



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 13-Mar-2020 | Report No: PIDC28490



**BASIC INFORMATION**

**A. Basic Project Data**

Country India	Project ID P172172	Project Name Odisha State Capability and Resilient Growth (P172172)	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Board Date Jun 30, 2020	Practice Area (Lead) Social Protection & Jobs	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance	Implementing Agency Government of Odisha		

**Proposed Development Objective(s)**

To Improve the capability of Odisha to protect its citizens and build resilience to natural disasters and climate shocks

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	210.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	210.00
World Bank Lending	210.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

Country Context

**While Gross Domestic Product (GDP) growth has slowed in the past three years, India remains one of the fastest growing major emerging market economies.** The current slowdown is primarily due to unresolved balance sheet issues in the banking and corporate sectors, compounded by stress in the non-banking segment of the financial sector. These issues have prevented a sustainable revival in private investment, and private consumption growth has also slowed in FY19/20. As a result, growth is expected to reach 5 percent in FY19/20. To address the slowdown, the Government has introduced various economy-wide and sectoral reforms (including a cut in corporate taxes, as well as steps to support the automobile



and real estate sectors, non-banking financial companies, and medium and small enterprises). As a result, growth should pick up gradually from FY20/21 onward and revert toward potential. On the fiscal side, the general government deficit is estimated to have widened to above 6 percent of GDP in FY18/19, and it is expected to rise further in FY19/20, owing to recently adopted tax cuts and the impact of slower economic growth on tax proceeds. The current account balance is expected to improve in FY19/20, reflecting mostly a sizeable contraction in imports. Given this and robust capital inflows, India's foreign exchange reserves rose to US\$457.5 billion at end-December 2019 (equivalent to more than 11 months of imports).

**Since the 2000s, India has made remarkable progress in reducing absolute poverty.** Between FY11/12 and 2015, poverty declined from 21.6 percent to an estimated 13.4 percent at the international poverty line (US\$1.90 per person per day in 2011 Purchasing Power Parity (PPP), continuing the earlier trend of rapid poverty reduction. Owing to robust economic growth, more than 90 million people escaped extreme poverty and improved their living standards during this period. Despite this success, poverty remains widespread. In 2015, 176 million Indians were living in extreme poverty, while 659 million—half the population—were below the higher poverty line commonly used for lower middle-income countries (US\$3.20 per person per day in 2011PPP). With the recent growth slowdown, the pace of poverty reduction may have moderated.

### Odisha State Context

**Odisha is Low Income State (LIS) with 46 million people that has experienced a remarkable turnaround in the last 20 years** Following two decades of lackluster economic performance, at the turn of the new millennium the State of Odisha's economy entered a period of robust growth. Between 2001 and 2018, annual economic growth averaged 7.1 percent, ranking Odisha among the best performing state economies in India. Furthermore, the state has demonstrated progress in improving access to basic services and enhancing human development. Since 2005, the pace of poverty reduction has been the fastest of any state in India. Improved fiscal conditions forged at the confluence of reform, improved financial management and fiscal discipline, empowered the state to implement ambitious and reinforcing poverty reduction and development programs. Between 2005 and 2012 the incidence of poverty in Odisha fell by 25 percentage points and the share of the population living in poverty fell from 58% in 2005 to 33% in 2012. That is a 25 percentage points drop over the period

**However, the pace of growth has slowed down in recent years and the state's economic model remains concentrated and vulnerable to exogenous shocks.** Primary sector economic activity accounts for approximately 30 percent of gross state value added (GSVA), while the secondary sector - which is dominated by large metals manufacturing firms - contributes a further 30 percent to state output. Economic activity in these sectors is frequently rocked by exogenous and policy related shocks. The precipitous decline in food commodity prices in 2008 and 2011 decimated agricultural markets, while metals prices were subject to sharp declines and volatility in 2008, 2011 and 2014.

**Investments in social protection and human capital development are fragmented, and stubborn pockets of poverty and uneven patterns of development persist.** While Odisha has made laudable progress in poverty reduction, the state's human development indicators remain among the worst in India. Tackling poverty in populations designated as Scheduled Tribes (ST) has been much slower than the statewide average, as evidenced by a poverty rate of 63 percent among ST populations compared to 33 percent for the state population at large. This discrepancy accounts in part for the disproportionate concentration of poverty in the south and west of the state where a large share of the ST population resides. While Odisha has made remarkable progress in tackling IMR, at 44 deaths per 1,000 live births the incidence of infant mortality in the state continues to be among the highest in the country. Malnutrition, as reflected in rates of stunting, remains below the national average, but is high for the bottom 40 percent of the households. In line with?



observed patterns of spatial inequity, districts in the south and west of the state demonstrate significantly higher rates of stunting than the statewide average.

**Odisha is exposed to a wide range of natural disasters.** Over the course of the last century, the coastal districts of the state were impacted by 263 cyclonic disturbances. A full 26 percent of all cyclonic disturbances that occur on the Indian subcontinent affect Odisha, with an average reoccurrence of one event every 15 months. Severe cyclonic storms affected the state in 1909, 1910, 1912, 1914, 1967, and 1971; Very Severe Cyclonic Storms occurred in 2013 (Phailin), 2018 (Titli), 2019 (Fani); and a ‘Super Cyclone’ hit the state in 1999 resulting in severe damage to property and loss of life. Storms elevate risks associated with inland floods, coastal flooding and chronic shore erosion. Due to its geographic location and associated meteorological conditions, Odisha is disproportionately affected by heavy rains, lightning, heatwaves, flash flooding and the impact of hazards associated with climate change such as sea level rise. Moreover, the state falls across moderate damage and low damage risk seismic zones. Odisha’s 480km coastline is also exposed to potential Tsunamis in the Bay of Bengal. Recurrent disasters significantly impact economic and development related activities in the state, and adversely affect agricultural production, marine fisheries, biodiversity, infrastructure, human health and development gains.

#### Relationship to CPF

**This operation directly supports two of the three “Whats” and two of the four “Hows” of the India CPF.** The CPF supports the development agenda of India through a balanced focus on what areas merit attention, how to engage India to deliver results and cross-cutting themes. This operation supports two of the priority areas (Whats) of the CPF, namely the first: promoting resource efficient growth and the third: investment in human capital. It also supports directly the second - strengthening public sector institutions- and third -engaging a Federal India - Hows. Finally, it supports two of the three cross-cutting themes of the CPF: support to India’s climate change mitigation and adaptation efforts and systematically addressing gender-based inclusion gaps.

**This programmatic DPO series underpins the Odisha Strategic State Partnership, a key feature of the CPF.** The “engaging in a Federal India” has at its core the development of Strategic State Partnerships with a selected number of states. Strategic state partnerships aim to improve implementation capability and address state-specific development priorities. This approach involves moving away from a focus on individual operations to a focus on programmatic approaches that enhance state capability. As part of the Strategic State Partnership with Odisha, the Bank delivered a “Rapid State Diagnostic” with the support of DFID. This diagnostic was delivered immediately after the current government was re-elected and was key in helping it frame its reform program. The specific pillars of this operation are a mix of reform areas where the Bank has been working in Odisha for several years (Social Protection and DRM) as well as key areas identified by the Rapid State Diagnostic (Statistical Strengthening).

**This operation serves as an anchor to the policy dialogue of the state partnership and is complemented by a mix of lending and non-lending Bank instruments.** Some of the issues identified by the Rapid State Diagnostic and adopted by the state as part of its reform program required further analytical underpinnings and are being pursued in parallel through TA with the support of DFID. They include a diagnostic of the economy to identify specific reforms within the “Expediting Economic Transformation” as well as human resources aspects of the “Strengthening State Capability” pillar. The results of this analytical work may inform subsequent DPO programmatic series. In addition, the “Forging a Resilient and More Sustainable Future” pillar is supported by the Odisha Integrated Irrigation Project for Climate Resilient Agriculture, an IPF approved this FY.



### C. Proposed Development Objective(s)

The development objective of the proposed operation is to **improve the capability of Odisha to protect its citizens and build resilience to natural disasters and climate shocks. This includes building the state government’s capabilities in the following key reform areas** : (i) strengthening the design and delivery of the state’s social protection architecture (ii) improving the statistical system to support the generation and the use of quality statistics in governance and (iii) building resilience against natural disasters and climate shocks. These policy reforms are catalytic in ensuring the state charts a resilient growth path which maximises long-term human capital formation and minimizes welfare losses due to shocks.

#### Key Results

Indicator Name	Baseline	Target
<b>Pillar 1 - Strengthening Social Protection in Odisha</b>		
Percentage share of state population covered in an integrated social protection delivery platform	0 (2020)	30% (2022)
Percentage of women in the state population covered in an integrated social protection delivery platform	0 (2020)	30% (2022)
Coverage of largest three cash transfer programs amongst eligible population in Odisha	22% (2020)	50% (2022)
Coverage of largest three cash transfer programs amongst female headed households in Odisha	12% (2020)	33% (2022)
Percentage of households in Odisha reporting the presence of an integrated point-of- access to all government social protection benefits/services within their Panchayat (rural village)/urban ward. [results chain: more points of presence make access to programs easier, particularly for women and vulnerable groups]	0 (2020)	75% (2022)
Percentage of state government program databases adhering to regulatory standards to ensure citizen data protection in Odisha	0 (2020)	25% (2022)
<b>Pillar 2 - Strengthening Statistical Systems in Odisha</b>		
New statistics developed based on existing databases	0 (2020)	3(2022)
DES Data portal with public access to microdata developed and time-series data for key socio-economic indicators	No (2020)	Yes (2022)
<b>Pillar 3 – Building Resilience in Odisha</b>		
Rural housing schemes incorporate resilience measures	No (2020)	Yes (2022)
Percentage of state population reached through the multi-hazard warning system in Odisha	0 (2019)	33% (2022)
All functional areas identified in the institutional restructuring have dedicated human resources	No (2020)	Yes (2022)



## D. Concept Description

### **The proposed DPO engagement complements reform priorities articulated and identified by the Government of Odisha.**

The state government has emphasized the need to build resilience against natural disasters following a series of cyclones. The Chief Minister has also launched a 'Mo Sarkar' initiative aimed at leveraging data and technology tools to bolster administrative reforms which improve citizen experience of government programs and services. The Odisha State Diagnostic Report (OSDR) prepared jointly with the World Bank team and the GoO, emphasized the importance of the three core policy pillars mentioned in the DPO. This has also served as a basis for policy lending and technical assistance request from the GoO. As a result, there is complete government ownership of the policy reform agenda envisioned by the DPO to strengthen social protection architecture, disaster risk-resilience and statistical strengthening to ensure sustainable growth and welfare gains in the state.

### **The proposed operation incorporates lessons from reviews of past World Bank Odisha operations, World Bank DPFs**

and it is also tailored to the goals of supporting strategic State Partnerships as proposed in the India CPF. The policy areas and actions have been identified based on ongoing and past engagements in Odisha in areas of natural disaster management, irrigation, social protection and housing.

## E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

### Poverty and Social Impacts

**Over the course of the past decade Odisha has made significant progress in improving living standards.** The pace of poverty reduction in Odisha was among the fastest of all states in India after 2005. Over a period of seven years, poverty, measured in monetary terms, reduced by twenty-five percentage points and declined sharply in both rural and urban areas.<sup>[1]</sup> Over the same period, the state achieved significant improvements in access to basic services such as electricity, drinking water and sanitation.<sup>[2]</sup> In 2005, less than 50 per cent of households in Odisha had access to electricity compared to close to 90 per cent today. Likewise, nearly 95 per cent of households in Odisha now have access to an improved source of drinking water, access to improved sanitation increased four-fold since 2005 and access to clean fuel for cooking nearly six-fold.

**Despite this remarkable record, the war on poverty is far from over.** Nearly one in three persons in the state is poor, and poverty reduction has been uneven across groups and regions. Poverty reduction among the Scheduled Tribes (ST) has been much slower than other groups. As a result, poverty is concentrated in the south and west where a relatively large share of the ST population resides. With a poverty rate of 63 per cent, poverty among STs in Odisha is the highest in the country.

### Environmental, Forests, and Other Natural Resource Aspects

**Prior actions under this DPL are expected to have positive environmental effects on environment and natural resources in an overall sense.** These reforms will be implemented in an existing well-developed legal and institutional context for environment and natural resources management. At the state level, there are two key environmental organizations: (i) the Department of Environment and Forests and its associated organizations, and (ii) the State Pollution Control Board and their various offices. These are implementing various national and state laws and regulations that are relevant to

<sup>[1]</sup> Poverty is measured using the Tendulkar poverty lines and the National Sample Surveys (NSS) on consumption expenditure. The latest available official poverty rate is for the year 2011-12.

<sup>[2]</sup> Access to electricity, drinking water and sanitation are based on the National Family Health Survey (NFHS), 2005-06 and 2015-16.



environmental and forest protection. The administration of these laws is well-established, thereby ensuring an effective functioning legal context for the proposed DPL reforms.

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**APPROVAL**

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