

# India

## Country Strategy

September 2004

India Country Management Unit, South Asia Region  
International Finance Corporation, South Asia Department



THE WORLD BANK GROUP

English	: <a href="http://www.worldbank.org.in">http://www.worldbank.org.in</a>
Hindi	: <a href="http://www.vishwabank.org">http://www.vishwabank.org</a>
Telugu	: <a href="http://www.prapanchabank.org">http://www.prapanchabank.org</a>
Kannada	: <a href="http://www.vishwabanku.org">http://www.vishwabanku.org</a>

## The World Bank

---

Vice President, South Asia Region

Mr. Praful Patel

Country Director, India

Mr. Michael F. Carter

Task Manager

Ms. Eliza Winters

## The International Finance Corporation

---

Vice President, Operations

Mr. Assaad J. Jabre

Director, South Asia Department

Mr. Dimitris Tsitsiragos

Task Manager

Mr. Neil Gregory

### CURRENCY EQUIVALENTS

US\$1 = Rupees (Rs.) 45.98  
as of June 30, 2004

### GOVERNMENT FISCAL YEAR

April 1 - March 31

### WORLD BANK FISCAL YEAR

July 1 - June 30

# Abbreviations and Acronyms

AAA	Analytical and Advisory Activities	JSDF	Japan Social Development Fund
ADB	Asian Development Bank	MDG	Millennium Development Goal
AP	Andhra Pradesh	MIGA	Multilateral Investment Guarantee Agency
ARPP	Annual Report on Portfolio Performance	MP	Madhya Pradesh
ART	Anti-retroviral Therapy	MTFRP	Medium Term Fiscal Reform Program
AUSAID	Australian Aid Agency	NACO	National AIDS Control Organization
CIDA	Canadian International Development Agency	NGO	Non-Governmental Organization
CDC	Commonwealth Development Corporation	NFHS	National Family Health Survey
CDD	Community Driven Development	NHAI	National Highway Authority of India
C/SFAA	Country/State Financial Accountability Assessment	NLTA	Non-lending Technical Assistance
C/SPAR	Country/State Procurement Assessment Review	NSS	National Statistical Survey
C/SPPR	Country/Sector Portfolio Performance Review	O&M	Operations and Maintenance
CAS	Country Strategy	PCF	Prototype Carbon Fund
DEA	Department of Economic Affairs	PHRD	Japan Policy and Human Resource Development Fund
DEG	German Development Finance Group	PIC	Public Information Center
DFID	United Kingdom Department for International Development	PMGSY	Pradhan Mantri Gram Sadak Yojana (Prime Minister's Rural Roads Program)
DPEP	District Primary Education Program	PPIAF	Public-Private Infrastructure Advisory Facility
DPIP	District Poverty Initiatives Project	PPP	Public-Private Partnership
DPR	Development Policy Review	PRI	Panchayati Raj Institution
EC	European Commission	PSU	Public Sector Undertaking
FY	World Bank Fiscal Year	RCH	Reproductive and Child Health
FDI	Foreign Direct Investment	RWSS	Rural Water Supply and Sanitation
FMO	Dutch Development Agency	SACS	State AIDS Control Societies
FSAP	Financial Sector Assessment Program	SAL	Structural Adjustment Loan
GDP	Gross Domestic Product	SC/ST	Scheduled Caste/Scheduled Tribe
GEF	Global Environmental Facility	SEB	State Electricity Board
GoI	Government of India	SME	Small and Medium Enterprise
GP	Gram Panchayat (local rural government)	SSA	Sarva Shiksha Abhiyan (Education for All initiative)
GTZ	German Development Corporation	SWAp	Sector Wide Approach
IBRD	International Bank for Reconstruction and Development	TA	Technical Assistance
ICA	Investment Climate Assessment	ULB	Urban Local Body
IDA	International Development Association	UNAIDS	Joint United Nations Program on HIV/AIDS
IDF	Institutional Development Fund	UNDP	United Nations Development Program
IFC	International Finance Corporation	UP	Uttar Pradesh
IMF	International Monetary Fund	USAID	U.S. Agency for International Development
IMR	Infant Mortality Rate	UWSS	Urban Water Supply and Sanitation Services
ILO	International Labor Organization	VAT	Value Added Tax
IPP	Independent Power Producer	WBI	World Bank Institute
IT	Information Technology	WDR	World Development Report
KfW	German Development Bank	WHO	World Health Organization
JBIC	Japan Bank for International Cooperation		

# Acknowledgements

The World Bank Group greatly appreciates the collaboration and contributions of the Government of India in the preparation of this Country Strategy paper. In particular, officials of the Ministry of Finance provided extensive review of drafts and important guidance as to where Bank assistance might be helpful to India. We would also like to thank the many (several hundred) interested persons in India who gave of their time to participate in the consultation process of the Country Strategy. The contributions of this very large and diverse group - state government officials, external financing agencies, the private sector, non-governmental organizations, representatives of academic institutions, members of the media and other development partners - have proven to be valuable in thinking through the constraints to and opportunities for poverty reduction in India, as well as formulating the approaches described in this paper.

Within the World Bank Group, the Country Strategy was prepared by the 'India Country Strategy Team', comprised of more than 25 staff and managers across the South Asia regional units of IBRD/IDA and IFC. The extended India team also participated actively, providing very useful advice and ideas during several brainstorming sessions held in New Delhi, and by videoconference to the Washington offices.

# Table of Contents

	Executive Summary.....	1
	Introduction.....	5
<b>Chapter</b>		
I.	Background and Recent Developments.....	7
II.	The Tenth Plan - India's Poverty Reduction Strategy.....	15
III.	The India and World Bank Group Partnership.....	19
IV.	World Bank Group Program Priorities.....	31
V.	Lending, Exposure and Risks.....	59
VI.	Implementation and Monitoring.....	63
VII.	Concluding Remarks.....	65
<b>Boxes</b>		
Box 1	Why do Infants and Young Children Die in India?.....	10
Box 2	Summary of India's Priority Reforms.....	17
Box 3	Supporting Improved Fiduciary and Safeguard Systems.....	23
Box 4	Leveraging Bank Support through SWAps.....	25
Box 5	Bank Group Program Priorities and the MDGs.....	32
Box 6	HIV/AIDS in India.....	42
<b>Tables</b>		
Table 1	Progress on Social Indicators, 1980-2000.....	9
Table 2	Concentration of Poverty in India.....	11
<b>Figures</b>		
Figure 1	The Challenge of Meeting the MDGs.....	12
Figure 2	Diagram of the Country Strategy.....	31
<b>Annexes</b>		
Annex 1	The Millennium Development Goals and India's Tenth Five-Year Plan.....	67
Annex 2	Implementation of the FY02-04 Country Assistance Strategy.....	68
Annex 3	Summary of the Consultation Process.....	102
Annex 4	FY05-08 Country Strategy Outcomes Matrix.....	107
Annex 5	Guidelines for Bank Lending in Key Sectors.....	118
Annex 6	Selected MDG Indicators for India's States.....	124
Annex 7	Private Sector Strategy for the World Bank Group.....	125
Annex 8	Portfolio Improvement Strategy.....	138
Annex B1	India At-a-Glance.....	142
Annex B2	Selected Indicators of Bank Portfolio Performance & Management.....	145
Annex B3	IBRD/IDA Operational Program; IFC and MIGA Program.....	146
Annex B4	Analytical and Advisory Activities.....	149
Annex B5	Social Indicators.....	151
Annex B6	Key Economic Indicators.....	152
Annex B7	Key Exposure Indicators.....	154
Annex B8	IBRD/IDA and IFC Portfolios.....	155