

The India and World Bank Group Partnership

Given the vast development challenges, and the modest size of Bank Group programs relative to the population and economy of India, the Bank Group cannot support India in every effort toward achieving its Tenth Plan goals and the MDGs. Instead, since 1997 Bank Group strategy has been to engage selectively in India and primarily at the state level, with knowledge resources and financing geared towards reform. The main thrust of the strategy has been to support the programs of leading reform states in order to create demonstration effects that might stimulate reforms across other states, or in other sectors of a reforming state. The focus of IFC activity has been on investments in manufacturing, financial services and infrastructure.

In developing this CAS, the Bank Group country team undertook a self-assessment of its FY02-FY04 support to India to supplement the CAS Progress Report of December 2002. A note on this review is attached as Annex 2. The assessment concludes that, by focusing on key aspects of the reform agenda and working in partnership with Gol, reforming states and others, the Bank Group has been able to have considerable positive impact. Recent Bank Group programs have been ambitious in their efforts to catalyze and expand the state reform process in areas that are central to reducing poverty in India - and when progress in reforms was slower than expected, Bank strategy was also well structured to deal with the slowdown in reform implementation that took place in several states. While concluding that the FY02-04 strategy was broadly appropriate, the review points to some lessons of experience which suggest an evolution (rather than a fundamental rethink) of the strategy going forward. These include: the need to

address growing disparities in state development performance, especially given the importance of the poorest states for achievement of the MDGs; the importance of long-term engagement with states on cross-cutting reform issues; and the disadvantages of concentrating investment lending in states that are recipients of adjustment lending. Further detail on implementation of the FY02-04 CAS is provided in the note and a brief summary of progress for some of the main product lines of the Bank follows below.

For the *Bank's ongoing portfolio*, India's portfolio performance declined in FY03 after five years of sustained improvement in most quality indicators, and showed mixed results in FY04 after a number of improvement actions were taken on projects that were either slow disbursing or closing with large undisbursed balances. These actions resulted in an improvement in disbursement performance, but also in an increase in the riskiness rating of the portfolio. The disbursement ratio reached 19.9 percent at end-FY04, which is slightly below the Bank average of 21.4 percent and ratios for other large Borrowers such as China (22 percent) and Indonesia (27.2 percent). The percentage of projects-at-risk increased to 16 percent in FY04 compared to 11 percent in FY03 and the Bank-wide average of 16 percent. Many of these projects had clearly not been ready for implementation at approval, and hence suffered one or two years at the outset in which little was disbursed. At current implementation and disbursement rates, none of the ongoing projects in the portfolio can be completed within the 5-year implementation period which has been the business standard for Bank projects in the South Asia region.

The causes of slow disbursement included a weakening of project readiness for implementation and a weakening of follow-up and proactive actions to address slow disbursing projects. The increase in the portfolio riskiness rating results from more candid reporting and proactive portfolio management, which is reflected in the end-FY04 realism and proactivity indices of 90 percent and 83 percent, respectively. In order to improve portfolio performance and support the strategy for scaling up Bank support to India, the Bank and Gol engaged in intensive dialogue during FY04 on ways to improve the portfolio and agreed on a Portfolio Improvement Strategy. Implementation of this strategy (attached as Annex 8) began in mid-FY04 and is expected to continue into FY05 and beyond.

For *new Bank lending*, commitments fell short of the base case of the CAS during FY03 and FY04 and below the program envisioned at the time of the Progress Report. Reasons for this include delays in both adjustment and investment lending due to a slower than expected pace of reform implementation in some states. Consistent with the 'self-activating triggers' of the FY02-04 CAS, the Bank's lending volumes have been reduced when states have slowed in their implementation of fiscal, governance and power reforms. The investment pipeline was also affected by preparation delays. Despite this, IDA resources, which are constrained at low levels relative to India's size and absorptive capacity, are likely to be fully utilized during IDA-13.

By contrast, while the slowdown in some state reforms reduced Bank financing, during FY03 and FY04 the *AAA program* of the Bank was stepped up. The country team continued a dialogue on reforms and provided non-lending technical assistance in UP when further adjustment lending was put on hold as

the state's reform process faltered. Substantial policy advice and non-lending technical assistance have also been provided in states where adjustment lending has been under preparation, namely AP, Karnataka, Tamil Nadu and Orissa. Important analytic work on the investment climate and fiscal, governance and power sector reform was also initiated in states where the Bank had not previously been engaged in these areas, including Maharashtra, Bihar and Punjab.

In addition to the expansion of state level policy dialogue and non-lending TA, the country team focused on major studies such as the DPR and an AP Growth Study in order to disseminate key messages more widely across India. A Country Procurement Assessment Review (CPAR), several State Financial Accountability Assessments (SFAAs) and numerous sectoral policy notes, workshops and dissemination activities were also delivered to bolster the reform process at both the federal and state levels.

For *IFC programs*, commitments in India grew strongly over the CAS period, albeit with considerable variation in response to changing market and regulatory conditions. Over the last two years IFC achieved record commitments in India, nearly doubling its portfolio, improving profitability and investing in high impact projects, making India IFC's second largest exposure. In FY03, IFC committed a record US\$348 million and in FY04 commitments were US\$290 million, with a concentration in manufacturing, as well as investments in agribusiness, power, oil and gas, finance and healthcare. The expansion was mainly in long-term debt, aided by the introduction (in FY02) of local currency lending, which is better suited to sectors such as infrastructure, housing finance and healthcare that do not generate foreign exchange.

Scaling Up

The country team's review of Bank Group assistance (see page no. 19) reconfirmed the positive impact that the Bank Group can have when focusing on supporting key aspects of the reform agenda and working in partnership with Gol, the states and others. The Bank Group offers a number of strengths. First among these is the Bank Group's ability to gather and share global knowledge and experiences with Gol and other important audiences in India. Secondly, the Bank Group has a broad array of tools that it can offer to help mobilize private financing and foster greater private sector participation in India's development. Thirdly, through lending and investments, the Bank Group can help catalyze greater effectiveness and more efficient spending of others (e.g., state level governments), towards the ultimate goal of reducing poverty and encouraging India's sustainable development. *In looking ahead, the core message of this CAS is to build on these strengths while engaging in new ways with India to achieve a major step-up in Bank Group impact and delivery.*

To achieve this enhanced impact, three **Strategic Principles** will underpin the Bank Group's work:

- ◆ **Focusing on outcomes**, to ensure that all of the work of the Bank Group is explicitly geared towards supporting India's achievement of its development goals. Annex 4 provides a CAS Outcomes Matrix for FY05-08. The Bank Group will support achievement of these outcomes with all of its finance and knowledge resources in India; the outcomes will in turn serve as the goal posts to measure the effectiveness of Bank Group support over the medium term timeframe of the assistance strategy. During FY05-08 the Bank
- Group will also seek to support or develop a stronger focus on results and an 'outcomes orientation' within the programs of Gol and the states, emphasizing impact monitoring and evaluation and improved service delivery for some of the most far-reaching programs of government.
- ◆ Due to the complexity of India's development challenges, Bank Group programs will necessarily span a wide range of sectors and types of interventions. Nevertheless, **selectivity** will be applied, to target limited resources to activities where assistance is welcomed and where contributions can also be the most effective. An important element of this is working closely with the major donor and financing partners remaining in India, (see page no. 28-29) taking their programs into account and seeking to work together for co-financing of country-led programs under common fiduciary and safeguard arrangements. Lending selectivity will also be exercised by choosing projects in a way that seeks to maximize their impact. During FY05-08, this means focusing adjustment lending on states undertaking comprehensive reforms, as is currently the case, and applying 'guidelines for engagement' for investment lending (see page no. 27). Even with scaled-up lending, gross disbursements will be very small in relation to the size of India's economy - less than 0.2 percent of GDP. Selectivity therefore also means a greater emphasis on projects that either pilot/demonstrate new approaches for possible scaling up later, projects that move from successful pilots to larger scale interventions, and projects that support expansion of proven government programs on a sector-wide basis.

- ◆ The Bank will also aim to substantially expand its role as a politically realistic **knowledge provider and generator**. To achieve this shift, changes are envisioned on a number of fronts, including: (i) strengthening Bank capacity to act as a channel for ideas and lessons of international experience (see page no. 63-64); (ii) placing greater emphasis on understanding the motivations of interest groups and different stakeholders in the reform process; (iii) helping clients to better communicate the potential benefits of their reform programs; and (iv) operating in a more strategic and integrated fashion across different organizational units of the Bank to leverage knowledge resources more effectively. Given the modest scale of Bank Group financing, to help realize its role as a full development partner, an important part of its knowledge function will be directed to supporting better delivery and effectiveness of government programs, with the aim of leveraging rather small knowledge-based interventions into significant impacts on development outcomes.

Applying these Strategic Principles, the Bank will seek a substantial increase in its



The Bank has supported a few BOT (Built Operate and Transfer) projects under the Infrastructure Leasing & Financial Services Limited (IL&FS) Private Infrastructure Project. The Delhi Noida Toll Bridge project is one such example.

volume of lending to India. Given India's enormous needs, the expansion will primarily be in (i) **infrastructure** (roads, transport, power, water supply and sanitation, irrigation and urban development - to underpin both accelerated growth and improved service delivery); (ii) **human development** (education, health, social protection - priorities to support specific MDGs); and (iii) **rural livelihoods** (with an emphasis on community-driven approaches). Cross-cutting reforms at the state level will also remain an important focus. Expansion in lending for human development and rural livelihoods will depend critically on availability of IDA resources, whose expansion would be justified by the opportunity to contribute to achieving the MDGs.

The stepped up program will provide increased opportunity for collaboration across the Bank Group to promote innovative **Public-Private Partnerships (PPPs)** for infrastructure development - particularly in power and transport. The Private Sector Development Strategy (attached as Annex 7) suggests some areas where this collaboration might be developed. The basic principle guiding the division of labor is for the Bank to support activities that warrant public support, while IFC and MIGA assistance will encompass activities that fall within the private sector's role.

IFC will continue to provide equity and loan financing and guarantees to supplement what is available from Indian financial institutions or capital markets, and will help to mobilize financing from both domestic and international sources. This will include pioneering investments in infrastructure where innovative structures and long tenors are required; and investments in projects which are constrained by limited risk appetite of other investors, including medium-sized

manufacturing companies, agribusiness companies and companies entering new markets domestically and internationally. IFC will add value to the projects it invests in by mobilizing finance from other sources (especially foreign investment), advising on structuring, acting as an honest broker between various project parties and facilitating international partnership, particularly with other developing countries.

In its lending and investments, the Bank Group will focus on adding value through advice on environmental and social sustainability, public and corporate governance and the transfer of global knowledge and best practices. In doing so, IFC will promote higher corporate standards of social and environmental responsibility and the Bank will work to improve

implementation of environmental and social frameworks and strengthen the national and state-level frameworks for procurement and financial management. This will be reinforced by efforts to change the way that the Bank does business in India - seeking to harmonize Bank safeguard and fiduciary requirements, as well as those of other donors, as far as is possible around the policies adopted by Gol and state governments (Box 3). This harmonization with government systems will be managed carefully, focusing during the CAS period on sectors in which its benefits are clearly greater than risks (i.e., large numbers of small, relatively low risk investments as in education, reproductive and child health, rural water and rural roads). Additionally, Country Financing Parameters, which will allow increased flexibility in the type of expenditures that are eligible for Bank

Box 3: Supporting Improved Fiduciary and Safeguard Systems

The Bank is seeking new opportunities to strengthen and, where possible, use Indian government systems to satisfy its fiduciary and safeguard requirements - and in the process seeking to change the way that it does business in India. One way it will do so is by working closely with other development partners for co-financing of country-led programs under common fiduciary and safeguard arrangements. A sector-wide approach is also one of the vehicles for implementing this new business strategy (see Box 4).

For the Bank and other development agencies to place reliance on government systems, they need to have a detailed understanding of their design and operational performance. *With respect to fiduciary requirements*, the Bank uses standard tools for assessing these systems and determining the level of fiduciary risk - Country/State Financial Accountability Assessments and Country/State Procurement Assessment Reviews. Where weaknesses in design or performance are identified, this need not preclude use of government systems, provided that appropriate steps are taken to mitigate the risks and strengthen capacity in the medium term. The Bank will continue analytical work and intensify its technical support for governments' efforts to strengthen financial management and procurement practices in the public sector. *With respect to safeguard requirements*, the new approach would also require an early integration of social and environmental considerations into project preparation in line with Bank policy. This would be based on an assessment by the Bank of the effectiveness of existing practices and procedures in the sector and the sector's capacity to implement and monitor solutions. From this assessment, the Bank and client teams then work to build into project design any specific measures needed to manage unresolved risks. As agreements on management of environmental and social risks are reached, the dialogue can increasingly shift to improving implementation performance and accountability for results. This basic approach could be adapted to other sectors where the safeguard risks are considered to be low.

financing in India, are also being developed. While the new financing parameters are not likely to lead to a significant change in demand for Bank financing, they can simplify procedures and reduce the transaction costs of Bank finance for Gol.

In order to also scale up the impact of the Bank Group's **global knowledge resources** in India, the AAA program is being reshaped to focus on (i) preparation and dissemination of a limited number of major reports on key issues in India's development, either required for fiduciary reasons, or focused on topics on which a public exposition of Bank views would be helpful to advancing the development debate (Annex B4); and (ii) 'just-in-time' activities (including reports, policy dialogue, workshops, etc.) primarily in response to Gol requests. The Bank Group will seek an increasing array of partnerships with local research institutions and interested organizations in both developing its analytic work and disseminating important findings. An enhanced program of support from WBI will be an integral part of the reshaped AAA program, with WBI focusing on five of the areas where capacity-building efforts can be most beneficial. These five thematic areas - HIV/AIDS control, urban development, local government capacity building, improving the investment climate and strengthening fiscal management - will guide WBI support, along with a particular focus on four of the poorest states with the greatest capacity building needs (see page no. 26).

Since India has underutilized trust fund and grant programs offered through the Bank Group in the past, at the request of Gol, greater effort will be made to enhance participation with these programs in the coming strategy period. In particular, Gol and the Bank will seek to help strengthen project readiness via

upfront analytical work and strengthen implementation capacity or the capacity of key institutions (e.g., through Japan Policy and Human Resource Development (PHRD) and Institutional Development Fund (IDF) grants).

Working at the National Level

Scaling up will require expanded Bank support at the national level. A large part of this expansion will be in the form of AAA: for instance the series of major reports will primarily address issues of national consequence. Some of these issues are expected to be: the Implications of India's Gender Imbalance, Employment Issues (especially for young people), the Long-term Economic Impacts of HIV/AIDS, Building India's Knowledge Economy, India's Adaptation to Climate Change and a review of Disability Issues and Impacts. A full listing of the proposed program for FY05-FY06 is attached in Annex B4; the midterm review of the CAS will address the program



The World Bank supported Velugu project in Andhra Pradesh has a separate component that aims to empower disabled persons and their families through improving livelihood opportunities and quality of life.

anticipated for the latter half of the strategy period. With the recent DPR serving as a model, the Bank will work to bring a multi-sectoral perspective to these studies and seek broad dissemination of their messages across India.

The increase in overall lending will also involve more national level lending (for roads, power, education, HIV/AIDS, etc.) compared to recent years. An important shift envisioned for FY05-08 is the use of new approaches, including co-financing with other development partners under common arrangements, for national programs in the areas most critical to meeting the MDGs. Using such approaches, the Bank will seek to step up its national level engagement and work closely with partners that can join the Bank in providing substantial assistance. Such operations are already beginning to materialize, with the first being a



Educate a girl and you educate a family. SSA lays major emphasis on girls education.

major new sector-wide approach (SWAp) supporting Gol's national elementary education program - Sarva Shiksha Abhiyan (SSA) - approved by the Board in April 2004. As highlighted in Box 4, operations such as this can be expected to pave the way for a stronger and more effective partnership between the Bank and Gol into the future.

Box 4: Leveraging Bank Support through SWAps

SWAps offer the possibility of an enhanced impact of Bank lending, a strengthened focus on monitoring outcomes in key sectors and an effective vehicle to help strengthen fiduciary and safeguard capacity. Gol and the Bank recently agreed to initiate experiences with this approach through a first SWAp in support of India's national elementary education program (SSA). SSA is designed for a large federal system, with a decentralized framework for service delivery and a built-in accountability mechanism at the school and community levels. IDA, the EC and DFID are pooling their funds with Gol to support the program. The SWAp mechanism will enable the external partners to work towards improving institutional capacity in the course of program implementation. SSA has a results-based framework through its funding arrangements, rewarding implementation at the district/sub-district levels. External contributions are designed to maximize central-level support, which in turn is designed to leverage state-level support - all with the goal that development assistance complements, rather than substitutes for, local efforts.

Following from the experience of SSA, a SWAp to support the national Reproductive and Child Health (RCH) program is also under preparation. This second RCH project for the Bank would facilitate pooling of both Bank and DFID funds and a stronger performance orientation towards the program's key objectives.

Based on the implementation experience of these operations and lessons learned, Gol and the Bank could explore the possibility of using SWAps in other sectors and in states having the right conditions for such wider engagement.

Working with the States

Some important shifts are also being implemented in the Bank Group approach to the states. Since 1997, the CAS has included a focus on states undertaking comprehensive reforms, in order to support the leaders of change and serve as a catalyst to the state-level reform process. With the widening gulf between the reforming and non-reforming states in India, leading to a concentration of poverty and poor social indicators in just a few states, some shifts in this approach are warranted. *Though the Bank Group strategy will retain an essentially reform and performance-based approach to the states, it will also change in ways that are intended to go as far as possible in opening up new opportunities for engagement with these largest and poorest states.*

A number of steps are envisaged. **Firstly**, in consultation with Gol, the Bank is seeking in this CAS to ensure that all of the largest and poorest states of India that so wish are engaged in a dialogue on cross-cutting reforms that are the focus of adjustment lending (fiscal management, governance, service delivery, the power sector and the investment climate), regardless of their eligibility for adjustment lending. Either the Bank or ADB would take the lead in offering support through dialogue on cross-cutting reforms in each of the major states. Twelve of India's 28 states - AP, Assam, Bihar, Jharkhand, Karnataka, MP, Maharashtra, Orissa, Rajasthan, Tamil Nadu, UP and West Bengal - account for over 90 percent of India's poor. The Bank is currently actively engaged in dialogue with Karnataka, Orissa (in collaboration with DFID), AP (in collaboration with DFID), UP and Tamil Nadu and would seek a similar dialogue with Bihar, Maharashtra, Rajasthan and Jharkhand. ADB is engaged in dialogue with MP (in collaboration with DFID) and Assam. ADB

has also had a longstanding engagement with West Bengal.

Secondly, the Bank will work proactively to try to build a productive development relationship with four states where poverty is increasingly concentrated in India and where public institutions are considered to be at their weakest - Bihar, Jharkhand, Orissa and UP. This support could go beyond the basic dialogue on cross-cutting reforms noted above.

The expanded support to these four states could take several forms during the strategy period. The Bank would seek to mobilize limited grant funding resources (e.g., from the IDF or Japan Social Development Fund (JSDF)) to finance innovative governmental and non-governmental activity targeted to poverty reduction and progress towards the MDGs. A good example of this kind of work is the recent approval of a JSDF seed grant for the Orissa Fund for Development Initiatives. The Bank would also work to help these states meet 'guidelines for engagement' for investment lending (see page no. 26) in support of critical poverty-focused projects. At this time the most promising candidates are the IDA-financed projects that rely on community driven approaches to improve rural livelihoods, watershed management and/or rural water supply and sanitation. The country program and WBI will also seek avenues for focused knowledge support and capacity building in these states, taking into account experiences in non-lending TA within the India program (e.g., ongoing work in UP) and the learning gained elsewhere (e.g., programs designed for 'low income countries under stress').

Thirdly, state-level adjustment lending operations (SALs), aimed at supporting achievement of the MDGs, are also expected

to remain an important part of the Bank program - up to 15 percent of total lending. While in the initial phase such lending was limited to three states (UP, AP and Karnataka), Gol has adopted guidelines for untied official external financing of state budgets which provide transparent criteria for such support and have opened the way for additional states to receive such funding on a performance basis. In addition to supporting state government efforts to reduce fiscal deficits, reform the power sector, strengthen governance and implement a range of actions to improve the investment climate - all of which have been covered by the initial state SALs - this lending would support cross-cutting actions to improve service delivery. Any such lending would be preceded by in-depth analytic work, and the Bank would provide technical assistance to help states as they implement their comprehensive reform programs.

Gol's guidelines for state adjustment lending will be the subject of ongoing discussion between Gol and the Bank to adapt to evolving circumstances. However, the most recent guidelines emphasize that external support be designed so that:

- ◆ any state that is considered to be implementing a comprehensive reform effort would be eligible for adjustment lending. Similarly, any previously reforming state that discontinues comprehensive reform implementation would no longer be eligible for adjustment lending for as long as it remains off track;
- ◆ adjustment lending to the states would be set in a medium-term framework of about five years, consisting of a medium-term reform program and associated external financing;
- ◆ progressive deficit reduction, power sector reform, improved governance, the investment climate and improved

service delivery would be elements of all programs, with the basic design principle being to focus on key actions within the state's control that would promote poverty reduction most effectively; and

- ◆ external financing would not be an addition to overall financing for a state (since it would be in the context of declining state budget deficits) and is therefore to be seen as refinancing or substituting for higher-cost debt. In this context, states with both serious debt sustainability issues and solid reform programs would be the best candidates for adjustment lending. As in the case of investment lending (see page no. 28), on-lending terms for adjustment lending would be kept under review, bearing in mind their basic role as an incentive for reform implementation.

Fourthly, there is no longer an upfront decision to concentrate substantial state-level investment lending on 'focus states' that are also receiving adjustment lending in support of cross-cutting reforms. Instead, investment lending will be channeled more broadly to states that are able to comply with new 'guidelines for engagement' for the relevant sector. These guidelines attempt to set out the sector-specific conditions that experience has shown to be necessary for project success. Annex 5 summarizes the guidelines for both Center and state level investment lending broadly agreed with Gol. They would be amended as necessary during the CAS period in light of evolving experience. Given the small size of Bank resources relative to the vast needs across India's states - and the prospect that more states will take up sector reforms during the period - it is likely that demand for Bank support could outstrip its capacity to respond at the same time within a sector. Where this is the case, the Bank would

engage first with the states with the greatest number of poor citizens, or weakest indicators, in order to maximize its impact. Annex 6 provides the status of MDG indicators by state and some background as to how these choices would be made.

The Fiscal Context for Investment Lending

An important concern for investment lending will be to ensure that it is consistent with the Gol's goal of **progressive fiscal adjustment**, both at the Center and state levels. Accordingly:

- ◆ the framework for lending for which Gol is the beneficiary is provided by the Medium Term Fiscal Framework recently adopted by Gol;
- ◆ investment lending for which public sector undertakings (PSUs) are the beneficiary would be based on the creditworthiness of the PSU concerned. Discussions are underway with Gol to determine on-lending terms in such cases, which could range from budget transfers for non-revenue generating activities (e.g., rail safety or non-revenue generating roads) to a full pass through of IBRD terms for commercial activities (e.g., power generation or transmission); and
- ◆ investment lending for which a state or states would be the beneficiary would only take place within the context of a Medium Term Fiscal Reform Program (MTFRP) agreed between the state and Gol. The on-lending terms for Bank/IDA investment lending to states will be kept under review.

Working With External Partners

The context for development assistance to India has changed during the last year. In September 2003, Gol announced new guidelines for development cooperation with

bilateral partners. As per the new guidelines, India will receive direct bilateral assistance only from Japan, the United Kingdom, Germany, the United States of America, the European Commission and the Russian Federation. All other bilateral assistance would be routed either through multilateral organizations or for projects of economic and social importance directly to universities, NGOs or autonomous bodies registered under the Foreign Contribution (Regulation) Act.

The work of the Bank Group has been coordinated or leveraged with that of external partners in most sectors, including energy (ADB, JBIC, DFID, USAID, KfW, CIDA), education (EC, DFID), health and nutrition (USAID, WHO, EC, DFID, concerned UN Agencies, CDC, AUSAID, ILO, and other institutions including the Gates Foundation), and small and medium enterprises financing (DFID, KfW, and GTZ). IFC has co-financed investments with ADB, DEG and FMO and has partnered with ADB, CIDA, DFID, the EC, the Netherlands and Norway in Small and Medium Enterprise (SME) development technical assistance in North-East India. Since India participates in routine Article IV consultations with the IMF, Bank economists work closely with IMF staff, particularly on fiscal and macroeconomic issues. The last IMF Article IV discussions for India took place on July 18, 2003.

Generally, coordination has worked well through informal communications at the project team level, complemented by periodic overview discussions with the various partners, usually in Delhi. During the FY05-08 strategy period the Bank group would continue to proactively look for opportunities to ensure coordination and cooperation with external partners in this way. In addition, in the changed donor landscape, a particular focus in our coordination with the

largest external financing sources (ADB, EC, DFID, Japan, Germany) will be on efforts to develop common, harmonized financing approaches that are based on Gol fiduciary and safeguard arrangements, within the constraints of evolving Bank policy.

There are considerable overlaps in the areas of activity between the Bank and ADB in India - both institutions have a substantial and growing involvement in infrastructure and in energy, and are also engaged in adjustment lending to states. Frequent interactions between Bank and ADB staff, generally through their New Delhi offices, have been effective in ensuring strong coordination and an open exchange of information, to make our activities complementary and mutually reinforcing. The possibility of both institutions supporting the national rural roads program through co-financing is being reviewed. A

coordinated assistance strategy for national roads was jointly developed by ADB, the Bank and Gol, is now under implementation and will be updated shortly. The Bank Group and ADB also coordinate in other sectors, including urban development and energy.

At the suggestion of DFID, the Bank and DFID India entered into a strategic partnership agreement in April 2004 that will provide a broad context to the institutions' cooperation in support of the Gol's development efforts. DFID and the Bank have worked together on direct budgetary support and power sector reform in AP and Orissa, and also co-finance (with other agencies) Gol's centrally sponsored RCH and education programs. Complementary support is also provided in rural and urban development and power sector reform.