

# IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted : 10/31/2007	
PROJ ID : P045049		Appraisal	Actual
<b>Project Name :</b> Andhra Pradesh District Poverty Initiatives Project	<b>Project Costs (US\$M):</b>	134.8	150.6
<b>Country:</b> India	<b>Loan/Credit (US\$M):</b>	111.0	111.0
<b>Sector Board :</b> RDV	<b>Cofinancing (US\$M):</b>	0	0
<b>Sector(s):</b> Other social services (27%) Sub-national government administration (21%) General education sector (20%) Roads and highways (20%) General water sanitation and flood protection sector (12%)			
<b>Theme(s):</b> Participation and civic engagement (33% - P) Other rural development (33% - P) Education for all (17% - S) Gender (17% - S)			
<b>L/C Number:</b> C3332			
	<b>Board Approval Date :</b>		04/11/2000
<b>Partners involved :</b>	<b>Closing Date :</b>	12/31/2005	12/31/2006
<b>Evaluator :</b>	<b>Panel Reviewer :</b>	<b>Group Manager :</b>	<b>Group:</b>
Howard Nial White	Ridley Nelson	Alain A. Barbu	IEGSG

## 2. Project Objectives and Components:

### a. Objectives:

**Overall objective :** To improve opportunities for the rural poor to meet priority social and economic needs in the six poorest Districts of Andhra Pradesh

### Specific objectives :

1. Help create self-managed grass-roots institutions;
2. Build the capacity of established local institutions, especially the Gram Sabha /Panchayats and the government of Andhra Pradesh's (GOAP's) line departments, to operate in a more inclusive manner in addressing the needs of the poor;
3. Support investments in sub-projects proposed by grass root institutions of the poor to accelerate their entry and

- expand their involvement in social and economic activities; and
4. Improve access to education for girls to reduce the incidence of child labor among the poor .

**b. Were the project objectives/key associated outcome targets revised during implementation?**

No

**c. Components (or Key Conditions in the case of DPLs, as appropriate):**

**Component 1: Institutional and Human Capacity Building** (Appraisal: US\$19.01 million, 15%; Actual: US\$ 30.21 million, 20%)\*: Specific activities to be financed included : (a) Formation, strengthening and development of Common Interest Groups (CIGs), including SHGs, and their support organizations; (b) Information, education and re-orientation/sensitization of participating line department staff and Non Governmental Organizations (NGOs); (c) Capacity building of Gram Sabhas/Panchayats; (d) Skill enhancement and re-orientation/sensitization of participating line department staff and Non Governmental Organizations (NGOs); (e) Introduction of a pilot program on institutional and capacity rating to enable development of linkages with the banking institutions.

**Component 2: Community Investment Fund (CIF).** (Appraisal: US\$70.4 million, 56%; Actual: US\$ 81.41 million, 54%). - Activities to be financed under this component included demand -driven sub-projects to be proposed by CIGs/SHGs either on their own or jointly with communities (Gram Sabha/Panchayat). An indicative list of likely demand identified during the social assessment in the project districts included the following clusters of activities : (a) Group-based income-generating investment proposals identified by CIGs/SHGs related to production and marketing, micro enterprise support services, and improving access to institutional credit; and (b) Small infrastructure.

**Component III Educational Support for Girl Child Laborers and School Drop -outs.** (Appraisal: US\$ 28.13 million, 23%; Actual: US\$ 30.44 million, 20%) - The project would support regular campaigns to sensitize parents about the importance of education and its long-term implications for child welfare and poverty; and in project districts /mandals with the highest concentration of child labor and drop-out rates the establishment of a maximum of 18 residential "bridge" and 6 regular secondary residential schools for girls . Bridge schools would run short-and long-term remedial courses to prepare child laborers and school drop-outs ranging in ages between 7 to 14 years to enter the formal education system.

**Component 4: Project Management, Monitoring and Evaluation, and Studies** . (Appraisal: US\$ 7.2 million, 6%; Actual: US\$ 8.54 million, 6%) - To cover the costs of incremental staff, technical assistance / consultants, training, workshops and study tours, vehicles, office equipment supplies and other incremental operating costs .This component would include funding for a Monitoring and Evaluation (M&E) system.

Note: \* Budget figures are those from Annex 1 of the ICR. The ICR text gives different figures for each component .

**d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

The credit was fully disbursed, with some minor budget reallocations . The closing date of the project was extended by one year to December 31, 2006 in order to: (i) consolidate the two phases of the project activities; (ii) address the second and third generation institution building issues including higher order capacity building inputs, sustainability of Community Based Organization (CBOs), human resource management by CBOs; (iii) enable repeat finance to SHGs from banks and financial institutions; (iv) facilitate the development of support institutions around livelihoods; (v) enable resource mobilization at federated Village Organization (VO), Mandal Samakhya (MS) and Zilla Samakhya (ZS) levels; and (vi) develop sustainability and withdrawal plans .

The total project cost rose from US\$ 134.8 million to US\$150.6 million, the increase being fully financed by government. The cost increase reflected the greater volume of activities than those originally planned .

**3. Relevance of Objectives & Design:**

The objective of APDPIP is consistent with GOAP's poverty reduction strategy which is built around empowerment of women SHGs, following a GOAP policy of promoting SHGs adopted in 1995. In many respects, the project design and implementation has become more relevant in the current policy environment . At the Central level, the approach used by the project has been described as a national model in the Draft Eleventh Five Year Plan approach paper

released in 2006 and is likely to be a basis for a National Mission on Poverty Elimination . The project is also consistent with the Bank's latest CAS (September 15, 2004), one of the key pillars of which is investing in people and empowering Communities. The CAS talks about scaling up support to improved rural livelihoods through state level interactions and investment operations using a community driven development approach . Since the project was initiated, six new operations using similar approaches have been initiated in India and four others are in the pipeline .

#### 4. Achievement of Objectives (Efficacy):

**Overall objective :** To improve opportunities for the rural poor to meet priority social and economic needs in the six poorest Districts of Andhra Pradesh - this has been substantially achieved by the achievement of each of the specific objectives.

**Specific objectives :**

*1. Help create self-managed grass-roots institutions (High):* 2.39 million rural women have been organized into 171,618 SHGs and 9,872 Village Organizations (VOs) at village level and 316 mandal-level Mandal Organizations (MOs). These figures compare to targets for these first two indicators of 930,000 and 75,000 respectively - an overachievement of 157% and 129% respectively. However, IEG's own survey in AP suggests that these figures exaggerate SHG membership. For example, the ICR states that household participation rates in SHGs for STs and SCs is 89% and 90% respectively, whereas IEG's data show these figures to be 43% and 56%. Savings generated by SHGs have been US\$ 113 million, compared to the target of US\$ 15 million, and the formal credit received US\$ 425 million compared to the target of US\$ 15 million.

*2. Build the capacity of established local institutions, especially the Gram Sabha /Panchayats and the government of Andhra Pradesh's (GOAP's) line departments, to operate in a more inclusive manner in addressing the needs of the poor (Substantial):* SHG members were sensitized to their entitlements and their potential role in local government institutions; 4,072 poor women were subsequently elected. These included all tiers of local government from District, Mandal and ward level, including leadership positions . The impact survey showed that 2.33% of participant members contested the elections out of whom 1.3% won, whereas for nonparticipants these figures are 1.54% and 0.7%, respectively.

However, less work was done with the Gram Panchayats than originally expected as, reflecting community priorities, there was little investment in social infrastructure . The focus shifted to the SHGs, which had faster growth and better access to credit than expected .

*3. Support investments in sub-projects proposed by grass root institutions of the poor to accelerate their entry and expand their involvement in social and economic activities (Substantial):* the livelihood sources for households have undergone transition from below subsistence wage employment to self employment, increased asset ownership (land, livestock and other non farm enterprises ) and diversified forms of livelihood . Access to CIF and commercial bank finance has enabled the poor to upgrade their assets, acquire new assets and diversify their livelihood sources . The value of assets at the household level has almost tripled i .e., from US\$1032 to US\$2974 on an average during the six year period . The extent of irrigated land owned by the poor has also increased . Many women have taken up non farm activities including small manufacturing and trading including garments, furniture and retail trading in consumption goods .

The project invested significantly in promoting increased value added at local level for various agribusiness activities through developing market linkages with public, cooperative and private sectors . These linkages have enabled increase in price realization by more than 30%. Access to the market has been improved by (i) meeting critical infrastructure gaps (e.g. setting up bulk milk cooling centers); (ii) promoting wholesale trade by community groups in commodities produced and consumed by the poor; (iii) developing franchises and partnerships with private sector .

In addition, the project established Livelihood Advancement Business Schools (LABS) District and Mandal Levels to support rural youth belonging to SHG member households with skill development, training, market scan and placement support in partnership with many private sector organizations and employers . A total of 11,883 youth belonging to poor households were offered placement . A post assessment study conducted on youth who were placed in urban areas revealed that each one on an average was earning annually about US\$ 1000 and sending about US\$500 as annual remittance back to their families .

*4. Improve access to education for girls to reduce the incidence of child labor among the poor (Substantial):* Female enrolment, which stood at 91.95 percent in 2001-02 steadily increased to full enrolment at the time of closure of the project, though a similar increase was observed across AP as government prioritized full primary enrolment . But the project contributed to this achievement in the project districts . Bridge schools played a role : 78.42% of girls enrolled

moved into regular schools from bridge, and the creation of residential school infrastructure had a positive impact on girl child education.

The number of girl child laborers enrolled in residential schools was 21,468 compared to the target of 15,000, and the drop out rates from the residential schools decreased from 14.8% in 2001 to 4.3% in 2005-06. The project resulted in motivating parents to withdraw their girls from work and to send them to schools and into hostels .

#### 5. Efficiency (not applicable to DPLs):

The project has conferred benefits to a much larger number of households than envisaged at appraisal . Moreover, the impact studies indicate that the incremental income benefits to the households are much larger than assumed at appraisal. A study was conducted to assess the IRRs from 475 sub-projects in six project districts, with 95% of the 475 sub-projects assessed as feasible . The IRR estimates for all the activities under consideration are high, ranging from around 40% for purchasing land or bullocks for plowing to over 100% for dairy, pot making, fish vending and a coconut garden lease.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	No		

\* Refers to percent of total project cost for which ERR/FRR was calculated.

#### 6. Outcome:

The project has exceeded the performance targets envisaged at appraisal and MTR for most indicators . It has also covered a significantly larger geographical area and higher number of households, and has been efficient in delivering outcomes.

a. Outcome Rating : Satisfactory

#### 7. Rationale for Risk to Development Outcome Rating:

The risk to development outcome is low for the following reasons :

1. The creation of a cadre of trained community activists which has been carefully nurtured has a vast potential for the future sustainability of the institutions of the poor .
2. 75% of the SHGs, VOs and MSs fulfilled standards of both financial and non financial parameters related to healthy institutions. About 80% of the SHGs have been linked to Banks and have accessed at least one Bank loan. Savings are regular in about 90% of the SHGs and internal lending has been accepted and practiced as the norm.
3. VOs have emerged as a critical intermediary organization in the institution building process fostered by the project. A vast majority of these institutions are sustainable .
4. All the MSs are firmly established. They are fairly self-reliant and largely self managed. They are able to meet their normal expenditure from their income.
5. Finally, commitment to the project has continued despite the change in state government showing its support across the political spectrum.

a. Risk to Development Outcome Rating : Negligible to Low

#### 8. Assessment of Bank Performance:

Ensuring quality at entry : The Bank's performance in the identification, preparation, and appraisal of the project

was satisfactory. The project's objective was consistent with the government's development priorities and the Bank's CAS. The project design reflected lessons learned from several on-going and completed Bank-financed rural development projects in India. In addition, major risk factors were considered and appropriate mitigating measures were incorporated into the project design.

**Quality of Supervision** : A Quality of Supervision Assessment was carried out in September 2002 by a QAG panel of reviewers for the project. The panel rated the supervision of the project as satisfactory overall. QAG noted that: "Supervision focused systematically on assuring decisions and speeding up contracting of the schools, the relevant rating was upgraded only after choice of sites and award of contracts. Community awareness, education, and participation in project activities was encouraged as part of supervision to reduce potential for conflict through enhanced perceptions of inclusiveness even by the "better-off poor"... Supervision has correctly focused on capacity building in communities, and government (district and state levels) for a truly participative approach relying on community mobilization as against the traditionally supply-driven anti-poverty government programs of the past.... Capacity building measures have also been well supervised. Supervision provided good feedback to adjust implementation so that it was more effective in achieving project objectives. There was excellent continuity in the field and at HQ."

**a. Ensuring Quality -at-Entry**:Satisfactory

**b. Quality of Supervision** :Satisfactory

**c. Overall Bank Performance** :Satisfactory

#### **9. Assessment of Borrower Performance:**

**Government performance** : The government's commitment to the project was initially demonstrated by its persistent requests for Bank assistance for a project focused on poverty reduction and by including all necessary budgetary resources in its plans and budgets. The government supported this commitment by establishing a dedicated team to prepare the project proposal. The government registered SERP as an autonomous society to implement the project with the Chief Minister accepting the Chairmanship of its General Body. In addition, a number of actions were taken to enhance institutional readiness for implementation, including selection of the project mandals, staffing arrangements for the state, district and mandal units, preparation of various manuals and development and testing of the computerized financial management system.

The government consistently maintained its commitment throughout the implementation. Its commitment and approach to rural poverty reduction was demonstrated in the : (a) *Andhra Pradesh: Vision 2020* report; (b) draft concept outline for the RPRP prepared by GOAP in November 2000; and (c) draft White Paper on eradicating poverty and formation of a Poverty Eradication Mission consisting of eminent experts throughout the country. The government further demonstrated its commitment by: (a) providing increased resource allocation for rural development and doubling originally planned allocation for the project; (b) ensuring continuity of senior project management staff, including the Chief Executive Officer and the Project Director who were retained in their positions during the entire project period; (c) unwavering support for the project by the government despite the change of administrations and (d) taking timely corrective measures and making appropriate budget provisions, as a result of which the project did not suffer from any counterpart funding problems.

**Implementing Agencies' Performance** : SERP designed and implemented the system to build capacity amongst community organizations, facilitate linkages with commercial entities, improve market access, and closer working with other line agencies. It was also very effective in carrying out all aspects of project management, such as financial management, procurement arrangements, reporting activities, and disbursements. The financial management system including accounting, controls, auditing and reporting was adequate and satisfied the Bank's financial management requirements. Procurement of all works, goods and technical services under the project followed the Procurement Guidelines "*Procurement under IBRD Loans and IDA Credits*".

APSWREIS was the implementation agency for the component on support to out-of-school children through residential schools, under APDPIP, being responsible for the construction of residential schools and operating them. Given its experience of managing a large educational program through residential institutions since 1983, it had both the expertise and capacity to execute this component. Initially APSWREIS did not have procurement capacity for the civil works and the work was carried out through another GOAP entity. There were certain delays, mainly on account of lack of availability of land and change in sites for schools. The design was also outsourced to private consultants. To expedite the process, the

Bank agreed to single-source selection of these consultants .

**a. Government Performance** :Satisfactory

**b. Implementing Agency Performance** :Satisfactory

**c. Overall Borrower Performance** :Satisfactory

#### 10. M&E Design, Implementation, & Utilization:

**M&E design and implementation** : A three-part monitoring and evaluation system was incorporated into the project design:

1. *Input/output monitoring*. The SPMU/DPMUs was responsible for *input/output monitoring* at all levels through a computerized MIS. Activities to be monitored included allocation and use of project funds for various inputs and delivery of other targeted inputs and monitoring specific outputs . In addition, the monthly video conferencing arrangement between SPMU, DPMU, MSs and community functionaries has improved the information exchange and learning processes .
2. *Process monitoring* was undertaken by an independent agency with access to data gathered by the MIS . A non-profit organization was entrusted with the task of process monitoring which carried out and completed more than 12 rounds of process monitoring of the project . The assessments judged the quality of project implementation, particularly in institutional development at the village level, community satisfaction with project inputs, and mechanisms to ensure inclusiveness .
3. *Impact evaluation*. External evaluation was carried out by Centre for Economic and Social Studies (CESS) at baseline (2001), MTR (2004) and ICR (2006) stages. In addition, several other topical evaluations were carried out by independent agencies as well as the project .

**M&E utilization** : The project developed a system of quality assessment of CBOs based on the MIS data collected . MSs analyzed the data collected and used it to monitor the progress of VOs, SHGs, and CRPs . These data were also used to develop customized training programs for CBOs . The project conducted a comprehensive process monitoring and changed many processes and procedures as a result of the feedback received . The recommendations and findings of the MTR and various studies carried out, were used to make mid course corrections in the project . The project also used M& E data and learning to identify best practices and practitioners and developed a process of peer learning among community functionaries based on that . *Social auditing*. The project introduced transparent practices of information display and dissemination at all tiers of the CBOs . The transparency in transactions and open information system enabled effective monitoring of project inputs and outputs . All VOs in the project formed Asset Verification Committees .

**a. M&E Quality Rating** : Substantial

#### 11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

None.

12. Ratings :	ICR	IEG Review	Reason for Disagreement / Comments
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Risk to Development Outcome:</b>	Negligible to Low	Negligible to Low	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Performance :</b>	Satisfactory	Satisfactory	

Quality of ICR :

Satisfactory

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

**13. Lessons:**

The ICR lists a large number of lessons . The following selection focuses on those of general importance and which seem well-supported by the evidence :

- 1. It is not realistic to expect a poverty reduction project such as APDPIP to achieve its objectives within a five year time frame .** Such projects should rather be implemented over a long -term horizon, say 10-15 years, so that the government can adopt a programmatic approach towards planning such programs .
- 2. Autonomous institutions need appropriate institutional arrangements, quite different from a normal PIU .** Such institutions may need to deal with new types of products, such as insurance and marketing, and need the flexibility to recruit from the open market .
- 3. Follow-on projects should wait until the preceding project is well under implementation .** It would have been better that the follow-up APRPRP was launched at least a year later so that, by that time DPIP could have been more well entrenched and well established without any distractions, and the problems associated with a program expanding too rapidly could have been avoided .
- 4. Capacity building should be given very high priority .** Implementation of sub projects should start only after sufficient capacity building is achieved . Any attempt to fast track without proper foundation can result in manipulation and diluting project objectives .
- 5. Scaling up can not happen through external teams .** These projects need to invest in community to community mechanisms of scaling up and mobilization .
- 6. Mechanisms for transparency and disclosure, community monitoring and social audit ensure effective and efficient use of project funds and have important spill -over effects .** For example, these elements induce communities to amplify their voice in making public expenditure work for them by participating in local government processes . Social Audit, with a transparency of process and participatory process, is a very effective tool for ensuring fiduciary safeguard .
- 7. There are limits to social mobilization in reaching certain groups .** The project has mobilized a large proportion of POP and Poor households into the SHG fold . However, certain households (migrants, seasonal migrants, households with aged persons and the destitute ) could not be mobilized into the SHGs . There are inherent limitations to social mobilization . A separate strategy would be required to address households and individuals who cannot be mobilized into the SHGs .
- 8. Common interest groups are less likely to survive in the absence of SHGs .** In the absence of micro-finance activities, there was no cementing factor in the CIGs that could ensure their sustainability . Closely knit and functionally effective SHGs are a prerequisite for fund management, asset promotion, retention and its productive use .
- 9. Institution of appropriate book -keeping arrangements are an essential prerequisite for successful financial management .** Providing hand holding support to the book -keepers, periodic auditing of accounts, institution of suitable audit arrangements of the project are an integral part of transparent and accountable financial management for sustainability of the CBOs .
- 10. CBOs provide a lower risk credit market for banks .** The project experience reveals that the CBOs provide an elastic and risk free credit market for the banks . The very high SHG loan recovery ratio (95%) in the project districts is a testimony to the good repayment behavior of the SHGs .

**14. Assessment Recommended?**  Yes  No

**Why?** To complement impact evaluation currently being conducted of AP rural development

**15. Comments on Quality of ICR:**

The ICR gives a comprehensive account of the project . There are some minor inconsistencies in some of the figures

(e.g. for the budget for each component). There has been some debate about the appropriateness of utilizing parallel institutions to the GPs (which were included, but not that much and in the end less than planned ). It would have been useful if the ICR had addressed this issue .

**a.Quality of ICR Rating** : Satisfactory