Board Meeting of January 15, 1998
Statement by Ilkka Niemi

India: Country Assistance Strategy

Let me start by complimenting staff for the document in front of us, which to me represents a good example of a joint World Bank Group Country Assistance Strategy.

I would like to associate myself with the statement released by CODE’s Sub-committee. I especially concur with the Sub-committee’s views on IDA lending and lending to states. As the subcommittee I also endorse the key elements of the basic approach in the CAS encouraging further economic liberalization and sustainable investment in infrastructure and human resources.

I agree with the ambitious program put forward by the Bank with a view to reduce poverty, continue and strengthen the reform process and considerably expand disbursements. Achieving the objectives require not only favorable political conditions but also that the Bank’s field presence acquires the necessary strength and capacities.

I find the overall goal of poverty reduction commendable. IDA resources go towards the social sectors, with an emphasis on education and health. However, it is clear that the Bank has made a particular effort to integrate poverty considerations into the programming of IBRD loans also, thus responding to the criticism made by several donors.

The Bank plans to concentrate its efforts in states that have committed themselves to reforms. This includes some of the poorest states and excludes others. While this is an understandable strategy given the likely political environment and the magnitude of the tasks at hand, there is a risk of contributing to further increasing the uneven geographical distribution of development.

We need to keep in mind that the autonomy which the states enjoy today is of recent origin, and also in need of political consolidation and legal clarification. The Bank’s focusing on some states may in the worst possible case lead to conflict with the central government.

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On this issue of selectivity I do notice the difference in the Bank's approach with different borrowers, and I therefore look forward to the upcoming Board discussion on selectivity. In the case of India I would like to hear from staff if there are any plans to conduct non-lending activities in non-performing poor states.

Having said that I have a few more comments.

Corruption and governance are only dealt with in passing. In view of the importance of these issues to India and the Bank's mandates in these fields, we would have thought that be given more prominent consideration.

The environmentally related strategy elements could have been more concrete in terms of indicating how the Bank intends to support India in its efforts to improve the management of natural resources and reduce the heavy loads on the environment and the health of people stemming from urban pollution. Again, measures that would allow people a stronger say in the political decision making, and specific interventions aimed at reducing the dependence on environmentally stressful energy sources and technologies would be appropriate.

Finally, my constituency deplores the fact that their representations in New Delhi have not been involved in a dialogue on the CAS.