



# Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 27-Oct-2020 | Report No: PIDC234662

**BASIC INFORMATION****A. Basic Program Data**

Country India	Project ID P174778	Parent Project ID (if any)	Program Name The Resilient Kerala Program for Results
Region SOUTH ASIA	Estimated Appraisal Date 10-Dec-2020	Estimated Board Date 17-Mar-2021	Does this operation have an IPF component? No
Financing Instrument Program-for-Results Financing	Borrower(s) Republic of India	Implementing Agency State of Kerala	Practice Area (Lead) Urban, Resilience and Land

**Proposed Program Development Objective(s)**

To enhance the State of Kerala's resilience against the impacts of climate change and natural disasters, including disease outbreaks and pandemics.

**COST & FINANCING****SUMMARY (USD Millions)**

<b>Government program Cost</b>	2,977.00
<b>Total Operation Cost</b>	250.00
Total Program Cost	250.00
<b>Total Financing</b>	250.00
<b>Financing Gap</b>	0.00

**FINANCING (USD Millions)**

<b>Total World Bank Group Financing</b>	125.00
World Bank Lending	125.00
<b>Total Non-World Bank Group and Non-Client Government Financing</b>	125.00
Multilateral and Bilateral Financing (Concessional)	125.00



## Concept Review Decision

The review did authorize the preparation to continue

## B. Introduction and Context

### Country Context

- 1. India's Gross Domestic Product (GDP) growth has slowed in the past three years, and the COVID-19 outbreak is expected to have a significant impact.** Growth has moderated from an average of 7.4 percent during FY15/16-FY18/19 to an estimated 4.2 percent in FY19/20. The growth deceleration was due mostly to unresolved domestic issues (impaired balance sheets in the banking and corporate sectors), which were compounded by stress in the non-banking segment of the financial sector, and a marked decline in consumption on the back of weak rural income growth. Against this backdrop, the outbreak of COVID-19 and the public health responses adopted to counter it have significantly altered the growth trajectory of the economy, which is now expected to contract sharply in FY20/21. On the fiscal side, the general government deficit is expected to widen significantly in FY20/21, owing to weak activity and revenues as well as higher spending needs. However, the current account balance is expected to improve in FY20/21, reflecting mostly a sizeable contraction in imports and a large decline in oil prices. Given this, India's foreign exchange reserves are expected to remain comfortable.
- 2. Although India has made remarkable progress in reducing absolute poverty, the Covid-19 outbreak has reversed the course of poverty reduction.** Between 2011-12 and 2017, India's poverty rate is estimated to have declined from 22.5 percent to values ranging from 8.1 to 11.3 percent. Recent projections of GDP per capita growth rate indicate that as result of the pandemic, poverty rates in 2020 have likely reverted to estimated levels in 2016. The extent of vulnerability is reflected in labor market indicators from high frequency surveys. Data from the Centre for Monitoring Indian Economy (CMIE), shows urban households are facing greater vulnerabilities: between September-December 2019 and May-August 2020, the proportion of people working in urban and rural areas has fallen by 4.2 and 3.8 percentage points respectively. Approximately, 11 and 7 percent of urban and rural individuals, identifying themselves to be employed in the recent period, have performed zero hours of work in the past week. Short-term employment outlook is contingent on whether these temporarily unemployed workers can fully re-enter the labor force. Overall, the pandemic is estimated to have raised urban poverty, creating a set of new poor that are likely to be engaged in non-farm sector and receive at least secondary or tertiary education, as compared to existing poorer households who are predominantly rural with lower levels of education.
- 3. Kerala has enjoyed robust economic growth, albeit below Indian average in recent years but has recorded high fiscal deficits with its public debt increasing gradually as a percent of GSDP.** Real Gross State Domestic Product (GSDP) grew by approximately 6.3 percent on average between FY11/12 and FY18/19 (below the 7.0 percent average for Indian states), although it has risen to 7.4 percent in FY15/16-FY18/19. However, due to the COVID-19 outbreak and the subsequent nationwide lockdown, the state's economy will contract in FY20/21 and only recover gradually thereafter. Increase in deficit and deterioration in fiscal performance was primarily driven by gradual increases in committed expenditure, especially on salaries and subsidies. Kerala stands out, among comparable states, in terms of both (i) low



own-tax revenues,<sup>1</sup> and (ii) high committed expenditures<sup>2</sup> to GSDP. Although the State adopted a Fiscal Responsibility and Budget Management (FRBM) Act in 2003 (including an amendment in 2017, mandating the State to maintain a fiscal deficit of no more than 3 percent of GSDP during the period from FY17/18 to FY19/20), this was of little practical effect.

#### Sectoral (or multi-sectoral) and Institutional Context of the Program

4. **The State of Kerala (or the State) is highly vulnerable to natural disasters and the changing climatic dynamics given its location along the coast and steep gradient along the slopes of the Western Ghats.** It is prone to a host of natural hazards such as cyclones, monsoon storm surges, coastal erosion, sea level rise, tsunamis, flood, drought, lightning, landslides, land subsidence and earthquakes. Kerala's State Disaster Management Plan assesses 39 types of known and reported hazard types in the GoK that may turn disastrous in the event of lack of proper preparedness and risk reduction planning<sup>3</sup>. With Cyclone Ockhi in 2017, floods and landslides in 2018, 2019 and 2020, and now the COVID-19 pandemic, Kerala has been experiencing major disaster events for four consecutive years. The 2018 flood — the worst in nearly a century — led to widespread loss of life, property, and habitats in Kerala, causing 498 casualties with over 5.4 million people affected with loss of assets and property and 1.4 million people displaced, apart from financial losses of approximately US\$ 3.74 billion (Rs. 26,720 crores). The impacts of the disaster highlighted the level of under-preparedness in the GoK to address natural disasters and climate change shocks.

5. **The main vulnerabilities associated with the floods — emblematically — follow the course of the river, starting from the basins and reservoirs upstream, to the intense developments in the cities and towns midstream, through to farms and livelihoods downstream.** Addressing the underlying drivers of floods and landslides and better preparing the GoK for future disasters, therefore, follows the course of the river: upstream, through integrated water resources and reservoir management; midstream, through improved land use planning and management, infrastructure and services; and downstream, through ecologically sound agriculture and irrigation practices. Addressing these require systemically building the capability of the GoK to carry out an integrated and coordinated set of policy, institutional and budgetary changes, over time. They demand political will, institutional capacities, public support, and a continuous and iterative change process. Recognizing this, the GoK sought to use the 2018 floods as *“a challenge and an opportunity to rebuild the State to ensure better standards of living to all sections of the society.”*<sup>4</sup>

6. **The WB's support to GoK commenced in the immediate aftermath of the 2018 floods and landslides through a strategic engagement to build multidimensional resilience in Kerala.** The foundation of the engagement was set by the First Resilient Kerala Development Policy Operation (DPO 1, US\$250 million), approved in June 2019, supporting the Rebuild Kerala Development Programme (RKDP) — the GoK's strategic and integrated roadmap for recovery, rebuilding and resilience, developed with support from the Bank. The DPO 1 set the course for centering resilience-related policy and institutional reforms in key crosscutting areas and sectors of the economy. It supported GoK's efforts to improve fiscal sustainability through a variety of approaches, including levying a flood cess<sup>5</sup> and mobilizing private finances via a masala bond. Key policy and institutional reforms were triggered in the water-agriculture nexus to engender holistic river basin management, shift agriculture to sustainable and climate-resilient models and strengthen agriculture value chains.

<sup>1</sup> The main sources of own-tax revenue include the state goods and services tax, state excise, value-added tax, motor vehicles tax, stamps and registration duty, land tax and taxes on utilities.

<sup>2</sup> Committed expenditure includes expenditure on salaries and wages, pensions and interest.

<sup>3</sup> Kerala State Disaster Management Authority: Government of Kerala, State Disaster Management Plan 2016, <http://sdma.kerala.gov.in/publications/DMP/Kerala%20State%20Disaster%20Management%20Plan%202016.pdf>

<sup>4</sup> The policy statement of GoK, as per Government Order G.O.(P)No.16/2018/P&EA, dated November 9, 2018.

<sup>5</sup> A one percent 'Kerala flood cess' is levied on goods coming within the GST tax bracket of 12 percent, 18 percent, and 28 percent imposed on the value of supply. A 0.25 percent flood cess is levied on all goods coming under the fifth schedule, including gold, silver, and platinum ornaments, on the value of supply. All services attract 1 percent cess.



Increased protections were afforded to human settlements by requiring risk-informed land use planning and updating disaster management plans at various levels. Reforms were also initiated to strengthen the resilience of critical infrastructure through multi-year capital planning, improved standards and mobilization of private sector expertise. Finally, a dedicated institutional modality, the Rebuild Kerala Initiative (RKI), was set up to coordinate, manage and monitor the roll out of the RKDP and the DPO 1 across various government departments and agencies, and with the civil society and the private sector. These efforts have improved the GoK's capacity to respond to disasters and other extreme events. In part, they allowed the GoK to tackle the 2019 and 2020 floods and landslides with much reduced loss of lives, assets and livelihoods.

7. **The State experienced the first confirmed cases of COVID-19 in India on January 30, 2020.** High levels of urbanization and population density, tourist inflows, regular inward and outward travel of non-residents, and an aging population with co-morbidities made Kerala susceptible to infection and spread. The GoK responded proactively through a robust response plan at the early onset of the disease, based on learnings from the Nipah virus outbreak experience in 2018 and building on the institutional and policy actions carried out under the DPO 1. An initial spike of new COVID-19 cases occurred, beginning in late March, declining to zero daily cases by mid-May. A second spike occurred in mid-May, primarily due to returning expatriates and migrants from other States, as the lockdown eased. As of October 8, 2020, there have been 258,850 cases and 930 deaths. Of this, 167,256 (64.6 percent) cases have recovered. Although Kerala is one of the top three States in terms of new case rate and has a high test-positivity rate (14 percent vs. national average of 8 percent), its mortality rate (0.4) and transmission rate (1.55) still are on the lower side. To deal with the COVID-19 and other disease outbreaks in the future, the GoK needs to further strengthen its disease outbreak warning and response systems, and commence recovery from the current crisis amidst serious economic and fiscal constraints.

8. **Building on the RKDP and the DPO 1, concurrently, the engagement between the GoK and the WB in the State has both expanded and deepened.** Among the highlights of the partnership are first subnational 'masala bond' that raised approximately US\$300 million to finance rebuilding; the RKDP Development Partners Conclave in July 2019, which elicited pledges from development partners, the private sector, and civil society; a dialog between the GoK and the International Finance Corporation (IFC) and scoping of potential IFC support to the State for climate resilient infrastructure; and advanced sector engagements in areas such as agriculture, roads, solid waste management (SWM) and water resource management (WRM) — all built around the core theme of strengthening resilience. The close working relationship between the GoK and the Bank at multiple levels has influenced the State's policy, institutional, and investment agenda to advance resilience to climate change impacts and natural disasters, as well as, now, disease outbreaks.

9. **With deepened WB engagement in Kerala woven around the theme of multidimensional resilience, it has become imperative to move away from the model of standalone sector projects.** The SPF aims to provide a cohesive and strategic approach to the GoK-WB partnership in strengthening institutional, economic and social resilience of the State to the impacts of natural disasters and climate change. The Framework is founded on Government priorities and programs outlined in the RKDP and the 'Nava Keralam' (New Kerala) and supports the strategic priorities of the Bank's India Country Partnership Framework (CPF) as well as the Operational Framework for South Asia Region (SAR). Future Bank engagements in Kerala would be vetted against the framework of engagement. The SPF forms the basis for collaboration with development partners and civil society, as well as to leverage resources across the WBG and to mobilize market-based resources to finance resilient development in the State.

10. **The GoK has further deepened the institutional reforms initiated through the DPO 1, as well as including the emerging foundational and crosscutting priorities that address multidimensional resilience, such as fiscal sustainability, disaster risk financing, and public health emergency preparedness.** The COVID-19 outbreak and the State's response further reinforced the importance of this policy and institutional agenda on resilience. The Bank support for the second



phase of State Partnership is proposed as a Resilient Kerala Program for Results (PforR) operation.

**11. The proposed Resilient Kerala PforR builds on the foundations of policy and institutional reforms initiated under the Resilient Kerala DPO 1, as well as draws on a strong TA program that lends analytical underpinnings and capacity support, all aimed at making the State more resilient to shocks of climate change, natural disasters and disease outbreaks in the longer term.** The proposed Program will be pivoted on three Results Areas (RAs): (1) building institutional capacities and systems for managing shocks from climate change, natural disasters and disease outbreaks; (2) supporting effective COVID-19 response and disease outbreak preparedness; and (3) demonstrating integrated approaches to multidimensional resilience at local level. It will provide resources for the State to better respond to the pandemic crisis — both current episode and any future events, embed the reforms currently underway within key institutions of the Government, and — following the course of the river — pilot the roll out of an integrated resilience agenda across a major river basin. The PforR is proposed be co-financed by the WB (US\$125 million) and the AIIB (US\$125 million) and complemented by the KfW through TA support and parallel financing of DPO 1.

#### Relationship to CAS/CPF

**12. The proposed PforR is fully aligned with the World Bank Group's Country Partnership Framework (CPF) for India for FY18–22.** The CPF recognizes that improving DRM and resilience to climate change and improving living conditions and sustainability of cities are critical for facilitating resource-efficient growth and poverty reduction. To enhance India's competitiveness and enable job creation, the CPF supports enablers such as increasing resilience of the financial sector and financial inclusion and improving connectivity and logistics by making the transport systems more climate and disaster resilient. To invest in human capital, the CPF highlights the need for improving access to rural water supply and sanitation services and the coverage and coordination of social protection systems. 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 notes that addressing complex challenges requires reforms and engagement in multiple sectors to achieve success. The proposed PforR contributes to achieving the above objectives through policy and institutional reforms as well as sectoral investments in an integrated fashion. The proposed operation adopts the four catalytic approaches outlined in the CPF to achieve the objectives: (i) leveraging the 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 other states where the World Bank has supported post-disaster recovery and reconstruction.

**13. The proposed Program builds on the Bank's existing and pipeline engagement in the State and catalyzes the first of its kind State Partnership.** The ongoing Kerala State Transport Project II has been restructured to support initial recovery efforts and provide TA to the RKDP. The financing for the National Dam Rehabilitation and Improvement Project's Phase-1 & 2, aims to improve the safety and operational performance of selected dams in participating states, including Kerala. The National Hydrology Project aims to improve the extent, quality, and accessibility of water resources information and the capacity of WRM institutions in India, including Kerala. The National Cyclone Risk Mitigation Project Phase II aims to reduce vulnerability to cyclone and other hydrometeorological hazards of coastal communities, including in Kerala, and increase the capacity of State entities to effectively plan for and respond to disasters. The National Dam Safety Program, currently under preparation, aims to enhance dam safety by supporting the establishment of a robust institutional structure for dam safety at the Central and State levels, including Kerala. The proposed Kerala Solid Waste Management Project, currently in the final stages of preparation, aims to integrate resilience principles into it and undertake investments in critical urban infrastructure. The health reforms supported by the PforR complement the India COVID-19 Emergency Response and Health Systems Preparedness Project.

**14. The Program is strategically linked to the adaptation commitments under India's first Nationally Determined**



**Contributions (NDC, 2016) and the Kerala State Action Plan on Climate Change (KSAPCC, 2014).** India has committed to better adapt to climate change by enhancing investments in development programs in sectors vulnerable to climate change, particularly agriculture, water resources, coastal regions, health and disaster management. The NDC emphasizes the importance of the State Action Plan on Climate Change (SAPCC) put in place by 32 States and Union Territories, which attempt to mainstream climate change considerations in States' planning process. The KSAPCC was endorsed by the Government of India in 2014. It aims to mainstream climate change strategies into State level planning and development processes. The KSAPCC identifies State-specific climate change vulnerabilities, and appropriate adaptation and mitigation options. Apart from various sectoral interventions, the KSAPCC highlights the need to have an implementation, monitoring and evaluation framework for measuring the effectiveness of its implementation.

**15. Finally, the proposed PforR Program is designed in line with the WBG COVID-19 Crisis Response Approach Paper on Saving Lives, Scaling-up Impact and Getting Back on Track.** Operating across the three stages of Relief, Restructuring and Resilient Recovery, four thematic pillars anchor a selective WBG crisis response. The Program will play a vital role in supporting the GoK in its Restructuring and Resilient Recovery stages, as part of the pandemic response. Specifically, the Program will focus on strengthening health systems for pandemic readiness (RA 2) and restructuring, debt resolution and recapitalization of firms and financial institutions (RA 1) to ensure sustainable business growth and job creation (Pillar 3). In addition, the Program will support strengthening policies, institutions (RA 1) and investments (RA 3) for resilient, inclusive and sustainable recovery by rebuilding better in a world transformed by the pandemic (Pillar 4).

#### Rationale for Bank Engagement and Choice of Financing Instrument

**16. The World Bank has been engaged with Kerala since 2018.** The first phase of engagement to strengthen transversal government systems and sector approaches at the State level to tackle natural disasters and other exogenous shocks has been successful to a notable degree, thanks to the policy and institutional shifts engendered through DPO1 and follow up GoK actions and the capacities built through a programmatic TA that is underway since 2018. This was partly evident in the improved State level response mechanisms during the 2019 and 2020 floods and landslides and the ongoing pandemic crisis. The next operational phase of this engagement now requires testing these shifts at the local level through an integrated approach, while continuing to consolidate and deepen the policy and institutional agenda at the State level in the most strategic and transformational areas of resilience. This is what is being pursued through the proposed Program.

**17. The PforR was determined to be the most appropriate financing instrument to deliver this agenda because it enables linking policy and institutional shifts at the top with real expenditures and verifiable results on the ground.** The PforR allows the Bank to recognize the GOK's strong ownership of the Resilient Kerala reform agenda and support the Government's own commitments on the ground through the RKDP and other ongoing sector programs. It provides disbursement linked incentives for a range of stakeholders at multiple levels, from State level departments and technical agencies to local level institutions and communities, to converge on an integrated and multi-sectoral resilience framework and platform and collaborate towards achieving an agreed set of results. Finally, the PforR as an instrument will also help factoring overall enabling environment, local context and institutional capacity considerations over time.

### C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

#### Program Development Objective(s)

**18.** The development objective of the Program is to enhance the State of Kerala's resilience against the impacts of climate change and natural disasters, including disease outbreaks and pandemics.

#### PDO Level Results Indicators





19. PDO level results indicators tentatively include the following:

- DRM and CC risk management capacity strengthened
- Enhanced capacity of Finance Department for debt management
- Effective disease surveillance system for humans, including zoonotic diseases, linked with the Integrated Disease Surveillance Plan, used for monitoring and tracking disease outbreaks
- Integrated river basin management approach adopted in the districts along Pamba Basin
- Climate modelling capacity is enhanced at the State level
- Management information systems improved for urban development processes and select services including transport and WSS for effective representation and participation of women

#### D. Program Description

##### PforR Program Boundary

20. **The Government Program underpinning the Resilient Kerala PforR consists of two main government programs – the RKDP and the Annual Plan of the State Health Mission (SHM) as part of the National Health Mission (NHM).** The NHM aims to improve availability of and access to quality health care by people, especially for those residing in rural areas, the poor, women and children. The main programmatic components include Health System Strengthening, Reproductive-Maternal- Neonatal-Child and Adolescent Health (RMNCH+A), and Communicable and Non-Communicable Diseases. Within the broad national parameters and priorities, states would have the flexibility to plan and implement state specific action plans. Program Implementation Plans (PIPs) would spell out the key strategies, activities undertaken, budgetary requirements and key health outputs and outcomes. State PIPs would be an aggregate of the district/city health action plans and include activities to be carried out at the state level. The State Record of Proceedings for Kerala SHM in FY 2020-2021 sets out to enhance the State's surveillance and response systems for communicable diseases in view of the COVID-19 outbreak. The overall resource envelope of the State PIP amounts to approximately US\$ 167 million (Rs 1226.32 Crore).

21. **The RKDP constitutes the GoK's medium-term roadmap for a Green and Resilient Nava Keralam (New Kerala).** It serves as the Government's overarching framework and principal vehicle to operationalize a resilient recovery programme and mainstream resilience in development. The RKDP is to be implemented over a period of 8 years. It supports "the creation of a society that has sustainable livelihoods for its inhabitants and a land with modern infrastructure that cannot be undone by natural disasters". The RKDP encompasses policy, regulatory, institutional and investment actions and programs across four crosscutting and twelve sector-based areas that are critical for resilient and sustainable recovery and rebuilding. Further, the RKDP outlines partnership, financing, and implementation modalities. The final RKDP, incorporating stakeholder feedback from statewide consultations, was approved by the Council of Ministers in May 2019 and launched Statewide in July 2019. The GoK has advanced reforms laid out in the RKDP in areas such as local disaster risk mapping, performance-based contracting of roads, shifting agricultural and river basin management practices to align with agroclimatic conditions and introducing risk-informed master planning for cities and towns. It has also initiated other critical steps beyond the scope of initial Bank engagement, towards addressing climate vulnerability and enhancing resilience.

22. **The RKI is the institutional modality or framework for the entire rebuilding process and acts as a vehicle to operationalize the RKDP,** by coordinating, facilitating and driving policy shifts, institutional renewal and investment on-the-ground required for a resilient rebuilding of Kerala. Through establishing RKI, the GoK aims to put in place a streamlined and transparent process of decision making for comprehensive and resilient recovery and rebuilding from the





2018 floods. The RKI aims to catalyze the State's transformational shift towards risk-informed sustainable development by putting in place policies, institutions and systems for enhancing resilience to disasters and impacts of climate change, by ensuring higher standards of infrastructure, assets and livelihoods for resilience, and by fostering equitable, inclusive and participatory reconstruction for building back better.

23. **The proposed Program will support the implementation of the Government Program** by adopting an integrated framework to enhancing GoK's fiscal and institutional resilience against the impacts of climate change and natural disasters, including disease outbreaks at the State level and testing the on-the-ground feasibility of this integrated approach at the local level. As a subset of the Government program, the boundaries of the PforR Program have been defined as follows:

- **Sectors:** Agriculture, Disaster Risk Financing & Insurance (DRFI), DRM, Fiscal & Governance, Health, Road, Urban, Water Resource Management (WRM), Water Supply and Sanitation (WSS)
- **Duration:** The Program will be implemented over a period of 4 years from FY21 to FY25.
- **Financing Support:** The Program is proposed to be US\$ 250 million (US\$ 125 million IBRD loan and US\$ 125 million AIIB co-financing loan). In addition, KfW will provide a potential budget support of €100 million as a bridge from the first phase of the State Partnership to the second together with, €2 million of recipient executed grant to the RKI for technical assistance and capacity building to implement the Program.
- **Geographical Coverage:** The Program will support state-wide systems and institutions development, and pilot sectoral investments in selected districts along the Pamba river basin.

24. **Descriptions of the Program RAs:** The Program will support the three RAs to contribute to the overall outcomes of the Government Program. The description of the activities and proposed Disbursement-Linked Indicators (DLIs) are provided below for each RA.

- **RA 1: Building systems and institutional capacities for managing shocks from climate change, natural disasters and disease outbreaks:** The policy and institutional reforms advanced through DPO 1 are rolled out in key GoK departments and agencies at the state and local levels through developing plans and establishing norms, building systems and capacities, and mobilizing resources. Key focus areas of this RA are (1) enhancing sustainability of the State's public finances to cope with exogenous shocks; (2) establishing the foundations of a comprehensive disaster risk financing system that is efficient, transparent and responsive; and (3) strengthening planning systems and institutional capacities of Local Self-Government Institutions (LSGIs) to tackle climate change impacts, natural disasters and disease outbreaks. The scope of actions under this RA covers the entire State.
- **RA 2: Supporting effective COVID-19 response and disease outbreak preparedness:** As COVID-19 caseloads increase in the State, this RA aims to further bolster health systems across the State by upgrading and equipping district health centers and hospitals with adequate equipment and trained staff. Further, the RA will support the alignment of the statewide disease surveillance system plan with local DRM plans in selected LSGIs.
- **RA 3: Demonstrating integrated approaches to multidimensional resilience at the local level:** Building on the policy and institutional reforms achieved through RKP DPO 1 in key economic and climate-sensitive sectors (e.g. agriculture, roads, water resource management, water supply and sanitation), this RA will test an integrated approach basin-based multidimensional resilience through (1) undertaking integrated water resources and reservoir management (upstream); (2) putting in place climate-proofed infrastructure and services in cities, towns and villages (midstream); and (3) implementing agroecological zone (AEZ) based agricultural practices (downstream).



## E. Initial Environmental and Social Screening

### Environmental Assessment

25. **The Program's environmental impacts are expected to be positive considering that it aims strengthening resilience through interventions on health systems, institutional capacity, fiscal capacity, and climate-resilient development in different sectors that include water resources management, water supply, agriculture / food systems and roads.** The institutional strengthening will result in an overall positive environmental contribution, the direct environmental impacts related to the physical infrastructure activities will have to be effectively managed. These are expected to have only minor, reversible impacts. The environmental risk screening considered the physical risks, contextual risks, institutional capacity risks and political and reputation risk. The screening revealed that the Program will have a few physical risks due to the environmental impacts of activities, particularly related to physical road infrastructure and other investments to be supported through co-financing. The contextual risks are limited as these are within the existing, well-established environmental regulatory agencies in Kerala. There are risks arising from institutional capacity as the state's environmental capacity needs to be substantively strengthened. And, political and reputation risks arising from environmental issues are not envisaged from the institutional development aimed under the Program. The risk screening also confirmed that Program activities do not include those not eligible for financing using the PforR instrument. The environmental risk rating is presently rated as '**Substantial**'. On examining the portfolio of interventions, this risk rating will be reviewed.

26. **During the Environment and Social Systems Assessment (ESSA) study, the following environmental aspects will be studied with a focus on systems:** (i) environmental risks including direct, indirect, induced, and cumulative environmental impacts/risks that may affect achievement of the proposed development outcomes; (ii) the state's capacity (all GoK agencies involved) to manage the identified environmental impacts including the respective agency's environmental performance till date; given that the environmental capacity of GoK agencies is recognized to be weak, this will be focused upon; and (iii) the prevailing systems with respect to laws, regulations, standards, procedures, and implementation performance against the core principles to identify any significant differences between them that could affect Program performance.

### Social Assessment

27. **The Program is likely to have overall positive social impacts specially the areas where interventions are planned to be made.** Fiscal reform and consolidation for improved risk preparedness and financing (RA 1) aimed at improved safety nets and prompt post disaster recovery would help to insulate vulnerable groups from disaster or pandemic related shocks. Investments in the health sector for improved COVID 19 response and pandemic preparedness (RA 2) is likely to help the poor and vulnerable who are largely dependent on public health services. Targeted investments in key sectors-agriculture, water resource & sanitation and roads (RA 3) are also expected to have beneficial impacts in improving access to basic services and in community level resilience.

28. **Kerala has a large number of vulnerable social and demographic groups (viz. elderly; women impacted by intersectionality including migrants, old-aged, single, those with disabilities, self-employed/ workers, women from tribal and other marginalized communities; Scheduled Tribes (STs), Scheduled Castes (SCs), migrant workers and fisher folk whose special requirements would need to be taken into account in the sectoral investment plans under the program.** In a situation that social issues are not managed well, there is likely risk of exclusion for a set of vulnerable groups: (i) small and marginal farmers as they have limited resources for farm innovations (or insurance) promoted through agroecological zones approach and access to water is disproportionately skewed in favor of those owning larger



lands; (ii) tribal and women farmers who are mostly landless tenants or agricultural laborer and are denied agricultural incentives that usually go to landowners; (iii) poor and socially marginalized from ULB led development or DRR plans that fail to recognize their peculiar vulnerabilities; (iv) poor and economically vulnerable from private water supply and sanitation services for which willingness or ability to pay may compete with other basic needs.; (v) tribal communities whose habitations are remote and upland and are usually the last to receive road access. However, none of these are irreversible risks that cannot be mitigated using effective social management practices of participation, community engagement, accountability and transparency.

29. **The physical investment, if it is to take place especially in a densely crowded areas, may raise issues relating to land acquisition, displacement and livelihood impacts on both formal and informal occupants, occupational and community health and safety, labor influx, etc.** At this stage scale of physical investments is not yet known. As a PforR operation, the project will have to exclude activities that have large-scale adverse, land related impacts, including investments planned for road construction or water sector infrastructure. Even if such activities are limited to Right of Way (RoW), they could have likely impact on the encroachers, which needs to be avoided. Since the program intends to beam programmatic resources using a 'basin-wide approach' on Pamba River Basin, which is also home to several indigenous communities, activities with significant adverse impacts on such communities would need to be excluded and measures put in place for effective screening of activities proposed in the basin. Considering the risks of social exclusion and adverse impacts on vulnerable groups, Social Risk rating of the Program is '**Substantial**' based on the existing information about the scope of the PforR.

30. **The Social Systems Assessment will look at the state's institutional capacities to manage the identified social risks in similar contexts, and the systems and processes in place for handling such risks in similar contexts.** Since RKDP forms the base program on which the RKP PforR operations are to be anchored, apart from other state-based institutions, the social assessment will assess adequacy of RKDP's management capabilities to manage risks and enhance benefits emerging from the program investments. Based on an assessment of robustness of social systems as well as review of prevailing legal policy environment, the assessment will recommend program actions for addressing all/ any unmitigated or residual impacts. Social systems assessment will be informed by large scale consultations with stakeholder institutions (line agencies, local bodies, training institutions) and communities, while ensuring that all relevant social constituencies are effectively engaged and represented in such consultations.

31. **Considering that social and environment risk at this stage are envisaged to be 'Substantial', a comprehensive assessment with a suitable level of stakeholder engagement will be carried out during the preparation to inform Program design.** A series of stakeholder consultations will be conducted at the state level for each of the sectors. These will be common to both environmental and social aspects, and the findings will inform the ESSA and the Program design. Grievance management mechanisms relevant to the Program will also be considered for its appropriateness across various agencies. The ESSA study will necessarily include a Program Action Plan comprising capacity strengthening and management measures as needed to manage the risks. Once the draft ESSA report is ready, it shall be disseminated through a State-Level Disclosure and Consultation Workshop before project appraisal. Once finalized, the ESSA report will be publicly disclosed.

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