



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 06-Nov-2020 | Report No: PIDA30673



BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
India	P174027	Second Accelerating India's COVID-19 Social Protection Response (PMGKY) (P174027)	P173943
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
SOUTH ASIA	15-Dec-2020	Social Protection & Jobs	Development Policy Financing
Borrower(s)	Implementing Agency		
Republic of India	Ministry of Finance Department of Economic Affairs		

Proposed Development Objective(s)

The proposed operation is the second of a series of two to strengthen the capability of state and national governments in India to provide coordinated and adequate social protection to the poor and vulnerable from the shocks triggered by the COVID-19 pandemic

Financing (in US\$, Millions)

SUMMARY

Total Financing	400.00
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DETAILS

Total World Bank Group Financing	400.00
World Bank Lending	400.00

Decision

The review did authorize the team to appraise and negotiate



B. Introduction and Context

Country Context

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.

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.

The operation is based on Government of India's overall strategy to fight COVID-19 through three phases. In the first phase, the Government of India (GoI) intervened to tackle the health aspects of the pandemic, these public health measures included imposing a total lockdown of 1.3 billion people as part of its social distancing strategy. The Bank partnered with India in the first phase through a US\$ 1 billion health project. In the second phase, GoI invested in an extraordinary social protection program to bridge the poor and vulnerable communities through the lock down period and the Bank supported its program with Development Policy Financing of US\$ 1.15 billion. In addition to Government of India's efforts, the third phase of the government's COVID-19 strategy has comprised a US \$ 750 million program of the World Bank which provides economic support to micro, small, and medium enterprises and their workers to support them through the economic slowdown. *Taken together, India's three-pronged strategy aims at ensuring that tackling COVID-19 does not lead to a stark policy choice between lives and livelihoods, thereby forging an approach that seeks to protect both.*

Given the continent-like size and heterogeneity in India, the post-Covid economic shocks will manifest differently at the sub-national, community and household levels, depending on local economies and socio-demographic profiles. The impacts in India will be particularly sharp given that the workforce is predominantly informal and there were concerns of an economic slowdown prior to COVID-19.

Nearly half the households in India are vulnerable – between the poverty line and twice the poverty line; and majority of the workforce is informal without formal social security benefits. These households face the dire prospect of becoming



the 'new-poor' – previously non-poor households who risk falling into poverty due to the pandemic. They need strong support to weather the COVID-19 crisis and recover losses to their incomes and livelihoods.

Labour market informality further constrains the ability of Indian households to cope and recover from livelihood shocks triggered by COVID-19 lockdowns. Ninety percent of the Indian workforce is informal, without access to significant savings or work-place based social protection benefits such as paid sick leave or social insurance. The latest Indian Periodic Labour Force Survey (2017-18) finds that only 47% of urban workers have regular, salaried jobs. Even among workers in formal employment, over 70% do not have contracts, 54% are not entitled to paid sick leave and 49% do not have any form of social security benefits. Post-lockdown survey results show that a third of the formal workforce interviewed in December 2019 had lost their jobs by April 2020, compared to 44 percent of the informal workforce. Moreover, 31 percent of those formally employed in December 2019 had slid into informal sector jobs in April 2020. Post-lockdown data from survey shows that nearly 17 million women -- four out of ten working women--have lost jobs, largely in the informal sector. These workers risk falling into poverty due to wage and livelihood losses triggered by shrinking economic activity. However, given the continent-like size and heterogeneity in India, these labour market implications are manifesting differently at the sub-national levels, depending on local economies and socio-demographic profiles. Responses to the pandemic will require sustained and comprehensive solutions anchored by national and sub-national governments, blending active participation from households, communities, street level bureaucracies (district, block and Panchayat administration), civil society organizations and the private sector.

As economic impacts of the COVID-19 pandemic sharpen, timely and adequate social protection measures can help cushion shocks and prevent further destitution. Following the COVID-19 pandemic, nearly 126 countries have scaled-up coverage and benefits for social protection programs. Evidence shows that timely delivery of social assistance support can forestall losses and protect the poor. In particular, direct cash transfers to households can serve as an important stimulus for economic stability following COVID-19 outbreak, especially if these are targeted to informal and lower-income households who will face disproportionate troubles. Cash transfers can supplement household coping strategies as income support, help workers out of work who fall sick, or help them access essential goods.

The second policy program also includes a specific focus on reforms which enable India to strengthen climate resilience of vulnerable populations. This is done through an important social protection reform which allows the use of nearly half the resources in state disaster response funds to provide communities in disaster impacted regions to access quick cash assistance to cope from loss of livelihoods, and through a reform in the food subsidy system making it more agile, portable and scalable in times of shocks, including future climate-related disasters. The program also supports reforms which promote the development of climate-resilient housing infrastructure, the generation of employments in climate-resilience building public works, and the strengthening of climate resilience of benefit transfers system through the use of mobile technology. Further, a pillar within the program supports broader reforms being implemented by the Indian government to protect groundwater reserves and encourage the use of renewable energy. While the latter two reforms may not have direct links with social protection efforts, these are important to build environmental resilience and reflects a new approach to include climate-sensitive actions in all national level DPOs. Such actions assume significance as India ranks fifth in a recent 2020 Climate Risk Index. The climate-sensitive components of the program are critical given India's growing vulnerability to climate change shocks. India has suffered economic losses of USD 79.5 billion due to climate related disasters in the last 20 years. The proposed reform can help India address the adverse impacts of climate change and natural disasters on individuals and communities, mainly in the form of compensating for the loss of life and livelihood.

At the request of the Government of India, the DPO series program has been prepared in collaboration with the Asian Development Bank (ADB), Agence Française de Développement (AFD) and Kreditanstalt Für Wiederaufbau (KfW). The design draws on the World Bank's deep country knowledge on social protection in India, gained through technical



assistance and analytics over the recent years. The approach is consistent with the India Country Partnership Framework's focus on building systems of social protection – and supporting India to shift away from fragmented and individual schemes -- which can help the poor and vulnerable weather shocks and enhance their resilience.

Relationship to CPF

The India CPF was approved in 2018 and is being adjusted to respond to the COVID-19 crisis. The World Bank in consultations with the Indian Government has developed a three stage COVID response strategy. The first stage has been supporting the health system to help fight the pandemic and a billion-dollar program was approved by the World Bank to support the health response. The health response has required the Government to effectively shut down large sections of the economy to slow the spread of the epidemic. This slowdown has displaced hundreds of millions of workers. Migrant labor and the poor who have little or no capacity to weather loss in earnings- are severely impacted. The second stage of the World Bank response will help provide social protection to those displaced by the economic shut down, with emphasis on the poor and vulnerable, through the proposed two DPO series amounting to a billion dollars. The third phase of the World Bank COVID-19 response will to support economic revival through another billion-dollar program to support Micro-small and Medium Enterprises (MSME) and is supporting the financial system on which MSME depends.

C. Proposed Development Objective(s)

The proposed operation is the second of a series of two to strengthen the capability of state and national governments in India to provide coordinated and adequate social protection to the poor and vulnerable from the shocks triggered by the COVID-19 pandemic

Key Results

DPO2 deepens the first development policy operation to help India build a modern and adaptive social protection system. The first DPO in the series supported scale-up of pre-existing safety nets to provide emergency relief during the lockdown period through a national government program Pradhan Mantri Garib Kalyan Yojana. Nearly 84% of India's poorest households received social assistance through reforms supported by DPO1. However, half of India's migrants and urban informal workers faced challenges in accessing benefits. Between DPO1 and DPO2, India's COVID-19 burden has accelerated rapidly. The country reports the second largest number of cases in the world in October 2020. While the economy has 'unlocked' steadily since June 2020, households in disease hot-spots continue to need additional support due to prolonged containment measures. The second DPO addresses these gaps and supports additional reforms which not only support the provision of emergency support in hot-spots but moves India's fragmented social protection schemes towards an integrated and adaptive system, and starts to tackle many of the existing fault lines in the current system around inclusion of migrants, climate-linked disasters, workers in the informal sector, and last-mile delivery challenges. The core result of these interventions is to expand coverage of safety nets for the informal workforce, migrants and vulnerable households.

D. Project Description

This program draws upon the World Bank's global and Indian experience on social protection and community-driven development to help the Government of India link the emergency COVID-19 response with a broader social protection and resilience agenda. In triggering a social protection response program for COVID-19, India has relied on in-kind support and cash transfers through its various schemes and platforms. By doing so, the country is leveraging different



mechanisms of service delivery including piggy-backing on state government systems in the context of federal India, large rural safety nets, food distribution outlets, community organizations and self-help groups, and bank accounts linked to the unique Aadhar system. This operation supports such an approach while adding to the program in three different ways: (i) Fostering institutional reforms which move India's social security protocols from scheme-based fragmentation towards an integrated approach through a consolidated National Social Security Board, blending multiple instruments to provide a fast and flexible social protection response, and reducing administrative duplication and inefficiencies (ii) Building an adaptive social protection system through use of the government's disaster response funds which can quickly provide support to excluded groups and cater to the diversity of social protection requirements and delivery needs across states and communities, not only for COVID-19 but also for any future natural disaster/crisis (iii) Creating a portable social protection platform in India to ensure food, social insurance and cash-support for migrants across state boundaries.

The program not only enhances coordination across schemes and ministries to build a disaster responsive social protection system, it also expands the ability of India's safety nets architecture to become more inclusive by catering to a diversity of needs across states and vulnerable groups. Specific social groups are at risk of exclusion from accessing resources and government programs. Migrants and the urban poor have been at great risk during the COVID-19 crisis as social assistance programs in India largely target rural populations without portability across state boundaries. Even prior to COVID-19, India needed to pivot its social protection system to address the needs of a more urban, mobile and diverse population. The onset of the pandemic has escalated the urgency of this reform agenda. Most social protection schemes operating in modern India are designed for a rural, agrarian and chronically poor country. That India now only exists in pockets – the majority of the country has seen booming tele-digital and transport connectivity, sharp declines in income poverty and new neglected sources of risks related to climate, urbanization and migration. State capability and the delivery landscape are deeply different across regions. With economic growth, states have also diverged in their social protection needs and risk-profiles. India's response to COVID-19 and future resilience depends on how its social protection system responds to this heterogeneity. The program enables flexibility for state governments to cater to their contexts, while ensuring the needs of migrants, informal workers and the urban poor are addressed. Despite fiscal stress, state governments have proactively expanded support for the poor during the COVID-19 crisis. The proposed reforms will allow states to access flexible funding from disaster response funds to design and implement appropriate social protection responses to COVID-19 and future disasters. Given that larger shares of COVID-19 cases in India are currently in urban and peri-urban areas, geographically targeted support to these hot-spot districts will help deepen social protection coverage in urban areas.

E. Implementation

Institutional and Implementation Arrangements

The DPO will be implemented through Ministry of Finance, Government of India and will leverage existing Union and State government systems. A package of technical assistance will accompany it to help with just-in-time support when needed. There are over 465 Centrally Sponsored Schemes which provide either cash or in-kind benefits. While the policies and guidelines of centrally sponsored schemes are developed by the Union government, actual implementation (targeting, identification, etc.) is the responsibility of the State governments and Union Territories. There is adequate capacity at the Union government to guide and oversee Program implementation. The Public Financial Management System (PFMS) developed by the GOI is a fund tracking and expenditure filing system that can provide real time status of fund utilization and available funds. There is great heterogeneity in implementation capacities across states in India, and the proposed policy reforms will need to be supported through state level assistance through investment lending and technical assistance. These programs will need to ensure states are supported in designing delivery systems for social



assistance, identifying excluded groups and reinforcing linkages between community-based organizations and social protection programs.

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

Poverty and Social Impacts

The program's development objective is to support vulnerable groups through near-universal and portable social assistance, as it recognizes that pre-existing vulnerabilities (based on social identities) can be amplified during lockdowns and periods of social isolation. The Bank recognizes that the COVID-19 crisis is a difficult period to address social fault lines fully and satisfactorily. Overall, the program enables states to access monies from Disaster Response Funds to provide benefits to those at risk of exclusion – thus leveraging India's federalism. The focus on portability of benefits is an important strategy to cover left-out groups. Inclusion is therefore at the heart of this program's design. A few important areas are described below:

Gender Based Violence and Exclusion: The global data from the WHO on Gender-Based Violence (GBV) during the COVID-19 lockdown, as well as news reports and studies from across the world, including many from India, indicate a disturbing trend of increasing abuse, harassment and violence (including sexual exploitation and violence) faced by women and children on account of COVID-19 induced isolation. The proposed program's focus on directly transferring benefits to women is aimed at redressing the amplified gender-based vulnerabilities at this time. As per survey data collected for M&E of DPO1, between May and August 2020, nearly 70 per cent of women in the bottom 40th wealth quintile with PMJDY bank accounts received a cash transfer benefit. In the same time period, nearly 78 per cent of female-headed households received food ration benefits from the PMGKAY via the PDS. Of the 320 million beneficiaries of cash transfers under PMGKY, 204 million are women. Further, the fuel supply program provides benefits to the female heads of 80 million households. 60% of social pension (NSAP) recipients are women. Of the 234 million household receiving food rations through the PDS, 69 percent (163 million households) report women as the head of the household. PDS provides extra food supplies to female-headed families.

The main triggers for domestic violence are often the increased economic hardships faced by families and the outcome of the fear and anxieties that families and communities have about the future. Addressing the immediate triggers – i.e. lessening economic hardships – also has a positive effect as they lessen the risk of abuse and violence on women and children. Cash and in-kind transfers are therefore important, not only to improve women's position, but also to reduce consumption/income stress in the household. Finally, the program will closely monitor data on (i) benefit receipt by gender (ii) violence through administrative data on GBV cases and parallel surveys. However, it should be noted that the ability of surveys to pick up GBV is limited due to reluctance to report by victims. By delivering majority share of benefits to women, prior actions planned under the DPO will have significant positive gender impacts.

Scheduled Tribes: Tribal groups have the highest poverty rate in India – irrespective of consumption poverty or multi-dimensional poverty indicators. The social protection programs being leveraged for COVID-19 relief give extra weightage to tribal households (due to constitutional protections accorded to these groups) in targeting of benefits. Nearly 80% of tribal households have access to the PDS, 40% of employment days generated through MGNREGS are for SC/ST groups. This will be an important area of results monitoring and technical assistance at the state level, to ensure tribal communities have adequate access to benefits. Further, all actions supporting portable benefits for migrants will help tribal communities as they constitute a large section of inter-state migrants in India.

Portability and Migrant Communities: The program aims to make India's social protection system more inclusive for migrant communities through reforms which make food, cash and social insurance programs portable. COVID-19 has been



classified as a ‘disaster’ by the national government. This allows state governments to use funds in the State Disaster Response Funds (PA 7) to provide support to migrants. This reform has already allowed several states to leverage NGOs, self-help groups, police, educational institutes, front line workers and the PDS machinery to provide on-demand food/shelter/relief materials to migrants without seeking any proof of eligibility or registration. There is no singular national model for providing support to migrants as states have flexibility in how they manage the process. In DPO1, PMGKY provides portable shelter/food/lumpsum cash using State Disaster Response Funds.

Environmental, Forests, and Other Natural Resource Aspects

The program will not have any negative impact on the environment, forests and natural resources. Provision of LPG to households for cooking will improve community and environmental health through access to a clean fuel. It will reduce the use of firewood, and its associated indoor pollution and deforestation. As climate projections indicate the worsening of climatic conditions and resulting natural disasters, the program helps activate an adaptive social protection system by enabling use of state disaster response funds to provide fast and flexible cash support to workers and households to address the impacts of disasters triggered by climate change, thereby helping the climate adaptation agenda. The operation promotes flexibility in use of national and state disaster response funds which will not only help with COVID responses but creates a flexible system which can be deployed in future climate related disasters such as floods and cyclones. Beyond the climate change elements of the social protection, this DPO also includes a climate change pillar which is now required for all India DPOs.

G. Risks and Mitigation

The overall risk rating of the proposed operation is “substantial” on account of substantial risk in macroeconomic and institutional capacity for implementation and sustainability. In addition, there is uncertainty regarding the extent of the impacts of the COVID-19 pandemic, and in a pessimistic scenario, the pandemic could destabilize the economy further and lead to increased mortality and morbidity.

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APPROVAL

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