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IEG **CASCR Review**
Independent Evaluation Group

1. CAS Data	
Country: INDIA	
CAS Year: FY05	**CAS Period:** FY05–08
CASCR Review Period: FY05–08	**Date of this review:** November 24, 2008

2. Executive Summary

i. The FY05–08 India Country Assistance Strategy (CAS) was a joint strategy by the Bank and IFC. Accordingly, this review of the Country Assistance Strategy Completion Report (CASCR) covers Bank-related aspects, which are evaluated by IEG-WB, and IFC-related aspects, reviewed by IEG-IFC and included as Attachment 1.

ii. The FY05 CAS signaled a major shift in Bank strategy in India. The new strategy combined expanded support for the lagging states with increasing leverage for federal programs designed to enhance infrastructure and persuade state governments to improve service delivery. It is clear from the CASCR that this shift was only very partially implemented during the review period. In IEG's view, while there was on average moderate progress on achieving the CAS outcomes, this in large part reflects a cohort of Bank projects with satisfactory or moderately satisfactory outcomes and the high quality of ESW undertaken. It does not reflect the coherence of the program in implementing a shift toward an expanded poverty focus through support for India's lagging states. In particular the program did not follow through on some of the CAS's own stated principles. There was inadequate *selectivity*—the CAS included about 90 projects or project ideas, of which about 60 percent were actually started and less than a third were approved during the CAS period; the Bank's *knowledge services,* while of high quality, appear to have lacked coherence with the Bank program and made little direct contribution to outcomes, with the exception of the work done in association with State DPLs and in the area of enhanced competition, where the ICA and DBIs had a significant impact; finally the *focus on outcomes* fell notably short – outcomes largely reflected the programs on the ground and there is little evidence of re-shaping them to increase the focus on the lagging states.

iii. In rating the outcome of the Bank program, IEG essentially builds up an aggregate rating from the individual pillars. The outcomes against the milestones specified for the pillars tend to dominate concerns about the strategy or the program design. This is understandable since even the best strategy has no value if there are not concrete results and outcomes. In the Indian case, the outcomes represent important and positive achievements. In order to be consistent with ratings of other countries, the India program is therefore rated *moderately satisfactory*, but with the caveat that the specified outcomes and milestones do not adequately reflect the changes in the CAS strategy and that the program was not coherently designed and implemented to achieve the strategy.

3. CASCR Summary

Overview of CAS Relevance:

1. In the late 1990s the Bank adopted a strategy in India that focused on supporting reform at the level of the State Governments. The essence of the strategy was to identify a group of willing reformers i.e. State Governments that had indicated their intention to reduce fiscal deficits and improve the quality of their public expenditures, including increasing the allocations for development and social programs, and provide these 'focus states' with a package of development policy loans (DPLs), technical assistance and analytic

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work, and investment loans for infrastructure and the social sectors. Three states, Andhra Pradesh, Karnataka and Uttar Pradesh were selected as the initial batch of focus states. The hope was that other states, particularly some of the lagging ones, would be persuaded by successful outcomes in these focus states to join the program. Reduction of fiscal deficits at the state level was high on the list of priorities of the Federal Government, which agreed, for the first time, to the Bank providing DPLs to State Governments.

2. By 2002/03 it was becoming clear that the approach had serious limitations. Some of the original focus states had not followed through on their intentions to reform, and, except for Tamil Nadu (not one of the lagging states) no other states had been persuaded to adopt reformist policies in order to secure Bank support. In effect the strategy was taking the Bank out of play on poverty issues by closing off its presence and dialogue in some of the poorest states that were critical for achievement of the MDGs. The FY05 CAS was written against this background. It advocated a major shift in the strategy to allow the Bank to engage more broadly with India's 12 poorest states. In particular more resources were to be devoted to the four poorest states of Bihar, Jharkand, Orissa and Uttar Pradesh, regardless of performance. This was to be complemented through greater support at the National level. India's central government was increasingly making use of federally sponsored programs with earmarked funding to promote objectives at the State level, and these were seen as suitable vehicles for Bank support as well.

3. During the CAS period India has experienced a spurt of growth at the most rapid rate since its independence – nearly 10 percent a year on average. It has emerged as a heavyweight in the global economy with a sharp expansion of income and a growing middle class. At the same time agricultural growth has remained at a modest 3 percent a year on average and there remains a significant majority of poor people who are being reached only gradually through growth in the major urban centers. There is a tendency towards the emergence of 'two Indias'—a growing urban middle class and the rural and urban poor, relatively untouched by growth. The priority for the Bank has been to help the Indian Government find ways of impacting the living standards of the rural and urban poor, through programs aimed at community empowerment and through improving the health and education services they receive. At the same time the key risk to growth appears to be the shaky state of India's infrastructure. Major investments have improved the transport system, but the power sector is not keeping pace with the rapid growth in demand. This provided a rich agenda for the Bank during the CAS period and the program designed in 2004 was intended to re-balance the Bank's efforts by providing a renewed focus of its efforts on supporting poverty reduction, while supporting efforts to address the potential growth bottlenecks.

4. In this context the Bank strategy enunciated in the FY05 CAS was highly relevant—a thoughtful and well crafted response to the rapid evolution of India's economic situation.

Overview of CAS Implementation:

5. With such a significant change in strategy, program design and implementation represented a major challenge. In a large country such as India, with substantial numbers of projects and AAA under preparation and implementation at any one point in time, the scope for radically reshaping the program in a very short time is limited. The new projects needed to re-orient the strategy were added to the program, but without the kind of culling of the existing program that would have been needed to make place for them. Sector teams were unwilling to give up on programs they had invested time and effort in, and of course to do so would also have put at risk relationships with counterparts Ministries and Agencies that had been carefully built up over time. The CAS put forward a list of 87 projects or project ideas of which a start was made on about 50 and 29 were approved. This went along with a very large program of AAA made possible, in part, through support from donor trust funds. The shift in lending anticipated under the new strategy has not yet taken place. In the words of the CASCR "By June 2008 about 10 percent of the WB's portfolio was accounted for by single-state loans to the four

poorest states in contrast to 14 percent in June 2004. In contrast, the stock of outstanding commitments directed to the three previous focus states of Tamil Nadu, Karnataka and Andhra Pradesh increased from 22 percent to 24 percent between thee two dates."

6. The shift in strategy to more operations at the national level in infrastructure and human development is also not entirely clear from the program. The share of the portfolio supporting centrally-sponsored scheme (CSS) declined between June 2004 and June 2008.

7. In practice this mismatch between the strategy and the program as implemented is not reflected in the outcomes as fully as it should have been. This is because the outcome indicators are simply based on activities in a given number of states. None of them explicitly refer to activities in the poorest states for example. This suggests that the outcomes were in large part built up from the existing program on the ground and not built down from the strategic design.

8. A small part of the mismatch arose from changing priorities of the Indian Government. There was for example a request for the Bank to pay attention to the needs of the states on India's periphery. The Bank added activities in Himachal Pradesh – a state that is neither large nor especially poor – to its program. There is little question that the Bank's program in India needs the flexibility and capacity to respond to such requests provided that they are on the margin as they were in this case, and do not change the core of the strategy.

9. On the specifics of program implementation there are two issues that are particularly significant. The first is the approach to project selection. The India CAS unlike most others begins with a very large menu of projects. The CAS notes that these are not a CAS lending program in the usual sense and indeed many are titled in generic terms. Work actually commenced on about 50 projects, of which some were not in the original list. As can be seen from the table below, only about a third of the original menu of projects and project ideas were actually implemented. While IEG recognizes the difficulty of developing a precise program over a four year period in a country the size of India and the need for having back up options, the approach makes it very difficult to design and implement a program that is coherent with the strategy.

Table: No. of Planned and Approved Project 2005-2008

	2005	2006	2007	2008	05-08
Projects considered	23	23	21	20	87
- of these approved	10	5	7	3	25
- of these dropped	11	16	14	16	57
- of these moved	2	2	0	1	4
Unprogrammed	1	1	5	1	8
Total approved*	11	7	15	5	38
Dropped according to CASCR	8	3	2	4	17

* Total approved includes projects moved from earlier years.

10. Quality at entry was rated in the satisfactory range by QAG (with highly satisfactory for TN Empowerment and Poverty Reduction), and so was quality of supervision. Also, the percentage of projects rated in the satisfactory range for their outcome by IEG was higher than the averages for the South Asia Region and the Bank-wide. Despite these satisfactory ratings, there has been a sharp deterioration of the portfolio indicators in FY08. The CASCR provides some excellent documentation of this deterioration, but little in the way of explanation. The percentage of projects at risk doubled from 2007 to 2008, reaching 24.6 percent (Annex, Table 4). Commitments at risk also increased in the same period from 18.1 percent to 23.4 percent. It will be extremely important going forward to understand what is driving this change.

Overview of Achievement by Objective:

Pillar One: Improving Government Effectiveness

11. This has two components. The first of these is *Strengthening Fiscal Management and Reallocating Public Resources* to priority areas for the poor in at least four states. The CASCR states that strong progress has been made in this area. There is little doubt that there has been major improvement overall in central and state finances during the CAS period. The overall fiscal deficit of the states fell from 4.7 percent in 1999/00 to 3.2 percent in 2005/06. This was largely on account of the pressures from the Federal Government as well as the increased allocations it provided to the States. These centrally supported programs also contributed to substantial increases in State expenditures on both development and social programs. The extent to which part of this in selected states is attributable to the Bank's program is difficult to estimate. A study carried out on the impact of Bank policy based lending on state governments suggests that those states that received Bank support had greater improvements in their fiscal performance than other states. In addition the states supported by the Bank did somewhat better than other states in raising revenues. Evidence is less conclusive with regard to expenditure allocations and in one area—that of improved financing of civil service pensions—there was no progress due to court challenges to the approach supported by the Bank. Under all components and outcomes, the CASCR should in future provide more systematic benchmarking and comparison between performance in Bank-supported states and others. Under this particular component, those comparisons that have been made as well as the evidence of significant process improvements as part of the individual state programs support the hypothesis that the Bank has made a valuable contribution to achieving greater fiscal balance and more effective public expenditures in the states it has supported. IEG rates the outcomes for this component as *satisfactory*.

12. The second component is that of *Improving Governance and Service Delivery*. On a national basis there were significant improvements in perceptions over the period as indicated by changes in the various indicators and India's rankings are now very comparable to those of other large middle income countries. The Bank's objectives in this area were ambitious and in the best of circumstances would have been challenging to achieve in a single CAS period. Improving accountability, efficiency and transparency of government operations in at least four states would have required a much more comprehensive program than the Bank attempted. In the event programs were focused largely on transparency. A National Right to Information Act (NRTI) helped to promoted greater transparency and the Bank was able to underpin this through its DPLs and AAA in the states where it was active. The greater use of web-sites and published budget documents and economic surveys, however, represent important steps towards improved transparency. There is little evidence presented in the CASCR on other outcomes on this component and no comparison of the states supported with others. The CAS itself, however, mentions a number of important process steps undertaken in each of the states that received DPLs, some of which go beyond access to information. That this remains work in progress was evidenced by the DIR of the Bank's health projects had pointed to procurement as a major area of concern for the Bank in India, particularly as the Bank attempts to increase use of national systems. The CASCR rightly points out the need for the Bank to re-balance its efforts in this area to put much greater emphasis on the demand side of the accountability equation. The Bank rates this component as showing some progress. Given the difficulties of making significant progress in this area in a single CAS period, IEG concurs with this and rates the outcomes as *moderately satisfactory*.

Pillar Two: Fostering Empowerment and Rural Livelihoods

13. The first component of this is the *empowerment of the rural poor in at least five states to identify core needs and take action through community institutions*. This builds on the impact of Bank-supported CDD programs in various states. While conclusive evidence will need to await more systematic evaluation of these programs, some impressive indicators are provided in the CASCR, which, given the careful framing of the objective, seem sufficient to validate the judgment that progress has been satisfactory. Again some evidence on the counter-factual would have been useful. There

are other donors and NGOs active in rural India in many areas and their impact on empowerment even in the absence of the funding that is channeled through Bank-supported CDD programs has been substantial. One of the important issues identified as part of the lessons learned is that of finding ways to link the various CDD and NGO operations with the formal systems of credit supply and local government operations in rural India. This will be an important area of focus for the Bank going forward.

14. The second component is *Educational Attainment for All.* Here the Bank supported a major Government of India program to increase coverage of primary education to achieve the MDG in this area. This CSS channeled funding to State Governments for school buildings and materials and the hiring of new teachers. The program has been tremendously successful in achieving its objective of raising the proportion of the population in primary schooling – the out of school numbers of children of primary school going age declined from 25 million to around 8 million during the program. While the Bank was concerned to ensure that federal transfers actually resulted in increased coverage, a good deal of its focus seems to have been on improved quality rather than coverage per se. The CASCR does not, however, provide data on quality attainments, though it refers to the fact that there was very little improvement on this account and for that reason there was only moderate progress overall on this component. It is generally the case that in periods of very rapid expansion of enrolment, quality standards are at best stagnant and more likely declining. Absolute levels of quality may not therefore be the basis for judging progress on this account and if the Bank contributed to at least maintaining scores in the core curriculum and establishing the basis for higher scores later this would represent a valuable contribution. One interesting issue raised by the CASCR is the decision by the Central Government to provide a fixed 20 days of teacher training in all cases. The ICR of the project supporting the education CSS argues that this has proven highly ineffective and resulted in pro forma training rather than a genuine upgrading of teachers' skills In the absence of more data on attribution to the Bank of maintaining quality, IEG concurs with the CASCR rating of *moderately satisfactory*

15. The third component is *Improved quality of the health sector in states receiving Bank support.* The only indicators set for this are the proportion of births attended by skilled providers and the proportion of children under 6 months who are exclusively breastfed. These seem very limited indicators for such a broadly defined component. In the first of these the evidence suggests that there was somewhat more coverage in the states supported by the Bank than in others. No comparative data is presented for the second, though overall there has been a substantial increase in the proportion of children that are exclusively breastfed. The text discussion in the CASCR is more comprehensive however, and notes that in important areas progress has been disappointing – declining immunization rates, persistently high maternal mortality, and unacceptable and stubbornly high levels of malnutrition. In addition the Bank's planned support for health sector activities ran into the road-block of the DIR investigation which suggested substantial corruption in procurement. For all these reasons, a rating of *moderately unsatisfactory* seems appropriate.

16. The fourth component of this pillar is that of *Controlling Infectious Diseases.* The milestone here is rather broadly defined as the monitoring and maintenance of the infectious disease control program. For the key diseases, leprosy targets have been achieved; polio remains stubbornly present, though declining, in the Gangetic states, and TB 'DOTS' are available throughout the country. On immunization against measles the data are somewhat confusing. It appears that nationwide the percentage of children immunized was actually lower in the CAS period than in 1998/99. For the states where the Bank had health programs, it is stated that targets were achieved, but there is no data on what the targets were and how they related to national averages. On the milestones related to the Improved Effectiveness, Efficiency and Quality of the National HIV/AIDS program, the CASCR provides excellent data and argumentation to show good progress on the development of a Government Strategy and Implementation plan, increased awareness, condom use, and economic analysis of ART therapy. Overall IEG concurs with the CASCR that the on balance the strong progress on some of the key diseases, offset by the more limited progress on polio and immunization, merits an overall rating of *moderately satisfactory*.

Pillar Three: Promoting Private Sector-Led Growth

17. The first component—*Provision of Adequate Infrastructure*—presents a very different picture as between transport, on which there was strong progress, and power supply, on which there appears to have been limited progress. On transport the Bank made a small but positive contribution to the expanded road network and improvements in road conditions that have led to a lowering of travel times and a sharp reduction in the number of businesses that view transport constraints as a serious impediment to their effective operations. The CASCR talks about ineffective competition in supply industries as a significant constraint, but does not explain what this encompassed or whether the Bank took this issue up through its dialogue and program. In the power sector the overall lack of progress in keeping pace with growing electricity demand and the continuing financial problems of the State Electricity Corporations, should not obscure what appears to be a well-judged Bank strategy of focusing on some of the more tractable areas of India's electricity problems, such as supporting expanded access in rural areas, and in strengthening the national transmission system. Overall IEG supports the CASCR rating of *moderately satisfactory* on this component.

18. The second component is *Accelerating Rural Growth*. Here the CASCR details the achievements of a large number of Bank projects in different states which raised productivity and incomes of the participating farmers, and as a consequence rates progress as moderate. While IEG does not dispute these achievements, more needs to be done to scale these up to yield outcomes at the state or national levels. Given India's size it will take a very long time for individual area-based projects to accumulate to the comprehensive strategy for agricultural development that is needed. There have been some examples of the Bank's role in changing mindsets through its various activities in areas such as agricultural marketing, water use, and extension, but these need to be supported and underpinned by a more focused and strategic program. The CASCR makes little mention of broader systemic issues relating to agricultural production, nor does it cite the impact of relevant AAA. The paradigm of good projects in India's slowest growing sector is precisely the kind of situation that the focus on results and outcomes was intended to address. In view of this, despite ratings of moderate progress on each of the individual milestones that comprise this component, IEG rates the progress on this component as *moderately unsatisfactory* overall.

19. The final component – *Fostering the Competitive Economy* – is an area where the CASCR does cite AAA as contributing to successful outcomes. The impact of the Doing Business Indicators and Investment Climate Assessment appears to have been significant. The financial deepening that has taken place in India and the increased access of small businesses to credit, are among the signal achievements of Indian policy-makers. The continuity of Bank and IFC efforts in this area – often a matter of some frustration when the political climate was opposed to the challenges of making India more competitive—should be a matter of some pride to the institution. The particular outcomes defined in the CAS however, relate to precise and quantified results in areas such as the time it takes to go through various bureaucratic steps which represent costs to the private sector. In almost all these areas the outcomes while generally in the right direction, show little progress or slow34 progress than projected. As a consequence IEG is unable to agree with the assessment of strong progress in this area and rates the outcomes as *moderately satisfactory.*

Achievement of CAS Objectives			
Objectives	**CASCR Rating**	**IEG Rating**	**Explanation / Comments**
OVERALL RATING		**Moderately satisfactory**	
A. Improving Government		**Moderately**	

Effectiveness		**satisfactory**	
1. Strengthening fiscal management.	Strong progress	Satisfactory	
2. Improving governance and service delivery	Moderate progress	Moderately satisfactory	
B. Investing in People		**Moderately satisfactory**	
1. Empowering communities	Strong progress	Satisfactory	
2. Educational attainment for all	Moderate progress	Moderately satisfactory	
3. Reducing the health risks for the poor	Limited progress	Moderately unsatisfactory	
4, Controlling Infectious disease	Moderate Progress	Moderately satisfactory	
C. Promoting Private Sector-Led Growth		**Moderately satisfactory**	
1. Provision of Adequate Infrastructure	Moderate progress	Moderately satisfactory	
2. Accelerating Rural Growth	Moderate progress	Moderately unsatisfactory	While Bank projects achieved good results, they are only making a limited contribution to improved rural sector outcomes.
3. Fostering the Competitive Economy	Strong progress	Moderately satisfactory	While changes are in the right direction, the pace of change is slower than projected in the outcomes.

Comments on Bank Performance:

20. **Strategy and Program Design:** The decision taken in the FY05 CAS to abandon the 'focus states' strategy which was not working and design a new strategy that met India's evolving priorities, was highly relevant in the rapidly changing Indian context. Where the program seems to have faltered, was in providing adequate linkages between the strategy, the program design and the desired outcomes. The CAS identified three process approaches that were to be central to CAS implementation. These were *selectivity, knowledge provision, and a focus on outcomes.*

- *Selectivity:* The CASCR is very frank in its assessment that the attempt to exercise selectivity through the setting up of guidelines was not successful. It suggests that this led to perverse incentives as staff 'nursed' along potential activities in the expectation that they would eventually meet the guidelines. It argues that there is no substitute in a country like India for 'more explicit and transparent gate-keeping for the operational and AAA program.' IEG concurs with this and would also argue that more of the selectivity needs to be done ex ante by a careful review of the projects and AAA included in the CAS and the designation of core programs that deal with critical development constraints or poverty issues central to the Bank's mission.

- *Knowledge Provision:* As noted in the CASCR, a very comprehensive QAG review of AAA in India gave the program fully satisfactory ratings in all areas other than the coherence of the program i.e. the synergies with lending and the gearing of the program towards outcomes. This is borne out by the CASCR. In only two components out of the nine spread across the three pillars are AAA products cited as having made a major contribution to the outcome. These are first the work associated with the State DPLs and second the area of fostering the competitive economy, where the Doing Business Indicators and ICA work appear to have been highly influential. For the most part there is a sense that the AAA is proceeding along a parallel track which though it is certainly highly relevant for India's development needs, is not part of an integrated approach to achieving outcomes. Again though it needs to be said that the AAA work was of high quality and certainly appears to have added value—no small achievement in a country as well endowed with knowledge capacity as India. Indeed the ability of the Bank to bring global and cross-country knowledge to bear on its problems is increasingly being seen by the Indian Government as the most important of its contributions.

- *Focus on Outcomes:* Again the CASCR is commendably frank in observing that roughly half the sectors failed to distinguish clearly between outcomes and outputs and to identify how activities under the CAS contributed to outcomes. It takes the view that the degree to which the focus on outcomes had been implemented was unsatisfactory. It is evident from the matrix that often the response of sector teams is to define the outcome as simply the product of the project components in the program (this is probably part of the explanation why so little AAA is covered in the matrix), instead of the desired outcomes driving the program content and design.

21. **Implementation**: While the Bank's strategy was highly relevant, the Bank could and should have devoted more effort to considering the program implications of carrying the strategy through. The program that was included in the CAS was a menu rather than a set of implementable projects. As shown in the Table in the section on CAS implementation, the large number of dropped projects means that the program as implemented, while it certainly made significant contributions to India's growth, was a consequence of which projects moved forward, rather than those which were considered critical or core projects in implementing the design. In some areas, in which program outcomes had been defined e.g. railway safety, there was no achievement simply because the supporting project was dropped.

22. Partly as a consequence of this and as explained earlier, the Bank's strategy remained, during the period of the CAS, a strategy on paper rather than in practice. In IEG's view the Bank could and should have done more to gear the outcomes to the strategy and the program to those outcomes.

23. The CASCR includes a discussion and tables on the various portfolio indicators which show a sharp decline in portfolio quality as measured by disbursements and numbers of projects at risk in the recent year or two. The 'explanation' for the sharp deterioration of the portfolio indicators in the most recent years is simply an enumeration of those projects or states where performance was weak, with no indication of whether this is a systemic issue and likely to be a trend. It certainly seems too large to attribute to normal fluctuations in portfolio performance.

4. Overall IEG Assessment

Outcome:	*Moderately Satisfactory*
Bank Performance:	*Moderately Satisfactory*

24. The Bank's work in India consisted of a well-judged strategy and a set of high quality projects and AAA which yielded significant benefits for India. Nevertheless in IEG's view the Bank did not achieve the maximum impact, or to put it another way, India did not derive the maximum benefit from the Bank's program, because the Bank was not able to shape its support into a coherent package of activities designed to meet a specific set of outcomes in support of the strategy defined in FY05. To a large degree the program during the CAS period was a transitional program – working through gradually from a program which had lost strategic relevance to a new one which fitted the evolving Indian context. The difficulties of re-engineering the program were perhaps underestimated in FY05 and are much clearer with hindsight. This said, if the Bank had followed through on the program selectivity and outcome focus enunciated in the CAS, perhaps the objective of a strategy and program that are synchronized would have been somewhat closer to achievement.

5. Assessment of CAS Completion Report

25. The CASCR includes an exceptionally balanced and thoughtful review of the strategy. The CASCR begins by analyzing the strategy adopted prior to the FY05 CAS and the reasons for changing the strategy. It then examines the core process variables; selectivity, knowledge provision and focus on outcomes, and provides a candid assessment of the successes and shortcomings in these areas. Similarly the CASCR presents a very clear picture of the failure of the program on the ground to match the design inherent in the new strategy.

26. The sections on the outcomes of the program are inevitably somewhat broad-brush given the scale of the country and the program and would have benefited from additional elaboration. The CAS document provides some additional information in a number of areas that could usefully have been incorporated into the CASCR. The substantive problem is the lack of adequate documentation to support judgments on outcomes in many areas. In particular, where outcomes are limited to the specific states in which the Bank was present, it is important to have some indicators on what was going on in other states or at the national level. While the candid discussion of the deterioration of portfolio indicators is to be appreciated—it could easily have been hidden behind averages for the CAS period as a whole—it would have helped to have provided a much more careful discussion of possible causal factors. Similarly the issue of dropped projects cited above, is surely of sufficient significance to merit some additional analysis.

6. Findings and Lessons

27. In designing benchmarks or milestones for state level programs it is not sufficient to provide data on outcomes in those specific states supported by the Bank. These need to be put in the broader context of what is happening in other states or the country as a whole, in order to be meaningful.

28. In large countries, the Bank CAS generally includes a large number of projects and a large proportion of these are not followed through. It can be argued that in most cases work done to prepare these dropped projects yields useful benefits in terms of non-lending technical assistance or economic and sector work. This is a questionable line of argument—there is no systematic evaluation of the benefits from dropped projects and any amount of wasted effort can be rationalized in this way. At the same time the problem with the menu approach is the risk that many of the projects that are undertaken will be on the peripheries of the strategy. An alternative approach that Country Directors (CDs) in large countries may want to consider is the designation of a certain percentage of the projects put forward—say one-quarter—as projects which the Bank and the Government agree to make a special effort to implement. This would protect the strategic core of the program.

29. In some Indian states the Bank's program is a multiple of its lending for many countries of the world. In the circumstances some consideration should be given to developing brief formal strategy documents at the state level which can be the subject of consultation and agreement at the local level. This would help in dealing with some of the political economy issues that have arisen for the Bank in its dealings with electoral changes in State Governments where the Bank is seen as being closely identified with a particular party – the case with the Government of Andhra Pradesh earlier.

30. Perhaps the most important lesson of the India CAS is the difference between putting out a document which signals a significant change in strategy and making that change a reality on the ground. This is not consistent with business as usual and requires proposals from all participating units on what each will do differently as a way of implementing the new strategy. It requires active management, including taking tough decisions on what not to do.

ANNEXES

ATTACHMENT

Annex Table 1: India—Planned and Actual Lending, FY05–08 (US$ million)

Planned in 2004 CAS						Approved					
Programmed Projects	Planned FY	Planned US$ IDA	IBRD	Other	Subtotal	Actual Project Name	Approved FY	Approved US$ IDA	IBRD	Other	Subtotal
State Structural Adjustment Loan	2005	100	100		200	Orissa Structural Adjustment I	2005	40	85		125
State Structural Adjustment Loan	2005	35	35		70		Dropped				
Disease Surveillance	2005	59			59	Disease Surveillance	2005	68			68
Hydrology II	2005		124		124	Hydrology II	2005		105		105
Urban WSS	2005		100		100		Dropped				
State Urban Sector Reform	2005		100		100		Dropped				
Project Development Facility	2005	50			50		Dropped				
SME Financing	2005		120		120	SME Financing	2005		120		120
Reproductive and Child Health	2005	300			300		To 2007				
State Health Systems	2005	100			100	Tamil Nadu Health Systems	2005	111			111
State Agricultural Competitiveness	2005	110			110	Assam Agricultural Competitiveness	2005	154			154
State Rural Service Delivery	2005	100			100		Dropped				
State Water Sector Restructuring	2005		240		240	MP Water Sector Restructuring	2005		394		394
State Water Sector Improvement	2005		300		300	Maharashtra Water Sector Improvement	2005		325		325
E-governance Phase I	2005		100		100		Dropped				
State RWSS	2005	150			150		Dropped				
State Urban	2005		150		150		Dropped				
Lucknow-Muzaffarpur National Highways	2005		500		500	Lucknow-Muzaffarpur Natl Hgwys	2005		620		620
Rural Roads	2005	300	100		400	Rural Roads	2005	300	100		400
Powergrid	2005		400		400		To 2006				
Rural Energy Access I	2005		50	20	70		Dropped				
Energy Conservation (GEF)	2005	8		8	16		Dropped				
URIF/Urban Reform	2005		200		200		Dropped				
						Unprogrammed					
						Tsunami Reconstruction	2005	465			465
						MP Forestry	Dropped*	105			105
						Chattisgarh Comm. Forest Mgmt	Dropped*	50			50
						India Statistical Strengthening	Dropped*		50		50
						Kerala Rural Service Delivery	Dropped*	100			100
						Nat Disaster Mgmt Cap Building	Dropped*	50			50
						Project Development Facility	Dropped*	50			50
						Tripura Rural Development	Dropped*	60			60
						Siyom Hydropower Development	Dropped*		475		475
Total planned for FY05		**1,312**	**2,619**	**28**	**3,959**	**Total approved for FY05**		**1,138**	**1,749**	**0**	**2,887**

Annex Table 1: India—Planned and Actual Lending, FY05–08 (US$ million)

Planned in 2004 CAS						Approved					
Programmed Projects	Planned FY	Planned US$ IDA	IBRD	Other	Subtotal	Actual Project Name	Approved FY	Approved US$ IDA	IBRD	Other	Subtotal
State Structural Adjustment Loan	2006	125	125		250	Karnataka Panchayats & Service Delivery	2006	120			120
Statistical Strengthening	2006		100		100		Dropped				
Urban Infrastructure	2006		200		200		Dropped				
Vocational Training	2006	50	50		100		Dropped				
Vector-borne Disease Control	2006	200			200		Dropped				
HIV/AIDS III	2006	150			150		Dropped				
Tuberculosis Control II	2006	150			150		To 2007				
State Health Systems	2006	150			150		To 2007				
Critical Water Infrastructure Rehabilitation	2006		200		200		Dropped				
State Rural Service Delivery	2006	150			150		Dropped				
State Rural Livelihood	2006	150			150	TN Empowerment & Poverty Reduction	2006	120			120
State Rural Livelihood	2006	100			100		Dropped				
State Livelihood	2006	112			112		Dropped				
State Community Forestry	2006	40			40	HP Mid-Himalayan Watershed	2006	60			60
Biodiversity Conservation (GEF)	2006	15		25	40		Dropped				
National Agriculture Technology II	2006		200		200	National Agricultural Improvement	2006	200			200
State RWSS	2006	150			150		Dropped				
State RWSS	2006	200			200		Dropped				
State Urban Development III	2006		200		200	TN Urban Development III	2006		300		300
Non-NHDP National Highways	2006		250		250		Dropped				
State Highways I (PPP)	2006		150		150		Dropped				
Hydropower I	2006		400		400		Dropped				
Industrial Pollution Management	2006	10	30		40		Dropped				
						Power Systems Development (From FY05)	2006		400		400
						Unprogrammed					
						Karnataka Municipal Reforms	2006		216		216
						Karnataka Econ Restr SAL III	Dropped*	65	135		200
						Railway Cap & Safety Enhanc	Dropped*		200		200
						Kerala Health Systems	Dropped*	143			143
Total planned for FY06		**1,752**	**1,905**	**25**	**3,682**	**Total approved for FY06**		**500**	**916**	**0**	**1,416**
State Structural Adjustment Loan	2007	100	100		200	Orissa Socio-Economic Dev II	2007	75	150		225
State Structural Adjustment Loan	2007	180	180		360	AP DPL III	2007	75	150		225
Elementary Education	2007	350			350		Dropped				

Annex Table 1: India—Planned and Actual Lending, FY05–08 (US$ million)

Planned in 2004 CAS						Approved					
Programmed Projects	Planned FY	Planned US$ IDA	IBRD	Other	Subtotal	Actual Project Name	Approved FY	Approved US$ IDA	IBRD	Other	Subtotal
Early Childhood Development	2007	200			200		Dropped				
State Health Systems	2007	100			100		Dropped				
State Rural Livelihood	2007	100			100	Bihar Rural Livelihoods	2007	63			63
Multi-State Forestry	2007	100			100		Dropped				
Land Administration	2007		100		100		Dropped				
State Agricultural Diversified Support II	2007	200			200		Dropped				
State Water Sector Restructuring	2007		250		250	TN Integrated Agric Mod & Water Mgmt	2007	150	335		485
State RWSS	2007	200			200	Uttarakhand (formerly Uttaranchal) RWSS	2007	120			120
National/State Rural Water Supply	2007	200			200	Punjab RWSS	2007	154			154
Mumbai Slums	2007		200		200		Dropped				
State Urban	2007		150		150		Dropped				
State Urban Reform & Mun. Services	2007		130		130		Dropped				
Urban Transport I (PPP)	2007		150		150		Dropped				
State Roads II	2007		250		250	Punjab State Roads	2007		250		250
MORTH National Highways	2007		250		250		Dropped				
Rural Roads II	2007		250		250		Dropped				
Rural Energy Access II	2007	250	150		400		Dropped				
Persistent Organic Pollutants (GEF)	2007	30		40	70		Dropped				
						Reproductive & Child Health II (from FY05)	2007	360			360
						Tuberculosis Control II (from FY06)	2007	170			170
						Karnataka Health Systems (from FY06)	2007	142			142
						Unprogrammed					
						AP Community Tank Irrigation	2007	95	95		190
						HIV/AIDS III	2007	250			250
						Vocational Educ. & Training	2007	280			280
						HP State Roads Project	2007		220		220
						Rural Credit Coops	2007	300	300		600
						NRM & Tribal	Dropped*	100			100
						Infrastructure PPP	Dropped*		500		500
Total planned for FY07		**2,010**	**2,160**	**40**	**4,210**	**Total approved for FY07**		**2,234**	**1,500**	**0**	**3,734**
State Structural Adjustment Loan	2008	65	65		130	HP DPL I	2008	65	135		200
State Structural Adjustment Loan	2008	100	100		200	Bihar DPL I	2008	75	150		225
Rural Finance Access	2008		150		150		Dropped				

Annex Table 1: India—Planned and Actual Lending, FY05–08 (US$ million)

Planned in 2004 CAS						Approved					
Programmed Projects	Planned FY	Planned US$ IDA	Planned US$ IBRD	Planned US$ Other	Planned US$ Subtotal	Actual Project Name	Approved FY	Approved US$ IDA	Approved US$ IBRD	Approved US$ Other	Approved US$ Subtotal
Health	2008	200			200	West Bengal Health	Dropped				
State Health Systems	2008	150			150	Uttar Pradesh & Uttarakhand Health	Dropped				
State Water Sector Restructuring	2008		300		300	AP Water Sector Restructuring	Dropped				
State Water Sector Restructuring	2008		150		150		Dropped				
State Water Sector Restructuring	2008		150		150		Dropped				
State Livelihood/Watershed	2008	50	50		100	J & K Watershed	Dropped				
State Livelihood	2008	100			100	Orissa Rural Livelihoods	To 2009				
Agricultural Productivity and Marketing	2008	130			130	National Agricultural Competitiveness	Dropped				
E-governance Phase II	2008		400		400	E-governance Phase I	Dropped				
National/State Slums Sanitation	2008		150		150		Dropped				
Urban Development	2008		200		200	Gujarat Urban	Dropped				
State Highways III	2008		250		250	AP State Roads	Dropped				
Ports (PPP)	2008		100		100		Dropped				
Powergrid	2008		500		500	Power System Development IV	2008		600		600
State Power	2008		200		200		Dropped				
Hydro 11 - Partial Risk Guarantee	2008		150		150		Dropped				
Environment Management	2008	20	20	10	50	Industrial/Urban Pollution Mgmt	Dropped				
						Programmed under CAS Progress Report:					
						UP Agric Diversified Support II	Dropped				
						Infrastructure Finance Co. Ltd. IIFCL	Dropped				
						SME Financing Supplement	Dropped				
						Vector-Borne Disease Control	Dropped				
						ICDS IV	Dropped				
						Elementary Education SSA II	2008	600			600
						Jharkhand Rural Livelihoods	Dropped	40			40
						Orissa Community Tank Irrigation Mgmt	Dropped				
						AP RWSS	Dropped				
						Rajasthan RWSS	Dropped				
						Himachal Pradesh State Roads	Dropped				
						Rural Roads II	Dropped				
						Orissa State Roads	Dropped				
						Urban Transport TA Capacity Bldg (GEF)	Dropped				
						Coal Fired Power Station Rehab	Dropped				

Annex Table 1: India—Planned and Actual Lending, FY05–08 (US$ million)

Planned in 2004 CAS						Approved					
Programmed Projects	Planned FY	Planned US$ IDA	IBRD	Other	Subtotal	Actual Project Name	Approved FY	Approved US$ IDA	IBRD	Other	Subtotal
						Chiller Replacement	Dropped				
						Sustainable Land Management	Dropped				
						Capacity Bldg for Urban Local Bodies	Dropped				
						AP Urban Reform	Dropped				
						Unprogrammed					
						Rampur Hydropower	2008		400		400
						Rural Electricity Access	Dropped*	50			50
						Distributed Power Generation	Dropped*	300			300
						Jharkhand Rural Livelihoods	Dropped*	40			40
						TN SAL I	Dropped*	125	125		250
Total planned for FY08		**815**	**2,935**	**10**	**3,760**	**Total approved for FY08**		**740**	**1,285**	**0**	**2,025**
						Supplements					
						Mizoram Roads Supplement	2007	18			18
						AP Rural Poverty Supplement	2008	65			65
						Karnataka Tank Irrigation Supplement	2008	32	32		64
Total for FY05-08		**5,889**	**9,619**	**103**	**15,611**			**4,727**	**5,482**	**0**	**10,209**

Note: The 2005 CAS mentioned that the planned lending was agreed for consideration between the GoI and the Bank, but that the actual level of lending deliveries would be below this amount and within the limit of US$2.15 billion per year for IBRD (on average for the four year period of the CAS), and the IDA-14 limits for India.

Note: The 2007 CAS Progress Report only planned for the total US$ amount for FY08 lending.

*For these, preparation had begun, but the projects never materialized.

Non IDA/IBRD Projects FY05-08	Year	Amount
ODS IV (Montreal Protocol)	2005	40
Modernization of Cont Gen of Accounts (IDF)	2005	0.37
Proc. Cap. Building Karnataka (IDF)	2005	0.17
Mod & Cap. Building Office of CAG (IDF)	2005	0.49
AP Fin Mgmt Strengthening (IDF)	2006	0.43
UP Finance Dep Cap Building (IDF)	2006	0.16
FALG Brick Project (Carbon Offset)	2006	-
VSBK Cluster Project (Carbon Offset)	2006	-
Biocarbon Livelihoods (Carbon Offset)	2007	1

Source: 2004 CAS, 2007 CASPR, Business Warehouse, IRIS 4.

Annex Table 2: India—Planned Non-Lending Program and Actual Deliveries, FY05–08

	Type	Planned FY	Delivered FY
Major Reports planned in the 2004 CAS			
Disability Review (Disability Issues)	Report	2005/06	2006
Economic Impact of HIV/AIDS in India	Report	2005/06	2007
Vulnerability and Adaptation to Climate Change	Report	2005/06	2007
Water and Sanitation MDG Action Plan	Report	2005/06	2006
Development Policy Review	Report	2005/06	2006
Building India's Knowledge Economy	Report	2005/06	2005
The Employment Challenge (del. as Labor and Employment Study)	Report	2005/06	2006
India's Gender Imbalance - Implications for the Future	Report	2005/06	Dropped*
Environmental Health Outcomes of Improved Rural Water Supply and Sanitation	Report	2005/06	2008
Social Safety Nets Review	Report	2005/06	2007
Land Policy for Growth	Report	2005/06	2006
Unlocking Opportunities for Forest Dependent People (del. as State Forest Sector Outlook)	Report	2005/06	2005
Strategic Issues in India's Water Sector (del. as India's Water Economy)	Report	2005/06	2005
Agricultural Marketing and Value-Chain Development	Report	2005/06	2006
Long-term Energy Issues for India	Report	2005/06	2006
Unprogrammed FY05-08			
Alternative Telecom Networks	Report		2005
Tamil Nadu & Punjab SFAAs	Report		2005
India Investment Climate Assessment II	Report		2005
Accounting & Auditing ROSC	Report		2005
Urban Governance and Finance	Report		2005
Orissa Investment Climate Assessment	Report		2005
Road Transport Service Efficiency Study	Report		2005
Rajasthan Economic Report	Report		2005
Financial Sector Regulations Review	Report		2005
Trade Policy Notes II (Agriculture)	Report		2005
Service Delivery Study	Report		2005
Political Economy of State Reforms	Report		Dropped*
Accelerating Rural Connectivity in Telecoms	Report		2006
Rajasthan FAA	Report		2006
Vocational Education	Report		2006
Orissa Expenditure Tracking Studies	Report		2006
Rural Service Delivery	Report		2006
Jharkhand Economic Report	Report		2006
Radio Spectrum Management	Report		2006
Northeast India Environmental Analysis	Report		2006
Orissa Environment & Growth Study	Report		2006
MDG Issues for Poor States	Report		2007
India Energy Security	Report		2007
Review of Dispute Resolution Board in India	Report		2007
Himachel Pradesh Development Strategy	Report		2007
Enhancing the Environment for Innovation	Report		2007
Megacities of India - Trends and Action Plan	Report		2007
Jharkhand Procurement Assessment	Report		Dropped*
Investment Climate Assessment III	Report		2008
Orissa Inclusive Growth Prospects	Report		2008
Bihar Public Financial Management Study	Report		2008
Jharkhand Public Financial Management Study	Report		2008
Secondary Education	Report		2008
PFMA Maharashtra	Report		2008
PFMA Government of HP	Report		2008
Assam Health Policy Note	Policy Note		2005
West Bengal Health Policy Note	Policy Note		2005
Highway & Railway Development	Policy Note		2005

Annex Table 2: India—Planned Non-Lending Program and Actual Deliveries, FY05–08

	Type	Planned FY	Delivered FY
Doing Business Indicators FY05	Policy Note		2005
Watersheds & Local Institutions	Policy Note		2005
Tsunami Preliminary Needs Assessment	Policy Note		2005
Urban Transport	Policy Note		2005
Nutrition Programs	Policy Note		2005
West Bengal Cross-Cutting Reforms	Policy Note		2005
Public-Private Partnerships	Policy Note		2005
Macro-Monitoring and Policy Notes	Policy Note		2005
Assessment of DPIPs	Policy Note		2005
Orissa Cross-Cutting Reforms	Policy Note		2005
AP Adaptation to Drought	Policy Note		2005
Gujarat Agricultural Policy Note	Policy Note		2005
FM Policy Notes on FAA of Sectors	Policy Note		2005
Finance & PSD Policy Notes	Policy Note		2005
Urban Sanitation & Waste Management	Policy Note		2005
Impacts of Rural Decentralization	Policy Note		2006
UP Investment Climate Update	Policy Note		2006
Microfinance Regulation in India	Policy Note		2006
J&K Earthquake Preliminary Damage Assessment	Policy Note		2006
FM Literature Survey	Policy Note		2006
Urban Land	Policy Note		2006
Indian Corporate Debt Markets	Policy Note		2006
AP Cross-Cutting Reforms	Policy Note		2006
Country Environmental Analysis	Policy Note		2006
SPS Horticultural Exports in TN & Maharashtra	Policy Note		2006
Karnataka Cross-Cutting Reforms	Policy Note		2006
Doing Business Indicators 2006	Policy Note		2006
Bihar Rural Agricultural Policy Review	Policy Note		2006
UP Cross-Cutting Reforms	Policy Note		2006
Trade Policy Notes III	Policy Note		2006
States Educational Strategies	Policy Note		Dropped*
Gujarat State Urban Slum Policy	Policy Note		2007
Financial Management Aspects of Urban Local Bodies	Policy Note		2007
Ports and Coastal Shipping	Policy Note		2007
Doing Business Indicators	Policy Note		2007
Role of Self-Regulatory Organizations	Policy Note		2007
West Bengal Fiscal Decentralization	Policy Note		2007
Effectiveness of Government Subsidy Schemes in RWS	Policy Note		2007
Macro-Economic Monitoring and Economic Policy Notes	Policy Note		2007
Vision, Strategy and Action Plan for Urban India - 2025	Policy Note		2007
Scaling up of Infrastructure lending	Policy Note		Dropped*
States Cross-Cutting Knowledge	Policy Note		2008
Implementing Reforms in Bihar	Policy Note		2008
Financial Management Aspects of Panchayati Raj Institutions	Policy Note		2008
Time-on-Task Study	Policy Note		2008
Supporting Financial Sector Reforms	Policy Note		2008
Coal Fired Power Plant - Energy Efficiency Reg.	Policy Note		2008
India - Fiscal Space Assessment	Policy Note		Dropped*
Carbon Finance Assistance / NSS Study	NLTA		2005
ICT Development	NLTA		2005
State-Level Public Finance Capacity Building	NLTA		2005
AP Environmental Mgmt NLTA	NLTA		2005
State Debt Management and Reporting	NLTA		Dropped*
National Environment Management	NLTA		Dropped*
Climate Change Partnership	NLTA		Dropped*
India Post Conference	NLTA		2006
Fiscal Governance Training Program	NLTA		2006
Rural Credit Cooperatives Reform Conference	NLTA		2006

Annex Table 2: India—Planned Non-Lending Program and Actual Deliveries, FY05–08

	Type	Planned FY	Delivered FY
ORF; Documenting Reforms in India	NLTA		2006
TN Cross-Cutting Reforms	NLTA		2006
Poverty Monitoring & Statistical Strengthening	NLTA		2006
Labor Market Conference	NLTA		2007
Tamil Nadu Public Private Partnerships	NLTA		2007
Contingent Liability Workshop	NLTA		2007
Cash Management Workshop	NLTA		2007
Mumbai Urban Business Plan	NLTA		2007
Agriculture Insurance	NLTA		2007
Low Income Housing for NHB	NLTA		2007
Land Policy and Administration	NLTA		2007
Support for Implementation of e-GP India	NLTA		2007
Tamil Nadu Land Market Access	NLTA		2007
Conference on Decentralization in Karnataka	NLTA		2008
Linking Farmers to Market Conference	NLTA		2007
Good Practice in Consultation: AP	NLTA		Dropped*
Pension Reform	NLTA		2008
Government FMIS	NLTA		2008
Planned under 2007 CAS Progress Report (FY08)			
Growth and Employment in Lagging Regions	Report	2008	2008
Programmatic Poverty Assessment	Report	2008	To 2009
Long-Term Energy Issues II	Report	2008	Dropped
Strategies for Low Carbon Growth	Report	2008	To 2009
Savings Mobilization and Self-Help Groups	Report	2008	2008
Corporate Governance for State-Owned Enterprises	Report	2008	To 2009
Role of Integ Fin Advisors & Prin Acctg Officers in Ministries (del. as a Policy Note)	Report	2008	2008
India - Moving out of Poverty	Report	2008	To 2009
Livestock Sector	Report	2008	To 2009
UP Living Conditions	Report	2008	2008
Human Resource Capacity Needs for an Effective Health System	Report	2008	To 2009
NGO Accountability	Report	2008	Dropped
Bihar State Environmental Analysis	Report	2008	Dropped
Opportunities for Service Exports from India	Report	2008	Dropped
Construction Industry Study	Note	2008	2008
Fisheries Sector	Note	2008	2008
Data Quality & Utilization in HNP	Note	2008	To 2009
Rural Land Markets	Note	2008	Dropped
Higher Education Reforms	Note	2008	Dropped
Inland Water Transport Study	Note	2008	Dropped
Bihar Flood Management Information System	NLTA	2008	2008
National Foundation for Corporate Governance	NLTA	2008	To 2009
India Post Capacity Building	NLTA	2008	2008
Strengthening Institutions for Management of R&R	NLTA	2008	To 2009
Bihar Public Expenditure Management	NLTA	2008	Dropped
Social Security for the Unorganized Sector	NLTA	2008	To 2009
Orissa Environmental Management	NLTA	2008	Dropped
Evaluation of SGSY	NLTA	2008	Dropped
Bihar: Strengthening Education Services	NLTA	2008	Dropped
Improving the State-Level Investment Climate	NLTA	2008	To 2009
Public-Private Partnerships in Infrastructure	NLTA	2008	Dropped

Source: 2004 CAS, 2007 CASPR, Business Warehouse, Iris 4.
*For these, preparation had begun, but the reports never materialized.

Annex Table 3a: India—Project Ratings, Exit FY05–08

Exit FY	Approval FY	Project Name	IEG Outcome	IEG Sustainability*	IEG ID Impact*	IEG Risk to Development Objective*
2005	1995	Tamil Nadu WRCP	Satisfactory	Likely	Substantial	#
	1997	Reproductive Health I	Unsatisfactory	Unlikely	Modest	#
	1998	National Agr. Technology	Satisfactory	Likely	Substantial	#
	1995	ODS II - Consumption Phase Out	Satisfactory	Highly Likely	Modest	#
	1997	Third Andhra Pradesh Irrigation Project	Satisfactory	Likely	Modest	#
	2000	UP Power Sector Restructuring	Unsatisfactory	Unlikely	Negligible	#
	1997	Rural Women's Development	Moderately Satisfactory	Likely	Substantial	#
	1999	TN Urban Dev. II (PPAR Ratings)	Satisfactory	Likely	High	#
	2001	Leprosy Ii	Satisfactory	Highly Likely	Substantial	#
	2005	Orissa SAL I	Satisfactory	Likely	Substantial	#
2006	1997	Tuberculosis Control	Satisfactory	Highly Likely	Substantial	#
	1998	Orissa Health Systems	Moderately Satisfactory	#	#	Significant
	1997	Malaria Control	Moderately Satisfactory	Likely	Substantial	#
	2001	POWERGRID II	Satisfactory	#	#	Negligible To Low
	1998	Women & Child Development	Moderately Satisfactory	#	#	Moderate
	1998	DPEP III (BIHAR And Jharkhand)	Moderately Satisfactory	#	#	Moderate
	2001	Rajasthan Power I	Moderately Unsatisfactory	#	#	High
	1999	Wtrshd Mgmt Hills II	Satisfactory	Likely	Substantial	#
	1999	Rajasthan DPEP	Moderately Unsatisfactory	Likely	Modest	#
	1999	HIV/AIDS II	Moderately Satisfactory	#	#	Negligible To Low
	1998	AP Econ Restructuring	Moderately Satisfactory	#	#	Moderate
	1999	Maharash Health System	Moderately Satisfactory	Likely	Substantial	#
	2000	UP DPEP III	Moderately Satisfactory	#	#	Negligible To Low
	2000	Telecoms Sector Reform TA	Moderately Satisfactory	Likely	Substantial	#
	2000	Immunization Strengthening Project	Moderately Satisfactory	Likely	Modest	#
2007	2000	AP DPIP	Satisfactory	#	#	Negligible To Low
	2004	Elementary Education Project (SSA)	Satisfactory	#	#	Significant
2008	2001	Gujarat Highways	Highly Satisfactory	#	#	Negligible To Low
	1999	UP Sodic Lands II	Satisfactory	#	#	Moderate
	2000	TA for Econ. Reform Project	Moderately Satisfactory	#	#	Non Evaluable
	2001	Kamataka Highways	Satisfactory	#	#	Moderate

*Sustainability and Impact were rated until around FY06. Risk to Development Objective is rated in projects from FY07 onwards.
Source: WB Business Warehouse tables 4a.5 and 4a.6 as of October 31, 2008.

Annex Table 3b: Project Ratings for India and Comparators, Exit FY05–08

	2005–08				2005–06*				2007–08*	
	Total Evaluated ($M)	Total Evaluated (No)	Outcome % Sat ($)	Outcome % Sat (No)	Inst. Dev. Impact % Subst ($)*	Inst. Dev. Impact % Subst (No)*	Sustai-nability % Likely ($) *	Sustai-nability % Likely (No)*	RDO % Moderate or Lower Sat ($)*	RDO % Moderate or Lower Sat (No)*
India	5,552.1	31	88.4	87.1	54	64.7	81.1	88.2	78.5	76.9
SAR	9,736.8	83	81.8	77.1	48	57.5	88.8	89.2	68.3	64.3
Bank wide	56,446.1	854	86.4	79.6	64	55.6	89.0	82.7	82.5	68.8

*Sustainability and Impact were rated until around FY06. Risk to Development Objective is rated in projects from FY07 onwards.
Source: WB Business Warehouse tables 4a.5 and 4a.6 as of October 31, 2008.

Annex Table 4: India—Portfolio Status Indicators, FY05–08 (US$ million)

Country	2005	2006	2007	2008
India				
# Proj	61	53	65	57
Net Comm Amt	12,638.7	11,129.2	14,123.4	13,564.3
# Proj At Risk	9	6	8	14
% At Risk	14.8	11.3	12.3	24.6
Comm At Risk	1,102.0	1,735.9	2,555.2	3,174.1
% Commit at Risk	8.7	15.6	18.1	23.4
Bangladesh				
# Proj	26	24	24	21
Net Comm Amt	2,318.1	2,043.6	1,966.3	1,997.2
# Proj At Risk	3	7	6	3
% At Risk	11.5	29.2	25.0	14.3
Comm At Risk	325.3	782.5	463.8	338.6
% Commit at Risk	14.0	38.3	23.6	17.0
Pakistan				
# Proj	14	17	18	20
Net Comm Amt	966.8	1,830.0	2,034.8	2,493.9
# Proj At Risk	1	0	1	2
% At Risk	7.1	0.0	5.6	10.0
Comm At Risk	61.1	0.0	102.9	164.0
% Commit at Risk	6.3	0.0	5.1	6.6
Brazil				
# Proj	49	48	46	46
Net Comm Amt	4,948.4	4,429.2	4,315.9	4,992.1
# Proj At Risk	9	3	7	9
% At Risk	18.4	6.3	15.2	19.6
Comm At Risk	626.7	63.1	1,221.5	276.6
% Commit at Risk	12.7	1.4	28.3	5.5
Russian Federation				
# Proj	22	22	20	18
Net Comm Amt	1,977.0	1,950.7	1,770.5	1,676.1
# Proj At Risk	4	2	0	1
% At Risk	18.2	9.1	0.0	5.6
Comm At Risk	379.5	250.0	0.0	80.0
% Commit at Risk	19.2	12.8	0.0	4.8
China				
# Proj	80	71	66	66
Net Comm Amt	11,200.8	9,953.8	9,109.1	9,387.0
# Proj At Risk	2	1	3	4
% At Risk	2.5	1.4	4.5	6.1
Comm At Risk	425.0	199.0	388.3	522.0
% Commit at Risk	3.8	2.0	4.3	5.6
SAR				
# Proj	156	145	161	160
Net Comm Amt	18,041.1	17,190.0	20,473.8	20,768.0
# Proj At Risk	18	19	24	32
% At Risk	11.5	13.1	14.9	20.0
Comm At Risk	1,745.0	2,858.3	3,366.3	4,162.6
% Commit at Risk	9.7	16.6	16.4	20.0
Bank wide				
# Proj	1,332	1,345	1,347	1,386
Net Comm Amt	93,211.7	92,888.8	97,790.5	105,292.5
# Proj At Risk	224	188	224	250
% At Risk	16.8	14.0	16.6	18.0
Comm At Risk	12,552.7	10,849.8	15,175.6	18,179.3
% Commit at Risk	13.5	11.7	15.5	17.3

Source: WB Business Warehouse Table 3a.4 as of September 23, 2008.

Annex Table 5: India—IBRD/IDA Net Disbursements and Charges, FY05–08 (US$ million)

FY	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
2005	1,914.9	801.5	1,113.4	272.8	28.0	812.6
2006	2,024.3	855.6	1,168.7	374.6	25.3	768.8
2007	1,979.3	979.4	999.9	501.8	18.7	479.4
2008	1,965.6	1,106.2	859.4	454.1	119.7	285.6
Total	**7,985.5**	**3,835.5**	**4,150.0**	**1,615.8**	**205.1**	**2,329.2**

Source: Client Connection as of September 25, 2008.

Annex Table 6: India—Total Net Receipts (ODA*, OOF, and Private), 2000–2006** (In US$ million)

	Calendar years						
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Total Net Receipts	2,444.4	1,873.3	2.8	1,914.5	4,088.8	8,699.7	13,492.4
o/w ODA	1,462.7	1,701.4	1,440.6	899.7	693.9	1,728.0	1,378.9
o/w OOF	-140.3	-305.9	-2,505.6	-2,075.7	-563.5	1,152.0	1,928.7
o/w Private	1,122.0	477.8	1,067.7	3,090.5	3,958.4	5,819.7	10,184.7
ODA+OOF, total	1,322.4	1,395.5	-1,065.0	-1,176.0	130.4	2,880.0	3,307.6
o/w Multilateral	632.1	717.3	-1,602.2	-1,149.3	373.9	2,193.2	2,156.8
o/w IDA (Net)	429.8	470.2	606.7	47.6	334.5	512.2	164.7
o/w IBRD (Net)	-836.9	-449.5	-857.4	-3,201.1	659.5	493.4	437.6

Source: OECD DAC online database, and Client Connection, retrieved September 25, 2008.

*ODA - Official Development Assistance: Grants or loans to countries and territories on Part 1 of the DAC list of Aid Recipients (developing countries) that are: 1) Undertaken by the Official Sector; 2) Have promotion of economic development and welfare as their main objective; and 3) Are granted at concessional terms (the loan has a grant element of at least 25 percent).

*OOF - Other Official Flows: Transactions by the official sector with countries on the List of Aid Recipients that do not meet the conditions of ODA or Official Aid eligibility, either because they are not primarily aimed at development, or because they have a grant element of less than 25 percent.

Annex Table 7: India—Economic and Social Indicators, 2005–2007

	India				Bangladesh	Pakistan	Brazil	China	Russia
	2005	2006	2007	Average	Average 2005–2007				
Growth and Inflation									
GDP growth (annual %)	9.2	9.7	9.0	9.3	6.4	7.0	4.0	11.3	7.3
GNI per capita, Atlas method (current US$)	740.0	820.0	950.0	836.7	453.3	800.0	4,836.7	2,036.7	5,940.0
GNI per capita, PPP (current international $)	2,210.0	2,470.0	2,740.0	2,473.3	1,230.0	2,403.3	8,730.0	4,726.7	12,926.7
GDP per capita growth (annual %)	7.8	8.2	7.7	7.9	4.5	4.7	2.7	10.6	7.9
Inflation, consumer prices (annual %)	4.2	5.8	6.4	5.5	7.6	8.2	4.9	2.7	10.5
Composition of GDP									
Agriculture, value added (% of GDP)	18.8	18.3	17.8	18.3	19.5	20.1	5.2	12.1	5.1
Industry, value added (annual % growth)	10.1	11.0	8.5	9.9	9.2	8.0	3.4	12.5	5.0
Services, etc., value added (% of GDP)	52.4	52.4	52.8	52.5	52.6	52.8	64.1	40.1	56.3
External Accounts									
Exports of goods and services (% of GDP)	19.9	22.1	21.3	21.1	19.2	15.0	14.2	38.6	33.1
Imports of goods and services (annual % growth)	45.6	24.5	7.7	25.9	20.3	20.1	13.5	14.6	22.9
Current account balance (% of GDP)	-1.0	-1.0	..	-1.0	0.8	-4.8	1.0	8.3	8.9
Total debt service (% of exports of goods, services and income)	13.2	7.7	..	10.5	4.5	9.3	41.0	2.8	14.2
External debt, total (% of GNI)	15.4	16.9	..	16.1	30.6	28.7	20.4	12.3	28.5
Other Macro Indicators									
Gross domestic savings (% of GDP)	31.7	33.0	35.1	33.3	18.0	14.5	21.2	50.8	33.6
Gross national expenditure (% of GDP)	102.8	103.0	103.1	103.0	106.5	106.7	97.1	93.3	88.4
Cash surplus/deficit (% of GDP)	-3.3	-2.7	..	-3.0		-4.0		-1.6	9.0
Gross fixed capital formation (% of GDP)	31.0	32.5	33.9	32.5	24.5	19.7	18.4	42.3	19.1
Real effective exchange rate index (2000 = 100)	..	..	..			95.9		95.3	161.8
Official exchange rate (LCU per US$, period average)	44.1	45.3	41.3	43.6	67.4	60.2	2.2	7.9	27.0
Revenue, excluding grants (% of GDP)	12.6	12.6	..	12.6		13.0		9.6	29.5
General government final consumption expenditure (% of GDP)	10.4	10.3	10.1	10.3	5.5	9.7	22.7	14.4	16.9
Social Indicators									
Health									
Immunization, DPT (% of children ages 12-23 months)	55.0	55.0	..	55.0	88.0	81.5	97.5	90.0	98.5
Improved water source (% of population with access)	..	89.0	..	89.0	80.0	90.0	91.0	88.0	97.0
Life expectancy at birth, total (years)	64.2	64.5	..	64.3	63.5	65.0	71.9	71.9	65.5
Education									
School enrollment, preprimary (% gross)	38.8	..	..	38.8		52.5	68.6	39.3	87.5
School enrollment, primary (% gross)	114.6	111.9	..	113.3		85.2	136.9	111.2	95.0
School enrollment, secondary (% gross)	54.0	..	..	54.0		29.3	105.5	75.5	84.4
Population									
Population ages 65 and above, male (in millions)	26.0	26.7	27.3	26.7	2.7	3.1	5.2	49.1	6.2
Population growth (annual %)	1.4	1.4	1.2	1.3	1.7	2.2	1.3	0.6	-0.5
Population, total (millions)	1,094.6	1,109.8	1,123.3	1,109.2	155.9	159.1	189.3	1,312.1	142.4
Urban population (% of total)	28.7	29.0	29.3	29.0	26.2	35.3	84.7	41.3	72.9

Source: WB World Development Indicators.

Annex Table 8: India—Millennium Development Goals

	1990	1995	2000	2007
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	59	58	57	56
Employment to population ratio, ages 15-24, total (%)	46	44	42	40
Income share held by lowest 20%	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	44.4	43.5
Poverty headcount ratio at national poverty line (% of population)	..	36.0	28.6	..
Prevalence of undernourishment (% of population)	25	21	..	..
Vulnerable employment, total (% of total employment)	..	..	..	..
Goal 2: Achieve universal primary education				
Literacy rate, youth female (% of females ages 15-24)	49	..	68	..
Literacy rate, youth male (% of males ages 15-24)	74	..	84	..
Persistence to last grade of primary, total (% of cohort)	..	..	59	..
Primary completion rate, total (% of relevant age group)	64	77	72	86
Total enrollment, primary (% net)	..	..	85	94
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliament (%)	5	7	9	8
Ratio of female to male enrollments in tertiary education	54	..	66	72
Ratio of female to male primary enrollment	77	..	85	96
Ratio of female to male secondary enrollment	60	..	71	82
Ratio of young literate females to males (% ages 15-24)	67	..	80	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	12.7	14.4	16.6	..
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12-23 months)	56	72	52	59
Mortality rate, infant (per 1,000 live births)	80	74	68	57
Mortality rate, under-5 (per 1,000)	115	102	89	76
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	99	81	63
Births attended by skilled health staff (% of total)	..	34	43	47
Contraceptive prevalence (% of women ages 15-49)	43	41	47	56
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	450
Pregnant women receiving prenatal care (%)	..	49	60	74
Unmet need for contraception (% of married women ages 15-49)	..	17	16	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	12	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	168	168	168	168
Prevalence of HIV, female (% ages 15-24)	..	..	..	0.3
Prevalence of HIV, total (% of population ages 15-49)	..	..	0.5	0.3
Tuberculosis cases detected under DOTS (%)	..	0	12	64
Goal 7: Ensure environmental sustainability				
Annual freshwater withdrawals, total (% of internal resources)	..	..	51.2	..
CO2 emissions (kg per PPP $ of GDP)	0.9	0.9	0.7	..
CO2 emissions (metric tons per capita)	0.8	1.0	1.1	..
Forest area (% of land area)	22	..	23	23
Improved sanitation facilities (% of population with access)	14	18	23	28
Improved water source (% of population with access)	71	77	82	89
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
Goal 8: Develop a global partnership for development				
Aid per capita (current US$)	2	2	1	1
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	29.3	31.6	15.7	3.6
Internet users (per 100 people)	..	0.0	0.5	17.8
Mobile phone subscribers (per 100 people)	..	0.0	0.4	20.8
Telephone mainlines (per 100 people)	0.6	1.3	3.2	3.5
Other				
Fertility rate, total (births per woman)	3.8	3.4	3.1	2.5
GNI per capita, Atlas method (current US$)	390	380	450	950
GNI, Atlas method (current US$) (billions)	330.9	350.2	458.1	1,069.4
Gross capital formation (% of GDP)	24.2	26.6	24.2	38.2
Life expectancy at birth, total (years)	59	61	63	64
Literacy rate, adult total (% of people ages 15 and above)	48	..	61	..
Population, total (millions)	849.5	932.2	1,015.9	1,123.3
Trade (% of GDP)	15.7	23.1	27.4	45.8

Source: WB World Development Indicators database

Annex 9: Summary of Objectives

Pillar 1 : IMPROVING GOVERNMENT EFFECTIVENESS

Sub-Objectives	Target Outcomes	Actual Results	Rating
Strengthening Fiscal Management and Reallocating Public Resources to Priority Areas for the Poor	1.1. Improved fiscal position and public expenditure management in at least 4 states	The overall states fiscal deficit fell from 4.7 percent in 1999/00 to 3.2 percent in 2005/06. *Milestones:* i) Increased tax collection for states. Results: Tax collections have been growing by more than 14% p.a. in AP, Bihar, Orissa, TN, UP, and Rajasthan. ii) Improved resource mobilization in urban local governments. Results: TN Urban Development Fund has raised Rs. 1.2 billion on capital markets. iii) Improved public expenditure management measures and modernization of financial mgt. systems. Results: In the seven DPL states modern financial rules, computerized treasury systems, and activities to establish e-procurement are underway. iv) Improved financing of civil service pensions. Results: Progress is delayed because of court challenges to Defined Contribution schemes, capacity building continues.	**Good Progress** (Except for financing of CS pensions)
	1.2. Improved composition of public expenditure in support of growth and poverty reduction in at least 4 states	*Milestones:* At least 4 states, e.g.: i) Reduced share of spending on wages, pensions and interest payments. Results: In Orissa, AP, UP, and Bihar, the salary bill shows a declining trend as a share of revenues/expenditures. The share of pensions in expenditures is declining in Bihar. Interest payments are down as a share of revenues/expenditures in Orissa and Bihar. ii) Increased investment and funding of O&M for priority social, infrastructure and agricultural programs. Results: DPL states and those assisted by AAA have increased O&M spending. Centrally sponsored schemes	**Good Progress**

Annex 9: Summary of Objectives

Pillar 1 : IMPROVING GOVERNMENT EFFECTIVENESS

Sub-Objectives	Target Outcomes	Actual Results	Rating
		have increased spending on sectors like health, education, social safety nets, and rural infrastructure.	
Improving Governance and Service Delivery	1.3. Improved accountability, efficiency and transparency of government operations in at least 4 states	***Milestones:*** i) Increased implementation of citizen report cards and right to information laws/orders. Results: National Right to Information Act introduced in all states, monitored in 7, but the CASCR finds that effective use requires on the ground capacity. The WBI Social Accountability program is establishing a network of training and research institutions with curriculum on social accountability (citizen report cards, social audits, public exp. tracking, right to information legislation, etc tools) targeted to civil servants and civil society. Karnataka has encouraged the use of third party monitoring—through report cards, for example—to benchmark service quality more effectively and stimulate public pressure for change. ii) Information on public finances readily accessible by the general public. Results: Seven states have improved access to information via web sites and budget document. The demand side of accountability may need further attention. iii) Improved administration of public procurement (at the Center and in at least 3 states). Results: AP introduced e-procurement on a wide scale resulting in significant savings for the government, while Orissa has embarked on an ambitious strategy to put in place preventive measures to check corruption and strengthen enforcement by the state's Vigilance Department, including through fast-track courts. iv) Improved performance of environmental institutions (in at least 2 states). Results: The Bank supported the	**Some Progress**

Annex 9: Summary of Objectives

Pillar 1 : IMPROVING GOVERNMENT EFFECTIVENESS

Sub-Objectives	Target Outcomes	Actual Results	Rating
		Gujarat MOEF to launch a cleanup production system, supported the institutionalizing of sector policies, and interaction with NGOs. The HP DPL supported the establishment of the Dep. of Environment.	
	1.4. Improved accountability to the rural poor, women and other vulnerable groups in at least 4 states (see II.1)	***No specific milestone.*** Results: Social audits have been established in MP, Rajasthan and Chattisgarh, and community scorecards aid the demand-side of local service delivery. The voice and participation of the poor in local government is improved by members of self-help groups and common interest groups who have been elected as representatives in local governments during latest PR1 elections.	**Some Progress**

Annex 9: Summary of Objectives

Pillar 1 : IMPROVING GOVERNMENT EFFECTIVENESS

Instruments for Pillar 1	Deliverables	Comments
Pre-CAS Lending	TA for Economic Restructuring Project	IEG Outcome Rating: Moderately Satisfactory (Approved FY2000, Exit FY2008)
New Lending	Orissa SAL I	IEG Outcome Rating: Satisfactory (Approved FY2005, Exit FY2005)
	Kartanaka Panchayats Strengthening	Approved FY06, ISR rating as of 2008 DO: Moderately Unsatisfactory IP: Moderately Unsatisfactory
	AP DPL III	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Moderately Satisfactory
	Orissa Socio-Econ Dev Loan II	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Bihar DPL	Approved FY08, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Satisfactory
	HP DPL I	Approved FY08, ISR rating as of 2008 DO: Moderately Unsatisfactory IP: Moderately Unsatisfactory
Non Lending	Rajasthan Economic Report	Report, delivered in FY05
	Urban Gov and Finance	Report, delivered in FY05
	A&A ROSC	Report, delivered in FY05
	TN and Punjab FAAs	Report, delivered in FY05
	Service Delivery Report	Report, delivered in FY05
	Orissa Cross-Cutting Reforms	Policy Note, delivered in FY05
	Urban San & Waste Mgmt	Policy Note, delivered in FY05
	FM Policy Notes on FAA of Sectors	Policy Note, delivered in FY05
	Macro Monitoring and Pol Notes	Policy Note, delivered in FY05
	West Bengal Cross-Cutting Reforms	Policy Note, delivered in FY05
	State Level Public Finance Cap Building	NLTA, delivered in FY05
	Rural Service Delivery in India	Report, delivered in FY06
	DPR	Report, delivered in FY06
	N-E India Env Analysis	Report, delivered in FY06

Annex 9: Summary of Objectives

Pillar 1 : IMPROVING GOVERNMENT EFFECTIVENESS

Instruments for Pillar 1	Deliverables	Comments
	Orissa Env and Growth Study	Report, delivered in FY06
	Expenditure Tracking Study	Report, delivered in FY06
	Jharkhand Economic Review	Report, delivered in FY06
	Rajasthan FAA	Report, delivered in FY06
	FM Literature Survey	Policy Note, delivered in FY06
	Impacts of Rural Decentralization	Policy Note, delivered in FY06
	AP Cross-Cutting Reforms	Policy Note, delivered in FY06
	Karnataka Cross-Cutting Reforms	Policy Note, delivered in FY06
	Country Env Assessment	Policy Note, delivered in FY06
	UP Cross-Cutting Reforms	Policy Note, delivered in FY06
	ORF: Documenting Reforms in India	NLTA, delivered in FY06
	TN Cross-Cutting Reforms	NLTA, delivered in FY06
	Fiscal/Governance Training	NLTA, delivered in FY06
	Poverty Monitoring and Statistical Strengthening	NLTA, delivered in FY06
	Vulnerability Reduction and Adoption to Climate Change	Report, delivered in FY07
	Dispute Resolution Board	Report, delivered in FY07
	India Energy Security	Report, delivered in FY07
	HP Development Strategy	Report, delivered in FY07
	Gujarat State Urban Slum Policy	Policy Note, delivered in FY07
	Fiscal Decentralization	Policy Note, delivered in FY07
	RWS – Effects of Govt Subsidy Schemes	Policy Note, delivered in FY07
	FM Aspects of Urban Local Bodies	Policy Note, delivered in FY07
	Support for Impl of e-GP India	NLTA, delivered in FY07
	Contingent Liability Workshop	NLTA, delivered in FY07
	Cash Mgmt Workshop	NLTA, delivered in FY07
	Conference on Decentralization in	NLTA, delivered in FY07

Annex 9: Summary of Objectives		
Pillar 1 : IMPROVING GOVERNMENT EFFECTIVENESS		
Instruments for Pillar 1	**Deliverables**	**Comments**
	Karnataka	
	Jharkhand PFM Study	Report, delivered in FY08
	Orissa: Inclusive Growth Prospects	Report, delivered in FY08
	PFMA Maharashtra	Report, delivered in FY08
	Bihar PFM Study	Report, delivered in FY08
	PFMA Govt of HP	Report, delivered in FY08
	Financial Management Aspects of Panchayati Raj Institutions	Policy Note, delivered in FY08
	Role of Integrated Financial Advisor	Policy Note, delivered in FY08
	Implementing Reforms in Bihar	Policy Note, delivered in FY08
	States Cross-Cutting Knowledge	Policy Note, delivered in FY08
	Government FMIS	NLTA, delivered in FY08
	Pension Reform TA	NLTA, delivered in FY08

Annex 9: Summary of Objectives

Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES

Sub-Objectives	Target Outcomes	Actual Results	Rating
Fostering Empowerment and Rural Livelihoods	2.1. Rural poor are empowered to identify their core needs and take necessary action through community institutions in at least 5 states.	About one million community groups (self-help groups, common interest groups, watershed societies, etc.) have been formed across AP, MP, Rajasthan, Chhattisgarh, Karnataka, and TN. ***Milestones:*** i) Increased community participation, especially woman, in natural resources management (watersheds, sodic lands and forestry). Results: As part of the Tamil Nadu Economic Restructuring Program, poor women now occupy nearly 49% of the leadership positions in village community organizations. The Karnataka Watershed Dev. Project supported the creation of almost seven thousand social help groups (mostly comprised of women) that form the main management of almost 5,000 ha newly converted productive forests. Female representation and participation (in management) has also increased through the Uttarakhand Decentralized Watershed Dev. Project and the AP Community Forest Mgmt Project. ii) Improved access to assets and finance for the rural poor. Results: Under the AP RPRP groups have accumulated savings and internal resources of more than $500 million and total credit flow from commercial banks over last eight years of $3.7 billion. More than four million women and their households are covered under life and disability insurance. Under the Rajasthan DPIP, around 70,000 poor households forming 7,000 groups have accumulated Rs. 52 million in savings and generated Rs. 50 million in Bank linkages. iii) Improved livelihood opportunities for rural poor.	**Good Progress**

Annex 9: Summary of Objectives

Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES

Sub-Objectives	Target Outcomes	Actual Results	Rating
		Results: Under the AP RPRP, community-managed food security and procurement of agricultural commodities covers more than 1.7 million households. Also in AP, more than 100,000 direct jobs created in construction, service and various other sectors through skill development of youth from poor households. Under the Rajasthan DPIP, below-poverty-line families participating formed 1328 Dairy Unions and are marketing 12 million liters of milk through partnership between associations of dairy producers and a cooperative milk marketing federation. For Tamil Nadu Economic Restructuring Program, as part of rural non-farm employment generation activities, nearly 3,784 youths have received training and 77% are gainfully employed. iv) Improved rights of woman over land based resources. In the AP Community Forest Management Project, the government has agreed to give the community user group (VSS) a legal status by amending the AP Forest Act 1967. The draft bill needs to be approved by the state legislature. v) Increased information on livelihood options Results: Took place through the creation of the community groups.	
Educational Attainment for All	2.2. Improved quality of elementary educational system in states receiving Bank support, as measured by 4 milestones.	The CASCR mentions that the achievement of reducing the number of out-of-school children from 25 million in 2003 to 7.6 million in 2007 was tempered by a lack of significant progress on learning achievements. ***Milestones:*** i) Universal enrollment of children, particularly girls and	**Some Progress**

Annex 9: Summary of Objectives			
Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES			
Sub-Objectives	**Target Outcomes**	**Actual Results**	**Rating**
		SC/ST, in either regular or alternative schools in grades 1-5. Results: Enrolment at upper primary stage is increasing by 10 percent annually (from 37.7 million in 2004-05 to 47.5m in 2006-07). No data more recent than 2006 are available on SC and ST enrolment. ii) Satisfactory level of achievement in language and mathematics of the 2004 cohort by the time they reach Grade 3 in 2007. Results: Baseline and mid-term tests show that the overall mean percentage mark in Std. 3 increased from 58.25 (2004) to 60 in mathematics (2007), and from 63.12 (2004) to 67 (2007) in language. It is important to point out that there is much inter- and intra-state variation in learning achievement. iii) Increased primary completion rates. Results: overall dropout rates are declining (from 10.6% in 2004-05 to 8.6% in 2006-07). iv) Reductions in out of school children (across India). Results: The number of out-of-school children has declined to 7.6 million in 2007.	
Reducing the health risks of the poor	2.3. In states receiving Bank support, improved quality of the health sector as a whole (public and private) as measured by increases in 4 milestones	The CASCR mentions that gains on infant mortality rate, institutional births, family planning, and understanding of AIDS have been accompanied by declining immunization rates, persistently high maternal mortality, and unacceptable and stubbornly high levels of malnutrition. ***Milestones:*** i) Proportion of births attended by skilled providers increased to >60% from 52%. Results: The proportion of births attended by skilled attendants has increased marginally from 42 per cent in 1998-99 to 46.6 per cent	**Limited Progress**

Annex 9: Summary of Objectives			
Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES			
Sub-Objectives	**Target Outcomes**	**Actual Results**	**Rating**
		in 2005-06 (National-level data, not available for later years). ii) Proportion of children under 6 months who arc exclusively breastfed increased to >25% from 20%. Results: The proportion of children under 6 months of age who are exclusively breastfed has increased to 27.6 per cent in 2005-2006. (No data source for 2008 is available.) iii) Proportion of children with diarrhea in the past 2 weeks who received ORT increased to >60% from 48%. Results: Milestone not included in CASCR. The proportion remains below target. iv) See also II.4 and II.5.	
	2.4. Improved access to sustainable water and sanitation services	Although not included as the time of the CAS, the Emergency Tsunami Reconstruction Project (approved FY05) became an important part of the Bank's program in this area. The latest ISR rating for Development Objective is moderately satisfactory, while the rating for Implementation Progress is moderately unsatisfactory. ***Milestones:*** i) Rural: increased rural access to improved and sustainable drinking water and sanitation services in at least 4 states. Results: In Kerala, 1.1 mln out of a population of 33 mln benefitted (112 Gram Panchayat out of 999). In Karnataka, 4.2 mln out of 40 mln benefitted (3,064 villages out of 56,000). ii) Urban: water supply and sanitation services in urban and peri-urban areas arc improved in at least one state and one megacity (see also III.4). Results: Karnataka	**Some Progress**

Annex 9: Summary of Objectives

Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES

Sub-Objectives	Target Outcomes	Actual Results	Rating
		urban water project is on track with the three pilot cities having a private operator on board and entering their operational phase. Continuous water supply service has been achieved in the demonstration zones of the three cities covering 120,000 beneficiaries. The National Urban Sanitation Policy (with Bank inputs) was accepted by the Ministry of Urban Development, but not yet approved by Cabinet. Three states (Maharashtra, West Bengal, and HP) adopted strategies based on the Policy. Sanitation improvements were made in Mumbai through the provision of toilet seats after the 2003 closure of the Mumbai Sewerage Project.	
Controlling Infectious Disease	2.5. Infectious disease control program is well monitored and maintained, as indicated by 4 milestones	***Milestones:*** i) Leprosy is controlled as public health problem. Results: The Government of India declared in January 2006 that leprosy has been eliminated as a public health problem. At the district level, 74% of districts achieved the elimination goal while only one district reported more than 5 cases per 10,000 people. ii) Polio is eradicated (no new cases). Results: Polio target not yet been achieved with 233 confirmed Polio cases in 2006, 873 in 2007, and 229 as of May 2008. iii) Proportion of children immunized against measles by 12 months of age from 42% to >65%. Results: Aggregated national level data from the Reproductive and Child Health District Level Household Survey (2002-04) show the proportion of children immunized against measles in the age group of 12-35 months is 58% (from 28.2% in Bihar to 95.8% in Pondicherry). According to the RCH surveys report, this percentage has actually decreased	**Limited Progress**

Annex 9: Summary of Objectives

Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES

Sub-Objectives	Target Outcomes	Actual Results	Rating
		slightly from 60% in the last DLHS round in 1998-99. NFHS-3 data for the five states show that except for Chhattisgarh where the percentage of children is 62.5%, other states achieved the target. All 5 states had positive trends. iv) For TB, 'DOTS' is available in at least 80% of the country through public and private providers (currently at 70%, service statistics). Results: TB DOTS is available in all districts in the country.	
	2.6. Improved effectiveness, efficiency and quality of the national HIV/AIDS control program as measured by 5 milestones	***Milestones:*** i) GoI reviews and updates its strategy to combat the epidemic and strengthens management of NACO/SACS. Results: GoI launched its third National Aids Control Plan in mid-2007. It includes plans to strengthen capacity and management at national, state, and district levels. ii) Effective implementation of this strategy. Results: By June 2008, 847 targeted intervention projects for high-risk groups (HRG) were operational. Other achievements by June 2008 were: 4596 ICT Centers and 7.5 million persons counseled and tested (including pregnant women), steady increase of blood units provided by voluntary donors (61% in June 2008), 157 ART centers operational and over 135,000 people receiving treatment. iii) Increased knowledge about HIV/AIDS in India. Results: % of general population aware of HIV/AIDS in 2006 is 80% up from 67% in 2001 (BSS) (the next BSS will be conducted in 2009/10). iv) Increased condom use among high risk groups. Results: Condom use among female sex workers during	**Good Progress**

Annex 9: Summary of Objectives			
Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES			
Sub-Objectives	**Target Outcomes**	**Actual Results**	**Rating**
		sex with client increased from 76% to 87.6% between 2001 and 2006 (BSS). v) Full analysis of issues related to India's provision of anti-retroviral therapy. Results: Completed economic analyses of HIV/AIDS in India as part of WB AAA: Macroeconomic impact by Sanghamitra Das, ISI; Cost of ART by Indrani Gupta.	
Instruments for Pillar 2	**Deliverables**	**Comments**	
Pre-CAS Lending	Reproductive Health 1	IEG Outcome Rating: Unsatisfactory (Approved FY1997, Exit FY2005)	
	Ozone Depleting Substances II – Consumption Phase Out	IEG Outcome Rating: Satisfactory (Approved FY1995, Exit FY2005)	
	Rural Women's Dev.	IEG Outcome Rating: Moderately Satisfactory (Approved FY1997, Exit FY2005)	
	Leprosy II	IEG Outcome Rating: Satisfactory (Approved FY2001, Exit FY2005)	
	Tuberculosis Control	IEG Outcome Rating: Satisfactory (Approved FY1997, Exit FY2006)	
	Orissa Health Systems	IEG Outcome Rating: Moderately Satisfactory (Approved FY1998, Exit FY2006)	
	Malaria Control	IEG Outcome Rating: Moderately Satisfactory (Approved FY1997, Exit FY2006)	
	Women & Child Dev	IEG Outcome Rating: Moderately Satisfactory (Approved FY1998, Exit FY2006)	
	DPEP III (Bihar and Jharkhand)	IEG Outcome Rating: Moderately Satisfactory (Approved FY1998, Exit FY2006)	
	Rajasthan DPEP	IEG Outcome Rating: Moderately Unsatisfactory (Approved FY1999, Exit FY2006)	
	HIV/AIDS II	IEG Outcome Rating: Moderately Satisfactory (Approved FY1999, Exit FY2006)	
	AP Econ Restructuring	IEG Outcome Rating: Moderately Satisfactory (Approved FY1998, Exit FY2006)	
	Maharashtra Health Systems	IEG Outcome Rating: Moderately Satisfactory (Approved FY1999, Exit FY2006)	
	UP DPEP II	IEG Outcome Rating: Moderately Satisfactory (Approved FY2000, Exit FY2006)	
	Immunization Strengthening Project	IEG Outcome Rating: Moderately Satisfactory (Approved FY2000, Exit FY2006)	
	AP DPIP	IEG Outcome Rating: Moderately Satisfactory (Approved FY2000, Exit FY2007)	
	Elementary Education Project	IEG Outcome Rating: Satisfactory (Approved FY2004, Exit FY2007)	

Annex 9: Summary of Objectives		
Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES		
Instruments for Pillar 2	**Deliverables**	**Comments**
New Lending	Disease Surveillance	Approved FY05, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Satisfactory
	TN Health Systems	Approved FY05, ISR rating as of 2008 DO: Satisfactory IP: Moderately Satisfactory
	Tsunami ERC	Approved FY05, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Unsatisfactory
	Ozone Depleting Substances IV CTC Sector Phaseout	Approved FY05, ISR rating as of 2008 GO: Satisfactory IP: Satisfactory
	TN Empower & Poverty Reduction	Approved FY06, ISR rating as of 2008 DO: Satisfactory IP: Moderately Satisfactory
	Mid Himalayan (HP) Watersheds	Approved FY06, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	FALG Brick Project (Carbon Offset)	Approved FY06
	VSBK Cluster Project (Carbon Offset)	Approved FY06
	Karnataka Health Systems	Approved FY07, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Unsatisfactory
	Reproductive & Child Health II	Approved FY07, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Unsatisfactory
	HIV/AIDS III	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Highly Satisfactory
	TB Control II	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Vocational Training	Approved FY07, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Satisfactory
	Bihar Rural Livelihoods	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Uttaranchal RWSS	Approved FY07, ISR rating as of 2008 DO: Unsatisfactory IP: Unsatisfactory
	Punjab Rural Water Supply and Sanitation	Approved FY07, ISR rating as of 2008 DO: Unsatisfactory IP: Unsatisfactory
	Bio Carbon Livelihoods Project (Carbon Offset)	Approved FY07

Annex 9: Summary of Objectives		
Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES		
Instruments for Pillar 2	**Deliverables**	**Comments**
	AP Rural Poverty Reduction (Supplement)	Approved FY08
	Elementary Education SSA II	Approved FY08, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
Non Lending	State Forest Sector Outlook	Report, delivered FY05
	Watersheds and Local Institutions	Policy Note, delivered FY05
	Nutrition Programs and Outcomes in India	Policy Note, delivered FY05
	Assam Health Policy Note	Policy Note, delivered FY05
	West Bengal Health Policy Note	Policy Note, delivered FY05
	AP: Adaption to Drought	Policy Note, delivered FY05
	Tsunami: Prel. Needs Assess.	Policy Note, delivered FY05
	Carbon Finance Assistance/NSS Study	NLTA, delivered FY05
	Labor and Employment Study	Report, delivered FY06
	Disability Issues	Report, delivered FY06
	Vocational Edu & Training	Report, delivered FY06
	J & K Damage and Needs Assessment	Policy Note, delivered FY06
	MDG Issues for Poor States	Report, delivered FY07
	Safety Nets Review	Report, delivered FY07
	Econ Impact of HIV/Aids	Report, delivered FY07
	Labor Market Conference	NLTA, delivered FY07
	Secondary Edu India	Report, delivered FY08
	Growth & Dev in India's Lagging Regions	Report, delivered FY08
	Env Health Outcomes of RWSS	Report, delivered FY08

Annex 9: Summary of Objectives		
Pillar 2: INVESTING IN PEOPLE AND EMPOWERING COMMUNITIES		
Instruments for Pillar 2	**Deliverables**	**Comments**
	Saving Mobilization and Self Help Groups	Report, delivered FY08
	UP Living Conditions and Service Delivery	Report, delivered FY08
	Time-on-Task Study	Policy Note, delivered FY08

Annex 9: Summary of Objectives			
Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH			
Sub-Objectives	**Target Outcomes**	**Actual Results**	**Rating**
Provision of Adequate Infrastructure	3.1. Improved commercial operation and financial viability of the energy sector in Bank-assisted states as measured by the following milestones	***Milestones, dropped in the CAS Progress Report:*** i) Tariffs that cover the cost of service provision ii) Improvement in the reliability of services iii) Decrease in the loss of output by firms from power outages iv) Decrease in the blended real cost of power for firms v) Operating performance of power system meets commercial standards vi) Reduction in non technical system losses vii) Sustainable electricity access of acceptable quality for 300,000 new rural household connections. ***Milestones, newly included in the CAS Progress Report:*** i) Improved commercial operation, accountability and financial viability of power sector in Bank-assisted states. Results: According to the CASCR, investment operations have had moderately successful outcomes in Rajasthan (in particular in alleviating transmission and distribution bottlenecks and, to a lesser extent, in improving the sector's efficiency by reducing losses in certain areas) and still less-than-satisfactory outcomes in UP. In terms of generation, 21,180 MW of additional generation capacity have been added during the Tenth Plan (23,634 MW during the CAS period untill March, 2008). ii) Expanded access to electricity in rural areas. Results: At the end of 2007, the GoI program, the RGGVY, program had electrified 5,341 villages & 1,409,671 households (incl. 1,045,771 below-poverty-line households). The Bank could not reach a common	**Limited Progress**

Annex 9: Summary of Objectives			
Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH			
Sub-Objectives	Target Outcomes	Actual Results	Rating
		understanding with the GoI on workable arrangements to ensure commercial viability, program sustainability and availability of power to serve the increased load. iii) Increased transmission of electricity from energy rich areas to demand centers in northern and western India and growth in commercial trading of bulk power. Results: Inter-regional power exchange has increased from 37,752 in June 2007 to 42,932 million of kWh in March 2008 (an increase of 13% in less than a year). The inter-regional power transmission capacity has increased at a rate of almost 80% during the CAS period. Transmission networks of the entire country (except the Southern Region) have been integrated into a single grid operating at a common frequency. During FY2004, 10709 million of kWh were exported (net) from energy rich Eastern region to northern and western regions. Net exports rose to 16044 million of kWh during FY2008. Volume of electricity traded by trading licensees has grown from 11,029 million of kWh (2.12% of total generation during the FY) in FY2004 to 20,965 million of kWh (3.15% of total generation during the FY) in FY2008 i.e. a growth of 90% over four years. iv) Increased supply of "clean" energy (to mitigate global and local impact of growth in energy demand) through (A) promotion of renewable small hydropower and energy efficiency projects (IREDA); Results: out of the total capacity of 536.7 MW installed during the Tenth Plan, 95.65 MW was directly supported by renewable power projects, including sustainable hydro	

Annex 9: Summary of Objectives			
Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH			
Sub-Objectives	**Target Outcomes**	**Actual Results**	**Rating**
		investments (SHP). By lending to 23 SHP entrepreneurs, IREDA also contributed to the emergence of private sector SHP developers. (B) Rehabilitation and replacement of old and inefficient coal-based thermal power plants; Results: During the 10th plan, life extension works of 12 units (1025 MW) were completed and life extension works on 5 units (424 MW) are under progress. (C) Development of low social/environmental impact hydropower plants with GoI and state power corporations interested in mainstreaming global best practices of hydropower development, including social and environmental safeguards. Results: In 2007, the Bank has approved financing support of US$400 million to Satluj Jal Vidyut Nigam Limited (SJVN) for the 412 MW Rampur Hydropower Project. Since the preparation of project started, improvements are reported in environmental, social, and financial management, including procurement. v) Strengthened institutional capacity in partner states and enterprises - regulatory (including progress towards transparent and competitive electricity markets), corporate governance, river basin management, etc. Results: The CASCR lists improved contract management techniques as a result of its engagement in hydropower. Also, analytical work was provided: the Energy Efficiency Manual for Municipalities, and the River Basin Development Optimization Study (with Bank involvement in the latter). The latter is said to have	

Annex 9: Summary of Objectives

Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Sub-Objectives	Target Outcomes	Actual Results	Rating
		raised awareness of the interrelated technical, operational, environmental and social issues that emerge at the river basin level and that are not adequately addressed by a project-by-project approach.	
	3.2. Improved inter-sectoral allocation and management of national and state water resources:	*Milestones*: i) Implementation of state water policy and rules on inter-sectoral water allocation. Results: No evidence provided in CASCR. ii) Functioning, effective state agencies to implement water policy (measures will depend on the state agencies and their issues). Results: With Bank projects, state agencies like regulatory agencies and water resource agencies are established and functional in Maharashtra, Rajastan, UP, and pending in MP. Through the Hydrology II Project, Hydrological information base (Hydrological Information System-HIS) has been created and analytical capacity strengthened in 13 project states and 8 central agencies, as reported by the CASCR. In Bihar, a NLTA funded by DFID and WB has created the Bihar Flood Management Information System that is said to strengthen the institutional capacity of the Water Resources Department of Bihar (2006-08) in integrating knowledge and real time information produced by national and local institutions.	**Limited Progress**
	3.3. Reduced cost of production transport for industrial users and improved safety	Highways and rural road networks were improved with Bank assistance, which has contributed to reduced transportation time—but the CASCR mentions that road safety failed to improve. ***Milestones:***	**Some Progress**

Annex 9: Summary of Objectives

Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Sub-Objectives	Target Outcomes	Actual Results	Rating
		i) Reduced cost of transport of products (rail, road, ports) for industrial users in states with highway programs. Results: travel time reductions are reported in Gujarat (16%), Karnataka (30-35%), Kerala (20%), Mizoram (30%), and Mumbai (travel time of 6 million suburban train passengers reduced by more than 5 minutes per trip). The cost savings for NH-2 corridor (TNHP project) is about 17% against original target value of 10% (estimated at constant prices). ii) Increase in percentage of national and state highways in fair or better condition through capacity investment and better maintenance. Results: Golden Quadrilateral portion of national highway: share of network in poor condition declined from 40% to about 1% in the upgraded stretches; Kerala: state highways in fair or better condition up to 43% from 10%; Mizoram: share of state core road network in good condition up to 32% from 0%. iii) Enhanced safety figures for railways. Results: No attribution: Indian Railways dropped the proposed Bank project on railway safety and capacity enhancement.	
	3.4 Urban governments receive sufficient support from Center. Changed to: Urban Governments are provided strong incentives by center to carry out reforms and upgrade urban service	***Milestones, dropped in the CAS Progress Report:*** i) Weaker states meet conditions of incentive schemes ii) Urban service delivery improvement ***Milestones, newly included in the CAS Progress Report:*** i) States meet policy conditions for access to incentive schemes / Bank projects (Originally: "weaker states meet conditions of incentive schemes). Results: The GoI's Jawaharlal Nehru National Urban Renewal Mission	**Some Progress**

Annex 9: Summary of Objectives

Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Sub-Objectives	**Target Outcomes**	**Actual Results**	**Rating**
	infrastructure Reason: to better capture central initiative under JNNURM, which replaced URIF.	(JNNURM) was launched in December 2005. All of the targeted cities (63) are participating. Key legislative reforms (Stamp Duty, Urban Land Ceiling Act, Rent Control) have been undertaken. The broader reform agenda (e.g. accrual accounting, property tax, basic services to the urban poor) is being implemented more slowly, given the deeper and more difficult institutional changes that it implies. The Bank's involvement has been very limited.	
Accelerating Rural Growth	3.5. Increased productivity and diversification at the farm level in at least 3 states	Under Accelerating Rural Growth, several target outcomes show achievements that are rated "some progress", while the sub-objective itself is rated "moderately unsatisfactory" -- because results were limited to projects, without the needed scaling-up. ***Milestones:*** i) Use of improved agricultural and water technologies transferred to farmers through state extension services. Results: Through the Rajasthan WSRP, yields increased for wheat (20%) and mustard (10%) in project areas. Through the UP Sodic Lands Reclamation II Project, yields increased for paddy (from 0.9 to 3.5 t/ha) and wheat (from 0.4 to 3.0 t/ha). Under Assam Ag. Competitiveness, yields increased for rice (from 1.5 to 2.7 t/ha) and fish (from 0.4 to 2 t/ha). Through the Karnataka Watershed Development Project, Soil and water conservation works have been completed on over 31,500 ha, improving average crop yields to between 525 and 1,136kg/ha. Under the National Agricultural Technology Project, the rice-wheat cropping system area	**Some Progress**

Annex 9: Summary of Objectives			
Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH			
Sub-Objectives	**Target Outcomes**	**Actual Results**	**Rating**
		under resource conservation technologies increased to 2 million ha; 50% reduction in pesticide use in project villages adopted for integrated pest management; and 64% farmers in project districts adopted improved technologies and management practices. ii) Improved land rights. Results: Under UP Sodic Lands Reclamation II Project, secure land rights of 58,660 ha were provided to 126,542 landless, small and marginal farmer families. Under Assam Ag. Competitiveness, 1,200 ha of unutilized water area were brought under fish faming through community participation. Under the Karnataka Watershed Development Project, a legally supported MOU developed for managing common lands between communities and government. iii) Improved flow of information to farmers. Results: Under Assam Ag. Competitiveness, 110 dairy cooperatives societies have been formed and have started milk collection. Under the Karnataka Watershed Development Project, farmers have been provided with average precipitation profiles for their district based on historic data. Also, farmers have been given soil nutrient profiles representative of their soil types. iv) Farmers diversifying to higher value crops. Results: Under UP Sodic Lands Reclamation II Project, some diversification took place: about 20% farmers diversified to sugarcane, oilseeds, pulses, vegetables, spice and medicinal crops after 2-3 years of land reclamation. Through the Karnataka Watershed Development Project, crop diversity was broadened, especially cash	

Annex 9: Summary of Objectives

Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Sub-Objectives	Target Outcomes	Actual Results	Rating
		crops. Average annual household income in project areas has increased from US$222 to US$373.	
	3.6. Increased productivity of irrigation water (in at least 3 states)	***Milestones:*** i) Increased efficiency of water delivery to farms and improved drainage. Results: Under the Rajasthan WSRP, water use efficiency increased by about 10%, and overall irrigation cost recovery increased from 30% to 50%. The UP Sodic Lands Reclamation II Project, assured irrigation potential of 127,064 ha created through shallow tubewells. Through the Maharashtra WSIP, water use efficiency increased by about 5%. ii) Increased cropping intensity. Results: Under UP Sodic Lands Reclamation II Project, cropping intensity increased from 63% to 198%. Through the Tamil Nadu IAMWARM's Introduction of System of Rice Intensification in 5,000 ha, 32% savings in water use and increased output by about 40% were made, along with increased yields. The Karnataka Community-based Tank Management Project helped increase average cropping intensity by 21% to slightly over 100%. iii) Higher value of production per unit of water. Results: No data available. iv) Increased participatory management and cost recovery. Results: The Maharashtra WSIP resulted in 1,392 new WUAs established, while overall irrigation cost recovery increased from 50% to 80%. In Karnataka, the Community-based Tank Management Project resulted in the establishment of about 1,800 Tank Management Groups. Under the UP Sodic Lands	**Some Progress**

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Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Sub-Objectives	Target Outcomes	Actual Results	Rating
		Reclamation II Project, 48,167 WUGs were formed with 97% continuing to share tubewell water after project closure. v) Decrease in soil degradation. Results: No data available.	
	3.7. Improved efficiency of output and factor markets in at least 4 states as measured by 4 milestones	***Milestones:*** i) Deregulation of domestic commodity markets. Results: Fifteen states in India have amended their APMC Act. Concerning Bank involvement, the APMC Act amendment was part of the reforms in the Orissa DPL and AP DPL. ii) Increased number of community and farmer groups organized to source inputs and market outputs. Results: Under AP RPRP, the Social Help Group community managed procurement of agricultural commodities that covers more than 1.7 million households. Under the Rajasthan DPIP, 1328 Dairy Unions formed and 12 million liters of milk from poor households is annually marketed through partnership between associations of dairy producers and cooperative milk marketing federation. iii) Improved O&M of core state highways and rural roads at the state level. Results: Mixed performance: in UP and Rajasthan performance indicators are by and large exceeded, while targets for HP and Jharkhand are not met. iv) Improved rural road connectivity in the most poorly connected districts. Results: For the UP Sodic Lands Reclamation II Project, 1,112 km of roads were	**Limited Progress**

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Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Sub-Objectives	Target Outcomes	Actual Results	Rating
		constructed.	
	3.8. SMEs and rural sector participants access financial services at competitive terms	***Milestone:*** i) Increase in loans to SMEs. Results: Bank credit to small industries grew by 25% between April 2006 and March 2007 (*Source: Reserve Bank of India*). Data from a baseline survey and draft impact evaluation report of the Bank's SME Financing & Development project show that the nearly 300 SMEs surveyed reported 18% growth in sales and 17% growth in profits. Supply of credit to rural households also grew at a fast pace. For the period April 2006-March 2007, credit to agriculture grew by 32%. (*Source: Reserve Bank of India*). The Bank contributed to focusing greater government attention on SMEs as an engine of growth and on SME financing problems through the SME Financing & Dev. Loan, policy dialogue, and AAA.	**Some Progress**
Fostering the Competitive Economy	3.9. Reduction in the cost of doing business in at least 4 states as measured by 4 milestones (depending on the conditions existing in the states)	***Milestones:*** i) Reduced time spent by firm managers on government inspections. Results: The Investment Climate Surveys report on the time spent by senior management on government inspections. This has declined to 12.64% in the Third India Investment Climate Survey (2006). The variations across states was still significant – in the 2006 survey, 7.52% of management time was spent on dealing with regulations in Madhya Pradesh (up from 7.02% in the 2003 survey), while firms in Gujarat reported as much as 18.21% of mgmt time spent on dealing with regulations (down from 24.05% in 2003). Firms in Bihar reported as much as 26.33% of	**Limited Progress**

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Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Sub-Objectives	Target Outcomes	Actual Results	Rating
		management time being spent on dealing with regulations. [Earlier surveys were not undertaken in Bihar.] ii) Reduced cost for exiting firms due to new bankruptcy framework. Results: No improvement. *(Source: Doing Business in South Asia 2007, Doing Business 2008).* The revisions to the Chapter on Insolvency in the Companies Act have been drafted by the Ministry of Company affairs and are ready to be introduced in parliament. iii) Lower costs for hiring and firing workers and transferring land. Results: No change in the costs for hiring or firing workers. An extensive land titling system exists. There is some evidence of improvements in the functioning of land markets between 2005 and 2008, as reflected by a decrease in the cost of transferring land from 13.1% of property value to 7.7% (Doing Business database). iv) Reduced time for customs clearance. Results According to the Doing Business 2007 and 2008 reports, the time taken for import-related procedures in Mumbai improved from 41 to 21 days, while time taken for export-related procedures in Mumbai declined from 27 to 18 days. India, represented by Mumbai, was the world's top reformer in trading across borders in the Doing Business 2008 report. SEDF has undertaken TA work to improve cross-border trade facilitation.	
	3.10. Efficient resource	Although not a CAS outcome that is directly under the	**Some progress**

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Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH			
Sub-Objectives	**Target Outcomes**	**Actual Results**	**Rating**
	mobilization and allocation towards productive sectors, while maintaining systemic stability	influence of the Bank, AAA deliveries found their way into important government reports and policy changes. ***No specific milestone.*** Results: The CASCR finds that the size and reach of India's financial and capital markets (with the notable exception of corporate bond markets) are impressive, when compared to similar sized economies. India's credit to GDP ratio stands at around 45 percent at end-March 2008 up from around 40 percent in 2006. In terms of financial stability, solvency of banks is strong with all banks above RBI's minimum capital adequacy level of 9 percent and only two small banks having a CRAR of between 9 and 10 percent. Net non-performing loans are well under control at just 1 percent and return on assets is reasonably good at 1.16 percent for the financial year ended March 31, 2008.	

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Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Instruments for Pillar 3	Deliverables	Comments
Pre- CAS Lending	Tamil Nadu WRCP	IEG Outcome Rating: Satisfactory (Approved FY1995, Exit FY2005)
	Natl Agr Technology	IEG Outcome Rating: Satisfactory (Approved FY1998, Exit FY2005)
	Third AP Irrigation Project	IEG Outcome Rating: Satisfactory (Approved FY1997, Exit FY2005)
	UP Power Sector Restr.	IEG Outcome Rating: Unsatisfactory (Approved FY2000, Exit FY2005)
	TN Urban Dev II	IEG Outcome Rating: Satisfactory—PPAR Rating (Approved FY1999, Exit FY2005)
	Powergrid II	IEG Outcome Rating: Satisfactory (Approved FY2001, Exit FY2006)
	Rajasthan Power I	IEG Outcome Rating: Moderately Unsatisfactory (Approved FY2001, Exit FY2006)
	Wtershd Mgmt Hills II	IEG Outcome Rating: Satisfactory (Approved FY1999, Exit FY2006)
	Telecom Sector Reform TA	IEG Outcome Rating: Moderately Satisfactory (Approved FY2000, Exit FY2006)
	Gujarat Highways	IEG Outcome Rating: Highly Satisfactory (Approved FY2001, Exit FY2008)
	UP Sodic Lands II	IEG Outcome Rating: Satisfactory (Approved FY1999, Exit FY2008)
	Karnataka Highways	IEG Outcome Rating: Satisfactory (Approved FY2001, Exit FY2008)
New Lending	MP Water Sector Restr.	Approved FY05, ISR rating as of 2008 DO: Satisfactory IP: Moderately Satisfactory
	Hydrology II	Approved FY05, ISR rating as of 2008 DO: Moderately Unsatisfactory IP: Unsatisfactory
	Maharashtra Water Sector Improvement	Approved FY05, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Assam Agricultural Competitiveness	Approved FY05, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Satisfactory
	SME Financing & Dev	Approved FY05, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Lucknow- Muzaffarpur National Highway	Approved FY05, ISR rating as of 2008 DO: Satisfactory IP: Moderately Satisfactory
	Rural Roads I	Approved FY05, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Satisfactory
	National Agricultural Impr.	Approved FY06, ISR rating as of 2008 DO: Satisfactory IP: Moderately Satisfactory
	Power System Dev III	Approved FY06, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Karnataka Municipal Reform	Approved FY06, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Satisfactory
	TN Urban III	Approved FY06, ISR rating as of 2008 DO: Moderately Satisfactory IP: Moderately Unsatisfactory

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Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Instruments for Pillar 3	Deliverables	Comments
	TN IAM WARM (water mgmt)	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	AP Community Tank Mgmt	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Strengthening India's Rural Credit Coops	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Punjab Rural Water Supply and Sanitation	Approved FY07, ISR rating as of 2008 DO: Unsatisfactory IP: Unsatisfactory
	Punjab State Roads	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Moderately Satisfactory
	HP State Roads	Approved FY07, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Mizoram Roads- Additional Financing	Approved FY07
	Karnataka Tanks Suppl	Approved FY08
	Rampur Hydro Power	Approved FY08, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
	Power System Dev IV	Approved FY08, ISR rating as of 2008 DO: Satisfactory IP: Satisfactory
Non Lending	Road Transport Service Efficiency Study	Report, delivered in FY05
	Water Sector Strategy	Report, delivered in FY05
	Fin Sector Regulation Review	Report, delivered in FY05
	Orissa Inv Climate Survey	Report, delivered in FY05
	Inv Climate Assess. II	Report, delivered in FY05
	Trade Policy II (agric.)	Report, delivered in FY05
	Alt. Telecom Network	Report, delivered in FY05
	Building India's Knowledge Economy	Report, delivered in FY05
	Urban Transport	Policy Note, delivered in FY05
	Doing Business Indicators in Key Indian States	Policy Note, delivered in FY05
	Highway & Railway Dev	Policy Note, delivered in FY05
	Gujarat Ag. Policy Note	Policy Note, delivered in FY05

Annex 9: Summary of Objectives

Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH

Instruments for Pillar 3	Deliverables	Comments
	Finance and PSD Pol Notes	Policy Note, delivered in FY05
	Public Private Partnerships	Policy Note, delivered in FY05
	Assessment of DPIPs	Policy Note, delivered in FY05
	AP Environment NLTA	NLTA, delivered in FY05
	ICT Development	NLTA, delivered in FY05
	Water & Sanitation MDG Action Plan	Report, delivered in FY06
	Land Policy for Growth	Report, delivered in FY06
	Agricultural Marketing	Report, delivered in FY06
	Accelerating Rural Connectivity in Telecoms	Report, delivered in FY06
	Radio Spectrum Mgmt Dev	Report, delivered in FY06
	Urban Land	Policy Note, delivered in FY06
	Long Term Energy Issues	Policy Note, delivered in FY06
	Corporate Debt Markets	Policy Note, delivered in FY06
	Bihar Rural Agr Pol Note	Policy Note, delivered in FY06
	Trade Policy Notes III	Policy Note, delivered in FY06
	UP Inv Climate Assessment	Policy Note, delivered in FY06
	SPS Horticultural Exports in TN & Maharashtra	Policy Note, delivered in FY06
	Microfinance Reg Pol Note	Policy Note, delivered in FY06
	2006 DB Indicators for 6 states	Policy Note, delivered in FY06
	India Post Conference	NLTA, delivered in FY06
	Credit Cooperative Reforms	NLTA, delivered in FY06
	Env for Innovation	Report, delivered in FY07
	Ports & Shipping	Policy Note, delivered in FY07
	Role of Self Regulatory Organizations	Policy Note, delivered in FY07
	DB Indicators in 12 States	Policy Note, delivered in FY07
	Urban Strategy 2025	Policy Note, delivered in FY07

Annex 9: Summary of Objectives		
Pillar 3: PROMOTING PRIVATE SECTOR-LED GROWTH		
Instruments for Pillar 3	Deliverables	Comments
	TN Publ Priv Participation	NLTA, delivered in FY07
	TN Land Market Access	NLTA, delivered in FY07
	Mumbai Urban Bus Plan	NLTA, delivered in FY07
	Land Administration	NLTA, delivered in FY07
	Agriculture Insurance TA	NLTA, delivered in FY07
	Low Income Housing TA for NHS	NLTA, delivered in FY07
	Linking Farmers to Markets Conference	NLTA, delivered in FY07
	Inv Climate Assessment III	Report, delivered in FY08
	Construction Industry Study	Policy Note, delivered in FY08
	Fisheries Sector	Policy Note, delivered in FY08
	Supporting Fin Sec Reforms	Policy Note, delivered in FY08
	Coal Fired Power Plant – Energy Efficiency Reg	Policy Note, delivered in FY08
	Bihar FMGIS	NLTA, delivered in FY08
	India Post Cap Building TA	NLTA, delivered in FY08

IEG IFC
INDEPENDENT EVALUATION GROUP

IFC CASCR Review/ Country Evaluation

For Official Use Only
November 24th, 2008

1. CAS INFORMATION	
Country: India	
CPS Year: FY05	**CPS Review Period**: FY05-FY08[1]
Date of This Review: November 20th, 2008	

2. BACKGROUND

1. **India's rapid economic and social development continued over the CAS period, although challenges exist to expand inclusion in growth.** The range of policy reforms begun in the early 1990s to move India away from a centrally planned economy has created a dynamic, diversified, and rapidly growing private sector in India. Over the past four years, GDP growth exceeded 9% and GNI per capita increased from US$740 in FY05 to US$1070 (est) in FY08. Policy reforms over the period included improvements in the environment for private participation in infrastructure, improvements in the tax and trade regimes, and gradual liberalization of capital markets. However, India's economic and social transformation is far from complete and key challenges include sustaining the high levels of growth, integrating large numbers of rural poor into the formal economy, and expanding economic growth to "lagging states". Major constraints include (i) inadequate transport infrastructure across the country; (ii) limited and unreliable access to power and water supply in many areas; (iii) labor regulations that discourage the creation of formal sector employment; (iv) limited reach of the banking sector; and (iv) a range of policy, security, and infrastructure constraints that inhibit investments in lagging states.

3. IFC AREAS OF FOCUS DURING THE CAS PERIOD

2. **IFC sought to help advance a range of development objectives by supplementing services available from India's financial sector.** The FY05 CAS identified a broad range of development objectives that IFC was to help advance through both its investments and advisory services (A/S). In doing so, IFC sought to be additional by making investments that "supplemented" what was available from Indian financial institutions or the capital markets; helping develop innovative public-private-partnerships (PPPs) especially in infrastructure; promoting higher corporate standards of social and environmental responsibility; and facilitating international partnerships, particularly with other developing countries. The main country objectives that IFC sought to support were:

- **Addressing major infrastructure bottlenecks.** The FY05 CAS identified "massive" infrastructure needs as major constraints to sustaining growth and improving living standards. While meeting these needs was recognized as being beyond the capacity of the public sector, significant policy and regulatory barriers existed to greater private sector participation. The

[1] This CASCR-Review/Country Evaluation goes beyond the scope of interventions undertaken strictly during the CAS Review Period (FY05 – FY08). In looking both at development and investment outcomes, projects approved in prior periods but were active during the CAS period under review were included in the analysis and discussion. Note that IEG-IFC also plans to conduct a more in-depth *Country Impact Review* for India in FY11, in parallel with the next IEG-WB *Country Assistance Evaluation* for India.

WBG aimed to help address these barriers as well as finance investment in sectors where government actions were expected to improve the environment for private investment. For IFC, this included potential investments in telecommunications, power, water, roads, ports, and airports.

- **Promoting agribusiness.** The CAS recognized the importance of agriculture and rural development given that 80 percent of India's poor lived in rural areas and largely depended on agriculture for their livelihoods. IFC aimed to support projects in agriculture, agro-processing and agricultural input supply that would improve the efficiency of food supply chains; provide quality inputs and services; integrate the production of local farmers into commercial supply chains; or introduce resource-efficient technologies.
- **Deepening the financial sector and expanding services to underserved markets**. Enhancing the capacity of the financial sector was seen as an important part of increasing the overall competitiveness of the economy. As part of a broader WBG strategy in the sector, IFC aimed to make investments and provide A/S to build capacity in private financial institutions that contributed to the deepening and expansion of financial services to underserved segments.
- **Enhancing competitiveness in manufacturing.** IFC aimed to support manufacturing companies that were (i) developing new products and markets; (ii) restructuring and modernizing to become internationally competitive; and (iii) moving towards a regional or global presence through long-term debt and equity investments that were not available from domestic financial markets. Key IFC value additions were expected to be the introduction of global best practices; assistance in creating global partnerships and entering new markets; assistance in improving environmental and social sustainability; and strengthening corporate governance.
- **Enhancing the provision of private healthcare.** In healthcare, the WBG aimed to help "break new ground" in forging PPPs through progressive separation of public health financing from the provision of services and strengthening oversight of private providers. Within this approach, private health care and ancillary service providers, such as pharmaceutical and biotech companies, were identified for potential increased IFC investment and A/S. IFC also aimed to work with business associations and client companies to support HIV prevention programs among their workforces.
- **Improving the business environment for SMEs and promoting FDI.** While strong progress had been made in improving the business environment, a range of policy and institutional obstacles were identified as continuing to hinder private sector activity. These included market distortions arising from tariff policies and domestic taxes; restrictions on FDI; distortions arising from SME industrial policy; state intervention into the pricing and marketing of agricultural products; business entry and operation restrictions; impediments to the functioning of land and labor markets; financial sector inefficiencies that impeded access to capital; and the dominance of state owned enterprises in some sectors. The WB was to take the lead in helping strengthen the enabling policy and institutional environment at both the central and state levels. In collaboration with the WB, IFC aimed to target A/S in specific areas, such as promoting FDI and the business climate for SMEs.

4. RELEVANCE OF IFC'S AREAS OF FOCUS

3. **The CAS identified a wide range of IFC objectives that become more refined during the CAS period.** The CAS identified a range of relevant areas for potential IFC engagement. Although they lacked prioritization or specificity, the objectives IFC identified remain relevant to India's extensive development needs. Infrastructure development across India remains critical to sustaining growth and engaging a larger share of the population in economic activities. Growth in agribusiness remains a central need that can provide a bridge between subsistence farming and the formal economy by creating markets for agricultural produce and enhancing information flows and access to inputs. Sustained growth in manufacturing remains critical to absorbing India's extensive labor force. The health sector represents an area of focus for the WB, particularly in encouraging an environment for private sector participation to relieve the burden on the public sector and IFC's focus in this area was fully appropriate. Over the CAS period, IFC's strategy became more refined as elucidated through IFC's annual budget presentations and other documents. For example, the *FY09-11 IFC Road Map* identified IFC's objectives as (i) promoting inclusion in economic growth through support for greater access to infrastructure and financial services and greater opportunities in rural areas and lagging states; (ii) mitigating and adapting to climate change; and (iii) promoting regional economic integration.

4. **While IFC did not explicitly identify a focus on lagging states in the CAS, this objective was progressively emphasized during the CAS period.** There is a clear correlation between the level of FDI and the per capita incomes of the India's states. For example, three of the richest states – Maharastra, Haryana, and Delhi - received 50% of FDI inflows between 2000-2008. On the other hand, the 7 poorest states – Bihar, Uttar Pradesh, Madya Pradesh, Orissa, Rajasthan, Jharkhand, Chhattisgarh - received only 0.5% of FDI flows during the period (see Annex Table 5). A clear role for IFC exists in helping attract investment in the lagging states. This goal was progressively emphasized during the CAS period and IFC is now making an effort to monitor the location of its investments in order to track progress toward this objective.

5. IFC ACTIVITIES DURING THE CAS PERIOD

A. IFC Investment Operations

5. **IFC's committed portfolio in India more than doubled during the CAS period and India is now IFC's largest exposure country.** During the CAS period, IFC committed US$2.5 billion through 95 projects, which was over three times the US$750 million committed during the prior four years. This was the largest amount committed in any IFC member country and accounted for 8.5% of IFC's worldwide commitments during the period. The new investments increased IFC's committed portfolio by 2.5 times and India is now IFC's largest exposure country (up from 3rd largest in 2004). In relation to FDI, IFC commitments accounted for an average of 6% of total FDI inflows a year, higher than any of the other top five IFC countries – Brazil, China, Turkey, and

Russia. On a per capita basis, however, IFC commitments in India were substantially lower than all the top five countries except China: US$0.58 per year in India compared to US$6.8 in Turkey, US$3.9 in Russia, and US$3.2 in Brazil. IFC's disbursement ratio during the CAS period worsened from 70% to 52%, reflecting both the commitment of several large projects toward the end of the CAS period as well as an increased proportion of infrastructure projects that embody longer disbursement profiles.

6. **New investments were predominantly in infrastructure and the financial sector.** The three largest sectors of new investments were infrastructure (40%), financial markets (19%) and chemicals (8%). Within infrastructure, projects were concentrated in power, and included IFC's largest transaction to date, the US$450 million loan to a 4000 MW coal-fired power project, sponsored by Tata Group. Investments in the financial sector comprised commercial banking (60%), housing finance, and specialized intermediary financial institutions such as infrastructure investment non-bank finance companies (NBFCs). The proportion of equity investments in IFC's portfolio initially declined in line with the large gains in local equity markets and then returned to 20% of commitments, which is on par with the IFC-wide average. The share of greenfield projects increased substantially from 31% in FY1-04 to 62% in FY05-08. Average investment size increased from US$15 million in FY01-04 to US$27 million in FY05-08, due to several large projects in infrastructure and the financial sector. The concentration of investments in the top ten projects was reduced from 66% in FY01-04 to 52% in FY05-08, which is lower than the 61% concentration in Turkey, but above concentrations in the other three largest countries. The ten largest projects included four projects in infrastructure (power, gas and telecom); three large investments in financial intermediaries (ICICI, HDFC, and IDFC); a steel project with Tata Group; and an equity investment in a second tier health services company.

Table 1. India - Comparative Investment Data, FY05-08

	India FY05-08	India FY01-04	Brazil FY05-08	China FY05-08	Russia FY05-08	Turkey FY05-08	All Countries FY05-08
Net IFC Commitments ($m)	2,538	750	2,383	1,784	2,236	1,969	29,910
Number of Projects	95	51	68	86	90	40	1,209
Average Investment Size ($m)	27	15	35	21	25	49	25
Average Commitments per year ($m)	634	187	596	446	559	492	7,478
Top 10 value as a percent of total commitments	52%	66%	47%	38%	44%	61%	10%
Equity commitments (% of total)	23%	12%	6%	34%	27%	16%	17%
Cancellations (% of original commitments)	6%	26%	4%	10%	5%	1%	2%
Commitments per capita (average annual US$)	0.58	0.18	3.17	0.34	3.92	6.79	na
Commitments/FDI (average annual %)	6%	4%	3%	1%	3%	5%	na
By Main Sector							
Infrastructure	40%	24%	16%	10%	19%	30%	19%
Manufacturing/Services	26%	44%	16%	47%	27%	27%	27%
Finance	25%	29%	52%	37%	41%	38%	45%

Agribusiness	6%	2%	14%	3%	9%	2%	7%
Heath and Education	4%	0%	2%	4%	3%	3%	2%
By Greenfield/Existing							
Existing Project	38%	69%	71%	46%	59%	67%	51%
Greenfield	62%	31%	29%	54%	41%	33%	49%

Source: IFC MIS, World Bank data, Oct 2008

B. IFC Advisory Services Operations

7. **IFC did not have a dedicated Advisory Services facility in India during most of the CAS period.** The most prominent facility, the South Asia Development Fund (SEDF), is regional in scope and operates only in India's rural northeast. SEDF is organized into three business lines: Access to Finance, Sector Development and Business Services and Business Enabling Environment. Launched in 2002, SEDF is a multi-donor facility managed by IFC and funded by the European Commission, the Norwegian Agency for Development Cooperation, the UK Department of International Development, the Government of the Netherlands, the Canadian International Development Agency and the Asian Development Bank. SEDF has offices in Dhaka, Colombo, and Kathmandu and more recently, Guwahati, (Assam) India. During the CAS period there were a total of six SEDF projects in northeast India representing a total funding amount of US$953,153. Three of these projects were in the agribusiness sector and represented almost half of the total funding amount. The remaining projects were in the health, financial and infrastructure sectors.

8. **More recently, efforts have been made to expand IFC's advisory services capacity.** An infrastructure advisory services manager was located in Delhi in 2007, and an A/S staff was hired in Chennai. Initiatives were also undertaken to establish BEE advisory services for lagging states in India. Recently, a US$3.5 million in FMTASS funding was allocated to support A/S operations in India. IFC's advisory services activities increased significantly over that of the previous CAS period. For FY01-FY04 the total project funding for A/S in India was approximately US$1.7 million. This number increased dramatically to just over US$33 million during the period FY05-FY08. Other funding sources provide the bulk of AS budget support, including FMTASS, TATF, FIAS, DANIDA, GEF, DfID and SAIF. Regardless of the source of funds, IFC was responsible for project implementation, monitoring and reporting. India ranks a close third among China, Russia, Brazil and Turkey with regard to total funded volume of AS projects during the CAS period.

Table2. India - Comparative Advisory Services Data, FY05-08

By Volume

AS Projects	China		Russian Federation		India		Brazil		Turkey	
	#	US$	#	US$	#	US$	#	US$	#	US$
Total	72	$62,200,865	49	$36,240,747	60	$33,290,492	23	$14,683,034	6	$10,798,437

By Business Line

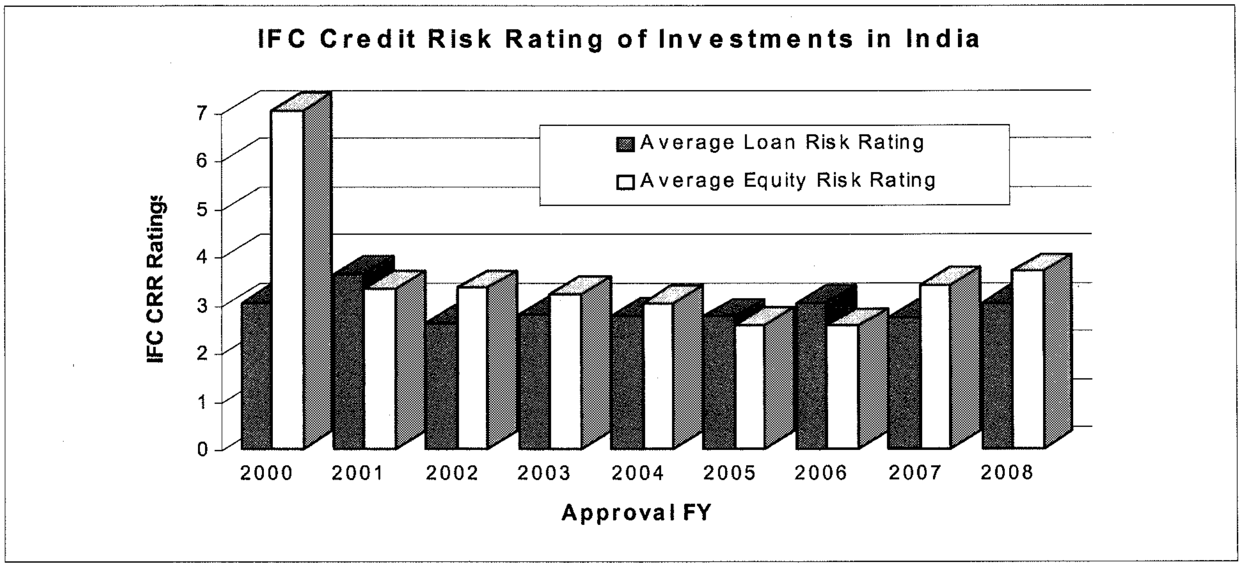
Business line	China			Russian Federation			India			Brazil			Turkey		
	#	US$	%	#	US$	%	#	US$	%	#	US$	%	#	US$	%
Access To Finance	24	$42,753,085	68.7	8	$15,817,537	43.6	10	$5,881,804	17.7	2	$174,915	1.2	0	$0	0.0
Business Enabling Environment	14	2,901,211	4.7	18	3,363,964	9.3	4	1,742,837	5.2	3	3,062,403	20.9	2	104,980	1.0
Environment and Social Sustainability	8	9,015,726	14.5	11	4,491,565	12.4	15	2,807,443	8.4	7	5,081,656	34.6	2	10,403,457	96.3
Infrastructure	9	1,195,803	1.9			0.0	11	13,912,621	41.8	8	5,809,960	39.6	1	90,000	0.8
Value Addition to Firms	17	6,335,040	10.2	12	12,567,681	34.7	21	8,951,887	26.9	3	554,100	3.8	1	200,000	1.9
Grand Total	**72**	**$62,200,865**	**100.0**	**49**	**$36,240,747**	**100.0**	**61**	**$33,296,592**	**100.0**	**23**	**$14,683,034**	**100.0**	**6**	**$10,798,437**	**100.0**

F. IFC INVESTMENT OUTCOMES

9. **As of end FY08, IFC's portfolio India remained healthy.** According to IFC's credit risk ratings as of June 30, 2008, IFC's FY05-FY08 portfolio in India was healthy with 87% of investments performing well and 12 percent being on a watch-list. Just one equity investment was performing poorly. This compares well with the quality of IFC's portfolio in IFC's top four investment countries, namely Brazil, Russia, Turkey and China, in which between 14% to 25% of investments were on a watch list or performing poorly. In general, over the period FY00 and FY08, the quality of both loan and equity investments in India was satisfactory, as suggested by average CRR ratings being at good levels (ratings below the watch-list level of 4).[2]

Chart 1. Credit Risk Ratings in India

[2] The Credit Risk Ratings reflect IFC's loan and equity risks and not the company's or project's performance. In comparing current performance (CRR ratings) with past performance (XPSR ratings) it should be noted that CRR are based on partner not project, while XPSR ratings are based on a project basis.



Projects implemented in the late 1990s and early 2000s saw a relatively low proportion of success, partly driven by poor results in the financial sector. A small sample of XPSR data shows a relatively lower level of satisfactory investment outcomes on projects approved between FY01-04. (Table). 42% of the sample of India projects evaluated between FY04-07, compared to 67% IFC-wide. Poor business results from past projects included eight investments in the financial sector that had unsatisfactory returns. In the case of one bank, fraud led to a loss of some US$2 million. The adverse returns on these investments can be partly attributed to weak macroeconomic conditions in India in the late nineties and an unfavorable fiscal and regulatory environment for the leasing sector (unlike in many other countries within and outside the South Asia region).

Table 3. Investment Outcome Results of Projects Evaluated Between FY04-07 (approved in 1999-2003)

(All figures are percent of projects with successful outcomes)	India	Brazil	Russia	Turkey	China	All Countries
Investment Outcome	**42%**	**73%**	**93%**	**89%**	**75%**	**67%**
Loan	67%	89%	100%	100%	100%	83%
Equity	33%	0%	67%	0%	67%	44%

Source: IEG XPSR Database as of Aug, 2008

G. IFC's CONTRIBUTION TO PRIVATE SECTOR DEVELOPMENT

Table 4. Development Outcome Results of Projects Evaluated Between FY04-07 (approved in 1999-2003)

(All figures are percent of projects with successful outcomes)	India	Brazil	Russia	Turkey	China	All Countries
Development Outcome	**58%**	**64%**	**73%**	**78%**	**63%**	**61%**
Project Business Success	25%	55%	67%	67%	63%	54%
Economic Sustainability	67%	73%	80%	89%	63%	67%
Environment and Social Sustainability	86%	60%	82%	78%	43%	68%
Private Sector Development	58%	73%	87%	78%	75%	73%

Source: IEG XPSR Database as of Aug, 2008

A) Addressing Critical Infrastructure Bottlenecks

Power

10. **IFC made a significant contribution in the power sector by helping develop several innovative and complex PPPs**. Through the Electricity Act of 2003 and National Electricity Policy of 2005, the government established a largely favorable environment for private sector participation in the power sector. The power sector was IFC's largest sector of engagement during the CAS period. Seven new projects were approved for US$565 million and accounting for 22% of total IFC commitments. In addition, another five power sector projects were active (approved between FY89-04), in which IFC had invested US$300 million. The projects IFC was engaged in included: (i) The first private investment in power transmission in India, which resulted from combined IFC/WB engagement in the sector. The project supported power transmission between "power-surplus" east/northeast India and "power deficit" north India. It began operations in 2007 and has since operated viably and at full capacity. The success of the project had a demonstration effect and further private investment in transmission has since been mobilized; (ii) The first "ultra-mega" 4000 MW coal-fired power plant with Tata Group that is expected to provide power to 16 million consumers; (iii) The first private hydropower investment that will sell power at prevailing market rates rather than through a PPA; (iv) several mini-hydro power projects; and (v) a wind power project. Despite progress in power infrastructure in India, rapidly increasing demand has made access to reliable power a major constraint to private sector activity and the government estimates that an additional 100,000 MW of generation capacity will be required by 2012.

Water supply

11. **IFC had limited success in water, due to difficulties in developing PPPs in the sector.** As part of the WBG's strategy to help India address a range of water-resource related problems, the CAS suggested that there may be a role for IFC financing to bring private investment into water infrastructure and IFC advisory services to bring private management of water utilities. One IFC investment in the water sector was approved during the CAS period, a US$25 million loan to support a PPP concession agreement to build and operate India's first seawater desalination project located near Chennai. However, the sponsors eventually secured local financing and the IFC loan

was cancelled. A further active investment in the portfolio (approved in FY01) provided for a US$10 million investment in a holding company that planned to make strategic investments in infrastructure projects, particularly in the water sector. To date, the company has made investments in a BOOT solid waste management project and an O&M water supply contract. However, due to both limited market opportunities for PPPs in the water sector as well as some internal managerial issues, performance has been below expectations and the pipeline of potential projects is weak. There continues to be very limited private participation in the water sector and the sector continues to face a range of challenges including scarce groundwater supply that is insufficient to meet rapidly increasing industrial and consumer demand.

Table 5. Private Participation in Infrastructure Projects: India has seen substantial private investment in infrastructure over the past four years: (US$m)

Sector	India 2004-2007	India 2000-2003	Brazil	China	Russia	Turkey
Energy	21,436	3,387	16,684	5,680	14,023	549
Telecom	24,782	10,710	23,127	1,140	23,615	11,920
Transport	15,808	1,638	3,333	18,846	144	5,602
Water and Sewage	253	2	877	4,198	1,008	0
Total	62,279	15,737	44,022	29,865	38,791	18,070

Source: WBG Private Participation in Infrastructure Database

Telecommunications

12. **IFC made several investments in the telecom sector, although its additionaility in the sector is diminishing.** By 2004, India had established an environment conducive to private investment in mobile telecom services and the sector has seen strong growth. Mobile connectivity increased from 3.1% in 2004 to 24% in 2008. The sector has become increasingly competitive, with 9 national and regional cellular services providers. IFC committed four new projects during the CAS period for US$108 million in addition to 3 ongoing projects for US$67 million. The on-going projects, approved in the early 2000s, supported the rapid increase in telephone connectivity. Bharti Tele-Ventures Limited, for example, increased its mobile and fixed line subscribers from 600,000 in 2001 to 56.7 million in 2007. While there remains a need to expand connectivity, with the sector competitive, growing rapidly, and able to attract investment, IFC's additionality in the sector is diminishing. IFC can, however, leverage its resources through collaboration with private sector partners in the sector to provide connectivity and other services (through linkage programs) to rural areas.

Transport

13. **IFC did not engage in the road sector but helped enhance private participation in the port sector.** The CAS envisioned potential IFC investments in highways, rural roads, urban

transport infrastructure, ports, airports, and privately owned and operated special economic zones. In the event, IFC financed several transactions in port management services and logistics, but did not engage in roads. In the early 2000s, the government opened the road sector to private participation and embarked on a massive PPP program that involved both annuity payment contracts as well as toll roads. While IFC made efforts to develop transactions in the sector, several factors precluded its engagement, including (i) the lower risks involved in annuity PPPs that made financing from the domestic market more readily available; (ii) IFC's higher ES standards that the government feared would raise the costs of transactions across the sector; and (iii) IFC's discomfort with the quality of some of the mushrooming sponsors in the sector. In retrospect, IFC's decision to refrain from engaging in the sector was prudent, although a greater IFC advisory role in the sector may have been warranted. Investments in ports management included a project providing comprehensive port services to the Petronet LNG Dahej that had a demonstration effect and led to development of several other PPPs in the port sector.

B) Contributing to Growth in Agribusiness

14. **Several IFC investments in agribusiness illustrate the potential development impact of investment in the sector.** IFC made 8 investments in agribusiness for US$200 million. Some of these clients have faced financial pressure over the last two to three years due to the timing of capital expenditure, government regulations (on cane pricing), and commodity cyclicality (rice and sugar). Nevertheless, several examples indicate their high potential development impact, particularly in establishing a bridge between rural farmers and the formal commercial sector. In the case of one sugar company, while the sugar industry is going through some uncertainties and is still subject to price controls, the manufacturer has outreach to some 130,000 cane farmers that are provided with technical and input support. Another sugar manufacturing company also has extensive links with small-scale farmers as well as some 400 transport contractors. IFC also approved four A/S projects in agribusiness during the CAS period. The projects sought to develop practices for the production of alternative products such as spices, horticulture crops, and floriculture on tea estates; enhance agribusiness value chains and develop new supply chain linkages; and help existing IFC clients enhance their overall operations. The projects were only recently approved, however, and it is too early to assess their development contributions.

C) Deepening the Financial Sector and Expanding Services to Underserved Markets

15. **IFC's contribution in the financial sector was moderate, partly limited by central bank restrictions in the sector.** During the period under review, the Reserve Bank of India (central bank) maintained restrictions on overseas borrowing by domestic financial institutions and also restricted IFC's equity participation to only a limited number of second-tier commercial banks. This restricted IFC activities in the sector to equity investments or loans for which central bank exemptions could be obtained. In this context, twelve new investments were made for USD 535 million. IFC interventions included several large investments in top tier financial institutions such as ICICI Bank

and HDFC Bank; support for the expansion of several second-tier banks; support for a brokerage firm serving smaller cities; an innovative project using smart cards to expand access to banking services in rural villages that has presently reached some 2 million customers; development of ES standards in a specialized infrastructure finance company; and support for a NBFC that introduced the forfeiting industry in India. IFC also approved close to US$2.0 million in access to finance A/S projects that supported IFC investments client banks. Projects included helping develop a strategic business plan, implementation of an integrated risk management system, and development of a microfinance lending practice in a client bank. However, limited success was seen in leasing and second tier housing finance agencies, which had lower than expected profitability and failed to become strong and credible player in the housing market. Among evaluated projects (approved in the late 1990s and early 2000s) several failed financially while others were assessed to have had limited development impact. Overall, IFC's impact on the broader objectives of expanding access to financial services and increasing term lending in the banking sector was modest in the context that just 20% of the population has access to bank accounts and bank credit to GDP is around 40%, compared to 130% in China.

16. **While IFC's financial additionality with top-tier banks is limited, its potential development contribution through long-term partnerships continues.** IFC investments included several projects with first-tier banks that raise some question as to IFC's additionality in the transactions. In one case, IFC's long-standing relationship with the company helped it establish itself as leading mortgage finance institution in the country. At present, however, there is clearly some question as to IFC's continued support of the well-established company. On the other hand, IFC's continued partnering with well-run institutions with wide distribution and reach has enhanced its ability to influence progress towards the key development goals of increasing access to affordable housing and basic banking services to underserved segments/areas. This was the case with IFC's investment in one large bank, which supported its efforts to develop its branch network and outreach in rural areas. Moreover, in some cases, IFC's relationship with first-tier institutions has created positive partnerships in south-south investments. For example, IFC's partnership with the mortgage finance company supported the company's overseas investment in Egypt, Bangladesh, Maldives and Sri Lanka, with IFC providing country and sponsor knowledge and the Indian company the technical know-how in the housing sector.

D) Enhancing Competitiveness in Manufacturing

17. **A diversified range of investments were made in the manufacturing sectors.** During the CAS period, IFC financed 40 projects for US$800 million in the manufacturing and service sectors. The main sub-sectors included chemicals, metals, and wood products. IFC's approach in the sector evolved from an open, opportunistic approach to more strategic approach focused on medium and smaller sized companies, family firms that were modernizing management and operations, and firms introducing new products or venturing into new markets. Provision of long-term finance was a key driver of demand for IFC's services. Moreover, with the development of the stock market, demand for IFC's services rose among companies seeking to enhance their corporate governance standards and public image prior to listing. IFC's advisory services were limited with regard to SME-focused

projects. One of IFC's projects early in the CAS period "Applying Global Best Practices to SME Training" sought to assemble focus groups to determine best practice techniques for entrepreneurship development in India. The objective was to determine how IFC and other key stake holders could work with local business schools as well as service providers to support the development of economically sustainable and effective training opportunities for SME's in India.

E) Enhancing Private Provision of Healthcare Services

18. **IFC investments in health contributed to expansion of private engagement in the sector that still serves the higher end of the market but plays an important overall role in the sector.** IFC made 3 investments in the hospital sector for US$86 million. IFC's investment in Max healthcare supported expansion of the hospital's capacity to meet the rapidly growing middle-income market. It now serves some 400,000 patients a year, including 20,000 on a free or subsidized basis. IFC also invested in Rockland Hospitals, a second tier company that is testing the quality standards for private healthcare established by the Quality Council for India. While the private hospital sector presently services the middle to high income markets, expansion of the sector helps free capacity in the public sector and helps meet the higher standards of service demanded by higher income groups. Observers point to the important role that inadequate healthcare (along with education) plays in motivating out-migration by professionals and middle-class families. The rise in private hospitals in India has also resulted in some Indian doctors returning from overseas, pointing to a potential capacity to reverse out-migration of professionals and skilled workers on the field. In addition to IFC's investment activity, an IFC A/S project targeted one of its clients, GNRC, to help expand its reach through the rollout and eventual franchising of small "medishops" that cater to individuals requiring maintenance treatment for diabetes and hypertension. The project was an eventual success and saw the rollout of thirty medishops locations that became self sustainable within a twelve month period. The project has already had an impact on rural communities by increasing affordable access to basic medical services.

19. **An HIV/AIDS program has had success in raising awareness through several IFC clients**. An IFC A/S program sought to demonstrate to business owners and management the potential economic impacts (in addition to the traditional heath impacts) of HIV/AIDS on their business and how HIV affects not only their workers but also knowledge retention, efficiency and overall viability. Two examples of IFC investment clients who worked with advisory services and subsequently adopted an HIV/AIDS awareness program are BILT and Apollo Tires. Both of theses clients have multiple manufacturing locations and employ thousands of laborers, both fulltime and casual. The programs have extended to the companies' supply chains. For example, both companies rely heavily on daily truck transport of raw materials and finished goods. Based on experience, truck drivers are a high risk group spreading and contracting HIV/AIDS. In 2008, Apollo Tires organized a conference for the CEOs of many large Indian corporations, including Tata and Reliance. The conference facilitated the discussion of the value of corporate social responsibility programs and the exchange ideas for establishing a uniform code of conduct for preferred suppliers. Although the roll out of these projects is fairly recent, the level of adoption and

high profile of these programs appear to bode well for standardization and replication throughout the country.

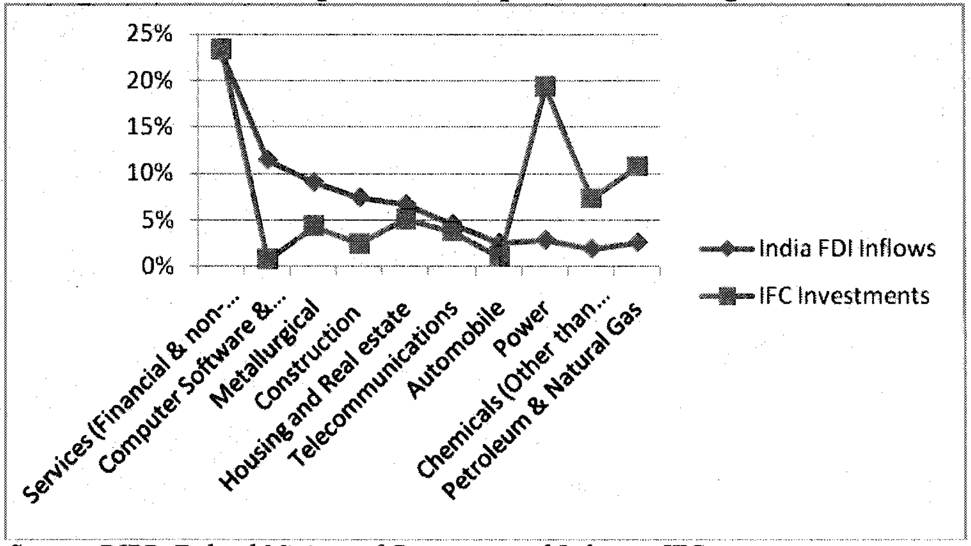
F) Improving the Business Environment for SMEs and Encouraging FDI

20. **IFC's engagement in business climate improvement efforts was limited until 2007.** IFC did not have a BEE program in place in India until 2007. In 2007, a BEE program was introduced that had three main areas of focus: the lagging states initiative; doing business reform and competition policy. The lagging states initiative sought to increase private sector investment in the low income, low growth states. The program was launched in Bihar state and complemented WBG efforts to promote private sector development in Bihar as indicated in the first Bihar DPL (2007) and the WB Non-Lending Technical Assistance program. The program has been embraced by the government of Bihar and it is working closely with FIAS and the country team. According to feedback from government counterparts, the Doing Business report has also been influential in building awareness and generating reform momentum among key government parties. Some concern, however, was expressed that the DB report should be as accurate as possible. In one example an official pointed out that an indicator was identical for three successive years, which was highly unlikely. The overall "realism" of the DB report was also questioned when Nepal is ranked higher than India with regard to the ease of doing business. As part of the plan to inform competition policy, IFC also helped build capacity in the newly formed Competition Commission of India. Other activities included competition and regulatory impact assessments of for the food grains, energy and telecommunications sectors.

H. IFC'S ADDITIONALITY

21. **There are several areas in which IFC engagement reflected a high level of additionality.** The large volume of IFC investment raises the question as to what extent IFC is being additional in the country. IFC's sectoral portfolio composition differed from the overall FDI inflows in India, indicating broad additionality (Chart 2). That is, other than the financial sector, IFC's investments were not concentrated in the sectors that attracted the highest FDI flows during the CAS period. Areas in which IFC's additionality were substantial include (i) several first of kind projects in the power sector that reflected high risk investments in still untested regulatory environments, including the first private transmission project; the first market-based hydropower project; and the large, high-risk coal-fired Tata project; (ii) projects in agribusiness, that that have attracted limited interest from the commercial banking system but offer high potential development impact through linking rural farmers with the formal economy; and (iii) and bridging international boundaries through both tying local companies with foreign partners as well as partnering with Indian companies expanding overseas – such as through IFC's long-standing relationship with HDFC.

Chart 2. IFC's Portfolio Composition Compared to the Largest FDI Destination Sectors



Source: DIPP, Federal Ministry of Commerce and Industry; IFC

22. **A key area of additionality has been enhancement of corporate social responsibility.** During the CAS period, IFC increased its CES specialist staff to 4, making its CES unit the largest outside HQ. As an example, following an investment in the Cairns India gas project, an IFC A/S program supported an extensive, multi-pronged approach to community development/outreach and economic development. The company's operations had required the purchase of locally held land and displacement/relocation of many members of the rural community. The CSR program included an SME baseline study; a needs assessment of the local and surrounding communities and businesses; a local economic and community development plan, and a livestock survey to determine the potential for local dairy activity. An Enterprise Center was subsequently established (in partnership with IFC's Linkages Program) which provided vocational training and technical assistance to the local communities to help enhance employability, promote entrepreneurship, and methods to improve the operations of local SMEs. In the case of IDFC, IFC's long-term relationship with the company helped ingrain a higher level of E/S standards that has had broad impact through application of these standards in all the company's infrastructure sub-projects.

23. **In some areas, however, IFC's additionality beyond the provision of long-term finance is less clear.** In some cases, project documents largely define IFC's additionality as the provision of long-term funding that is not available in the market. However, it is less clear whether access to long-term funding was critical to the project taking place rather than only enhancing the viability of a project that would take place even with shorter-term financing. In addition, while IFC's partnerships with some top-tier companies have made important contributions, the degree of IFC additionality can rapidly diminish in such cases. As part of its strategy approach, IFC has made a deliberate decision to "do less" of top tier companies and "more" with second tier companies.

I. IFC'S PERFORMANCE

24. **IFC's positive experience in India over the CAS period reflected a rapidly improving business environment.** IFC has had a positive experience in India over the past four years – significantly increasing its investments, maintaining a healthy portfolio, engaging in some innovative and complex transactions in infrastructure as well as other sectors, and increasing its focus on lagging states. A range of reforms over the past decade significantly improved the environment for doing business in India and created an environment for IFC to be able to enhance its contribution to India's development. Extensive entrepreneurial activity has created a dynamic, diversified, and rapidly growing private sector. Traditional, family oriented firms are modernizing their operations, developing new products, and seeking new markets. Emergence of the stock market as a source of funding has influenced companies to undertake reforms to enable public listing and enhanced the demand for IFC investment and advisory services.

25. **In addition, a range of positive initiatives were undertaken within IFC.** At the same time, IFC took several positive steps that enhanced its ability to contribute to India's development in this environment. These include (i) strengthening its staff across sectors in India and placement of key senior staff in priority sectors in late 2005; (ii) development of close relationships with key government officials that facilitated IFC engagement in PPPs; (iii) an increased emphasis on portfolio management and delegation of portfolio management in several sectors to field staff; (v) increased strategic orientation including prioritization of lagging states and the infrastructure sectors; (vi) an existing facility established in 2002 that enabled IFC to make local currency loans that facilitated investments in sectors such as infrastructure, housing finance, healthcare and others that did not generate foreign exchange; (v) extensive mapping of companies in each sector to determine which ones IFC could work with and then establishment of relationships with them until such time that an IFC investment could be developed; (vi) introduction of incentives based on number of projects as well as volume that supports development of smaller projects; (vii) and increased senior management attention and budget allocations for the India program.

26. **Increased field presence and staff resources have been key factors in enabling an enhanced IFC role in India.** IFC significantly expanded its physical presence in India during the CAS period. Staff complements were strengthened in the regional hub in New Delhi and in the Mumbai office focused on financial markets and GMS; an office was opened in Chennai; and an A/S office was established in Assam. The field offices undertake both business development in all sectors as well as supervision of GMS and financial sector portfolios. In 2004, IFC did not have a single dedicated advisory services staff member in India and this was increased to 15 in 2008, including location of the General Manager for A/S in the region to Delhi in 2005. Likewise in infrastructure, IFC field staff increased from 3 in 2004 to 11 at present. With four environmental specialists in Delhi, IFC has the largest CES team outside HQ. In addition, senior international staff in infrastructure (both investment and advisory), financial markets, and GMS are now based in Delhi and Mumbai. IEG received broad positive feedback from clients and other stakeholders on the value of IFC's strong on-the-ground presence in developing and building relationships.

J. LESSONS AND CHALLENGES

- **Several important initiatives underpinned IFC's positive experience in India during the CAS period.** These included (i) strengthening its staff presence, placement of key senior staff in priority sectors, and increased senior management attention and budget allocations for the India program; (ii) development of close relationships with government officials that facilitated engagement in PPPs; (iii) increased strategic orientation such as prioritization of lagging states, infrastructure sectors, and second-tier companies; (vi) an existing facility established in 2002 that enabled IFC to make local currency loans; and (v) extensive mapping of companies in each sector.

- **Given broad additionality in India, a challenge for IFC is to prioritize areas where its role and contribution is highest.** Given continuing broad weaknesses in the financial sector in India, particularly in extending term credit, IFC has broad additionality in India. A key challenge for IFC, therefore, is to ensure that its activities optimize the degree of additionality as well as development and investment outcomes. While difficult to measure, some sectors in the recent past indicate relatively high additionality – such as innovative infrastructure investments or high risk agribusiness investments – while in other cases additionality can be more limited to provision of long-term finance that enhances the viability of the project. A challenge remains for IFC to measure, monitor, and reward the degree of additionality of its projects in order to optimize its contribution to development in India.

- **A further challenge is to prioritize and enhance strategic A/S activities in key areas.** With India having broad development needs that could benefit from IFC A/S, a challenge remains to ensure that IFC's A/S are focused on key strategic areas. Given the strategic priority on lagging states as well as positive recent experiences in helping advance public-private dialogue in Bihar, a promising area of focus is on the enabling environment in lagging states. The potential contribution of an enhanced IFC A/S focus on infrastructure sectors to help adapt international experience is also apparent. While India has made substantial progress in opening the provision of infrastructure to the private sector through a range of PPPs, some sectors have not attracted significant levels of private investment. In other cases, such as the road sector in the early 2000, some transactions were developed that have had poor results.

- **A key task for IFC is to help test and develop models that engage more people in economic growth that can be scaled up to higher levels.** While the magnitude India's development challenges remain large, IFC's contributions in themselves need not be large to make substantial contributions. IFC's engagement in an innovative effort to increase rural banking is an example of a high risk endeavor that if successful, can provide a model for scaling up to increase access to financial services by India's rural poor.

- **Lessons from past financial crisis might offer some application for IFC's role in India in the near term.** The Region indicates that the current financial crisis has so far not significantly impacted IFC's India portfolio. However, should the need arise, IFC should be prepared to act on and implement lessons from past crises. Some lessons from past IEG studies on IFC's response to financial crises include (i) establishing a full-time team of "work-out" or restructuring specialists, including legal staff, to work exclusively on rescheduling and/or restructuring liabilities of client companies in financial distress; (ii) cooperation with the Bank (and IMF) to help focus the government's attention to systemic restructuring issues faced by local companies and to articulate the private sector's concerns; (iii) making aggressive and timely loan and equity loss provisions to more accurately reflect the risks to IFC's investment portfolio in crisis countries, which also helps focus staff attention towards improving portfolio quality

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IEG IFC
INDEPENDENT EVALUATION GROUP

IFC CASCR Review/ Country Evaluation

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November 24th, 2008

Annex Tables

Table 1: List of Investment Operations Committed in India, FY05-08 (US$'000)

Project ID	Investment Project Name	Commit FY	Project Status	Sector Group	Secondary Sector	Net EQ Commit	Total Net Commit
011632	AD Hydro Power Limited	2005	Active	Infrastructure	Electric Power	7,000	49,091
020509	Atul Limited	2006	Active	Chemicals	Basic Chemical Manufacturing	0	16,952
021358	Shree Ram Fibers Ltd	2005	Closed	Textiles	Textiles - Others	0	0
021499	Andhra Pradesh Paper Mills Limited	2005	Active	Pulp & Paper	Pulp & Paper	5,000	40,000
021652	Ruchi Soya Industries Limited	2006	Closed	Agribusiness	Food Manufacturing	7,500	7,500
022061	Kotak Mahindra Bank Limited	2005	Active	Finance	Commercial Banking	0	22,000
022065	Infrastructure Development Finance Company Limited	2005	Active	Finance	Finance Companies	0	50,000
022787	Bharat Biotech International Limited	2005	Active	Chemicals	Pharmaceuticals	4,500	4,500
022892	APIDC Biotechnology Venture Fund	2005	Active	Funds	Private Equity Funds	4,000	4,000
023012	Rain CII Carbon (India) Limited	2005	Closed	Chemicals	Other Chemicals	0	10,000
023081	Sealion Sparkle Port & Terminal Services (Dahej) Limited	2005	Active	Infrastructure	Transport Service	0	4,930
023245	Cosmo Films Limited	2005	Active	Plastics & Rubber	Plastics & Rubber	4,112	4,112
023385	DCM Shriram Consolidated Limited	2005	Active	Chemicals	Other Chemicals	0	30,000
023821	Dabur Pharma Limited	2005	Active	Chemicals	Pharmaceuticals	15,064	15,064
023833	IHDC - Dodson-Lindblom Hydro Power Pvt Ltd	2006	Active	Infrastructure	Electric Power	0	8,002
023904	Centurion Bank of Punjab Ltd.	2005	Closed	Finance	Commercial Banking	73	73
023966	Ramky Infrastructure Ltd.	2005	Active	Construction & Materials	Construction and Real Estate	1,812	1,430
024066	Continental Carbon India Limited	2006	Active	Chemicals	Basic Chemical Manufacturing	2,000	9,000
024077	Tata Steel Limited	2005	Active	Metals	Iron and Steel	0	100,000
024083	United Riceland Limited	2005	Active	Agribusiness	Crop Production	0	8,500
024103	Apollo Tyres Limited	2005	Closed	Plastics & Rubber	Plastics & Rubber	0	-747

024126	KPIT Cummins Infosystems Limited	2005	Active	Infrastructure	Internet Projects	2,500	13,500
024171	JK Paper Ltd.	2006	Active	Pulp & Paper	Pulp & Paper	11,500	26,500
024273	ING Vysya Bank	2005	Active	Finance	Commercial Banking	3,508	3,508
024331	Lok Capital LLC	2006	Active	Finance	Microfinance	2,000	2,000
024354	International Auto Limited	2006	Closed	Industrial	Transportation Equipment	7,593	7,593
024406	Apollo Hospitals Enterprise Limited	2006	Active	Health	Hospitals, Clinics, Laboratories & Other	5,085	5,085
024444	Amalgamated Bean Coffee Trading Company Ltd	2007	Active	Trade	Retail	5,000	15,000
024462	Global Trade Finance (Pvt.) Limited	2006	Active	Finance	Securities Markets	999	999
024485	Jain Irrigation Systems Ltd	2008	Active	Agribusiness	Crop Production	0	15,000
024493	The Federal Bank Limited	2006	Active	Finance	Commercial Banking	27,429	27,429
024535	PSL Limited	2006	Active	Metals	Iron and Steel	4,765	4,765
024539	Nevis Networks Inc.	2006	Active	Infrastructure	Telecommunications	4,000	4,000
024549	Indecomm Global Services	2006	Active	Infrastructure	Telecommunications	2,568	2,568
024605	Tata Sons Ltd.	2006	Closed	Metals	Iron and Steel	0	0
024668	OCL India Limited	2007	Active	Construction & Materials	Cement	0	50,171
024705	Peepul Capital Fund II LLC	2006	Active	Funds	Private Equity Funds	20,000	20,000
024711	West Coast Paper Mills Limited	2007	Active	Pulp & Paper	Pulp & Paper	0	40,000
024714	Chennai Water Desalination Limited	2006	Closed	Infrastructure	Water and Other Waste Treatment	0	-3,998
024732	DCM Shriram Consolidated Limited	2006	Active	Agribusiness	Food Manufacturing	0	6,600
024787	L G Balakrishnan & Bros	2006	Active	Industrial	Transportation Equipment	5,000	3,331
024830	Ocimum Biosolutions Ltd.	2007	Active	Health	Hospitals, Clinics, Laboratories & Other	3,050	5,650
024842	IHDC - Dodson-Lindblom Hydro Power Pvt Ltd	2006	Closed	Infrastructure	Electric Power	0	7,031
024880	Lanco Group	2007	Active	Infrastructure	Electric Power	8,000	8,000
024902	Petronet LNG Limited	2007	Active	Infrastructure	Gas Distribution	0	150,000
024973	Montalvo Systems Inc.	2006	Active	Technical Services	Software	3,000	3,000
025003	India Project Development Fund II	2007	Closed	Funds	Private Equity Funds	-837	-837

025015	Kanoria Family	2007	Closed	Chemicals	Basic Chemical Manufacturing	5,000	5,000
025017	Moser Baer Photovolatic Ltd.	2007	Active	Industrial	Electrical Equipment, Appliances and Components	0	22,500
025065	Suguna Poultry Farms Ltd.	2007	Active	Agribusiness	Animal Production	11,249	11,249
025115	MSPL Limited	2007	Active	Infrastructure	Electric Power	0	33,000
025169	Ocean Sparkle Limited	2007	Active	Infrastructure	Transport Service	0	26,821
025309	Financial Information Network & Operations Pvt. Ltd.	2007	Active	Finance	Commercial Banking	5,000	5,000
025444	HDFC Bank Limited	2007	Active	Finance	Housing Finance	0	100,000
025456	Nevis Networks Inc.	2007	Active	Infrastructure	Telecommunications	0	1,315
025463	Meghmani Finechem Limited	2008	Active	Chemicals	Basic Chemical Manufacturing	12,989	32,989
025474	Cairn India Limited	2007	Active	Extractive	Oil and Gas	22,908	22,908
025492	ICICI Bank Limited	2007	Active	Finance	Commercial Banking	0	150,000
025545	Idea Cellular Limited	2008	Active	Infrastructure	Telecommunications	0	84,000
025549	Green Investment Asia Sustainability Fund I	2008	Active	Funds	Private Equity Funds	17,647	17,647
025554	Bajaj Hindusthan Sugar & Industries Limited	2007	Active	Agribusiness	Food Manufacturing	0	50,000
025559	Spryance, Inc.	2007	Active	Infrastructure	Internet Projects	1,882	1,882
025576	VenturEast Proactive Fund	2008	Active	Funds	Private Equity Funds	6,250	6,250
025637	Gujarat State Petronet Ltd.	2007	Active	Infrastructure	Gas Distribution	30,000	113,292
025638	Avigo Venture Investments Limited	2008	Active	Funds	Private Equity Funds	10,000	10,000
025732	Housing Development Finance Corporation Limited	2007	Active	Finance	Housing Finance	0	0
025790	Samara Capital Partners Ltd	2008	Active	Funds	Private Equity Funds	10,000	10,000
025797	Coastal Gujarat Power Limited	2008	Active	Infrastructure	Electric Power	0	450,000
025800	Kotak Mahindra Bank Limited	2007	Active	Finance	Commercial Banking	0	45,000
025805	Max Healthcare Institute Limted	2007	Active	Health	Hospitals, Clinics, Laboratories & Other	67,144	67,144
025819	Balrampur Chini Mills Ltd.	2007	Active	Agribusiness	Food Manufacturing	0	40,000
025849	Electrotherm India Ltd.	2007	Active	Industrial	Machinery and Other Industrial	0	25,000

025903	Punj LLoyd Limited	2008	Active	Construction & Materials	Construction and Real Estate	0	20,000
025932	HNG Float Glass Limited	2008	Active	Construction & Materials	Glass	5,000	25,000
025947	Granules India Limited	2007	Active	Chemicals	Pharmaceuticals	6,000	15,000
025980	Aavishkaar Goodwell India Microfinance Development Company Ltd	2007	Active	Funds	Other Funds	1,570	1,570
026038	Owens Corning (India) Limited	2008	Active	Construction & Materials	Glass	0	12,000
026124	Continental Carbon India Limited	2007	Active	Chemicals	Basic Chemical Manufacturing	1,185	1,185
026237	India Infrastructure Fund	2008	Active	Funds	Private Equity Funds	50,000	50,000
026248	Rockland Hospitals Limited	2008	Active	Health	Hospitals, Clinics, Laboratories & Other	13,712	13,712
026384	The South Indian Bank Limited	2008	Active	Finance	Commercial Banking	17,525	17,525
026395	Angel Infin Pvt Ltd	2008	Active	Finance	Securities Markets	37,517	37,517
026454	Nevis Networks Inc.	2008	Active	Infrastructure	Telecommunications	0	526
026469	APF- I Mauritius	2008	Active	Funds	Private Equity Funds	15,000	15,000
026470	Punj Lloyd Upstream Limited	2008	Active	Extractive	Oilfield Services	2,866	27,866
026500	AD Hydro Power Limited	2008	Active	Infrastructure	Electric Power	9,313	9,313
026530	Kamani Oil Industries Private Limited	2008	Active	Agribusiness	Food Manufacturing	6,346	6,346
026598	South Asian Petrochem Limited	2008	Active	Chemicals	Resins, Synthetic Rubber, and Artifical Synthetic Fibers and Filament Manufacturing	13,335	13,335
026609	Rain CII Carbon (India) Limited	2008	Active	Chemicals	Petroleum & Coal Products	0	39,000
026617	The Federal Bank Limited	2008	Active	Finance	Commercial Banking	27,056	27,056
026650	ING Vysya Bank	2008	Active	Finance	Commercial Banking	4,432	4,432
026670	Soktas India Private Limited India	2008	Active	Textiles	Apparel	2,500	20,846
026817	Samson Maritime Limited	2008	Active	Infrastructure	Transport Service	6,233	30,233
026853	Lok Capital LLC	2008	Active	Finance	Commercial Banking	2,000	2,000
027446	Aditya Birla Telecom Limited	2008	Active	Infrastructure	Telecommunications	0	16,000

Source: IFC

Table 2: List of Advisory Services Projects in India (US$), FY05-08

Advisory Services By Business Line	FY 05-08		
	# projects	Amount ($US)	% by Dollar volume
Access To Finance	10	$5,881,804	18%
Business Enabling Environment	4	1,742,837	5%
Environment and Social Sustainability	15	2,807,443	8%
Infrastructure	11	13,912,621	42%
Value Addition to Firms	21	9,008,787	27%
Grand Total	61	$33,353,492	100%

Advisory Services By Sector	FY05-08		
	# projects	Amount ($US)	% by Dollar volume
Agribusiness	4	$664,602	2%
Business Enabling Environment	4	1,742,837	5%
Education	1	63,000	0%
Environment and Social Sustainability	15	2,807,443	8%
Financial Sector	10	5,881,804	18%
Health Sector	5	952,710	3%
Information(ICT)	3	697,000	2%
Infrastructure	6	11,622,800	35%
Special Economic Zones	0	0	0%
Public Urban Infrastructure Developmer	2	480,000	1%
SME development	3	3,825,156	11%
Transport	1	1,133,600	3%
Other	7	3,482,540	10%
Grand Total	61	$33,353,492	100%

Source: IFC

Table 3. Comparative Infrastructure Indicators, 2006

Indicator	India	Russia	Brazil	China	Turkey	South Asia	Lower middle income Countries
GNI per capita, Atlas method (current US$)	820	5,780	4,730	2,010	5,400	1,107	2,170
Access to electricity (% of population)	43	..	95	99	..	29	69
Electric power consumption (kwh per capita)	380	..	1,776	987	1,458	210	1,035
Improved water source (% of population with access	86	97	90	77	96	76	84
Improved sanitation facilities (% of population with access)	33	87	75	44	88	53	70
Total telephone subscribers per 100 inhabitants	13	112	68	57	86	10	39

Source: WBG Private Participation in Infrastructure Database

Table 4. Sector Distribution of IFC Investments in India and Comparators

	India FY05-08	India FY01-04	Brazil FY05-08	China FY05-08	Russia FY05-08	Turkey FY05-08	All Countries FY05-08
Agribusiness	6%	2%	14%	3%	9%	2%	7%
Chemicals	8%	6%	3%	9%	3%	0%	4%
Construction & Materials	4%	9%	0%	23%	3%	6%	6%
Education	0%	0%	1%	0%	0%	0%	0%
Extractive	2%	5%	4%	3%	8%	0%	7%
Finance	19%	29%	48%	30%	39%	36%	41%
Funds	5%	0%	4%	7%	3%	2%	4%
Health	4%	0%	1%	4%	3%	3%	2%
Industrial	2%	8%	5%	4%	6%	12%	2%
Infrastructure	40%	24%	16%	10%	19%	30%	19%
Metals	4%	4%	1%	0%	3%	2%	2%
Plastics & Rubber	0%	4%	0%	1%	0%	0%	0%
Pulp & Paper	4%	6%	2%	6%	0%	2%	2%
Technical Services	0%	2%	0%	0%	0%	0%	0%
Textiles	1%	0%	0%	1%	0%	5%	1%
Tourism	0%	0%	0%	0%	1%	0%	1%
Trade	1%	0%	1%	0%	4%	0%	2%

Source: IFC

Table 5. Distribution of FDI in India, FY00-08, by State

STATE	Average share of FDI received FY00-08 (% of total)	Per capita net state domestic product (Constant 1999/00, 000 Rs Cr)
Bihar	0	7.6
Uttar Pradesh	0.02	11.2
Madya Pradesh	0.08	12.6
Orissa	0.13	15.1
Rajasthan	0.17	15.4
Jharkhand	0	15.9
Chhattisgarh	0.08	16.4
West Bengal	1.68	20.5
Karnataka	6.97	21.6
Andhra Pradesh	4.5	22.8
Tamil Nadu	5.93	25.9
Gujarat	4.95	26.5
Kerala	0.27	27.3
Maharashtra	32.0	29.1
Punjab	0.59	30.2
Haryana (incl Delhi)	18.2	35.8
Goa	0.34	47.5

Source: DIPP, Federal Ministry of Commerce and Industry, Government of India

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