Public Disclosure Authorized

REPORT NO.: RES33677

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

INDIA: ANDHRA PRADESH RURAL INCLUSIVE GROWTH PROJECT

APPROVED ON DECEMBER 19, 2014

TO

DEPARTMENT OF ECONOMIC AFFAIRS, MINISTRY OF FINANCE

Public Disclosure Authorized

AGRICULTURE

SOUTH ASIA

Regional Vice President:	Hartwig Schafer
Country Director:	Junaid Kamal Ahmad
Senior Global Practice Director:	Juergen Voegele
Practice Manager/Manager:	Kathryn Hollifield
Task Team Leader:	Raj Ganguly, Samik Sundar Das

I. BASIC DATA

Product Information

Project ID	Financing Instrument
P152210	Investment Project Financing
Original EA Category	Current EA Category
Partial Assessment (B)	Partial Assessment (B)
Approval Date	Current Closing Date
19-Dec-2014	30-Jun-2020

Organizations

Borrower	Responsible Agency
Department of Economic Affairs, Ministry of Finance	Society for Elimination of Rural Poverty,Government of Andhra Pradesh

Project Development Objective (PDO)

Original PDO

The PDO is to enable selected poor households to enhance agricultural incomes and secure increased access to human development services and social entitlements.

The selected poor households will include households that are geographically and socially excluded and have low income levels. The incomes for these households will be enhanced by ensuring increased incomes from agriculture and allied sectors through increased productivity and enhanced market access. The human development services include services related to health, nutrition and sanitation. The social entitlements mainly include social safety nets like the wages from National Rural Employment Guarantee Scheme, pensions and insurance benefits that are provided by the government.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-55760	19-Dec-2014	16-Nov-2015	02-Feb-2016	30-Jun-2020	75.00	34.22	40.78

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

The Project has made considerable progress across several components, notably (a) more than 263,209 farmers have been mobilized under 22,871 Farmer Producer Groups (FPGs) and 162 Farmer Producer Organizations (FPOs) for agriculture/horticulture and animal husbandry activities; (b) 4,064 Village Marts (member of 71 Mandal Nodal Stores) across 13 districts are functioning with reasonably good turnover; (c) more than 154 thousand families are maintaining nutrition gardens and nearly 279 thousand families are rearing backyard poultry, for improved access to nutrition; (e) 424 One Stop Shops (OSS) are operational. The Project has disbursed USD32.92 m (44%) and has remaining 20 months to closure.

The Project has a baseline study and has successfully completed the mid-term review (MTR). In the remaining 17 months of the project implementation period (expected closing date June 30, 2020), the Project needs to deepen the implementation activities and ensure post project sustainability of the new institutions created for achievement of the PDOs.

The MTR observed that the Project implementation has evolved from the original core design and noted a number of variations in the implementation approaches and structures viz., project implementation largely driven by internal staffs; need-based support from technical service agencies; greater reliance on convergence with other related departments; and enhanced grant support to producers for improving access to credit etc. These variations while relevant to the achievement of PDO necessitates a restructuring of the Project. Further, the MTR mission also advised the project implementation agency (Society for Elimination of Rural Poverty, Government of Andhra Pradesh) to deepen the Project interventions with processes and systems based on business principles and value chain approaches and ensuring post project sustainability of the investments on farmer producer groups, farmer producer organizations and other community institutions. The MTR mission also advised the Project, to create a more robust system for individual member financing and business plan financing, leveraging the financial institutional architecture of 'Streenidhi' (an inhouse financing institution of GoAP). The MTR mission had also advised for creating a 'FPO investment Cell' within Streenidhi to steer the financing needs of the FPG/FPO.

Based on the restructuring proposal received from the implementation agency, and the restructuring requirements as identified during the MTR Mission, the changes being considered in this restructuring along with the rationale, are outlined below.

A. Results Framework

Based on the evolution of the implementation approaches and structures under the Project and taking a pragmatic view point on achievement of the intermediate results in remaining implementation period (20 months), changes in the results framework (RF) are being proposed to account for the relevant changes. There is no change in the Project Development Objectives (PDO). The proposed changes in the RF is expected to bring in the necessary alignment between the evolved Project implementation and the PDO and smoothen the monitoring of activity performance and

strengthening overall monitoring and evaluation. The changes made in the result framework, along with the rationale is appended (see annexure 1). The revised jointly agreed result framework is appended in Annexure 2.

B. Cost Reallocations across Components

In addition to the variations in implementation approaches and structures under the Project, cost reallocations across components are also necessitated by other external developments that have taken place during the implementation of the Project. The Project plans to reallocate costs across various components (Annexure 3). This will help achieve effective and efficient financial utilization, in the remaining project implementation period and expedite disbursement.
The key changes in the costs for each component and the rationale is provided below.
a. Component 1: Saving of substantial budget resources (US$3 million) in Component 1, is largely due to requirement of limited need-based support of technical service agencies (TSA) and the planned implementation of rural retail chain activities by Department of Commerce & Industries.
b. Component 2: The evolving priorities of GoAP especially with regards to nutrition, hygiene and sanitation, together with identification of complementary implementing agencies, have necessitated increase in budget requirements for Component 2 (US$6 million).
c. Component 3: The technological infrastructure for internet connectivity as planned for One Stop Shops (OSS) under Component 3 has been replaced by a cost-effective yet functionally superior technology option for internet connectivity which has ensured cost savings under the component. Further the Project, intends to retain renewed focus on further expanding OSS in tribal areas, possibly through collaboration with Department of Tribal Affairs, and limit other activities of this component. Overall, there will be no change in budget allocation for this component.
d. Component 4: A major portion of the allocations indicated for ICT were meant for investing in GoAPs ICT platforms and mission support systems. Since the objectives have been met by Government's separate efforts, this component is being scale down, leading to saving in the budget (~US$3 million).

C. Changes in Legal Agreement

Inclusion of other line departments as additional implementation agencies allowing line departments, namely Department of Women Development and Child Welfare (DWD&CW); Department of Health, Medical and Family Welfare (DHM&FW); Department of Panchayat Raj & Rural Development (DPR&RD); and Department of Tribal Welfare (DTW) to access APRIGP funds and act as complementary 'implementing agencies'.

The role of convergence with other line departments for effective achievement of PDO and other result indicators has been clearly laid out in the Project design. While the Project has already channelized significant convergence benefits for participating households especially under Component 1a, there are interventions especially under Components 2, 3 and 4, where the Project can take advantage of the strategic focus, implementation capacities and technical understanding of other line departments of GoAP for achieving desired outcomes and impact, within limited implementation time period available in the Project. For the relevant line departments to access resources from the Project towards the achievement of PDO and results indicators, the legal agreement requires modification to allow these line departments to act as complementary 'implementing agencies.' The fiduciary measures that would govern the implementation arrangements between SERP-AP and the line departments have been clearly spelled out in the MTR mission aide memoire and are provided under Annexure 3.

The Departments that has been appraised and cleared for Procurement, Financial & Other Safeguards in relation to their respective parts in implementation of the APRIGP include Dept. of Women Development & Child Welfare

(DWD&CW); Dept. of Health, Medical & Family Welfare (DHM&FW), Department of Panchayat Raj & Rural Development (DPR&RD); and Department of Tribal Welfare (DTW). Therefore, it is proposed to include these departments as additional implementation agencies and enable them to access APRIGP funds for implementing specific activities stated below and as approved by World Bank.

The line departments for which the appraisals are yet to be conducted will be considered for due inclusion as an implementing agency at a later date through a separate restructuring.

List of sub-components requiring changes and the related implementing agencies:

a. Sub-component 2.2 Strengthening Service Delivery: The word 'Diabled' needs to be changed to 'Differently Abled'. Both the parts of this sub-component will be implemented by AP-SERP.

b. Sub-component 2.4: Augmenting Human Development Services:

This new sub-component with below stated activities needs to be included.

(a) Building capacity of community service providers and frontline functionaries on optimal maternal and infant and young child nutrition and hygiene and sanitation practices; (b) supporting activities to improve the nutrient intake of pregnant and lactating mothers and adolescent girls; (c) providing technical and financial support to facilitate the learning environment for pre-school children at anganwadi centres; (d) facilitating the deployment of staff to improve monitoring of project activities at state and district level; and (e) providing technical assistance for overall guidance and documentation of best practices. All the five parts of this sub-component will be implemented by DWCD.

c. Sub-component 2.5: Strengthening Implementation and Monitoring Systems for Improved Maternal Health: This new sub-component with below stated activities needs to be included.

(a) Purchasing essential health monitoring equipment for improving the quality of antenatal check-ups by ANM workers; and (b) Strengthening the nutrition and health awareness and delivery of basic health services by organizing village health and nutrition days. Both the parts of this sub-component will be implemented by DHM&FW.

d. Sub-component 3.1: Improved Delivery of Service at the Gram Panchayat Level: A new part (b) needs to be added as stated below.

(b) Supporting the design, establishment and operationalization of Integrated Digital Service Delivery Centers. This part (b) will be implemented by DTW. Rest all the parts of the above sub-component (a, c, d & e) will be implemented by AP-SERP.

e. Sub-component 4.2: Information and Communication Technologies: A new part (g) needs to be added as stated below.

(g) Providing technical assistance for the design, establishment and operationalization of an integrated ICT platform for the development of smart villages on a pilot basis. This part (g) will be implemented by DPR&RD. Rest all the parts of the above sub-component (a, b, c, d, e & f) will be implemented by AP-SERP.

D. Revising Category 2 financing ceiling

The Rural Value Chains component of the Project is working predominantly with disadvantaged farmer-producers (>90% from PoP category, as per SERP-AP's definition of Poorest of Poor). As reported by MTR Report commissioned by the Project, a large percentage of the marginal and small farmers were borrowing from moneylenders at 24 to 36 percent interest rates or through credit with tied-in sales from fertilizer and inputs suppliers. Addressing these 'credit constraints', consumed the initial grant support provided to farmer producer groups (FPGs) and farmer producer organization (FPOs).

The requirement of additional financial assistance to FPGs and FPOs have been now necessitated for facilitating productive activities, encourage entrepreneurship for value addition and for initiating marketing activities. This is likely to support creating strong institutions and development of robust support systems in delivering quality services to producer members, both at FPG and FPO level. The constitution of 'reward fund' to well performing FPGs; 'risk absorption fund' to FPOs for encouraging marketing initiatives; and provisioning additional support for aggregated value addition services at FPO level will require provisioning additional grant support to FPGs and FPOs thus necessitating 'revising the Category 2 financing ceiling' (specifically Business Plan Grants to FPGs and FPOs), from the current 20% (US$15 million) to 40% (US$30 million).

II. DETAILED CHANGES

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Ln/Cr/TF	Current Expenditure Category	Current Allocation	Actuals + Committed	Proposed Allocation	Disbursement % (Type Total)	
					Current	Proposed
IDA-55760-001 Currency: USD	Gds,Wks,NCS,CS ,Op Cst,Trng,Wksp	60,000,000.00	16,959,488.54	45,000,000.00	70.00	0
	VHDP Grants, BP Grants	15,000,000.00	17,263,684.81	30,000,000.00	70.00	0
	Total	**75,000,000.00**	**34,223,173.35**	**75,000,000.00**		