Context:
While Bihar has witnessed a decrease in the poverty ratio from 64.4 percent in 1983 to 44.3 percent in 2006, the absolute number of poor is still a staggering 39 million (of a total population of 90 million). Poverty is heavily concentrated amongst the landless or near landless agricultural households, with these two vulnerable groups constituting 70 percent of the households in Bihar. Most of these depend on agriculture which employs over 80 percent of the population and is thus the backbone of Bihar’s economy.

Confronted with the growing phenomenon of landlessness and the diminishing returns from agriculture, the Government of Bihar is focusing on the need to invest in non-farm employment in order to strengthen the rural economy and alleviate rural poverty. This Project seeks to support the Government’s efforts in this regard.

Project Development Objective:
To enhance the social and economic empowerment of the rural poor in Bihar.

Project Components:
- Community Institution Development – which will build and strengthen primary and federated social and economic community institutions;
- Community Investment Fund – this involves transferring financial and technical resources to the Community Based Organizations on a demand-driven basis for use as a catalyst to improve their livelihoods;
- Technical Assistance Fund – to improve the quantity and quality of service provision by public, cooperative, community and private service providers. The fund will also promote use of Public-Private Partnerships in improving the supply of key support services.
for the community organizations and federations in the areas of institution building, finance and livelihoods enhancement.

**Context:**
Bihar’s development challenges lie at the heart of India’s inclusive growth agenda. Bihar, with a population of 90 million people is India’s third most populous, poorest and as well as one of its slowest growing states. One in seven of India’s poor resides in Bihar, with about 39 percent of its population in poverty compared to 23 percent for all of India. Per capita income in Bihar is only about US$160. Annual economic growth in Bihar has averaged only 4 percent which is less than half the national growth rate of 8-9 percent per annum. Human development indicators are also very low: the literacy rate in Bihar is only 48 percent (17 percentage points lower than for all India); the infant mortality rate is about 72; and underweight children constitute 54 percent of the total.

The twin strategic challenges facing the Government of Bihar then are to raise the rate of economic growth and improve the delivery of basic services, especially for the poor. Much of the basis for this will lie in improved fiscal and financial management, increasing the pace and effectiveness of public spending, better administration, and better governance. A second priority is accelerating broad-based growth by: (i) revitalizing agriculture; (ii) improving the investment climate for diversification to non-agriculture; and (iii) focusing on basic infrastructure.

During the past two years, the Government has initiated a comprehensive, homegrown reform program that seeks to address cross-cutting issues like investment climate, fiscal policy, financial management, administrative reforms and greater accountability, and also takes into account

**Location/Scale:**
The Project covers half a million households in 26 blocks in the districts of Nalanda, Gaya, Madhubani, Muzaffarpur, Khagaria and Purnia.

**Status:**
The Project has made significant progress, and is now active in 341 villages. Some 3,790 self-help groups (SHGs) and 136 village organizations have been formed. The total resources handled by these SHGs, including inter-loaning from savings, community investment fund and bank loans, are around Rs 35.6 million. Some 240 book keepers and community mobilizers have been trained.

**Bihar Development Policy Loan and Credit**

| Approval Date: | 20 December 2007 |
| Closing Date: | 30 June 2009 |
| Commitment Amount: | US$ 226 million |
| Percentage Disbursed: | 50% (As of 31 December 2008) |
| Implementing Agency: | Government of Bihar |