

## IDA AT WORK

# India: Using IDA Effectively in a Large Country

“India is a country with many poor people but it is not a poor country”\*  
With a population of just over 1 billion, of which about 300 million live below the poverty line, India is the largest democracy in the world and one of the most important countries in terms of meeting global development goals. In the past decade, India has accelerated economic growth, improved most MDGs, and maintained a vibrant democracy. It has also emerged as a global power—the fourth largest economy in purchasing power parity terms—and a leading player in information technology, telecommunications and business processes outsourcing.

\*(His Excellency Mr. M Hamid Ansari, Vice-President of India).

Country Indicators	1997 <sup>a</sup>	2007 <sup>a</sup>
GNI per capita (US\$)	420	950
Average inflation (wholesale prices, %)	5.9	4.4
General government fiscal deficit (% of GDP)	7.2	5.1
General government total debt (% of GDP)	69.8	79.9
Foreign Direct Investment (US\$ million)	3,562	15,545
Poverty head count ratio (%)	36 (1993–94) <sup>b</sup>	27.5 (2004–05) <sup>b</sup>
Gross primary school enrollment (%)	88.8	113.9 (2007–08)
Under-five child mortality (per 1,000 live births)	104 (1995)	72
Life expectancy at birth (years)	62	65
Population (millions)	965.4	1,124.8

Sources: Central Statistical Organization; Reserve Bank of India; Planning Commission, WDI, UNICEF; WHO.

Notes: a. Fiscal year 1997 from April 1997 to March 1998, fiscal year 2007 from April 2007 to March 2008;

b. Another set of estimates, also provided by India’s Planning Commission, suggests that poverty rates have declined to 22 percent of the population in 2004/05 from 26 percent in 1999/2000. These estimates are based on a different methodology which cannot be compared to earlier estimates.

India's annual GDP growth has been strong and steady at more than 7 percent over the past decade, accelerating to over 9 percent in the three years before the 2008 global financial crisis. Growth followed wide-ranging structural reforms that began in 1991. Between 1997 and 2005, poverty rates fell from about 36 percent to 28 percent. Life expectancy rose significantly to 65 years, reducing the gap with China to about 8 years (compared to a gap of 14 years in the early 1980s).

Since 1995, the International Development Association (IDA), the arm of the World Bank that serves the world's poorest countries, provided interest-free credits and grants totaling US\$14.9 billion to India. During this time, the International Bank for Reconstruction and Development (IBRD), which serves credit-worthy countries, extended loans of US\$15.8 billion to the country.

A key feature of IDA's work in India has been its support for reforms essential for accelerating inclusive growth and reducing poverty. IDA has financed research, analysis and technical assistance that have underpinned the reform process at both the central and state government levels. IDA has also supported complementary sectoral investments in areas like rural development and livelihoods, as well as in health and education, in addition to supporting reforming states with credits. As on 2006, India was placed 10th among the 56 IDA recipient countries whose performances were ranked in accordance with IDA's performance-based resource allocation system.



## **COUNTRY ACHIEVEMENTS**

**India has been increasingly successful over the past decade.**

With economic liberalization in 1991, India began to focus on private-sector investment led growth, engendering an open and competitive economy. A massive surge of new services and manufacturing drove its global competitiveness and growth. Software exports, telecommunications, information technology, the outsourcing of business processes, the financial sector, housing and retail services, all helped fuel the rise of the services sector. This sector grew by over 10 percent a year before the 2008 slowdown,

accounting for two-thirds of the country's overall growth in the five years before the global downturn.

Going forward, the Indian government's Eleventh Five Year Plan aims to achieve a GDP growth rate of 9 percent and double the per capita GDP within 10 years. For a country as populous as India, such a doubling will be equivalent to creating several East Asian miracles. However, as with China in the past decade, the scope and speed of India's transformation will be the key questions for the next decade. Will India be able to achieve this promise while avoiding the possible downsides?

**Despite four major changes in national governments, reforms have enjoyed a remarkable staying power.**

The reform process that began in 1991 was gradual; there was no “big bang”. As a result, reforms have become relatively endogenous with much better accountability for results. Also noteworthy is the growing role played by states, with greater competition to perform, increased accountability, and more learning between them. In India’s deregulated and open economy, those states in which governments have delivered better governance and public services have attracted greater and more mobile private investment. Conversely, those states where political leaders have not done so have been punished by a flight of both capital and people. Going forward, the challenge will be to improve the prospects of the poorest and low-income states.

**Reaping the benefits of gradual but sustained reforms, annual growth has climbed to over 8.5 percent in the last five years.**

Investment rates, backed by growing savings and led by private investment, have now risen to close to 40 percent of GDP, compared to about 24 percent a decade ago. Foreign direct investment grew rapidly until the global financial crisis in 2008. In the last five years, export growth has accelerated to an average of 27 percent per year. Fiscal deficits have remained high, but prior to the Indian Fiscal Year 2008 were on a declining track under the fiscal responsibility acts at the center and the states.

Poverty has fallen to about 28 percent, although the momentum of decline may have slowed for reasons examined below. Growth

has helped considerably in progressing towards the Millennium Development Goals (MDGs) but delivery of public services to India’s 300 million poor pose major challenges.

**The global financial crisis has exacerbated a cyclical growth slowdown in 2008.**

Investment as a growth engine for India was running out of steam in 2008 when bottlenecks in the economy became increasingly apparent. In addition, high international commodity prices and rising interest rates in response to inflationary pressures lowered corporate profitability. In the last quarter of 2008, large capital outflows put pressure on reserves and the rupee. A credit crunch and falling export demand led to a sharp slowdown in growth to less than 6 percent of GDP in the fourth quarter of 2008 and the first quarter of 2009. The government reacted to the slowdown with swift easing of monetary policy and a sizeable fiscal stimulus. Because of the high commodity prices that were only partially passed on to consumers in the first half of the year, and the fiscal stimulus measures in the last quarter of the fiscal year, the general government deficit including off-budget borrowing for oil and other subsidies reached 12 percent of GDP, the highest in two decades.

**The growth slowdown has reinforced the focus on social inclusion.**

The picture of ‘two Indias’ is now increasingly sharp. While one India is on a rapid development trajectory, the other is progressing much more slowly and is caught in a low-level development trap. Significant differences persist in poverty levels and human development indicators along gender, ethnic and regional lines. In response, the central and state governments have stepped up their

attention to programs that help the poor and disadvantaged. At the state level, there are growing initiatives to support spending on water, old age and disability pensions, and rural livelihoods and credit.

## **IDA CONTRIBUTIONS**

**IDA has committed US\$10.1 billion to India over the past decade through 48 projects. Yearly IDA commitments have averaged nearly US\$1 billion a year.**

Consistent with IDA's poverty focus, nearly three quarters of the lending has gone to rural development (30 percent), health and nutrition (20 percent), and education (20 percent). IDA support has also leveraged IBRD lending. For example, a US\$525 million IDA policy loan to support the reform of sub-national state governments, was blended with US\$571 million in IBRD lending.

IDA has been particularly effective in a number of areas:

### **Helping India stabilize its economy in the early 1990s and accelerate growth through policy reforms.**

Two IDA adjustment loans in 1993 helped India undertake exchange rate adjustments and industrial, trade and financial sector liberalization. Investment projects have also helped the government reform regulations and pricing in the power and water sector and improve monitoring and evaluation of central government sponsored schemes in the social sector and in the rural areas.

While India has substantial financial resources of its own, IDA's intellectual assistance has contributed significantly to impact on the

ground. Through policy dialogue and the knowledge that comes with IDA lending, IDA has been influential in promoting well-informed policy reforms in the areas of revenue and expenditure, the liberalization of agricultural marketing, water resources, the civil service, and regulatory reforms, as well as in introducing international best practices to India.

In the past five years, IDA has conducted more than 100 analytical studies covering development policy, poverty assessments, trade, agriculture, the knowledge economy, employment, the financial sector, state economies, and fiduciary matters, among a range of other relevant subjects.

IDA's analysis and advisory program in India represents about one quarter of the overall operational budget, an intellectual investment that is justified by the scale and complexity of a country like India.

Many of the issues raised in the Bank's economic analysis and reports have found an echo in government initiatives and policy statements, suggesting that the Bank has a strong indirect impact on the country's intellectual debate and policy deliberations. IDA's partnership with India's large pool of think-tanks and research organizations, civil society and academia has played a central role. Other donors, such as the United Kingdom's Department for International Development (DFID), have also played an important role in supporting IDA's analytical and advisory work.

### **Supporting cross-sectoral reforms at the state level.**

Given the predominant role that India's state governments play in the delivery of most public services and governance, IDA has

## Turnaround in States Supported through Policy Loans

The combined effect of central government incentives, state government commitment to reforms and state-level policy loans, seem to have yielded good results. DPL states have performed better than other states, not only in terms of their fiscal performance, but more importantly, in growth, poverty reduction, public sector reforms and governance.

Andhra Pradesh and Orissa are a case in point. When reforms started in Andhra Pradesh (AP), the fifth largest state in India with a population of 81 million, it was in the midst of a fiscal crisis, with poor governance, per capita income of US\$385, 22 percent poverty, and 40 percent of children out of school. Three IDA development policy operations later, per capita income has risen to nearly US\$783.03 (2007–08), annual growth has accelerated to 10.64 percent based on new engines of development (information technology, business process outsourcing, new manufacturing and faster agricultural diversification), poverty has fallen, 96 percent of children now attend primary school, and the overall fiscal deficit has been cut to 2.81 percent. AP is now considered to have the best-managed power sector, third highest credit rating, one of the best investment climates and fourth lowest corruption level among Indian states.

A swift turnaround is also taking place in Orissa, one of India's poorest states. With starting per capita income of US\$250, about 45 percent of Orissa's 39 million people live in poverty, and the state includes some of the poorest tribal districts in India. In the late 1990s, the fiscal deficit hit over 10 percent of GSDP, and interest, pensions and wages absorbed all of the state's revenues. In the past five years—and two IDA development policy operations later—the fiscal deficit is now significantly less than the 3 percent target set under its fiscal responsibility law, growth has accelerated to over 8 percent, private industrial investment is the highest in India, trade and transport services are growing faster than the rest of the country, and the number of out-of-school children has dropped from 1.3 million to 0.2 million.

complemented its support for the central government with 10 development policy loans (DPLs) in states such as Andhra Pradesh, Bihar, Himachal Pradesh, Karnataka and Orissa. The DPLs have helped these states achieve fiscal consolidation, improve their investment climates, reform their public sectors and improve governance, as well as reform specific sectors such as power, and assess poverty levels through the monitoring of anti-poverty programs.

### Supporting human development.

IDA assistance for education and health at the national level as well as in key states such as Bihar, Uttar Pradesh, Andhra Pradesh, Rajasthan, and Tamil Nadu, has helped India increase enrollment rates, reduce gender

gaps, and arrest debilitating diseases that drive people into poverty.

In education, IDA has supported the world's largest Education For All (EFA) program—the Sarva Shiksha Abhiyan (SSA)—a national program combining central and state funding which aims to enroll all 6 to 14 year-old children in elementary school and have them complete it by 2010. The total cost of the first phase of SSA (2002-07) was US\$3.5 billion of which IDA contributed US\$500 million. In 2008, IDA contributed an additional US\$600 million in support of the second phase of SSA, complementing over US\$9 billion in domestic funding and supporting program implementation from 2008-10. Following the government's decision to extend SSA for another two years, additional IDA funding of

US\$500 million has been requested from the government to cover the years 2010-12.

In terms of concrete results:

- Primary enrollment has increased and the number of out-of-school children has fallen from 25 million in 2003 to about 5 million in 2008. Net enrollment was approximately 97 percent in 2008-09 and over 98 percent of India's children now have access to a primary school within 1 km of their home.
- The gender gap has reduced. As of 2008, there were 93 girls for every 100 boys in primary school, compared to just 90 in the early 2000s.
- The enrollment of children from long-deprived communities—Scheduled Castes and Scheduled Tribes—in public schools now exceeds their share in the general population.
- Of the 2.7 million children identified with special needs, 2.5 million were enrolled by 2008.
- Transition rates from primary to upper primary school rose from 75 percent in 2002 to 84 percent in 2007.
- Retaining first generation learners in school is a major challenge; despite this, annual drop-out rates fell from 10 percent in 2004 to 8.6 percent in 2008.
- Many states are either approaching universal primary enrollment or have already achieved it.
- Quality is improving. For example, a paradigm shift in learning methods has been pioneered in the state of Tamil Nadu. In just two years, this new approach was scaled up across the state's 37,500 primary and 12,000 upper primary schools. Several states have come forward to learn from and adapt Tamil Nadu's innovations to their own contexts.

In addition to lending, IDA's support for education has included training, international workshops to share best practices, capacity building, technical support, monitoring and evaluation, strengthening of the country's financial management and procurement procedures, dissemination, and media campaigns.

In the health sector, IDA has helped India combat maternal and child mortality and communicable and debilitating diseases. As in the case of education, IDA's support has also included institution building to improve service delivery.

### Supporting rural development.

IDA has contributed to rural development through agricultural and watershed development rural, livelihoods projects, investments in rural roads and water and sanitation projects.

**Agricultural and watershed development projects.** In Uttar Pradesh, the sodic lands projects have pioneered the use of technological innovation in conjunction with mobilization of rural communities to restore more than 250,000 hectares of sodic and water-logged agricultural lands to their productive potential. Based on the remarkable success of these projects, the recently-approved Phase III project aims to reclaim another 130,000 hectares of barren and low productivity sodic lands in 25 districts of UP.

The consortium approach of the National Agricultural Innovation Project has helped in integrating the Non-Government Organizations, universities, Indian Institutes of Technology and private sector with the Indian Council of Agricultural Research and State

Agricultural Universities for addressing agricultural research and development priorities, including food and nutritional security, commercialization of agriculture, value chains and basic and strategic research.

The Bank also supports an innovative community forestry project in Andhra Pradesh, recognized as best practice in India. A core group of approximately 1,000 mainly tribal communities are now managing their forests, improving resource productivity and generating sustainable revenues. Some communities are earning over Rs 1 million per year, reinvesting half their earnings back into forest management and the remainder into local development. The project is also demonstrating a successful model for developing alternative livelihoods for former shifting cultivators on state forest lands.

The Bank supports two watershed projects in Himachal Pradesh and Uttarakhand; a third project in Karnataka recently closed. These projects have demonstrated many successful lessons. For example, the Himachal Pradesh project is piloting forest carbon financing—unique among Bank watershed programs globally. The Uttarakhand project is demonstrating innovative implementation approaches through local authorities. The Karnataka project was a highly successful integrated and participatory watershed approach for arid, rainfed areas, winning four national awards and providing valuable lessons for new government of India watershed management guidelines. Its comprehensive M&E system, using remote sensing, GIS and field surveys, has been recognized as a best practice model.

**Rural livelihood projects.** In parallel with projects to improve public service delivery,

India's IDA program has supported state government-led efforts to improve livelihood opportunities for the rural poor through improving marketing channels, extension services, group based micro-credit services and employment opportunities for the poor.

Livelihood programs currently operating in four states as well as the completed first phases of projects in three states, are estimated to have mobilized 9.5 million poor people in villages, sub-district and district level groups that span 55,000 villages. Cumulatively these groups have saved US\$400 million, enabling them to access credit amounting to over US\$1 billion from commercial banks. Programs that have increased local value addition and market linkages have increased prices received by poor producers by 30 to 40 percent. Rural producer groups organized by these projects have accessed markets and sold produce worth over US\$500 million.

**Rural roads.** IDA credits supporting the building and maintenance of rural roads under the nationwide rural roads program—the Prime Minister's Rural Roads Program (PMGSY)—as well as many other rural development projects, have increased road connectivity and yielded wide-ranging benefit. Program evaluations have reported in areas connected by roads an increase in average yield of paddy from 0.6 tons/acre to 1.7 tons/acre; 50 to 100 percent increase in household income; 60 to 80 percent increase in land prices; modernization of agriculture and animal husbandry practices including introduction of cash crops in previously isolated areas and use of improved seeds, fertilizers, and veterinary services; reduced spoilage of perishable agricultural products; better access to jobs and increased direct and induced employment; better prices for agricultural products due to

### Increased Incomes for Millions of Women:

The Andhra Pradesh Rural Poverty Reduction Project and its precursors were designed to improve the livelihoods of the rural poor and reduce their vulnerability to shocks like illness, a death in the family, crop failure, livestock disease, etc. To this end, the projects facilitated small group organizations and self-management within rural communities, with a particular focus on women. The projects also envisaged increased financial access for the poor by attracting private sector interest to this potentially large but overlooked market. Key to the management of risk was that poor women in self-help groups act as a guarantee both for each other and for banks.

- As a result, 90 percent of poor rural households in Andhra Pradesh, including around 10 million women, saw their access to financial services increase and their gross assets rise from US\$1,032 to US\$2,974 between August 2000 and December 2006.
- Cumulative savings and a corpus by the rural women totaled US\$1.24 billion as of March 2009. A financial sector for the poor has emerged in rural Andhra Pradesh. Over 6.5 million households have gained access to credit from formal financial institutions, up from less than 500,000 in 2000. Cumulative credit from commercial banks of US\$4.3 billion (with a repayment rate by women's groups higher than 90 percent) indicates the strong leveraging of IDA resources to build sustainable linkages between poor communities and commercial banks. Banks now lend 65 times more to the rural poor than before the project.
- More than 9.6 million rural poor have death and disability insurance coverage, up from less than 1,000 before the project.
- More than 10 million poor women in rural areas have been organized into 850,000 self-help groups and 35,000 village organizations.

better access to markets and cutting-out of middlemen; increase in dairy farming due to direct access of milk collection vans to the villages; 10 percent increase in literacy rate and narrowing down of gender literacy gap; better availability of school teachers; timely availability of medical help in pregnancy and other medical emergency cases—reducing death in such cases; and increase in new businesses and diversification of rural economy.

In addition, road projects have improved the management of the roads sector. A rural road policy framework has been adopted in many states addressing key sector issues) and a core rural roads network has been established in the entire country to focus investment on priority roads and to introduce rational and transparent criteria for investment decisions. Cost-effective engineering designs have been

introduced reducing the unit costs by about 15 percent. About 18,000 engineers have been trained and 400 district laboratories have been established, significantly improving the implementation of the PMGSY.

**Rural water supply and sanitation.** IDA funding since 1991 has helped the Government of India to first pilot and then progressively scale up India's RWSS reform program throughout the country by supporting enhanced and sustainable access to drinking water and sanitation services to the rural population. Bank support in three states (Maharashtra, Karnataka, Uttar Pradesh) in the 1990s was followed by a further five state projects (Kerala, Second Karnataka, Second Maharashtra, Uttarakhand and Punjab) since 2000. So far the Bank has provided about US\$900 million in IDA support, benefiting 20 million

rural people. These projects, targeting rural households with special attention to vulnerable groups, have supported beneficiary involvement and empowerment, institutional reform and capacity building of state, local governments and communities, use of non-government organizations and alternate service providers, and promoted cost recovery.

The results have changed lives on a large scale. For example, in rural Kerala, about 1.2 million people now have access to safe water supply through taps in their homes, and more than 90,000 households have access to safe household sanitation facilities. **In rural northern Karnataka, about 5 million people have benefitted from safe water supply**, with 50 percent of households connected at home. In addition, most of the Karnataka project recipients benefited from improved environmental sanitation facilities (“healthy homes”), including sanitary latrines, drains and roads, smokeless stoves, and improved hygiene practices. In Maharashtra, about 6.18 million rural people have benefited from safe water supply and 59 percent of project villages have achieved the ‘open defecation free’ status. In Uttarakhand, about 0.13 million rural people have already benefited from improved water supply, integrated with household sanitation and catchment area protection activities.

These projects have also pioneered the piloting of decentralized service delivery, with Gram Panchayats (local self governance bodies) as the focal point, a practice that has become a reference point for other states. The projects are exploring new institutional approaches on multi-village schemes, by contracting out the operations of the common facilities to private operators.

## Strengthening institutions for better services.

IDA has provided significant support to the government in building roads, rural water supply, energy, and irrigation systems. At the same time it has been involved in building institutional capacities and systems for improving the quality of spending. For example, helping state governments build a strong budget and medium-term expenditure framework; improving civil service governance; establish-

### Exploiting Synergies Between Partners

An important way for IDA to leverage its resources has been through closer collaborations with partners and foundations. A good example of exploiting synergies with partners is the Bank’s work with the United Kingdom’s Department for International Development (DFID) and the European Commission (EC).

In the **education sector**, IDA, DFID and EC have been partners for more than a decade—first with a series of projects under the District Primary Education Program (DPEP) and then with the Elementary Education Project that is supporting the Government of India’s Sarva Shiksha Abhiyan (SSA) program. The first SSA program followed a Sector-wide Approach, which allowed development partners to pool their funds together with government funds and use a single Results Framework to track progress. The follow-on SSA II project, which focuses on improving quality with equity, also drew important contributions from IDA (US\$600 million), DFID (\$280 million) and EC (US\$120 million). Discussions are underway between the development partners regarding the third phase of SSA, for which IDA has committed an additional US\$500 million. In the **health sector**, DFID is co-financing three national operations with IDA (Tuberculosis II, HIV AIDS III and Reproductive and Child Health II). In the low-income states of Bihar and Orissa, DFID and the Bank (along with ADB in the former) have excellent collaborative relationships.

ing a network of water user associations; and building better health and education planning and information systems.

Project investments to pilot support for local governments in Karnataka and Kerala have led to demands for similar support in other states and a renewed national emphasis on strengthening decentralization below the state level.

IDA has assisted the government in strengthening planning, execution, monitoring and evaluation, improving capacities, moving towards effective adoption of e-procurement, and reinforcing social and environmental safeguards.

## CHALLENGES AHEAD

Despite India's progress over the past decade, poverty in India remains daunting. India is still very much a low-income country with per capita income of about US\$720; over 300 million people live in absolute poverty on less than a dollar a day—the largest geographic concentration of poverty in the world. Another sizeable 350 million people are just above the poverty line, with incomes below US\$2 per day and with few assets, savings or human capital to distinguish them from those below the poverty line. Half of India's children remain malnourished—a level of malnutrition that is much worse than in sub-Saharan Africa. There are large disparities between rich and poor in access to services. The poor lack access to even the most basic services in rural areas and there are many who are still excluded from social mobility by caste, tribe, gender, disease, or disability status.

The challenges of inclusive, sustainable growth and service delivery are at the center

### The Government's Vision

The Government of India laid out its vision in the Eleventh Five Year Plan (2007–2012):

*The central vision of the Eleventh Plan is to build on our strengths to trigger a development process which ensures broad based improvement in the quality of life of the people, especially the poor, Scheduled Castes and Scheduled Tribes, Other Backward Classes, minorities and women. This broad vision of the Eleventh Plan includes several interrelated components: rapid growth that reduces poverty and creates employment opportunities, access to essential services in health and education especially for the poor, equality of opportunity, empowerment through education and skill development, employment opportunities underpinned by the National Rural Employment Guarantee, environmental sustainability, recognition of women's agency and good governance.*

Source: Government of India, Eleventh Five Year Plan (2007-2012), Volume I: Inclusive Growth, p. 2.

of the government's priorities. Responsibility for action, especially on implementation and enforcement, lies as much with the central as with the state governments.

### Achieving rapid, inclusive growth.

India has made less progress than other countries in reducing poverty, and resentment about the unequal distribution of the benefits of growth contributes to social conflict. Moreover, structural factors and the current slowdown and volatility of the global economy constrain future growth. The Eleventh Plan aims for 9 percent GDP growth for 2007-2012 and states that “*the target is not just faster growth but also inclusive growth, i.e. a growth process which yields*

*broad based benefits and ensures equality of opportunity for all.”*

Macroeconomic, fiscal, and financial policies need to be conducive to inclusive growth and stability at the central and state levels (including in the aftermath of the global financial crisis). There is a need to remove infrastructure and skills constraints to growth in both urban and rural areas, by fostering private sector participation for example and improving agricultural productivity, rural connectivity, and rural livelihoods.

### **Ensuring development is sustainable.**

Economic expansion in India has been accompanied by rising demands on already scarce and often degraded natural resources (soils, energy, watersheds, and forests) and a growing pollution footprint that impacts negatively on human health and growth prospects. While India needs to grow to reduce poverty and create employment, it has an opportunity to do so in a way that is sustainable and preserves the country's natural heritage. Reflecting the size of its economy, India's total greenhouse gas emissions are large, but its per capita emissions are among the lowest in the world at around 1.5 tons of CO<sub>2</sub> per capita per year. So far, the economy has been on a low-carbon trajectory, with greenhouse gas emission intensity (GHGs per unit of GDP) 20 percent below the world average. However, emissions have grown by 65 percent between 1990 and 2005, albeit at a slower rate than GDP, and are expected to continue rising as power generation increases to keep up with demand and electrification is expanded to reach the more than 400 million rural dwellers who now have no electricity. Because of India's size and growth pace, what happens to emissions in India matters globally as well as locally.

To help ensure that development is sustainable, IDA will help India to better manage its natural resources (particularly water) and reduce the burden that environmental degradation imposes on the population (particularly vulnerable groups). IDA's assistance will also help to increase the resilience of people and the economy to nature-related and man-made shocks, in line with the priorities identified in the National Action Plan on Climate Change as well as in support of India's comprehensive efforts to reduce the country's vulnerability to cyclones, earthquakes and other natural perils.

### **Increasing the effectiveness of service delivery.**

The fast growth of recent years has greatly expanded the resources available for public programs. Much progress has been made on primary education enrollments and progress in learning outcomes has now become central to the public debate and to government policies. Initial findings demonstrate that comprehensive, holistic quality improvement programs can dramatically improve learning outcomes, although this process takes time and requires adaptation to local learning environments. On the other hand, significant improvements on the ground have been elusive in other sectors, particularly in health. While some progress has been made on communicable diseases—deaths from TB have fallen from 500,000 in 1997 to fewer than 370,000 in 2007, and polio cases are down dramatically in 2008 as India creeps towards eradication—much less has been achieved on other MDG indicators. Billions of dollars have been spent on nutrition programs but nutrition levels are worse than in Sub-Saharan Africa. While mobile phone networks have rapidly spread throughout the country, no Indian city provides water 24 hours

a day, 7 days a week, only half the population has access to safe drinking water, less than a third has access to sanitation facilities and 40 percent of India's 600,000 villages are not connected to a road.

IDA will support improvements in the organization and delivery of publicly financed services that would enhance the development effectiveness of public spending; explore innovative approaches like public-private partnerships and performance-based contracting; and improve procurement outcomes particularly in education, health, social protection, urban development, and water supply and sanitation. Social protection

would acquire particular importance should a period of slower growth result from the global financial crisis.

In coming years, the emphasis will be on implementation procedures and institutional arrangements that focus on: getting results (including demand-side accountability through beneficiary, civil society and community involvement); strengthening capacity for publicly provided services; and enhancing private sector participation. This implies working primarily on systems and the "how" of good service delivery.

July 2009.

<http://www.worldbank.org/ida>