Board Meeting of February 18, 1999
Statement by Bassary Touré

INDIA: CAS PROGRESS REPORT AND ADAPTABLE PROGRAM LOAN

I want to start by congratulating staff and management of the World Bank Group for this comprehensive and straightforward CAS Progress Report.

The report provides a good update and assessment of the recent political and economic developments in India since the last CAS discussed by the Board on January 15, 1998. The CAS, based on a vision of India for the year 2010, was essentially built around the overarching objective of poverty reduction through accelerated growth and social development. The initial phase of its implementation was very successful and substantial progress on structural reforms was achieved.

However, in addition to the impact of the East Asia crisis, economic sanctions were imposed on India, in reaction to its nuclear tests in May 1998, and financial conditions seriously deteriorated as a result of loss of investor confidence and the suspension of new official bilateral and multilateral disbursements for non-humanitarian purposes. Nevertheless, under these adverse circumstances even when financing dried up, the government remained committed to the reform and progress has been made with respect to all five major components of the CAS strategy, as stated in the report.

Despite these positive developments, the government still has enormous challenges to face in the years ahead as outlined in this update, in order to consolidate the macroeconomic stability, maintain economic growth and further poverty alleviation.

- We agree with the emphasis stressed in the document on the need to strengthen the financial sector in general, and the banking sector in particular. In this regard, we believe that the recent consolidation process initiated by the government, through the Reserve Bank of India (RBI) is an important step in the right direction.

- We agree with the Report assessment that India’s 5% growth achieved in 1998 is impressive and encourage the government to deepen reforms including:
(i) the privatization of public enterprises;
(ii) the maintenance of prudent fiscal budget policies in a low inflation context;
(iii) the creation of a legal framework for private sector activities;
(iv) the liberalization of trade and deregulation of the economy.

- We would like to express strong support for the Bank’s ongoing assistance strategy with a focus on poverty reduction by giving the priority to human resource development, according to the 1998 India Poverty assessment, and we commend the broad efforts made by the government and the Bank to strengthen the participation of beneficiaries and affected people in project preparation and formulation policy. We consider that sustaining these efforts will lead to major improvements in the social indicators and services targeted to the poor.

- We hope that IFC and MIGA will very soon resume their catalytic roles in furthering the development of India’s private sector.

- With regard to the proposed APL, we welcome this operation as timely and appropriate support for the significant steps taken by the government in the power sector given the difficult political and economic context. At the same time, this APL will help India improve its creditworthiness and restore investor’s confidence.