Statement by Eugene Miagkov  
Date of Meeting: April 5, 2001

INDIA: Country Assistance Strategy

We welcome the presentation of this CAS document and wish to express our support for the proposed Bank Group strategy for India. We thank Staff for its preparation and for the informative briefing in advance of this Board discussion.

Poverty reduction in India where more than one third of the world’s poor reside is the greatest national challenge as well as a challenge of global magnitude. Without substantial reduction in the burden of poverty in India and a significant improvement of its key social indicators, the International Development Goals can not be achieved. Therefore, in addressing this challenge, a shared vision and concerted efforts of the Government of India and its bilateral and multilateral development partners, including the World Bank Group, are critical for a success.

The Bank has been for long time and remains among the major international partners of India. We are pleased to note that a high level of shared understanding between the Government and the Bank Group has been achieved with respect to the poverty diagnosis and the measures required for poverty reduction. Accordingly the CAS is built around India’s own strategy for poverty reduction which is articulated in its Ninth Five Year Plan for the period 1997-2002 and the Mid-Term Appraisal completed in October 2000. We believe this is very important for ensuring local ownership.

It is also encouraging that an internal consensus has emerged in India on the need for a new wave of reforms which would promote economic growth and accelerate poverty reduction. However the difficulty of translating this basic consensus into substantive action should not be underestimated. Given the complexity of the political environment that is currently prevailing in the country, the overall pace of the reform process is expected to be gradual. At the same time India is full of potential and provides enough opportunity for the Bank Group’s highly beneficial engagement. A key question is where and how it can best stimulate reforms and assist with their implementation. This has necessitated a particularly careful designing of the new CAS and also taking into account a wide range of factors and circumstances. The outcome of these efforts seems to be very good, and we congratulate Staff on that.
We welcome and support three core strategic principles of the CAS: selectivity, partnership, and programmatic approach. We believe that the application of these principles has been very helpful in terms of planning a more effective use of the Bank’s limited resources and played a key role in bringing about the high quality of the CAS document.

We particularly appreciate the creative application of the selectivity principle that involves: (i) maintaining focus on reforming poorer states, (ii) supporting important sectoral reforms in other states, (iii) supporting the central government in selected areas of national priority. If one really wants the Bank to be strategically selective, especially in a country as large as India, one should strongly support this approach. We would only like to caution against a possible overconcentration on few states at the expense of attention to other states and the center. India is very large, but it is one country. Therefore it is critically important for the Bank to maintain the appropriate balance among all the three above-mentioned lines of engagement.

We agree with the Bank Group’s program priorities outlined in the CAS. In particular, we strongly support an increased emphasis on fiscal reform, as the recent deterioration of India’s fiscal performance, especially at the state level, causes very serious concern. We also agree that fiscal reforms need to go together with governance reforms, and the programmatic approach is the best way to arrange Bank support for this process.

As regards the sectoral priorities, we appreciate that transport will be an important component of the Bank program. We also believe that the Bank does need to continue its involvement in the power sector. It is hard to overestimate potential fiscal, developmental and poverty reduction benefits of successful reforms in these two sectors of the Indian economy.

Given the fact that India is an extremely disaster-prone country we strongly support the Bank’s intention to help strengthening its disaster management capacity. It is not clear, though, what kind of assistance is meant. A brief comment on that would be appreciated.

Is the proposed lending and non-lending program adequate to address India’s needs? Taking into consideration the number of poor people in India, its immense developmental needs, and the relatively low per capita allocation of IDA resources, we would be happy to support a larger program. On the other hand, we understand that at this point the Bank is at its maximum possible response level. As far as IFC is concerned, we welcome its intention to significantly increase its operations in India.