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INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

COUNTRY STRATEGY PROGRESS REPORT

FOR INDIA

FOR THE PERIOD FY2009-2012

December 14, 2010

India Country Management Unit, South Asia Region
International Finance Corporation, South Asia Department

The date of the last Country Strategy for India was December 11, 2008

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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
ADB	Asian Development Bank
AusAid	Australian Government Overseas Aid Program
BBMB	Bhakra Beas Management Board
BRIC	Brazil, Russia, India, and China
BSSL	Banking Sector Support Loan
CAG	Comptroller and Auditor General
CAS	Country Strategy
CERs	Certified Emissions Reductions
CPIA	Country Policy and Institutional Assessment
DPL	Development Policy Lending
DFID	United Kingdom Department for International Development
DIR	Detailed Implementation Review
EC	European Commission
FRBM	Fiscal Responsibility and Budget Management
GAAP	Governance and Accountability Action Plan
GDP	Gross Domestic Product
GNI	Gross National Income
GEF	Global Environmental Facility
GTZ	German Development Corporation
HIV/AIDS	Human Immunodeficiency Syndrome
HP	Himachal Pradesh
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technologies
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IIFCL	India Infrastructure Finance Company Limited
infoDev	Information for Development Program
INT	Department of Institutional Integrity
IT	Information Technology
JNNURM	Jawaharlal Nehru National Urban Renewal
LIS	Low-Income State
MDG	Millennium Development Goal
MIC	Middle-Income Country
MP	Madhya Pradesh
MUTP	Mumbai Urban Transport Project
NACO	National Aids Control Organization
NGO	Non-Governmental Organization
NGRB	National Ganga River Basin
NIIHP	National Highway Interconnectivity Improvement
NIPFP	National Institute for Public Finance and Policy
NRHM	National Rural Health Mission
NOAPS	National Old Age Pension Scheme
OECD	Organization for Economic Cooperation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public-Private Partnership
PREM	Poverty Reduction and Economic Management
PRI	Panchayati Raj Institution
QAG	Quality Assurance Group
RMSA	Rashtriya Madhyamik Shiksha Abhiyan
RWSS	Rural Water Supply and Sanitation
SAIDP	South Asia Infrastructure Development Program
SBL	Single Borrower Limit
SDR	Special Drawing Right
SEDF	South Asia Enterprise Development Facility
SME	Small and Medium Enterprise
SSA	Sarva Shiksha Abhiyan
SWAp	Sector Wide Approach
TEQIP	Technical/Engineering Education Quality Improvement Project
TFs	Trust Funds
TFESSD	Trust Fund for Environmentally and Sustainable Development
UN	United Nations
VAT	Value Added Tax
WBG	World Bank Group
WBI	World Bank Institute

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World Bank	
Vice President	Ms. Isabel M. Guerrero
Country Director	Mr. Roberto Zagha
Country Program Coordinator	Ms. Anna Wellenstein
Co-task Team Leaders	Ms. Mandakini Kaul
	Ms. Dorota A. Nowak
International Finance Corporation	
Vice President	Mr. Rashad R. Kaldany
Director, South Asia Department	Mr. Thomas Davenport
Manager	Mr. Shamsher G. Singh
Task Manager	Ms. Junko Oikawa

COUNTRY STRATEGY PROGRESS REPORT
INDIA

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EXECUTIVE SUMMARY

i. The Board of Executive Directors discussed the Bank Group FY09-12 Country Strategy (CAS) for India on December 11, 2008 (Report No. 46509-IN) proposing support to India's 11th Five-Year Plan (2007-2012). Mid-way through its implementation, the CAS' areas of focus: sustaining high and inclusive growth; ensuring sustainable development; and improving public service delivery remain unchanged and highly relevant. This Progress Report reviews recent economic, social and policy developments in the country; documents considerable progress in the implementation of the Bank Group's program; and discusses strategic shifts. It concludes with challenges and risks to the program, including the Government of India and the World Bank Group's approach to maintaining the medium-term sustainability of the program in light of financing constraints.

ii. India's response to the 2008 global financial crisis was swift and effective. After an initial decline from 9 percent growth to less than 6 percent, the economy rebounded to grow at 8.7 percent in the second half of FY10 and is likely to reach about 9 percent in India's FY12.[1] Guided by the G20 November 2008 decisions, the Bank supported India's response through a series of operations (totaling US$4.2 billion) that helped ensure credit growth in the economy, and access to infrastructure finance. IFC contributed with an unprecedented US$2.74 billion (including $976 million for mobilization) in investments to the private sector in FY09-10. Following the May 2009 election, the new government continued, and in some cases accelerated, the development program set out in the 11th Five-Year Plan. This included: a) plans to double investments in infrastructure to US$1 trillion; b) expansion of national programs aimed at inclusiveness, such as rural roads, education, access to food, and livelihoods; c) rationalization of subsidies and transfers to the poor; d) environmental sustainability which is becoming increasingly important; and, e) disinvestment of state-owned enterprises. To meet these challenges, the Government of India has expanded demands on the Bank Group services for lending, investments, knowledge and capacity building. This has taken the World Bank Group relationship with India to a new level in terms of level of financing and technical collaboration.

iii. The Bank Group's ability to combine finance, technical expertise, and international experience is particularly valuable in this phase of India's development. From river clean-up and private-public partnerships (PPP) in roads to improving secondary education, the Bank Group is working with the Government and the private sector to design projects that will help shape and improve a large array of development programs. In transport, for example, the Bank will finance the adoption of country-wide e-procurement and institutional reforms to ensure better rural road maintenance as well as improvements in the highway management systems, including safety, asset management, and adoption of international standards in PPPs. Proposed support to the National Ganga River Basin Authority encompasses coordination of the national, state, and local entities involved in improving the management and quality of the river. The Bank's knowledge support on options for low-carbon growth has helped inform the debate and decision making as India strives to meet its goal of reducing the carbon intensity of its growth, as have IFC's active engagements to promote climate-friendly investments in the private sector.

iv. The CAS called for an increased engagement in the seven low-income states (LIS) of Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, and Uttar Pradesh—home to more than fifty percent of India's poor. Progress under the CAS has been mixed. In Bihar, a decade-long partnership that includes analytical and technical assistance, policy dialogue and lending, has supported to an extent fiscal turnaround and economic growth, as well as poverty reduction. In Madhya Pradesh, Rajasthan and Uttar Pradesh, lending has been modest, but we continue to work on plans to broaden the policy dialogue. In Chhattisgarh and Jharkhand, conditions on the ground have hindered plans for a more substantive engagement. LISs also benefit from a number of multi-state and centrally-sponsored schemes across many sectors. IFC has also focused on LISs, with an increasing number of advisory and investment services going to LISs. In the remaining CAS period, the Bank Group will continue to support LISs through dialogue, technical assistance, lending, investments and analytical and advisory activities (AAA), while

[1] Based on India's financial year which runs from April 1 to March 31.

recognizing each state's capacity constraints and ability to absorb Bank financing, as well as the role of other donors. At the request of the Government of India, the Bank is preparing a Technical Assistance project for three LISs (Bihar, Chhattisgarh, and Jharkhand) to help build their project preparation capacity.

v. As a result of increased demands, IBRD lending has moved faster than initially expected, with US$8 billion of IBRD committed in the first two years of CAS implementation. This has led to India moving closer to the Single Borrower Limit (SBL) earlier than anticipated. On the IDA side, US$2.9 billion was committed in FY09-10 out of a total IDA15 allocation of US$4.79 billion.[2] On August 5, 2010 the Bank's Board of Executive Directors approved a US$1 billion increase to India's SBL, raising it to US$17.5 billion. Although this ensures the continuation of the India CAS lending program in the short term, other financing options have to be considered to put the program on a more sustainable basis in the medium term. As a first step, the Government has agreed on purchases of IBRD Special Private Placement Bonds sufficient to maintain IBRD's net exposure within the SBL. Discussions on the specifics of the bond purchase and other options, such as leveraging private financing, are underway.

vi. As a result of the Government of India and Bank active management of the Bank portfolio, its performance has improved over the last two years. Disbursement ratios and disbursed amounts improved to record levels by the end of FY10. Portfolio risk declined; commitments at risk and projects at risk decreased. The performance of the India portfolio is now better than the Bank-wide average in terms of commitments and projects at risk. The Bank will continue to work with the Government on strengthening portfolio monitoring so that this level of performance could be maintained for the remainder of the CAS period and beyond.

vii. The CAS program faces challenges related to India's demands for higher levels of standards in both economic and analytical work, and in projects which are particularly challenging because of their transformative nature e.g. Ganga River Basin, Rural Roads II and National Livelihoods, innovative pilots such as Karnataka Watershed, and Social Security for Unorganized Sector Workers. At the same time, and assuming that India continues to grow at high rates, an IDA 16 allocation may be India's last IDA allocation. In parallel, the purchase of IBRD bonds to keep exposure within the SBL and intensified efforts to increase the leveraging of Bank resources are new ways of doing business in India for the Bank and will require learning and adaptation. A new approach in which the World Bank Group is seeking to respond to India's rapidly increasing sophistication in addressing its development challenges is already being implemented and will set the stage for the next CAS.

viii. Finally, achieving the Bank Group's CAS outcomes faces three types of risks. First, exogenous domestic and global risks— such as a prolonged slow global economic recovery and uncertain evolution of commodity prices may hinder the achievement of India's growth and poverty reduction objectives. Second, at the project level, where we are responding to the Government's demands to push the boundaries in terms of introduction of middle-income country standards of public sector management, operational risks include weaknesses in the public sector's ability to efficiently deliver services due to outdated systems and practices, an inadequate results-based culture, lack of systematic monitoring and evaluation and last but not least, the increasingly innovative and pilot nature of the projects financed by the Bank Group. Third, at the program level, institutional weaknesses also continue to pose challenges to the successful implementation of the India program.

[2] IDA 15 Allocation for India was SDR2.919 billion.

I. INTRODUCTION

1. The Board of Executive Directors discussed the Bank Group FY09-12 Country Strategy (CAS) for India on December 11, 2008 (Report No. 46509-IN). The CAS is aligned with the Government of India's development goals as laid out in the 11th Five-Year Plan (2007-12) and addresses key challenges under three pillars: i) sustaining high and inclusive growth; ii) ensuring sustainable development; and, iii) improving public service delivery, with a cross-cutting focus on improving effectiveness of public spending and achieving monitorable results. This Progress Report takes stock of the implementation progress of the CAS and notes strategic shifts. It begins with a description of the current country context, notes progress under each pillar, and concludes with a forward-looking section on challenges and risks.

II. COUNTRY CONTEXT

2. Over the last two years, the Government has enacted a series of policy reforms and transformative programs aimed at inclusive growth and improved economic management. Infrastructure, for example, remains a top priority, with the Ministry of Road Transport and Highways announcing plans to expand road constructions from 3 to 20 km per day. Other initiatives include a new National Rural Livelihood Mission; Right To Free and Compulsory Education legislation guaranteeing education for all children up to age 14; an enhanced National Rural Employment Guarantee program; improved gender equality at the grassroots level by reserving 50 percent of village council (panchayats) seats for women.[3] To increase government effectiveness, a Performance Monitoring and Evaluation System for all ministries is underway. A massive exercise to issue Unique Identification Numbers to all Indians was launched to improve the targeting and delivery of government programs and public services, while rationalizing subsidies. Environmental management is increasingly being considered on par with economic growth objectives, and efforts have been stepped up to ensure that trade-offs are made explicit and considered in a transparent manner, using a rules-based approach. There is more focus on environmental safeguards for infrastructure projects, investments in air quality, coastal zone management, industrial pollution and wastewater treatment, and addressing climate change challenges. (See Annex 2 for a list of recent Government initiatives and reforms.)

3. On the fiscal front, a gradual withdrawal of the fiscal stimulus and return to a path of fiscal consolidation has been set in motion. Prices of oil products have been deregulated. The Government's disinvestment program has been accelerated and financial sector reforms in line with regulatory reforms world-wide have been introduced. A lot has been accomplished, but as the recently completed Mid-Term Appraisal of the 11th Five-Year Plan indicates, progress in some sectors (e.g. agriculture, education dropout rates, and infant and maternal mortality rates) has been slower than expected and targets are likely to be missed. (See Annex 3 for summary of the Mid-Term Appraisal.)

4. The Indian economy proved to be more resilient than initially expected. The economy is now back on a high growth path after slowing to a low of 5.7 percent of GDP in FY08/09. Although growth prospects depend to some degree on the health of the global economy, it is likely that the growth rate could rebound to 8.5 percent in FY10/11[4] and 9 percent in the following year. The initial increase in fiscal deficits and debt is expected to be offset by recent tax and other fiscal reforms, including elimination of oil and gas subsidies that will ensure a gradual return to a sustainable fiscal path. The general government deficit is projected to decrease to 8.5 percent of GDP in FY10/11 and 5.5 percent by FY14/15. However, some potential risks remain. Inflation hovers slightly above 8.5 percent and has remained at this level since March 2010, when it rose on the back of rising global energy prices and double-digit food inflation. Export growth is showing cautious signs of improvement after steep declines (export growth dropped from 25 percent in FY07/08 to 13.7 percent in FY08/09 and then contracted by 4.7 percent in FY09/10). The current account deficit, which widened to 2.4 percent of GDP in FY09/10, is expected to remain about the

[3] This was a significant increase from the 33 percent mandated two years earlier in March 2007.
[4] This is standard notation for India's financial year which runs from April 1 to March 31.

same in FY2010/11. The trade deficit is 10 percent of GDP. Capital inflows are putting pressure on the rupee, further eroding export competitiveness.

5. MDG targets will not be met globally, if targets are not met in India—home to one-third of the world's poor. A lot remains to be done. Despite high economic growth and the government's unprecedented push for social inclusion, India's poverty remains a major challenge. According to the newly-revised official poverty line, in 2004-05, 37.2 percent of Indians were poor—with 41.8 percent poor in rural areas.[5] Indicators of deprivation remain exceptionally high. The gender gap persists. Lack of access to basic services (water, energy, and sanitation) remains far more widespread than consumption poverty, which results in significant health impacts; and malnutrition is endemic with 49 percent of the world's underweight children living in India. However, impressive gains have been made on other fronts. In education, the number of out-of-school children declined from 25 million in 2003 to 8.1 million in 2009. At the elementary level, the gender gap has shrunk and the share of scheduled castes and scheduled tribes in enrollments is now in line with their respective shares in the total population. Similar progress has been registered on institutional births, total fertility rate, family planning methods, and knowledge of HIV/AIDS. But much remains to be done on maternal and child health and nutrition, as well as water supply and sanitation. (See Annex 14 on India's progress on MDGs.)

6. In the last two years, the Government has made progress on major governance reforms outlined in the 11th Five-Year Plan. India recently became a member of the OECD Financial Action Task Force on anti-money laundering and combating the financing of terrorism. A division in the Cabinet Secretariat in charge of supervising the design and implementation of the Government's performance management system was created in 2009. The Central Vigilance Commission has drafted and submitted for public consultation a National Anti-Corruption Strategy.

III. OVERALL PROGRESS IN IMPLEMENTING THE 2008 CAS

7. The CAS remains relevant and continues to support the Government of India's development goals as set out in the 11th Five-Year Plan. The implementation of the strategy, however, in terms of the pace and volume of lending, have diverged from initial CAS projections. The AAA program has also under gone some adjustments so that it is better focused on high-priority cross-sectoral activities as well as on-demand policy and implementation advice.

8. During the first two years of the CAS period, the global financial crisis as well as the Government's stepped-up efforts to address key development challenges—launching new and strengthening existing social development schemes—resulted in increased requests for Bank financing and AAA. The Bank is increasingly supporting transformative programs with a strong focus on improvements in policies and programs that "leverage" the Bank's financial and non-financial resources (mainly in transport and power), and programs that pilot new approaches (e.g. health insurance, coastal zone management, and industrial pollution). Transformative projects such as these are likely to take center stage for the remainder of the CAS and become even more important in the next. As a result the World Bank Group's partnership with the Government of India, most notably in the environment sector, both in terms of financing and technical collaboration has reached a new level.

9. Progress toward the ***CAS outcomes*** under each of the three pillars is on track. Through the Bank's support to rural livelihood projects, 12 million poor people have been organized into community groups, and over five years $5.8 billion of credit have been accessed by rural households. In health, during the

[5] Since the writing of the CAS, the Government has revised its poverty numbers upwards as a result of the Tendulkar Committee Report, which was released in January 2010. The Committee was set up to review the poverty lines which had remained fixed at 1973-74 levels, so that they better reflect changes in the Indian economy. The increase in the incidence of poverty with respect to earlier estimates is entirely due to this revision of the poverty line. The revised figures are based on 2004-05 data, as the earlier ones; new data will not be available until 2011.

2009-10 national and sub-national immunization days 80 percent of households (the CAS target) with eligible children in 100 percent of high-risk districts were vaccinated against polio. Two projects—Karnataka Wind Power Project (FY10) and BBMB Hydro Power Rehab Carbon Offset—account for a reduction in CO_2 emission by 420,000 tons. More detailed progress on indicators across the whole program is summarized in the updated outcomes matrix in Annex 1. As part of ongoing efforts to measure results, the outcomes matrix has been revised to include more measurable and, in some cases, more realistic indicators. Baseline data as well as targets have been added to the extent possible.

10. The pace of Bank ***lending*** has been quicker than anticipated. The CAS foresaw an IBRD program of approximately US$12 billion over FY09-12 (on average US$2.9 billion per year) subject to the Single Borrower Limit and an estimated IDA program of US$4.8 billion for FY09-11. Up to 10 percent of new loans were expected to be fast-disbursing. The 2008-09 crisis created a new set of demands for Bank lending while the acceleration of India's response to its development challenges created a new set of demands. The pace of IBRD/IDA lending accelerated in FY10 as a result and in the first two fiscal years of the CAS, the Bank approved about US$8 billion in IBRD loans and US$2.9 billion in IDA credits. This is approximately 70 percent of the program's IBRD envelope for the CAS, and 60 percent of India's IDA 15 allocation. Although IDA 15 commitments were slow in FY09, they picked up in FY10. Given the robust IDA pipeline of projects in FY11, including Rural Roads II, Rajasthan Livelihoods, ICDS System Strengthening and Nutrition Improvement Program, and others, IDA 15 is expected to be fully committed before the end of FY11. (See Annex 4 for a full list of Government requests). The increased pace of lending has resulted in India coming close to its IBRD exposure limit faster than expected.

11. The Bank portfolio has grown from 61 operations at the beginning of the CAS period to 75 at the end of FY10, with 19 new projects (plus 8 additional financing operations) added in FY09-10. The total net commitment of India's portfolio as of end-June 2010 was US$21.3 billion, a significant increase from an end-June 2008 total of US$13.8 billion. The largest increases in terms of net commitments of total IBRD/IDA lending in FY09-10 have been in education, energy, and finance. With the current pipeline of projects for the remainder of the CAS period, it is expected that the composition of the portfolio will further shift toward transport, agriculture and rural development, environment and urban issues. (See Annex 4 for a list of projects requested by the Government.)

12. Much of the increase (US$4.2 billion) and quickened lending pace is attributable to IBRD lending for four projects: Powergrid, Banking Sector Support Loan (BSSL), additional financing for Small-and Micro-Enterprise (SME) Project, and India Infrastructure Finance Corporation, Ltd. (IIFCL) —all in response to the global financial crisis. While the first three of these operations were crucial to maintain the pace of credit expansion to the private sector and credit flows to SMEs critical for job creation and infrastructure investment, the role of the IIFCL operation has not met expectations. While there has been considerable strengthening of the IIFCL as an institution, very little has been disbursed so far. Financing PPPs in India is a relatively new area and a number of unanticipated procurement related issues have kept the number of PPP transactions the Bank could finance well below what was expected and we may consider restructuring the operation still within this fiscal year.

13. IBRD ***exposure*** to India has risen significantly under this CAS and will continue to rise. The Bank and the Government have been exploring options for sustaining a robust lending program, while staying within the SBL. On August 5, 2010, the Bank's Board of Executive Directors approved a US$1 billion increase to India's SBL, raising it to US$17.5 billion. While this has created additional headroom, further measures are needed to respond to India's increased demand for IBRD lending and to ensure the program's sustainability in the medium term. One immediate and viable option is the purchase of IBRD Special Private Placement Bonds. This will enable the Government to borrow on IBRD terms above the SBL even though it would imply the loss of liquidity of reserves invested in IBRD Bonds (albeit small in size compared to India's total international reserve holdings). The Government has agreed in principle to

periodic purchase of these IBRD Bonds sufficient to maintain net exposure within the SBL.[6] The exact amount of the bond purchases and timing will depend on Government demand for IBRD financing, the pace of project delivery and disbursements, the success of raising additional financing from other sources and prepayments to IBRD. The amount of bond purchases will respect IBRD parameters besides the SBL such as the prevailing Equitable Access Limit. Discussions between the Bank and the Government on the specific terms and modalities of the IBRD Bond purchase as well as other parallel financing options are underway and are expected to evolve over time.

14. The base ***lending scenario*** for the India program for the remainder of the CAS period has been revised. For IDA, the scenario for FY11 is $2.0 billion, or the remainder of the IDA 15 allocation; the approximate amount for FY12 will only be known once IDA 16 negotiations are finalized. For IBRD, the lending scenario assumes an amount of approximately US$8 billion over FY11-12, consistent with Government requests and its intention to purchase IBRD Bonds.[7] In terms of lending instruments, the program will continue to be largely based on investment lending, combined with the possibility of a small amount of development policy loans to support policy reforms at the state level as well as selective cross-cutting issues at the national level.

Table 1: Revised IBRD/IDA Lending Scenario[1]

	CAS Lending Scenario *(US$ billions)* *(Projections at time of CAS preparation)*[3]			**Revised Lending Scenario** *(US$ billions)*	
FYs	**IBRD**	**Additional IBRD lending proposed in response to financial crisis[2]**	**IDA**	**IBRD**	**IDA[4]**
FY09	2.9	1.8	2.2	1.3	0.96
FY10	2.9	1.2	2.0	6.7	1.94
FY11	2.9	-	2.12	4.0[5]	2.0
FY12	2.9	-	1.27	4.0	TBD[6]
Total	**11.6**	**3.0**	**7.59**	**16.0**	**TBD**

[1]Proposed project pipeline currently exceeds IBRD exposure limits, but there is an expectation that this will be met through the leveraging of additional funds.
[2]Additional lending in the amount of US$3.0 billion was envisioned in FY09-10 in response to the financial crisis.
[3]CAS projections assumed 35% over-programming.
[4]For FY09-10, figures indicate actual commitments; for FY11, figure indicates the uncommitted IDA 15 amount; unlike the initial CAS projections, the revised scenario for IDA does not include over-programming.
[5]An $8 billion IBRD lending program for FY11-12 assumes a purchase of IBRD Bonds.
[6] To be determined after IDA16 is finalized.

15. In FY09-10, ***IFC*** invested in India over US$2.7 billion, including record high mobilization of $976 million. Investments have increased significantly since FY07, making India IFC's largest single-country exposure, with a committed portfolio of US$3.7 billion (9 percent of IFC's total). Strong market demand, met with IFC's strategic response, resulted in a 30 percent increase in IFC's portfolio during the CAS period to date, especially during and after the global economic crises and for areas where other financiers may be yet to develop support capability (such as climate change and financial inclusion). IFC's response was characterized by enhanced mobilization of funding, a mix of products, including advisory

[6] The periodicity of the bond purchase will be linked to the monitoring requirements that will be established by the Board as part of the purchase agreement.
[7] As Annex 4 indicates, Government requests for IBRD/IDA lending for FY11-12 includes approximately 30 percent of over-programming.

and INR funding, the field deployment of specialists, and strong strategic focus. Infrastructure investments (including ICTs) accounts for the largest share of the portfolio with 31 percent, followed by financial markets with 29 percent. IFC is carefully managing its exposure via mobilization and selectivity, and is focusing on projects with strong additionality and development impact. Given the important impact that IFC can achieve in India, IFC's management agreed, on an exceptional basis, to allow India to exceed the economic capital limit set for BRIC countries. IFC approved 36 advisory projects during FY09-10, focusing on PPPs at a sub-national level, financial inclusion among the underserved segments, investment climate, and sustainable business. Recognizing the strong development impact, IFC allowed for the allocation of additional US$1 million from its FMTAAS in FY11. The size of the advisory services portfolio in India reached $30.9 million as of September 2010.

16. As India deals with the complex issues of being both a middle-income country and home to one-third of the world's poor, ***knowledge services*** are taking a prominent role in the India program. Throughout the program, cutting-edge Indian and international experience is being exchanged with counterparts--be it advanced tunneling techniques and good-practice community involvement in hydropower, structuring of PPPs for national and state highways, asset management, river clean-up and conservation, urban development, the set-up of environmental management agencies, ensuring coverage in health insurance schemes, setting up learning achievement tests, or M&E in watershed management. Together with infoDev, a recent IFC investment project aims to contribute to the development of a policy framework for electronic recycling in India based on lessons and experiences in Brazil. Knowledge services are embedded in all Bank Group activities, not just AAA.

17. Specifically on AAA, the program underwent a process of rationalization to better focus on a small number of high-priority cross-sectoral activities, which aim at providing rigorous, neutral analysis of key issues, and on-demand policy and implementation non-lending technical assistance, which provides timely support to counterparts building on experience gained through direct engagements both in India and internationally. During FY09-10, completed cross-sectoral studies include a Poverty Assessment and reports on Social Exclusion, Groundwater, and Low-Carbon Growth; on-demand non-lending technical focused on capital markets development, social security for the unorganized sector, urban infrastructure development, climate change adaptation and facilitating PPPs. An interesting example is the technical assistance on the National Agricultural Insurance Scheme, which serves 25 million farmers and is one of the largest such program in the world; the scheme has been revised to ensure farmers receive more timely payments and expand the role of the private sector. In addition, several internationally renowned researchers and practitioners were invited to conduct in-depth work on India's manufacturing sector, accountability at the local level, the quality of education, and fiscal policy.

18. For FY11-12, the focus of cross-sectoral studies will remain on long-term development issues, appropriate for a middle-income country, particularly in areas where the Bank has on-the-ground expertise through lending such as mobilizing infrastructure financing, urban development financing, transport strategies that serve the needs of tomorrow's India, environmental management at a time of rapid growth,, and agricultural productivity in the face of massive pressures on land, as well as effective delivery of services, including incentives for teachers, human resource management in health, and targeting and monitoring systems for social protection schemes. Among emerging issues is India's global role; a recent conference in New York brought together Indian and OECD economists to discuss how to restore inclusive growth in advanced economies. On-demand work will continue to try and respond to knowledge and capacity building needs of counterparts in a timely manner, facilitating cross-India exchanges and bringing in cross-country experience as appropriate. Fruitful collaboration with Indian partners will continue to be pursued, such as those with the India Public Health Foundation, the National Institute for Public Finance and Policy (NIPFP), and local training institutes that are partnering with the World Bank Institute. One area where knowledge generation and exchange is particularly important is gender issues. In FY09-10, work was conducted on gender issues in suburban transport, adaptation to climate change, employment, health, and education. For example, the design of the Coastal Zone Management project was

informed by an analysis of the issues faced by women in fishing communities and other coastal dwellers. The Andhra Pradesh Rural Poverty Reduction Project supported a nutrition program for pregnant women, which appears to have had an important effect on the weight of babies. The study on social exclusion looked at the unique disadvantages faced by tribal and scheduled caste women. (See Annex 5 for Key AAA Activities in FY11-12.)

19. India has also been active as both a knowledge provider and recipient through the South-South Experience Exchange Facility (SEETF). Of the 37 approved knowledge exchanges, India was a provider in 6 such exchanges (second only to China) in areas ranging from cash transfer systems to dairy industries, ICTs, and education. In parallel, Indian Railways and the Ministry of Transport, had an opportunity to learn about China's experience in developing and implementing its railway strategy.

20. ***Partnerships***. The Bank Group continues to coordinate closely with key development partners including ADB, DFID, Japan, EC and UN agencies to collaborate as opportunities arise. Trust Funds continue to be an important resource for the India program and provide valuable support to its knowledge program. In addition to the World Bank-DFID Trust Fund (the third in a series of India-specific TFs), programs providing valuable grant funding, especially through recipient execution, include the Institutional Development Fund, Japan Social Development Fund, Japan Policy and Human Resource Development, and Carbon Finance. Other funds that complement Bank resources include the TFESSD, PPIAF, AusAid TF and Gender Action Plan TF.

A. Pillar I: Sustaining High Growth and Making it Inclusive

21. The Bank expanded ***support to India's response to the financial crisis*** through lending as well as analytical work on the impact of the crisis and continued dialogue on financial stability institutions, capital flows, and debt management. This support helped ensure that banks were able to continue extending credit, including to small and medium enterprises. IFC also responded with intensified assistance to clients in assessing the potential impact of the financial crisis. During FY09-10, a time when few outside institutions were providing financing, IFC disbursed US$1.6 billion, (including US$258 million via syndications).

22. Beyond responding to the crisis, the Bank continued to assist the Government of India in dealing with long-term challenges. Recently completed reports on poverty and social exclusion document how poverty levels remain high across the country, particularly in rural areas where infrastructure is poor, employment opportunities are limited and there is low access to formal financial systems, and for disadvantaged groups. At the core of the Bank's strategy for inclusive growth is support to ***rural livelihoods*** projects in nine states under which over 12 million households have been organized into self-help community groups. Independent impact assessments of livelihoods projects suggest impressive results: net income per household increased by 50 to 115 percent in Andhra Pradesh, Madhya Pradesh, and Rajasthan. Based on a decade of experience with these programs, the Government has proposed the establishment of a National Rural Livelihood Mission, which will receive analytical and technical support from the Bank and for which a lending operation is envisaged. The program will promote savings, financial literacy, debt counseling , develop producer groups and livelihood support services, and invest in skills development to help the rural poor access private sector jobs. IFC also supports the inclusive growth agenda with several rural initiatives, including a proposed green finance project to assist self-employed women to purchase energy efficient stoves and solar-powered lanterns. Other efforts to promote inclusive growth include advisory services to improve the business climate, which in turn is expected to support investments in micro, small and medium enterprises in the low-income states of Bihar and Rajasthan.

23. Improvements in ***agricultural productivity*** contribute directly to GDP growth and make it more inclusive, but also help counter pressure on commodity prices and inflation. While agriculture is unlikely to grow by the 4 percent target of the 11th Five-Year Plan, the good monsoon in 2010 could raise the growth rate to an overall five-year average of 3-3.5 percent. The Bank Group is focusing on agricultural

productivity through a variety of interventions, supported by analytical work, including watershed development in three states to help improve livelihoods for people living in natural resource-stretched settings. Water is a major issue in India, and the Bank and the IFC are exploring possible collaboration on the analytical front, from which more concrete interventions may emerge. Approximately 130,000 ha of predominantly barren and low productivity lands, spread across 25 districts of Uttar Pradesh, will be rehabilitated under the Sodic III project. Earlier phases of the project resulted in 250,000 ha of rehabilitated land, benefitting 425,000 poor families. The Bank is fostering more efficient agriculture markets in Assam and Maharashtra. IFC's investment in Jain Irrigation is helping the company develop high-tech micro irrigation systems to increase productivity and reduce inputs, including water, with savings equivalent to the water consumption of 11 million households. IFC is also promoting private sector participation in irrigation in Maharashtra and in grain storage in Bihar.

24. India's ***transport*** sector is characterized by its large size, diverse modes of transportation, and geographical disparities. Railways used to be the dominant mode of transportation, but road transport has become more prominent. Even though India has one of the largest road networks in the world, connectivity and accessibility of rural areas remains low because of poor condition of the overall network and lack of all-season roads. Thirty-three percent of villages lack access to an all-season road and hence access to social services and economic opportunities. Improving transport infrastructure is at the forefront of the Government's development agenda. Under the 11th Five-Year Plan, the Government doubled investment targets to 4-5 percent of GDP to contribute to the estimated US$150-200 billion needed to develop transport infrastructure over the next 5-6 years. It has constituted a National Transport Development Policy Committee and issued a Vision 2020 strategy for long-term development of Indian Railways. Impressively, the delivery of National Highways doubled (from 1,000 km in FY07/08 to 2,010 km in FY08/09) and under the Prime Minister's Rural Roads Program about 115,000 km of rural roads were constructed in the last two years.

25. With an eye to ensuring effective program delivery, the Bank supports the Government's ambitious efforts in the transport sector through a robust lending program and active, high level policy dialogue and knowledge sharing with the center, states and relevant agencies. Lending will increase in the remaining CAS period through primarily three major projects underway: Dedicated Freight Railway Corridor, PMGSY Rural Roads, and National Highway Interconnectivity Improvement (NIIHP). The Rural Roads Projects supports system-wide improvements, based on international best practices in M&E, technical design standards, as well as introducing reliable execution of maintenance works. The Bank is also supporting the Government's efforts to improve road safety through the NIIHP at the national level and the Karnataka State Highways Project II at the state level. As vehicle ownership grows (15 percent per year), improvements in urban transport take on greater urgency. The Mumbai Urban Transport Project II is designed to improve rail and road transport in India's largest city, while implementation of the Sustainable Urban Transport Project supports public and non-motorized transport. Complementing the Bank's work in this area, IFC is helping to develop PPPs in transport at the state level through advisory engagements. It is also working in the area of ports and logistics to increase overall efficiency.

26. Fostering long-term partnerships with select institutions is at the core of the Bank's strategy in the ***power*** sector. This includes, for example, working with two institutions in river basins in Himachal Pradesh and Uttarakhand to develop clean and efficient power sources and the long-standing engagement in institutional capacity building with Powergrid—the national power transmission utility. The Bank is working with Haryana, Maharashtra and West Bengal to help develop similar world class utilities at the state level. A Bank Group project aims to prepare the state transmission utility in Maharashtra to access commercial financing, while improving corporate governance. To promote commercially viable clean energy technologies, the World Bank Group has been working with the Ministry of New and Renewable Energy to support the National Solar Mission. IFC's investments in this area include that in Azure Power to support India's first private grid-connected megawatt-scale solar power, saving 10,000 tons of carbon emissions annually and in Applied Solar to provide off-grid solar-based hybrid power 10,000 telecom

towers in part replacing the consumption of diesel-based power. IFC is partnering with Husk Power, which generates husk-based off-grid power in multiple small-scale plants and distributes it to about 500 households in villages in Bihar.

27. India's rapid pace of ***urbanization*** poses major challenges. If economic growth is not to be impeded, it will be essential for India to manage its cities more efficiently, advance needed policy and institutional reforms in land use planning, municipal finance, and invest in urban infrastructure and service delivery. The Bank is supporting urban development through the delivery of urban services in three states, and has also successfully piloted the provision of continuous water services in small areas of urban Karnataka. While the state governments have the more critical role in terms of implementation, Government of India is leading the way through national programs such as the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). In addition, IFC is providing advisory support to bring private sector participation into solid waste management in cities of Andhra Pradesh and greenfield metro operations in Chennai.

28. Access to ***financial services*** for poor families remains a constraint for poverty reduction and is an area of focus for the Reserve Bank of India. The Bank has supported a program to reform and revitalize rural credit cooperatives, which have an unparalleled outreach in rural areas. The newly approved microfinance project scales up sustainable and responsible microfinance through microfinance institutions working in financially underserved areas. Analytical work on financial inclusion is being developed in collaboration with the Ministry of Finance. Over the past 12-18 months, IFC has been selective in the MFIs it supports, with a focus on diversifying MFI offering beyond credit to payments, deposits, and insurance and building institutional capacity on risk management, governance, and responsible finance. Housing financing is another key issue and the Bank Group will be providing support to the National Housing Board. IFC's work in this area includes a study on barriers to credit for low-income households, the establishment of a wholesale financier to low-income focused MFIs, and investment to deepen mortgage penetration in low-income households in the Northeast. In Rajasthan, IFC assisted with capacity building for affordable housing microfinance companies and invested in AU Financiers which is serving lower-income, mostly unbanked, small transport entrepreneurs.

B. Pillar II: Ensuring Development is Sustainable

29. The Government's ***sustainable development*** agenda has intensified and gained in depth and coverage. It has focused on reforms to ensure that sound environmental management is at the core of development. In energy, transport and mining, the Government is applying existing legislation for the protection of the environment and forests more rigorously and has sought a broader consensus on safeguards to promote sustainable assets. As a first step toward strengthening the environmental governance system, the Government has established a national green tribunal and held consultations around reforms of environmental regulations and institutions. The Government issued regulations to promote an integrated and inclusive approach to coastal zone planning and the sound management of hazardous wastes, and established a Wildlife Crime Control Bureau to supplement existing conservation measures for species at risk, such as tigers. In response to the threat of ***climate change***, the Prime Minister's National Council on Climate Change issued India's first comprehensive National Action Plan in June 2008. In the run-up to Copenhagen, India also volunteered its own target to reduce carbon intensity by 20 to 25 percent by 2020 against a 2005 baseline and established an Expert Group on Low Carbon Growth, which is to report to Parliament on how this target will be achieved.

30. During the CAS period, the Bank has expanded its engagement in the environment sector with operations in coastal zone management and the remediation of contaminated sites. Going forward, the Government has proposed a number of key projects in support of its environmental agenda, most notably the National Ganga River Basin Project, which will address the serious pollution levels in the world's most populous river basin. The Bank has also provided unprecedented support for climate-friendly and clean energy investments, ranging efficient transmission and distribution of power, to promoting the efficient use of energy and fuels. The Government requests for the remainder of the CAS period include transformative

investments that will contribute to India's clean energy and climate change agendas (sustainable hydropower and transport, in particular). The Bank is also supporting disaster ***risk management*** through the ongoing Emergency Tsunami Reconstruction Project, the recently approved National Cyclone Risk Mitigation Project (FY10) and the Bihar Kosi Flood Recovery Project (FY11). The Community Forest Management Project in Andhra Pradesh is based on a new model of cooperation between the State Forestry Department and local forest communities resulting in higher incomes as well as better forest management. This approach holds promise for states where rights and access to forest land are at the core of ongoing civil conflicts.

31. The Bank has also contributed to the ***building of knowledge and rich debate on sustainable development issues***. At Copenhagen, the Bank presented a synopsis of the *India Low Carbon Growth Study*, which projects energy demand in sectors of important consumption and expected growth. On climate change adaptation, a number of pilots were conducted in Andhra Pradesh to reduce the vulnerability of the rural economy to climate variability and long-term changes. This is complemented by important analytical on groundwater resources, on an environmentally sustainable future (Vision 2030) and the economic development of the Sunderbans area—home to the largest remaining mangrove forests.

32. Climate change is one of IFC's strategic pillars in South Asia. In India, IFC has been increasingly supporting potential high-impact investments in renewable energy and energy efficiency and its climate related investment commitments in India are now among the highest of all IFC client countries. Innovative investments initiatives, such as helping companies adopt heat-recovery technology, while reducing CO_2 emissions, and a Carbon Delivery Guarantee for Himadri Chemicals and Industries, backing up to 500,000 Certified Emissions Reductions (CERs) are expected to amplify and sustain the efforts to create a strong and successful low carbon economy in the future.

C. Pillar III: Improving the Delivery of Public Services

33. The Government has significantly expanded resources for new public programs in education, social protection, health, and urban development (see Annex 2) often through large, centrally-sponsored schemes. The Bank is supporting several of these programs with the aim of helping to improve efficiency and accountability of public expenditure, overall delivery of public services, and responsiveness to the needs of the most vulnerable population.

34. With preparation underway for a secondary education project to support the newly-launched *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA), the Bank is now involved at every level of ***education*** in India. At the elementary level, support to India's Education for All program (*Sarva Shiksha Abhiyan* (SSA) has been implemented faster than anticipated. It has been particularly successful in increasing enrollment (95 percent, compared to 85 percent when SSA began). Involving 1.2 million schools nationwide, it is now the primary vehicle for implementation of the recently approved Right to Free and Compulsory Education Act, landmark legislation requiring all States to ensure enrollment of all children aged 6-14. The use of a SWap approach, combing funding from DFID, EU, and World Bank, with central and state resources, and relying on country systems for management and fiduciary processes has been particularly successful in the SSA project. RMSA aims to achieve universal secondary education by 2017. At the tertiary level, through the implementation of the reform-oriented and innovative Technical/ Engineering Education Quality Improvement Project (TEQIP), India has significantly bolstered the quality and availability of technical education, doubling the employment rate of graduates as a result of education better-suited to the needs of Indian industry. IFC is providing advisory assistance in introducing PPPs in the education sector in Gujarat, while investment support is helping an international expansion of an Indian education service provider.

35. The Bank's focus in the ***health sector*** in India has been shifting from financing inputs for service delivery to supporting the Government of India in strengthening its stewardship functions (regulation, quality assurance, financing, partnerships with the private sector and public health), insuring services for

the poor, and improving the impact and accountability of public expenditure in health. During the CAS period, the Government has greatly increased financing to the ***health*** sector mainly through the National Rural Health Mission (NRHM), with an 11th Five-Year Plan target of increasing public spending to 2-3 percent of GDP (India has one of the lowest shares of public expenditure on health globally). More recently, the Government of India and several states have introduced health insurance for catastrophic health shocks. In support of NRHM, the Bank is increasingly focusing on improving the effectiveness and efficiency of government spending, strengthening country systems, and improving monitoring and evaluation.

36. The focus under the CAS has been on creating an enabling institutional environment to improve managerial processes, fill human resource gaps and strengthen institutional accountabilities to enable the government to achieve health impact. Although relations with the Ministry of Health and Family Welfare were understandably strained immediately after the DIR, the partnership has gradually been rebuilt, and the collaboration between the Bank and India is expanding. New types of engagement include a policy note series, national and state policy workshops, and practitioner-to-practitioner learning events. The National Nutrition and Uttar Pradesh Health Systems II projects now under preparation include performance-based financing arrangements linking disbursements to measurable results. Additional financing for the Tamil Nadu Health Systems Project (FY10) was approved to scale up successful components of the project. Ongoing projects have increasingly demonstrated results. For example, the use of data for programming in the National Aids Control Organization (NACO) under the National Aids Control Project III is a global best practice. While one in six women who die due to pregnancy-related causes worldwide live in India, the risk of dying from pregnancy has decreased substantially due to initiatives such as vouchers for pregnant women supported under the Reproductive and Child Health Program. IFC is helping to strengthen the sector by financing two private healthcare projects (investment of US$82 million), conducting a diagnostic study on healthcare payments in Bihar, and setting up through PPPs radiology services in four public teaching hospitals in remote areas of Andhra Pradesh. Possibilities are being discussed to provide similar assistance for PPP solutions in Bihar, Gujarat, Karnataka, and Meghalaya. The Bank and IFC have worked together on a study of the private sector in health, and see this as an expanding area of engagement.

37. The Government has introduced a number of transformative ***social protection*** programs, including the flagship National Rural Employment Guarantee Scheme, the expanded National Old Age Pension Scheme (NOAPS), subsidized health insurance (RSBY) for Below Poverty Level households, and scaled up midday meals and improvement of child protection services. The Bank's assistance in this area has focused predominantly on technical, analytical work and policy design support. The Bank has completed a Social Protection study that examines performance of key centrally-sponsored schemes and options for reform. In 2009, the Bank published the first national study with empirical evidence on disability, which led to state-level TA engagements in Bihar (to help prepare the state's disability policy) and Andhra Pradesh (to improve the disability certification process).

38. The Bank is increasingly focusing on urban areas in light of India's rapid urbanization, while continuing to maintain strong support for rural ***water supply and sanitation*****.** Rural water supply and sanitation (RWSS) projects in Karnataka, Kerala, Maharashtra, Punjab, and Uttarakhand continue to enhance the role of local government and improve operations and maintenance cost recovery and service delivery. The issue of drinking water security and sustainability of RWSS services remains central to the Bank's engagement in the sector. The Bank will soon have provided over U$1 billion in support to the sector, benefiting 25 million people in rural areas. In urban areas, the JNNURM initiative has highlighted the need for reforms and investments in the urban water and sanitation sector and this has been backed with significant government funding. Sanitation is also of growing importance to urban areas, and disproportionally impacts low- income households. The proposed National Ganga River Basin (NGRB) project would address this issue through investments in sewers, sewage treatment, and solid waste management. Using low-cost water purification systems, IFC's investment in WaterHealth India helps expand the availability of affordable drinking water in 600 rural communities.

39. Complementing interventions for centrally-sponsored schemes are impact evaluations that help shape the design and implementation of key government initiatives. These cover teacher accountability and incentives, early childhood nutrition and malaria interventions, health insurance programs, the National Rural Employment Guarantee scheme, water supply and sanitation, and rural livelihood programs in Andhra Pradesh, Bihar, and Orissa.

D. Cross-cutting Issues

40. While India's higher-income states have successfully reduced poverty to levels comparable with richer Latin American countries, its ***seven poorest states***[8] lag behind and remain home to more than half of India's poor. The CAS laid out how the Bank Group would intensify its support to these states with an approach that would differ from that in more advanced states. The focus has been on helping achieve MDGs, relying primarily on IDA resources, non-lending TA and IFC's advisory services. The experience so far has been varied. In terms of lending, 14 percent of total lending in the first two years of the CAS went to Low-income States (LIS) and special category states. However, LISs have also benefited from multi-state and national projects supported by the Bank, bringing the share of total lending to 18 percent. IFC's inclusive agenda focuses on growth in LIS and on the bottom of the pyramid, more generally. Despite a challenging investment climate in LISs, IFC invested in 14 projects in LISs in FY09-10, about a quarter of total investments committed in India. While lending was lower than CAS projections, in the same period, key non-lending activities have been initiated in these states including a cross-cutting NLTA and the Bihar Capacity Building TA. In the same period, key non-lending activities have been initiated in these states including a cross-cutting NLTA and the Bihar Capacity Building TA.

41. A highly successful example is the partnership with the state of Bihar (see Box 1). In Orissa, a decade of support through a combination of analytical and technical assistance, policy dialogue and investment projects has supported a fiscal turnaround and economic acceleration as well as improved service delivery and poverty reduction. In Madhya Pradesh, Rajasthan and Uttar Pradesh, a small portfolio of successful lending operations has been developed but broad-based policy dialogue is to be initiated. In Chhattisgarh and Jharkhand, there has been some initial engagement (mainly state-level components of national projects and analytical work) but conditions on the ground have not proven suitable yet to a more substantive engagement. The experience with Bihar and Orissa demonstrate that developing a long-term engagement with these states takes time and may not translate immediately into increased lending. In the remaining CAS period, the Bank will continue to support these states through dialogue, technical assistance and, wherever possible, lending, keeping in view their capacity constraints and ability to absorb Bank funding, and the role played by other donors.

[8] Low-income focus states for the Bank include: Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, and Uttar Pradesh

Box 1: Partnership with a Low-Income State

Engagement with low-income states is a priority of this CAS. A successful example is the partnership with the state of Bihar. The Bank's engagement began in the mid-2000s with policy dialogue and capacity building in core areas of public financial management, followed by support for critical structural reforms through budgetary support, and has now expanded to significant financial support for infrastructure development and livelihood generation. Commitment of the state government and the Bank was demonstrated early by the public announcement of a "partnership". A critical factor for success has been the nurturing of a long-term relationship that focused initially on knowledge transfers and development of institutions and systems, and allowed for investment funding at a pace commensurate with absorptive capacity. Equally important has been coordination between key development partners operating in the state; ADB, DFID and the Bank presented a joint state strategy to the state government in early 2008 and agreed on key sectors of engagement. In addition to the ongoing program (rural livelihoods, development policy lending, state-level components of national programs), in the CAS period the Bank is providing critical support for floods which annually threaten the lives and livelihoods of millions of the state's poor. A phased approach is being followed to provide timely support to the state's reconstruction efforts for the 2008 Kosi river floods (Bihar Kosi Flood Recovery Project, US$220 million IDA, FY11) while developing a comprehensive program of support for overall flood and disaster management in the longer term. A complementary technical assistance grant for the Flood Management Information System is also supporting the reduction of vulnerability to floods. The Bihar Capacity Building Technical Assistance, funded by a DFID grant, is supporting key sectors including public financial management and procurement reforms, improvements in the investment climate, and the efficient delivery of public services through setting up effective monitoring and evaluation systems. IFC's support for Bihar increased as part of its strategic decision to focus on LISs under this CAS. In close coordination with the Bank, IFC uses a multi-pronged approach in Bihar, one that focuses on investment-advisory collaboration, selectivity, innovation, development impact and demonstration. IFC has been supporting innovative projects in renewable energy, investment climate, public service delivery, and access to finance. IFC's support for a tax reform program in Bihar, is expected to facilitate on SMEs' tax registration and payments. The Bank is also preparing a panchayat strengthening project (FY11).

42. The Bank helped inform the country dialogue on ***Public Financial Management*** (PFM) systems through a Public Expenditure and Financial Accountability (PEFA) report for the Government of India, published by the National Institute of Public Finance and Policy (NIPFP), and an assessment of Powergrid as part of a pilot program to use country procurement systems. DPL operations in Andhra Pradesh, Bihar and Himachal Pradesh supported PFM reforms, including procurement. Technical assistance to complete accrual accounting pilots in Andhra Pradesh and Madhya Pradesh demonstrated both the feasibility and benefits of transitioning to accrual accounting.

43. On the ***fiduciary*** front, the Bank is increasingly benefitting from the enhanced scope and depth of financial audits of Bank financed projects by the Office of Comptroller and Auditor General (CAG). For this purpose, the Bank worked with the Government to develop standardized terms of reference for the audits of financial statements on Bank-financed projects and has helped the CAG shift its focus from detailed transactions-oriented tests of compliance with government rules to risk-based audits of financial statements designed to result in overall audit opinions on fairness of the financial statements. On procurement, the Government has asked the Bank to explore opportunities to increasingly use rules and procedures and/or fiduciary controls of India's country systems.

44. In the last two years, the Bank has supported the Government's ***governance*** agenda as detailed in the 11th Five-Year Plan, which aims to "bringing about major improvements in governance which would make government-funded programs in critical areas more effective and efficient" by further strengthening local governments and participation of community-based organizations, improving the focus on results and development outcomes, and a scaled-up e-government program for better service delivery. To that effect, the Bank has supported governance reforms at the central level through a PEFA assessment of the Union budget, state level also through PEFA assessments, and a DPL in Andhra Pradesh, and local level through the support to local governments in Karnataka and social accountability mechanisms.

45. Under this CAS, the implementation of the Governance and Anti-Corruption strategy has been largely based on the Detailed Implementation Review (DIR) Action Plan (see Annex 6). The Governance

and Accountability Action Plans (GAAP), required in all Bank projects in India, are designed to help mitigate fiduciary risks identified in the DIR, and to enhance the overall project governance framework and institutional effectiveness. GAAPs have helped mobilize demand-side accountability mechanisms (e.g. social audits, third-party monitoring, citizens' oversight, etc.), which are increasingly used by Indian authorities to help supervise the implementation of public policy and programs and enhance service delivery. The Bank will continue to leverage social accountability mechanisms in its operations and strengthening Civil Society Organizations' and communities' capacity in monitoring and supervision.

46. Looking ahead, the Bank will also aim to increasingly mobilize existing country supply-side accountability mechanisms (e.g. grievance redressal, vigilance, fiduciary controls, financial audits, public information disclosure, e-procurement, e-government, corporate governance in the public sector, etc.) and institutions. Of note is a project under preparation in support of the National e-Governance Plan (see Box 2).

Box 2: Support to India's National e-Governance Plan

The Government has requested programmatic policy-based lending to support India's National e-Governance Plan (NeGP). The Plan aims to "*Make all Government services accessible to the common man in his locality, through common service delivery outlets and ensure efficiency, transparency & reliability of such services at affordable costs to realize the basic needs of the common man.*"

Thus far, NeGP's has focused on *vertical* integration such as the automation and streamlining of processes within one department from the central authority to the point of delivery. The Bank support will focus on the next challenge of mainstream *horizontal integration,* allowing for communication between departments and use of each other's databases thus reducing the burden on the citizen, and increasing the demand driven nature of e-services.

The NeGP mandates that services must be available in "the locality of the common man." With rural broadband connectivity still very low, planning a phased investment with various technologies will be key. International experience – for example in delivery of e-services through mobile phones as India is adding 10 million new mobile phone connections every month – may offer important lessons.

Development policy lending is particularly appropriate to this area. The Bank's 2009 DPL retrospective found that development policy operations, requiring upstream, cross-cutting actions, are particularly suited to this purpose. Government counterparts recognize that coherence between multiple implementing agencies' actions is critical to the NeGP's successful implementation. The Bank would facilitate coherent and coordinated action by drawing on its six-years of engagement and understanding of the program, its experience supporting other similar programs in the region and round the world, and through the DPL's emphasis on government-wide policy and institutional actions.

IV. PORTFOLIO PERFORMANCE

47. India's portfolio performance has improved. The disbursement ratio, which hit a 4-year low of 18.3 percent at the end of FY08, has steadily improved, culminating in a record performance of 27.6 percent at end-FY10. Disbursements also hit a record high in FY10: US$4.7 billion (of which $3.5 billion in IBRD and US $1.2 billion in IDA). Portfolio risk also declined; commitments at risk from 23 to 12 percent and projects at risk from 22 to 12 percent. Table 2 below shows that the India portfolio is now well below the Bank-wide average in terms of commitments and projects at risk. With 19 new projects added in the last two FYs, maintaining this level of performance may be challenging, and continued concerted joint Bank-DEA efforts will be needed. (See Annex 7 for a more detailed discussion of Portfolio Status.) Bank staff monitor all projects in the portfolio very closely, and as part of this process close attention is being paid to the Bank's investment with the India Infrastructure Finance Company Ltd. (IIFCL) which has started more slowly than anticipated. Regular, detailed discussions have been held with all the parties involved to review issues, and that dialogue will agree key steps, potentially including project restructuring within this fiscal year if implementation does not accelerate. Similarly, in response to the recent microfinance crisis, the Bank Group plans to review its

livelihoods and microfinance investment and advisory projects in light of recommdentions of the Reserve Bank of India committee. The committee was appointed to assess the microfinance crisis in Andhra Pradesh and is expected to issue its recommendations in January 2010.

Table 2: Portfolio Performance Indicators: India compared to Bank-wide (FY08, FY10 and mid-Nov. 2010)

	End-June 2008		End-June 2010		Mid-November 2010	
Key Data	India	Bank-wide	India	Bank-wide	India	Bank-wide
Net Commitments	$13.8 billion	$ 104.1 billion	$21.9 billion	$186.4 billion	$ 21.5 billion	$161 billion
No. of Projects	60	1610	75	1704	76	1691
Undisbursed Balance	$9.2 billion	$70.8 billion	$13.3 billion	$101.1 billion	$12.8 billion	$99.6 billion
Disbursement Ratio	18.3%	21.3%	27.6%	26.4%	7.7%[1]	7%
Commitment at Risk	23%	17%	11.8%	16%	13.3%	16.6%
Projects at Risk	22%	18%	12%	22.3%	9%	22%

[1]Defined as the ratio of total disbursements of loans and IDA financing associated with IL projects during a fiscal year (or period therein) to the value of undisbursed net commitments associated with IL projects at the start of the fiscal year. The disbursement ratio, therefore, increases towards the end of a given fiscal year.

V. MOVING FORWARD: CHALLENGES AND OPPORTUNITIES

48. While major achievements have been recorded over the past two years, the ongoing transition underway for the Bank Group's India program poses new challenges. The overall goal remains unchanged - to support India's development agenda of inclusive growth through a robust program of AAA, lending and technical assistance. However, IBRD and IFC exposure constraints and India's future transition out of IDA financing, combined with increased Government demand, requires a rethinking of how the Bank functions in a country the size of India, with an economic growth rate among the highest in the world and yet, high poverty levels and low human development indicators comparable to many much lower-income countries. Increasing focus on results given India's progress on MDGs will be a challenge for the program moving ahead.

49. The gradual shift to large and/or transformative projects in the India program presents both an opportunity and challenge. Bank engagement and know-how brings significant value-added, but the challenge is that these engagements by nature are more risky. The opportunity is that the Bank can better focus resources—IBRD/IDA financing as well as staff—on strategic areas of the Government's development plan—ones that have the potential to make a large impact on growth and poverty reduction over the medium term. The smaller innovative projects are also risky, but the Bank has a strong track record supporting the Government in piloting projects, replicating, and scaling them up across different states and nationally, as in the case of education and rural livelihoods.

50. The Bank, together with the Government, will continue to explore new and innovative approaches to financing. Purchases of IBRD Special Private Placement Bonds to maintain net exposure below the SBL while enabling the Bank to continue to respond to Government's demands for IBRD lending, provide one possible solution. Going forward, other measures will be required to sustain the Bank's current level of engagement in India, including considering parallel financing. IBRD lending is expected to stay at about US$4 billion for at least the next two fiscal years, which is higher than was projected in the CAS, but in line with the needs of a country the size of India and undergoing an unprecedented period of reform.

This revised lending scenario has several implications for the Bank's work in India. Enhanced management of the pipeline (both IBRD and IDA) has to be based on principles of selectivity and prioritization. Increasingly, we will seek to place emphasis on developing projects that address one or more of three criteria: i) the project is large and/or transformative and national in scope; ii) the project is innovative in design and approach; and iii) the project has a high potential for leveraging financing from domestic and/or international sources. Because of the SBL constraint, use of DPLs will be limited.

51. In 2009 India hit an important milestone. Its per capita GNI passed the IDA cutoff of US$1,165 for 2009. Discussions on IDA graduation usually begin after a country records a GNI above the cutoff for two consecutive years. The Government has in principle already agreed to the new terms for blend countries proposed under IDA 16.[9] While graduation will be addressed fully in the next CAS, it will be important to begin discussing how the Bank could continue to support the Government with knowledge and financing in sectors that traditionally benefited from IDA—health, education, nutrition and rural development. One option could be to consider using IBRD funding in these sectors as many other MIC clients do. The knowledge agenda will play an increasingly prominent role as India transitions out of IDA. To this end the Government, together with the Bank, has intensified its focus on the AAA program by initiating regularly scheduled comprehensive reviews. The Bank will continue working with the Government to shape a medium-term strategy that will feed into the next CAS and evolve over time given India's major development challenges and the Bank Group's financing constraints. In line with these challenges, the Bank Group will continue to support the Government efforts to develop capacity, models and frameworks for effective PPPs.

VI. RISKS AND MITIGATION

52. The program faces three types of risks. *First,* exogenous, country- level risks include slow recovery from the global financial crisis, the fallout from high inflation and rising commodity prices that could have an impact on the program. For example, the global financial crisis was not fully anticipated in the CAS but is one of the factors behind the increased Bank's pace of lending. The need for a flexible approach that allows the Bank to respond dynamically to such exogenous risks has been and will continue to be a hallmark of this CAS.

53. *Second,* the program faces operation risks related to governance and the changing nature of the types of projects the Bank is increasingly financing—large, transformative projects. On the governance front, as reported during the most recent CPIA exercise, constraints remain. India's size, complex institutional structures and uneven institutional development pose challenges in the implementation of public policies and programs and the management of the public sector. Indian federalism allows for policy discretion at the state level, but also results in overlap of jurisdiction in the implementation of centrally-sponsored schemes. Studies indicate that there is considerable scope for increasing the efficiency of public investment.

54. The changing nature of Bank-financed projects, which are increasingly large, transformative, and push the boundaries of the public sector expertise and hence have to deal with systemic issues such as institutional weaknesses and a lack of a systematic approach to monitoring and evaluation, contract and project management, or asset management poses many challenges to the program. Continued attention is needed to support implementation of institutional reforms, adequate staffing, strengthening regulatory frameworks, and institutionalization of practices and systems for better project management. New projects are increasingly addressing this concern through focused technical assistance, but increased efforts are needed to build capacity in local agencies to ensure longer-term sustainability of ongoing projects. Better collection of data is critical to effective monitoring and evaluation, and in turn helps strengthen the focus

[9] The latest proposal for IDA 16 under discussion includes that IDA credit for blend countries will have the following conditions: 5-year grace and 25 year maturity with an interest rate of 1.25% and standard service charge and commitment fee.

on results. Continued attention to fiduciary matters remains necessary. Transferring more responsibilities and accountabilities to counterpart agencies is increasingly a design and implementation feature of new projects. The practice of cross-checking government information with other sources (community-based monitors, and Indian institutions of higher learning, third-party evaluators) contributes to the quality assurance of Bank-funded projects. And finally, the *third* type of risk is associated with institutional weaknesses, which continue to pose challenges to the successful implementation of the India program.

55. In sum, over the first two years of the CAS, the Bank Group focused on helping India respond to the crisis while not losing sight of long-term challenges. In the remaining two years, the focus will continue to be on supporting the development of policies and institutions that can deal with the challenges of rapid development while ensuring inclusion.

Annex 1: FY09-12 INDIA COUNTRY STRATEGY OUTCOMES MATRIX *(updated November 15, 2010)*[10]			
CAS Period Outcomes to be directly influenced by the Bank	**Indicators**	**Update on Indicators**	**Bank Group Activities**
I. ACHIEVING RAPID, INCLUSIVE GROWTH			
Eleventh Plan Targets (2008-2013) ▪ Average GDP growth rate of 9% per year in the Eleventh Plan period ▪ Agricultural GDP growth rate at 4% per year on average ▪ Twenty percent rise in the real wage rate of unskilled workers ▪ Reduction in the head-count ratio of consumption poverty by 10 percentage points ▪ Ensure electricity connection to all villages and BPL households by 2009 and reliable power by the end of the Plan ▪ Ensure all-weather road connection to all habitations with population 1000 and above (500 and above in hilly and tribal areas) by 2009, and all significant habitations by 2015			
A. Making Growth Inclusive			
▪ Improved economic well being and opportunities for sustained income and employment in rural areas, particularly for poor households, in areas covered by Bank-supported livelihoods projects. ▪ Sustained improvements in road connectivity in areas covered by Bank-supported rural roads projects ▪ Improved access to modern energy (electricity) by the rural population ▪ Greater access by poor households to the formal financial system ▪ ***Deleted:*** *Sharing of lessons across Bank-financed and GoI-financed projects in livelihoods and rural roads*[11] ▪ Better, more widely used data on poverty and growth and enhanced understanding of social exclusion	▪ ***Revised:*** Self-managed institutions of the poor households covering most poor people and particularly women and expanded access to financial services including savings and credit for poor households in areas covered by livelihoods projects (baseline: 8 mn poor households)	▪ 12 mn poor households people from 90,000 villages organized into self-help groups (2010). 95% of participants are women. ▪ $5.8 bn credit accessed by rural households from commercial banks over 7 years. ▪ 200% increase in credit accessed by the poor people in AP (2000-09). ▪ $3 bn credit (55% increase over baseline) accessed from rural cooperatives in the four Bank-funded states ▪ >2,000 small and medium enterprises financed	Portfolio and Lending ▪ Ongoing and planned livelihoods projects (Orissa Rural Livelihoods Project (FY09); MPDPIP II (FY09); AP Rural Poverty—Additional Financing (FY09), Bihar Rural Livelihoods, Tamil Nadu Rural Empowerment Project ▪ Ongoing and planned rural connectivity projects (AP Road Sector (FY10); Haryana Power System Improvement Project (FY10) ▪ Strengthening Rural Credit Cooperatives project ▪ Banking Sector Support Loan (FY10) ▪ Statistical Strengthening Loan (FY10) ▪ SME Additional Financing (FY10) ▪ Scaling up Sustainable and Responsible Microfinance Project (FY10) ▪ Powergrid V (FY10) ▪ Power Systems Development IV—Additional Financing (FY09) ▪ Haryana Power System Improvement Project (HPSI) (FY10) AAA ▪ NLTA on GoI's SGSY livelihoods scheme and financial services (crop insurance and low-income housing). ▪ Reports, notes, and NLTA on poverty and
	▪ Percent rural road network in fair or better condition in areas covered by rural roads projects	▪ Data not yet available	
	▪ Improved availability of power supply	▪ Report on *Improved Rural Electrification Services through Renewable Energy Based Distributed Generation and Supply in India*) produced in FY10.	
	▪ Increase in the number of rural households that have access to electricity in areas covered by WB projects	▪ Too early to report	
	▪ Increase in the percentage of poor	▪ Only 58% of urban population and	

[10] At the mid-point of the CAS implementation, the results matrix has been revised to ensure that outcomes and their corresponding indicators are both realistic and measurable. Baseline data has been included where available. Unless otherwise stated, in most cases "revised" indicates the addition of a baseline and/ or target.

[11] This is part of the effort to focus the results matrix on only key outcomes. Sharing of lessons across projects takes place regularly.

	households who access credit from a formal sources and insurance services	38% of rural population have access to bank accounts.	social exclusion ▪ Analytical work on improving electricity services and institutional capacity of utilities for enhanced power supply to rural areas IFC Advisory Services ▪ Promotion of rural businesses, development of market linkages ▪ Engagement with microfinance institutions through direct investments, indirect investments through microfinance investment vehicles, structured finance products and/or technical assistance. Support to SMEs and finance for low-income housing. WBI ▪ capacity building support to lagging states (Orissa) for improving investment climate and competitiveness
	▪ Increase in investment by commercial banks and other public and private agencies in poorer areas and households (baseline: 40% of Self Help Institutions receive funding from banks (2008))	▪ 40% of total lending of commercial banks targeted to micro, agriculture & SME finance ▪ 60% of the Self Help Promoting Institutions receive funding from banks ▪ All banks required to implement Board-approved Financial Inclusion Plan by Nov. 2010; will provide banking services in villages with pop. of > 2,000. ▪ 12 IFC advisory services in microfinance, SME & low-income housing to improve access by the poor; US$106 mn in investments	
	▪ ***Delete:*** *Number of knowledge exchange events*		
	▪ Better reporting and disclosure of data and standards on 20 core statistical indicators in at least 15 states	▪ Central Statistical Organization published standards for 8 key activities25 states participating in the India Statistical Strengthening Project committed to improving data quality in line with the national standard. ▪ Most states established statistical websites, which disseminate data, substantially reducing delays in the dissemination of statistics.	
	▪ Better integration of gender issues in AAA and operations	▪ 32% of projects in portfolio include gender disaggregated indicators. ▪ 11 gender mainstreaming activities funded by Gender Action Plan Trust Fund ($600K).	
B. Removing Structural Constraints to Growth			
Bridging the infrastructure gap			
▪ Expanding and improving the quality of infrastructure service delivery, including through PPPs. ▪ ***Delete:*** Improving the investment climate ▪ Bridging financing gaps caused by the global financial crisis	▪ Improvements in the level and quality of provision of infrastructure services ▪ Improved asset management practices, including improved planning and budgeting of maintenance, adoption of commercial practices in maintenance, and greater road safety for national highways, state roads in states covered by Bank projects	▪ Projects under implementation (Punjab and AP) are introducing asset management practices.	Portfolio and lending: ▪ Ongoing and planned projects on national highways, state roads (Orissa State Roads (FY09); Tamil Nadu Roads—Additional Financing (FY10), railways (MUTP 2A—FY10, urban transport (Sustainable Urban Transport Project—FY10) AAA ▪ NLTA on PPPs at the central and state

	▪ Increased share of railways in transport on the Eastern Corridor ▪ Improved access to clean and affordable urban transport systems in cities covered by Bank projects	▪ Too early to report ▪ Too early to report	levels (covering highways and state roads, railways); Land acquisition and R&R ▪ Reports/notes on the investment climate and Doing Business; Joint Bank-IFC subnational Doing Business Report ▪ PPIAF assistance on private sector involvement in public transport IFC ▪ Continued investment in private sector generation, transmission and distribution projects ▪ Support to oil/gas projects upstream and comprehensive sustainable resource development support including community development/outreach/linkage programs IFC Infrastructure Advisory • Transaction advisory assistance to governments to structure specific PPP projects ▪ Investment Climate reform in low-income states ▪ Sub-National Doing Business Study and reforms
	▪ Increase in the number of states and sectors wherein PPPs emerge as an integral part of the governments' planning and strategy for delivering infrastructure services	Lending at Central Level ▪ Bank-MoRTH collaboration on channelizing bank-financing to PPP projects through the non-NHDP project (under preparation) Lending at State Level ▪ Ongoing road sector projects in AP, Tamil Nadu and Orissa; includes transactions advisory services to support development of roads on PPP basis. AP offered 3 projects to the market; AP and TN each awarded 1 PPP project. ▪ In Karnataka road sector project, bank-financing is expected to be utilized for developing 3 road stretches on PPP basis. ▪ IFC advisory services Andhra Pradesh on PPPs in hospitals, waste management, and roads; and in Kerala on ports.	
	▪ Improvements in the ease of doing business (baseline: 132 out of 182 ranking) and time of doing business, barriers to entry, and regulatory bottlenecks (based on India's Doing Business indicators and global Doing Business rankings).	▪ India's overall ranking on *Doing Business* declined from 132 (2008) to 134 (2010).	
Addressing skill shortages			
▪ Deepen understanding of opportunities and challenges of skills development and help fill skill shortages in the public sector	▪ ***New Indicator:*** Pilot at least 2 Sector Skills Councils created among 21 high growth sectors. ▪ ***Deleted:*** *Strategies and policies informed by Bank's analytical work on skills* ▪ ***Revised:*** Percentage of participants that found WBI training programs in the health sector useful. (baseline: 87-90%)	▪ Too early to report ▪ In FY09 67% and 93% of participants found the two courses useful	AAA ▪ Skills Development Policy Note Portfolio and lending ▪ National Skills Development Corporation (pending request) WBI Capacity Building Programs IFC Advisory Services ▪ Capacity building to SEWA Barefoot managers school and Business Management skills for SMEs through 'Business Edge'
Expanding agricultural productivity			

▪ Acceleration in agricultural productivity and in long-term agricultural growth in areas covered by Bank-supported projects ▪ Increased productivity of irrigation water in selected irrigation schemes, in at least three states.	▪ Improved yields, greater diversification, higher farm incomes in areas covered by Bank-supported agricultural competitiveness and irrigation projects (at least 20% increase in average crop yields per unit of water received in irrigation schemes after completion of rehabilitation and modernization works)	• Crop diversification from rice to higher-value crops has been observed in areas where system rehabilitation has been completed. • Yield increases vary from project to project, but increases 35- 50% have been measured , mainly due to the more reliable irrigation water distribution that allows an increased number of irrigations per season	Portfolio and lending ▪ Agricultural innovation project (GEF AF (FY10), agricultural competitiveness projects, and UP Sodic Lands Reclamation Project III (FY09) ▪ National Dairy Program (new) ▪ Irrigation community tanks Community Tank Management ((FY09), watershed (Uttarkhand Watershed GEF AF—FY10), water sector (AP Water Sector Improvement—FY10), projects AAA ▪ Reports on enhancing agricultural productivity and improvements in irrigated agriculture IFC ▪ Financing for private sector players in dairy/oilseeds/sugar/poultry/tea/irrigation sectors and for projects to improve fertilizers and pesticides IFC Advisory Services ▪ Sugarcane and dairy productivity improvement ▪ Introducing traceability systems in the agricultural supply chain
	▪ Increase in private sector participation in dairy and food processing sectors and in number of farmers who have formal/informal affiliations with corporates for sourcing of produce/ outgrower arrangements	• IFC advising on PPPs in Bihar and Punjab on silo project; US$16 million of investments in agriculture sector	
C. Supporting Sound Macro and Financial Management and Structural Reforms			
Macro management and structural reforms			
▪ Improved macroeconomic management in DPL states ▪ Informed public discussion and debate on next stages of structural reform, especially in the lagging states	▪ Continuing improvements in meeting Fiscal Responsibility Budget Management (FRBM) targets in DPL states (targets: zero revenue deficits and overall fiscal deficits not to exceed 3% of GSDP)	▪ FRBM 2008-09 & 2009-10 targets revised due to financial crisis. ▪ Original targets met in Bihar and Orissa, but slippages in HP and AP due to slower growth, lower tax in-take as result of crisis and 6th Pay Commission wage revision. ▪ AP met revised fiscal deficit target of 4% of GSDP recommended by GoI for 2008-09 and 2009-10. HP did not and AP, Bihar, & Orissa eliminated revenue deficit. ▪ All states required to enact Fiscal Responsibility Legislations.	Portfolio and Lending ▪ Ongoing DPLs (DPLs in Bihar, HP—closed in FY10); planned DPLs in low-income states AAA ▪ Quarterly macro updates ▪ Dissemination of reports and new analytical work on macroeconomic management, financial sector, public financial management, fiscal issues, labor and employment, lagging regions, key development issues (DPR) ▪ NLTA to support capacity building in low-income states (partly TF-funded) ▪ NLTA to support diagnostic work by NIPFP and GASAB on public financial management ▪ NLTA to support pilot studies on accrual
	▪ Medium-term fiscal planning tools implemented in at least four DPL states	▪ Due to limited fiscal resources, medium- term fiscal planning tools not yet embedded in medium- term	

	▪ ***Deleted:*** *Debate on macroeconomic management, financial sector, and public financial management informed by WB AAA work*	expenditure frameworks or budget. Most states now have computerized treasuries, enabling better expenditure monitoring, control and management. 13th Finance Commission recommended integration of Medium-Term Fiscal Policy projections in budget, requiring states to project cost of current/new policies.	accounting ▪ NLTA to support diagnostic work by NIPFP and GASAB on public financial management ▪ NLTA to support pilot studies on accrual accounting
Financial Sector and Capital Markets			
▪ Financing (especially long term) for infrastructure investment expanded in the aftermath of the 2008 global financial crisis, as needed to counter the cyclical downturn	▪ ***Revised:*** WB infrastructure commitments increased over trend level (baseline: US$ 2.14 billion over previous CAS period (FY05-08) and IFC long-term finance and equity commitments in infrastructure increased (baseline for long-term debt: US$989 million (FY05-08); baseline for equity: US$95 million in FY05-08)	▪ Long-term financing increased in FY09-10 increased by 46% (4 billion in FY09-10), of which US$2.2 billion was in response to financial crisis (IIFCL and Powergrid). ▪ During FY09-10, in infrastructure in India, IFC provided US$292 million in the form of long-term debt and invested $111 million in equity and quasi –equity.	Portfolio and Lending ▪ Expanded long-term infrastructure financing (IIFCL—FY10, Powergrid—FY10) Deepening Financial Markets Technical Assistance Project AAA ▪ NLTA on capital markets development and design and outreach of financial services ▪ Report on improving corporate governance of central government owned public enterprises (2009) IFC • Direct equity support in strategic banks and long-term finance institutions; short-term trade finance and liquidity support to banks (In FY09-10 local currency investments in infrastructure.) IFC Advisory Services ▪ Assisting SEBI / NISM in improving corporate governance practices and developing securities market
	▪ Increase in the amount of local currency private capital (including long-term debt and equity) invested in infrastructure projects	▪ Private investment in infrastructure increased by 131% between FY07 and FY10.[12] ▪ Share of the banking sector in infrastructure financing increased from 9.3% in 2008 of overall bank credit to 12.5% in 2010.	
	▪ ***Delete***: Lengthened maturity of corporate bonds issued[13]		
II. PROMOTING SUSTAINABLE DEVELOPMENT			
Eleventh Plan Targets ▪ Increase forest and tree cover by 5 percentage points ▪ Attain WHO standards of air quality in all major cities by 2011-12 ▪ Treat all urban waste water by 2011-12 to clean river waters ▪ Increase energy efficiency by 20 percentage points by 2016-17 ▪ National Action Plan on Climate Change targets			
A. Improving Water Resources Management			

[12] Amounts were approximately US$11.2 billion in FY07; US$17.6 billion in FY08; US$22.2 billion in FY09; and US$ 26.0 in FY10. (Source: Planning Commission estimates).
[13] Difficulties in accessing credible data.

▪ Strengthened water resources management (WRM – including quantity and quality) and development at national, inter-state, state and local levels	▪ Built capacity in key states for WRM, including resource regulation and allocation, and multi-purpose infrastructure development and management ▪ Built capacity in the central government to address national and inter-jurisdictional WRM ▪ Evidence of inter-jurisdictional management, including workshops, pilot projects and basin agencies ▪ Improved tools for planning and management of water resources (information, analysis, stakeholder participation) ▪ Improved stakeholder participation in water management (e.g. water user associations)Modernization/rehabilitation of traditional water bodies (tanks) ▪ Mobilization of private capital into the sector	▪ In key states of Maharashtra, MP, Rajasthan, & UP, Water Resources Regulatory Authorities established building ▪ Data not yet available. ▪ Date not yet available. ▪ Placing hydrological data in the public domain, and data processing and analysis are ongoing, which is aimed towards more transparent planning of water resources. ▪ Several thousand water users associations established. ▪ 5,000 tanks (traditional water bodies) rehabilitated ▪ US$50m invested by Water Health India (incl. $15mn-IFC.)	Portfolio and Lending ▪ Water components of water/irrigation projects in portfolio and pipeline AAA • Analytical work on groundwater and irrigation • National policy dialogue • Strategic assessments of Ganges Brahmaputra Basin and Ganges Basin Regional Flood Management Information System IFC Advisory Services ▪ PPP Options study in Maharashtra
▪ Strengthened regional cooperation on water	▪ Active dialogue and collaborative research across riparian countries in shared river basins ▪ Improved public knowledge base on economic and hydrologic dynamics of shared river basins ▪ Ganges Basin regional flood management information system developed ▪ Regional investment supported in response to riparian requests	▪ The "Abu Dhabi Dialogue" on regional water cooperation brings together 7 riparians of the rivers of the Greater Himalayas ▪ Economic & hydrological models of the full Ganges River being developed. Results will be shared with all riparians-Bangladesh, China, India, & Nepal). ▪ Draft concept note on the system to improve regional forecasting using satellite & ground-based systems & interfacing with national/sub-national efforts. Other project include: Bihar Flood MIS, and India Hydrology II & Bangladesh BRIC—both supporting hydrometer systems. ▪ Informal requests from Bhutan, Nepal & Pakistan to launch regional hydrometer observation system. Preparations underway for a regional project that may include India, or be designed as inter-operable with India Hydrology II Project.	

B. Reducing the Burden of Environmental Degradation			
Clean technology and energy efficiency			
▪ Strengthened institutional capacities in the power sector, with deployment of innovative PPP business models ▪ Enhanced efficiency in power sector in select states ▪ Increased investments in low-carbon growth using domestic and concessional sources of funding	▪ ***Revised:*** Strengthened institutions in electricity service delivery as measured by additional transmission capacity (baseline: zero; target X circuit kilometers) and transformation capacity (baseline: zero; target X MVA) ▪ ***New:*** reduction in power transmission losses, using cutting edge technology as measured against business as usual ▪ ***New :*** Contribution of WB portfolio to increased investments in low-carbon growth over trend line (FY05-08) ▪ Established PPP model for sustainable delivery of electricity services in various segments of the power sector – transmission, distribution, energy efficiency and distributed generation. ▪ ***Deleted:*** *Enhanced private sector participation in transmission and distribution.*[14] ▪ ***Revised:*** Megawatts of grid-connected solar power generation facilitated through pilot projects (baseline: zero; target: 1,000 MW) ▪ Reduction in CO_2 emissions/kwh (tons of CO_2) (baseline: X tons) ▪ ***Deleted:*** *Improvements in energy intensity in selected sectors* ▪ ***Deleted:*** *Pilot assessment of the carbon footprint of Bank projects*	• Institutional development of and investment in POWERGRID resulted in additional transmission capacity of 75,000 circuit kilometers and transformation capacity of 83,000 MVA added in FY09-10. • A PPP based on Strategic Alliance model for US$1.5 billion undertaken for Maharashtra State Electricity Transmission Company Ltd (MSETCL) through three-year long NLTA support and IFC financing of US$50m. • NLTA Village Energy Security – a project based on a PPP model (FY10). ▪ Too early to report; joint Bank-IFC TA under preparation	Portfolio and Lending ▪ Lending for generation (coal-fired rehabilitation—FY09), thermal replacement, hydro), transmission, and systems improvements (Dam Rehabilitation & Improvement Project—FY10). ▪ Haryana Power System Improvement Project approved in FY 2010, and Power System Development Project V of US$1 billion (POWERGRID) in FY 2010). ▪ First sub national finance project of South Asia (promoting commercial finance and corporate governance practice) of USD 50 mn for Maharashtra State Transmission Company ▪ Support for energy efficiency in SMEs (GEF—FY10) ▪ Accelerated Chiller Replacement Project ▪ Carbon Offset (BBMB Rehabilitation, Rampur Hydro Power) and Carbon Finance projects AAA ▪ Low-Carbon Growth Study ▪ Analytical work on renewable, distributed power generation, PPP models, ▪ ESMAP-funded studies in the power sector (NLTA Support to Maharashtra State Transmission Company (MSETCL) on Organizational Transformation; Report on Promoting PPP in thermal rehabilitation) IFC ▪ Development of private sector renewable energy, grid solar power projects; Cleaner Production Assessments and Sustainable Energy Market Development projects IFC Advisory Services ▪ Support for efficiency improvements in energy and water sector through audits
▪ Improvements in end-use energy efficiency and demand- side management		▪ Reduction of 420,000 tons of CO_2 in two projects Karanataka Wind Power Project (FY10) and BBMB Hydro Power Rehab Carbon Offset (FY10).[15] • Too early to report, but two pilots are ongoing (AP Forestry and Dedicated Freight Corridor)	

[14] Indicator combined with indicator on PPPs.
[15] CO_2 reductions also take place in the context of other projects, but are not calculated. The Karnataka Wind and Power and BBMB Hydro Power Rehab Carbon Offset are based on performance contracts, with compensation for CO_2 reductions, hence this is tracked.

<table>
<tr><td colspan="4">C. environmental Management and Resilience to Climate Change and Disasters</td></tr>
<tr><td rowspan="3">▪ Revised: Enhanced investments in environmental management, addressing key environmental issues related to large-scale infrastructure development, hazardous waste management, coastal zone management, ozone-depleting substances, biomass-based rural electrification and integration of sustainability in project design
▪ Enhanced capacity of central government and states to manage environmental degradation
▪ Increased investments in climate-resilient infrastructure and livelihoods and in low-carbon growth using domestic and concessional sources of funding
▪ Deleted: Enhanced knowledge of sectoral vulnerabilities to climate change and possible adaptation measures; increased investments in climate resilient infrastructure and livelihoods using domestic and concessional sources of funding
▪ Strengthen policy, institutional, technical, and financial capacity for managing natural disaster risks at central and state level</td>
<td>▪ Revised: Number of pilots that introduce new investments and business models in environmental management (Baseline: 0; target: 7)
▪ New: Number of workshops and dissemination activities on issues related to environmental degradation</td>
<td>▪ Two projects Integrated Coastal Zone Management (FY10) and Capacity Building for Industrial Management (FY10) address environmental challenges.</td>
<td rowspan="3">Lending
▪ Support to industrial pollution management (Capacity Building for Industrial Pollution Management—FY10)
▪ Support to sustainable land and eco-systems management (GEF), coastal zone management (FY10), and biodiversity conservation
▪ Possible support for cyclone risk mitigation (FY10)
AAA
▪ Analytical work on environmentally sustainable growth; sustainable development in vulnerable areas
▪ Analytical and TA work on adaptation and climate change and agriculture
▪ GDFRR activities (TF-funded)
▪ WBI – (i) Supported NIDM to develop knowledge and scale-up capacity building on disaster risk management issues; (ii) training and capacity building support for solid waste management in cities (iii) facilitated experience sharing on issues of climate change, low carbon strategies, carbon finance.</td></tr>
<tr><td>▪ Delete: Improved understanding of climate change threats and adaptation measures</td>
<td>▪ NLTA on Andhra Pradesh Drought Adaptation Initiative</td></tr>
<tr><td>▪ New: Percentage of portfolio that has climate change co-benefits.
▪ Revised: Increased investments in assets maintained and new infrastructure built to improve productivity and reduce vulnerability to hydrologic extremes</td>
<td>▪ Board approved GEF Sustainable Land and Ecosystems Management Country Partnership Program and cyclone risk mitigation project</td></tr>
<tr><td colspan="4">III. INCREASING THE EFFECTIVENESS OF SERVICE DELIVERY</td></tr>
<tr><td colspan="4">Eleventh Plan Targets
▪ Reduction in the dropout rates of children at the elementary level from 52.2% in 2003-04 to 20% by 2011-12
▪ Developing minimum standards of educational attainment in elementary schools, to ensure quality education
▪ Increasing the literacy rate for persons of age 7 years or more to 85% by 2011-12
▪ Reducing the gender gap in literacy to 10 percentage points by 2011-12
▪ Increasing the percentage of each cohort going to higher education from the present 10% to 15% by 2011-12
▪ Infant mortality rate (IMR) to be reduced to 28 and maternal mortality ratio (MMR) to 1 per 1000 live births by the end of the Eleventh Plan
▪ Clean drinking water to be available for all by 2009, ensuring that there are no slip-backs by the end of the Eleventh Plan
▪ Malnutrition among children of age group 0-3 to be reduced to half its present level by the end of the Eleventh Plan</td></tr>
<tr><td colspan="4">A. Enhancing development effectiveness -- Across sectors</td></tr>
</table>

▪ **Revise:** Strengthening accountability institutions and mechanisms at the union, state and local levels (e-governance, citizens' oversight, citizens' scorecards, fiduciary controls on financial management and procurement (e-procurement) and decentralization ▪ ***Delete:*** *Enhanced public financial accountability and public service delivery in selected states* ▪ ***Delete:*** *Expanded e-government services in DPL states* [16]	• ***New:*** *strengthened fiduciary controls (financial management, procurement and vigilance)* • ***Delete:*** *Develop robust monitoring system to track expenditures and outcomes in selected CSSs, and roll out to all districts for at least one major scheme* • ***Delete:*** *Continued implementation of e-procurement reforms in at least one state* • ***Revised:*** Mainstreamed social accountability mechanisms (e-government, public information, disclosure compliance with RTI, social audits, grievance redressal, decentralization) • ***Delete:*** *Selected e-government services in selected states operate according to agreed service level standards*	• RTI being implemented in government departments & programs: first RTI call center set up in Bihar; RTI award granted to Uttarakhand RWSS Project for good governance & accountability • Public procurement reforms: draft bill in AP & HP; piloting of e-procurement through state DPLs in AP, Bihar & Orissa • Improved public finance management: Public Expenditure and Financial Accountability Report (PEFA) at the Union and state level (AP, HP, Jharkhand and Rajasthan entailing policy dialogue; improved budgeting, financial rule books, and manuals at the state level under DPL; strengthened internal audit function & improvement in addressing backlog of pending audits.	Lending: ▪ State-level DPLs ▪ Possible support to e-government services in selected areas/states ▪ West Bengal PRI—FY10 AAA ▪ Analytical work and technical assistance accompanying state-level DPLs (partly TF-funded) ▪ Advisory and non-lending technical assistance to the Planning Commission, MoF, selected states and accountability institutions ▪ Analytical work on improving public services
▪ Strengthened land acquisition, resettlement and rehabilitation systems and capacity at the level of GoI and selected states following the National Resettlement and Rehabilitation Policy (NRRP), 2007.	At the national level: • Consistency between LA/R&R rules at central and state levels • LA/R&R monitoring system and capacity at central and state levels	• E-tool developed for monitoring LA/R&R in AP; staff training modules to be prepared and used in participating states.	AAA • NLTA on LA/R&R (partly TF-funded)
	Gujarat & Himachal Pradesh: • State policy reflecting NRRP 2007 introduced across sectors • Institutional arrangements, implementation guidelines, and capacity exist for management of LA/R&R	• Sector case studies (i.e. on roads, SEZs, power, mining & irrigation) undertaken in Gujarat. • Completed reports on LA themes (i.e. compensation/valuation methods, role of court/judiciary, grievance resolution mechanisms). Findings will feed into the preparation of LA Rules.	

[16] Three original outcomes merged into one overall outcome.

	Andhra Pradesh: • Two AP-financed projects with Bank advice incorporate improved management of LA/R&R	• Supported GoAP in establishing R&R Commissioner's Office; helped create regular budget head for LA/R&R activities; created R&R Society to implement R&R programs; e-tool developed for monitoring. • Improvements in state R&R policy to comply with NRRP 2007.	
▪ Strengthened citizens' partnerships with government for improved service delivery	▪ Increased involvement of citizens and CSOs in tracking service delivery through social accountability mechanisms in Bank-supported projects ▪ Increase in number of social audits conducted in at least one state ▪ Increased availability, dissemination and use of public information in Bank-supported projects	▪ Computerized operations (i.e. website and online citizen grievance redressal system under TNUDP-III, E-governance support to all Urban Local Bodies (ULBs). Similar work underway across participating ULBs in Karnataka under KMRP	AAA • NLTA on capacity for Poverty and Social Impact Analysis and enhancing local accountability • Grant making for social accountability (partly TF funded) • Impact evaluations of social accountability mechanisms • WBI supporting development of Associated Network of Social Accountability (ANSA).
A. Enhancing development effectiveness – Education			
▪ Help GoI achieve universal elementary education of satisfactory quality	▪ ***Revised:*** Number of out-of-school children (baseline: 13 million in 2005) ▪ ***Revised:*** Enrollment shares of girls (baseline 47.8% in 2005-06; target: 48%), scheduled caste and scheduled tribe children equal to their share in the population at state levels ▪ ***Revised:*** Increase in retention rate at primary level (baseline 71% in FY05/06; target 75% in 2012) ▪ ***Revised:*** Increase in transition rate from primary to upper primary (baseline: 83% in FY05/06; target 89% in 2012) ▪ Improvement in quality of education (improved level of achievement relative to 2007 baseline in language and mathematics of the 2007/8 cohort by the time they reach grade 3 in 2010)	▪ In 2009 8.1. million out-of school children ▪ ***Achieved:*** Enrollment shares in public elementary education of girls (48.44% in FY09/10), SC and ST children equal to their shares in the population ▪ Retention rate has increased to 74.9% in FY09/10) ▪ Transition rate from primary to upper primary has remained stagnant (83.4% in FY09/10) ▪ 2-3% increase across grades from 1st to second round of national achievement test; 3rd round to be completed in early 2011	Portfolio and Lending ▪ Support to SSA II (Additional Financing—FY10) and III AAA ▪ Impact evaluations of Integrated Child Development program, teacher accountability, and AP education strategy ▪ Analytical work on international experiences (esp. OECD) in teacher training and professional development to inform GoI's teacher education program
▪ Support GoI's effort to improve access, equity and quality of secondary education.	▪ ***Revised:*** Lower secondary GER increases (baseline: 52% in FY05/06; target: 65% by 2015) ▪ Quality of lower secondary education is measured for the first time, establishing a baseline against which the impact of future quality investments may be assessed	▪ Too early to report. RMSA secondary project is under preparation and will be delivered in FY11.	Lending ▪ Support to secondary education ▪ *National Skills Development (new)* AAA ▪ Secondary Education Report dissemination ▪ Analytical work to develop PPP Framework in support of CSS Model Schools/secondary schools

▪ Increase number, employment and earnings of skilled workers for more inclusive growth.	▪ Increase in proportion of students in project ITIs who graduate with National Council of Vocational Training certificate (baseline: 61%; target: 73%) ▪ Increase in proportion of project ITI graduates who find employment within one year of completion (baseline: 32%; target: 50%) ▪ Increase in real monthly earnings of employed project ITI graduates one year after graduation (baseline: INR 2,421 (2006); target: INR 3,206)	▪ The pass rate in BBBT (1st year of the COE program) has improved to 68%. ▪ Data not yet available. Preliminary findings from a national tracer study commissioned to assess improvement employment rate and monthly earnings will be available in Nov. 2010.	Portfolio and Lending ▪ Vocational Education and Training and technical engineering projects (TEQIP II—FY10) AAA ▪ Skills Development Policy Notes ▪ Analytical work on PPPs in education IFC Investments in competitive, labor-intensive, employment-generating industries IFC Advisory Services ▪ Gujarat University PPP; Linkages projects
B. Enhancing development effectiveness -- Health and Nutrition			
▪ Enhanced coverage, quality and equity in the delivery of essential health services in programs/ states supported by the WB ▪ Improved monitoring and impact evaluation of health interventions ▪ Strengthened accountability for resource allocation and use. ▪ Improved performance of local fiduciary systems, including supply chain management	▪ At least 80% of household with eligible children vaccinated against polio during national and sub-national immunization days in high-risk districts. ▪ ***Revised:*** ACTs available for treating falciparum malaria at Primary Health Centers (PHCs) in 50 districts covered under WB project. (baseline: 0% in 2008; target: 100%). ▪ Quality assurance systems for HIV test kits established and expanded to TB and Integrated Disease Surveillance Programs ▪ ***New:*** *TB case detection and cure rates in 139 low-income districts: (2006 baseline: detection rate: 59% (target: 66%); cure rate: 82% (target: 86%)* ▪ Quality assessment and accreditation system for primary care developed and piloted ▪ At least two impact evaluations performed on policy relevant interventions supported by Bank-financed operations ▪ ***Revised:*** At least one service delivery PPP under implementation in partnership with IFC and one PPP under implementation in at least one state with Bank-financed project. ▪ Establish institutional arrangements to support PPPs in two states. ▪ ***Revised:*** Two states have independent procurement agencies certified by	▪ ***Achieved:*** During the 2009-10 national and sub-national immunization days 80% of households with eligible children in 100% of high-risk districts were vaccinated against polio. • In 2010: 68% of PHCs have access to ACTS • Consortium of reference labs provides validation of test kits; Strengthening of lab services have benefitted the revised National TB program and Integrated Disease Surveillance Program. • ***Achieved:*** June 2010: TB case detection rate: 71% and cure rate: 88% • The National Accreditation Board prepared a draft accreditation system for primary care, with Bank inputs Bank & based on international experience. • Impact Assessment *of Targeted Interventions for the Prevention of HIV in India* and externally-funded Chiranjeevi Program (Gujarat) & maternal voucher scheme(Thaya Bhagya) scheme (Karnataka) completed; malaria program evaluation ongoing; • AP diagnostic service PPP fully	Portfolio and Lending ▪ Ongoing state health projects (Tamil Nadu Health—Additional Financing—FY10) and support to central programs (National VBD Control & Polio Eradication Project—FY09) ▪ Possible innovative funding mechanisms AAA ▪ Analysis of critical public sector management systems, including planning, budgeting, budget execution and monitoring and the institutional mechanisms to conduct these functions ▪ TA in collaboration with WBI to implement practitioner-to-practitioner to support states in the planning and implementation of pay-for-performance schemes. IFC Advisory Services • Support to state and central governments on design and implementation of PPP projects (Health Care Project in 2nd Tier Cities and Villages and AIDS advisory for private sector corporations). • WBI, in partnership with central (NIHFW) and state health institutions (Orissa, UP, Rajasthan) developed and delivered series of training on issues of health sector reforms, human resources for health, quality of care, and PPPs.

	MOHFW or its agency for undertaking decentralized procurement, applying assessment tool developed by Bank. ▪ At least one state established a performance-based financing mechanism with districts, municipalities, or municipal corporations, linking service indicators to funding.	implemented in state medical college by IFC. • 42 contracts with NGOs for public health activities and 61 mobile health clinics contracted out to NGOs in Karnataka. • Procurement reforms underway in Karnataka.	
• ***Revised:*** Reformed and strengthened national ICDS program that prioritizes evidence-based nutrition • ***Revised:*** Effective multi-sectoral nutrition service delivery models tested for subsequent scale-up. • ***Revised:*** Local government (Panchayats) facilitate improved nutrition service delivery and utilization in districts of Bihar	• ***New:*** *revised robust monitoring system developed & adopted by the ICDS.* • ***New:*** *ICDS pilots innovative models of convergence with the health sector and with women's self-help groups* • ***New:*** *Multi-sectoral action plans for nutrition developed in at least six states and piloted in selected districts.* • ***New:*** *Number of Gram Panchayats engaged in improving nutrition*	• Too early to report fully on these indicators; projects under preparation.	Portfolio and lending ▪ ICDS Systems Strengthening and Nutrition Improvement Project (ISSNIP) ▪ Bihar Panchayat Strengthening Project
C. Enhancing development effectiveness -- Social Protection			
▪ Improved impact of social protection programs and services for the poor, assisting them to cope with extreme/chronic poverty and manage the impacts of household shocks on their welfare	▪ ***Revised:*** Share of BPL households covered by different forms of social insurance (baseline: 5,000 BPL households in 2008; target: 16.5 million in 2012) ▪ ***Deleted:*** *Improved targeting and inclusion of the poorest in core anti-poverty programs (using baseline from NSS 61st round)* ▪ ***Deleted:*** *Reduced leakage in core anti-poverty programs*[17]	▪ 69% increase (16 million BPL households covered by RSBY health insurance in 26 states)	Lending ▪ Social Security for Unorganized Sector Workers ▪ Support to social protection programs in low-income states AAA ▪ Analytical and TA work on social protection, social security, and safety nets ▪ National Rural Employment Guarantee Evaluation
D. Enhancing development effectiveness -- Urban Services			
▪ Help develop appropriate approaches to land market reform that can be replicated	▪ Effective approach piloted in at least one city (possibly Mumbai, Delhi, or a city in Gujarat) and documented	▪ Discussion of pilots to resume in FY11 ▪ In 2008, AP repealed the Urban Land Ceiling Act, which will improve functioning of land markets in urban areas.	Portfolio and Lending ▪ Components of urban projects (MUTP, TA loan, urban development loans) ▪ WBI –partnership with urban capacity building institutes (ASCI, YASHDA), incl. training & exchange program.
E. Enhancing development effectiveness -- Water Supply and Sanitation			

[17] Original indicators deleted because Bank's contribution through activities under this CAS is negligible.

▪ Increased access to improved and sustainable drinking water and sanitation services in rural areas ▪ Improved water supply and sanitation services in urban and peri-urban areas	Rural Water Supply and Sanitation: ▪ ***Revised:*** Number of Gram Panchayats (GP) involved in RWSS delivery (in partnership with user communities)(baseline: 1,905 in 2008; target: 9,473 in 2012) ▪ ***New:*** Number of households with access to improved drinking water and sanitation(baseline: 1.1 mn in 2008; target: 2.5 mn in 2012) ▪ ***Revised:*** Number of habitations with 100% Operations & Maintenance (O&M) cost recovery under Bank-sponsored projects (Baseline: 15 habitations in 2008; target: 2800 in 2012)	As of 2010: ▪ 67.6% increase; 5,888 GPs involved in RWSS delivery. ▪ 17% increase in the number of household with access to potable water and sanitation; 1.3 mn households ▪ 99% increase in number of habitations with 100% O&M cost recovery in Uttarakhand and Punjab RWSS projects.	Portfolio and lending ▪ Ongoing (Rajasthan Waster Sector—AF FY10; Karnataka RWSS—AF FY10) and proposed state-level RWSS projects (AP RWSS-FY10) (in Karnataka, Kerala, Maharashtra, Punjab, Uttarakhand) ▪ AP Urban Reform and Municipal Development—FY10 AAA ▪ Review of Bank RWSS projects for (i) directions on institutional and policy aspects, and (ii) assessing sustainability. Portfolio and Lending ▪ Karnataka UWSS; scaled up/follow on project involving private sector under preparation ▪ UWSS component under JNNURM ▪ Support to urban sanitation component of the National Ganga River Basin Authority (NGRBA) AAA ▪ Urban WSS Business Plans for three states (Maharastra, Rajasthan, and Haryana) IFC ▪ PPP project development in urban water and solid waste management sectors Financing for innovative water delivery business models such as micro utilities ((IFC US15 m. support to Waterhealth India.)
	Urban Water Supply and Sanitation: ▪ ***Revised:*** Number of Urban Local Bodies (ULBs) responsible for delivery of Water and Sanitation Services (baseline: 11 in 2008; target 60 in 2012) ▪ ***New:*** Number of urban households with access to improved water supply and sanitation services (baseline: 23,000 households; target ▪ ***Revised:*** at least one contractual arrangement between ULBs and public and private service providers. ▪ ***Delete:*** *Improved service delivery, shifting to continuous water supply (24/7), volumetric tariffs and commercial orientation in 3 cities* ▪ ***Delete:*** *Enhanced private sector participation in water supply*[18]	As of 2010: ▪ 69.4% increase; 36 ULBs responsible for water and sanitation services. ▪ 81.6% increase in number of urban households with access to improved water supply and sanitation services; 125,500 households. ▪ With private sector participation, the UWSS project delivering 24/7 water supply with improved O&M cost recovery in 3 cities in Karnataka. Project may be extended to 3 other states in FY11.	

[18] Indicator on continuous 24/7 service delivery and private sector participation all relate to the revised indicator on contractual arrangement between one ULB and public/private service providers and relate to three cities covered under the Karnataka Urban Water Sector Improvement Project (KUWSIP).

Annex 2: Recent Government of India Initiatives and Reforms

The fiscal years 2008/09 and 2009/10 began as difficult ones. There was a significant slowdown in the growth rate, following the 2008 global financial crisis. GDP growth in FY08/09 was 6.7 percent, with growth in the last two quarters hovering around 6 percent. It was also a year of reckoning for policymakers, who had taken a calculated risk in providing substantial fiscal expansion to counter the negative fallout of the global economic slowdown. India's fiscal deficit increased significantly—an an inevitable consequence of the stimulus strategy. The FY10/11 Budget however represented a return to fiscal prudence, and aimed to bring down the fiscal deficit to 5.5 percent.

The Government strengthened several public programs to help reduce the impact of the global slowdown on vulnerable segments of the population. Some ongoing Government programs were strengthened and new ones were launched. As a result, higher allocations to social sectors were made under the FY08/09 and FY09-10 Union Budget. The share of Central Government expenditure on social services including rural development increased to 19.46 percent in FY09/10 (BE) from about 10.46 percent in FY03/04 as a proportion of total expenditure. Similarly, expenditure on social services by General Government as a proportion of total expenditure increased from 19.9 percent in FY04/05 to 23.8 percent in FY09/10 (BE).

These new and strengthened ongoing initiatives and recent legislation in many sectors, all aiming to achieve the 11th Five-Year Plan goal of inclusive growth are discussed below.

Agriculture: Low agriculture growth in the early 2000s was a major concern reflected in the 11th Five Year Plan which has introduced and expanded a broad range of measures in the agriculture sector. The write-off of farm debts through the *Debt Waiver and Debt Relief* scheme introduced in 2008 gave many farmers the opportunity to start afresh. With the aim of boosting agricultural growth, the GoI adopted in 2007 the *Rashtriya Krishi Vikas Yojana (RKVY)* which provides incremental resources towards improve improved district and state level agricultural planning and implementation. Investments in irrigation are being expanded and *the Accelerated Irrigation Benefit Programme (AIBP)* has been stepped up in 2008 to assist states to complete construction of unfinished medium and major irrigation infrastructure, which are at an advanced stage of completion, and thereby create additional irrigation potential in the country. GoI in 2007 launched the *National Food Security Mission* which provides resources to the states with the aim of increasing the production of rice, wheat and pulses. In addition, *minimum support prices (MSPs)* have been raised to give farmers greater incentives to produce in particular wheat and rice. The GoI has recently decided to modify its main crop insurance program and implement this on a pilot basis as modified *National Agriculture Insurance Scheme* which will result in an improved risk mitigation product for farmers providing more timely claims payouts, facilitate improved budget management for Government and help to develop the agriculture insurance market.

Education: The emphasis has been on expanding access to education at all three levels – elementary, secondary and tertiary—while improving quality. The landmark 2009 *Right of Children to Free and Compulsory Education (RTE) Act* mandates right to free and compulsory education to all children age 6 – 14 and prescribes access to certain standards of educational services. Launched in 2009, the *Saakshar Bharat* endeavours to create a literate society through a variety of teaching and learning programs for neo-literates 15 and older, and focuses on rural areas, especially districts with female literacy rates below 50%. The *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA)—also launched in 2009—aims to make secondary education of good quality available, accessible and affordable to all 14-18 year olds. Under the *Model Schools* initiative, 6,000 new high quality schools will open—one in each block of the country. The *National Scheme of Incentive to Girls for Secondary Education* promotes enrolment of girls from the underserved populations to ensure that they stay in school at least until grade 10.

Health: The *Rashtriya Swasthya Bima Yojana (RSBY)*—rolled out in 2008—is an effort to provide protection to Below Poverty Line (BPL) households in the unorganised sector from financial liabilities arising out of health problems that involve hospitalisation.

Rural Development: India's battle against rural poverty is being fought on many fronts simultaneously. The Reserve Bank of India has set up a *Lead Bank Scheme*, which will provide appropriate banking facilities to rural habitations with populations above 2000 by 2012. The *Swarna Jayanti Gram Swarozgar Yojana (SGSY)* restructured as *National Rural Livelihoods Mission* rolled out in 2010 aims to reduce poverty among rural BLP households promoting diversified and gainful self-employment and wage employment opportunities. The formation of women Self Help Groups (SHGs) is central to the scheme. As part of NRLM, the *Mahila Kisan Sashaktikaran Pariyojana* is purely focused on the specific needs of women farmers. The new scheme *Pradhan Mantri Adarsh Gram Yojana (PMAGY)* being piloted this year will provide support to 1000 villages to fill the critical gaps arising in the other relevant sectoral development schemes and programmes. Two new schemes for establishing 100,000 broadband internet-enabled Common Service Centres in rural areas and State Wide Area Networks (SWAN) with central assistance are under implementation.

Urban Development: As the first national flagship urban program, *JNNURM* has been effective in bringing attention to the fast-growing urban sector and has helped create an enabling environment for critical reforms in many states. Other schemes include: the *National Urban Sanitation Policy*, which aims to rid cities of open defecation practices; *Capacity Building for Urban Local Bodies* (ULBs) has been initiated for supporting implementation of various reforms ; *Urban Infrastructure Development in Satellite Towns/Counter Magnets of Million Plus Cities* aims to develop urban infrastructure facilities and satellite towns/counter magnets around the seven mega cities in an effort to reduce pressure on the mega cities; *Rajiv Awas Yojana (RAY)* espouses a vision of an India free of slums; and in an effort to increase the efficiency and productivity of ULBs, the *National Mission Mode project for E-Governance in Municipalities (NMMP)* aims to provide round the clock timely and reliable information to all citizens.

Strengthening Transparency and Accountability: Accountability, transparency, elimination of corruption and ensuring effective and efficient social and economic public services is integral to good governance. Several measures have been taken in this regard. The *Administrative Reforms Commission* (ARC) has prepared 15 reports covering all facets of administration.[191] The implementation of ARC's recommendations is expected to strengthen governance structures. The Government is proposing to set up a *Financial Sector Legislative Reforms Commission* to rewrite new and reassess existing financial sector laws to bring them more in line with sector requirements. *The Right to Information Act (RTI)* is gradually being implementation in most of States. The *Performance Monitoring and Evaluation System (PMES)* is being set up for Central Ministries and Departments to ensure that work is more result-oriented. A *Unique Identification (UID)* will be issued to all India citizens, allowing them to more easily access the resources and benefits they to which they are entitled and improving the overall effectiveness of public service delivery. Government Accounting Standards Advisory Board (GASAB) published a gap analysis of Indian government accounting standards to international standards following a Bank-developed diagnostic tool. GASAB also completed pilot studies in two States with Bank assistance, to demonstrate the feasibility and benefits of transitioning to accrual accounting.

Improving Investment Environment: Government has taken a number of measures to simplify the Foreign Direct Investment (FDI) regime. For the first time, both ownership and control have been recognized as central to the FDI policy, and the methodology for calculating indirect foreign investment

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[19] Right To Information, unlocking human capital, crisis management, ethics in governance, public order, local governance, capacity building for conflict resolution, combating terrorism, social capital, refurbishing personnel administration, promoting e-governance, citizen centric administration, organizational structure of Government of India, financial management systems and State and District Administration.

in Indian companies has been clearly defined. Another major initiative has been the complete liberalization of pricing and payment of technology transfer fees, trademarks, and brand name and royalty payments. The Government intends to make the FDI policy user-friendly by consolidating all prior regulations and guidelines into one comprehensive document. It has also put in place a liberal and transparent regime, where FDI up to 100% is allowed in most of the sectors and activities. The financial crisis of 2008-09 has fundamentally changed the structure of banking and financial markets the world over. The new apex-level *Financial Stability and Development Council* will monitor macro prudential supervision of the economy, including the functioning of large financial conglomerates, and address inter-regulatory coordination issues. In addition, GOI has established a Debt Management Office, which is being implemented in a phased approach to enhance the debt capital market. The Reserve Bank of India has enabled a new class of financial institution called infrastructure finance companies. This new license is designed to reduce the risk concentration of infrastructure financing by public sector banks.

Financial Sector Development: GOI is implementing a nationwide *Financial Inclusion Program*, in which a basic menu of financial services will be delivered to 72,000 villages which have a population greater than 2,000 people. The Business Correspondent model, which goes the last mile to the previously underserved households, also includes financial literacy and consumer protection. The Reserve Bank of India has mandated and is monitoring the financial inclusion plan of each public sector bank.

Employment and Skills: The *Prime Minister's Employment Generation Programme* is expected to generate employment opportunities in rural and urban areas by setting up new self-employment ventures/projects/micro-enterprises, generation additional 37 lakhs self-employment opportunities. When first launched in 2006, the *Mahatma Gandhi National Rural Employment Guarantee (MGNREGA)* targeted only 200 of the most under-developed districts, but now covers all districts across the country. The *Swarna Jayanti Shahari Rozgar Yojana* which provides employment opportunities in urban areas has been strengthened by including more focus on community participation, skill development and self-employment. The Government's main vehicle to address skills development is the Prime Minister's National *Skill Development Initiative* which uses a Public- Private Partnership model to help create large, for-profit vocational institutions of high quality.

Infrastructure: The Government has targeted construction of national highways (NHs) at the pace of 20 km per day. To reach this target, changes have been made in the policy framework, especially in respect of projects being executed through public-private partnerships (PPPs). Under the *Dedicated Freight Corridors* project 3,300 kms of dedicated freight lines will be constructed to predominantly carry coal and steel the Eastern corridor and containers on Western corridor. The Ministry of Railways has also identified 50 stations to be development as world class stations using a PPP approach. Energy: The *Integrated Energy Policy* outlines an agenda that would help push the energy sector towards greater economic rationality and financial viability, while promoting energy efficiency and security. A major power generation initiative is the Ultra Mega Power Projects (UMPPs). An important element of this program is that all projects have to rely on technology that is highly energy efficiency. Government proposes to develop a blueprint for long distance gas highways leading to a *National Gas Grid.* This would facilitate transport of gas across the length and breadth of the country.While there has been some progress in this area, the sector continues to face problem of energy and peaking shortages, low quality of supply and uneconomic electricity tariffs, all of which adversely affect the financial viability of the sector.

Environment and Climate Change: With attention to climate change issues growing in India, the prospects are more favourable for relying increasingly on renewable energy. Unveiled in 2008, the *National Action Plan on Climate Change* outlines a strategy for adaptation, while enhancing the ecological sustainability of India's development path. Eight national missions representing a multi-pronged, long-term integrated approach are being launched. The *Jawaharlal Nehru National Solar Mission* has an ambitious target of adding 20,000 MW of solar power by 2022. If successful, the Mission has the potential of transforming India's energy prospects, and contributing to national and global efforts to combat climate change. The *National Clean Energy Fund (NCEF)* for funding research and innovative projects in clean energy technologies was also established. The *"Mission Clean Ganga 2020"* under the National Ganga River Basin Authority (NGRBA) is working to ensure that no untreated municipal sewage or industrial effluent will be discharged into the Ganga River. Through the application of science and technology, the *National Coastal Management Programme* aims to protect the coastal environment and the livelihood of coastal communities.

Social protection: The *"Swavalamban"* initiative will be available for persons who join New Pension Scheme (NPS), with a minimum contribution of Rs. 1,000 and a maximum contribution of Rs.12,000 per annum during the financial year 2010-11. Under this scheme, the Government will contribute Rs.1,000 per year to each NPS account opened in the year 2010-11. Two other pension schemes include the *'Indira Gandhi National Widow Pension Scheme'* and the *'Indira Gandhi National Disability Pension Scheme'* to provide pension for severely disabled persons. In 2008, the Government enacted the *Unorganised Workers' Social Security* Act.

Annex 3: India's 11th Five-Year Plan (2007- 2012) - Mid-Term Appraisal

The Mid-Term Appraisal (MTA) of the India's 11th Five-Year Plan was released by the Planning Commission on June 10, 2010. The MTA provides information on the progress made thus far in achieving the 27 targets related to income and poverty, education, health, women and children, infrastructure, and environment. Although overall good progress has been made on the 11th Plan targets, the impacts of the global financial crisis are evident in a few sectors, resulting in the high probability that some targets will be missed within this five-year period.

Income and Poverty: The economy exceeded expectations in the first year of the Plan with a growth rate of over 9%, but the momentum was interrupted by the 2008 global financial crisis. An average growth rate of slightly above 8% is possible, but the target of 9% will be missed by a small margin. It is too early to report on the poverty reduction target (2% annual reduction) and employment data will be available only in 2011.

Agricultural productivity seems to be lagging. The average growth rate of agriculture in the first two years of the Plan was 3.2%, but the drought in 2009-10 reduced it to an overall average of 2%. Although the good monsoon season in 2010 should result in a substantial rebound, achieving the 11th Plan target of 4% growth will not be feasible as it would require an average 7% annual growth over the next two years. With normal weather conditions agricultural growth could reach 3.0 to 3.5%.

Education: Enrolments are impressive, but dropout rates remain high with as many as 43% of children not completing elementary school. While this is an improvement from 52.2% in 2003/04, it is still far off from the Plan's target of 20% by 2011/12. Improving the quality of education remains a challenge. At the elementary level, as many as 38% of the children in Standard V could not read a text meant for Standard II and 37% could not do simple division[20]. These are similar results to surveys conducted in previous years. Enrolment has increased for both boys and girls with a welcome narrowing of the gender gap.

Health: Overall infant mortality rate (IMR) has declined slightly from 58 to 53, but is well behind the Plan target of 28 out of 1,000 live births. Total Fertility Rate came down from 2.9 in 2005 to 2.6 in 2008 a decline of 0.1 per year[21] and is expected reach the target of 2.1 by 2012. Progress on reducing the Maternal Mortality Rate (MMR) has been slow and it is unlikely that the target of 100 will be reached by 2012. Although data are not available for the years covering the 11th Plan, earlier data show a decrease in the MMR from 301 to 254 in the first half of the decade-- an average decline of 16 per year.[22] Progress on making clean drinking water available to all Indians by 2009 has been slightly behind schedule. India is on track to halve malnutrition among children of age group 0–3 and anemia among women and girls by the end of the 11th Plan. India is also on track to meet the goal for HIV and AIDS, halting and reversing the epidemic. Nationwide estimates show a decline in HIV prevalence from 0.8% (2003) to 0.5% (2008) based on national surveillance data.

Women and Children: The latest available data on sex ratio for the 0-4 age group shows some improvement from 908 to 915 (2004-08), but much more remains to be done. Many schemes pertaining specifically to benefit women and girls have been initiated to ensure they make up at least 33% of the direct and indirect beneficiaries of all government schemes are for them. Progress on increasing the sex ratio has been slower than expected. The Plan's target for 0–6 year olds is 935 by 2011/12.

[20] Annual Status of Education Report (ASER) 2010, which reports learning achievement based on a survey conducted in 2009.
[21] Science Resources Statistics (SRS)
[22] SRS 2001-03and 254 SRS 2004-06

Infrastructure: While capacity expansion under the under the 11th Plan will most reach 62,000 MW (three times the amount achieved under the 10th Plan), distribution services and rural supply continue to be challenges. Under rural electrification, an additional 8.3 million rural households now have access to electricity, of which 7 million BPL household received free connections. The target of connecting every village by telephone and providing broadband connectivity to all villages by 2012 has been achieved. India has made considerable progress on improving road connectivity; 84% of habitations with populations of over 1000 in the plains and 500 in the mountains have an all-weather road and the remaining 16% will be have one by the end of 2010-11. This is a major achievement which has already contributed to improved market linkages for farmers as well as improved access to health and educational services for the rural population.

Environment: India's capacity to treat all urban wastewater by 2011-12 is out of reach. It is estimated that wastewater generation in 2008 from class I & II towns[23] was around 36,000 MLD (expected to increase by 5 fold to 167,400 MLD by 2025), while the treatment capacity was only 7,650 MLD.[24] Additional sewage treatment capacity (3,939 MLD) was created under GAP-I & National River Conservation Project (NRCP), and more should be added through the efforts of the new National Ganga River Basin Authority (NGRBA). Strides have been made in improving energy efficiency and conservation. Industrial sectors are now required to have an energy manager, file annual energy consumption returns and conduct mandatory energy audits. As a result, energy consumption in five (out of nine) sectors was reduced by 7.5% from their 2005 levels. The Integrated Energy Policy approved in 2008 aims to improve energy efficiency in all sectors. Under the policy all new power generating plants have to adopt technologies that improve their gross efficiency from 36% to 38-40% and 30.5% to 34%. India's energy intensity per unit of GDP should be reduced by up to 20% from current levels in 10-20 years.

[23] Class I towns are those with a population of 100,000 and above and Class II towns are those with a population of anywhere between 50,000 and 99,000.
[24] Central Pollution Control Board (CPCB) survey

Annex 4: Government Requests (FY11-12)
Covers Duration of CAS Period: July 2010 thru June 2012
(as of date 11/15/2010)

Sector	Project	Proposed Lending Amount
Infrastructure		**$ 6,934.00**
1	Kosi River Reconstruction I	220
2	Vishnugad Pipalkoti Hydro-electric	616
3	Luhri Hydro-electric	650
4	Eastern Dedicated Freight Corridor	900
5	National Highways Inter-connectivity	1,000
6	TA for National Highway Authority of India	45
7	Rural Roads II	1,500
	Mizoram Roads Add'l Financing II	13
8	Karnataka State Highways	300
9	Assam State Roads	200
10	Capacity Bldg for Urban Development TA	60
11	National Urban Support	1,000
12	Gujarat Urban	130
13	West Bengal Secondary Cities	300
Rural Development		**2,624**
1	Maharashtra Agric Competitiveness	100
2	Rajasthan Agriculture	100
3	National Dairy Program	1,000
	TN Empowerment Add'l Financing	154
4	National Rural Livelihoods	1,000
5	Northeast Livelihoods	120
6	Rajasthan Livelihood	150
Environment & Water		**2,345**
1	Karnataka Watersheds II	80
2	Ganga River Basin Authority	1,000
3	West Bengal Minor Irrigation	250
4	UP Water Sector II	645
5	Kerala Rural Water Supply	190
6	Rajasthan Water	180
Human Development		**805**
1	Secondary Education	600
2	UP Health APL	85
3	National Nutrition APL I	100
4	Social Security for Unorganized Sector	20
Finance & Private Sector Development		**1,718**
1	Capital Markets & Pension Reform TA	18
2	Low-Income Housing	500
3	Banking Sector Support II	1,200
Public Sector Management		**770**
1	Kerala Panchayati Raj Institutional Support	200
2	Bihar Panchayati Raj Institutional Support	120
3	E-Delivery of Public Services	150
4	Orissa DPL III	300
36	**TOTAL**	**15,196**

Notes: IBRD lending will remain within the single borrower limit for India of $17.5 billion;

IDA lending will be subject to the maximum available under IDA XV by the end of FY11.

This list presents the operational program of activities requested by the Government of India over the timeframe indicated. The operational program is subject to periodic updating between the Bank and the Government of India, and includes an overprogramming margin of about 30%. The actual level of lending delivery will be such that net IBRD exposure remains within the IBRD Single Borrower Limit of $17.5 billion, and IDA commitments through the end of FY11 remain within India's IDA XV allocation.

Annex 5: India AAA Program

AAA completed in FY09-10

Theme	***High-priority cross-sectoral activities***	***On-demand/operational support activities****
Pillar I: Sustaining High Growth and Making it Inclusive		
Macro/ financial stability	Macro-Financial Updates (FY09-10) Global Financial Crisis Report (FY10)	Capital Markets NLTA (FY09) India Policy Forum network and website (FY10)
Poverty and Inclusion	Poverty Assessment Report (FY10)	Poverty Mapping Note (FY10) Social Protection Programmatic NLTA (FY10) Deepening outreach of financial services (Ag. Insurance, Low-Income Housing) NLTA (FY10)
Urbanization	High-Powered Expert Committee on Urban Infrastructure NLTA (FY10)	Urban Land Acquisition NLTA (FY09)
Infrastructure		West Bengal Power NLTA (FY09) Village Energy Security NLTA (FY10) Bihar Enterprise Regulations NLTA (FY09)
Agriculture/ Rural	Livestock Report (FY09)	
Pillar II: Ensuring Development is Sustainable		
Climate Change Mitigation/ Adaptation	Low Carbon Growth (FY10) Groundwater Report (FY10)	O&M Practices in Coal-Fired Generation Plants NLTA (FY09) AP Drought Adaptation Initiatives NLTA (FY10) Climate Change and Adaptation in Kolkata Report (FY10)
Pillar III: Improving the Delivery of Public Services		
Constraints to service delivery	HR Capacity for Health Phase I Notes (FY10) Strengthening Institutions for Service Delivery Notes (FY10)	Tracking Results in the Health Sector Note (FY09) Certification Systems for Health procurement Note (FY09) Survey of Pharmaceutical Markets Note (FY10) Corporate Governance of State-Owned Enterprises Report (FY09) Accrual Accounting Pilots (FY10) Bihar Public Expenditure Management NLTA (FY09)
Performance of centrally-sponsored schemes	Social Security for the Unorganized Sector (FY10)	Repositioning Nutrition NLTA (FY10)

* Note: Activities related to *On-demand policy and implementation advice* and to *Operational support/due-diligence reviews* have been listed together as the distinction was found not to be very useful operationally.

Annex 6: Improving Program Effectiveness: Executive Summary of Implementation Report

i. This Implementation Report provides a summary of the thirty-month exercise by the World Bank (the Bank), started March 2008, to improve the effectiveness of its operations in India. The Action Plan, "Improving Program Effectiveness" or IPE, was devised to strengthen the Bank's work in India.[25] It has benefited from the support of the UK Department for International Development (DfID) as well as the Global Partnership Fund for Governance.

ii. The catalyst for this effort was the Detailed Implementation Review (DIR) of five Bank-financed health operations by the Bank's Integrity Department (INT) completed in October 2007. There were two other factors. One was the launching of the Bank's Governance and Anti-Corruption (GAC) agenda in December 2007. The other was the on-going process of scaling up the Bank's operations, as laid out in the FY01-04 and FY05-09 Country Assistance Strategies (CAS) as well as the current CAS, covering FY09-12, to complement India's accelerated development trajectory and achievement of India's Millennium Development Goals. These factors led the India Management Team in early 2008 to reflect broadly on the way that the Bank does business in India.

The IPE Action Plan

iii. Taking into account all the changes in the Bank's program in India since 2000, changes to the way the Bank worked in India were likely to have lagged behind the changes embodied in the Bank's operational strategy and the new demands on the India Program. One of the major considerations was the scale of operations in India. As a result, by the end of 2007, what was needed was a rebalancing of the Bank's internal capacities, work methods and operational risks with the demands of an increasingly large, widespread and diverse program with heightened emphasis on accountability and governance.

iv. These concerns led to an internal reflection, in early 2008, by the India Management Team and a working group of Lead Specialists (LS) and Task Team Leaders, along with the Country Management Unit (CMU). The diagnosis that emerged from these discussions identified four broad areas in need of attention:

- First was to create space in the work program to reallocate resources to implementation support and to reinforce staff capacity. Concomitant with more resources for supervision would be greater emphasis on portfolio management.
- Second was to change the way potential risks are identified, assessed and managed. One of the critical conclusions was that risk identification in operations needed improvement. Notably the risks of fraud and corruption were not explicitly addressed and the assessments were not integrated or holistic.
- Third was to enhance staff capacity. Given the efforts at scaling up the program, staff were thinly spread and work programs fragmented, with insufficient numbers of fiduciary staff to keep up with the growing pipeline. Further, in light of the new emphasis on GAC in the Bank's work, staffs were not necessarily equipped or skilled to deal with these issues.
- Fourth was the need to take the time to learn and reflect as changes under the IPE were devised and introduced. We knew that it would not be a simple matter of adding new rules and procedures.

[25] The IPE was one component of a larger, more comprehensive action plan, presented to the Board of Directors in March 2008 in response to the DIR of the five health sector operations. That larger action plan also entailed actions by the Bank, Government of India and States to remedy the situation in the health operations, actions by INT to investigate possible instances of fraud and corruption, and by the Bank more generally to internalize the lessons of the DIR within Bank supported operations.

v. In response to these concerns, the India Management Team adopted the IPE in March 2008. The ultimate goal was to change the way the Bank does business in India, devising a business model whereby the Bank's role is to work with Indian counterparts to ensure that project management systems are in place or at the least worked out, *ex ante*, and that, *ex post*, those systems are functioning as they should. In turn, these systems ought to rely on the country's own administrative structures and processes. In this context, the definition of country systems is considerably broader than procurement and financial management alone, and covers the entire supply or value chain including quality assurance, asset and inventory control, monitoring and evaluation, internal controls/checks-and-balances, and accountability. Further, the credibility and reliability of these systems have to be tested from diverse sources; thus, managing and triangulating information becomes an essential function as part of the Bank's supervision and implementation support. There are two further essential ingredients to this new business model. The first is risk management. Identification and assessment of risks are needed to focus attention to those areas that may be vulnerable to potential losses. The second is institutional development. Targeted institutional strengthening, building on sound *a priori* institutional analysis, is needed to ensure the functionality and credibility of the institutions implementing the operation. Indeed, institutional strengthening has emerged as a main focus of the India Program moving ahead.

vi. As the IPE evolved, it formed a set of integrated activities at both the portfolio level and at the project level as shown in Figure 1, below. That is, we dealt with the problems facing individual operations as well as those that were systemic and tended to occur across all projects. We also dealt with the problems confronting individual staff in carrying out their work as well as the systems and procedures that they were to follow. As a result, the IPE, as depicted below, operated along two fronts: one axis was at problems at the level of individual projects leading to system-wide risks and the other dealing with issues that concerned the individual staff, leading to the systems and procedures to be followed by the group as a whole. The intent was to cover the full gambit of the systemic issues that were identified to be at the root of the problems brought to the fore by the DIR and our own internal reflection. By and large, after thirty months, most key actions have been completed, are underway, or superseded by other action. Some actions will continue into a next phase. A summary description of each of the main actions that make up the IPE are described below.

Figure 1: Summary of IPE Structure and Activities

People

Creating Space - Program Consolidation - Streamlining *Teamwork* - Listening Spaces - Creating Solutions	*Staff Training* - GAC-in-Project workshops - Fiduciary dimensions - F&C - Topical issues *COSO-in-Projects Workshops* - pilot - evaluation - mainstreaming - pilot with clients *Clarification of Roles and Responsibilities* - Lead Specialists - Country Sector Coordinators - Fiduciary Staff and Safeguards - Contract Management
Projects	**Risks**
Triangulation of Information *Fiduciary Requirements* - monitoring red flags - performance audits - financial audits - 100% port-reviews - increased staffing *Implementation Support* - increased resources - risk adjusted *ACGA and Governance Advisor* *Portfolio Reviews*	*Operational Risk Assessments* - consistency and nesting of risks - state risks - sector risks *Governance and Accountability Action Plans (GAAPs)* - all new projected - demand and supply measures - pilot retro-fitting *Supply /Value Chain Management* *Risk Management* - retro-fitting - risk monitoring - early warning system

Systems

Impact on the India Program

vii. In efforts to evaluate the impact of the IPE, input was sought from management, staff and clients through surveys, structured interviews and a workshop. Generally, the IPE has been reasonably successful in meeting its goals. A majority of the respondents—both those at a workshop held with those most knowledgeable about the India Program, and staff responding to a survey—felt that the IPE had had a positive impact, albeit limited. Only 8 percent of respondents saw the IPE as having a negative impact, while one-quarter thought it was too soon to tell. The main area of strength was the focus on portfolio management and implementation. Clients concurred and were appreciative of the technical support provided by the Bank. There were also positive reactions by staff to how risks are assessed, the contributions of COSO-in-Projects workshops, the empowerment of staff, the focus of internal reviews, and training, especially brown-bag lunches. Clients liked the focus on empowering communities. There were concerns too. Many of these mentioned by management, staff and clients, centered on the need to go further especially in building institutional capacities and using country systems. Staff worried about GAAPs becoming cookie-cutters. Management was concerned about the issues of competition for Bank-financed contracts, quality assurance and the sustainability of the IPE effort. Clients called for simplification of procurement, among other things. They too had concerns about the approach that the Bank uses in dealing with governance and the implications of the DIR on client relations. A major challenge remains how the Bank can deepen engagement in India on governance in Bank-financed operations and beyond.

The Next Steps

viii. While there have many achievements under the IPE, it is clear that there is still more to do. In assessing what the IPE had achieved and what remains to be done as part of the evaluation and the subsequent operational and management discussions, we have identified four main priority areas going forward. These four areas build on and step up what the IPE had already accomplished and advance further the Bank-wide efforts at investment lending reform.

ix. The first critical area is portfolio management. The goal is to continue to emphasize problem-solving and addressing root causes as the problems affecting portfolio performance. The danger is not to fall back to the fiduciary focused, quantitative approach of the past. Linked to this is revamping the way in which supervision and implementation support is provided. We did not address this area head-on under the IPE but developed a number of tools, such as those used for retro-fitting, which we can now start to mainstream and build into a comprehensive package. It would also incorporate the emerging results of the IPE's ongoing work on information triangulation and the use of supply chain management. This area clearly compliments the broader work being done Bank-wide on lending reform. The third area is project/program management. This is an issue that transverses all operations and constitutes a recurring them in portfolio discussions with clients. It would be a new dimension to the IPE that would intensify the interactive with the client on the "who, who, why and when" of how projects are managed. The last priority is to continue to emphasize risk management, using the roll-out of the ORAF as the platform for mainstreaming mechanisms, such as COSO-in-project workshops, and emphasizing institutional dimensions at both the sectoral and project level. Both the actions on project management and on risks are good opportunities to take the Bank's work on institutional capacities up a notch. To complement all of these new activities, staff training, likely in the format of informal BBLs, will continue.

x. While the specific activities are evolving, the overarching goal of the IPE remains the same - to take a system-wide view and to pay even more attention to institutional development and capacity building within Bank supported projects. As articulated by one of the respondents to the IPE survey, *"we should focus on incremental but sustainable reforms."*

Annex 7: Portfolio Status

Portfolio performance improved during the current CAS. As Figure 1 shows, the trend lines established between FY06–08 (i.e. steady increase in both the percentage of projects at risk of not achieving development objectives and percentage of commitments at risk) and declining disbursements were reversed. Between FY08 and FY10, projects and commitments at risk dropped by half from 23 to 12 percent and the disbursement ratio increased from 18 to nearly 28 percent. Realism of such risk ratings was 100 percent in FY10, same as the program's realism in FY08, though above the Bank average of 70 percent in FY10. A review of Implementation Completion and Results Reports (ICRRs) found that risk ratings are realistic i.e. the difference of risk ratings in Implementation Supervision Reports (ISRs) and ICRRs was found to be zero percent. With these improvements, the India program portfolio performance compares favorably with other large programs and with Bank-wide averages over the past two fiscal years (see Table 1).

Figure 1: Portfolio Performance Indicators (FY06-10)

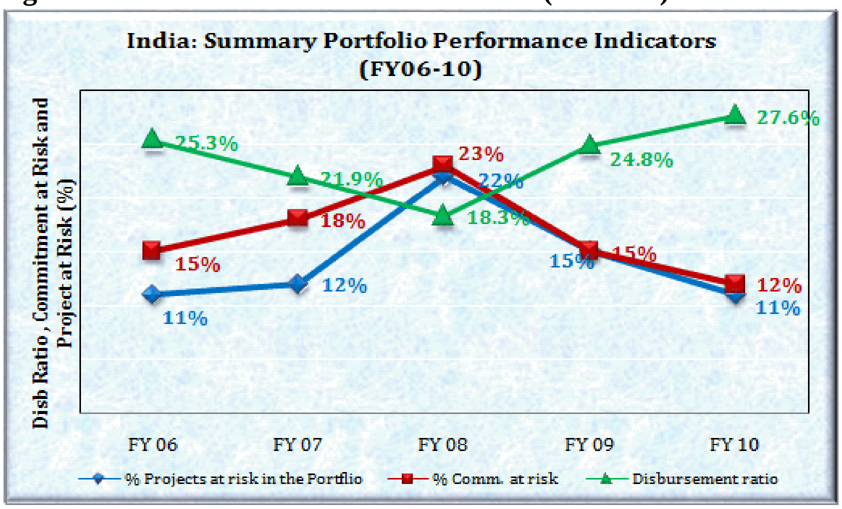


Table 1: Portfolio Performance Indicators: India compared to Bank-wide (FY08, FY10 and mid-Nov. 2010)

	End-June 2008		End-June 2010		Mid-November 2010	
Key Data	**India**	**Bank-wide**	**India**	**Bank-wide**	**India**	**Bank-wide**
Net Commitments	$13.8 billion	$ 104.1 billion	$21.9 billion	$186.4 billion	$ 21.5 billion	$161 billion
No. of Projects	60	1610	75	1704	76	1691
Undisbursed Balance	$9.2 billion	$70.8 billion	$13.3 billion	$101.1 billion	$12.8 billion	$99.6 billion
Disbursement Ratio	18.3%	21.3%	27.6%	26.4%	7.7%[1]	7%
Commitment at Risk	23%	17%	11.8%	16%	13.3%	16.6%
Projects at Risk	22%	18%	12%	22.3%	9%	22%

[1]Defined as the ratio of total disbursements of loans and IDA financing associated with IL projects during a fiscal year (or period therein) to the value of undisbursed net commitments associated with IL projects at the start of the fiscal year. The disbursement ratio, therefore, increases towards the end of a given fiscal year.

In FY08, 63 risk flags were raised in the portfolio, two-thirds of which were related to financial management and procurement issues. Despite an increase in the number of projects from 63 to 75 over the past two years, the number of risk flags dropped steadily, so that by end-FY10, only 43 flags remained. A recent portfolio review revealed that there may be some under-rating of risk in areas such as monitoring and evaluation (M&E). In terms of sectors and states, disbursement rates increased most noticeably in Education, Transport, and Finance and Private Sector and Andhra Pradesh, Tamil Nadu and Maharashtra since FY08. Although improvements have been significant, a few large projects are moving slower than expected: IIFCL, Vector Borne Disease Control & Polio Eradication, Tamil Nadu Urban, and Emergency Tsunami. In terms of mid-sized projects, there is room for improvement during implementation in Andhra Pradesh Community Tank, Madhya Pradesh Water, Hydrology II, Karnataka Tanks, Rampur Hydropower, Disease Surveillance, Karnataka PRI, Punjab and Uttarakhand Rural Water Supply, Himachal Pradesh, Orissa, and Punjab State Road, and Karnataka Municipal Reform. The recently restructured Lucknow-Muzaffarpur National Highways Project is also being monitored closely to improve the pace of implementation.

The improvement in portfolio performance is due in large part to actions taken as part of the DIR Action Plan and systematic efforts to work more closely with the Government to better manage the portfolio and pipeline, including bi-annual joint DEA-Bank sector portfolio reviews; quarterly reviews of problem projects; and state portfolio reviews in large borrowing states and sectoral reviews. In addition, a set of monthly reports, graphs, and snapshots are now standard portfolio monitoring tools in the India program, and are a means to help illuminate and prioritize discussions on implementation issues. These are shared with the Government (thru DEA), which uses these to supplement its own monitoring systems. Other improvement activities include restructuring of 16 projects, follow-up workshops on procurement, financial management and M&E across different sectors, and standardized terms of reference for the audits of financial statements on projects financed by the Bank to move towards risk-based audits of financial statements to ensure fiduciary assurance. Going forward, close monitoring will continue to maintain portfolio performance, especially in light of the increase in lending volume and number of projects. The executive summary of the Post DIR Action Plan can be found in Annex 6.

Annex 8 : India Operations Portfolio (IBRD/IDA and Grants)									
As Of Date 10/1/2010									
Closed Projects 444									
	IBRD/IDA								
	Total Disbursed (Active)	8,216.10							
	of which has been repaid	227.5							
	Total Disbursed (Closed)	10,173.70							
	of which has been repaid	11,718.10							
	Total Disbursed (Active + Closed)	18,389.90							
	of which has been repaid	11,945.60							
	Total Undisbursed (Active)	13,102.20							
	Total Undisbursed (Closed)	0							
	Total Undisbursed (Active + Closed)	13,102.20							
Active Projects		Last PSR							
		Supervision Rating			Original Amount in US$ Millions				
Project ID	Project Name	Development Objectives	Implementation Progress	Fiscal Year	IBRD	IDA	GRANT	Cancelled	Undisbursed
P100789	Andhra Pradesh Community Tank Mgmt	S	MS	2007	95	95			154
P071250	Andhra Pradesh Municipal Development	S	S	2010	300				279
P096021	Andhra Pradesh Roads Sector	S	S	2010	320				304
P071272	Andhra Pradesh Rural Poverty Reduction	HS	S	2003		315			66
P101650	Andhra Pradesh RWSS	S	S	2010		150			131
P100954	Andhra Pradesh Water Sector Improvement	#	#	2010	451				449
P084792	Assam Agricultural Competitiveness	S	S	2005		154			47
P122096	Bihar Kosi Flood Recovery	#	#	2011		220			225
P090764	Bihar Rural Livelihoods	S	S	2007		63			36
P091031	Capacity Buildg for Industrial Pollution Mgmt	#	#	2010	25	39			64
P069376	CFC Production Sector Closure ODS III - MP	HS	S	2000			85		7

P100584	Chiller Energy Efficiency - GEF	MS	MS	2009			6		5
P102790	Chiller Energy Efficiency - MP	MS	MS	2009			1		1
P100101	Coal-Fired Power Generation Rehab	S	S	2009	180				180
P100531	Coal-Fired Power Generation Rehab - GEF	S	S	2009			45		
P089985	Dam Rehabilitation & Improvement	S	S	2010	175	175			346
P073651	Disease Surveillance	MU	MU	2005		68		8	39
P102547	Elementary Education (SSA II)	S	S	2008		1,350			612
P100530	Energy Efficiency at Small & Med Enterprises	#	#	2010			11		
P110051	Haryana Power System Improvement	S	S	2010	330				302
P096019	Himachal Pradesh State Roads	MS	MS	2007	220				178
P084632	Hydrology II	MS	MS	2005	105				74
P102771	IIFCL - India Infras Finance Company Ltd	S	MS	2010	1,195				1,192
P097985	Integrated Coastal Zone Management	#	#	2010		222			222
P071160	Karnataka Health Systems	MS	MS	2007		142			53
P079675	Karnataka Municipal Reform	MS	MS	2006	216				165
P078832	Karnataka Panchayats Strengthening	MS	MS	2006		120			56
P050653	Karnataka RWSS II	S	S	2002		302		15	160
P071033	Karnataka Tank Management	S	MS	2002	32	131		25	83
P082510	Karnataka Urban Water Supply Improvement	S	S	2004	40				7
P072539	Kerala State Transport	MS	MS	2002	255				55
P077856	Lucknow-Muzaffarpur National Highways	U	U	2005	620				110
P102331	Madhya Pradesh District Poverty Imprvmt II	S	S	2009		100			82
P073370	Madhya Pradesh Water Sector Restructuring	MS	MU	2005	394			7	240
P120836	Maharashtra Agricultural Competitiveness	#	#	2011		100			102
P084790	Maharashtra Water Sector Improvement	MS	S	2005	325				152
P119043	Microfinance	#	#	2010	200	100			300
P093720	Mid-Himalayan (Himachal Pradesh) Wtrsheds	S	S	2006		60			23
P069889	Mizoram Roads	S	S	2002		78			0
P050668	Mumbai Urban Transport	MS	MS	2002	463	79			137
P113028	Mumbai Urban Transport - 2A	#	#	2010	430				430

P092735	National Agricultural Innovation	S	MS	2006		200			115
P112060	National Agricultural Innovation SLEM - GEF	S	MS	2010			7		6
P092217	National Cyclone Risk Mitigation	#	#	2010		255			241
P078538	National HIV/AIDS Control III	HS	S	2007		250		0	162
P094360	National VBD Control & Polio Eradication	MS	MS	2009		521			405
P100735	Orissa Community Tank Management	S	MS	2009	56	56			104
P093478	Orissa Rural Livelihoods	S	MS	2009		82			72
P096023	Orissa State Roads	MS	MU	2009	250				235
P086414	Power System Development III	S	S	2006	400				5
P101653	Power System Development IV	S	S	2008	1,000				274
P115566	POWERGRID V	S	S	2010	1,000				984
P090592	Punjab Rural Water Supply & Sanitation	S	MS	2007		154			126
P090585	Punjab State Roads	MS	MS	2007	250				116
P050655	Rajasthan Health Systems Development	MS	S	2004		89			28
P040610	Rajasthan Water Sector Restructuring	MS	S	2002		159		26	49
P095114	Rampur Hydropower	MS	MU	2008	400				262
P075060	Reproductive and Child Health II	MS	MS	2007		360			203
P077977	Rural Roads I	MS	S	2005	100	300			29
P086518	Small & Med Enterprise Financing & Devmpt	S	S	2005	520				136
P102768	Strengthening India's Rural Credit Coops	MS	S	2007	300	300			224
P110371	Sustainable Urban Transport	S	S	2010	105				98
P100589	Sustainable Urban Transport - GEF	S	S	2010			20		18
P079708	Tamil Nadu Empowrmt & Poverty Reduction	S	S	2006		120			45
P075058	Tamil Nadu Health Systems	S	MS	2005		229		20	104
P090768	Tamil Nadu Integ Agr & Wtr Resources Mgmt	MS	MS	2007	335	150			333
P050649	Tamil Nadu Roads	S	S	2003	399				53
P083780	Tamil Nadu Urban III	MS	MS	2006	300			1	157
P102549	Tech Engr Educ Quality Improvement II	S	S	2010		300			287
P094513	Tsunami Emergency Reconstruction	MS	MU	2005		465			354
P078539	Tuberculosis II	S	S	2007		170		0	70

P067606	Uttar Pradesh Roads	MS	S	2003	488				58
P112033	Uttar Pradesh Sodic Lands III	S	S	2009		197			192
P050647	Uttar Pradesh Water Sector Restructuring	MS	MS	2002		149		40	36
P078550	Uttarakhand Watersheds	S	S	2004		70			18
P112061	Uttarakhand Watersheds SLEM - GEF	S	S	2010			7		6
P083187	Uttarakhand RWSS	S	MS	2007		120			89
P099047	Vocational Training	MS	MS	2007		280			178
P105990	West Bengal PRI	#	#	2010		200			204
Overall Result					12,272	9,238	185	142	13,146

Annex 9: IFC Program Summary

	2006	2007	2008	2009	2010	2011*
Commitments (US$m)						
Gross**	453	1,100	1,049	934	1,801	30
Net***	253	997	1,049	934	825	30
Net Commitments by Sector (%)						
Agriculture and Forestry	0%	1%	1%	5%	2%	0%
Oil, Gas and Mining	0%	2%	3%	0%	30%	0%
Utilities	10%	23%	3%	2%	0%	0%
Construction and Real Estate	2%	0%	2%	0%	0%	0%
Transportation and Warehousing	0%	3%	3%	1%	1%	0%
Food & Beverages	14%	9%	1%	2%	0%	0%
Chemicals	10%	4%	8%	22%	4%	0%
Nonmetallic Mineral Prod Man.	0%	5%	4%	0%	9%	0%
Primary Metals	8%	0%	0%	0%	2%	0%
Pulp & Paper	10%	4%	0%	0%	0%	0%
Textiles, Apparel & Leather	0%	0%	2%	0%	0%	0%
Plastics & Rubber	0%	0%	0%	0%	4%	0%
Industrial & Consumer Products	12%	5%	0%	24%	3%	64%
Information	4%	0%	10%	1%	1%	0%
Finance & Insurance	14%	30%	9%	3%	29%	12%
Collective Investment Vehicles	8%	1%	11%	21%	2%	24%
Wholesale and Retail Trade	0%	2%	0%	0%	0%	0%
Prof., Scientific and Tech Services	1%	0%	0%	3%	0%	0%
Health Care	2%	7%	1%	9%	0%	0%
Electric Power	6%	4%	44%	8%	14%	0%
	100%	100%	100%	100%	100%	100%
Net Commitments by Investment Instrument (%)						
Client Risk Management	0%	0%	4%	3%	0%	0%
Guarantee	0%	0%	0%	0%	1%	2%
Loan	54%	53%	67%	44%	83%	64%
Quasi Equity (Equity Type)	0%	7%	0%	0%	0%	0%
Quasi-Equity (Loan Type)	0%	32%	0%	5%	1%	0%
Straight Equity (incl Fund)	45%	7%	29%	48%	15%	34%
Total	100%	100%	100%	100%	100%	100%

* As of October 31, 2010
** IFC's Own and Participants' Account
*** IFC's Own Account only

Annex 10: India: Key Exposure Indicators

Indicator	Actual			Estimated		Projected		
	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US$m)[a]	158493	202793	224713	237692	309709	360292	425565	508237
Net disbursements (US$m)[a]	20014	32359	13899	12050	52211	50450	65441	82672
Total debt service (TDS) (US$m)[a]	17359	39364	30936	16150	53254	44468	47911	45174
Debt and debt service indicators (%)								
TDO/XGS[b]	66.1	65.4	64.7	70.4	84.1	85.6	88.3	92.5
TDO/GDP	16.7	16.4	18.5	18.1	20.4	19.5	19.2	21.0
TDS/XGS	7.2	12.7	8.9	4.8	14.5	10.6	9.9	8.2
Concessional/TDO	26.8	21.9	20.9	20.0	..	..	..	..
IBRD exposure indicators (%)								
IBRD DS/public DS	8.9	6.8	4.7	10.4	7.9	10.7	12.4	17.0
Preferred creditor DS/public DS (%)[c]	29.6	19.2	14.0	31.9	37.7	41.3	40.3	46.0
IBRD DS/XGS	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
IBRD TDO (US$m)[d]	6007	6680	7429	8048	16635	18547	20413	19307
Share of IBRD portfolio (%)	5	6	7	8	16	19	20	18
IDA TDO (US$m)[d]	24433	25319	25365	25980	25335	25149	24293	24488
IFC (US$m)								
Loans	610	792	906	1182	1521	1669	..	..
Equity and quasi-equity /e	212	571	766	809	927	1028	..	..
MIGA								
MIGA guarantees (US$m)	..	..	..	..	..	..	..	..

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity (both loan and equity types) instruments.

Annex 11: Key Economic Indicators

Indicator	Actual			Estimate		Projected		
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
National accounts (as % of GDP)								
Gross domestic product[a]	100	100	100	100	100	100	100	100
Agriculture	19	18	18	17	17	16	15	15
Industry	28	29	29	28	28	28	29	29
Services	53	53	53	54	55	55	56	56
Total Consumption	68	68	66	71	70	72	71	69
Gross domestic fixed investment	30	31	33	33	32	34	35	35
Government investment	7	8	8	9	8	8	9	9
Private investment	23	23	25	24	24	26	26	27
Exports (GNFS)[b]	19	21	21	24	21	20	19	19
Imports (GNFS)	22	24	25	29	25	27	25	24
Gross domestic savings	32	32	34	29	30	28	29	31
Gross national savings[c]	34	35	37	33	34	31	32	33
Memorandum items								
Gross domestic product	837195	949192	1232816	1214212	1310171	1520547	1849306	2217707
(US$ billion at current prices)								
GNI per capita (US$, Atlas method)	800	840	980	1070	1160	1250	1420	1670
Real annual growth rates (%, calculated from 05 prices)								
Gross domestic product at market prices	9.3	9.4	9.6	5.1	7.7	8.5	9.0	8.5
Gross Domestic Income	9.6	9.5	9.6	5.2	7.5	8.4	9.0	8.4
Real annual per capita growth rates (%, calculated from 05 prices)								
Gross domestic product at market prices	7.6	7.9	8.1	3.7	6.2	8.4	7.5	7.0
Total consumption	7.1	5.3	6.9	9.9	4.9	6.9	6.5	6.0
Private consumption	7.2	5.8	6.7	8.9	4.2	7.9	7.5	7.0
Balance of Payments (US$ millions)								
Exports (GNFS)[b]	162811	202668	256504	290679	275955	304362	354815	412449
Merchandise FOB	105152	128888	166162	189001	182163	204943	236058	271206
Imports (GNFS)[b]	191545	234981	309119	359698	359077	409659	471206	538677
Merchandise FOB	157056	190670	257629	307651	299491	346550	399937	458681
Resource balance	-28734	-32313	-52615	-69019	-83122	-105297	-116391	-126228
Net current transfers	24687	30079	41945	44799	52114	64375	65662	69599
Current account balance	-10096	-9819	-15976	-28959	-38469	-60304	-69748	-84422
Net private foreign direct investment	3034	7693	15892	17498	19729	20000	25000	26000
Long-term loans (net)	4210	17878	24724	10577	11710	12610	17957	19561
Official	1426	2437	1817	2721	6329	5210	2750	2283
Private	2784	15441	22907	7856	5381	7400	15206	17278
Other capital (net, incl. errors & ommissions)	17904	20854	67524	-19195	20471	38593	30098	58491
Change in reserves[d]	-15052	-36606	-92164	20079	-13441	-10899	-3307	-19630
Memorandum items								
Resource balance (% of GDP)	-3.4	-3.4	-4.3	-5.7	-6.3	-6.9	-6.3	-5.7
Real annual growth rates (YR 04-05 prices)								
Merchandise exports (FOB)	35.1	33.3	8.2	12.6	-1.2	9.5	13.8	13.9
Merchandise imports (CIF)	32.2	19.9	10.5	6.4	12.5	15.4	14.0	13.0

Key Economic Indicators

(Continued)

Indicator	Actual				Estimate	Projected		
Indicator	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Public finance (as % of GDP at market prices)[e]								
Current revenues	19.7	20.0	21.1	19.9	18.3	19.1	19.1	19.4
Current expenditures	24.2	23.5	23.5	27.3	26.0	24.8	23.3	22.6
Current account surplus (+) or deficit (-)	-4.6	-3.5	-2.4	-7.4	-7.7	-5.7	-4.2	-3.2
Capital expenditure	2.2	1.9	2.7	1.4	1.7	2.9	3.2	3.6
Foreign financing	1.1	0.2	0.2	0.2	0.3	5.5	-1.1	0.4
Monetary indicators								
M2/GDP	73.6	77.4	81.2	85.8	89.6	89.3	90.1	90.9
Growth of M2 (%)	21.2	21.5	21.2	19.1	16.7	16.2	16.6	15.0
Private sector credit growth / total credit growth (%)	97.7	87.7	86.2	53.6	55.1	63.2	70.7	69.0
Price indices(YR 04-05 =100)								
Merchandise export price index	175.7	161.6	187.9	199.4	188.4	198.7	201.2	203.0
Merchandise import price index	131.7	133.4	163.1	176.4	160.3	158.7	160.7	163.1
Merchandise terms of trade index	133.3	121.2	115.2	113.0	117.6	125.2	125.2	124.4
Real exchange rate (US$/LCU)[f]	102.4	98.5	104.8	94.4	92.4	--	--	--
Real interest rates								
Consumer price index (% change)	4.2	6.4	6.2	9.1	12.5	7.5	6.0	5.0
GDP deflator (% change)	4.7	5.6	5.3	7.2	3.8	7.5	6.0	5.0

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Annex 12: India Social Indicators *(As of Date 10/1/2010)*

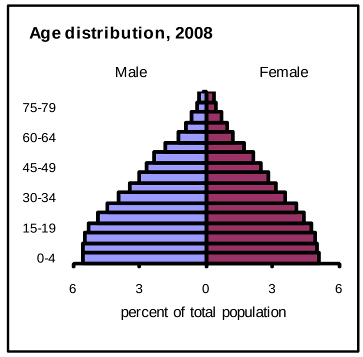
	Latest single year			Same region/income group	
	1980-85	**1990-95**	**2002-08**	**South Asia**	**Lower-middle-income**
POPULATION					
Total population, mid-year (millions)	765.1	932.2	1,140.0	1,545.1	3,703.0
Growth rate (% annual average for period)	2.1	1.9	1.4	1.5	1.2
Urban population (% of population)	24.3	26.6	29.5	29.5	41.3
Total fertility rate (births per woman)	4.3	3.7	2.7	2.9	2.5
POVERTY *(% of population)*					
National headcount index	..	36.0	..	..	..
Urban headcount index	..	32.4	..	..	..
Rural headcount index	..	37.3	..	..	..
INCOME					
GNI per capita (US$)	300	380	1,040	963	2,073
Consumer price index (2000=100)	23	57	122	127	126
Food price index (2000=100)	28	76	108	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	36.8	..	..
Lowest quintile (% of income or consumption)	..	..	8.1	..	..
Highest quintile (% of income or consumption)	..	..	45.3	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	1.1	1.1	1.8
Education (% of GDP)	3.2	3.3	3.2	2.9	4.0
Net primary school enrollment rate *(% of age group)*					
Total	..	..	90	86	87
Male	..	..	91	88	89
Female	..	..	88	84	86
Access to an improved water source *(% of population)*					
Total	..	77	89	87	86
Urban	..	92	96	94	94
Rural	..	71	86	84	81
Immunization rate *(% of children ages 12-23 months)*					
Measles	1	72	70	75	81
DPT	18	71	66	71	79
Child malnutrition (% under 5 years)	..	..	44	41	25
Life expectancy at birth *(years)*					
Total	57	60	64	64	68
Male	57	59	62	63	66
Female	57	60	65	65	70
Mortality					
Infant (per 1,000 live births)	96	75	52	58	45
Under 5 (per 1,000)	137	104	69	76	64
Adult (15-59)					
Male (per 1,000 population)	261	236	261	246	204
Female (per 1,000 population)	279	241	174	173	138
Maternal (modeled, per 100,000 live births)	..	..	450	500	370
Births attended by skilled health staff (%)	..	34	47	42	65

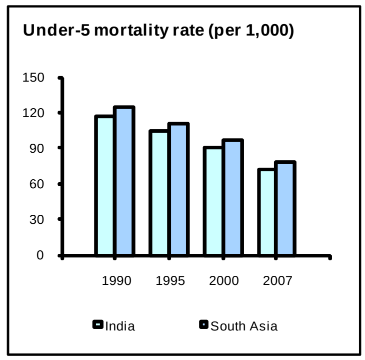
Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED9. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey. World Development Indicators database, World Bank - 23 April 2010.

Annex 13: India at a glance

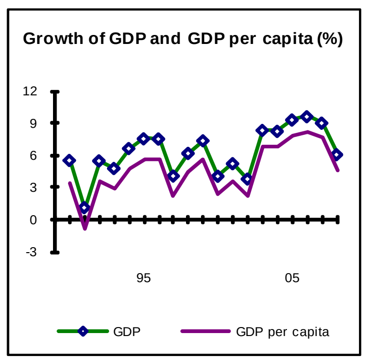
2/25/10

Key Development Indicators	India	South Asia	Lower middle income
(2008)			
Population, mid-year (millions)	1,140.0	1,543	3,702
Surface area (thousand sq. km)	3,287	5,140	32,309
Population growth (%)	1.3	1.5	1.2
Urban population (% of total population)	30	29	41
GNI (Atlas method, US$ billions)	1,186.7	1,522	7,692
GNI per capita (Atlas method, US$)	1,040	986	2,078
GNI per capita (PPP, international $)	2,960	2,733	4,592
GDP growth (%)	6.1	6.9	7.6
GDP per capita growth (%)	4.7	5.3	6.3
(most recent estimate, 2003–2008)			
Poverty headcount ratio at $1.25 a day (PPP, %)	42	40	..
Poverty headcount ratio at $2.00 a day (PPP, %)	76	74	..
Life expectancy at birth (years)	65	65	68
Infant mortality (per 1,000 live births)	54	59	46
Child malnutrition (% of children under 5)	44	41	26
Adult literacy, male (% of ages 15 and older)	77	74	88
Adult literacy, female (% of ages 15 and older)	54	52	77
Gross primary enrollment, male (% of age group)	114	111	112
Gross primary enrollment, female (% of age group)	109	104	106
Access to an improved water source (% of population)	89	87	86
Access to improved sanitation facilities (% of population)	28	33	52





Net Aid Flows	1980	1990	2000	2008 [a]
(US$ millions)				
Net ODA and official aid	2,186	1,399	1,463	1,298
Top 3 donors (in 2007):				
United Kingdom	134	97	204	511
Germany	35	169	16	128
Japan	37	87	368	100
Aid (% of GNI)	1.2	0.4	0.3	0.1
Aid per capita (US$)	3	2	1	1
Long-Term Economic Trends				
Consumer prices (annual % change)	12.3	12.4	3.7	8.0
GDP implicit deflator (annual % change)	11.5	10.7	3.5	6.2
Exchange rate (annual average, local per US$)	7.9	17.9	45.7	45.9
Terms of trade index (2000 = 100)	..	..	100	89



	1980	1990	2000	2008	1980–90	1990–2000	2000–08
					(average annual growth %)		
Population, mid-year (millions)	687.3	849.5	1,015.9	1,140.0	2.1	1.8	1.4
GDP (US$ millions)	183,799	317,467	460,182	1,159,171	5.5	5.9	7.9
		(% of GDP)					
Agriculture	35.7	29.3	23.4	17.5	3.1	3.2	3.2
Industry	24.7	26.9	26.2	28.8	6.0	6.1	8.4
Manufacturing	16.7	16.7	15.6	15.8	6.0	6.7	7.8
Services	39.6	43.8	50.5	53.7	6.8	7.7	9.5
Household final consumption expenditure	74.6	65.6	64.1	54.1	4.7	5.8	6.6
General gov't final consumption expenditure	10.0	11.7	12.6	11.6	7.3	6.6	5.0
Gross capital formation	18.5	24.2	24.2	39.7	7.2	6.9	15.0
Exports of goods and services	6.2	7.1	13.2	22.7	4.9	12.3	15.2
Imports of goods and services	9.4	8.5	14.2	28.0	6.1	14.4	19.5
Gross savings	17.1	22.1	25.0	37.6			

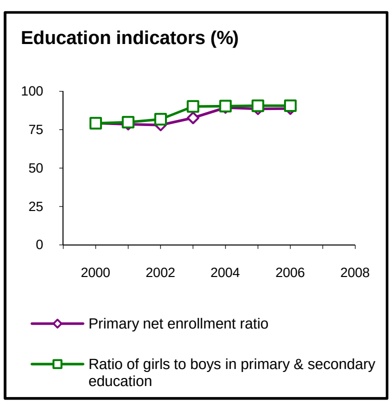
Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Aid data are for 2007.

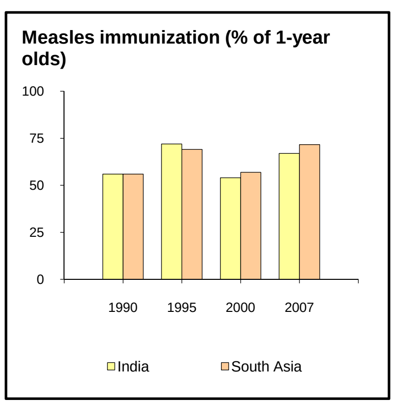
Development Economics, Development Data Group (DECDG).

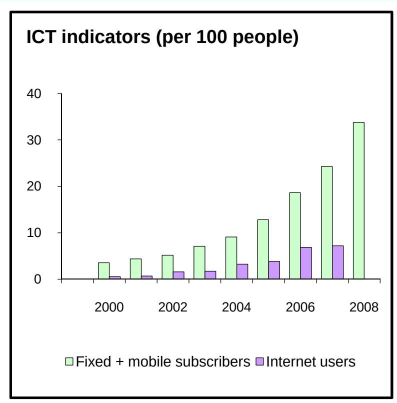
Annex 14: Millennium Development Goals (India)

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	India			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2008**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	*53.6*	*49.4*	..	*41.6*
Poverty headcount ratio at national poverty line (% of population)	..	*36.0*	28.6	..
Share of income or consumption to the poorest quinitile (%)	..	..	..	*8.1*
Prevalence of malnutrition (% of children under 5)	..	..	*44.4*	*43.5*
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	79	*89*
Primary completion rate (% of relevant age group)	*64*	74	72	*86*
Secondary school enrollment (gross, %)	41	46	46	*55*
Youth literacy rate (% of people ages 15-24)	*62*	..	*76*	*82*
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*70*	..	79	*91*
Women employed in the nonagricultural sector (% of nonagricultural employment)	13	14	17	*18*
Proportion of seats held by women in national parliament (%)	5	*7*	9	9
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	117	104	91	*72*
Infant mortality rate (per 1,000 live births)	80	74	68	*54*
Measles immunization (proportion of one-year olds immunized, %)	56	72	54	*67*
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	*450*
Births attended by skilled health staff (% of total)	..	*34*	43	*47*
Contraceptive prevalence (% of women ages 15-49)	*43*	*41*	47	*56*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	*0.1*	0.2	0.5	*0.3*
Incidence of tuberculosis (per 100,000 people)	168	168	168	*168*
Tuberculosis cases detected under DOTS (%)	..	0	12	*68*
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	71	77	82	*89*
Access to improved sanitation facilities (% of population)	14	18	23	*28*
Forest area (% of total land area)	21.5	22.1	22.7	*22.8*
Nationally protected areas (% of total land area)	..	..	..	*5.1*
CO2 emissions (metric tons per capita)	0.8	1.0	1.1	*1.3*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	3.2	3.4	3.8	*4.7*
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.6	1.3	3.2	3.3
Mobile phone subscribers (per 100 people)	0.0	0.0	0.4	30.4
Internet users (per 100 people)	0.0	0.0	0.5	*7.2*
Personal computers (per 100 people)	0.0	0.1	0.5	*3.3*







Note: Figures in italics are for years other than those specified indicates data are not available;
Development Economics, Development Data Group (DECDG). 2/25/10