG revealed that women were using their collective power to confront child marriages, domestic abuse, and child trafficking, although there is limited data on this.

2.34 **Consumption**. As a result of the project support, there is evidence that consumption smoothing helped to reduce the vulnerability of the rural poor. Deininger and Liu (2009b) found that, as a result of the project, participants experienced an incremental increase in per capita consumption of about US$16.8 per year, representing an 11 percentage point increase over a control. Participants also experienced an estimated increase in per capita intake of energy and protein and investment in non-financial assets at levels that were significant as compared to a control. There are reasons to believe that the true project benefits may be higher than measured in this study since, due to the timing of the surveys, any nutritional gains in the first three years were not picked up.

2.35 **Political Participation**. With regard to the assumption that social capital could support greater political participation, and in turn, more meaningful representation of women and the poor, the end-line impact assessment found that women participating in SHGs were more likely both to contest and win local elections (CESS 2007). The impact study found that 2.3 percent of SHG women members contested panchayat elections and 1.3 percent won compared to 1.5 percent contesting among nonparticipants with 0.7

percent winning, the latter probably included some who were well-off and influential and who were not interested in joining an SHG. At village level, women contesting elections rose from 13 percent in 2002 to 23 percent in 2006.

2.36 In sum, this assessment finds that the extent to which the project improved opportunities for the rural poor to meet social needs is rated **High.**

Objective No. 2. The Extent to which the Project Improved Opportunities for the Rural Poor to Meet Priority Economic Needs

2.37 The project utilized two main vehicles to enable the rural poor to meet their priority economic needs: A Community Investment Fund and a Bank Linkages program. Both of these programs were run through the aforementioned federated model of self-help groups.

The Community Investment Fund

2.38 **The Community Investment Fund.** The CIF was intended to finance the demand-driven individual and collective livelihood sub-projects for the benefit of the poor. Targeting was carried out at the district level (the six districts targeted by the project were selected on the basis of the percentage of lower income populations, including percentage of scheduled tribe, scheduled caste, and backward caste). At the village level, a participatory identification of the poor exercise was conducted that attempted to improve on the state level Below the Poverty Line method. Funds were also allocated at the mandal level on the basis of a poverty ranking system.

2.39 Subprojects were originally designed to be awarded on the basis of a plan prepared for each individual investment at the time of subproject appraisal. During project implementation this was changed to a business plan, or a "micro plan" approach whereby each Self-Help Group was required to draw up in some detail an investment and financing proposal. Funds were then awarded at village and mandal level on the basis of the feasibility of the plans. CIF funds were awarded to the mandals against criteria that included relative wealth rank, with poorer mandals receiving more funds to distribute to their members. By project close, Deininger and Liu (2009) report that 62 percent of a surveyed sample of SHGs (n=1085) had accessed CIF funds.

2.40 According to the Management Information System, approximately 1 million households benefited from access to some 36,477 income generating sub-projects. An estimated two-thirds of CIF funds were used for agriculture (30 percent) or livestock (40 percent) and a substantial amount of these funds were invested in dairy production. The remaining funds were used for non-farm investments.

2.41 **Agriculture.** As noted, approximately two-thirds of CIF funds were used for agriculture or livestock investments. Non-farm activities, such as the establishment of local village shops, represented about 20 percent of the fund utilization. A farm enterprise study conducted by the implementing agency found that, based on a random sample of 475 subprojects, that the average rate of return for agriculture and livestock investments was between 40-174 percent. The average rate of return for agriculture was found to be 44 percent. The end-line impact assessment found that the average incomes for participants from agriculture rose by 42 percent compared to 3 percent for non-participants (Derived by IEG from Table 2.5 CESS 2007). To aid CIF impact, training, provision of market information, and some infrastructure was provided. There was training for collective procurement and marketing in agricultural commodities and dairy. Marketing was carried out through 695 marketing centers set up at the district (Zilla), sub-district (Mandal) and village level. The project supported a system of food procurement and marketing that spanned 15,000 self-help groups, 1,500 village organizations and 150 Mandal Samakhyas. Savings through lower transaction costs were estimated by SERP to be about US$48 per household.

2.42 **Non-Pesticide Management Practices (NPM).** The main cropping activity supported by the CIF was a program of Non-Pesticide Management Practices (NPM) including reduced or zero fertilizer application aimed at reducing the costs of cultivation. By 2006-07 this covered 186,000 acres. According to a survey conducted by the implementing agency, there was a 75 percent per acre increase in income arising from cost savings of between US$40 and US$120 from NPM. While IEG was not able to validate this finding, it notes recently conducted research in India on one of the main cropping technologies – the System of Rice Intensification (SRI) – a system that was used widely by the program. This research shows that SRI continues to have a low level of adoption in India – approximately 2 percent of the state's paddy area – and exhibits high levels of dis-adoption when program support is withdrawn partly due to challenging management problems (Reddy, D.N. and Venkatanarayana, M., 2013).

2.43 **Dairy and Livestock Production.** The dairy activity made considerable strides in setting up milk processing capacity. According to project data, investment in livestock assets increased from US$746 to US$2,001 over the project period. The average rate of return for dairy was found by a SERP study to be 103 percent. Average incomes of participants from livestock enterprises, mostly dairy, rose by 85 percent in real terms compared to 53 percent for non-participants. (Derived by IEG from Table 2.5 CESS 2007). The asset value of draught animals per household was substantially higher in the APDPIP areas than in the newly adopting (at the time of the survey) APRPRP areas.

2.44 **Employment Support.** The project supported rural youths of families of SHG members in gaining skills for employment in partnership with private organizations. In FY2005-2006 a total of 11,883 youths were offered jobs, many of them in urban areas. The main training mechanism was through the establishment with project support of Livelihoods Advancement Business Schools at District and Mandal levels. A SERP managed survey found that the youths' average annual earnings were US$1,000 and that about half of this was being remitted back to their families in rural areas. This program represented an annual income generated of about US$1 million per year.

2.45 **Land.** CIF funds also supported legal assistance and surveyors to resolve land disputes affecting the poor. According to the CESS Impact Assessment (2007), 3 percent either got land titles or land restituted to them with the support of para-legals and the Law University.

Group Savings and Lending and Formal Bank Linkages

2.46 **Groups Savings and Lending.** The second vehicle through which the project supported economic opportunities was through a Groups Savings and Lending Scheme that included a target to link rural poor women's groups to formal banking systems, using the group savings and lending model to demonstrate credit worthiness. As compared to a 2005 target of US$15 million, the project supported total groups savings of US$113 million. This saving took place inside the group, and was achieved through the application of rules that required a set saving and participation standard, internal lending of this saving at between 12-25 percent, and bookkeeping assistance.

2.47 **The Community Investment Fund.** Mid-way through the project cycle, the project shifted the Community Investment Fund from a grant mechanism to a revolving loan fund. This shift was, in part, taken to provide the formal banking system with information on group borrowing performance. (The shift to micro plans was also intended to provide performance information). As a result of the CIF fund recycling, the data shows that for every Rs.1.0 of total CIF invested, the CBOs had a revolved turnover of those funds of Rs.12.3 through repayment and re-lending. As discussed in the implementation section however, confusion about the shift of the CIF fund from a grant to loan program triggered a wave of non-payments. According to the CESS Impact Study, the repayment rate for CIF internal lending declined between 2004 and 2006 from 71 percent to 18 percent.

2.48 **Banking Linkages.** The shift helped to leverage a significant amount of funds from the formal Banks. The project set out to link 45,000 groups to formal banking systems. As compared to the target, the project connected 155,091 groups to formal banks, over three times the target. By project close, access to funds from the Bank Linkages program provided a significant additional source of finance for rural poor households. In aggregate, total fund mobilization through all available sources (CIF, Banking Linkages, and other government programs) was estimated to be between US$900 million and US$1 billion. In relation to the total spent on the Community Investment Fund, this represents a leveraging of about US$12 for every US$1 of CIF. According to the impact study, 57 percent of total funds at the SHG household level were derived from formal banking sources.[6]

2.49 The Deininger and Liu paper (2009) also provides evidence on impact. Deininger and Liu (2009) find that there was an estimated increase in per capita intake of energy, protein and investment in non-financial assets that amounted to, respectively, 10 percent (210 calories per day); 16 percent (7 grams of protein); 23 percent (Rs 720) per household for the non-financial assets. Deininger and Liu (2009) consider this to be a large effect, especially for the poor. Differentiating households by initial poverty level, they find, for the initially poor group of households, increased consumption and nutritional intake of about 15 percent, and increased asset endowments as high as 26 percent.

[6] At the SHG level, the Impact Study found that the distribution of the source of borrowed or grant funds of member households was as follows: Banks 57 percent; CIF 29 percent; District Rural Development Agency 3 percent; SC/ST/BC Minorities Corporation less than 1 percent; Other Line Departments negligible; Matching Grants 3 percent; MFIs negligible; Other sources including money lenders and family members, 7 percent.

2.50 The CESS impact assessment (2007) found that household incomes of participants over non-participants rose about 20 percent in real terms over the three years between the mid-term survey and the final survey[7]. This incremental income was mainly used for consumption smoothing: only 7 percent of participating SHG households were recorded (CESS 2007) to have made productive investments. This is in part due to the fact that first stage bank linkages were intentionally set at low levels to test borrower capacity and were applied to consumption.

2.51 In sum, this assessment finds that the extent to which the project improved opportunities for the rural poor to meet priority economic needs is rated **Substantial.**

EFFICIENCY

2.52 It is difficult to define the boundaries of the project for economic analysis since it was built partly on linking SHGs with other actors, including the already existing state and national social support programs and the banks. Many of the benefit streams have multiple origins with costs that lie outside the project frame.

2.53 **IRR/ERR for the Investments made under the Community Investment Fund.** The *ex ante* PAD efficiency analysis for APDPIP was limited in scope, based on the argument that it was not possible at appraisal to predict what investments would be selected by groups. The PAD developed some enterprise models, mostly agriculture and livestock, as illustrative examples. These resulted in a range of internal rates of return from 19 percent to 48 percent over ten-year model periods. As an indicative overall efficiency measure, the PAD carried out a breakeven analysis and, as is often the case with a breakeven methodology, found that a modest household annual incremental benefit of US$15 would be sufficient to achieve the opportunity cost of capital.

2.54 The *ex post* ICR efficiency analysis used a SERP enterprise IRR analysis done in February 2007 of 475 subprojects for a range of representative, mostly farm level, investments, as well as the CESS findings to conclude that the actual incremental income benefits to households were larger than was projected in the Project Appraisal Document (PAD). The range of actual average IRRs per subproject category in the 2007 analysis were found to be from 40 percent to 174 percent. The IEG mission has reviewed a sample of the models and found them to be generally satisfactory in terms of methodology although showing signs of being somewhat standardized on costs and optimistic on some cost and benefit assumptions.

2.55 **Consumption Benefits (Food and Consumer Durables) derived from the Project as a whole.** Deininger and Liu (2009b), applying a 0.9 discount factor, found a net present value of benefits from the project of about US $1.69 billion assuming that future benefits would be maintained only at the current level. They note that, even assuming the consumption benefits only lasted for one year there was still a benefit cost ratio of 1.5:1. The calculation does not include "other costs", such as government expenditures from state level social welfare and economic programs. However, in this

[7] Taken from Impact Study Table 2.5 with inflation adjustment.

case, such additional costs would have to raise total costs substantially for the IRR to fall as far as the opportunity cost of capital.

2.56 **Administrative Efficiency.** Based on the cost figures for project management in the PAD (p.77) and the ICR (p. 33) and the number of households reached, operational efficiency was better than projected at appraisal, mainly because coverage was greater for a similar cost. At appraisal US$9.84 million was to be spent on 930,000 households giving a management cost of 7.2 percent of total costs and a cost of US$10.6 per household. At completion, US$8.54 million had been spent to reach 2.29 million households giving a management cost of 5.7 percent of total cost at US$3.7 per household. However, caution should be exercised here since other parts of Government contributed to the costs of supporting the social and economic activities facilitated by this program. Interviews with informed stakeholders suggest that the US$3.70 figure is too low. However, interviews with SERP staff also revealed that a considerable amount of time is spent on implementing other Government programs in addition to the project under review so there are also either reduced costs of alternatively additional benefits to be considered.

2.57 The analysis did not include a calculation of the social welfare benefits – for the individual, household and society as a whole.

2.58 Based on: (i) the lack of an aggregate IRR analysis; but (ii) high IRRs for the productive enterprises; (iii) the high consumption benefits found; (iv) the moderate, but likely under-estimated delivery costs; and, (v) the difficulty of accounting for the social benefits, efficiency is rated **Substantial.**

OUTCOME

2.59 The Relevance of Objectives and Design are rated High and Substantial respectively. The project was based on the premise that, beginning some fifteen years ago, the rural poor women of Andhra Pradesh required social capital strengthening to enable them to access more productive social and economic opportunities. The project was designed to mobilize this capacity, however an opportunity was missed in the design stage to test and adapt different service delivery models. Project design could have also been strengthened by integrating a more considered long-term strategy for SERP and its staff. The project highly achieved its objectives of improving opportunities for the rural poor to meet priority social needs and substantially achieved its objective of supporting priority economic needs. Based on substantial average internal rates of return for the agriculture and livestock activities, high consumption benefits, but limited information on the wider social benefits including capacity building, group formation, and reaching the poorest poor, Efficiency is rated Substantial.

2.60 Outcome is rated **Satisfactory.**

Risk to Development Outcome

2.61 The project was sustained up to the current year 2014 since the follow-on and overlapping project, the APRPRP, took over the support in the selected districts, continued it, and extended it horizontally to all districts in Andhra Pradesh up to 2011. To avoid duplications and since the Risk to Development is so closely linked to the risk in the follow-on project, this is covered more fully under APRPRP. Risk (for both projects) is rated **Moderate**.

Bank Performance

2.62 **Quality at Entry.** The preparation and appraisal by the Bank was satisfactory. The PAD (p.4) had noted that "(the project) would potentially cover the complete range of social and productive sectors, but because of the nature of rural poverty it is likely to focus particularly on natural resource management, agriculture and basic social and economic infrastructure..” Appropriately for this early stage, the project was supposed to be experimental, the PAD noting that, if successful, the project would act as a model for extension into other poor districts of the state. There was some weakness in the coverage in the PAD of the coordination with other programs and agencies, such as the State Steering Committee relationships between the CIGs, VOs, MSs and PRIs and there was little discussion about how the project activities would be coordinated with the line agency activities.

2.63 In terms of skills, the appraisal team had a satisfactory range of expertise with a spread of skills in finance and community banking, community development, agriculture, engineering, economics, social development and other skills. Peer reviewers included a micro-finance specialist and a community organization specialist.

2.64 The project partnered with a highly skilled implementing agency, however more could have been done to think ahead about their status as a quasi-government agency delivering critical services to the poor and the transition strategy. The World Bank adequately assessed and laid the groundwork for a sound safeguards compliance system, including supporting the preparation of a Tribal Development Plan. Gender was mainstreamed into the project design.

2.65 To improve targeting, under APDPIP and into the early years of APRPRP, there was support for an innovative Participatory Poverty Mapping (PPM) exercise done in each village of the state over the period 2002 to 2004. Based on the PPM exercise, Livelihoods Enhancement Action Plans were developed. This poverty mapping was an intensive and costly exercise and there have not been sufficient resources to repeat it[8].

2.66 M&E was comprehensively designed, including a management information system that would track inputs and outputs and an Impact Evaluation that included a baseline, midline and an end-line survey. While several research assessments were conducted throughout the life of the project, the project could have benefitted from more qualitative indices in the MIS system to support a more systematic understanding of how the investment in social capital through group formation, savings, and lending was attributably linked to more productive economic opportunities. For those groups that

[8] It was found that it tended to categorize fewer persons as poor than the national BPL (Below Poverty Line) exercise which is repeated every few years, the original purpose of which was the identification of eligibility for the public food distribution program.

engaged in productive investments, more also could have been learned about the technical feasibility and outcomes associated with agriculture and dairy investments.

2.67 Quality at entry is rated **Satisfactory.**

2.68 **Quality of Supervision.** In 2002, the Quality Assurance Group of the World Bank undertook an assessment of the quality of supervision and rated it satisfactory. The assessment noted the appropriate focus on capacity building in communities to ensure a participatory approach. The balance of expertise applied to the supervision work was found by QAG to be optimal. The IEG mission findings are that the supervision team was thorough and flexible, encouraging adaptation and experimentation where it was needed. Areas where the team supported an experimental approach included micro-insurance, innovative marketing products, the food credit line, and community level procurement. While much of the creativity in this first project appears to have been generated internally within the state by both SERP and community groups, the Bank also brought ideas from other global and state experience, for example some of the lessons from earlier watersheds projects and from the wider India and global micro-finance experience.

2.69 Ratings during supervision were consistently applied. The Bank financed a special review to handle the large number of 8,500 CIF sub-project investments. One creative supervision innovation adopted was that Bank supervision missions were preceded by community participatory supervision missions, a form of self-supervision in which MS staff along with project staff presented their findings on strengths and weaknesses. This allowed supervision missions to focus on problem areas and learning. The Bank also promoted the use of peer supervision.

2.70 Quality of supervision is rated **Satisfactory.** Taking into account the quality at entry and the supervision ratings, overall Bank Performance is rated **Satisfactory.**

Borrower Performance

2.71 **Government Performance.** From the late 1990s, prior to the approval of the project, the state government had redirected its approach to rural development towards a more bottom-up, community-based, approach with increased government line agency accountability. The seeds of the project not only fell on fertile ground, there was a convergence of interests particularly on the primacy of women's needs. At the time, there was also rising state government concern about the high level of remaining poverty and poor health indicators which engendered strong government commitment. This was manifested partly in the provision of a strong government project preparation team and the early establishment of SERP. The state commitment was underlined by the commitment of having the Chief Minister take the chairmanship of SERP's General Body. Preparation was a joint effort.

2.72 Government commitment was also demonstrated in the formation of a Poverty Eradication Mission that was supported by experienced experts, by the Andhra Pradesh Vision 2020 report, and, later by the sustained commitment to the follow-on project to expand the program. The state government gave high priority to the staffing of the project at all levels and especially to the continuity of staffing.

2.73 Government performance is rated **Highly Satisfactory.**

2.74 **Implementing Agency.** SERP is an autonomous organization within the state government(s). It is government owned under the Department of Rural Development and the board is chaired by the Chief Minister. At senior levels, it is staffed by state government staff on deputation and professionals on fixed-term appointments. The level of autonomy is therefore not that of an independent NGO.

2.75 The IEG mission found that SERP staff (through both projects) were skilled, dedicated, and innovative. They quickly adopted and implemented a program of participatory rural development that involved over 2 million rural poor constituents. They adopted and implemented new methods for participatory poverty mapping that were different from the national poverty mapping method. All aspects of supervision managed by the implementing agency were sound including safeguard compliance, community procurement, and financial management. SERP staff operated at all levels, with only a small cadre in headquarters in the state capital. Most SERP staff located themselves at the district and sub-district levels.

2.76 Interviews with beneficiaries revealed a unanimous appreciation for their support across all thematic areas financed by the project. The project could have benefited from a beneficiary feedback mechanism, or a social accountability tool, to have allowed an independent reporting back on SERP performance.

2.77 The education components were implemented by the Andhra Pradesh Social Welfare Residential Educational Institutions Society (APSWREIS) (the Andhra Pradesh Social Welfare Residential Educational Institutions Society). APSWREIS is also a state government initiated society (as of 1984) developed to provide quality education to poor SC, ST, and other Backward Caste students by establishing residential schools. Notwithstanding some early difficulties, APSWREIS satisfactorily implemented the educational component, constructing the residential schools and operating them.

2.78 Implementing Agency performance is rated **Satisfactory**.

2.79 Taking into account the government and implementing agency ratings, overall borrower performance is rated **Satisfactory**.

Monitoring and Evaluation

2.80 M&E was generally well designed and implemented. In 2007, just after the project closed, the project received, along with the overlapping follow-on APRPRP, the World Bank Agriculture and Rural Development Department's Golden Plough Award for innovation in Supervision. The Award recognized that the process monitoring and the flows of real time feedback from communities were innovative and effective. As noted earlier under Relevance of Design, M&E was designed with a comprehensive MIS-type data system mainly aimed at recording and measuring inputs, outputs, and processes. Evaluation was carried out partly through an impact study carried out by CESS and partly through smaller internal studies by SERP or, in some cases, contracted to other agencies. The impact study consisted of a 2001 baseline survey, a 2004 midterm and a 2006 completion survey. Evaluation benefited by the high profile of the project and the substantial database that drew the attention of a number of researchers. The project became widely studied.

2.81 In terms of implementation, monitoring units at state and district level fed data into the MIS. During implementation, there was monthly videoconferencing between the state and district monitoring units. At intervals, process monitoring was carried out looking particularly at village level institutional changes, beneficiary satisfaction, and achievements in inclusiveness.

Lessons

2.82 Lessons for the two projects are aggregated under the follow-on project assessed in the following chapter.

3. Andhra Pradesh Rural Poverty Reduction Project

Background

3.1 The Andhra Pradesh Rural Poverty Reduction Project (APRPRP) overlapped with the earlier APDPIP. APRPRP became effective on May 13, 2003 and APDPIP closed on December 31, 2006 and so there was about a three and a half year overlap. The aim was to scale up and build directly on the APDPIP experience. APRPRP had similar objectives but placed greater emphasis on convergence with government schemes, strengthening the tiered community structures, financial inclusion, livelihoods, land access, and social protection.

Objectives, Design, and Relevance (include M&E design)

3.2 The Development Credit Agreement (DCA) objective (p.20) was: "*To assist Andhra Pradesh to enable the rural poor, particularly the poorest of the poor, to improve their livelihoods and quality of life.*"[9]

3.3 The PAD added that "the project builds upon the APDPIP and includes: (i) expansion of the geographical coverage to the entire state; (ii) sharper focus on the poorer and more vulnerable members … of rural communities; (iii) emphasis on livelihoods issues of the poor with a focus on sustainable rainfed farming systems and non-farm employment opportunities; (iv) pilots on community-based land purchase, and social risk management instruments to reduce risks faced by the poor; and (v) inclusion of other

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[9] The *poorest of the poor* were defined as those who could eat only when they got work and lacked shelter, proper clothing, social respect, and means to send their children to school. The *poor* were defined as those having no land, living on daily wages, and needing to send school-age children to work in times of crisis. The *not-so-poor* were defined as having some land, proper shelter, sending their children to public schools, being recognized in society, and having access to bank credit as well as public services. The *non-poor* were those having more than 5 acres of land, no problem to obtain food, shelter, and clothing, hiring laborers, sending children to private schools, using private hospitals, lending rather than borrowing money, and having considerable social status.

stakeholders, especially local governments and the private sector …" The objective in the Project Appraisal Document (p.3) was effectively the same except that it excluded the opening phrase, "To assist Andhra Pradesh .." These objectives were not changed over the life of the project. This assessment uses the DCA language.

Relevance of Objectives.

3.4 The objective was consistent with the 2009 – 2012 Country Strategy, in particular with the goal entitled "Enhancing Development Effectiveness - Social Protection". The strategy covered the improvement of social protection programs and services for the poor, to assist them to cope with extreme/chronic poverty, and to manage the impacts of shocks on their welfare. The project was also relevant in complementing and expanding the earlier but still ongoing APDPIP.

3.5 The objective was relevant to the federal and state government's policy of reducing poverty in rural areas. As discussed in the APDPIP chapter, Andhra Pradesh was the first state to develop a sustained and long-term Rural Poverty Production Program. This had two main objectives: (i) promoting economic mobility; and, (ii) enhancing social protection by reducing vulnerability for the poor.

3.6 With this objectives statement, this second project went further in terms of specification of outcomes by referring explicitly to livelihoods and quality of life. It also added a greater focus on reaching the poorest. It should be noted that the extension initially to 16 districts and 560 mandals, later expanded through Additional Financing to the whole state, meant that, for the six districts covered under the APDPIP, this was a continuation of the latter project building on what went before. In the new districts and mandals, it was merely a start with building SHGs where they did not already exist from earlier programs but with the advantage of a tested and modified proof of concept. Effectively, the beneficiary coverage sequence was two million women targeted at appraisal, then, with the first additional financing, 6 million, then, with the next Additional Financing, 11 million. It was for this reason that the Institutional and Human Capital Development Component went from US$25 million, which was originally only for technical assistance, to US$156 million, a sixfold increase in cost for a nearly sixfold increase in beneficiary coverage.

3.7 Relevance of objectives is rated **High**.

Design and Relevance of Design

3.8 The project as designed had five components:

3.9 **Institutional and Human Capital Development** (Appraisal US$25.19 million; Additional Financing US$130.52 million; Actual US $155.70 million). This component, initially, only provided technical assistance for: (i) strengthening and building institutions for the poor including self-help groups and federated groups at the village and mandal (sub-district) level; (ii) building capacity of line departments and local government to focus on the needs of the poor and the poorest of the poor through joint planning, monitoring, training and implementation; (iii) supporting reorientation of the Education, Health and Nutrition Departments towards the needs of the poor in 80 selected sub-districts; and, (iv) building private sector partnerships for enhancing livelihoods opportunities. The additional financing for this component was aimed at building greater capacity of community organizations through activities beyond simply technical assistance in areas such as technology, pilots and scaling up successful pilots such as insurance, health and nutrition. Also, a PRI pilot activity was intended to enhance poor women's community influence on local government through elected office.

3.10 **Community Investment Fund** (Appraisal US$143.13 million; Additional Financing US$43.35 million; Actual US$190.48 million). This component was intended to transfer financial and technical resources to community-based organizations and local governments to support sub-projects on a demand-driven basis in social development, community infrastructure, income generation, livelihoods, and land purchases. The CIF shifted, after the early APDPIP experience, from a grant fund to a lending fund.

3.11 **Support to Pilot Programs** (Appraisal US$7.45 million; Actual US$7.45 million). This component supported pilots covering strengthening local governments and their response to the needs of the rural poor, social risk management and health to test community-based insurance packages and a community managed comprehensive basic health package to complement the insurance.

3.12 **Support to Out of School Children** (Appraisal US$57.38 million; Actual US$57.38 million). This component supported the overall state goal to enroll all children in school by 2005 by motivating parents and children to go to regular schools and bridge camps to prepare them for formal education and to retain girls in formal schools until completion of their secondary education through the construction of 64 residential schools.

3.13 **Support to Persons with Disabilities** (Appraisal US$11.32 million; Actual US$11.32 million). This component aimed to meet the needs of people with disabilities in 80 sub-districts through social mobilization and building local institutions to focus on the needs of disabled persons. It sought to improve livelihoods including supporting caregivers and promoting coordination in health and education interventions from government while also encouraging community-based interventions.

3.14 **Project Management** (Appraisal US$17.72 million; Additional Financing US$32.38 million; Actual US$50.10 million). This supported the activities of the main implementing agency, the Society for Elimination of Rural Poverty (SERP), including staff for the state and district project-management units, independent monitoring and evaluation, environmental management training, and special studies.

3.15 There was no major change in the original components in terms of broad intent but there was continued evolution of processes and some additional activities, including further evolution of the community organization model, additional capacity building, a number of experimental activities, and changes of scale with the two Additional Financing tranches.

Relevance of Design

3.16 The project objectives and design were consistent with GOAP's long-term Rural Poverty Reduction Program which aimed to "eradicate poverty; promote human capital development; focus on the welfare of children, particularly girls, women, the old, and the infirm; and build an equitable society in which people participate in making decisions which affect their lives and livelihoods".

3.17 **Results Framework.** The results framework provided in the PAD established a logical chain between the intended outcomes and the interventions to be financed. The project was designed to provide support for building and strengthening self-managed institutions of the poor. This included self-help groups and the federated umbrella organizations. It aimed to build the capacity of line departments and local governments. The design also focused on building private sector partnerships for livelihoods opportunities. It called for the transfer of financial and technical resources towards community-based organizations and local governments to support subprojects on a demand-driven basis. While largely based on SHGs, the design also included support to help retain girls in schools up to the end of secondary education including the provision of school facilities and support for persons with disabilities needing prostheses, training, employment and other assistance. The indicators were generally sound although there could have been better specification of how empowerment and how responsiveness of local government was to be measured.

3.18 **Targeting.** Targeting was addressed in the design by the following approaches: (i) coordination and convergence of all the different state anti-poverty programs; (ii) steering committees were to be set up at state, district and mandal level to facilitate poverty data sharing and targeting (PAD p. 10); (iii) a database was to be developed based on Participatory Poverty Assessments; (iv) training on the needs of the poor was to be carried out for line agencies; (v) government orders on poverty focus had been recently issued on poverty focus for all line agencies.

3.19 **Relevance of Component Design.** The components outlined above were consistent with the objectives. Strengthening and building institutions for the poor including self-help groups and federated groups at the village and mandal level was needed to establish the platform for support. There were alternative options to women's self-help groups, for example a program of conditional cash transfer or a stronger government safety net. However, neither would have enhanced women's empowerment at scale with potential for sustainability. Financing was important but it was the connection of financing to women's empowerment on a large scale that was central to the concept. The reason the project shifted away from CIGs was because of concerns about sustainability when there was only a single enterprise binding the members in transactions related to that enterprise. While in some cases such groups may have been productive and sustainable, it was believed that they would not have offered the scale of voice and the webs of social and economic linkages and the wider purpose offered by women's SHGs.

3.20 Building capacity of line departments and local government to focus on the needs of the poor and the poorest of the poor through joint planning, monitoring, training and implementation was important to ensure complementary services to support the poor. Reorientation of the Education, Health and Nutrition Departments towards the needs of the poor in 80 selected sub-districts was a necessary first step towards enhancing welfare and skills and improving health both for its own sake and to enhance the productivity of labor and therefore livelihoods. While there were specific proposals for some line departments, others were to be redirected towards a poverty focus largely by training. As discussed later, in the event, some – such as agriculture – felt sidelined.

3.21 Building private sector partnerships was expected to give greater public resources leverage for enhancing livelihoods opportunities and helped to build greater capacity of community organizations. The CIF component was to contribute support for sub-projects on a demand-driven basis. The social development, community infrastructure, income generation, livelihoods, and land purchases supported by the CIF were complementary to other activities, for example creating land assets for the poor in order to raise incomes to improve livelihoods. The pilots for strengthening local governments, the social risk management and health pilots to test community-based insurance packages, and the pilots for the community managed comprehensive basic health package complementing the insurance support, filled gaps in the social services support for the poor. The activities supporting out-of-school children and people with disabilities enabled reaching the poorest and most disadvantaged with support that would have long term benefits in terms of livelihoods and dependency.

3.22 **Relevance of Institutional Design.** Three main options to the design were explored in the PAD (p. 17):

- (i) *Working exclusively with the elected Panchayat Raj Institutions (PRIs).* The PAD enumerated a number of political difficulties of doing this. In particular it noted that the funding of PRIs was likely to be subject to power structures noting that there was at that time "an evolving relationship between PRIs and state politicians and administration." This was a valid concern. From 2006 there were delays in panchayat elections and between 2011 and 2013 there were further political disputes about the election timing and the percentages of reservations for the Backward Classes. IEG accepts that increasing the powers and roles of the PRI, relying on the PRI structure at that time and place, would have been risky.

- (ii) *Independently managed "social fund" transferring resources to NGOs working directly with the poor.* This was a more realistic option. The disadvantages listed in the PAD were not entirely convincing in light of the proposed continued use of SERP. The disadvantages given were that such an option would by-pass the PRIs and so was less sustainable. However the SERP arrangement presented the same risks. The second objection posed was that a social fund model would have reduced learning. The third objection was based on a belief that the NGO model would create dependencies and that funds for the communities would be crowded out by the NGOs hired. IEG finds all of these risks to be similarly present with the SERP model selected.

- (iii) *Pursuing convergence of line departments with anti-poverty programs through restructuring them and improving their public expenditure management.*

> The PAD argued that the two main disadvantages of this option were that a change in line departments on this scale would require broader reforms better handled through a development policy operation. Sequencing was also an issue. Such broad reforms, the PAD posited, would require strengthened social capital and a more inclusive, responsive, budgetary approach.

3.23 While the PAD-postulated option of social fund transfers to NGOs was the most plausible alternative, this would have been more plausible for the first phase when testing the design prior to scaling was the imperative. As suggested in the PAD but not fully followed up, the project could have benefited from a more hybrid approach, whereby the NGO sector worked hand in hand with SERP to complement activities and to support capacity building of the rural institutions for a smooth and effective transition out of full support once the community bodies were deemed mature. Using a number of NGOs was discussed during project preparation in workshops with the NGO sector, and some activities were undertaken, but NGOs were not integrated in a systematic way into project design. The suggestion that the NGOs could have worked on specialized sectors, such as enabling deeper reach to the *dalits* or the disabled and connecting them to services deserves further attention in future stages.

3.24 A separate design issue that came to complete fruition in the second stage was the decision to move away from mixed gender community interest groups (many were mostly men) towards full support for female empowerment through the Self Help Group model. Given the disempowered position that women held and that women continue to face - and their potential to lift both themselves and their families out of poverty if given the economic opportunity - this theory on women's groups still holds. However, from a sociological perspective, more could have been done to sensitize and educate men about savings, investment decisions and prudent lending (including the importance of repayment) since in many cases, the surveys suggest decisions in the household are taken by or in tandem with the member's husband. Mother-in-laws were supported in joining SHGs, but the mission found this level of sensitization to be less important than the interactions that could have been useful with the opposite gender.

3.25 **Relevance of M&E Design**. M&E design was a continuation of the design set up during the first project but modified with experience. It included a comprehensive MIS system that became increasingly more sophisticated over time. The main weakness was that it did not offer much evidence to track the application of borrowed funds, so the impact of lending, whether from the CIF or commercial banks, has been difficult to measure. However, this would have taken it beyond an MIS system and would probably have called for some sample field survey work to uncover emerging problems with the implementation of productive investments. Such a study would have been intermediate between the MIS and the Impact Study.

3.26 Relevance of design is rated **High.**

Implementation

3.27 *Project Financing and Dates*. The focus in this section is on the changes in implementation compared with the design. The total project costs almost doubled from

US$266.19 million to US$472.43 million through additional financing with a closing date extension of three years. There was also a reallocation of funds in September 26, 2011. The first additional financing was for US$65 million approved on July 10, 2007. The second was US$100 million on December 22, 2009. By project closing, US$333.9 million had been disbursed. Trust funds provided US$3.6 million additional for studies out of which US$2.1 million was disbursed. The projection at the time of appraisal was that local communities would provide US$13.96 million and local financial intermediaries US$52.1 3 million. The project team considered the corpus of savings of the community organizations to be their contribution.

3.28 *Strategy Shift*. Just over a year after project effectiveness there was an important strategy shift. The original strategy had been to support, through matching grants, Common Interest Groups (CIGs) oriented around an economic interest. However, the prior project (still under implementation at the time of this project design) found that the women's self-help groups were more likely to repay the bank loans, and thus more likely to go to scale. With the Self-help Group model, the focus shifted away from the dual model (economic interest models and women's self-help groups) towards women's groups that engaged in savings, bank linkages and productive investments .

3.29 *Financing Shift.* As discussed in the previous review, the Community Investment Fund was switched from a grant giving mechanism to a revolving loan fund. The aim of the switch was to support greater group participation and use of funds through revolving credit, and cost-recovery. The shift was also designed to allow the poor, though a group lending model and repeat credit usage, to build up a track record with the Banks.

3.30 *Monitoring and Evaluation*. There was a strong focus on M&E implementation across all districts down to the Self-Help Group level. The extensive data is publicly available on the SERP websites (now separate for Andhra Pradesh and Telangana). In the database there was more focus on output data such as group participation than on outcome evidence at the group or individual household level. But M&E was supplemented by an Impact Assessment and there were a number of topic studies conducted by SERP and outside researchers that provided evidence on outcomes.

3.31 The Mid-Term Review (2006) report suggests a pro-active approach to implementation. The main recommendations included: benchmarking CBO performance at each level; more capacity support for community resource persons[10]; the need for a staff grievance system; diversification in marketing procurement centers (including franchises with retail chains); attention to backward linkages of fodder and feed for dairy activities; the need for funding on-farm trials and demonstration for the non-pesticide management activities; expansion of the jobs placement activities; scaling up of the land purchase activity; training for elected women's representatives; staffing and systems improvement in the insurance activities; continuation of the nutrition work with no major changes; greater involvement of VO, MS and ZS in the support for out-of-school children; scaling up the support for persons with disabilities and support for partnerships and increased disability certification; the need to address the multiple accounts at the

[10] These were people working at village or mandal level with skills in a wide range of areas including health, social mobilization, agriculture, bookkeeping, land acquisition, and family councilors, some needing further training.

District Project Management Unit level which could weaken controls; and the need for decisions on some of the outstanding contracts.

Safeguard Requirements and Compliance

3.32 The project was a Category B. It triggered the Environmental Assessment safeguard (OP 4.01), the Pest Management safeguard (OP 4.09), the Cultural Property safeguard (OPN 11.03), the Indigenous Peoples safeguard (OD 4.20), and the Safety of Dams safeguard (OP 4.37). There were no major safeguard issues reported in the ICR or found during the mission.

3.33 On the environment and pest management safeguards, the activities with some potential risk were agriculture and livestock. The support for cropping was designed as a low input non-pesticide management approach and was implemented as such using zero or low artificial input techniques including vermiculture (composting using worms in organic material) and application of manure and a number of natural pest management techniques including pest counting and the use of natural Neem tree oils and extract. In livestock, there was limited grazing activity, mainly with sheep and goats while there was promotion of stall-feeding. The dairying activity was almost entirely stall-feeding with cultivated fodder. On cultural property, there was a negative list for sub-project screening applied to all the CIF subprojects. On Indigenous Peoples, a Tribal Development Plan was prepared and implemented. A substantial part of the project support was directed towards support for tribal people including measures to increase land access through the establishment of rights.

Fiduciary Management and Procurement

3.34 The Mid-Term Review raised some concerns about the large amounts of unused funds in various CBO accounts but this issue was gradually resolved during the second part of the project. Bookkeeping was an important part of support provided to SHG's. As the project evolved and expanded, improved accounting systems were developed suitable for each CBO and each state administrative level. An Electronic Fund Management System was developed which improved the ability to keep track of transactions. This was then linked to the Core Banking System (CBS) platform. The package of systems enabled monitoring of fund flows and utilization across accounting units. Mission interviews with SHGs and bookkeepers found generally orderly and sound bookkeeping practices; the books were available for inspection.

3.35 The project was not without some intermittent financial issues that needed attention and resolution. Implementation Status Reports indicate that there were issues with delayed utilization certificates on sub-project investments that SERP was able to gradually address. There was important work under the project to put in place a standard accounting system at VO, MS, and ZS levels. There were particular issues including accounts staffing problems with the Social Welfare Residential Educational Institutions Society handling the girls education program. These were gradually resolved. There were also staffing vacancies and delays at the senior finance level in SERP. In 2004-2005, there were some qualifications by auditors. These issues were rectified but in 2006 there was a delayed submission of statements. At one point, supervision ratings of financial management were lowered from Satisfactory to Moderately Satisfactory. The Bank team appears to have been pro-active on financial issues as they emerged, there was an agreed Action Plan at the MTR. One supervision mission in 2004 called for action on different definitions being applied in different areas or branches on what constituted an overdue loan, on the calculation of recovery rates, and on what were delinquencies and losses. Standard definitions were later adopted. There was pressure to fix financial problems quickly in order to process the first additional financing.

3.36 On procurement, the most significant activities were consultancies and service contracts and the construction of the schools for girls. The majority of the procurement of goods was carried out at community level by SHGs and higher level by MSs and ZSs. The project developed manuals for procurement procedures. There was a considerable amount of procurement training provided under the project. SERP enhanced its skills in procurement, building on its experience with the prior project. Commercial banks, under the bank linkages activity, and with support from SERP, monitored the application of loan funds at SHG level to check that funds were being used for the purposes set out in the micro plan. No major issues were reported on procurement.

Achievement of the Objectives

3.37 The objective of the project was *to enable the rural poor, particularly the poorest of the poor, to improve their livelihoods and quality of life*. In interpreting the term livelihoods we apply the following definition: "A livelihood is a means of making a living. It encompasses people's capabilities, assets, income and activities required to secure the necessities of life."[11] This definition overlaps with the quality of life element, but we assume that quality of life reaches beyond capabilities, assets, income and activities to social changes such as, better health, supportive social activities, reduced violence in the home, confidence gains, support for the disadvantaged, and release of time from drudgery.

3.38 The main evidence for output and outcome achievements comes from the following sources: the CESS Impact Study (2010); a study by Prennushi and Gupta (2014), independent research papers, the SERP database, the Implementation Completion Report, supervision reports, and mission interviews with a range of SERP and government officials, a sample of 15 SHGs, elected PRI officials, staff of CBOs (Mandal Samkhyas and Village Organizations), Community Resource Persons, bank branch managers, NGOs, and experienced observers of the program (see Annex B, Table 2, for the main APRPRP activities).

3.39 **Rural Institutions.** To enable the rural poor, particularly the poorest of the poor, to improve their livelihoods and quality of life, the project continued to invest in the formation of rural institutions comprised of and led by the poor (See Annex B, Chart 1 for the relationships between the CBOs). By project end, 11.3 million women were participating in 1 million project supported Self-Help Groups in the now states of Andhra Pradesh and Telangana. This level of participation is five times the original target set. Of

[11] International Federation of Red Cross and Red Crescent Societies definition (source ifrc.org website under "What is a Livelihood?" Most other sources have similar language.

the 11.3 million women participating, 2.85 million were considered poorest of the poor. According to the Impact Assessment, based on a sample survey, 70 percent of participating households were either poor of poorest of the poor.

ENABLING THE RURAL POOR, PARTICULARLY THE POOREST OF THE POOR, TO IMPROVE THEIR LIVELIHOODS

3.40 **Savings and Borrowing.** Like the first phase project, APDPIP, the project promoted group formation, savings and internal lending. Total group savings is reported to have increased from US$66 million (US$113 million by the end of APDPIP) to US$1.13 billion by project end. Groups interviewed by the IEG mission attested to lending internally at a rate of 12.5 percent. The project also utilized the Community Investment Fund, with total project costs equaling US$190 million in the form of a revolving loan fund. However, unlike the first phase, members had greater access to capital through a Banking Linkages Program from which they sought the bulk of borrowing. The Impact Study found that 69 percent of SHGs had received bank loans and, of those, 75 percent were distributing equally. Prennushi and Gupta (2014) report that participant women were able to borrow up to two and a half times more than the non-participant women during the study period. The amount of credit available through the Bank Linkages program grew from US$404 million at project start to about US$7.9 billion by project end.

3.41 The mission found conflicting messages being given to SHGs about savings. On the one hand, the project discourages holding too much money for long periods in group savings accounts. Holding too much money for too long can result in a group performance downgrade. It is believed that savings should be recycled internally through on-lending within the group, preferably for productive purposes. On the other hand, bank branch managers want and encourage SHGs to hold substantial amounts of savings partly because savings are seen as a form of collateral and partly because it contributes to the branch being able to meet its monthly deposit targets. In one case an SHG group interviewed reported that a branch manager was preventing them from using their deposited savings to reduce their indebtedness when their repayments had fallen behind.

3.42 SHG borrowing came from a number of sources. According to the impact assessment, total borrowing of all participant households increased by about 60 percent between baseline and end line. Roughly 40 percent of this increase was from project supported borrowing, another 40 percent came from informal borrowing (money lenders), and about 20 percent was from other banking sources. The impact assessment estimated that the average level of indebtedness at the household level for participants was Rs.7,250 versus Rs.5,350 for non-participants. However, the impact evaluation also found that participants had much greater access to lower interest rates through formal sources of lending.

3.43 **Investments.** Investing through the two sources of financing, the CIF and access to formal banking services, the most commonly sought investments were livestock (56 percent, with an average loan size of US$323); agriculture (17 percent, with an average loan size of US357); Non-Farm activities (13 percent, with an average loan size of

US$316); and trade and services – that could also be considered non-farm activities (10 percent, with an average loan size of US$380).

3.44 **Assets and Expenditures**. With increased access to capital, there is evidence that there was asset accumulation and increased expenditures on social and economic priorities by the poor. The impact assessment estimated that on average, there was a net increase in the total value of assets for participating poor households of Rs. 103,774 and Rs. 64,234 for the poorest of the poor households. Prennushi and Gupta (2014) reported that, from 2004 to 2008, the poorest program participants' monthly per capita expenditures increased 9.1 percent annually compared to 6.6 percent for non-participants. They also found that the project's impact on asset accumulation was stronger with length of program exposure.

3.45 **Food Security and Consumption.** The project supported a food security initiative through which some 3.4 million households were helped to gain access to the public food distribution system and food credit facilities. The CESS Impact Assessment found that food expenditures per household decreased by about 8 percent over the project period with increased consumption of more nutritious foods. It was estimated by SERP that the bulk procurement of food arranged by the District and Sub-District organizations (the Zilla and Mandal Samakhyas) helped to cut out the middlemen and to pass on these savings to the SHGs. SERP estimated these savings to be roughly US$48 per household.

3.46 Owing in part to savings on food, the impact evaluation estimated that the average increase in consumption per poor household was Rs.14,843 for the poor participants and Rs.13,852 for the poorest of the poor.

3.47 **Income Effects**. Income effects were assessed by the impact evaluation. The evaluation found that the average annual income increase of participants over non-participants was US$107 for the poorest of the poor and US$263 for the poor. According to the evaluation, the percentage of participating households that fell below the poverty line dropped from 29.8 percent at baseline to 17.5 percent by project close, compared to a control group of households who barely moved from a baseline of 29.8 percent to 27.5 percent by project close. Prennushi and Gupta (2014) found that impacts were stronger across most impact variables for the poorest and the poor and that the poorest mid and late joiners as well as the poorest Scheduled Tribe early participants had about Rs. 1,800 more savings than the non-participants.

3.48 Increased incomes were in part achieved by economic diversification. While the project had a heavy focus on agriculture and livestock activities, it also provided opportunities for the rural poor to diversify into non-farm productive opportunities. Activities that were supported included training and credit for petty trading, handicrafts, pot making, sari making, the running of small hotels, and other small business ventures. By project close, the impact evaluation found that the percentage of household income being derived from non-farm activities was 48 percent for project participants but 37 percent for non-participants. Diversification favored the poor. For both the poor and poorest of the poor, income derived from non-farm activities was estimated to be about 55 percent. There was a 34 percent recorded increase in self-employment for poor participants compared to 24 percent for non-participants and a 32 percent increase for the poorest of the poor participants compared to 17 percent for non-poor participants.

3.49 These effects were complemented by support for marketing. The project provided support for commodity marketing where the volume of marketed produce through the supported channels in 2011 reached a value of US$344 million. This is believed to have raised farm gate prices which was expected to contribute to farm household incomes.

3.50 A weaknesses in the agriculture approach however pertains to the narrow focus on one type of agricultural practice that was heavily promoted by the project. The Community Investment Fund made credit available for agricultural investments, but, in cropping, this was limited to support for Community Managed Sustainable Agriculture, or CMSA, that provided finance and technical assistance for low input or organic agriculture. For a household with no interest in low or zero artificial input practices in agriculture, or looking for a range of cropping technologies to spread risk or for diversification, the project had limited technical support to offer. The agriculture department played almost no role in the CMSA and there was little coordination with it.

3.51 **Livelihood Support for the Most Vulnerable**. Many disabled persons have been able to form SHGs and have, as a result, accessed more productive activities. A substantial program of disability assessments was carried out with project support covering some 938,000 people. Roughly one-third of this cohort was mobilized into 32,780 SHGs. A third of this total cohort was able to access credit – at a level of about US$25,000 per disabled group. Investments were made in economic activities, and the funding was utilized to cover health and education expenses. SERP facilitation and the federated service delivery model helped to link the disabled with their rightful pensions, insurance and the public employment program.

3.52 **Livelihood Support for Youth**. There was a job scheme for youth funded partly by the project and focused on skill development programs through which about 400,000 rural youth were trained under the Employment Generation and Marketing Mission established in 2005. Some 300,000 were placed in jobs with 3,500 companies.

3.53 **Access to Land.** Land purchase was estimated in a SERP study to give an IRR of 40 percent. The legal and survey assistance of the project helped resolve 430,000 tenure disputes improving accessibility to 875,000 acres. The land access activities were well focused on a paramount need, to get at least some access to land into the hands of the poorest. However, Prennushi and Gupta (2014) found only a modest gain overall in land access for the poor, with non-poor participants experiencing the most significant effects from land purchase.

3.54 In sum, this assessment finds that the extent to which the project enabled the poor, particularly the poorest of the poor, to improve their livelihoods is rated **High.**

ENABLING THE RURAL POOR, PARTICULARLY THE POOREST OF THE POOR, TO IMPROVE THEIR QUALITY OF LIFE

3.55 **Building Capacity.** The project effectively helped to build the capacity of millions of rural poor women to begin to take charge of their priority social and economic needs. It helped to develop a federated model of service delivery – a central organizing platform – that helped to leverage millions of women's voices for more accountable and effective service delivery. As a leveraged whole, women repeatedly reported having access for the first time to government decision-makers – such as sub-district and to a lesser extent district revenue agents, with whom only their husbands had spoken before. Anecdotally, they reported being invited to "sit in the chair, across from the district revenue officer, rather than the floor."

3.56 Group leaders at the district and sub-district level for the most part volunteer their time towards this endeavor, out of duty and passion for the rural poor. When interviewed, group leaders revealed that they willingly forgo several days of paid labor to enable this platform of support. In group interviews, IEG asked members of leadership why they sacrificed days of paid work to support the work of the samakhya? The most frequently occurring answers were:

- *Social Recognition*
- *A Sense of Civic Responsibility*
- *Opportunity to get new Knowledge and Skills – share knowledge with the Village*
- *It brings us out of the home to learn new things*
- *Brings Enjoyment*

3.57 Recognizing that many of these leaders have had to manage social and household pressures during a decade that has been witness to a significant level of transformation in the project areas, IEG asked members of the samakhya whether their husband or mother in laws objected to their level of commitment that they have dedicated to the program. The following responses were most representative of the most commonly expressed sentiments of members of these groups:

- *"We are expected to cook, feed the children and take care of the house and then we can go to the group meetings."*
- *"There are problems when travel is very far, and when it takes too long."*
- *"Why are you going to these meetings? We are not getting paid!"*
- *"You are going and attending the meetings – now you are asking for so many rights in the household."*
- *"If we return at 7pm, then you have to feed the buffalo. When the woman says that the man should help, the husband says you are expecting equal rights."*
- *Mother in laws are coming on board because now the mother in laws are part of the SHGs.*

3.58 Group interviews conducted by IEG were intended to further probe findings from the impact assessment and the literature that had conducted their investigation more than five years ago. In the widely circulated World Bank study, *Voices of the Poor*, Narayan et al (undated) found that in the District of Anantapur, "self-help groups supported a fundamental shift in women's roles in the family and outside. The improvements in economic well-being of households whose women belong to groups were mirrored by a fundamental change in women's roles in the family and community. "

3.59 **Voice and Participation in Decision-Making.** This economic empowerment was made possible by enabling millions of women access to increasingly higher levels of formal banking finance, which in many cases endowed them with a greater voice in decision-making at the household level than they were previously afforded. By project close, participants had accessed US$7 billion of finance, over which many had at least partial allocative control. This economic empowerment has in turn led to greater voice in both household and village level decision-making. The CESS impact assessment, for example, found that participation in community discussions on drinking water, irrigation facilities, access to education, approach roads, and child labor were higher for participants than non-participants (and with regard to child labor, non-participants had no voice at all). Prennushi and Gupta (2014) similarly found general improvements over and above the evolving societal trends at the time with regard to women's ability to leave the home without permission, to disagree with their husband, and to participate in village meetings. After controlling for initial propensity to participate, the impact assessment additionally found that project participants were 4 percent more likely to attend village gram sabha meetings than nonparticipants as of project close.

3.60 The project also provided a range of services – or helped to connect the poor to government entitlements that they had previously not been able to access. Prennushi and Gupta (2014) found that participants were significantly more likely to benefit from the targeted government programs, particularly the employment guarantee program, but also the midday meals program, hostels, and the housing program. The project supported the development of village health centers with a focus on teaching visitors about nutrition, maternal and child health. The idea was to teach women about the best way to care for themselves and their pregnancy outside of the influence of the home. As such, the centers were accessible by both SHG participants and non-participants. Data on health related outcomes is for the most part unavailable in project documentation. However, Prennushi and Gupta (2014) also found that indicators of maternal and child health did not show much improvement. The percentage of births that took place at a facility or with trained attendance increased, for both participants and nonparticipants. However, this is not surprising since, based on mission visits, many project non-participants had access to these services and took advantage of them.

3.61 In sum, this assessment finds that the extent to which the project enabled the poor, particularly the poorest of the poor, to improve their quality of life is rated **High.**

Efficiency

3.62 The ICR first estimates a Financial Rate of Return (FRR) aggregating the benefit streams and including the total project investment cost. The FRR comes to 18.1 percent. In a second analytical step, the analysis then adds the large institutional SHG/bank linkage activity which raises the FRR to 26.3 percent. Including, in a third analytical step, the further benefits of marketing and employment raises it to 31.2 percent. Finally, adding some omitted additional project costs lowers that figure marginally to 30.1 percent.

3.63 The ICR reports the SERP analysis of a sample of 475 sub-projects selected in proportion to the sub-project population in DPIP. The study found a range of sub-project

IRRs between 174 percent and 40 percent, higher than the projections in the PAD[12]. While not without value as representative models, this sample is the same that is given in the APDPIP efficiency analysis so it dates from February 2007, only four years into APRPRP. It covers only the six APDPIP districts. It is therefore not fully representative over districts or time period although the six APDPIP districts were picked up by APRPRP once APDPIP closed. A second source of data was a survey for the National Rural Livelihoods Program covering a sample of 153 households benefiting from livelihoods investments, we believe purposively selected, and another 250 households surveyed associated with groups and federations in livelihoods activities. The data from these was used to generate representative models supplemented, according to the ICR, with other evidence from published materials, GOI, and NABARD. In aggregating the benefit stream, the ICR applies the derived enterprise models to the five main project activities at the scale covered by the project. A third source of efficiency data used by the ICR was the CESS Impact Study (2010).

3.64 There are three benefit stream valuation questions related to the rate of return analysis (ICR p. 51). First, the assumption of the average net benefit of $142 per household per annum for all households is higher than the Impact Study data suggests. However, the $142 is close to the average income gains for the poor and the poorest of the poor. Second, the bank linkages net benefit stream used in the ICR analysis is of a completely different order of magnitude than the livelihoods activity – the present value of costs in the bank linkages is about 15 times the costs of the livelihoods activities – making the livelihoods investments almost irrelevant in an aggregate IRR. While this is not incorrect methodologically, it does prompt a question about how much of the bank linkages are really attributable to the project. In the absence of the project, the banks would have done some of their own group formation, based on discussions with Bank team staff, perhaps about one third of what was achieved. If that is a correct assumption, only a portion of the bank linkages benefits should be included. However, if this adjustment were made, it would reduce only the scale of the bank linkages attributable benefit stream, it would not alter the IRR of that activity since both costs and benefits would be reduced[13]. It would however alter the Net Present Value. Third, the interest rate subsidy (Pavala Vaddi) that is listed on page 19 of the ICR in the Efficiency section is not a project benefit it is a government subsidy. However, it is not clear whether this subsidy was, in fact, treated as part of the benefit stream and added into the ICR aggregate tabulation (ICR page 54).

3.65 Notwithstanding these caveats – which, in any case, would only somewhat negatively affect the aggregate IRR scenarios – there are multiple partially quantified or unquantified benefits to be considered In some cases these overlap with the IRR analysis, and therefore may double count, in other cases they would be additional. These include: land acquisition benefits with 875,000 acres of improved access; commodity marketing estimated by the ICR to have benefits of US$49 million; nutrition benefits from bulk purchase (food security benefit estimated by the ICR at US$161 million); enabled

[12] While high at the top end of the range, the middle range of these IRRs are not inconsistent with a rule of thumb often used in research and extension that, mainly due to high discounting of future benefits and risk, a poor farmer is likely to want to see a 2:1 or at worst a 1.5:1 Benefit Cost Ratio to trigger significant adoption of a new technology or practice.

[13] Note that rates of return cannot be used to compare investments of a different scale.

government poverty support funds through panchayats; quality of life disability benefits; insurance benefits – both health risk and widows; pension benefits (estimated by the ICR to total US$443 million); education benefits including the education fund; the gender fund; employment benefits off-farm – jobs benefits are estimated by the ICR at US$540 million with the national guarantee employment scheme adding a further US$134 million; environmental benefits from the CMSA activities including a health factor; and benefits from learning for other programs. While there may be some overlap of these benefits with those calculated in the IRR and while in some cases the attribution connection to the benefit stream is only one of facilitating access, many of these are additional benefits and some are of significant scale. However, against these benefits would need to be set some other counterfactuals, for example, some elements of education, jobs and insurance would probably have been obtained through other means but at lower levels. We are unable to estimate these.

3.66 With a benefit stream composed of a significant share of benefits that reached the poor and the poorest of the poor, there is a methodological question of whether there should be any social adjustments to raise the value of benefits reaching the lower income groups. Social Cost Benefit Analysis adjustments are rarely done but this is a case where there would be a case to do so. Raising the value of the benefits to these two groups and the disabled would raise the overall IRR relative to other projects with a lower share of poor beneficiaries. However, this report has not attempted such an adjustment.

3.67 A further piece of evidence on efficiency is the Deininger and Liu (2013) finding reported in the APDPIP analysis that, notwithstanding the question raised about additional costs in that section, still showed a good rate of return for the consumption elements of the project. While this was based on the data from that project, it seems probable that similar benefit streams have been sustained in APRPRP.

3.68 On operational costs, it has not been possible to estimate the costs of SERP, first because a number of staff are on deputation and second because their budget is covered under a number of different heads and line items. The project management costs provided under the project, partly the Bank and partly borrower contribution, comes to about 11 percent of the total project costs. From discussion with Bank team staff it is probable that, if all uncounted government costs were included this would at least double the costs. There is, however, an important qualification to the uncertainty of the overhead costs of SERP. Since, the benefit stream for the bank linkages far outweigh the other activity benefit streams, and since the ICR finds that, adding the bank linkages to the livelihoods investments raises the FRR from 18.1 percent to 26.3 percent, the sensitivity to different levels of SERP costs is heavily diluted. The bank linkages are estimated to have leveraged US$7.86 billion in loans. Against this, a doubling of the project overheads adding another US$50 million would be of small significance. In other words, the sensitivity of the SERP costs is modest if one includes a substantial share of the bank linkages.

3.69 While it would take a substantial study to assess the marginal costs and of each additional increment of SHG activity, up to some absolute ceiling of complexity, there is likely to be a declining marginal cost to adding additional SHG activities or entitlements. The start-up cost of establishing a functioning SHG for a first activity, say bank linkages only, may be significant, but the marginal cost of adding each additional activity is likely to be smaller and declining as establishment and operational costs are spread.

3.70 In terms of relative cost effectiveness, with some caveats, the Andhra Pradesh projects appear to be better than all the other livelihoods projects implemented in India recently. The APDPIP and APRPRP combined had a cost of US$44 per household over the six year period 2003 to 2009. As of March 2009 the cost was US$55 per household including the interest rate reimbursement subsidy. This compares to Tamil Nadu at about US$430 per household, Madhya Pradesh at about US$257, and Rajasthan at about US$473 (Hancock and Bauman 2012). While these figures are not strictly comparable by period and are confounded by different levels of state government contributions that are difficult to calculate, the relative differences are large enough to suggest that the AP projects have been relatively efficient against the only comparators available. This is probably largely due to the scale of the AP projects.

3.71 An additional stream of benefits that is difficult to quantify is the learning for other livelihoods projects in India. This has not only been passive learning in the form of others studying the project for guidance. It has been active learning promotion based on demand. Skilled people from Andhra Pradesh have been sent to other states to offer advice and support, particularly on women's empowerment.

3.72 Finally, in a project within a comprehensive state-wide program, close to all-encompassing and covering every district, one cannot apply assumptions about the without project scenario in determining net incremental benefits without also accepting that a share of that implied spillover to non-beneficiaries also must be attributable in some way or another to the project. It is difficult to see any other major source of the evident spill-overs found in the Impact Study except the NREGA program.

3.73 In conclusion, the partial CIF FRR is 18.1 percent, the overall FRR is 30.1 percent. While some questions have been raised in this section on data and methodology, even with substantial downside adjustments through reduced attribution of bank linkages and higher SERP costs, there would still likely be a very robust FRR because of the large scale of the project. In the 30 percent FRR scenario, the Net Present Value is over US$2 billion. A project of this scale will be quite insensitive to changes in overhead costs or in cost or benefit streams unless they are large and pervasive across several components. To these FRRs, or to any downward adjustment of them to allow for reduced attribution or higher costs, must be added, on the positive side, the unquantifiable benefits of women's empowerment and the other social benefits. We also here consider the Deininger and Liu finding on APDPIP and suggest that it seems probable that similar benefits have been achieved in APRPRP. Efficiency is rated **High**.

Outcome

3.74 Relevance of the Objectives and Design are both rated High. The project was fully consistent with the state strategy and vision and the Bank's strategy and the design reflected that. Efficacy of the two sub-objectives of improvement of livelihoods and improvement of quality of life are both rated High. Efficiency is rated High on the basis of a satisfactory IRR together with substantial unquantified benefits. Taking into account the scale and depth of the empowerment of women that led to social and economic opportunities not plausible without the support of the project, the Outcome is rated **Highly Satisfactory**.

Risk to Development Outcome

3.75 This discussion of risk covers both APDPIP and APRPRP since, apart from some degree of risk discounting over time, that in separate ratings would favor APDPIP, the two projects face qualitatively the same risks.

3.76 *Behavioral and Financial Sustainability*. Based on the Impact Study, the financial sustainability of the community-based organizations was variable but generally sound at the time of project close. SHGs had very small incomes and expenditures since, apart from their social roles and social activities, they are acting as conduits for lending and repayment and are generally passing on to members whatever interest rates and subsidies they receive. Repayment is their main challenge not profit margin. The study did not show what percentage of SHGs had significant income deficits to cover expenditures. At the VO level, average annual surplus over expenditure was Rs.15,417. At the MS level much larger amounts are being handled, the average surplus was found by the impact survey to be approximately Rs.1.0 million (about US$23,000 in 2008)[14].

3.77 Subsequent to the closing of the project, rumors of loan waivers and the application of interest rate rebates threaten to alter group behavior and the carefully built credit discipline achieved by the project. Since the project closed, an interest rate rebate has been introduced in both Andhra Pradesh and Telangana. For SHGs that are borrowing from the Banks and that are current on repayments, the state reimburses the interest rate down to an effective 3 percent. While at the time of the mission the political thinking on waivers appeared to be still somewhat fluid, there was a proposal in Andhra Pradesh that, in place of a loan waiver there might be a Rs.100,000 grant given to eligible SHGs. (Telangana was not considering a loan waiver at the time).

3.78 Field visits found that a number of SHGs had halted loan repayments as a result of the rumor of waivers. All SHGs interviewed indicated that they considered it had been a sensible decision to stop repayments if a waiver was indeed being offered. They based their decision on previous offers made, during prior election campaigns, when the rumor of waivers came to fruition. In this round, women also felt and expressed regret, since the waivers were not implemented. The experience demonstrated the risk of non-payment: it changed the SHG relationship with the Banks, group credit ratings, and it resulted in high non-payment fees. Women continued to save internally throughout the non-payment period, however, and in many cases were able to quickly regain traction on payments once rumors of the waivers had subsided.

3.79 Heavily subsidized interest rates, rebates, and waivers raise questions about the long-term viability and sustainability of the bank linkages portion of this program. They

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[14] A caveat to all these financial figures is that the Impact Study surveys were not financial audits, they were merely recording reported data. It is not clear how much was based on financial audits although the higher levels CBOs were being audited.

also run the risk of allowing for the politicization of an otherwise formidable platform for women's and families' social and economic development. Possible unfavorable outcomes associated with these types of continued interruptions include (i) a shift by SHGs away from their strong focus on internal credit discipline towards the application of their newfound empowerment to demanding greater government subsidies; (ii) banks could be expected to assign greater risk to this type of lending; (iii) increased credit demand for low return investments owing to the distortion in the market; (iv) with the interest rate rebate, group decisions are now allocating the subsidized loan funds equally and passing on the rebate so as to share the windfall fairly. This means there is less likelihood of funds being directed efficiently towards the best investment proposals within the group.

3.80 A related risk is the risk that is posed to individuals affected by group behavior. While a single nonpayer can reportedly be managed by increasing group savings, two to three non-payers represents a significant risk to the ten to twelve women in the group. In this case, there is a risk that all individuals, regardless of individual credit discipline, become ineligible for formal banking services. It is not clear how the program has managed this risk for the individuals who are unlucky to be grouped with defaulters since the mission was not able to obtain data or interview members of defunct defaulter groups.

3.81 *Exogenous Risks.* The management of the "microfinance crisis" that occurred in 2010 in Andhra Pradesh has resulted in several risks to credit liquidity and affordable access to finance. Charged with levying excessive interest rates, using coercive debt collection practices, and making excessive profits, the sector was regulated at a level that all but shut it down in the state, in spite of the fact that MFIs were an important source of credit for many individuals and groups, often providing readily available and shorter-term lending.

3.82 One response has been the introduction of a new state run Credit Cooperative Federation, or *Stree Nidhi,* which uses the existing District Rural Development Agencies and the federated rural institutions at the Village and Mandal level for "last mile" delivery to keep costs below 1 percent, a further project benefit of the group formation. *Stree Nidhi* partly depends on compulsory saving deposits from members of the federated model. The effort, to date, is modest in scale and runs the risk of stretching available finance too thin. It should not be seen as a substitute to fixing the ailing micro-finance sector which had been a significant share of borrowing for individuals and groups.

3.83 *Fiscal Sustainability.* At the state level, the capacity of the two states, Andhra Pradesh and Telangana, to sustain financing of the many constituent programs that were either initiated or supported by the project is an issue. The current financial situation in Andhra Pradesh stands out as a particular risk. Telengana also faces a difficult financial situation.

3.84 *Institutional Sustainability*. At the time of the mission, the future of the implementing agency, SERP, was unclear, and yet, no alternative arrangement was yet in place to fulfill the broad facilitation and support role that it is currently playing. The bifurcation into the two states has added to that risk. While there is a need for an evolution in the system – by identifying and supporting weaker links and devising new and innovative methods to reach the poorest of the poor – the SERP function is an essential pillar of the built system. Future arrangements will need to untangle overlapping responsibilities with line ministries – some of which could be characterized as an encroachment by SERP on these ministries' roles. But there is no evidence that SERP's role even here has not added value in light of the scale and depth of need.

3.85 *Risk of Not Reaching the Poorest of the Poor*. Evidence suggests that those at the very lowest income levels, particularly the destitute and those in remote areas, have been very difficult to reach and support. Going forward, there is a need for a renewed focus on the poorest, which has been a recurring concern of the project and a challenge faced by other participatory rural development programs – such as the Aga Khan Rural Support Program in Pakistan. It is now believed, and reflected in recent project designs, that reaching the poorest will call for support to individual households or even individuals persons. One reason is that the rigid demands of group commitment in terms of financial contributions, time commitment, meeting attendance, and repayment may be too burdensome for the poorest. Many very poor people migrate to find work, have unstable incomes and the contribution of their time is inflexible and has a high opportunity cost. Such constraints are a handicap for group formation, group management, and group sustainability. Thus while the evidence from the two projects is that some progress was made in reaching the poor, there is still an unmet need.

3.86 A third phase of this program of support was approved by the Bank's Board recently with the aim of reaching the poorest of the poor, but there are some questions about the design. IEG has pointed out in this report the somewhat narrow focus on technology choices, with regard to non-pesticide low input agriculture and the associated lack of linkages with the line department. The recently approved Andhra Pradesh and Telangana projects may be similarly narrowing the range of technology support by a focus on organic production and niche markets although they also propose to support the marketing activities for a number of commodities that should help raise farm gate prices. The new Andhra Pradesh inclusive rural growth project has proposed to work with small and marginal producers who "have already built up productive assets, have previously participated in productivity improvement, and have the potential to exploit growth opportunities for high value commodities such as red gram, milk, poultry, small ruminants, fisheries, turmeric, cashew, and coffee." This presumably will exclude those poorest low asset households who have not yet been able to achieve productivity improvement. While non-farm and urban growth has recently become a more important driver in India than agricultural growth for overall poverty reduction even in rural areas, agricultural growth, through gains in agricultural productivity in terms of yields and increases in agricultural wages, is still an important driver of rural poverty reduction (Binswanger-Mkhize 2012, Himanshu et al 2010).

3.87 The Risk to Development Outcomes, owing to the range of social and economic empowerment that has been achieved, is rated **Moderate.** Risks associated with the sustainability of the financing model should be attended to going forward.

Bank Performance

3.88 **Quality at Entry.** The project was thorough in incorporating the lessons of the previous AP District Poverty Reduction Initiative Project and also the earlier lessons from the UNDP South Asia Poverty Alleviation Project. The design was based on a substantial livelihoods assessment. From this, the strategy emerged to focus on three main areas of support: (i) protecting maintaining and building the critical assets of the poor; (ii) empowering the poor so they could use those assets productively with less restriction; and, (iii) providing the poor with more or better opportunities to use their assets. It was argued that the bonding social capital in SHGs was the foundation for the remainder of the livelihoods improvement process.

3.89 The project carried out a thorough and frank assessment of the problematic question of how to involve the Panchayati Raj Institutions. The World Bank project team grappled with many difficult design issues that could have handicapped progress in this project, including land market issues, the need for a tribal strategy, institutional arrangements (also associated with the Tribal Development Plan), and a gender strategy. There was also good attention to the financial issues including the design of accounting procedures, audit arrangements and the computerized financial management system.

3.90 The project was designed to be flexible and provided for sufficient M&E to learn from experimentation. M&E was thoughtfully designed, referred to in the PAD as a Monitoring and Learning system. It proposed creative ways to support self-monitoring at the community level, input-output monitoring, process-monitoring and impact evaluation. It assigned responsibilities for each level of monitoring, building on the experience of the APDPIP. It encouraged and financed an impact assessment. However, the Results Framework and the Management Information System could have included more qualitative indicators to measure capacity strengthening and the effects of female empowerment within the household and the greater society at large. A more rigorous, periodic and systematic system for the evaluation of a sample of productive investments could have supported adaptation of project design along the way.

3.91 The treatment of safeguards was thorough, leading to a screening system for sub-projects and the incorporation of the pest management operational policy into the design of the integrated pest management program.

3.92 Quality at Entry is rated **Satisfactory.**

3.93 **Quality of Supervision.** Supervision was thorough, flexible and creative and responsive to the needs of the borrower. There was an exceptionally good relationship with SERP and the state. The Chief Minister would often give considerable time to meeting with the Bank project team. The thematic approach focusing on different priority themes each mission rather than universal coverage allowed greater depth of analysis. The Bank was right and nimble to respond when it did with Additional Financing although there were risks in scaling up so fast. As noted in the ICR, the supervision team was awarded the first Golden Plough award for excellence in supervision.

3.94 Supervision documents suggest that the Bank played an important role not only in enabling innovation but in judiciously feeding in ideas from global experience. The Bank provided specialist advice in activities such as insurance and finance and had staff on missions with experience of community development projects in other countries and elsewhere in India. The Bank also encouraged and supported learning visits outside of

India and outside the state. In interviews with borrower project staff, Bank skills were acknowledged as important. The Bank also provided a platform for SERP to try new things that in the absence of the project, would have been more difficult within administrative constraints. There is evidence in the supervision documents, which had clear recommendations for action and from interviews with GOI and GOAP staff, that there was a "try-anything" attitude from the Bank team that was creative if, in retrospect, perhaps a little too open-ended.

3.95 Quality of supervision is rated **Highly Satisfactory**. Overall, Bank Performance is rated **Satisfactory.**

Borrower Performance

3.96 **Government Performance.** The government at both the center and the state level were fully committed and provided strong policy and implementation support to the project. The State allowed for the retention of a highly qualified director within the implementing agency which contributed to learning and project performance. Government commitment – which had been in place years before this project was appraised - was maintained throughout across different administrations. Government financing for the program exceeded its original commitments, further signaling a strong commitment to the project objective of alleviating rural poverty, particularly for the poorest,

3.97 The performance of the central and state government is rated **Highly Satisfactory.**

3.98 **Implementing Agency Performance.** SERP performed well with great commitment and skill and was strongly supported by its parent department, the state Rural Development Department. SERP proved to be creative and agile in adjusting to evolving circumstances. SERP was able to attract and retain some excellent staff with very good appreciation of the needs of a participatory approach centered on self-help groups that were targeted at the poorest. The IEG mission was impressed with the quality of SERP staff.

3.99 SERP oversaw effective implementation of the project safeguards. Procurement, mainly conducted by the district and sub-district level organizations, was implemented effectively. A standard accounting system was put in place for effective coordination with the federated rural institution. While there were some intermittent financial issues, SERP rectified these issues with the support of the Bank.

3.100 Overall, in implementation, as a result of responsiveness to changing circumstance and fiduciary needs, the performance of SERP and its parent department is rated **Highly Satisfactory.**

3.101 Taking into account the rating for government and implementing agency performance, the overall rating for government performance i**s Highly Satisfactory.**

Monitoring and Evaluation

3.102 M&E was well designed and implemented. The citation for the award noted above recognized that the process monitoring and the flows of real time feedback from communities were innovative and effective. The database, as an MIS system, is comprehensive and user friendly[15]. It is not common that IEG can select small groups to be interviewed, either randomly or purposively, by using a project database. The adjustments made during the project make it clear that the M&E findings were utilized. The CESS Impact Study, despite a few weaknesses, was useful and informative and open about the main methodological challenge which was the lack of a satisfactory control group and the possible options for a proxy.

3.103 In addition to the MIS data and the CESS Impact Study, a number of topic papers were produced to aid learning. Three that were reviewed by IEG were: Livelihoods Learning (2007) covering the project-supported program for the bulk purchase of rice for consumption to reduce household food costs; Making Markets Work for the Poor (2007) covering community managed marketing integrating the poorest producers into the markets; and, Creating Jobs for Rural Youths (2010) covering employment generation for youth including educational products, microcredit products, and scaling up. There was also a study supported by the Norwegian Governance Trust Fund covering Community-Based Procurement (2009). This reviewed the value for money, efficiency, transparency, and fairness of the community procurement practices covering 22 Community Driven Development projects in India including the Andhra Pradesh project[16].

3.104 More could have been done to trace the application and benefits of individual household loan funds particularly on productivity. More is known from the database about the amount and type of borrowing (output) than on the impact on household livelihoods (outcome). While the Impact Study was able to estimate increased household expenditures it was not able to provide much evidence on investment productivity or enterprise success.

4. Lessons

There are four main lessons from the two projects:

[15] As an example of what is available, some Districts, using the SERP data system and data of their own, offer summarized District Data-at-a-Glance information sheets on the internet giving a wide selection of data including: overall district statistics, poverty distribution, SHG statistics including savings and corpus, training, mandal performance data, audit coverage, human resources, bank linkages component achievements, action and investment plans, people trained, the CIF funding use, achievements of the various programs, marketing activities, food security, land purchase, Community Managed Sustainable Agriculture achievements, Poorest of Poor strategy, employment achievements including job training and placement, education achievement including pass results, disabled component achievements including certification, pensions, and revolving funds, health and nutrition activities including the health risk fund, kitchen gardens, sanitary achievements, weaning foods, community pharmacy, early education fund use, social security pensions achievements by caste, widows pension and death claims data, dairy program achievements, and grain bank achievements.

[16] It found: better value for money from community implemented works compared to contractors; a better sense of ownership leading to enhanced sustainability; despite being strong on need identification they scored poorly on search for bidders and tendering; and, the need to ensure in the design inclusive participation.

- **Support for the establishment of women's self-help groups with linkages to bank finance and within a supportive policy and institutional environment can lead to enhanced confidence and capacity of women both collectively and individually**. The evidence from Andhra Pradesh suggests that collective empowerment can support greater accountability for service delivery that, in turn, can positively affect the livelihoods of the poor.

- **In the early phases of rural development projects that support large-scale community group formation as a means to leverage more equitable service delivery, including finance, there is a need to think long-term about the transition strategy for the chosen implementing agency.** In the case of Andhra Pradesh, the implementing agency support became an essential pillar of the built system, undertaking roles and responsibilities for service delivery that overlapped with the line ministries. Without an effective transition strategy that integrates the philosophy, training and acquired skills into the broader administration, there is a risk that gains made under the project will be lost and efforts to reach the poorest of the poor may not be sustained.

- **Reaching the poorest of the poor can prove difficult through group formation owing to rigid rules of attendance, set savings contributions, joint liability, and other group non-negotiables.** Going forward, the strategy may need to be altered towards household or individual support, or differentiated models that consider the needs of the poorest of the poor, prior to group formation. This multi-stage approach is bound to incur additional costs. This implies trade-offs between depth and coverage and between short-term and long-term impact that should be accommodated in project design.

- **The pursuit of a single group model, such as women's self-help groups, to the exclusion of other approaches, limits the ability to learn from the user – about what works and why in different contexts - and to test alternatives in parallel rather than in sequence.** Greater experimentation during the first phase, when the project was rolled out in the first six districts, could have laid the ground for more creative destruction, adaptation, and learning prior to scaling.

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Annex A. Basic Data Sheet

ANDHRA PRADESH DISTRICT POVERTY INITIATIVE PROJECT CREDIT (CR 33320-IN) – P045049

Key Project Data (amounts in US$ million)

	Appraisal estimate	Actual or current estimate	Actual as percent of appraisal estimate
Total project costs	134.8	150.6	111.7
Loan amount	111.0	111.0	100
Cofinancing	n/a	n/a	n/a
Cancellation	n/a	n/a	n/a

Cumulative Estimated and Actual Disbursements

	FY00	*FY01*	*FY02*	*FY03*	*FY04*	*FY05*	*FY06*	*FY07*
Appraisal estimate (US$M)	0.0	3.7	18.8	44.2	71.3	97.7	111.0	111.0
Actual (US$M)	0.0	4.2	7.6	26.7	65.1	87.6	103.3	118.4
Actual as percent of appraisal	0.0	113.5	40.4	60.4	91.3	89.6	93.06	106.6
Date of final disbursement: June 2007								

Project Dates

	Original	Actual
Concept Review	05/05/1999	
Appraisal	11/25/1999	
Board approval	04/11/2000	
Signing		
Effectiveness	08/07/2000	08/07/2000
Mid-term Review	03/31/2002	11/12/2003
Closing date	12/31/2005	12/31/2006

Staff Inputs (staff weeks)

Stage	Staff Time and Cost (Bank budget only)	
	Staff Weeks (number)	US$ 000s (including travel and consultant costs)
Lending		
FY98		0.88
FY99		137.85
FY00	72	245.33
FY01		0.00
FY02		0.00
FY03		0.00
FY04		1.36
FY05		0.00
FY06		0.00
FY07		0.00
Total:	**72**	**385.42**
Supervision/ICR		
FY98		0.00
FY99		0.14
FY00	1	2.57
FY01	19	74.25
FY02	15	51.31
FY03	20	92.42
FY04	31	190.36
FY05	22	102.47
FY06	17	61.17
FY07	22	92.16
Total:	**147**	**666.85**

Task Team Members

Name	Title (at time of appraisal and closure, respectively)	Unit	Responsibility/ Specialty
Lending			
Ashok K. Seth			Agriculturist
J. A. Perumalpillai-Essex			Economist
T.K. Balakrishnan			Financial Analyst
Tara Vishvanath			Economist
Ghazala Mansuri			Economist
Stephen Howes			Economist
Salman Salman			Lawyer
Paul Martin			Environmentalist
Meera Chatterjee			Social Development
Rajat Narula			Financial Analyst
C.S. Nawathe			Rural Engineer
D.J. Baxi			Procurement Specialist
Achim Fock			Agricultural Economist
William Marke			Disbursement
Josef Emstberger			Economist
Parmesh Shah			Community Dev.
John Joyce			Agricultural Economist
P. Kotaiah			Community Banking
T. Karmiris			Staff Assistant
Supervision ICR			
Parmesh Shah	Lead Rural Dev. Specialist	SASSD	Task Team Leader
Varalakshmi Vemuru	Social Development Specialist	SASSD	Co-Task Team Leader
Vijaysekar Kalavakonda	Financial Analyst	FPDSN	Health and Private Sector Dev. Spec.
Assaye Legesse	Senor Agricultural Specialist	AFTS2	Monitoring and Evaluation
Sati Achath	Consultant	SASSD	ICR Report
Shweta Banerjee	Junior Professional Associate	SASSD	Monitoring and Learning
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Ivor Beazeley	Senior Financial Mgt. Spec.	OPCFM	Financial Mgt.
Christine H. Allison	Lead Human Development Spec.	SASHD	Human Development
Manvinder Mamak	Senior Financial Mgt. Spec.	SARFM	Financial Mgt.
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Deepal Fernando	Procurement Specialist	SARPS	Procurement
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Venita Kaul	Senior Education Specialist	SASHD	Education
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Subramaniam Janakiram	Consultant	SASSD	Communications

Task Team Members (cont'd)

Madhavi M. Pillai	Senior. Natural Resource Management Specialist	SASSD	Natural Resources
Keith McLean	Senior Soc. Dev. Economist	ECSSD	Panchayats
Sankaran Vaideeshwaran	Consultant	SASES	Environment
Philip Beauregard	Senior Counsel	LEGMS	Legal
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S. Rastogi			Consultant
Donna Thompson			Financial Mgt. Spec.
Anne Ritchie			Micro-Finance Spec.
Ajai Nair			Micro-Finance Spec.
Wahida Huq			Community Investment Funds Specialist
Paul Martin			Environmental Spec.
Julian Barr			Consultant
Manvinder Mamak			Financial Mgt. Spec.
Mike Felton			M&E Specialist
S. Vaideeshwaran			Environmental Specialist/ Consultant
S. Satish			Social Dev. Specialist
Beatrice Renzi			IEC Specialist
A.K. Seth			Agriculturalist
T.K. Balakrishnan			Financial Mgt. Spec.

ANDHRA PRADESH RURAL POVERTY REDUCTION PROJECT CREDIT (CR 37320, 37321, 46750-IN) – P071272

Key Project Data (amounts in US$ million)

	Appraisal estimate	Actual or current estimate	Actual as percent of appraisal estimate
Total project costs	266.19	472.43	177.4
Loan amount	150	333.87	222.5
Cofinancing	n/a	n/a	n/a
Cancellation	n/a	n/a	n/a

Cumulative Estimated and Actual Disbursements

	FY03	***FY04***	***FY05***	***FY06***	***FY07***	***FY08***	***FY09***	***FY10***	***FY11***	***FY12***
Appraisal estimate (US$M)	1.3	31.2	86.0	129.2	146.1	150.0	150.0	150.0	150.0	150.0
Actual (US$M)	0.0	23.5	80.5	119.7	148.4	167.3	208.5	251.8	306.6	333.8
Actual as percent of appraisal	0.0	75.3	93.6	92.6	101.5	111.5	139.0	167.8	204.4	222.5
Date of final disbursement: February 2012										

Project Dates

	Original	Actual
Concept Review	12/12/2001	
Appraisal	10/03/2002	
Board approval	02/20/2003	
Signing		
Effectiveness	05/13/2003	05/13/2003
Restructuring		06/16/2008 12/29/2009
Mid-term Review	03/31/2006	11/12/2003
Closing date	09/30/2008	09/30/2011

Staff Inputs (staff weeks)

Stage	Staff Time and Cost (Bank budget only)	
	Staff Weeks (number)	US$ 000s (including travel and consultant costs)
Lending		
FY01	12	38.83
FY02	36	165.5
FY03	50	266.86
FY04		0.00
FY05		0.00
FY06		0.00
FY07		0.00
FY08		
Total:	**98**	**471.19**
Supervision/ICR		
FY01		0.00
FY02		0.00
FY03	11	59.82
FY04	24	116.40
FY05	48	196.05
FY06	44	196.60
FY07	39	203.73
FY08	41	265.64
FY09	40	0.00
Total:	**247**	**1038.24**

Task Team Members

Name	Title (at time of appraisal and closure, respectively)	Unit	Responsibility/ Specialty
Lending			
	Not given in the ICR		
Supervision ICR			
Christine Helen Allison	Lead Human Dev. Specialist	SASHD	
Shweta S. Banerjee	Communications Associate	CGP	
Samik Sundar Das	Sr Rural Dev. Specialist	SASDA	
Atul Bhalchandra Deshpande	Sr Financial Management Specialist	SARFM	
Vinayak Narayan Ghatate	Consultant	SASDA	
Priti Jain	Senior Procurement Specialist	SARPS	
Vijayasekar Kalavakonda	Senior Insurance Specialist	CAIMR	
Santhanam Krishnan	Consultant	SARPS	
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Smriti Lakhey	Junior Professional Associate	SASDA	
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Nethra Palaniswamy	E T Consultant	DECRG	
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Vijayendra Rao	Lead Economist	DECRG	
Varun Singh	Social Development Specialist	SASDI	
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Vinay Kumar Vutukuru	Consultant	SASDA	
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Deborah Lee Ricks	Program Assistant	SASDO	
Sandra Sousa	Program Assistant	SASDO	

Annex B. Project Activities and CBO Linkages

Table 1. Main Activities of APDPIP

Activity	*Baseline*	*Target*2	*Actual*
SHGs (No.) (Members) (No.)	0 (36,000)	75,000 (930,000)	171,618 (2,294,215)
SHGs linked to banks (No.)	0	45,000	155,091
Savings generated (US$)	0	US$15m	US$113m
SHG borrowing (US$)	Neg.	? 3	US$415m
Families benefitting from sub-project CIF investment (No.)	0	900,000	986,860 (agriculture 34 percent; dairy 23 percent; non-farm trading 19 percent; sheep 10 percent; (CIF US$75 million total, estimated to have leveraged another US$217 million in commercial bank linkage funding.
People covered by insurance (No.)	<20,000	No target	528,000
Food Credit Line (US$)	0	No target	US$171m
Procurement and Marketing (No.)	0	No target	695 procurement and marketing centers; also 14,943 SHGs involved in CIF-funded procurement and marketing; 255,000 beneficiaries
CIF Food Security Program (hh)	0	No target	550,000 (includes recycled funds)
Dairy Program (No./US$)	0	No target	47 bulk milk cooling and collection centers; 1,196 collection centers; US$14 million turnover 2006/07
Area of Community Managed Sustainable Agriculture (acres)	0	?	186,000
Youth jobs created (No.)			11,883 educated youths employed thro' market linked jobs model. (incremental IRR on job training cost estimated at 72 percent)
Social Development under CIF funding			Included: nutrition centers, counseling centers; schools for disabled children; medical camps; pre-exam training centers for vulnerable communities; training for business; working capital for new business opportunities; services of specialists.
Girl Child Laborers Enrolled in Residential Schools (No.)	0	15,000	21,468 Also, 209,543 mainstreamed into public schools

Source: APDPIP ICR and SERP data

Note: 1. There may be some inconsistencies between some data in this table and numbers in the text due to different sources. 2. Targets are mostly end 2005 targets. 3. Target for this is given in ICR as US$15 million which seems too low, or an incorrect target date.

Table 2. Main Activities of APRPRP

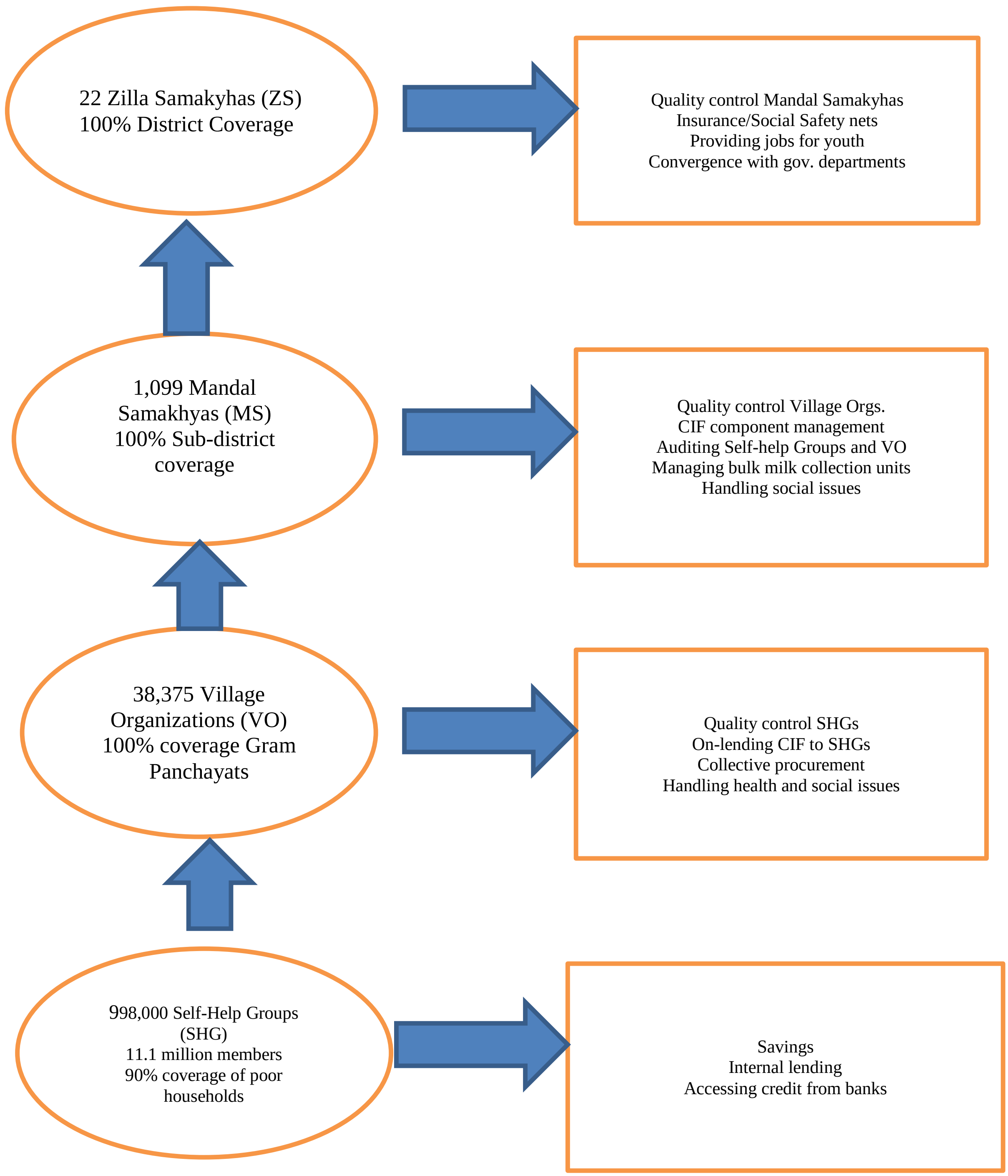
Activity[1]	*Baseline*	*Target*	*Actual*
SHGs (No.) (Members) (No.)	511,082 (6.65million)	187,000 incremental.	1,010,423 (11.29million)
SHGs linked to banks (No.)	678,000	180,000 incremental	929,356
Savings generated (US$)	(US$113million by end DPIP)	US$66m incremental	US$1.13 billion
SHG borrowing from banks (US$)	US$404m	? [2]	US$7.86 billion
Community Investment Fund	US$75 million by end APDPIP		US$190 million
People covered by insurance (No.)	<100,000	none	9.6 million
People covered by pensions (No.)	?	none	5.2 million
Marketing and , procurement centers, food security incl. PDS access.			2,065 centers. 80 %paddy now marketed to AP Civil Supplies Corp. thro' CBOs estimated average farmer saving US$55 per annum. 3.37 m hh.
Land (through assistance, committees, policy) (No./acres)	0	none	5,303 landless women became landowners; land with improved legal access 875,000 acres from partial resolution 430,000 tenure disputes. 25,000 acres i
Area CMSA/ NPM (acres)	(186,000 in 2006-7 see DPIP table)	?	3.8m acres non-pesticide management
Dairy (No.)	(0)	none	202 Bulk Cooling Units, 32 feed plants, 189 fodder nurseries. Dairy income per hh US$150 per annum
Youth jobs created	0	none	306,000 jobs
Education Fund (No.)			1,182 Early Childhood Education Centers established
Health Risk Fund (No.)	0	none	4,200 Nutrition-cum-Daycare Centers serving 283,000 hh 40 percent POP. Health savings through 47,752 SHGs to meet emergency health needs.
Disability Certification (No.)	48,000		306,211 PWD mobilized into 32,780 SHGs. Leveraged funds for 18,000 surgical corrections, appliances, 1,844 PWD centers
Children Enrolled (No.)	0	25,000	115,000 children
PoP Fund (hh)	0	none	46,000 hh accessed CIF
Gender Fund (No.)	0	none	332 family counseling centers

Source: ICR and SERP data.

Note 1: Some activities overlap e. g. CIF funded range of activities. In some activities the support is facilitation.

Note 2: The ICR Results Framework gives US$2.9 million for a 2008 target which seems too low.

Chart 1. Community-Based Organizational Relationships and Activities (Source: APRPRP ICR p. 8)



Annex C. List of Persons Met[17]

World Bank
Onno Ruhl, Country Director, World Bank, India Country Office, (New Delhi)
Michael Hanley, Operations Advisor, World Bank, India Country Office, (New Delhi)
Shobha Shetty, Practice Manager, Rural Livelihoods, World Bank, India Country Office
Vinay Vutukuru, Task Manager, World Bank, Delhi
Kevin Crockford, Task Manager RL, World Bank, Delhi
Animesh Shrivastava, Program Leader, Rural Urban Transformation, World Bank, Delhi
Nethra Palaniswamy, Social Observatory, World Bank, Tamil Nadu

International Agencies
Peter Kenmore, FAO Representative, Delhi

GOI
Bhaskar Dasgupta, Director, DEA, Ministry of Finance
T. Vijay Kumar, Additional Secretary and Mission Director NRLM, Ministry of Rural Development
A. Santhi Kumari, CEO, NRLM, Ministry of Rural Development

GOAP, GOT, SERP AP and SERP T
G. Vidya Sagar Reddy, Managing Director, SERP T
Mrinalini Shastry, Director, Evaluation and Learning, SERP, AP
P. Usha Rani, Director, Institution Building, SERP, AP
Y.V.Ranghunatha Reddy, Director, Banking Partnerships SERP AP
Dr. D. Venu Gopal Rao, Assistant Director Animal Husbandry, Project Manager, Livestock and Poultry Unit
M Srinbivas Baba, Director, Non-Farm Livelihoods
Menchu Ramesh, Project Manager, SERP, Dept. of Rural Development
Muthyeala Sumitra, Project Manager, Institutions Building
M. Yadaiah, Project Executive, SERP T
D. V. Raidu, Director (CMSA), SERP AP
M. Murali, Chief Executive Officer, SERP T
G. Ranga Rao, Director Livelihoods, SERP AP
Arun Kumar, CEO, SERP, AP
J. Dharma Naik, Additional Director of Agriculture, Telangana
Rajeshwar Reddy, Director Disability, SERP, T
Shravan Kumar, Project Manager, Social Security, SERP, T
Ms. T.L. Sangeetha, Director,
Land Access, SERP, T
Divya Sonti, Land Access, SERP, T

[17] In Andhra Pradesh and Telangana, names are approximately in the order met. Many groups were met including SHGs, VOs, Mandal Samakya groups, NPM groups, etc. with many attendees (generally between 10 and 50 individuals) where individual attendee names were not taken. Apologies for any misspelled names.

P. Usha Rani, Director, Institution Building, SERP, AP
Lakshmi Durga, Director, Human Development (Health, Nutrition, Education), SERP, AP
Raymond Peter, PS, Rural Development, Telangana
D.V.Raidu, Director CMSA, SERP AP (handled AP and T)
Jayaram, CMSA, SERP, AP
K.V.Satyanarayana, Director, Stri Needhi Bank

Research Institutions, Banks, NGOs, etc.
Professor S. Galab, Director, Center for Economic and Social Development (CESS), Director of Impact Evaluation
Jiji Mammen, Chief General Manager, National Bank for Agriculture and Rural Development, AP, Hyderabad
K. V. Satyanarayana, Managing Director, Stree Nidhi (Credit Cooperative Federation Ltd, Andhra Pradesh)
G. Vidya Sagar Reddy, Managing Director, Stree Nidhi, (Credit Cooperative Federation Ltd, Telangana)
C. S. Reddy, CEO and MD, APMAS (NGO)
Carolyn Elliott, Professor Emerita, Dept. of Political Science, University of Vermont
Simrit Kaur, Professor of Public Policy, Faculty of Management Studies, University of Delhi
Parmod Kumar, Professor and Head, Agricultural Development an Rural Transformation Center, Institute for Social and Environmental Change, Bangalore
Sanchaita Gajapati Raju, Managing Trustee, SANA (Social Awareness Newer Alternatives), New Delhi
Yamini Aiyar, Director Accountability Initiative, Council for Public Affairs, New Delhi
Samuel Thangaraj, Social Development Specialist, Gurgaon

Warangal District
Gugulhod Ambarbai, Sarpanch, Myalarum Village
Nalini Nayarama, District Project Manager Land
Lindira, Sarpanch, Kanchanpalle
Sudha, Mandal Project Manager,

Mahabubnagar District
Lakshmaya, Sarpanch, Mandal level representative, Dondlapalle
Sudaka, Area Coordinator, SERP
Jayanna, NPM coordinator, SERP, Dondlapalle
Skaeleta, Bank Mitra, Balanagar
Kampana, Bank Mitra, Balanagar
R. Sudhakar, Area Coordinator, SERP (Jadcheria mandal)
Gopal Yadav, Sarpanch, Gangapur
M. Ramulu, Mandal Prasad Territorial Council
H. Yardagari, Ag. Coop Society
Ravi Kanph, Manager, State Bank of India rural bank branch

Guntur District
J.P. Venkateshwaralu, Addntl. Project Director, Animal Husbandry, SERP, AP
R. Sambashiva Rao, APM, Guntur, UNNATI component
Mrs. P. Prashanti, Project Director, Guntur
T. VenkateswaraRao, Sarpanch, Rajpalle village
J. Sambasavarao, Mandal Constituency Member
Achaya, NPM cotton farmer
Srinavasa Rao, Manager, State Bank of India branch Bellamkonda
Lakshmi Nancharamma, Sarpanch, Kajipeta village
Veerantjaneya Parspara, Sahayaka Sahakar Podupu Sangam Ltd, VO
N. Raja Sekhara Rao, Manager Andhra Bank, Kolakur Branch
Subshani, Sarpanch, Gudivarda,
Aruna Kumari, MPTC.
Prema Rani, President Zilla Samakhya
Lakshmi Kumar, Secretary ZS

Chittoor District
B. Ravi Prakash Reddy - PD DRDA
P.R.V. Ramana Reddy - APD, DRDA
M.S. Aquino - IB, DRP
Sri Venkatesh - DPM (Finance)
Narayana Murthy - APO (Dairy)
Ramapathy Reddy - APM Dairy
Ravi Kumar - DPM Disability
L. Prasad Reddy - DPM (Social security)
G. Munirathnam - DPM (NPM)
P. Gopal Reddy - APM Bank Linkage
Mr. Prasad - APM (Social security)
Mr. Subramanyan - Land Manager
Mr. Raja - APM - Land Unit
Ms. Hymavathi - JDM (Jobs)
Ms. Vijaya - EO DWACRA
Ms. Vanishi DPM (Marketing)
Dhanajaya Reddy - APM (HN)
Narasinha Reddy - DPM (HN)
Ms. Hema - APM (Gender)
Mr. Rajanikanth - DPM (CMES)
Chen Reddy APM (Unnathi)
P. Prabhavathi - PM IB