



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 07-Feb-2019 | Report No: PIDC26205



BASIC INFORMATION

A. Basic Project Data

Country India	Project ID P169907	Project Name Resilient Kerala Program (P169907)	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Board Date May 28, 2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Development Policy Financing
Borrower(s) Republic of India	Implementing Agency State of Kerala		

Proposed Development Objective(s)

The Program Development Objective (PDO) is to support the Rebuild Kerala Initiative for enhancing the State’s resilience against the impacts of natural disasters and climate change.

Financing (in US\$, Millions)

SUMMARY

Total Financing	150.00
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DETAILS

Total World Bank Group Financing	150.00
World Bank Lending	150.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **India continues to be the world’s fastest growing major economy.** The economy has recovered from the disruptions caused by demonetization and the introduction of the Goods and Services Tax (GST) in 2017. While growth dipped to 6.7 percent in FY17/18, it has accelerated in recent quarters to reach 7.7 percent in the first half of the current fiscal year. This return-to-trend was supported by a revival in industrial activity, strong private consumption complemented by rising investment, and a rise in exports of goods and services. Meanwhile, the external headwinds that characterized the first half of the year have subsided. The decline in oil prices since October 2018 has allowed the current



account deficit to return to relatively benign levels. Likewise, the large portfolio capital outflows that materialized from April 2018 onwards have eased, and capital inflows have resumed. Foreign reserves have stabilized at around US\$396 billion, which represents the equivalent to about nine months of imports. Going forward, growth is projected to reach 7.3 percent for the full current fiscal year and to firm-up thereafter at around 7.5 percent, thanks primarily to robust private consumption, a rise in exports of goods and services, and a gradual increase in investments. However, the current account deficit is projected to remain elevated in FY18/19.

2. **While Kerala has experienced a steady decline in poverty since 1994 and the highest level of human development in India, the challenges are increasingly about the quality of public services and infrastructure.** Poverty levels in the State (8 percent) are among the lowest in the country. After 2005, Kerala grew and reduced poverty faster than many other states, with growth being driven mainly by services. Kerala's human development is among the highest in India, with 99 percent literacy, the highest life expectancy, and the lowest rates of infant mortality in the country. While Kerala is home to a small share of India's poor, pockets within the State record a high incidence of poverty. Kerala has also the highest levels of consumption inequality in the country. While the level of economic and human development is high in Kerala, the challenges are increasingly about the quality and resilience of public services and infrastructure. Low capital investment in economic infrastructure has been a consequence of fiscal constraints and high revenue expenditures.

3. **Kerala is exposed to hydrometeorological and geophysical hazards and faces challenges in building resilient communities and infrastructure in the context of climate change.** The extreme and prolonged rainfall spell in August 2018 led to the worst flooding in Kerala in nearly a century, impacting almost 5.4 million people, one-sixth of the State's population. It led to loss of 433 lives and damages totaling US\$4.4 billion. A Joint Rapid Damage and Needs Assessment (JRDNA) was conducted in September 2018 by the Government of Kerala (GoK), the World Bank, and the Asian Development Bank. The JRDNA formed the basis for the comprehensive Post Disaster Needs Assessment (PDNA), led by the United Nations in October 2018. Without comprehensive and long-term resilience building efforts, such climatic events may undermine the progress that GoK has made in reducing poverty and promoting shared prosperity.

4. **The proposed operation supports GoK's resilient recovery from August 2018 floods and provides a platform for embedding resilience into long-term development.** The GoK has recognized that a traditional approach to recovery and reconstruction would not lead to comprehensive preparedness for future disasters, and floods should be taken as "a challenge and an opportunity to rebuild the State to ensure better standards of living to all sections of the society." The proposed programmatic operation, the first in a series of two Development Policy Loans (DPLs), will support policy and institutional reforms for resilient recovery, mainstreaming long-term resilience to disaster risks and climate change into sectors of key importance. The proposed operation is aligned with the Rebuild Kerala Development Program (RKDP) under the Rebuild Kerala Initiative (RKI) of the Government.

Relationship to CPF

5. **The PDO is fully aligned with the Country Partnership Framework (CPF),** which recognizes that improving disaster risk management (DRM) and resilience to climate change (Objective 1.5) and improving living conditions and sustainability of cities (Objective 1.2) are critical for facilitating resource-efficient growth and poverty reduction. For enhancing India's competitiveness and ability to create more and better jobs, the CPF supports enablers such as increasing resilience of the financial sector and financial inclusion (Objective 2.2) and improving connectivity and logistics by making the transport systems more climate and disaster resilient (Objective 2.3). As a cross-cutting theme, the CPF pursues climate smart engagement to support India's climate change mitigation and adaptation efforts across the portfolio. The CPF additionally recognizes that addressing complex challenges require reforms and engagement in multiple sectors to achieve success. The proposed operation adopts the CPF's four catalytic approaches: (i) leveraging private sector; (ii) engaging a Federal India; (iii) strengthening public sector institutions; and (iv) supporting a Lighthouse India by leveraging experience and



lessons learned from the other states where the World Bank has supported post-disaster recovery and reconstruction. The proposed operation directly contributes to the World Bank's twin goals of ending extreme poverty and promoting shared prosperity by supporting Kerala's recovery from the floods and aiming to protect the existing development gains by enhancing the State's resilience against future natural disasters and climate change. The proposed operation builds on the World Bank's existing and pipeline engagement in the state and catalyzes the first of its kind State Partnership Framework given the magnitude of response and support required in the aftermath of the August floods.

C. Proposed Development Objective(s)

6. **The Program Development Objective (PDO) of the proposed operation** is to support the Rebuild Kerala Initiative for enhancing the State's resilience against the impacts of natural disasters and climate change.

Key Results

7. **Key results expected for this operation include:** (i) satisfactory implementation of major recovery activities in line with the RKDP at the State and local levels; (ii) enhanced institutional and financial capacity of the State for managing disaster risks and climate change (e.g., effective emergency preparedness and response, effective coordination on disaster risk reduction and climate change adaptation across sectors, integrated water resources management, urban resilience, diversified sources of funding for resilient recovery); and (iii) enhanced resilience of critical infrastructure and services in Kerala (e.g., resilient and quality water supply and sanitation services, resilient transport and roads, climate smart agriculture).

D. Concept Description

8. **The proposed operation will support policy reforms for mainstreaming long-term resilience to disaster risks and impacts of climate change.** The reform program is based on the RKDP initiated by the Government and aims to support GoK to prepare and implement a resilient recovery program and enhance resilience in key sectors of infrastructure and service delivery as well as economy of the State. To reflect the multi-sector and integrated nature of recovery and resilience, the State Partnership with Kerala is based on a programmatic approach. While RKDP has a larger mandate, Bank support will focus on crosscutting and sector areas where the impact on enhancing resilience will be most significant and our support would provide the greatest value addition. The PDO will be achieved by supporting policy and institutional actions in the following key areas:

- (i) **Supporting Kerala's resilient recovery from the impact of the August 2018 floods and landslides.** The reforms are expected to establish an institutional and financial framework for resilient recovery such as a resilient recovery policy and action plan based on RKDP as well as local DRM plans.
- (ii) **Enhancing Kerala's institutional and financial capacity for managing disaster risks and climate change.** The reforms are expected to enhance technical and institutional capacity and establish innovative sources of finances for disaster risk reduction and climate resilience. The priority sectors include DRM (e.g., emergency preparedness and response, disaster risk reduction, and climate resilience), integrated water resources management on a river basin basis, improved urban planning and budgeting for resilience, and maximizing finance for resilient recovery.
- (iii) **Mainstreaming disaster and climate resilience into critical infrastructure and services.** The reforms are expected to mainstream disaster risk reduction and climate resilience into critical infrastructure development and service delivery. The priority sectors include water supply, sanitation, solid waste management, transport, and agriculture.



9. **The programmatic series of DPLs will provide an enabling platform for multi-sectoral engagement with the State**, which will be supported by a strong technical assistance (TA) component to implement the reforms that would mainstream resilience in critical sectors and institutions.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

10. **The activities to be undertaken under this DPL are expected to benefit and support vulnerable groups including women, tribal population, elderly, and migrant workers.** The proposed operation will help reduce poverty through better and effective policies for resilient recovery from the floods and build resilience of communities against future natural disasters thereby improving the living conditions of the vulnerable population. A Poverty and Social Impact Analysis (PSIA) will be carried out during the preparation stage to determine the significant positive and negative poverty and social impacts of the policy reforms under the DPL on different groups, particularly the poor and vulnerable.. Further, the borrower's policies and initiatives will be reviewed to assess their effectiveness in meeting the required objectives of the DPL to support the vulnerable groups. Accordingly, the required interventions will be determined. Kerala has policies on gender equality and women empowerment and labor related policies with focus on migrant workers, scheduled tribes, and elderly.

Environmental Impacts

11. **Specific actions under this DPL are expected to have positive significant effects on environment, forests, or other natural resources.** These actions are to strengthen institutions in disaster management, river basin management, urban management and roads management. All of this strengthening is intended to be implemented in an environmentally and climate change responsible manner. The GoK will require a technical assistance program in order to facilitate the institutional strengthening of the Directorate of Environment & Climate Change, the agency responsible for managing environmental issues. To determine whether the policies and institutional reform are likely to cause significant effects on the State's environment, forests and other natural resources, a Rapid Strategic Environmental Assessment will be undertaken. Each of the prior actions will be analyzed and the borrower's systems at the national and state levels in the respective sectors and environmental sector will be assessed to determine their effectiveness, and capacity to realize the DPL's intended development outcomes.

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APPROVAL

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Approved By

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