

## Ex-Ante Evaluation (for Japanese ODA Loan)

### South Asia Division 1, South Asia Department, JICA

#### 1. Name of the Program

Country: India

Program: The COVID-19 Crisis Response Support Loan for Social Protection

Loan Agreement: January 8, 2021

#### 2. Background and Necessity of the Program

(1) Current State and Issues of COVID-19 in India and the Positioning of the Program

COVID-19, which was declared a global pandemic by the WHO in March 2020, has been spreading rapidly in India since the end of March. As of December 2020, India has the second highest number of total cases, with nearly 10 million, and the third highest number of total deaths in the world, with nearly 150,000, and the country is still seriously impacted by COVID-19. Although a national lockdown implemented at the end of March has been gradually lifted, local lockdown measures are still in place in the areas where the virus is spreading. As a result, the COVID-19 pandemic has severely affected India's socioeconomic conditions. IMF projects India's real GDP growth at -10.3% in FY2020/2021, which is the lowest GDP growth in the last 30 to 40 years. The pandemic and the prolonged lockdown measures as well as their social consequences have resulted in decline in sales, suspension and reduction in production, and disruption in supply chain, adversely affecting the private sector's business activities. The economic activities of over 1,400 Japanese companies operating in more than 5,000 sites across India have also been seriously impacted.

To deal with rapid economic slowdown, the Government of India and the Reserve Bank of India (RBI) have both stimulated the economy, through fiscal and monetary policies, with huge economic packages worth a total of 30 trillion rupees (approx. 43 trillion yen, 1 rupee = 1.43 yen), which accounts for nearly 15 percent of India's GDP. However, these policies are negatively impacting on India's fiscal account due to increased COVID-19 related government spending and reduced revenue resulting from the economic downturn. General government deficit (including state governments) for FY2020/2021 is expected to drastically increase to 13.1 percent of GDP from 8.2 percent in the previous year (IMF).

There is a disproportionate impact particularly on the vulnerable, including the

poor<sup>1</sup> and women due to the economic slowdown (ADB, 2020). Owing to economic stagnation caused by the lockdown measures, India's unemployment rate soared to 23% in April from 7% in February before the lockdown, and nearly 100 million people, mainly the poor, temporarily lost their job. As a result, the livelihoods of the poor and their families have been severely impacted, causing enormous social uncertainty (Centre for Monitoring Indian Economy, 2020). Particularly in urban areas, many of poor migrant workers from rural areas working in the construction and manufacturing sectors have lost their jobs. The unemployment rate showed some improvement by November, which stood below the pre-lockdown level of 6.5 percent. However, it is pointed out that the improvement is only a consequence of lower labor participation rate, and furthermore, the unemployment rate rose to 9 percent in December. Therefore, it is yet vital to provide support to those who have lost their jobs, mostly the poor, and the vulnerable who have been significantly influenced by social uncertainty.

Since social protection services by state governments are provided only to the residents of each states, millions of migrant workers working outside their home states were forced to go back home, amid restrictions on transportation services, to apply for social protection programs despite the concerns that traveling may increase their risk of getting infected with the virus. MSMEs in urban areas which are dependent on migrant workers as their workforce are suffering from serious labor shortages as a consequence of the outflow of migrant workers, while economic activity has been gradually recovering. Hence, there is a growing need to provide support for the livelihoods of people such as migrant workers in informal sector, and to implement policy reform to ensure those in need for support can enjoy it upon necessity. People living in rural area account for nearly 80 percent of the poor in India and nearly 70 percent of its labor force (2011 Census), and the livelihoods of internal migrant workers who have returned home and their families need to be supported. In addition, it is imperative to improve working conditions of workers, particularly front-line healthcare workers tackling COVID-19, who have been working without adequate health insurance for COVID-19.

In March 2020, the Government of India announced the Pradhan Mantri Garib Kalyan Yojana ("PMGKY") totaling 1.7 trillion rupees (approx. 2.4 trillion yen),

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<sup>1</sup> People living below the poverty line (less than \$3.2 per day) in lower middle income countries which account for nearly 40.2 percent of the world's population as of 2018.

which consists of five existing social protection programs<sup>2</sup>. This is the first major economic package among other packages that include various social protection programs. The purpose of this scheme is to mitigate the rapidly worsening economic impacts and to support the poor and the vulnerable. The PMGKY is a social protection program that provides economic support mainly to healthcare workers and the poor and the vulnerable who are significantly affected by the socioeconomic crisis. The PMGKY provides 1) free health insurance for healthcare workers; 2) cash payments for the vulnerable (farmers, the poor, women, elderly people, and persons with disabilities); 3) distribution of food and fuel rations for the poor; and 4) relief supplies and cash payments for workers in both formal and informal sectors. In addition, the program is aimed at containing and mitigating socioeconomic impacts of COVID-19 and strengthening socioeconomic institutions in India so that its citizens can benefit from social protection programs no matter which state they are staying and they can resume working beyond the state borders.

Under the COVID-19 Crisis Response Support Loan for Social Protection ("the Program"), budget support will be extended in order to meet immediate financial needs of the Government of India and to support to address issues in social protection sector through the PKGKY promoted by the Government of India. Hence, the Program is regarded as a key project in India's countermeasures against COVID-19.

## (2) Japan's and JICA's Cooperation Policy for COVID-19 and the Positioning of the Program

In the Country Assistance Policy for India (March 2016), the Government of Japan highlights income generation programs for the poor as a priority area to support sustainable and inclusive economic growth in India and committed to providing assistance which contributes to poverty reduction and social sector development. The Program is classified as a basic social service improvement program, which is to be carried out as one of the priority areas "Supporting Sustainable and Inclusive Growth." Under its pillar of "Inclusive Rural Growth," JICA Country Analysis Paper for India (March 2018) points out the need to further enhance health and social services for the improvement of the livelihood

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<sup>2</sup> Five existing social protection programs include job creation in rural areas, provision of gas cylinders, cash payments for widows, elderly people, and persons with disabilities, and cash payments for women on a low income, as well as coordination and monitoring between state governments and central governmental departments and agencies that will be required to implement the PMGKY.

of the poor and the need to secure income for the achievement of sustainable and inclusive growth in remote rural areas where many low-income households are located. The Program is consistent with JICA's policies and analysis and contributes to the achievement of SDG Goal 1 (No Poverty), Goal 5 (Gender Equality), and Goal 8 (Decent Work and Economic Growth). Moreover, the Program, which is aimed at containing and mitigating socioeconomic impacts of COVID-19 and strengthening socioeconomic institutions in India, supports the improvement of the business environment for Japanese companies operating in India which have been severely affected by socioeconomic uncertainty in the country and have had difficulty in securing local workers for their construction projects including ODA projects. Hence, the Program ultimately contributes to the effort for economic recovery of Japan.

### (3) Other Donors' Activities

In May 2020, the World Bank provided a US\$750 million loan to the Government of India for the implementation of the PMGKY, as the first tranche of its COVID-19 Social Protection Response Program. In December 2020, the World Bank approved a US\$400 million loan as the second tranche of the program, taking its total commitment to US\$1.15 billion. The Asian Infrastructure Investment Bank ("AIIB") provided a US\$750 million loan as a co-financing with the World Bank. The French Development Agency ("AFD") and the German Development Bank ("KfW") committed 200 million euros and 250 million euros respectively as co-financing with the World Bank's program sharing the same policy matrix. Similarly, to support the PMGKY, the Asian Development Bank ("ADB") extended a US\$1 billion loan (Countercyclical Support Facility), separately from the World Bank's program. For the Indian government's US\$2 billion healthcare program, "COVID-19 Emergency Response and Health System Preparedness Package," the World Bank provided a US\$1 billion loan and the AIIB made co-financing contributions of a US\$500 million to the program. The ADB separately provided a US\$500 million loan to support the program. The New Development Bank ("NDB") also approved a US\$1 billion loan for both health sector and social protection program. In June 2020, the World Bank further approved and provided a US\$750 million loan to the Government of India to support its MSME support program.

### 3. Program Description

#### (1) Program Objective

The objective of the Program is to contain COVID-19 and mitigate adverse socioeconomic impacts in India, by extending budget support to Government of India implementing emergency response programmes and policy reforms for social protection as countermeasures against the COVID-19, thereby contributing to promoting the social and economic stabilization and development efforts of India.

#### (2) Program Site/Target Area

India

#### (3) Program Components

The Program will extend budget support to the Government of India for its economic support programs for the poor and the vulnerable and policy reforms. Under the Program, support will be provided in accordance with the following common policy matrix with the World Bank as the co-financing partner.

Policy agenda	Policy action
Leveraging Pre-existing Social Protection Measures for COVID-19 Relief	<ul style="list-style-type: none"><li>• Approve the PMGKY under which existing social protection programs are combined.</li><li>• Develop and approve the provision of free food rations for a three-month period.</li><li>• Amend regulations to include pandemic as a reason to allow workers to withdraw from their Provident Fund account.</li><li>• Supplement three months' contributions into the Provident Fund account for low-wage workers in small and medium enterprises.</li></ul>
Protecting Workers in Essential Service Supply Chains during COVID-19 Pandemic	<ul style="list-style-type: none"><li>• Establish a special health insurance scheme for health workers providing essential care/medical services to COVID-19 patients.</li></ul>

Improving Access and Delivery for Vulnerable Populations	<ul style="list-style-type: none"> <li>• Issue advisories to all States' government on how to use Workers Welfare Fund to provide relief materials and cash to registered construction workers.</li> <li>• Enable the States' government to use finances from the State Disaster Response Funds to provide migrant workers relief materials and in-kind support.</li> <li>• Issue guidance largely adopted by public sector banks to waive ATM charges for all cash withdrawals to facilitate access to cash and PMGKY payments.</li> </ul>
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(4) Estimated Program Cost

Loan amount: 30,000 million yen

(5) Schedule

The provision of budget support under the Program commenced in May 2020. The achievement of the policy actions has been confirmed. The Program will be completed upon the completion of loan disbursement.

(6) Program Implementation Structure

- 1) Borrower: The President of India
- 2) Executing Agency: Department of Economic Affairs, Ministry of Finance

(7) Collaboration with Other Schemes and Donors

1) Japan's Assistance Activity

COVID-19 Crisis Response Emergency Support Loan was approved on August 31, 2020 as budget support for emergency response to the healthcare sector in the COVID-19 pandemic. In conjunction with the Program, the emergency support is extended to India which has been seriously impacted by COVID-19.

2) Other donors' Assistance Activity

The Program co-finances the first tranche of the World Bank's COVID-19 Social Protection Response Program which is implemented in two tranches. The World Bank agreed with the Indian government on the policy matrix applicable to social protection for the poor and the vulnerable and supports the implementation of the policy matrix through co-financing with other donors including AFD.

(8) Environmental and Social Considerations/Cross-Sectoral Issues/Gender Category

1) Environmental and Social Considerations

1. Category: C

2. Reason for choosing this category: As the Program is a budget-support loan, the negative impact on the environment from this Program is likely to have minimal or little adverse impact on the environment under the 'JICA Guidelines for Environmental and Social Considerations (April 2010)'.

2) Cross-Cutting Issues:

1. Relevance to climate action: N/A

2. Poverty reduction and considerations: The policy actions under the Program include economic support, such as relief supplies and cash payments to the poor and the vulnerable, and the Program is therefore classified as a poverty reduction program.

3. HIV/AIDS and other infectious disease control: N/A

4. Participation-type development: N/A

5. Disability considerations, etc.: The policy actions under the Program include cash payments and other economic support for persons with disabilities who have been significantly affected with economic decline and the Program is therefore classified as a program considering persons with disabilities.

3) Gender category:

Gender project: ■ GI (S) (Gender informed (Significant))

<Reason for Categorization>

Under this Program, cash payments are made to widows and poor women to help the socioeconomically vulnerable women to maintain their livelihoods.

Two-thirds of the cash payment recipients are women and the indicators are to be collected with gender-based information.

(9) Other important issues: N/A

#### 4. Targeted Outcomes

##### (1) Quantitative Effects

##### Outcomes (Operation and Effect Indicators)

Adequacy of benefits provided through the COVID-19 Social Protection Support Program measured by PMGKY transfers as a percent share of total household consumption expenditures for the poorest quintile in India (%)	0	40 (2021)
Access to essential food supplies measured by percentage share of poor households receiving the additional food ration entitlement for a three-month period (%)	0	60 (2021)
Access to wage protection measures measured by percentage share of low-wage workers withdrawing funds from Employee Provident Fund Accounts citing the COVID-19 pandemic as a reason for withdrawal (%)	0	25 (2021)
Timeliness of wage-loss compensation measures measured by percentage of low-wage workers in SME's receiving additional contribution announced within eight-weeks of the announcement (%)	0	60 (2022)
Utility of health insurance measures measured by percentage share of essential service workers infected with COVID-19 using the Special Health Insurance Scheme (%)	0	30 (2021)
Access to support measured by percentage share of construction workers registered with Workers Welfare Fund receiving cash transfers (%)	0	50 (2021)
Migrant-neutrality of support measured by percentage of India's population able to access to portable food benefits through the Public Distribution System (PDS) (%)	0	33 (2022)
Timeliness of cash-transfers provided measured by percentage of poor households who have received at least one PMGKY benefit within eight-week period of program announcement	0	60 (2021)

Note: The same operation and effect indicators have been set with the World



Bank as the co-financing partner.

(2) Qualitative Effects

Reduction in unemployment, support for livelihoods of the poor and the vulnerable, improved social protection programs for the poor and the vulnerable and more efficient implementation institution, and consequently social and economic stabilization in India.

(3) Internal Rate of Return

Not calculated as it is a program loan.

**5. Preconditions and External Conditions**

(1) Preconditions

None in particular

(2) External Conditions

India shall continue its measures to contain COVID-19 and to avoid further deterioration.

**6. Lessons Learned from Past Programs**

Two major lessons have been drawn from the ex-post evaluation of the "Emergency Budget Support Japanese ODA Loan" program for the Philippines. Firstly, this particular loan, which was built on the framework of existing program loans, was provided in a flexible and timely manner in the midst of the financial crisis of 2008, thus enhancing the effectiveness of the intervention. Secondly, since one of the objectives of emergency budget support was to extend financing in a timely manner to facilitate crisis response, the procedures for the loan disbursement should be as simple and flexible as possible. Having learned the lessons above, the Program makes the most of the framework developed by the Government of India and agreed with the World Bank in identifying the policy actions and evaluation indicators. This arrangement enables the timely provision of the loan to meet the urgent financial needs.

**7. Evaluation Results**

The Program, which is designed to meet immediate financial needs of the Government of India and to support to address issues in social protection sector through the PKGKY promoted by the Government of India, is consistent with the development issues and policies of India as well as Japan's and JICA's cooperation policies and analysis. The Program is also beneficial to containing and mitigating socioeconomic impacts of COVID-19 and strengthening of socioeconomic institutions in India through support for the poor and the vulnerable, and is expected to contribute to the achievement of SDG Goal 1 (No

Poverty), Goal 5 (Gender Equality), and Goal 8 (Decent Work and Economic Growth). For these reasons, there is a significant necessity to support the implementation of the Program.

#### **8. Plan for Future Evaluation**

(1) Indicators to be used in future evaluation

As indicated in section 4.

(2) Future evaluation schedule

Ex-post evaluation: two years after the program completion

End