

World Bank and India:

Working in Cooperation for the Achievement of MDGs

Mr M. N arasimham, Chairman of the Court of Governors of ASCI, Principal Dr Rao, ladies and gentlemen,

I am deeply honored by your invitation to deliver the CC Desai Memorial Lecture here at the Administrative Staff College of India. With its training curriculum and other services, ASCI plays a crucial role in the governance and public life of India, and it is an institution which commands prestige beyond the country's borders. The late CC Desai himself was a distinguished administrator, diplomat, parliamentarian and man of letters. It is indeed a privilege for me to speak today in his memory.

My topic - "World Bank and India: Working in Cooperation for the Achievement of MDGs" - could not be more timely or appropriate. India today is poised at the verge of a great opportunity - if it makes the right decisions and choices now, this great nation will very quickly become an economic and cultural power, and along with China, make the 21st century its own. But if missed, it will be a tragedy both for itself and the world as a whole.

Such grand visions are constructed brick by brick, and the Millennium Development Goals, or MDGs as we know them, might be seen as a device to measure how well the construction is going. Since the MDGs were launched at the Millennium Summit in New York in September 2000, they have become the most widely-accepted yardstick of development efforts by governments, donors and NGOs.

The MDGs, as you might know, are a set of numerical and timebound targets related to key achievements in human development. They include halving income-poverty and hunger, achieving universal primary education and gender equality, reducing infant and child mortality by two-thirds and maternal mortality by three-quarters, reversing the spread of HIV / AIDS and other communicable diseases, and halving the proportion of people without access to safe water. These targets are to be achieved by 2015, from their levels in 1990.

Almost all the countries in the world, including India, have committed themselves to attaining the targets embodied in the Millennium Declaration. Attaining the MDGs is vital if India is to take its rightful place among the developed nations of the world. It is useful to remember too that--achievement of the MDGs globally is only possible if India's own efforts to achieve the MDGs are broadly successful since,

despite the impressive progress of the past two decades, India is still home to over one quarter of the world's poor people.

Indeed, several of India's Tenth Plan targets are even more ambitious than the MDGs, and some might argue that India is well on the way to achieving these goals.

After all, the rapid economic growth of the last 10 years has averaged a comfortable 6 percent; population growth has dropped below 2 percent for the first time in 40 years; most important, poverty incidence is now below 30 percent and literacy has climbed to 65 percent.

In addition, India's huge and impressive middle class is fuelling a consumer boom, the services sector has come into its own and Indian info tech and biotech firms are world leaders in their spheres. India sits on external reserves worth over US \$ 100 billion, and its eventual place on the global high table of economic superpowers is almost taken as inevitable.

But there's another India we cannot forget. This India is still home to more than 250 million poor people. More than half of these live in the four states of Bihar, Madhya Pradesh, Orissa and Uttar Pradesh alone; and more than two-thirds in rural areas.

This is the India where a crisis-prone agriculture sector still supports two-thirds of the population and is an increasingly unreliable source of livelihood; where per capita incomes remain abysmally low; where, each year, more than 100,000 women don't survive childbirth; where more than 60 percent of households are without electricity, over 20 percent without a safe and clean water source, and more than 70 percent without adequate sanitation. Survival rates for young mothers and children under the age of five are stagnant, and HIV / AIDS is spreading quickly, putting the country in danger of a growing epidemic.

This is the India with an unacceptable number of children out of school- a quarter of the world's total; with gender disparities and discrimination against the girl child, which surprisingly appears to increase with improved incomes; with huge numbers of people suffering and dying from curable communicable diseases.

Thus India at this time is occupying two worlds simultaneously. In the first, economic reform and social changes have begun to take hold and growth has had an impact on people's lives, and opportunities have opened up. In the other, citizens appear almost completely left behind by public services, employment opportunities, and prospects for improving their quality of life. Clearly, a lot remains to be done.

If I was to sum up the challenge before India in one word, it would perhaps be - inclusion. How do we ensure that every section of the population is included in the process of growth and development, and that every citizen has equal access to the benefits and opportunities that economic progress will bring?

I would suggest that the MDGs are thus more than just number-tracking devices. What they do, fundamentally, is help us address this essential question I have just posed. For, if India can achieve the MDGs, what it will be doing in effect is ensure that hundreds of millions of otherwise excluded Indians are equipped in terms of skills, education, health, and reduced vulnerability to seize the opportunities that growth, reform and globalization are bringing to this country.

In concrete terms, I believe India's focus must be on the rural sector, which still supports, as I mentioned earlier, two-thirds of the population though it contributes just about a third of GDP. Improving rural infrastructure and livelihood opportunities is key. This requires investments in rural roads, electrification, school and healthcare facilities, e-governance, and the like. This belief, by the way, underpins the World Bank's latest Country Strategy for India, about which I will speak in a few moments.

But as yet, there is little understanding of what precisely it will take - by way of economic growth, infrastructural investments, and sectoral interventions - to attain the different MDGs in India. To help kick off a policy discussion therefore, the World Bank published a report earlier this year titled "Attaining the Millennium Development Goals in India: Role of Public Policy and Service Delivery."

This report focuses on five of the MDGs - child and infant mortality, child malnutrition, schooling enrollment and completion, gender disparities in schooling, and hunger-poverty. The selection of these particular MDGs for detailed analysis was determined in large part on the availability of reliable sub-national data in India.

There are several major findings and implications for policy that come out of this report.

First there are very large disparities across and within the different states of India. Some of these sub-state regions rank low on some millennium development indicators but not on others. However, there are 18 in the country that rank consistently low on three or more of the five indicators that were studied, and two in particular - the south-western region of Madhya Pradesh and the southern region of Rajasthan - can be considered the most deprived regions in the country.

These inter- and intra-state disparities have important implications for the targeting of interventions and resources. But they also have another important implication - the need for state-specific approaches that allow for greater flexibility in addressing problems. What works in a state such as Tamil Nadu may not work well in another state such as Orissa. It will thus be important to make centrally-sponsored schemes, which are perhaps the biggest source of funds for programs that impact the MDGs, more flexible and more responsive to local conditions.

A second and related finding is that many of the millennium development indicators have high levels of geographical concentration in India. For instance, one-fifth of the villages and districts account for about one-half of all the infant deaths and underweight children in the country. Amazingly, three-quarters of all the out-of-school children aged 6-11 years are concentrated in only 20% of the country's villages.

Unfortunately, currently available data do not allow us to identify these villages because the sample surveys on the basis of which these observations are made are not large or representative enough at the

village level. It would be worthwhile to explore the use of promising new methodologies, based on merging of household survey and population census data, to identify the villages with the worst indicators in the country so that policy interventions could be better targeted to them.

Third, there are other types of disparities in most of the indicators, the reduction of which would help in the attainment of the MDGs. Gender disparity is one. It is estimated that overall child mortality in the country would drop by 20% if girls had the same mortality rate as boys between the ages of 1 month and 5 years.

Likewise, the overall school enrollment rate for children aged 6-11 years would increase by about 7% if girls of these ages had the same enrollment rate as boys. Among older children, the equivalent increase in enrollment rates would be even greater. Just as geographical targeting is likely to narrow regional disparities, targeting by gender can help reduce gender inequalities.

Another manifestation of disparity is along caste and tribal lines. Scheduled tribes and, in many cases, scheduled castes have significantly higher levels of infant mortality and child malnutrition and significantly lower levels of schooling indicators than mainstream groups. Given that these groups constitute between one-quarter and one-third of the total population of the poor states in the country, improving their millennium development indicators would help significantly in the attainment of the MDGs in these states.

Fourth, there is evidence of significant synergies among the different MDGs. For instance, a reduction in the proportion of underweight children is strongly associated with a reduction of child mortality. Although maternal mortality was not analyzed in this report, it is clear that interventions that reduce maternal mortality will also bring about large reductions in infant (especially neonatal) mortality.

Likewise, reducing child malnutrition is likely to result in improvement in both schooling quantity and quality. These synergies imply that proceeding with simultaneous action on all these measures will have the greatest impact on attainment of the MDGs.

Fifth, despite appreciable improvement in many of the MD indicators during the 1990s, the analysis suggests that attainment of at least the five specific goals considered in this report will remain extremely challenging in the poor states of India.

Yet attainment of the MDGs by the poor states - most notably, Bihar, Uttar Pradesh, Madhya Pradesh, Orissa and Rajasthan - is critical to MDG attainment by the country as a whole, because these states currently account for a disproportionately large proportion of the country's population - and will account for an even larger population share by 2015 owing to more rapid population growth.

Sixth, the simulations carried out in this report indicate that, in the poor states, economic growth that brings about an improvement in household living standards is strongly associated with virtually every MD indicator. For example, real economic growth of 3% per annum in the poor states could alone bring down the child underweight rate from 51% in 1999 to 37% in 2015.

Likewise, 3% annual growth could bring about an increase in the net primary enrollment rate from 50% in 1999 to 74% in 2015. Again, a real growth rate of 3% would be associated with a 12 percentage point decline in the incidence of hunger poverty. In other words, rapid economic growth could make a very significant contribution to an improvement in most MD indicators by 2015.

Seventh, this report also indicates the importance of infrastructure in attaining the MDGs. For example, simply bringing the poor states to the average levels of road, electricity and sanitation coverage in the non-poor states would be associated with reductions of 12% in the proportion of underweight children and of 18% in the infant mortality rate.

These associations are most likely underestimated, since they do not consider the indirect association between infrastructure and the MD indicators via the positive association between infrastructure and gross state domestic product.

Eighth, consistent with the findings of numerous empirical studies from around the world, this report finds evidence of strong associations between female adult schooling and virtually every MD indicator considered. This suggests that the large increases in girls' school enrollment that are likely to occur in the coming years will fuel major improvements in all of the MD indicators. The rise in girls' enrollment is anticipated in part due to the Government of India's Education for All or SSA initiative, which the World Bank is supporting.

Of course, increases in female primary enrollments may not show their full effects on fertility, child and infant mortality, child nutrition, and child schooling for a generation or so, but increases in female secondary enrollments are likely to show their results much sooner - well before 2015, the MDG reference year.

Ninth, notwithstanding the importance of the general interventions I have just mentioned such as economic growth, infrastructure expansion, and female schooling, the analysis suggests that carefully-targeted, sector-specific interventions will also be important in attaining the MDGs.

For instance, a package consisting of expanded child and maternal immunization, antenatal care coverage, nutritional supplementation (including promotion of breast-feeding), and home-based neonatal services (including treatment of pneumonia) is likely to bring about significant reductions in both infant mortality and child malnutrition.

Likewise, our results confirm that an expansion in the number of primary schools would improve access and likely raise school and primary school attendance rates among 6-11 year olds, while a lowering of the pupil-teacher ratio at the primary level would raise primary completion rates.

Tenth, and I cannot stress this enough, none of these interventions is likely to work unless they are simultaneously accompanied by systematic reform of the institutions of service delivery in India. Additional schools are unlikely to increase enrollment or school completion if teachers frequently are absent from school. A package of home-based neonatal services is unlikely to reduce neonatal mortality

rates if health workers are not sufficiently motivated to reach out into the community and deliver the package of services to the poor and most at risk.

The poor states of India typically have the most serious problems with governance and service delivery in the social and other sectors. Better delivery of public services - whether in health, schooling, nutrition, or infrastructure - is a complex and difficult task that entails creation of the right institutions and incentives, including devolving responsibility for service delivery to local governments and communities, contracting out certain types of service delivery to the non-government sector, empowering consumers to demand better services from government facilities, introducing competition among public providers, and ensuring the motivation of front-line workers.

The problem of making publicly-provided services work, especially for the poor, has received a great deal of attention in the Bank's World Development Report of 2004. I hope its analyses and suggested options have been of help to Indian policymakers.

Finally, the importance of systematically monitoring millennium development outcomes at disaggregated levels and evaluating the impact of public programs cannot be overemphasized. This report has highlighted the paucity of reliable, district-level data on most indicators. The lack of such data makes it virtually impossible to monitor progress toward attainment of the MDGs at lower levels of administration.

In addition, despite the fact that much has been spent by the government on public programs such as the Integrated Child Development Services and the District Primary Education Program, these programs have not been adequately subjected to rigorous, independent evaluation. In order to choose the right set of interventions with which to attain the MDGs, it is critical to know which programs have been successful in improving millennium development indicators and which have not.

Ladies and gentlemen, let me pause here for a comment in parentheses. By summarizing the essence of this World Bank report on the MDGs in India, I have attempted to do two things - describe the extent of the MDG challenge in India along with policy options that suggest themselves, and simultaneously, illustrate a key dimension of the World Bank's partnership with India.

That dimension is knowledge. By undertaking the research and meticulous number crunching that went into this report, we hope to have added to the knowledge pool of India's policymakers and contributed some ideas as they weigh their options.

Let me now broaden the question. We understand the MDG challenge with all its complexities, but where do we even begin to erase the fault lines - the disparities of income, gender, state and region, and the poor human development indicators - that scar the face of India?

To attempt an answer to that, let me turn to another knowledge product of the World Bank. Last year, we published a Development Policy Review for India titled *India: Sustaining Reform, Reducing Poverty*. In order for India to meet its poverty reduction and MDG targets, it suggested a two-pronged policy agenda - one, better management of public resources, and two, improving the investment climate.

Under the first, it recommended a program of fiscal reform aimed at curbing the fiscal deficit and raising revenue so that public resources could be diverted away from non-productive expenditure towards investments in development, especially infrastructure and the social sector; and suggested a reform of the governance and service delivery systems to ensure that resources and services reached their intended targets.

Under the second, it examined product and factor market distortions and infrastructure bottlenecks which are hindering job-creating investment, and devoted an entire section to policy recommendations to improve agricultural productivity and rural development.

In my view, India must unlock each of these areas - fiscal mismanagement and unproductive expenditure; weak service delivery, especially in social services like healthcare, education and sanitation; hindrances to investment; infrastructure bottlenecks; and, as I emphasized earlier in this talk, the rural crisis - if it is to crack the formula for MDG attainment.

All these ideas, along with an understanding of the development priorities of India's policymakers and people which the World Bank derived from an intense year-long consultation process with India's government, civil society and opinion makers, have fed into the Bank's new Country Strategy for India.

This strategy will underpin the Bank's work in India during the period 2005 to 2008, a critical period for the international community if the MDGs, such as halving poverty by 2015, are to be met globally. By the way, the strategy document is a public document and can be accessed on the World Bank website.

The new Country Strategy or CAS as it is known aligns itself exactly with the message emanating strongly from India's people, opinion leaders and policy makers, and is expressly geared towards helping India achieve the MDG outcomes. The strategy has thus identified three program priorities: To help improve government effectiveness; to support investments in people and empowering of communities; and to promote private sector-led growth.

In line with these priorities and at the express invitation of the government, the Bank's program and lending will be expanded in Infrastructure, which includes roads, transport, power, water supply and sanitation, irrigation and urban development - to underpin both accelerated growth and improved service delivery; Human Development: that is, education, health, and social protection; and Rural Livelihoods: with an emphasis on community-driven approaches.

The strategy document commits the Bank Group's work in India to an increased focus on results, emphasizing selectivity so that resources can be directed to activities where assistance is welcomed and can also be the most effective. A commitment to sharper knowledge services will shape the Bank's products in ways which can be realistically applied to the Indian context.

The Country Strategy also proposes some important shifts in the approach to India's states. Since 1997, the Bank strategy has included a focus on states undertaking comprehensive reforms. For example, during the last CAS period, the focus was on Andhra Pradesh, Karnataka, and Uttar Pradesh. With the

widening gulf between India's faster and slower growing states, some shifts in this approach are warranted. These include:

First, in consultation with the Government of India and other partners, the Bank will seek to ensure that all of the largest and poorest states of India that so wish are engaged in a dialogue on cross-cutting reforms.

Second, the Bank will work proactively to try to build a productive development relationship with four states where poverty is increasingly concentrated in India: Bihar, Jharkhand, Orissa, and Uttar Pradesh.

Third, state-level adjustment lending operations aimed at supporting the achievement of the MDGs will be an important part of the Bank program.

Fourth, instead of concentrating on "focus states/" investment lending will be channeled more broadly to states on the basis of guidelines for each sector, where the guidelines attempt to set out the sector-specific conditions that experience has shown to be necessary for project success.

The challenge we have tried to address in this CAS therefore, is how best to leverage the intellectual and financial resources that the Bank Group can offer in a way that maximizes impact most helpfully on India's development efforts. Given the importance, size, diversity and complexity of India, and our relatively small presence, this is a strategic challenge for us. Let me highlight a number of aspects of the response to this challenge that the CAS incorporates:

First, many aspects of our previous strategy remain valid, notably the emphasis on support to reform at the state level (where much of the responsibility for development activities lies), the need to exercise selectivity and the choice of key program priorities. These reflect an appropriate continuity in our long-term development partnership with India.

Second, we have tried to address more directly the tension between performance and need inherent in shifting support towards the poorest states. We believe that emphasis on performance remains essential if our support is to be effective, but also that we can do more to proactively foster engagement with the poorest states. In this connection, policy dialogue, sharing global experience and efforts to support institution building will be as important as lending.

Third, we believe it is very important for us to look for opportunities to reduce transaction costs and increase development impact of our lending by supporting key sectorwide government programs, relying on government fiduciary systems, particularly when this can help strengthen a constructive partnership with other financiers. Our support to the Education for All or SSA in partnership with the Centre, states and other donors is an example of this approach.

Now, World Bank resources are modest in relation to the size of India's economy and the scale of its economic and social development needs. The Bank hopes to increase the level of its lending to US \$ 3 billion a year - a tiny drop in the huge ocean that is India's economy - but along with our intention to be a facilitator, convener and generator of global knowledge for India, and our desire to help India's poorest states in particular, I hope the Bank's value will be worth more than just the money it lends.

The Bank's partnership with India goes back all the way to 1944 and India cumulatively is the Bank's biggest client. The Bank's present portfolio of projects in India is its second biggest worldwide. Our New Delhi office is the Bank's largest country office; it is also among the most empowered and decentralized with more than half of the tasks led out of the field office by Indian national staff. The Bank is very proud and honored to partner India in its development efforts, and support it in achieving the MDGs. I look forward to this partnership growing and flourishing.

Thank you once again for giving me this opportunity to deliver the CC Desai Memorial Lecture.