

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)**  
**APPRAISAL STAGE**

Report No.:PIDA0110425

<b>Program Name</b>	Odisha Higher Education Program For Excellence And Equity
<b>Region</b>	South Asia Region
<b>Country</b>	India
<b>Sector</b>	Education
<b>Lending Instrument</b>	Program for Results (PforR)
<b>Program ID</b>	P160331
<b>Parent Program ID</b>	
<b>Borrower(s)</b>	Republic of India
<b>Implementing Agency</b>	Higher Education Department (HED), Government of Odisha
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**1. Country Context**

**2. India, a lower-middle-income country with a gross domestic product (GDP) per capita of US\$1,582 (2015 U.S. dollar), has become one of the world's fastest growing economies.** India experienced high economic growth over the past five years, with the GDP growth rate averaging 5.4 percent from 2011 to 2015.<sup>1</sup> Despite the challenges of drought, flattening private investments, and declining exports, the GDP growth accelerated to 7.6 percent year on year in FY16. Rapid growth has been accompanied by a significant reduction in poverty levels and improved human development outcomes.

**3. India will soon have the largest and youngest workforce the world has ever seen.** The demographic dynamics and a rising age-savings profile are likely to generate significant volumes of savings and investment over the coming years. It is essential that this increase in the availability of capital is complemented by higher worker productivity to result in higher incomes. The average schooling of the working age population, and consequently worker productivity, will increase by at least a full year until 2030 even with no further improvements in the educational attainment of today's youth simply because younger cohorts are better educated.

**4. A key challenge India faces is that the growth and the accompanying improvements in human development outcomes have been distributed unevenly, and there are significant inequalities, including across states and social groups.** The seven low-income states (LIS),<sup>2</sup> in particular, lag behind on key indicators. As of 2011, 39.5 percent of the population in the LIS

<sup>1</sup> Compound annual growth rate (CAGR) calculated using GDP at constant (2011–12) prices.

<sup>2</sup> Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, and Uttar Pradesh.

was poor against the national average of 23.6 percent,<sup>3</sup> and per capita gross state domestic product (GSDP) was US\$494 in the LIS against US\$1,410 nationally in 2011. Further, other than the states of Bihar and Rajasthan, the LIS have grown at a slower rate than other states since 2005. Poverty reduction in these states has also been less responsive to growth than in the rest of the country, which can be attributed, at least in part, to poor human development outcomes in these states. Among social groups, poverty rates are the highest for the scheduled tribes (STs)<sup>4</sup> who also lag behind on education outcomes, particularly at the secondary and higher education (HE) levels. The STs have shown the least improvement in intergenerational mobility in education and also display the worst indicators of child nutrition and mortality.<sup>5</sup>

5. **The Government of India (GoI) has developed an ambitious plan to transform India into a competitive, high-growth, and highly productive middle-income country with strong emphasis on increasing the supply of highly skilled workers to drive the economy, as well as helping LIS catch up with their more advanced neighbors.** Improving the quality and market relevance of tertiary education with more equitable access for STs, scheduled castes (SCs), and women is a key component of the GoI's overall effort to improve the country's competitiveness and address inequalities.

6. **More recently, the National Institution for Transforming India (NITI) Aayog's Draft Three Year Action Agenda (2017-18 to 2019-20), published in April 2017, highlights five major actions to be undertaken over the next three years in the higher education sector:** designation of world class universities; autonomy for top colleges and universities; reform of the regulatory system (a tiered system of universities), establish system of project / researcher specific research grants; and increased focus on vocation and profession led education.

7. **The state of Odisha is one of the LIS located in the eastern coast with a population of 43.7 million.** Income from agriculture, forestry, and fishery, on which most of the poor depend, remains volatile and excessively dependent on rainfall. In 2015–16, the state's economy grew at a real growth rate of 6.24 percent, at market prices, with 2011–12 as the newly revised base year. With a per capita income of US\$1,150 in 2014–15,<sup>6</sup> Odisha is among the poorest states in India and has grown below the national average since 2005. The state has performed better with regard to poverty reduction; 8.2 million poor people moved out of poverty between 2005 and 2012, moving Odisha from a rank of 30 in 2004 to 25 in 2012 among Indian states.<sup>7</sup> STs comprise 22.8 percent of the state's population, against an average of 8.6 percent nationally. The poverty rate of STs in Odisha is the highest nationally, at 63 percent, and educational attainment for STs is particularly poor, with only 2.1 percent of STs in Odisha having completed

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<sup>3</sup> Head count ration (HCR) based on a poverty line of US\$1.25 per day (2005 purchasing power parity).

<sup>4</sup> Poverty rate of 46 percent in 2011.

<sup>5</sup> The World Bank Group India Country Partnership Strategy 2013–2017 (Report No. 76176).

<sup>6</sup> Ministry of Statistics and Program Implementation 2015.

<sup>7</sup> Odisha Economic Survey 2015–16, Government of Odisha (GoO), 2016.

HE, against 13.7 percent of the general category population.<sup>8</sup>

## 8. Sectoral (or multi-sectoral) and Institutional Context

9. **India has made significant progress in expanding access to primary and secondary education over the past decade.** Access to primary education is nearly universal, with more than 98 percent of the school age population having access to a primary school. Despite disparities by state, income, and gender, the overall transition rate at the national level is now at 89.7 percent from primary to upper primary schools and at 92.6 percent from upper primary to secondary. The secondary education gross enrollment rate (GER) is 74 percent. At the primary and secondary levels, the policy focus is increasingly on quality of education and learning outcomes.

10. **HE in India has been expanding rapidly, but the enrollment rate lags compared to Brazil, Russia, China, and South Africa or other middle-income countries.** Enrollment has almost tripled from 8.4 million in 2001 to 22.5 million in 2014–15 with a GER of 23.6 percent. While this is comparable to the average of lower-middle-income countries (23.2 percent), it is lower compared to other BRICs (Brazil, Russia, India, China, and South Africa) or relatively large middle-income countries such as Brazil (33 percent), China (30.2 percent), Indonesia (31.3 percent), Malaysia (38.5 percent), Mexico (29.2 percent), and Russia (78 percent).

11. **The HE system in India today suffers from many shortcomings, especially the state universities and colleges which enroll about 90 percent of the students.** In addition to very low access to HE in general, there are wide disparities between various social groups. The GERs for SCs, STs, and other classes are far below the average GER and those of other social groups. There is also a wide gender disparity; the GER for males is 24.5 percent while that for females is only 22.7 percent. There are also differences in the quality of institutions and enrollments between rural and urban areas and between developed states and less developed ones. There are a series of governance challenges beyond the limited autonomy for colleges. The affiliation system<sup>9</sup> has reduced the relationship between affiliating universities and affiliated colleges to a minimalistic administrative one.

12. **The HE system in Odisha faces several challenges. First, the GER at 17.5 percent is low compared to the national average (23.6 percent), and there are major inequalities in access to HE in Odisha across gender and minority groups.** The majority of students (591,000) are in the about 800 degree colleges (these number do not include technical education), and the remaining 39,000 students are in 12 conventional universities. Of the college students in Odisha, 43 percent are attending government-aided and block grant colleges and 20 percent of the students are enrolled in private unaided colleges. The GER was 17.8 percent for female students, 14.7 percent for SC students, and 9.4 percent for ST students in Odisha in 2014–

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<sup>8</sup> Calculated using National Sample Survey (NSS) 68th round (2011–12) data.

<sup>9</sup> Colleges in India are affiliated to universities, which are responsible for curricula and examinations in their affiliated colleges. Affiliations are conditional upon colleges meeting criteria (usually related to infrastructure and faculty) laid down by the affiliating universities.

15 compared to national ratios of 23.5 percent, 19.9 percent, and 14.2 percent, respectively. The high incidence of poverty among SCs and STs combined with the outdated HE curricula with poor market relevance and, consequently, low private returns to HE are important factors behind low enrollment rates for these groups. It is important to note that between the academic years 2014–15 and 2016–17, there was a 60 percent increase in the number of seats at colleges in the tribal-dense districts. All of these seats were immediately occupied by students, and it can be concluded that there does not seem to be a demand constraint at the colleges in the tribal-dense districts. In the urban districts in coastal Odisha, only 4 percent of the students are ST students, which illustrated that relatively few ST students are moving to the urban districts to pursue a college degree.

13. **Second, the HE system is highly centralized and inefficient.** The decision-making processes on administrative and financial matters are highly centralized in the GoO's Department of Higher Education (HED), and most of the academic matters for the affiliated colleges are centrally managed by the affiliating universities. For instance, only 7 percent of the total expenditures on HE in the state of Odisha are made directly by the Higher Education Institutions (HEIs) according to their own priorities because 93 percent of the expenditures are made directly by the HED. The similar expenditures at the national level are 43 percent and 57 percent, respectively. Affiliating universities are burdened with administrative responsibilities for their affiliated colleges (for example, Utkal University has more than 300 affiliated colleges), which makes it difficult for them to attend to the varied needs of the individual colleges. There are thus few interactions between the colleges and the university except that the affiliating universities provide most of the curriculum, conduct examination, and declare results.

14. **Third, there are growing concerns on the quality of HE in Odisha.** Only 126 of the about 800 affiliated colleges in Odisha have National Assessment and Accreditation Council (NAAC) accreditation or have completed the self-assessment report in applying for NAAC with only six colleges having Grade A status. One of the factors for insufficient quality is the shortage of qualified teaching staff at HEIs. In March 2014, the Comptroller and Auditor General (CAG) Report noted that 42 percent of the teaching posts in government colleges, 35 percent in universities, and 15 percent in government-aided colleges were vacant. Few teaching staff receive updated training in their disciplines and pedagogical training. Existing training facilities also remain inadequate and underdeveloped for the large pool of teachers in HEIs. In addition, lack of relevance of HE and highly skilled jobs is hindering the employability of college and university graduates. According to the NSS (66th Round), 43 percent of postgraduate degree holders and 23 percent of undergraduate degree holders in Odisha were unemployed.

15. **Lastly, there are inadequate resources for HE in Odisha.** Odisha's per capita expenditure on HE for population ages between 18 and 23 years is INR 2,700 (approximately US\$40.3), compared to the national average of INR 3,865 (approximately US\$57.7). Odisha spends about 0.5 percent of its GSDP on HE (both plan and non-plan, for revenue and capital expenditure), which is grossly inadequate to support the expanding HE system in the state.

16. **Program Scope**

17. **The proposed World Bank Operation, the OHEPEE, will support the GoO in strengthening state-level initiatives of the OHEP through two components: (a) OHEPEE PforR (US\$300 million) and (b) a Technical Assistance (TA) component (US\$10 million).** Disbursements for the PforR will be made against the achievement of specific DLIs that would contribute to the achievement of the overall objectives of the Program. The TA portion will use an IPF instrument. The TA will support the implementation of the PforR through capacity building, stakeholder consultations, TA, and research. The flow of funds under the TA will be provided against specific investments.

18. **The boundary of the OHEPEE Program (FY18–FY22) and focuses on initiatives that strengthen the quality and efficiency of HE in Odisha.** The OHEPEE has two results areas: (a) improving students' equitable access to and quality of selected institutions and (b) enhancing efficiency of the higher education system. Under Results Area 1, the Program includes the following activities that directly contribute to the results areas of the Program: (a) grants in aid to government and private institutions and (b) Institutional Development Grants (IDGs) to universities and colleges that aim to incentivize institutes to undertake quality-focused initiatives. Under Results Area 2, the Program will cover initiatives aimed at the improvement of system efficiency: (a) improvement of governance in colleges and (b) improvement of financial and procurement management and accounting in colleges.

19. **Program Development Objective(s)**

20. The proposed Program Development Objective (PDO) is to “improve the quality of and students' equitable access to selected institutions, and enhance governance of the higher education system in Odisha”.

21. The key performance indicators (KPIs) and disbursement-linked indicators (DLIs) are:

- i. Improved quality of selected government and government-aided institutions (increased percentage of selected colleges that have improved their NAAC grade from the previous cycle of accreditation);
- ii. Increased on-time graduation rate of students in undergraduate degree programs in selected institutions (disaggregated by women, ST, SC, and total students); and
- iii. Revised regulations on the creation/composition of Governing Bodies (GBs) and their functioning issued by the HED and percentage of affiliated government-aided colleges that implement the regulations.

22. **Environment and Social Effects**

23. **An Environmental and Social Systems Assessment (ESSA)** was undertaken to gauge the adequacy of systems at the state, university, and college levels and understand the environmental and social impacts, risks, benefits, and opportunities associated with the proposed

operation. The assessments were carried out through a review of relevant government policies/legislation, codes, institutional roles, program guidelines/procedures, and assessment, including consultation in the field and an analysis of the extent to which these are consistent with the World Bank's policy and directive on Program-for-Results Financing (July 2015). Based on this, gaps have been identified and actions formulated to enhance opportunities/benefits and manage risks.

## **Environment**

24. **ESSA key findings.** While the existing legal and regulatory framework is largely adequate in its coverage of environmental aspects, awareness is low, resulting in inconsistent and inadequate application. Institutional capacity for environment, health, and safety (EHS) management in the DHE, HEIs, and construction agencies is limited due to lack of a designated position or role, inadequate sensitization, and inconsistent inclusion of relevant EHS aspects in campus/building plans/designs and in bidding documents. Monitoring of EHS aspects in HEIs is also fairly limited. Thus, the environmental risks primarily stem from inconsistent adherence to relevant regulations, codes, and guidelines; lack of sensitization and staff capacity in construction agencies and HEIs; inadequate monitoring of environmental aspects; and proximity to forest areas. The impacts resulting from poor design; construction; and, more importantly, inadequate maintenance of buildings/infrastructure pose a risk to achievement of the intended project/program objectives. The key issues requiring attention include design of buildings/physical infrastructure, sanitation facilities, waste management (including e-waste), drainage, water supply, universal access, fire safety, electrical safety, laboratory management (including safety practices related to handling of chemicals, residues, spills, and so on), and disaster preparedness (both structural and non-structural).

## **Social**

25. **ESSA key findings.** Assessment of the legal and regulatory framework for the social aspects pertaining to higher education (HE) points out that both national and state governments have clear focus on inclusion. Over the last two decades, both central and state governments have placed significant emphasis on excellence along with expansion and equity in HE. Various guidelines of the University Grants Commission (UGC) reflect the efforts taken for ensuring the continued implementation of all these acts and regulations in HEIs. The frequent amendments of these regulations again indicate that governments are acting promptly to keep the regulations relevant to the emerging situation. The assessment of the colleges and universities indicates that adequate institutional arrangements exist at the state level for implementing the OHEPEE. There exists a clear mandate for ensuring social inclusiveness in areas directly applicable to the OHEPEE. Initiatives such as an increase in reservation from 8 percent to 16.25 percent and 12 percent to 22.50 percent for SC and ST students, respectively; setting up of model colleges in districts with high share of SC and ST population; and self-defense courses to girl students have led to a consistent rise in participation of students belonging to disadvantaged communities.

## I. Financing

**Operation Cost and Financing (US\$, millions)**

<b>Financing</b>	<b>Cost</b>
Government program cost (OHEP) FY18–FY22	1,724
Total Operation cost (OHEPEE) FY18–FY22	310
Total Program cost FY18-FY 22	300
Counterpart funding	191
IBRD	119
IPF component	10
Financing gap	0

### 26. Program Institutional and Implementation Arrangements

27. The main implementing agency for the proposed Program will be the PMU housed in the HED to manage and oversee implementation of the Program. The Project Director (PD) of the PMU will be responsible for the OHEPEE supported by the World Bank. A team of professionals either on deputation or hired from the market as consultants with expertise in M&E, faculty development, MIS, procurement, and FM staffing the PMU will support the PD in implementation and M&E of the Program activities.

28. The PMU will be responsible for administrative and financial oversight of the Program, coordination between the HED and participating institutions, monitoring of the implementation of the IDGs, support for the HED in the introduction and institutionalization of systemic reforms to improve management and governance of the HE sector, coordination of the various capacity-building activities under the TA component, and ensuring of complementarity (and not duplication) of the program activities with centrally funded scheme of GoI Rashtriya Uchchatar Shiksha Abhiyan (RUSA) with separate tracking of results for both.

29. A Steering Committee for the OHEPEE chaired by the Development Commissioner-cum-Additional Secretary and include Principal Secretary, Higher Education Department; Principal Secretary, Finance Department; Vice-Chancellor, Utkal University; EIC-cum-Secretary, Works Department; Commissioner-cum Secretary, ST&SC Development Department; Commissioner-cum-Secretary, School and Mass Education Department; Commissioner-cum-Secretary, Rural Development Department; and the Project Director (PD) of the PMU who will also serve as Secretary to the Steering Committee. The Steering Committee will be responsible for approving the annual work plan and budget, endorsing HEIs selected for support under the project, reviewing project implementation progress and achievement of the PDO, and resolving implementation bottlenecks. The Steering Committee will meet as needed but at least once every six weeks in the first 18 months and every quarter in subsequent years. The arrangements, policies, and procedures to guide project implementation on a day-to-day basis will be included in a Project Implementation Manual (PIM), which will be a living document. The PMU will prepare the PIM.

30. Two Operations Manuals have been prepared for the preparation and selection of the IDPs of colleges and universities. This will be supplemented by a PIM for the Program that will set out a description of the Program, the implementation arrangements and plan, the Results Framework and monitoring arrangements, and planned technical support and capacity-building activities. It will include a timeline of key actions under the two results areas, implementation responsibilities among the various agencies, budgets, and expected results. The Implementation Plan will be periodically updated during the implementation of the Program, with the agreement of the World Bank.

**31. Contact point**

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