

## Results Profile: Public Finance Reform in Bihar, India



### IMPROVING SERVICES

Reforms boost funding for roads, education and health

## Overview

India's Bihar state is home to some of India's poorest people, but a new reform effort by the Bihar government, backed by World Bank funding and technical support, has helped Bihar improve public finance management and direct the proceeds toward getting more children into schools, immunization, and fighting corruption.

### Full Brief—4 Pages

[Helping India's Bihar State Boost Public Services Through Better Management—PDF, April 2010](#)

## Challenge

Bihar is one of India's largest and poorest states, with 8.5 percent of India's population and only 1.6 percent of its gross domestic product (GDP). Nearly half of all households are landless or near landless, with agricultural laborers constituting 48 percent of the labor force, almost double the national level of 27 percent. Two million children between 6-13 years of age are out of school; there are high levels of teacher absenteeism, and a literacy rate of 48 percent. Bihar's public services and infrastructure are among the worst in India. Nearly 60 percent of homes in the state were not connected to roads, only 21 percent of households had access to piped water, and electricity is not available to the vast majority of households.

## Approach

Beginning in 2007, IBRD supported Bihar's 2-year-old reform program through the [Bihar Development Policy Loan/Credit](#). The government's program aims at improving fiscal policy, public financial management and governance. Its goal is to boost economic growth through reforms in agriculture, investment climate and basic infrastructure, with an emphasis on roads. It also supports improving public service delivery in education and social protection. The funding from IBRD helped create fiscal space for development by financing the government's budgeted expenditures including retiring expensive public debt.

## Results

Bihar's tax revenues have increased by an impressive 19 percent annually since the reform

More Results



77%

Fewer out-of-school children in India's Bihar State than in 2006

### MORE INFORMATION

- » [Bihar: Towards a Development Strategy](#)

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- » [UK Department for International Development](#)
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program began in 2005/06, and the size of the budget increased by 158 percent between 2004/05 and 2008/09. Gross State Domestic Product (GSDP) accelerated to 10.7 percent between 2004/05 and 2008/09 from an annual average rate of 4.5 percent between 1999/00 and 2003/04, the pre-reform period. Public financial management reform—combined with greater delegation of financial powers—has resulted in a trebling in development expenditures on such areas as roads, health and education.

About 1,900 km out of a total 3,000 km of the national highway network were renovated by December 2009, along with 3,432 km of district roads between 2006/07 and 2008/09. In health, the number of out-patients visiting a government hospital rose, on average, to 4,380 in October 2008, from 39 per month in January 2006; the percentage of the population now fully immunized rose to 53 percent in 2008 from 18.6 percent in 2005; the number of babies delivered in healthcare facilities also shot up from 112,371 for FY 2006/07 to 780,000 in 2008/09 (through December 2008). Medicines are also being provided free to patients.

In education, the number of out-of-school children fell steeply by 77 percent between 2006/07 and 2008/09. In 2008, the government extended its midday meal scheme to cover children in grades six through eight, thereby increasing the program's reach to nearly 11 million children.

## Toward the Future

While IBRD's development policy loan closed on December 31, 2009, it is potentially the first of four such loans between 2007 and 2011, amounting to \$900 million. IBRD provided \$150 million to the first DPL, and the [International Development Association](#) provided a \$75 million credit. A request for the next operation is in the pipeline, and is likely to be delivered in the 2011 fiscal year.