

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	India	Project Title:	Punjab Development Finance Program
Lending/Financing Modality:	Policy-Based Loan	Department/Division:	South Asia Department/Public Management, Financial Sector and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty Targeting: general intervention

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

While the poverty ratio in India has decreased significantly from 45.3% in FY1993 to 21.9% by FY2011, nearly 270 million continue to live in abject poverty. A major priority area for the 12th Five-Year Plan is achieving further poverty reduction and social development through faster, more inclusive, and sustainable growth. The Asian Development Bank (ADB) country partnership strategy for 2013–2017, which aligns with the development strategy of the government, aims to tackle poverty by (i) operations in lagging states; (ii) skills development initiatives; (iii) employment-friendly growth through improvements in agricultural productivity and irrigation, and direct and indirect support to small and medium-sized enterprises; and (iv) the creation of fiscal space for investments in health and education, and improvements in quality and outreach of service delivery. To reinforce the Government of India's efforts to bridge interstate economic disparities, improve service delivery, and create conditions for inclusive growth, ADB engages with states that have weak capacity and are plagued by fiscal imbalances (Punjab is one of these). The loans for improved public resource management can help such states improve income and development status through greater emphasis on the creation of capital assets, which, in turn, leads to higher growth and provides more employment opportunities. The reforms proposed under the recent policy-based loans go to the core of development, especially inclusive development, with the state budget as the main policy instrument to pursue development goals of the elected state government.

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. **Key poverty and social issues.** In Punjab, 2.32 million people are living below the poverty line with a monthly per capita expenditure of less than Rs1104, i.e., less than \$18.4 per month. Contrary to most major Indian states, the poverty ratio in urban areas of Punjab (9.2%) is higher than in rural areas (7.7%). The pace of poverty reduction in Punjab is also lower than for other Indian states such as Goa, Karnataka, Kerala, Maharashtra, Odisha, and Tamil Nadu. The poverty and rural–urban divergence could be explained by a vicious cycle—lower agricultural income leading to high unemployment causing large-scale migration to urban clusters and consequent social problems like drug addiction and health hazards. A significant disparity exists in the health services in urban and rural areas of Punjab. According to the national family health survey-3, maternity care indicators show that rural Punjab is a laggard—in terms, for example, of accessing formal health institutions for child delivery, births assisted by doctors, postnatal care, and immunization of children. Educational attainment by women, though high in the state (71.3% in 2011), still lags southern states like Kerala (92.0%), and Tamil Nadu (73.9%). The maternal mortality rate for Punjab (2007–2009) stands at 172, which is better than the all-India average of 212 during the same period but is significantly higher when compared with states such as Maharashtra (104), Tamil Nadu (97), and Kerala (81). This requires greater investment in health and education facilities. Women are more vulnerable to poverty because of limited economic opportunities. The share of women in wage employment in the nonagriculture sector in Punjab is 14.5% compared with 18.6% in India, indicating the smaller scope for their participation. Addressing these challenges will require significant capital investment—in fields like health, education, irrigation, agriculture, and rural physical infrastructure.

2. **Beneficiaries.** Agriculture constitutes 36.5% of the workforce in Punjab in FY2011. However, the agriculture sector shows remarkable volatility in yield and production. During FY2004 to FY2011, agriculture in Punjab grew at an annual average rate of 1.5% compared with 3% in other general category states. Lack of adequate investment in infrastructure and low growth in agricultural yield over the years has led to limited nonfarm employment opportunities in rural areas. Poor performance of the agriculture sector and absence of nonfarm employment opportunities in rural areas caused large-scale migration within the state. This, in turn, has created various social problems such as drug addiction and associated health hazards. As per a Punjab government report, every third male and tenth female student has taken drugs in one pretext or another. While 67% of rural households in Punjab

have at least one drug addict, over 16% of the population is addicted to hard drugs.

3. **Impact channels.** Higher capital investment to improve growth, employment, and service delivery, especially in health and education.

4. **Other social and poverty issues.** The state government has many schemes and/or programs to address issues pertaining to poverty and health.

5. **Design features.** Design features of the program that will help reduce income and human poverty directly or indirectly include (i) strengthen links between policy, planning, and budgeting to improve the allocative and technical efficiencies in budget spending, especially in the education and health sectors; (ii) support the government in its focus on economic and social development through greater investments in social and economic infrastructure for sustained improvements in public service delivery; (iii) help the government to better align resource allocation with desired long-term outcomes and strategies; and (iv) propose expenditure rationalization measures without any adverse social impacts. Moreover, the program will continue to support free electricity for families living below the poverty line.

C. Poverty Impact Analysis for Policy-Based Lending

The program will help the state of Punjab improve development funding through greater allocation for capital outlays, which will help create capital assets. In addition, consolidation of public expenditure through strengthening public financial management and improving revenue collection will help the state invest more on economic and social infrastructure and sustain higher growth and employment with improved service delivery.

II. PARTICIPATION AND EMPOWERING THE POOR

The potential stakeholder groups include policymakers at various ministries, academicians, industry groups, and farmers' association. Effective stakeholder consultations were carried out during processing of the program and will continue during implementation. A public awareness campaign strategy is integrated with the design of the program.

H Information gathering and sharing M Consultation N Collaboration N Partnership

Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons, particularly the poor and vulnerable?

Yes. No. The program will not have any adverse impact on poor and vulnerable groups.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: some gender elements

A. Key issues. Punjab has made progress with the Millennium Development Goals related to maternal health, infant mortality, and child mortality, but is still far from meeting the targets set for 2015. States like Kerala and Tamil Nadu have achieved targets for the maternal mortality rate and infant mortality rate. Punjab is ranked 2nd in the human development index among Indian states, but 16th with respect to the gender empowerment index (GDI 2001). The state also has widespread sex-selective abortions and female infanticide, and social and cultural discrimination is prevalent. Among the states, Punjab ranked 4th lowest in terms of sex ratio (893 against national average of 940). The share of females in wage employment remains low at 14.5% in 2009/10 compared with the national average of 18.6%. As per the district household and facility survey 3, only 14.3% of mothers in Punjab received a full antenatal check-up compared with the India average of 18.8%. Finally, disparity in health services in urban and rural areas of Punjab is significant.

B. Key actions. The primary aim of the program is to step up capital investment and improve targeting of expenditure. Since a sizeable portion of this additional capital investment is expected to be channeled to social sectors, coverage for women and children should increase, which will positively impact health-related indicators. Moreover, the program's effective support for gender-responsive medium-term expenditure frameworks (MTEFs), for the first time in the state, in the education, health, power, and public works sectors will help improve expenditure targeting for gender development.

Gender action plan Other actions or measures No action or measure

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES	
A. Involuntary Resettlement	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Key impacts: none	
2. Strategy to address the impacts: not applicable	
3. Plan or other actions.	
<input type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan
<input type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix
<input checked="" type="checkbox"/> No action	
B. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Key impacts: none	
Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
2. Strategy to address the impacts. Not applicable	
3. Plan or other actions.	
<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan
<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
<input type="checkbox"/> Social impact matrix	
<input checked="" type="checkbox"/> No action	
V. ADDRESSING OTHER SOCIAL RISKS	
A. Risks in the Labor Market	
1. Relevance of the project for the country's or region's or sector's labor market. <input checked="" type="checkbox"/> unemployment <input checked="" type="checkbox"/> underemployment <input checked="" type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards	
2. Labor market impact: The program will have no labor market risk.	
B. Affordability: Not relevant	
C. Communicable Diseases and Other Social Risks. Not relevant	
1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) _____	
2. Describe the related risks of the project on people in project area: none	
VI. MONITORING AND EVALUATION	
1. Targets and indicators. Both the design and monitoring framework (DMF) and the policy matrix have specific references related to gender responsive MTEFs in education, health, power, and public works. The DMF has additional indicators to ensure higher development spending in education and health.	
2. Required human resources. The consultants under the attached technical assistance will help the line departments develop the relevant MTEFs.	
3. Monitoring tools. Compliance with the first, second and third tranche policy actions will ensure that the proposed gender responsive MTEFs are developed.	

Source: Asian Development Bank.