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Report No: 51368-IN

PROJECT PAPER

ON A

PROPOSED SECOND ADDITIONAL FINANCING (CREDIT)

IN THE AMOUNT OF SDR 62.9 MILLION  
(US\$100 MILLION EQUIVALENT)

TO INDIA

FOR A

ANDHRA PRADESH RURAL POVERTY REDUCTION PROJECT

November 23, 2009

Sustainable Development Department  
Agriculture and Rural Development Unit  
India Country Management Unit  
South Asia Regional Office

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective October 31, 2009)

Currency Unit	=	Indian Rupees
Rs. 47.02	=	US\$1
US\$ 1.58989	=	SDR 1

## FISCAL YEAR

April 1 – March 31

## ABBREVIATIONS AND ACRONYMS

AP	Andhra Pradesh
APRPRP	Andhra Pradesh Rural Poverty Reduction Project
CBO	Community Based Organization
CIF	Community Investment Fund
CO	Community Organization
CS	Country Strategy
DPM	Deputy Prime Minister
EMF	Environment Management Framework
FM	Financial Management
GOAP	Government of Andhra Pradesh
H&N	Health and Nutrition
ICT	Information and Communications Technology
IDA	International Development Association
IHCB	Institutional and Human Capacity Building
IRR	Internal Rate of Return
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MIS	Management Information System
NGO	Non Governmental Organization
NPM	Non Pesticide Management
MS	Mandal Samakhyas
MTR	Mid-Term Review
NREGS	National Rural Employment Guarantee Scheme
SHG	Self Help Group
SERP	Society for Elimination of Rural Poverty
TDP	Tribal Development Plan
UC	Utilization Certificates
VO	Village Organizations
ZS	Zilla Samakhyas

Regional Vice President:	Isabel M. Guerrero
Country Director:	Roberto N. Zaghera
Sector Director:	John Henry Stein
Sector Manager:	Simeon K. Ehui
Task Team Leader:	Parmesh Shah

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**INDIA**

**Second Additional Financing  
Andhra Pradesh Rural Poverty Reduction Project  
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**INDIA**

**SECOND ADDITIONAL FINANCING : ANDHRA PRADESH RURAL POVERTY  
REDUCTION PROJECT  
PROJECT PAPER**

**SOUTH ASIA - SASDA**

<b>Date:</b> November 23, 2009 <b>Country:</b> India <b>Project Name:</b> Second Additional Financing : Andhra Pradesh Rural Poverty Reduction Project <b>Project ID:</b> P118821	<b>Team Leader:</b> Parmesh Shah <b>Sector Director:</b> John H. Stein <b>Sector Manager:</b> Simeon K. Ehui <b>Country Director:</b> N. Roberto Zaghera <b>Environmental Category:</b> (B) Partial Assessment				
Borrower: Government of India/Government of Andhra Pradesh Responsible agency: Society for Elimination of Rural Poverty (SERP)					
Revised estimated disbursements (Bank FY/US\$m)					
<b>FY</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>		
Annual	27.5	47.5	25		
Cumulative	27.5	75	100		
Current closing date: December 31, 2009 Revised closing date: September 30, 2011					
Does the restructured or scaled-up project require any exceptions from Bank policies?				<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Have these been approved by Bank management?				<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is approval for any policy exception sought from the Board?				<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Revised project development objectives/outcomes: The project development objectives would remain the same as the original project and first additional financing. The second additional financing would scale up the project development impacts and continue to enable the rural poor households, particularly the poorest of the poor, in Andhra Pradesh (AP), to improve their livelihoods and quality of life.					
Does the scaled-up or restructured project trigger any new safeguard policies? N.A.					
For Additional Financing					
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant					
For Loans/Credits/Grants: Total Bank financing (US\$m.): 100 Proposed terms: Standard credit, with thirty five (35) years maturity and ten (10) years grace.					
Financing Plan (US\$m.)					
Source	Local	Foreign	Total		
Borrower	11.00	0.0	11.00		
IBRD/IDA	100.00	0.0	100.00		
Local Communities		0.0	0.00		
Borrowing Country's Fin Intermediaries	2500.00		2500.00		
Total	2611.00	.....0.0.....	2611.00		

## **A. Introduction**

1. This Project Paper seeks the approval of the Executive Directors to provide a Second Additional Credit in an amount of IDA credit of US\$100 million (SDR 62.9 million equivalent) to India for the Andhra Pradesh Rural Poverty Reduction Project, APRPRP (P071272, IDA Credit 3732-IN). The Government of Andhra Pradesh (AP) is willing to commit US\$32.4 million and estimates access to US\$338 million of other government funds towards this additional phase of the project. The outcome values envisaged in the first additional financing have been met. Using the institutional platform of the poor households created during the earlier phases of the project, the second additional financing will scale up the development impacts achieved in APRPRP and create impacts in newer areas of human development.

2. The proposed second additional financing project will focus on: (i) higher order capacity building of the institutions of the poor households to perform more efficiently and effectively; (ii) leveraging Information and Communication Technology (ICT) systems for improved project implementation; (iii) ensuring inclusion of the poorest and the most vulnerable who were left out and those who regressed back into poverty due to the recent food and financial crises; (iv) improving health and nutrition status of the poor households; (v) expanding and strengthening their livelihood activities; and (vi) increasing their access to social safety net benefits and entitlements and creating wider convergence with the government departments implementing anti-poverty programs. As in case of the original project and first additional financing, the project objectives and the project objectives and the components will not change under the second additional credit.

## **B. Background and Rationale for Additional Financing**

3. Project Objectives and Scope: The original IDA Credit of SDR 114 million for APRPRP was approved by the Board of Directors on February 20, 2003 and became effective on May 12, 2003. The project development objective was to enable the rural poor households, particularly the poorest households in AP, to improve their livelihoods and quality of life. APRPRPP expanded the geographical coverage to the entire state, focused on the poorer and more vulnerable members of rural communities and emphasized on their livelihood issues with a focus on sustainable agriculture, value addition, job creation and non-farm employment. Piloting of social risk management interventions such as health and nutrition programs helped the poor households achieve improved health and nutrition status and reduce health expenses.

4. The first additional finance of APRPRP IDA Credit of SDR 42.70 million (US\$65 million equivalent) was approved on July 10, 2007 and became effective on September 6, 2007. It was used for consolidation and completion of interventions under the project, including investments in institutions and capacity building of the community institutions of the poor women to enable them to become sustainable and self-reliant. Furthermore, investments were made in specialized institutions, such as business franchises and mainstreaming of various successful pilot approaches. Under the first additional financing, the project objective and the components remained unchanged. The first additional financing project achieved its outcomes, including building institutions of the poor households and their social capital, developing financial services for them, improving their livelihoods, reducing vulnerability, promoting social action on gender issues and improving local governance. The closing dates for all these credits, which have met compliance with the credit covenants, and for the proposed second additional financing will be extended to September 30, 2011.

5. The proposed second additional financing will put in place supplementary institutional and technological support systems to achieve higher development impacts. This will be achieved by fully utilizing the institutional architecture of the community organizations (COs) of the poor households. New

areas of human development, particularly health and nutrition will be impacted. It will support the Government of Andhra Pradesh's (GOAP) long-term rural poverty reduction program. The APRPRP Additional Financing project is being implemented by the Society for Elimination of Rural Poverty (SERP), an autonomous society under the Department of Rural Development of GOAP, as in case of APRPRP.

6. *Project Performance to Date:* Supervision ratings have been satisfactory throughout the project life, for both implementation progress and achievement of development objectives. The progress data shows that outcomes envisaged for the first additional financing have been exceeded.

7. *Institutional Development:* The project has mobilized 10.22 million poor women, translating to 90 percent of the poor women in the project districts; into 850,671 self help groups (SHGs), 35,525 village organizations (VOs), 1,180 Mandal Samakhyas (MSs), and 22 Zilla Samakhyas (ZSs). Of these women, 71 percent belong to vulnerable groups such as Scheduled Caste, Scheduled Tribes and Backward Castes. These COs are managed by a human resource pool of 1.6 million trained grassroots women leaders and 125,000 community activists, para-professionals, resource persons and functionaries trained in the areas of institutional capacity building, bookkeeping, financial management and services, marketing, livelihood support services and monitoring.

8. *Savings, Credit, Assets, Incomes and Livelihoods:* The institutions of poor households have collective internal funds (savings and corpus) of US\$ 805 million. These COs have developed commercial bank linkages worth US\$ 4.3 billion. This means that every US\$1 invested by the project has leveraged US\$12 from the commercial banks. Additionally, Community Investment Fund (CIF) has been instrumental in enhancing the scale of the bank linkages, capitalization of the community based organizations (CBOs) and achieving institutional self sufficiency. Annual credit flow to poor households and their groups has increased fifty folds from less than \$23 million in 2000 to \$1.2 billion in 2008. The value of assets at the household level has almost tripled i.e., from US\$1032 to US\$2974 on an average between years 2000 and 2006. Correspondingly, there has been an increase in income, from US\$483 per annum to US\$1041 per annum in the same period. In case of the livelihoods, the community managed sustainable agriculture program led to aggregate annual cost savings of US\$ 69.5 million and the employment generation program created 185,748 jobs for the rural youth. Meanwhile, investments have been made in the food security initiative covering 2.4 million poor families in 15,989 villages.

9. *Accessing Social Safety Nets and Entitlements:* Investments have been made to enable the COs to increase access to entitlements, safety nets and social security programs. Significant progress was made in access to National Rural Employment Guarantee Scheme (NREGS), where 11.90 million poor households were enrolled for job cards which resulted in job creation of 734 million days for 8.10 million households in AP. Similarly, COs functioned as franchisees to distribute pensions worth US\$ 208 million to 6.8 million pensioners. More than 8 million SHG women and their spouses were covered under the universal insurance scheme run by the COs acting as the franchises for the largest insurance company in India. The project has also partnered with Education Department to establish early childhood education centers and offer higher education scholarships for poor children. Innovative last mile service delivery models adopted by the COs enable poor households access public services. These include setting up service desks at commercial banks and relationship managers in primary health care centers, and running of call centers for insurance services. All these activities are managed by community professionals paid by the COs.

10. *Health and Nutrition (H&N):* Piloting of social risk management interventions through H&N programs has enabled the poor households access health services entitlements, improve their health and nutrition status and reduce health expenses. There is significant decrease in malnutrition and infant and maternal mortality rates among mothers and children participating in the 600 Nutrition Cum Day Care Centers (NDCC) managed by the federations of SHGs. Likewise, 99 percent safe deliveries and 90 percent

normal deliveries are observed among women attending the NDCCs. Activities such as community kitchens, health and education awareness communications, and involvement of health activists and community resource persons have improved health condition of the poor households.

11. *Information and Communications Technology (ICT)*: APRPRP is making strategic use of ICT to enhance efficiency of project implementation and promote transparency and accountability of its initiatives in the scaled up context. A web enabled IT architecture has been set up to track data on SHG's financial performance and key livelihoods activities. The information on SHG bank linkages, micro-insurance, and jobs has already migrated to web-based Management Information System (MIS). Various front-end devices are being experimented to enable capture and processing of transactional information on real time basis. The use of ICT is also being encouraged at the community organizations level. About 5178 VOs have become banking correspondent agents for commercial banks to deliver financial services while leveraging biometric based smart card financial technology. About 5.6 million poor clients have been enrolled by them and US\$ 100 million worth transactions routed in 10,737 villages. Similarly, ICT based micro-insurance management systems have been used that seamlessly integrates call centers, online transaction processing systems and ATMs. These efforts have substantially improved efficiency and reliability of service delivery at reduced transaction costs. Such efforts will be scaled up in the proposed project. The project performance on other key progress indicators is found in Annex 1.

12. *Rationale for Additional Credit*: While the previous investments have contributed towards establishing self-reliant institutions of the poor households and facilitated multi-layered development impacts, second additional financing will scale-up the project impacts. This will be done by improving efficiency and effectiveness of the existing institutional platform by adopting ICT and innovative service delivery models for achieving full inclusion of the poor households. Such approach will bring higher returns on the investments already made, and scale up the outcomes achieved under the project. Hence, there is a need to build higher order capacity of community institutions capable of managing scale in a sustainable and efficient manner, and dealing effectively with the commercial banks, the market institutions, public sector departments and developing new partnerships with the cooperatives and the private sector. Additional resources will help scale up successful pilot initiatives in the area of the human development.

### **C. Proposed Changes**

13. The original project objectives and the components will not change with the proposed additional credit. Credit proceeds will be applied to the following components: (i) CIF; (ii) COs' and NGOs' services for Community Institutions Development; (iii) Consultancies, Studies and Technical Assistance; and (iv) Incremental Operating Costs. The financial allocation is available in Annex 2. The implementation arrangements of the ongoing projects are working well and will remain the same. SERP will carry on the project management for all components as in the ongoing project. The additional financing will help finance the costs associated with scaling up the development impacts of the current APRPRP project by building higher order capacity in community institutions so that the project can continue to be efficient and sustainable in the context of much larger outreach than originally planned. The additional financing will support three key activities. These include additional support to poorest households to organize themselves to access entitlements and social safety nets and access public services. The second activity would support the community institutions and federations to develop an IT architecture to manage their institutions and access financial and other livelihood support services in an efficient and effective manner. The third key activity is scaling up the impact of pilot approaches which have worked well in reducing malnutrition, maternal health and improving access to health care services. These activities are described in subsequent sections. The changes in the project costs and financing plan will be covered under the Financing Agreement. To ensure that these activities are carried out satisfactorily, it is proposed to extend the project closing date to September 30, 2011.

14. ***Inclusion of the poorest and access to entitlements, safety nets and public services:*** Access to social safety nets will be the core agenda in the strategy for inclusion of the poorest households in the proposed second additional financing. Meanwhile, the proposed project will support convergence strategies with the government departments focusing on poverty reduction. Community organizations will be strengthened to facilitate increased access to the government social security schemes and entitlements. Investments will be made for qualitative improvement in delivery of public services by building pro-poor sensitive support mechanisms. COs will be encouraged to provide bundled services by dovetailing social safety net programs (NREGS, pensions, food security, health, education, etc.) with microfinance and other livelihood initiatives. Second additional financing aims at universalizing coverage of poor households under food security, accessing 100 days work under NREGS and life and disability insurance programs.

15. ***Focus on human development agenda for scaled up impacts:*** The proposed project aims at scaling up the health and nutrition interventions and last mile service delivery approaches, improving their monitoring and evaluation, and enhancing capacity building for improved management of health services. This will achieve higher impacts in the health status of the poor households and their livelihoods.

#### **D. Consistency With Country Strategy**

16. The second additional financing of APRPRP is fully consistent with the new Country Strategy (FY2009-2012, CS) for India which focuses on inclusive growth, sustainable development and increasing the effectiveness of public-financed service delivery. The project would advance inclusive growth through improved agricultural productivity, rural connectivity, and rural livelihoods. The proposed APRPRP's strategy of leveraging institutional platform of the poor for vulnerability reduction and livelihood promotion will achieve inclusive growth. The second additional financing will be helpful in priming public investments in education, health, and social protection, among others. The collaboration between COs and public service agencies aims to improve service delivery and poor people's access to public services and government schemes for poor people. Significant investment in ICT under the project is in consonance with focus of CS on designing implementation procedures and institutional arrangements for getting results (including accountability through beneficiary, civil society and community involvement), strengthening capacity for publicly-provided services; and enhancing private sector participation. The community managed sustainable agriculture initiative supports the CS by ensuring sustainable development goals are lined around better management of natural resources, reducing the burden of environmental degradation on the population (especially vulnerable groups), and increasing the resilience of people and the economy to nature-related and man-made shocks.

#### **E. Appraisal Of The Proposed Project**

17. The APRPRP approach envisaged social mobilization and building institutions of poor households to enable them to access services entitlements, skills, assets and markets. Community architecture that put the rural poor in the driving seat has been effective in implementing demand led project strategies. The strategy of piloting, testing, standardizing and scaling up the development impacts and institutions, using network of best practitioners and community resource persons has proved to be cost effective.

18. ***Economic:*** The project households pooled cumulative savings of US\$ 805 million and accessed US\$ 4.3 billion credit from the commercial banks. Focusing on making the rural poor credit worthy clients for the commercial banks greatly helped mitigate the exploitative influence of money lenders, resulting in reduced cost of capital. The economic returns from the project have been significant. The impact evaluation studies done during the mid-term review (MTR) of APRPRP showed that that the value of gross assets of the poor households have increased by 73 percent, while the movable assets increased by 144 percent. Most of livelihood investments gave Internal Rate of Return (IRR) of more than 25 percent. Initiatives such as security intervention entailing collective purchase of food grains resulted in increase in

food grain consumption by 25 percent. The gross margins of farmers adopting sustainable agriculture practice increased by 70 percent due to cost savings. As a result, the annual income per household has increased in absolute terms by 115 percent.

19. The proposed project aims to support activities which enable decrease in household expenditures and increase in sources of incomes. The key economic outcomes envisaged are increase in commercial credit from \$4.3 billion to \$7 billion, increase in savings from \$805 million to \$1 billion, increase in jobs created from 183,000 to 300,000, and significant increases in dairy and agricultural production while reducing the cost of cultivation.

20. *Institutional*: The COs have developed inclusive, participatory and transparent governance structures. The project has facilitated prudent financial systems (in terms of leadership competence, collection performance, asset quality, accounts, audit, disclosure, etc.) in these organizations that attracted Government and mainstream players (commercial banks, cooperatives, public and private enterprises, etc.) to use them as franchisees for delivery of a range of social and economic services. Experience shows that in order to recover operational costs fully, these COs should earn an annual income of US\$7700. Nearly one third of the MSs promoted under the project have crossed this threshold. The second additional financing will help the COs develop alternate revenue models and formulate business plans to achieve operational sustainability.

21. The project will invest in ICT to sustain the institutional architecture at the community level. Innovative use of ICT will lead to result oriented decision making, better targeting of project strategies, reduction of transaction costs, improved business efficiency, increased outreach, enhanced accountability of delivery systems and reduction of leakages. At the community level, the project proposes to increase access to information, knowledge and business services for poor households. Virtual aggregation of clients (as suppliers and consumers) using biometric based smart cards, mobile commerce, call centers, electronic milk testing, rural BPOs, etc. will enable private sector to make investments in developing new business models for making poor partners in profit. The most significant example is the franchising of financial services to the COs as 'banking correspondents'. These will be done in partnership with IT companies and CGAP.

22. *Financial Management (FM)*: The overall FM arrangements in the project have considerably improved with the implementation of the first additional financing project. The project has taken number of measures to strengthen FM arrangements and internal controls. To improve traceability of project funds, multiple bank accounts at each Mandal Samakhya (MS) were closed and only three bank accounts maintained — one bank account exclusively for project funds, one bank account for non project funds and one for recycled Community Investment fund (CIF). Further, releases to MS are made only after they are registered and most MSs have been registered. This has contributed to the improved information systems on usage of and reporting in respect of moneys received by MSs. In respect to funds released under various components of the project, Utilization Certificates (UC) are obtained from ZS and MS for actual expenditure. Linking the disbursement to UCs has helped improve accountability and transparency to the expenditure incurred under the categories. Web based transactions have made project information accessible in real time to both the project and the communities. In addition, there has been assurance through project auditors doing a physical field verification of implementation of CIF projects on a random sample basis. To create awareness among the members of the COs on maintenance of Books of Accounts, the community auditors' strategy on financial management has been developed and a senior CRP strategy is being adopted. Web based accounting software has been developed in collaboration with a leading IT provider to monitor transactions at all levels.

23. New measures to further strengthen the financing management systems have been proposed. These include undertaking a comprehensive review of current method of releases to the COs and assess if any

changes are required in the amount advanced to COs before next installment is released. It is suggested that a significant percent of the amount advanced to the COs be actually spent before the next installment is given. The statutory audit reports have brought out key points on financial management, internal control and payment issues, and have recommended strengthening of the FM systems for the project. As such, it is recommended that the finance unit of the SERP does a pre-audit of high value expenditure proposals before they are approved by the CEO. The value of such expenditure proposals can be agreed between the Bank and the SERP. It is suggested that all the books of accounts for the first additional financing be closed and unadjusted advances be recovered and settled before the second additional financing loan is made effective. The balances available with the COs (as cash in hand and cash in bank) need to be fully spent as per the project guidelines by the closure of the current project (December 2009), unspent amounts recovered by SERP and claims made against these advances, if any, should be adjusted in the final claims. A separate set of books as also separate bank accounts should be opened for the second additional financing project. Audit observations of the 2008-09 audit report need to be satisfactorily addressed by 31<sup>st</sup> March 2010 and the Bank informed of it. Additionally, audit sub- committees in the COs should review the transactions and the books of accounts of the COs and provide their comments and social audit process should be strengthened. There is also a need to fill all vacant positions of DPM (Finance) and sensitization of the supervisory staff on financial management and control of funds.

24. *Procurement:* All goods, works and services under the second additional financing of the project will be procured in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004 and revised in October, 2006 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 and revised in October, 2006 (Consultancy Guidelines). The procurement activities undertaken in APRPRP (additional financing) will include procurement of goods and services. No work procurement is envisaged under second additional financing. The threshold and all other procurement arrangements for goods and services under the project remain unchanged and shall be in accordance with the APRPRP. The procurement plan will be updated as required to reflect the actual project implementation needs and improvements in institutional capacity. For each contract to be financed by the credit, different procurement methods or consultant selection methods, the estimated costs, prior review requirements, and time frame are agreed between the borrower and the Bank in the procurement plan. To ensure consistency in procurement and further mitigate risks, if any, the project under second additional financing has prepared a procurement manual which will be followed by all implementing entities for any procurement activity under the second additional financing of project. It is agreed that dedicated Procurement officer at SPMU will be appointed for the project who will undergo procurement training.

25. *Indigenous People:* The project has provided special focus on development of tribal people in a culturally appropriate way in AP. Tribal Development Plan (TDP) adopts saturation mobilization strategy for the tribal poor and building their exclusive institutions to enable them access to services entitlements, skills, credit, land, productive assets and markets. Restoration of legal land rights to the tribal is one of the key contributions of the project in reducing land alienation. The project has mobilized about 669,088 tribal households into 52,904 tribal SHGs, 3274 VOs and 78 MSs. The tribal SHGs have saved US\$ 20 million and generated a corpus of US\$ 44 million. More than 8 percent of the total CIF disbursement has been channelized to the tribal SHGs and nearly 85 percent of the tribal SHGs have accessed bank loans. This has reduced the influence of moneylenders in the project areas. Increased access to markets have lifted incomes and strengthened the bargaining capacity of the tribal poor. Health and education interventions form important part of TDP. Special initiatives have allowed the tribal households to participate in design and implementation of innovative projects like agri-marketing infrastructure, community-managed ambulance services, scholarships for higher education for girl-child, etc. The project has taken specific steps to engage tribal communities in implementation and monitoring of the project activities, and established the Tribal Management Project Units (TPMU) in coordination with the state government for implementation of the TDP.

26. *Environmental*: The project has developed an Environment Management Framework (EMF) that can address environmental aspects with clarity and simplicity for the vast range of livelihood activities. This framework is embedded in micro-planning processes of the COs. Cadres of community resource persons that facilitate micro-planning processes are trained in this framework. The COs have been encouraging use of alternate fuel sources, stall fed goat rearing and restricting sheep rearing to available grazing area. The project has taken several pro-active measures to promote clean environment. More than 2 million acres of land is being cultivated by poor communities using sustainable agriculture practices (without use of chemical pesticides and fertilizers). Other initiatives include application of tank silt for enhancing soil fertility; promotion of community kitchen gardens; and fodder cultivation to reduce grazing and thereby soil erosion.

27. *Governance and Accountability*: The second additional financing component will help scale up the governance and accountability innovations through web-based technology for reporting, information dissemination and monitoring; call centers for grievance redressal and information access; social audits; and standardized reporting at the mandal level through set templates. These will be catalytic in introducing governance measures in other large public investment programs in AP. Social audit process will be institutionalized in the project. Demand side governance has been built in through Right to Information provisions in the project. A detailed governance and accountability plan has already been developed by the project for the second additional financing and has been included in the Project Implementation Plan..

28. *Social*: The proposed project will strategically target the poorest and the most vulnerable communities who are either left out or have now become very vulnerable due to adverse impact of global food and financial crises. An estimated number of 0.82 million poorest households will be covered under the additional financing. The project will incorporate household level mobilization approaches; develop new financial products to enable them to access savings, credit and other public services; and use innovative ICT decision support systems for including all poor households in the project framework.

## **F. Expected Outcomes**

29. The project management has outlined plans and actions to achieve the desired outcomes for the project by the end of September 2011. The project has also evolved a set of indicators which define the scaling up and sustainability of different tiers of institutions and the services they manage. This requires building more sophisticated managerial capacity and institutions of higher order which can execute and monitor the program in an efficient and sustainable manner. The project has a functional monitoring and evaluation (M&E) system that is currently tracking implementation progress and the outcomes. The independent evaluation and impact studies have shown significant progress on various aspects of the project. However, the M&E system need to be strengthened by leveraging ICT technology to track real time status of the project supported institutions and their livelihoods related activities with respect to key outcome indicators. Key outcomes with respect to institutional performance and quality have been identified and agreed with the project. Revised Log Frame for the proposed project is found in Annex 3.

30. No significant change will occur in the results framework for the project but new impact indicators will be added on new human development outcomes. Through H&N intervention the second additional financing will target meeting the Millennium Development Goal of no perinatal and neo-natal mortality in 4000 villages and get 100 percent children's immunization in 150 mandals. Major change will be in the extent of achievement of performance indicators related to institutions, bank linkages, livelihoods turnover, inclusion, and access to government schemes and welfare benefits. The project has already organized more than 90 percent of the poor households into groups. Hence, the quantitative coverage of the poor households will improve marginally. But significant change in the quality, viability and

sustainability of community institutions, and leveraging the ability of institutional platform will be achieved.

## G. Benefits and Risks

31. Risks: The scaling up and consolidation of the APRPRP faces three key risks that need to be addressed but are considered manageable.

S. No.	Risk	Mitigation	Risk Rating
1.	Adverse effects of global financial and food crises resulting in most vulnerable people lapsing back into poverty	Enhanced targeting mechanisms focusing on the bottom 10 percent of the poor and facilitating access to entitlements and public services will blunt the impact of shocks.	Low
2.	Knowledge and skill gaps in the facilitation arrangements	Retooling/ re-skilling of project staff and community professionals with clarified performance measurement processes will mitigate this risk effectively. On the demand side, the community institutions will be empowered with advanced knowledge and skills to manage higher order issues.	Moderate
3.	Political and bureaucratic commitment to address the needs of the poorest is not sustained	The commitment of the <i>GOAP</i> has been sustained in light of the recent elections and continuation of the favored public policy for poor. With the COs gaining strength and influence in ensuring the implementation of various development initiatives, <i>GOAP</i> is strategically converging poverty proofing initiatives with livelihood interventions run by them. Hiring an additional CEO has assured continuity of project leadership.	Moderate

## H. Financial Terms and Conditions For the Second Additional Financing

32. India is eligible for IDA financing. The second additional financing will take the form of an IDA Credit, complying with the standard terms of 35 years to maturity, including a grace period of 10 years.

## ANNEX 1: FURTHER DETAILS OF PROJECT PERFORMANCE TO DATE

- *Livelihoods:* Under APRPRP poor households have diversified and strengthened their livelihoods. The CIF, which supports micro-credit plans to improve livelihoods, has benefitted 2.4 million families. Dairy intervention through value-addition and marketing services has benefitted 1.2 million dairy farmers, fetching them 30 percent higher prices. The community managed sustainable agriculture program designed to reduce the cost of cultivation for the farmers led to aggregate annual cost savings of US\$ 69.5 million. Commodity marketing intervention helped tilt the terms of trade in favor of the poor farmers. Likewise 185,748 jobs have been created for rural youth.
- *Reducing Vulnerability of the Poor People:* More than 8 million SHG women and their spouses are covered under the universal insurance scheme run by COs that act as the franchises for the largest insurance company in India. Investments have been made in the food security initiative covering 2.4 million poor families in 15,989 villages. Similarly, investments have also been made to ensure access to scholarship for children, pension or social assistance for destitute and women in old-age and designing offering co-contributory pensions for women in SHGs.
- *Gender:* This aspect of the program plays an important role in enabling poor women to access and control over assets, incomes, and public services available. It helps women increase their understanding of intra family equity issues, independent decision making, free mobility and necessity of building a safe environment and get legal help. COs are pro-active to address gender issues such as violence against women, early girl child marriage, female infanticide, etc. For this social action committees are set at every VO and dedicated 'help-lines established which provide counseling and mediation services to their members on need basis. Of the 17,602 cases dealt with by these committees and counseling centers, 12,488 cases have been resolved.
- *Improving Governance and Accountability:* By standardizing processes, issuing guidelines and setting norms, institutionalizing governance and accountability practices and building CBO capacity, the governance and accountability risks have been mitigated. Performance based rating mechanisms; participatory identification of the poor and wealth ranking; leadership rotation; consensual decision making; community monitoring and auditing; and public disclosure of SHG accounts serve as strong mechanisms for good governance practices. Similarly, project level fiduciary mechanisms, external community auditors, limiting of cash transactions at the community levels, photo-documentation of all procured assets and computerization of all transactions have further strengthened governance and accountability in the project.

The project is currently piloting a number of cutting edge ICT innovations for enhancing effectiveness of governance and accountability systems. These include call centers and help lines for handling complaints and disseminating information, biometric readers to track CBO transactions and monitor payments, real time online CBO progress reporting via websites, and social audits for participatory monitoring. These have shown good preliminary results at both the CBO and project levels.

- *Other Achievements under the First Additional Financing:* The project made good progress under the Land Access Program by increasing awareness on legal rights and entitlements of poor and putting in place a sensitive support mechanism in the form of land centers and legal-clinics for the poor. About 383 para-legal workers and 473 community surveyors are supporting COs in managing land issues. Altogether, 231,000 case related to land issues have been resolved, leading to accessibility of 253,000 acres of land to the poor.

**ANNEX 2: SCHEDULE 1**  
**SECOND ADDITIONAL FINANCING PROJECT**  
**INDIA: ANDHRA PRADESH RURAL POVERTY REDUCTION PROJECT**

	<u>Category</u>	<b>Amount of the Additional Financing Allocated (expressed in SDR Equivalent)</b>	<b>Amount of the Second Additional Credit Allocated (expressed in SDR Equivalent)</b>	<b>% of Expendi- tures to be Financed</b>
1.	Community Investment Fund	8,800,000	18,100,000	90%
2.	Goods, Equipment (including Material and Vehicles) other than under Part B of the Project	166,000	5,760,000	90%
3.	CBOs' and NGOs' services for Community Institutions Development	19,035,000	20,760,000	90%
4.	Consultancies, Studies and Technical Assistance	842,000	4,500,000	90%
5.	Training Workshops, study tours	11,762,000	3,180,000	90%
6.	Incremental operating costs	2,095,000	10,600,000	90%
	<b>TOTAL</b>	<b>42,700,000</b>	<b>62,900,000</b>	

**ANNEX 3: EXPECTED OUTCOMES OF RESULTS FRAMEWORK INDICATORS AT  
CLOSE OF THE PROJECT**

<b>Outputs according to PAD Results Framework</b>	<b>Key performance indicators</b>	<b>Expected outcomes for 1<sup>st</sup> additional financing</b>	<b>Achievements till June 2009</b>	<b>Expected Outcomes till Sep 30, 2011</b>
1.To enable the rural poor and the poorest of the poor in AP to improve their livelihoods and quality of life	a. Institution building			
	1.No. of poor mobilized into SHGs	6 million	10.2 million	11 million
	2.No. of SHGs formed	475,000	850,671	930,671
	3.No. of VOs formed	18,462	35,525	37,000
	4.No. of MS formed	594	1099	1099
	5. No. of ZS formed	16	22	22
	6. No. of trained grassroots functionaries supporting CBOs	160,000	125,000	160,000
	7. Person with PWD in SHGs		213,197	300,000
2.Self reliant and self managed CBOs of the poor established and with relationships with social and economic service providers	b. Saving and credit			
	8.Corpus of saving of SHGs	US\$ 300 million	US\$ 805 million	US\$ 1 billion
	9.No. of SHGs linked to Banks	300,000	437,003	800,000
	10.Percentage of PoP groups linked to banks			60%
	11.Amount of credit given by Commercial banks	\$1 billion	\$4.3 billion	US\$ 7 billion
	12. No. of financially sustainable MSs		432	500
	13. Jobs created for rural youth		183,891	300,000 *Note 1 below
	14. Area of land covered by NPM		1.3 million acres	3 million acres
	15.Area of land accessed by the poor		253,021 acres	300,000 acres
	16. Collection of milk per day from dairy farmers		257,000 liters of milk per day in peak season and 180,800 liters in low seasons	500,000 liters in peak season and 300,000 liters in lean season
	17. Annual turnover from community managed procurement centers		US\$ 120 million	US\$ 200 million
	18. No. of households benefitting from food security		2.4 million households	3 million households
19. No. of SHG		8 million	15 million	

Outputs according to PAD Results Framework	Key performance indicators	Expected outcomes for 1 <sup>st</sup> additional financing	Achievements till June 2009	Expected Outcomes till Sep 30, 2011
	members and their spouses covered under life and disability insurance			*Note 2 below
	20. No. of SHG members participating in the "Co-contributory" Pension Scheme			6 million *Note 3 below
	21. No. of mandals with 100% children immunization (below 1 year) and full ANC check-up for women		62	150
	22.No. of villages achieving the MDG indicators (perinatal and neo-natal mortality)		600	4000
	23. No. of children in early education schools		7500	17,500
	24. No. of PoP students facilitated to join corporate colleges for higher education		8000	20,000

**Note 1:** The jobs program was started in 2006 only. Hence, 183,000 jobs were created in the last 2.5 years only. Considering that the jobs program has been running well and the operational structures are well in place, a conservative target of 120,000 jobs has been set for the next two years.

**Note 2:** The spouses of the SHG members will now be enrolled in the life and disability insurance program versus only SHG members as before. This leads to a conservative estimate of doubling of the participants from 8 million to 15 million.

**Note 3:** Co-contributory pension scheme has been universally implemented in Andhra Pradesh by the state government. Hence, we anticipate at least 6 million women to be enrolled in it.

