

ANDHRA PRADESH RURAL POVERTY REDUCTION PROJECT AND DISTRICT POVERTY INITIATIVES PROJECT

Project Status: Open

Project Approval Date: 01/20/2003

Project description: These two poverty reduction projects in Andhra Pradesh were designed to enable the rural poor to improve their livelihoods and quality of life and to reduce their vulnerability to shocks like illness, a death in the family, crop failure, livestock disease etc. To this end the projects facilitated small group organization and self management within the rural communities, with a particular focus on women. The design also envisaged increased financial access for the poor by attracting private sector interest to this potentially large but overlooked market. Key to the management of risk was that poor women in a self-help group are the unit of guarantee both for each other and for banks. The projects helped community organizations get better market prices for their produce and services.

Impact: Incomes increased for close to 90 percent of poor rural households, including around 8 million women, in the state of Andhra Pradesh.

Some highlights:

- Number of households with access to credit increased from less than 500,000 in the year 2000 to more than 6 million in 2006.
- A financial sector for the poor is emerging in rural Andhra Pradesh as banks, now lending 20 times more to the rural poor than before the project, have identified a vast new client base. Annual credit flow to poor households increased from less than \$23 million in 2000 to \$445 million in 2006. The cumulative credit flow from commercial banks since 2000 is \$1.1 billion
- Cumulative savings of poor households reached \$292 million in 2006.
- More than 1.2 million rural poor have death and disability insurance coverage, up from less than 1,000 before the project.
- Sources of income shifted from below subsistence wages to diversified self-employment and ownership of more assets (i.e. more land, livestock, machinery) On average, incomes increased seven fold, from \$275 to \$2000 over a period of six years.
- Nearly 8 million poor women in rural areas have been organized into 629,870 self-help groups and 28,282 village organizations. The project is expected to organize all rural poor households by 2008.
- Turnover of community managed enterprises at the village level is \$150 million. These enterprises act as franchises for public and private sector companies and include collective marketing for agricultural commodities and input supplies, food security handled by village organizations, as well as distribution of pensions.
- Some 20,600 young people were trained and offered placement in the service and construction sectors through partnerships with private companies.
- Sample impact on individual beneficiary: The annual income of the Appamma family went from \$133 before joining a participating self-help group to \$2,100.

Total Financing: Andhra Pradesh District Poverty Initiatives Project: total project cost was \$135 million, \$111 million from IDA and \$7 million from local communities. Andhra Pradesh Rural Poverty Reduction Project: total project cost: \$276 million comprising \$150 million from IDA, \$14 million from local communities, \$60 million from the Government of India and \$52 from other co-financing.

IDA Contribution: The strategy for IDA investments in Andhra Pradesh is to leverage investment from the public and private sectors to enable the poor to be risk, credit and investment worthy. The projects, worth \$261 million in IDA support, invest on average \$140 in each household but this small number leverages about \$3,450 of investments in loans from commercial financial institutions. The total credit flow from commercial banks to these groups has grown to \$1.1 billion in 2006. Every \$1 of IDA investment has leveraged \$8.

IDA contribution has been especially significant in these areas:

- Technical assistance for institution building, development of financial products, facilitating market linkages, monitoring and evaluation;
- Intensive supervision through a multi sector team;
- Scaling up pilot investments and projects initiated by other agencies, in this case UNDP; and
- Catalytic investor in partnership with the Government of Andhra Pradesh.

Linkages: These programs build on the UNDP South Asia Poverty Alleviation Project and the State government's decade-long experience with women self-help groups.

- With additional income, households have been able to invest in education, health care, housing and other needs.
- More than 175,000 children of the rural poor have been enrolled in school.
- The implementation capacity of self-help groups strengthened by these IDA projects, has swung into action in areas of need outside the immediate project. For example, about \$20 million in tsunami livelihood rehabilitation was carried out within six months of the disaster using community targeting and micro planning established under these projects. Similarly, self-help groups serve as franchises for various public programs including AIDS awareness.

Next Steps: To lift most poor households out of poverty and ensure that Andhra Pradesh achieves the MDGs by 2015, a total investment of about \$600 million is needed. This will help develop good quality institutions and leverage more than \$2,000 per household (or \$16 billion) investment from commercial banks and other financial agencies. Also, due to the success and scale of these projects, there is a demand for about nine similar operations in South Asia alone, particularly from the poorer states in Eastern India, Pakistan, Afghanistan, Nepal, Sri Lanka and Bangladesh.