Statement by Rosemary Stevenson  
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**India: Country Assistance Strategy**

**Introduction**

Although India has made significant progress in improving living standards, the incidence of poverty is still much higher than in most other regions of the world. We therefore welcome the opportunity which this new CAS presents to review the Bank Group's strategy to tackle a challenge of global significance. This statement is centred upon the three questions posed at the end of the Executive Summary, and we will in turn pose several questions of our own which arise from them. These are indicated in bold type.

**Does the Bank Group strategy adequately support the Government's poverty reduction strategy and contribute to making progress towards the International Development Goals, an objective closely dependent on India's success in reducing poverty?**

We endorse the proposed use of the GoI's own planning processes to frame the Poverty Reduction Strategy rather than undertaking a separate exercise. This has a major advantage in that these processes are locally owned and driven. Nevertheless it seems likely that lessons arising from the Poverty Reduction Strategy Paper (PRSP) process in Heavily Indebted Poor Country (HIPC) countries could be relevant to India, and we would support efforts to strengthen poverty strategy formulation at national and state level in India.

**How does the Bank view India's national development planning processes and documentation in relation to experience with PRSPs globally, and are there emerging lessons which would be relevant to India?**

The CAS is framed, as last time, in relation to the IDGs. This is strongly welcomed, as is the focus in paragraph 73 on the steps needed to operationalise this strategy, including possible Bank support towards efforts by GoI to strengthen the statistical system and improve poverty monitoring. No reference is made, however, to the latest poverty data (1999/00), which have been accepted by GoI but have been the subject of considerable debate in the media. Secondly, it will be important, over time, to strengthen analysis and focus efforts on those IDGs which appear to be making relatively less progress. More generally, we welcome the account taken of the breadth of reform issues in the strategy, not just in relation to economic reform, but also
improving governance and addressing social development concerns. We would encourage further efforts to strengthen incorporation of governance, as well as issues of poverty, equity, and gender at the heart of the World Bank strategy and operations.

Is adequate data available to operationalise the monitoring of IDGs? Which IDGs are likely to be the most challenging in the Indian context, and how has this influenced the Bank strategy?

Is the Bank Group strategy sufficiently selective and is the balance between its state focus and a sustained policy dialogue with the GoI appropriate?

The Bank strategy is appropriate to the objectives set out and we strongly endorse the strategic principles of selectivity, partnership, and a programmatic approach. Selectivity incorporates:

- **Working with selected states.** We agree with the focus on a small number of focus or partner states, which present the most promising environment for development assistance. Concentration of 40% of lending effort in these states is appropriate to support the reform effort in a substantial way, and arguably this ratio could be increased. The adoption of Comprehensive Development Framework (CDF) principles at state level is welcomed, with scope for improving consultation, and the "ways of working" between the various donors which are active at state level.

- **Unusual sectoral merit.** We also agree with the inclusion of non focus states within the World Bank lending programme where there are real opportunities to support sectoral level reform programmes. A number of states are reforming on a relatively substantial scale, with the support of donors, and the Bank can play an important role in those states.

- **Support for GoI.** In terms of dialogue with GoI, four areas are identified as priorities (agriculture and rural development, fiscal and governance reform, financial sector, and health sector). These are key areas and the principle of strategic focus on a relatively narrow agenda at this level is welcomed.

We also support the focus on policy dialogue as the main means of engagement with GoI given the relatively limited scale of resources that the Bank (and other donors) can offer in relation to overall capital flows and the potential contribution of the private sector to infrastructure investment.

At state level we support the use of programmatic lending, especially programmatic adjustment lending, as a flexible instrument which is closely linked to progress of reform.

Is the proposed lending and non-lending programme adequate to address India's needs? Do the self-activating as well as the macroeconomic and structural triggers provide appropriate mechanisms to regulate lending in the light of performance?

According to the Bank's data, India contains 36% of the World Poor (box 1). A global strategy framed around the IDGs would imply that resources should be allocated more proportionately to countries that have a large number of poor people, and a relatively sound policy environment.
Research by the World Bank (Collier/Dollar) indicates that there is a large potential gain from shifting development assistance to poor Asian countries, especially India. The CAS also notes the extremely low per capita allocation of IDA resources for India relative to other comparable countries (paragraph 114 contrasts India's per capita IDA allocation of 85 cents with $10 for other poor countries with similar performance). In this context it would seem appropriate for India's allocations to increase over time rather than remain constant. We would note here the recent agreement to increase the availability of IDA funds for reconstruction work in Gujarat State is most welcome.

We also warmly welcome IFC plans to rapidly increase its portfolio, with approvals of $1.0 - $1.5 bn for FY01-03, against $300m in FY98-00. We would be interested to hear more from IFC on their intentions with regard to sectoral focus.

**In view of the large numbers of poor people in India, and the relatively good policy environment, has an increase in the IDA/IBRD resources for India been considered?**

The use of "self-activating" triggers provide a linkage between the volume of resources and progress of reforms, which provides an incentive to state governments. In practice it is unlikely that all focus states would fail to make progress simultaneously. If one or more states does delay reform, given the lead time involved in the preparation of lending documentation, it is recognised that there would be an inevitable reduction in commitments. However, during the period of the CAS there may be scope to switch some resources from states which are not performing well to other states, thus potentially maintaining commitments at close to the base case level. Given the already low base-line of $0.85 per capita, it would be a particular concern if the IDA allocation reduced to only $400 million. The global triggers have only a limited rationale in terms of financial prudence for the Bank (given the overall strength of India's balance of payments), and limited benefit for India in terms of incentives for reform (the broad agenda of the global triggers will be carried forward as part of the government's reform agenda, but not significantly in order to maintain access to very limited Bank funding for infrastructure at national level).

**Is there a case for a more balanced lending scenario in which the low case is matched by a high case, which would reward strong performance above what would be accepted for the "base case"?**

In order to sustain a substantial non-lending programme, the Bank needs to maintain an adequate human resource base in country and from Headquarters. The UK strongly supports the process of decentralisation to India, and we note the generally very positive comments both from Bank clients and also OED contained in the recent Country Assistance Evaluation on the decentralisation process in recent years. But we are concerned that there may be a need for additional staffing resources in India to take forward this relatively ambitious strategy and diversify its staffing in key areas (such as governance and social development).

**Does the Bank consider its staffing level adequate, and are there plans to increase the availability of staffing resources, especially in country, though a reallocation from headquarters?**

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