

## Summary of the Consultation Process

### 1. The Process

Consultations with various tiers of government, civil society, donors and the private sector have been an integral part of the CAS formulation process. Given the multiplicity and geographical spread of stakeholders in the Bank Group's work in India, and their wide range of priorities and points of view, the challenge was to conduct truly representative and focused consultations that could provide meaningful input and direction to CAS formulation.

The consultation strategy has, therefore, been based on the following principles: a) feedback would be elicited in a focused manner on the emerging themes and issues that were expected to underpin the CAS; b) participants would reflect a divergence of views, but would be familiar with the work and role of the Bank; and c) consultations would be low-key and transparent so that expectations from the exercise were realistic.

The consultation process has comprised four elements:

- **India client survey:** About 1,000 interlocutors in government, civil society, academia, media and the private sector were invited to participate in a two-part survey for their views on key development issues in India, and on the Bank Group's effectiveness and priorities. Of these, 581 responded to the first part, which was a quantitative opinion survey. Eighty of these respondents were then invited to participate in the second (qualitative) part that consisted of group discussions on themes that emerged from the first part. The survey instrument was tailored out of the standard Bank Group survey, and was conducted by an independent, private sector market research firm, Taylor Nelson Sofres Mode, over October-December 2003. A summary of the findings is provided below.
- **Targeted meetings:** Before the drafting of the CAS began, a series of meetings was held over several months with sector ministries, based on notes prepared by the Bank to discuss key sectoral challenges and how best the Bank could help. These discussions provided an important input to the subsequent drafting of Section IV of the CAS (World Bank Group Program Priorities). Throughout the drafting process, extensive feedback was provided by government counterparts in the Ministry of Finance, as well as sector ministries. Several noted Indian economists and policymakers beyond government were also requested to provide informal review and advice. The consultation draft was also circulated to sector ministries for final comments.
- **Online consultations:** In June 2004, after discussion with the government, the main text of the CAS was posted on the external websites of the India Country Office in English, Hindi, Kannada and Telugu for public review and comment for a period of four weeks. Awareness of this facility was created through a press conference in New Delhi addressed by the Regional Vice President and Country Director, email and fax notification to Bank contacts, the Country Office quarterly newsletter, and other means of outreach.
- **Consultation workshops:** In July, the Bank Group hosted a series of half-day workshops in Delhi, Mumbai, Bangalore and Lucknow, with invited representatives of the central, state and local governments, donors, the private sector, academia, media and NGOs. These meetings were aimed at obtaining direct feedback on the CAS draft. The Country Director presented the strategy to the participants, and then responded to all comments. A summary is provided below.

## 2. Summary of feedback

**A. India Client Survey, first phase (quantitative):** Of the 581 respondents to the survey, the largest number came from the media, followed by state government, civil society, academia, and central government. They represented almost all the states, with the highest numbers from New Delhi, followed by Maharashtra, Andhra Pradesh, Karnataka and Uttar Pradesh.

Poverty reduction emerged as the number one development challenge, followed by improving infrastructure, corruption, government effectiveness, and access to education. Respondents cited population growth, inadequate infrastructure, lack of access to quality education, and scarcity of water resources as the main challenges to sustainable growth.

Respondents saw the Bank Group's greatest value in helping to strengthen infrastructure development, giving this contribution an overall rating of 4.4 on a 5-point scale. This was followed by: helping to improve the energy sector, improving access of the poor to health services, improving water resource development and management, and providing support to low-performing states. The Bank's greatest weaknesses were considered to be: imposing technocratic solutions without regard to political realities, and not exploring alternate policy options.

The Bank Group was given an overall rating of 5.8 on a scale of 10 for the effectiveness of its work, with local government and project implementing agency officials giving high ratings, and the media and civil society rating it low. Other key impressions were (ratings above 5 on a 10-point scale):

- The Bank Group is an effective catalyst for discussion on issues related to poverty
- The Bank Group's procurement rules and fiduciary controls help make projects more effective
- The Bank Group's work is aligned with the country's development priorities
- The Bank Group places reasonable conditions on its lending
- The Bank Group's work promotes the empowerment of poor people to participate in development
- There was a relatively low rating for whether the Bank Group plays a useful role in helping India reduce corruption and nepotism.

Over 85 percent of respondents indicated that India is moving in the right direction, particularly in terms of sustaining economic recovery and promoting growth, ensuring adequate infrastructure, ensuring education for children, and reducing gender disparities. There was less agreement on whether the country is moving in the right direction in improving governance, delivering services to the poor, and reducing corruption.

The survey showed some clear attitudinal distinctions in the three 'focus states' of the preceding CAS period: AP, Karnataka and UP. In general, respondents were most negative in AP about the Bank, its work, its style, and about the level of support they wanted from foreign agencies/organizations. In contrast, UP and Karnataka returned consistently positive ratings.

On the strategy to be followed towards states, more than half (51%) felt the Bank Group should focus its resources on "low performance" states while nearly 40% preferred states where the government is undertaking difficult fiscal, governance and energy reforms.

Respondents overall rated the Bank Group's knowledge as 4 on a scale of 5 for both its usefulness and technical competence. However, the rating slipped to 3.3 for the ability to adapt its knowledge to India's needs.

*Second phase (qualitative):* In this phase, 80 individuals from among the 581 respondents of the first phase were invited to participate in group discussions on the emerging themes. They represented all respondent categories (central and state government, private sector, academia, media and NGOs) and were convened in groups of 10 in eight cities. Experienced moderators from the market research firm conducted the discussions and the Bank was not present.

*Criteria for lending to states:* The groups were asked what criteria agencies such as the Bank Group should adopt for lending strategies towards states – reform or need. Karnataka, AP, Tamil Nadu and Maharashtra were perceived as reforming states, and were said to be more responsive and pragmatic in solving economic and social problems. The view was also that they were more disciplined and spent prudently. On the other hand, 'non-performing' states were characterized as having poor infrastructure, poor governance, and an inability to make full use of their natural resources or allotted funds.

A clear majority said the first category of states was more likely to make good use of funds from agencies such as the Bank Group and should be targeted for more lending as an incentive to remain proactive and continue to show results. But a significant minority felt there were historical reasons for the condition of the non-performers and they should not be penalized by being denied funds. This group argued that to ignore the non-performers would lead to lopsided development, which would spawn its own set of problems.

A third stream of opinion was that a state's performance or need should not be the criterion, but rather there should be a focus on the likely impact of the particular project or program. These participants listed specific parameters for lending decisions, including earmarking for basic infrastructure like roads and power, health facilities, education, water and sanitation, and creating livelihood opportunities.

In sum, most favored allocations based on a state's 'performance' but others stressed 'need' as the criterion, and a third set preferred allocations based on specific project and program parameters.

*Sectors to be targeted:* Poverty emerged as India's biggest development challenge, with respondents listing the following obstacles as the biggest impediments to poverty alleviation: Unemployment, lack of basic infrastructure, illiteracy and population growth.

A strong view was that unemployment can be tackled by building infrastructure such as irrigation facilities, roads, power and telecommunications. Respondents felt the Bank Group should give highest priority to addressing unemployment and building infrastructure. They suggested that by helping India create world-class infrastructure, the Bank and IFC could help improve the investment climate and make the country an attractive investment destination. These agencies could also help design administrative and legal reforms required to attract investments, besides helping to promote India at international summits.

*Knowledge and international experience:* The participants overwhelmingly felt the Bank Group's knowledge and technical expertise were of help to the country. Such assistance could be used to improve the running of projects, and create transparent and accountable administrative systems. The Bank Group should disseminate its reports and studies more effectively, and also foster learning and sharing of experiences across countries. It was felt that the Bank Group should also support improvements in the management of the public sector while providing expertise to the private sector.

The results of the Client Survey and discussions with the government were the two main external inputs to the formulation of the first draft of the Country Strategy. They informed the thinking on issues such as the strategy to be adopted towards states, and on the content of engagement in infrastructure, water, human and rural development.

Specific inputs used include: Renewing the Bank's program of support to infrastructure in India; and, greater attention to the Bank's program of knowledge services, including reshaping the program to be more demand-driven, putting new mechanisms in place to improve the quality and relevance for India, and greater attention to dissemination.

**B. Online consultations:** The Bank received a small number of responses over the web. Two of these were from well-known anti-dam organizations (one Indian, the other international) and the rest were from individuals. Some of the points made were:

- The document should be more explicit about lessons learned from the Bank's experience in AP.
- It is incorrect to credit the post-1991 reforms for increasing incomes and improved living standards as no reform-wise impact study has been done on people's access to employment, livelihood, water, power and other basic necessities.
- The Bank should not support investments in hydropower; critiques were also made of proposals for reform in agriculture and the power sector.
- The attempt to harmonize fiduciary and safeguard policies is likely to severely weaken existing measures to avoid and mitigate negative social and environmental impacts of Bank Group projects, as the safeguard policies of the GoI are weaker than those of the Bank Group.
- The consultation process was "a mock".
- Small farmers will not be able to survive a reduction in agriculture subsidies.

**C. Consultation workshops:** On the whole, there was endorsement of the general thrust of the CAS, especially of its strategic principles and program priorities. In particular, there was strong support for the knowledge role and the new strategy towards states. Many participants welcomed the initiative, transparency, and inclusiveness of the consultation process. Some participants in one workshop, however, felt the consultations were rushed and there was inadequate time to review the strategy and offer significant inputs.

Feedback and recurring themes that emerged from these consultations, which have been addressed in the final CAS are:

- Not enough emphasis on urban development, especially on increasing the quality of life in urban slums, improving economic opportunities for the urban poor, and reducing urban poverty through measures such as access to property rights.
- Mention should be made of population growth and high fertility rates.
- There should be more explicit recognition of the issue of economic and social exclusion of historically discriminated groups and women, which remains a major obstacle to India's development.
- More emphasis on the need to harness and develop water resources, especially as it relates to irrigation, as this can positively impact rural livelihoods.
- There should be a more comprehensive approach to rural energy, including renewable sources, and the strategy should not be confined to rural electrification.
- The Bank should recognize the issue of land ownership and land reform, which is a key bottleneck to India's development.

- SMEs have a crucial role to play in the development of India, especially since they are a major source of jobs and economic opportunities.
- MIGA should provide greater support to outbound investment from India.
- The Bank Group should address the issue of jobless growth through enhanced support for vocational training, and analytic work.
- The draft does not indicate what steps the Bank Group is taking to reduce corruption and improve governance.

Other points made were:

- The Bank Group's willingness to invest in large scale infrastructure programs, including dams, is disappointing and shows that it has not learned lessons from past experience, such as the Narmada project.
- The Bank should play a bigger role in the field of tax reform.
- The Bank Group should improve its procurement procedures to lower the cost of money borrowed and increase efficiency of disbursements.