

India Country Program Matrix (FY02-04)

INDIA'S POVERTY REDUCTION STRATEGY		WORLD BANK GROUP ASSISTANCE		Development Partners	Progress Indicators/Benchmarks	
Strategic Objective	Diagnostic	Strategies and Measures	Bank Group Role			Instruments
A. STRENGTHENING THE ENABLING ENVIRONMENT FOR DEVELOPMENT AND GROWTH						
<i>A1. Improving Government Effectiveness</i>						
A1a Fiscal Reform <i>Improved fiscal management is critical to providing government with the financial means to fulfill its development role.</i>	<ul style="list-style-type: none"> High deficits Deteriorating composition of expenditure Tax revenue-to-GDP falling; cost recovery is low Many states face high indebtedness and a liquidity crisis – undermining their developmental effectiveness 	<ul style="list-style-type: none"> Improve fiscal discipline at central and state levels via consensus building and incentives for reform (e.g. fiscal responsibility legislation, link of additional Gol financing to state implementation of reforms) Improve the expenditure mix to link fiscal policies with growth and poverty reduction Reduce subsidies at both central (food, fertilizers) and state (power, irrigation) levels Implement tax reform, including broadening of the tax base 	<ul style="list-style-type: none"> Work closely with reforming states to support comprehensive economic and fiscal reform programs Provide TA for reform implementation and budget support towards the short term costs of reform Intensify dialogue on the complex fiscal issues facing the central government 	<ul style="list-style-type: none"> Ongoing portfolio of fiscal adjustment/restructuring operations in AP, UP, and Karnataka, and TA credit to support economic reforms New programmatic adjustment support and technical assistance for reform programs in states such as Karnataka, UP, AP and Orissa AAA to help institutionalize medium-term fiscal frameworks and good public expenditure management in reforming states Public expenditure review to address national issues Policy dialogue, workshops and conferences at state and national levels Public finance capacity building 	<ul style="list-style-type: none"> IMF (national issues) ADB (active on fiscal issues in Gujarat, MP, Kerala) UK DFID (TA for economic and fiscal reforms, and collaboration with the Bank in AP and Orissa) 	<ul style="list-style-type: none"> Significant state reform efforts and reduced fiscal deficits Number of reforming states growing. Reforms are deepening and deficits are starting to come down in some states. Central government deficit is not falling. Fall over time in consolidated public sector debt/GDP ratio Not being achieved. Improved expenditure mix, emphasizing high-priority development expenditures Evident in some reforming states. Higher tax/GDP ratio and more efficient tax system, including VAT implementation Evident in some reforming states. VAT postponed to 04/03, but better progress being made with preparation. Better cost recovery for service provision. Evident in some reforming states, and in some cases for Gol.
A1b Governance Reform <i>The success of fiscal adjustment depends on improving public sector effectiveness and overall governance.</i>	<ul style="list-style-type: none"> Governments overstretched and failing to provide services effectively; characterized by cumbersome structures, excessive regulations and red tape Poor expenditure management leading to fiscal deficits, improper allocation of scarce resources and waste Too many staff in positions with limited value-added Bureaucracy increasingly subject to political interference, 	<ul style="list-style-type: none"> Rationalize and streamline organizational structures and business processes Improve human resource management and development Improve the quality of public expenditure programming and financial management Encourage strengthened legislative oversight and greater participation/oversight of civil society Develop and implement monitorable indicators for measuring government 	<ul style="list-style-type: none"> Work closely with reforming states to support governance and public management reform in the context of broader structural adjustment Closely integrate reforms in core systems and procedures with institutional development initiatives at the sector level (e.g. in environmental monitoring & compliance) Provide information about promising examples of public sector reform in India and abroad Provide high quality 	<ul style="list-style-type: none"> Ongoing and future adjustment/restructuring operations and policy dialogue in focus states to address cross-cutting governance reforms Institutional issues will also remain central to sectoral investment operations and dialogue (e.g. environmental governance issues in UP) AAA: National work on governance issues, procurement assessment, financial accountability assessment Focused policy dialogue and TA as support to Gol WBI: Support in reaching out to all levels of government IFC: Support to efficient private sector involvement and pioneering investments in states willing to undertake the necessary 	<ul style="list-style-type: none"> CIDA UK DFID USAID (urban decentralization and governance) ADB Ford Foundation 	<ul style="list-style-type: none"> Reorientation of the state away from areas where credible private sector alternatives exist. Gol & some states running successful public enterprise privatization or restructuring programs. Improvements in service delivery in critical areas (e.g. education, power, health) Difficult to assess comprehensively, but apparent in some leading reforming states. Improved transparency and public disclosure, e.g. via freedom of information legislation, e-governance, public disclosure of pollutants) Spreading to more states. Improvements in civil service efficiency and productivity. Difficult to provide comprehensive

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	<ul style="list-style-type: none"> including frequent transfers of officials Need for greater public financial accountability, transparency, and integrity Public enterprises are often a fiscal burden and inefficient 	<ul style="list-style-type: none"> Strengthen effectiveness Strengthen accountability and responsiveness at local levels, while enhancing local autonomy Accelerate privatization or disinvestment from current slow pace 	<ul style="list-style-type: none"> technical and analytical support to broaden the public debate on governance reform issues Assist reforming state governments with restructuring/privatization of public enterprises; bring in lessons from international experience 	<p>steps toward privatization</p>	<p>assessment. Promising initial steps made in several focus states.</p> <ul style="list-style-type: none"> Strengthened public expenditure programming and financial management and accountability Some initial moves made (e.g., expanding scope of budget, moving to medium term expenditure framework, improving predictability of cash releases in focus states, computerizing and networking treasury in UP/Karnataka). Improved public perceptions of the probity and integrity of the civil service. Corruption investigations have increased significantly in most focus states; several states working to provide a baseline against which future progress can be measured. 	
<p>AIC</p> <p>Decentralization</p> <p>Decentralization to local governments represents a powerful opportunity to improve service delivery, responsiveness and accountability</p>	<ul style="list-style-type: none"> While accountable local governments can improve service delivery, most local governments lack the capacity to assume an expanded role 	<ul style="list-style-type: none"> Strengthen local government, in both financial and administrative respects, as a key aspect of improving service delivery and accountability Enhance the livability of cities through strengthened decentralization and well-managed urban governments Improve effectiveness of rural local governments' delivery of anti-poverty programs and other services Introduce performance-based funding for urban and rural local governments 	<ul style="list-style-type: none"> Work with interested states to strengthen urban and rural decentralization and improving local governance and management Support effective and inclusive decentralization by empowering local communities, especially in rural areas Undertake analytical work to deepen our understanding in selected states, share lessons across states, and bring in lessons of international experience. Key issues include: roles and functions of the 3 levels of rural local governments; roles and functions of local governments vis-à-vis line agencies and user group; improve local taxation and cost recovery; improve accountability to local constituents 	<ul style="list-style-type: none"> In urban, ongoing portfolio is minimal, with no current operations to strengthen local government; Portfolio to be strengthened by TA for policy/institutional reforms, proposed Gujarat, AP and Karnataka urban projects Analytical work on AP urban poverty reduction strategy and decentralization for the urban sector TA to assist with design of conducive financing arrangements and expand use of City Development Strategies in selected states In rural, ongoing portfolio includes decentralization and capacity building initiatives at local levels, (e.g. DPIP's in MP, AP and Rajasthan). Future support to include open-ended and single-sector community-based rural projects (e.g. state forestry, rural water supply projects, AP Rural Poverty Reduction Project); also possible project aimed directly at strengthening rural decentralization Dialogue in selected states, including as part of fiscal/governance reforms Analytical work in interested states to further decentralization and address key issues WBI: training and institutional capacity building to facilitate decentralization to local governments 	<ul style="list-style-type: none"> United Nations Agencies (decentralization is a key theme of UNDAF framework) DFID The Netherlands 	<ul style="list-style-type: none"> Improved local service delivery. Improvements being seen in rural water and sanitation service delivery and primary education. Increased financial and administrative autonomy of local governments. A few reforming states are addressing the strengthening of fiscal and administrative decentralization to local governments. Enhanced participation, transparency and accountability in urban government. Bank-supported governance activity in Karnataka beginning to have an impact at the state level, but it is too early to measure.

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A2. Promoting Private Sector Led Growth					
A2a Provision of High Quality Infrastructure <i>In transport, the public sector needs more resources and to play its role more efficiently.</i>	<ul style="list-style-type: none"> Deficiencies and deterioration of India's road network Poor performance of public road agencies Inefficient modal integration of transport system Poor performance and inadequate capacity of domestic construction industry 	<ul style="list-style-type: none"> Expand capacity and improve serviceability of national highways and state roads Implement institutional reform in national and state road agencies Better integrate the transport system Promote the private sector construction industry and private investment and operations in the sector 	<ul style="list-style-type: none"> Finance the preparation & implementation of national highways and state road projects in selected states Support development of long term strategy for transport sector Promote institutional reforms identified in institutional action plans for NHAI and selected state PWDs, and promote private sector involvement Provide strategic advice and encourage knowledge sharing Encourage policy reforms that remove impediments to development of construction industry, and appropriate formulation/use of contract sizing and selection criteria 	<ul style="list-style-type: none"> ADB Confederati on of Indian Industries JBIC State Chambers of Commerce and Industry State trucking and bus operator associations 	<ul style="list-style-type: none"> Better maintained national highways and road network in selected states. NHAI examining their maintenance methods on national highways. In AP, road network in good condition has increased from 60% to 80%. Greater emphasis on performance-based road management and accountability to road users. In AP, 900 km of state highways now under performance-based maintenance contracts. Greater private sector participation in Road Fund Board achieved in UP. NHAI has established an Advisory Group of External Stakeholders. About 1500 km of national highways improved to 4-lane standards. About 900 km of national highways being upgraded to 4-lanes. About 2000 km of state roads improved to 2-lane standards. Over 600 km of state roads improved to 2-lane standards in AP. 2-laneing of several hundred km of state roads on-going in Gujarat. Contracts for about 260 km awarded in Karnataka. Reduced travel time and transport costs, improved road safety. Too early to measure, but results of Bank-financed works are expected to be significant. Implementation of institutional development action plans in NHAI & selected state PWDs. In initial stages in NHAI, Karnataka, Gujarat, Kerala, and Mizoram. Improved cost effectiveness of road agency investments and greater participation of the private sector. Greater private-sector participation and cost-effectiveness being achieved in NHAI, AP, Karnataka, Gujarat, Kerala, and Mizoram.

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<p>Power</p> <p><i>In power, urban infrastructure and water supply, and telecom-munications, a proper environment for private investment and management is needed.</i></p>	<ul style="list-style-type: none"> Deep power sector crisis, with state utilities at bankruptcy High transmission and distribution losses to agriculture sector Low access and considerable bottlenecks throughout India Industrial demand constrained by high prices and unreliable supply (many opt for captive generation) 	<ul style="list-style-type: none"> Unbundling of State Electricity Boards (SEBs) (separating generation, transmission and distribution) underway in many states as a step towards private sector involvement, in particular privatization of distribution to bring down theft and losses Orissa is the first state to actually privatize its entire distribution sector Establishment of independent regulatory bodies—now established in nearly all major states 	<ul style="list-style-type: none"> Support power sector reform in committed states Assist in establishing strong regulatory frameworks, with multi-year tariff trajectories where prices reflect costs more closely and agricultural power subsidies are paid by government Finance transmission and critical pre-privatization distribution investments Support to the national transmission company, and development of national power market Provide IFC support to pioneering private investments in states with strong commitment to sector reforms Promote environmental benefits e.g. from feasible renewable energy alternatives 	<ul style="list-style-type: none"> Ongoing portfolio of power sector operations in Orissa, AP, UP and Rajasthan Technical assistance support for sector reforms in Karnataka and other selected states. Investment in the national transmission grid and renewable energy. AAA and policy advice for multi-year tariffs and other regulatory issues and other analysis to support the debate on power sector reform. Also work on issues of rural power and access. IFC: selected investments in reforming states, with high priority on supporting newly privatized distribution companies. Additional investment support to captive, co-generation, renewable energy, energy-efficient power projects and other private projects selling power to third parties 	<ul style="list-style-type: none"> PPIAF (multi-donor facility) DFID ADB CIDA KfW USAID SDC GEF DANIDA 	<ul style="list-style-type: none"> Reduced fiscal drain of the power sector. <i>Little improvement to date; most states continue to deteriorate although some have stabilized.</i> Better cost recovery for power via appropriate tariff structures, lower subsidies and cross-subsidies and reversal in culture of non-payment. <i>Tariff increases and rebalancing implemented in some states, with significant increases in agriculture and domestic tariffs; but extent of subsidy remains substantial. Culture of non-payment gradually improving in some states (e.g., AP & Rajasthan -- where collection efficiency is now over 98%), but sustainability still to be established.</i> Improved quantity and quality of supply of power in reforming states to support development. <i>Limited progress in improving quantity due to high cost of new sources of power; targeted investments under Bank financed projects have improved the quality of supply in Haryana and AP.</i> Reduced transmission and distribution losses in reforming states. <i>Loss assessments in progress; loss levels stabilized and starting to decline in some states.</i> Creation of the enabling environment for private sector investments. <i>Regulatory commissions in place in most states, but investor perception of investment risk remains high.</i> Increase in appropriate use of renewables and development of local skills and renewable energy products. <i>By end 2001, renewable energy (excluding hydroplants > 25 MW) had increased to 3.4% of India's power generation; local manufacturing of renewable energy systems has dramatically increased.</i> Substantial progress on commercialization of distribution in reforming states <i>Some progress (e.g., Delhi) but long term sustainability remains to be proven.</i>

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<p>Urban water supply and infrastructure</p> <ul style="list-style-type: none"> Urban water supply and sanitation in crisis, with state and local utilities at bankruptcy Inadequate water service coverage & poor water quality Weak regulatory framework and water resources management practices Cities characterized by overcrowding and pollution Gap between demand and supply of basic urban services has widened Lack of bankable projects and inappropriate borrowing facilities for infrastructure services Urban local bodies not creditworthy Poor urban transport systems and facilities found in most major cities 	<ul style="list-style-type: none"> Separate urban water policy and service provision functions Reduce dependence of sector on state subsidies and establish independent regulatory framework for water tariff setting Reform institutional framework by restructuring public entities and creating commercially viable water utilities Repeal Urban Land Ceiling Act and improve functioning of urban land markets and property regulation Strengthen creditworthiness of ULBs Develop conducive framework for local borrowing and techniques for credit enhancement Improve capacity for preparing bankable urban service investments attractive to the private sector Develop integrated urban transport systems 	<ul style="list-style-type: none"> Bring in international experience about urban reforms and private sector participation in urban water Finance advisory services for design of PSP transactions Seek up-front agreement on key policy and institutional reforms to ensure sustainability (e.g., cost recovery) Assist with urban scale financing and provide large-scale financing to urban sector reformers Finance the preparation of integrated urban transport systems Support resettlement and rehabilitation of project affected people and the development of greater local capacity to handle safeguard issues 	<ul style="list-style-type: none"> Ongoing portfolio of urban water sector operations in Maharashtra and Tamil Nadu New lending/credit support for Karnataka Water, Gujarat Urban, Karnataka Urban Capacity Building and Mumbai Urban Transport Project (MUTP) AAA: Dissemination, consensus building and distance learning activities to help reforming urban bodies to implement private sector solutions IFC: Equity participation/guarantees in reforming states, local currency financing Provide TA to prepare disaster recovery/mitigation strategies and investments IFC: Guarantee facility as part of ongoing IL&FS project, with future financing of demonstration projects 	<ul style="list-style-type: none"> ADB Multi-donor Water and Sanitation Program USAID UK DFID ADB AusAID SPARC Society for Promotion of Area Resources Centres 	<ul style="list-style-type: none"> Greater private sector participation in urban services, especially water, leading to reduced fiscal burden and increased coverage and quality. No significant increase in private provision but many urban local bodies (ULBs) are turning to private sector for management of solid waste with great effect. Improved service delivery and access to urban infrastructure for all, especially the poor. Anecdotal evidence suggests no major improvement. Urban Reform Fund and City Challenge Fund should help reform. Bankable cities, with increased linkages to commercial financial systems. Attempts to improve the creditworthiness of cities in Gujarat delayed by recent political events. Continuing progress in strengthening financial capacity of ULBs in Tamil Nadu. Improved urban transport infrastructure MUTP promises to improve urban public passenger transport in Mumbai. Some 10,000 project-affected households, who are mostly slum dwellers and squatters, have already been resettled and received higher standards of housing with improved amenities.

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Telecommunications	<ul style="list-style-type: none"> Low telecommunications coverage Limited success in mobilizing privately funded network expansion No competition for most telecom services 	<ul style="list-style-type: none"> Introduce competition into long distance and international voice services Privatize public sector companies Mobilize full potential of the private sector 	<ul style="list-style-type: none"> Support development of regulatory framework, including spectrum management Selected investments in private sector service providers to address problems of limited last-mile access, and poor domestic and international bandwidth 	<ul style="list-style-type: none"> CIDA (Telecom Project funding work on policy options for expansion of rural networks) 	<ul style="list-style-type: none"> Pro-competitive policies Progress has surpassed expectations. Sweeping new Communications Convergence Bill currently under review by Parliament. Spectrum frequencies assigned within 15 days. Planned for January 2004. Some actions are currently underway. Teledensity of 17% by 2005; Rural teledensity of 4% by 2010 Competition and simplified regulatory framework in the proposed Convergence bill would enable rapid rollout. Thus chances of meeting these targets look bright. Connections in all villages; telephones on demand by 2002 Out of approximately 607,000 villages, only 323,000 have at least one public telephone booth. Telephone on demand likely won't be achieved until 2005/2010. 	
A2b Accelerated Rural Growth Is critical for reducing India's high level of rural poverty.	<ul style="list-style-type: none"> Never regulated to the extent of industry, but agriculture still suffers from a plethora of regulations Agricultural growth in the 90s was about 3%, similar to that in the 80s, but below government target of 4% There is a surplus of grains: public storage levels are well above buffer requirements Input subsidies to agriculture (fertilizer, power, water) are unsustainable Augmenting the stock of rural infrastructure is key for accelerating rural growth. Low rural non-farm employment Increasingly scarce water resources 	<ul style="list-style-type: none"> Rural deregulation to raise agricultural productivity and rural incomes. Review and elimination of controls in the domestic market for agricultural produce Expand rural infrastructure through increased public investments and reforms. Other rural development reforms cover rural credit, land reforms, development of rain-fed areas and exploitation of groundwater potential, agricultural support services Improve inter-sectoral water resources planning, allocation and regulation, and sustainable delivery and use of water for irrigation Improve surface drainage and flood management 	<ul style="list-style-type: none"> Promote competitive and efficient agricultural markets Emphasize the crucial nature of agricultural technology generation Build consensus on key policy and institutional reforms Fund poverty-targeted investments in rural infrastructure (irrigation, drinking water supply and sanitation, natural resource management and agricultural support services) linked to reforms in service delivery Support agricultural growth with emphasis on holistic development of rainfed areas, using watersheds as the basis Help to raise 	<ul style="list-style-type: none"> Ongoing Portfolio includes multi-state watershed project, National Agriculture Technology Project and UP Diversified Agriculture Support Project; water resource consolidation projects in Haryana, Orissa and Tamil Nadu; irrigation and road projects/components in AP and UP New lending/credit support to Karnataka and AP watershed projects; Karnataka Tank Irrigation project; UP, Rajasthan and MP Water Sector Restructuring rural road program PMGSY AAA: State rural policy reviews; conference on rural non-farm economy and rural roads policies, and study on legal and regulatory frameworks for land; policy dialogue and workshops to support reform dialogue and implementation at the national level, and in states, communities and watershed basins IFC: Possible investments in key agribusiness activities, where the private sector has played a limited role (e.g. food supply chains, warehouse industry) 	<ul style="list-style-type: none"> ADB DFID Multi-donor Water and Sanitation Program The Netherlands 	<ul style="list-style-type: none"> Increased area under irrigation, and productivity per unit of water GoI and several states supporting irrigation and measures to improve on-farm water use efficiency. Limited progress in reducing inefficient electricity subsidies for irrigation. Improved cost recovery for operation and maintenance (O&M) of irrigation systems Several states are raising water user charges and transferring O&M to water user associations. Maharashtra water charges adjusted to cover full O&M and some capital cost. Slow progress in water collection efficiency. Increased water supply and sanitation coverage in rural areas. Progress in implementing national rural water supply & sanitation program has been slow. Bank supported projects in UP, Uttaranchal, Kerala and Karnataka to benefit 6.5 m. people. Policy on rural road development formulated.

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<p>A2c Competitiveness in Industry and Services</p> <p>Sustained growth in private industry and services will be critical to reducing poverty.</p>	<ul style="list-style-type: none"> India more integrated into the world economy, but FDI levels low and trade barriers high India has benefited from reduction in licensing and regulation, but business environment still unpredictable, discretionary and burdensome. Investment climate varies across states. 90s saw expanded role for the private sector; Though some parts of the economy are booming (e.g., IT), many sectors have excess capacity and many firms are over-leveraged. Central government has streamlined Privatization procedures; Privatization of PSUs has gathered momentum; but challenges remain at state-level. Serious labor adjustment issues could also arise. 	<ul style="list-style-type: none"> Bring trade barriers down to East Asian levels Further domestic liberalization and efforts to improve the investment climate, including: (i) abolition of small-scale reservations in critical export areas and phasing out in other areas; (ii) deregulation in labour markets; (iii) completion of dismantling of administrative prices; (i) reduction of clearance delays and harassment of businesses by excessive inspection requirements – actions by both central and state governments required Develop clear strategies to streamline restructuring & privatization procedures at state level and address labor adjustment issues. Encourage growth opportunities in knowledge-based industries (e.g. information technology, biotechnology) Improve quality and 	<p>productivity and sustainability of water resource use, including cost recovery</p> <ul style="list-style-type: none"> Engage with central government on national issues (e.g. trade liberalization and deregulation, labor markets). Work with central and selected state governments on improving investment climate. Assist second-tier companies to modernize and become internationally competitive. Support enterprise restructuring and privatization efforts. Support the financial restructuring of fundamentally viable companies in partnership with local institutions. Facilitate greater access to finance by SMEs Promote policy and institutional reforms in technical education, including greater mobilization of resources from the private sector, and 	<ul style="list-style-type: none"> IFC: Investments in the financial restructuring of selected second-tier manufacturing and service companies; investments will often be in local currency, using guarantee of loans from domestic financial institutions or using swap arrangements Facilities to be established with financial institutions to provide long term financing and access to export finance InfoDev support for various IT applications for the poor Ongoing Portfolio of Third Technician Education Project; Industrial Pollution Prevention, Energy Efficiency. Future lending/credit support : proposed operation to finance severance payments for PSU workers with the objective of facilitating enterprise privatization; Sub sector Program in Technical Education. AAA: Policy notes, including work on business environment/investment climate for selected states; Economic Updates; Labor Market study; policy dialogue on reforms in technical education TA/dialogue with interested states on improving environmental monitoring and compliance. 	<ul style="list-style-type: none"> Private sector companies, industry associations and financial sector institutions DFID, CIDA, SDC, GTZ supported technical education programs during 1990s Partnership with Montreal Protocol: world's second largest program to eliminate production and use of ozone-depleting substances 	<ul style="list-style-type: none"> Endorsed by govts in Haryana, AP, Assam. Under preparation in UP, Punjab, J&K, Uttaranchal. National road maintenance policy under preparation with Bank assistance. Improved rural road financing and maintenance GoI Rural Roads Program, integrating positive experiences on maintenance gained from Bank projects, now being implemented. Road fund established in UP. Progress on maintenance management systems in AP & UP. Higher levels of village connectivity in worst connected states. 10,000 km of rural roads being upgraded to all weather standards in 8 states. Lower trade barriers QRs dismantled; tariff levels reduced but remain high. Increased levels of FDI Increased FDI flows; less restriction of foreign ownership. Increased speed of clearances by state governments. Improvements in some states (AP, Karnataka, Maharashtra). Improved feedback on investment climate from surveys. A survey of India's investment climate and surveys in 10 states, completed, with findings disseminated in workshops. Will provide the basis for follow-up surveys. Acceleration in the pace of successful enterprise privatization and reforms. Significant progress: \$1.9 bn raised from 30 sales in FY01/02 & FY02/03 to date. Higher placement levels and shorter lead times in placement for technical education graduates, and higher enrollments from women and members of disadvantaged groups GoI and several states have initiated some reforms. Significant increase in enrollment of women in all states that have Bank-assisted projects.

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<p><i>Although India's financial sector is relatively stable, a difficult and unfinished agenda remains.</i></p>	<ul style="list-style-type: none"> Limited access to business development and financial services for SMEs. India has large stock of skilled labour, but quality of technical training below the first tier is poor. Industrial pollution is increasing. 	<p>relevance of technical education by better networking, institutional reform, and extra-budgetary resource mobilization</p> <ul style="list-style-type: none"> Improve environmental compliance. 	<p>from the private sector, and more participation of women and disadvantaged groups.</p> <ul style="list-style-type: none"> Support for innovative applications of information and communication technologies to help the poor Bring in international experience with environmental monitoring and compliance. 	<ul style="list-style-type: none"> IMF ADB Financial sector companies and industry associations Grass-root micro-finance providers and community-based financial institutions 	<ul style="list-style-type: none"> Uniform regulatory treatment of financial institutions, irrespective of their ownership; better market discipline. ▲ <i>Not achieved – continued regulatory forbearance and financial support for public financial institutions.</i> Gradual fall of government stake in commercial banking ▲ <i>Not achieved; legislation pending.</i> Improvements in banking performance, including reduction in non-performing assets ▲ <i>Net NPAs of public banks reduced to 6.7% of total advances (6.2% for entire banking system) in FY00/01. Steps taken to strengthen creditors' rights and facilitate recovery of NPAs by the newly created Asset Reconstruction Company of India, Ltd. Increased foreign ownership allowed, which will bring in better banking practices.</i> Strengthened capacity of financial institutions to extend financial services ▲ <i>Restructuring of DFIs will strengthen their capacity. Opening of banking sector to greater FDI will strengthen the financial sector. Growth of NBFIs offering mortgage finance etc.</i> Smooth (and scandal-free) functioning of securities markets ▲ <i>Some progress in improving functioning and transparency of markets, but regulation needs strengthening.</i> Creation of secondary mortgage market ▲ <i>Legislation passed to facilitate</i>
	<ul style="list-style-type: none"> Reduce fiscal deficit to private sector Improve legal and judicial framework to reduce NPAs Improve mobilization of long-term finance for private sector development Upgrade quality of commercial banking services Increase the outreach of credit and financial services to the poor Scale-up successful small grass-root micro-finance providers 	<ul style="list-style-type: none"> Support gradual disinvestment of government and removal of constraints to private investment in banking Help restore soundness of state financial institutions and strengthen regulatory and supervisory capacity Support debt market development Promote the growth of housing finance industry Support private contractual savings institutions Assist initiatives to reform financial cooperatives and broaden the provision of financial services to the poor, primarily micro-insurance, payments and pensions Test innovative concepts and products in provision of microfinance 	<ul style="list-style-type: none"> IFC: Investments in private banks and financial institutions; support for the use of innovative market instruments; selective credit enhancements to promote market acceptance of longer-term debt Investments in housing finance companies and pilot securitization of mortgages to assist in the creation of a secondary mortgage market Investments and TA for commercially sustainable microfinance providers Ongoing portfolio of projects to help rural self-help groups to utilize rural banking (e.g. AP DPIP) Future lending/credit support to a pilot project to enhance access to credit for community infrastructure through community-based financial institutions AAA: Monitoring of sector, analytical advice through policy dialogue, workshops (e.g., on financial sector reforms, pension reforms), policy notes and reports (e.g., on establishing a regulatory level playing field for financial institutions, strengthening corporate governance of banks, improving the legal system for debt recovery) and TA to governments and regulatory institutions. 		

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					<p>securitization.</p> <ul style="list-style-type: none"> Improved credit access for the poor Little progress. 	
B. SUPPORTING CRITICAL PRO-POOR INTERVENTIONS						
B1. Promoting Education and Health for All						
<p>B1a Elementary Education <i>Subsidies to primary education are as pro-poor as the best of the programs directed explicitly at fighting poverty.</i></p>	<ul style="list-style-type: none"> Enrollment rates are rising for elementary education and the gender gap is falling. But even today only 79% of India's elementary school age-group (age 6-14) are enrolled. With literacy at just above 65%, there is a long way to go. Education resources and performance are inadequate State governments are main financiers of education, but state-level education strategies are weak 	<ul style="list-style-type: none"> Support for universal elementary education as a fundamental right Decentralize planning, supervision and management through local bodies Mobilize local communities, and use advocacy and media campaigns Build stronger partnerships with NGOs Provide new opportunities for the poor and disadvantaged Provide options to attract working children 	<ul style="list-style-type: none"> Support efforts to improve education quality and access Reduce out-of-school children, particularly girls and children from socially disadvantaged groups, and encourage innovations to attract working children to school Encourage a shift in composition of public expenditures towards elementary education Gol has decided to end District Primary Education Program (DPEP) and to launch a bigger program of Education for All building on its success 	<ul style="list-style-type: none"> Ongoing Portfolio of 7 DPEP projects covering 15 states; New lending/credit support: With the final project in the DPEP series of projects now being implemented, modes of subsequent support depend on reaching agreement on support for Gol's new Education for All program and on the Bank role in interacting with state governments in education AAA: work on selected state education sectors (Karnataka, AP and UP), evaluation of the impact of DPEP, secondary school issues, continuing analyses of private education (especially aided schools), early childhood development and possibly on information technology in education IFC: Possible investments in private educational institutions 	<ul style="list-style-type: none"> The Netherlands UK DFID EU UNICEF 	<ul style="list-style-type: none"> Implementation of new generation of Bank projects to support universal education. Gol indicated potential interest in SSA being funded by the Bank and the 'Education For All' fast-track initiative. New state education strategies, possibly supported by the Bank. Significant progress in formulating detailed reform strategies in Karnataka and AP. Similar dialogue being initiated in UP. By 2004, 90% enrollment rate of 6-14 age group; gender gap halved to 4.5 percentage points. No data on enrollment indicator since the 55th round National Sample Surveys (1999/00), but targets will not be reached if recent trends, as measure in National Sample Surveys, continue. Higher Grade 5 and 8 completion rates and achievement scores Recent studies indicate low (below 70 percent) grade five completion rates, but with improvements across most states. No national survey of achievement. Increased share of public expenditures to elementary education. The share of state governments' total expenditures on elementary education has remained virtually constant in recent years, but Gol's budgetary allocation for elementary education increased by 20 percent in 2002/03 compared to previous year.

Country Program Matrix (FY02-04)

INDIA'S POVERTY REDUCTION STRATEGY		WORLD BANK GROUP ASSISTANCE		Development Partners	Progress Indicators/Benchmarks	
Strategic Objective	Diagnosis	Strategies and Measures	Bank Group Role			Instruments
<p>B1b Health</p> <ul style="list-style-type: none"> Disease burden and nutritional problems remain high TB is on the rise; the spread of HIV/AIDS could become a threat to India's future Substantial variations in health care services across the population <p>Health and nutrition indicators in India are low, with enormous gaps between the poor and the better-off.</p>	<ul style="list-style-type: none"> Integrate different health and nutrition services; better utilize existing facilities Decentralized planning and program implementation on HIV/AIDS 	<ul style="list-style-type: none"> Focus on health issues of priority to the poor, including child health, reproductive health and communicable disease control, especially new threats (HIV/AIDS) Assist in developing capacity to manage public health programs effectively (e.g. in surveillance and food and drug control) at central and state levels Aid in developing more efficient, effective and sustainable health systems at the state level Continue to focus on women and other vulnerable groups Increased focus on: (i) decentralization; (ii) public/ private partnerships in health; (iii) environmental health issues 	<ul style="list-style-type: none"> Ongoing portfolio of state health systems projects in Orissa, West Bengal, Punjab, Maharashtra, Andhra Pradesh, Karnataka and UP; central government programs to combat HIV/AIDS, TB, malaria, leprosy, blindness and under-nutrition. New lending/credit support to finance state health systems in Rajasthan and Tamil Nadu; central government projects on integrated disease surveillance and health capacity building (food and drug control); cross-sectoral interventions for improving health and livelihoods of the poor (e.g. sanitization projects) AAA: Completion and dissemination of major sector work on public/private roles in health, and household energy; air pollution and health study, study on the health status of the urban poor, and support to policy dialogue with both the center and selected states IFC: Possible investments in private healthcare companies 	<ul style="list-style-type: none"> WHO UNICEF UNAIDS USAID EU UK DFID DANIDA AusAID CIDA ILEP 	<ul style="list-style-type: none"> Restructuring of centrally sponsored schemes/projects to promote decentralization. Results have been more positive in some programs (e.g. TB, leprosy, HIV/AIDS and Reproductive and Child Health) than in others (malaria and Integrated Child Development Services). Increased integration between various health and nutrition programs in AP, Karnataka and UP Marginal increase in integration in these states. Comprehensive health policies/vision statements prepared by states covered by new health systems projects. Rajasthan & Tamil Nadu, the two new health system project states, are developing health policies/vision statements that will be reflected in project design. By 2004: (i) reduce under-5 mortality rate to 80 per 1000; (ii) reduce maternal mortality rate to 400 per 100,000 live births; and (iii) increase access of eligible couples to contraceptive services to 64% Interim assessments on progress are not available. India needs to accelerate progress to achieve MDG health indicators. 	
<p>B2. Accelerating Pro-Poor Rural Development</p> <p>Directly attack rural poverty and enhance social protection in rural areas through innovative, community-based rural initiatives.</p>	<ul style="list-style-type: none"> Strengthen rural infrastructure and expand access to basic services (such as water supply and sanitation) in a manner which benefits the poor. Anti-poverty projects need to be restructured to provide an effective safety net, with increased local participation, social mobilization, and transparency Improved and sustainable natural resource management is key, since so many of the poor are 	<ul style="list-style-type: none"> Support innovative projects which can, by their demonstration effect, help improve the design and implementation of GoI and state-sponsored anti-poverty schemes, and thus improve the rural safety-net Various sectoral and multi-sectoral approaches can be adopted, but with common principles: (i) often a programmatic approach will be most useful; (ii) involve and 	<ul style="list-style-type: none"> Support innovative projects which can, by their demonstration effect, help improve the design and implementation of GoI and state-sponsored anti-poverty schemes, and thus improve the rural safety-net Various sectoral and multi-sectoral approaches can be adopted, but with common principles: (i) often a programmatic approach will be most useful; (ii) involve and 	<ul style="list-style-type: none"> Ongoing portfolio of DPIIP projects in AP, Madhya Pradesh and Rajasthan; Sodic land reclamation project in UP; AP, Kerala and UP forestry projects plus Forestry Research Education and Extension Project; rural water and sanitation projects in UP, Karnataka, Kerala; multi-state watershed development and Eco-Development projects; Rural Women's Development and Empowerment Project; Gender-thematic supervision to be undertaken for rural development portfolio New lending/credit support includes community-driven rural water and sanitation programs (multi-state, in support of Rajiv Gandhi Mission on rural water supply and 	<ul style="list-style-type: none"> DANIDA DFID GEF EU JBIC SIDA UN Agencies The Netherlands SDC International NGOs, including OXFAM, CARE, Action Aid, Save 	<ul style="list-style-type: none"> Increase in income of the poor Updated data since last CAS not yet available Increased cost effectiveness and improved targeting of programs GoI and states have further improved targeting of food assistance to the poorest households. Progress in reducing operating costs and leakages has been slower. Bank DPIIP projects provided targeted assistance in selected states. Greater capacity of rural communities to plan and implement sustainable activities Bank supported projects in several states are building the capacity of rural communities to plan and implement activities

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	<p>dependent on forests and waste lands</p> <ul style="list-style-type: none"> Target initiatives to women and other disadvantaged groups 	<p>empower beneficiaries under a decentralized approach; (iii) use NGOs and alternative service providers; (iv) support complementary institutional and policy reforms; (v) promote cost recovery; (vi) target to the poorest areas and most vulnerable groups; (vii) integrate interventions for maximum impact</p> <ul style="list-style-type: none"> Maximize the environmental and social benefits of improved water, forestry, land, and drought management through projects and expanded policy analysis. 	<p>sanitation and state projects in Maharashtra and Tamil Nadu), AP Rural Poverty, Madhya Pradesh and other state forestry projects, Karnataka Watershed Project, and possible future DPIP initiatives</p> <ul style="list-style-type: none"> AAA: Analysis in selected states on: anti-poverty programs, decentralization, and natural resource-poverty linkages. Periodic survey-based reviews of the effectiveness and inclusiveness of project-based user-groups. Rural water supply and sanitation strategy. Collaborative rural poverty reduction strategies 	<p>Action Aid, Save the Children, Ford and MacArthur Foundations, WWF</p> <ul style="list-style-type: none"> MYRADA, SEWA, and numerous other NGOs 	<p>in rural water supply and sanitation, watershed development and management, community forest management, irrigation management, sodic land reclamation, etc.</p> <ul style="list-style-type: none"> Increased participation of women and the disadvantaged in decision making and attaining benefits The increased participation of women and the disadvantaged has been integral to Bank supported projects across several states. In IWDP II, 900 women's self help groups have been organized. Greater land reclamation, forest regeneration and biodiversity protection UP Sodic Project II has helped reclaim — hectare of sodic lands. Several states are increasing forest regeneration via joint or community forestry. Govt is finalizing National Biodiversity Strategy and Action Plan.
<p>B3. Community Driven Urban Development</p>					
<p>Initiate work in community-driven development in urban areas.</p>	<ul style="list-style-type: none"> Urban poverty increasingly important, as urban areas projected to grow more quickly More than 20% of urban dwellers live in slums, with higher numbers in largest cities 	<ul style="list-style-type: none"> Adapt community-based approach which has been very successful in rural areas to work in urban areas 	<ul style="list-style-type: none"> Promote demand-driven and community led development of urban services Learn from what has worked and scale it up (experience in other donor-backed projects; strong urban women community groups in some states) Explore sustainable financing mechanisms, including credit for community infrastructure 	<ul style="list-style-type: none"> ADB AusAID UK DFID Netherlands USAID India Housing Development Finance Corporation (HDFC) 	<ul style="list-style-type: none"> Increased scale for successful community-based urban initiatives Gujarat is implementing scaled-up slum upgrading through ULBs.
	<p>these programs are questioned.</p>		<p>Future lending/credit support for AP Urban Poverty Reduction</p> <ul style="list-style-type: none"> Analytical work on AP urban poverty reduction strategy 		