

WB may give \$ 3-4 bn aid to India

ENS ECONOMIC BUREAU
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WORLD Bank president John D Wolfensohn has expressed his willingness to increase loan commitment to India to \$ 3 billion by the end of 2001 and further to \$ 4 billion per annum. Wolfensohn also emphasised that economic sanctions imposed by developed world on New Delhi after Pokhran nuclear tests were "becoming less and less effective".

This was communicated by the World Bank chief to Finance Minister Yashwant Sinha at a meeting held in North Block on Monday. India has been seeking an enhancement in the country assistance strategy (CAS) of the World Bank to \$ 4 billion per annum.

Talking to newsmen soon after meeting Sinha, the World Bank president said "we are perfectly happy to look at an increase (of loans). I think we are mutually agreed that we want to make sure that all we are doing now is well carried out so that we can build intelligently for the future."



The World Bank chief said "I have told the minister that as far as the bank is concerned we are more than happy to look at an expansion of activities and I think each one of us is keen to make sure that we spend the money correctly. We are going to work together."

On sanctions, Wolfensohn said the Bank has always taken the view that "that we should try and continue to lend to India, and we will continue to lend to India and expand our programmes."

He said "right throughout the period of sanctions, I think you would have noticed, the bank was able to have an expanded definition of human beings and we were able to continue lending here and

there. It is our expectation that sanctions will become less and less effective."

The WB chief, however, expressed concern over the level of investment and the drop in growth rate in India, but felt that the economic growth at 6% was "still good" on an international basis.

In the coming five years, he said the World Bank would continue to lay special emphasis on both social and physical infrastructure sectors in India. "Social sectors like education, health, poverty, water and infrastructure sectors including highways and power in India will receive priority," he said.

On the impact of burgeoning international oil prices on developing economies like India, the World Bank chief said "the oil prices are definitely a cause for concern."

Meanwhile, Sinha expressed confidence of achieving a 'satisfactory' GDP growth rate for the country this fiscal and added that the government had already initiated action for propping up the slow-growing sectors. "Growth rate is something that we are

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watching very closely. We have problems and challenges in the economy but we are capable of meeting those challenges. We are capable of solving those problems and have initiated some steps, both on the wider front and on a sectoral front, he said.

Sinha added that studies have pointed out to a growth rate varying from 5.8 per cent to 6.6 per cent for the Indian economy during the current financial year.

Sinha said the government was looking at short-term as well as medium-term solutions and suggestions from the chambers to reverse the slowdown the economy had already come. "We have initiated action regarding some of the suggestions and in the process of initiating action on the others. But the idea is to arrest the slowdown, to impart momentum to those sectors of the economy which are slowing down in this financial year", he said.

The Finance Minister further said that on the positive side housing activities have picked and as a result of which the cement industry was showing good growth.

INDIAN EXPRESS

14 NOV 2000

More ADB steps sought to fight poverty

By P. S. Suryanarayana

CHIANG MAI (Thailand), MAY 7. India's key neighbours - China, Pakistan, Sri Lanka and Bangladesh - today joined New Delhi in calling for sustained action by the Asian Development Bank for poverty reduction that had been adopted by the regional institution as its "overarching" objective.

Addressing the ADB's 33rd annual board meeting, China's Governor to the Bank, Mr. Xiang Huaicheng, said "a just and reasonable international economic order" was necessary, in addition to the efforts of Asian countries, for a "sustainable growth". The ADB should also take into account the "country specifics" of the borrowers in a context of "political and economic situation".

Mr. Xiang, who had on Saturday joined Japan and South Korea as also South East Asian States in calling for the creation of a regional financing arrangement or a currency-swap, today zeroed in prime attention on poverty reduction, given especially the real-

ity, as he cited, that 80 per cent of Asia's poor were concentrated in China and India.

Pakistan's Governor to the ADB, Mr. Shaukat Aziz, made no mention of his country's pet theme of the situation in Kashmir and focussed attention the prevention of "a serious threat" from poverty to "the peace of civil society" in South Asia, including his country, where nearly one-third of the population was now below the poverty line. Mr. Aziz spoke of a certain diversion of funds from the Defence sector to poverty alleviation programmes in Pakistan at this stage. He noted that the "largest-ever allocation" had been made for small public works plans to combat poverty.

It was commendable that Pakistan's armed forces had "donated" almost one-half of the said allocation of Pak. Rs. 15 billion "by effecting savings in their Budget", Mr. Aziz said.

Sri Lanka's Governor ad interim to the ADB, Prof. G. L. Peiris, who also focussed on poverty reduction, referred briefly to the coun-

try's prime concerns of the day. He said "the Government aims to resolve the 17-year long ethnic conflict through adoption of a devolution package to transfer a wide range of legislative and fiscal powers from the Central to elected Provincial and Local authorities.

Prof. Peiris noted that Sri Lanka's economy had "suffered setbacks on account of the ruthless destructive attempt by the LTTE to disrupt socioeconomic lives and destroy strategic economic locations." He made this observation in the overall context of the impact of "difficult external economic conditions" and other factors.

The ADB meeting and the associated social events brought India's Finance Minister, Mr. Yashwant Sinha, and the Ministers from its neighbours to the same stage but there was little conspicuous sign of any major diplomatic engagement among them here. One official joked that they might have rubbed shoulders.

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8 MAY 1987

World Bank okays \$500 m. loan to India

NEW DELHI: The World Bank sanctioned a \$500 million loan to India for four major projects on Friday. These include \$150 million for power sector restructuring in Uttar Pradesh, concessional international development assistance (IDA) for immunisation and polio eradication in eight states (\$143 million), poverty alleviation in Rajasthan (\$100 million) and UP health systems development (\$110 million).

Agreements were signed by World Bank country director Edwin Lim and economic affairs joint secretary R.S. Sharma.

The \$150 million IBRD loan for Uttar Pradesh power restructuring is aimed at reducing critical bottlenecks in the power systems and building support among key stakeholders for power sector reforms.

The \$142 million IDA credit for immunisation and polio eradication programme will be implemented in the eight states of Assam, Bihar, Gujarat, MP, Orissa, Rajasthan, Uttar Pradesh and West Bengal, and will ensure polio eradication. The \$100 million IDA credit for Rajasthan district poverty initiative project seeks to build capacity of the poor by promoting formation and strengthening of common interest groups and village development associations. (PTI)

MINISTRY OF INDIA

20 MAY 2000

Major donor nations may lift sanctions against India

By Alok Mukherjee

NEW DELHI, MAY 20. In a major development indicating the lifting of economic sanctions against India, the twice-postponed meeting of the India Development Forum (IDF) is being held in Paris from May 23.

The IDF is the new form of the Aid India Consortium, where lending agencies such as the World Bank and the Asian Development Bank and individual donor countries like Japan, and Germany, decide on their annual assistance to India.

The last meeting of the IDF was scheduled for end-June 1998 in Tokyo but was put off after the Pokhran nuclear tests in May. Since then, the annual meeting has not been held as most of the donor countries had imposed sanctions on India.

This year, in a quiet move, the meeting has been scheduled in Paris and the Indian delegation will be led by the Secretary, Economic Affairs in the Finance Ministry, Mr E. A. S. Sarma. Besides the World Bank and the International Monetary Fund, which organise the meeting, all the principal donor countries, including Japan and Germany will attend the meeting. While the World Bank has as recently as end-April this year, sanctioned fresh assistance for projects in India, resumption of bilateral assistance and fresh World Bank proposals would help India better

manage its balance of payments position. In the last two years, India managed to do without external assistance as the loans committed prior to 1998 were still flowing in. However, in the absence of fresh approvals, the situation could have become difficult since India has a heavy repayment commitment on the past loans. The fresh assistance is used to a large extent to repay previous loans.

During the Paris meeting, the Indian delegation will provide a status report on the Indian economy. The main points which would be highlighted would be the fact that the Indian economy was poised for a high growth rate, that the internal and external economy had been managed well in the past three years and that despite the phenomenal increase in international oil prices, India's foreign exchange reserves are comfortable and the current account deficit is at a sustainable level.

Consequently, the Indian side will make out the case that in the present scenario, the Government needs an indication on the likely flow of external assistance into the economy for proper planning. The fact that India's disbursement rate for external assistance is high and that its project profiles are well designed are expected to make it easy for the donor countries to make their commitments for the current financial year.

THE HINDU

23 MAY 2000

21 MAY 2000

World Bank approves \$750 m aid for India

By Sridhar Krishnaswami

WASHINGTON, APRIL 26. The World Bank has approved nearly \$ 750 millions in loans for several projects in India, bulk of the money being allocated to developmental schemes in Uttar Pradesh. On Tuesday, the bank cleared a \$ 512-million package for three projects aimed at assisting economic and social development in the State.

Rajasthan will receive some \$ 100 millions for rural development while a \$ 142-million project for immunisation to protect children against polio has also been cleared.

World Bank officials were confident that the pending projects would be approved by the Board for indications were that even if the Clinton Administration opposed some or all of the projects, it would not canvas against their approval. On Tuesday, the U.S. is said to have voted against some of the new loans to India, but this was not sufficient to block them from being approved.

The projects approved for Uttar Pradesh include a \$ 251-million loan for a fiscal reform and public restructuring project, the first sub-national single tranche adjustment loan provided by the bank in India. It is intended to as-

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sist the State Government implement a comprehensive set of reforms in a host of areas including public expenditure management, tax policy and administration, civil services, anti-corruption and financial management and accountability.

The package for Uttar Pradesh also has a \$ 150-million loan for power sector restructuring, seen as being critical for the achievement of fiscal sustainability in the medium term and for meeting energy requirements. The bank is also providing \$ 110 millions for a health system development project. The State's health sector is seen as one of the most vulnerable in India and public spending on health is low by international standards and in comparison to other States.

The World Bank is lending on both regular terms as well as through the IDA, concessionary window that charges low rates of interest to developing nations. For instance, the Uttar Pradesh fiscal reform and public sector restructuring project is backed by an IBRD loan for \$ 126.3 millions and a \$ 125-million interest free IDA credit. For restructuring the power sector, the bank is providing an IBRD loan of \$ 150 millions with 20 years maturity and a five-year grace period.

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27 MAY 2000

Reforms: States found wanting

By Alok Mukherjee

NEW DELHI, FEB. 14. The Planning Commission has found most of the States wanting in pushing the economic reforms programme, including the pro-active "reform-oriented" States such as Andhra Pradesh, Karnataka and Maharashtra.

A mid-term appraisal of the performance of the States in relation to the Ninth Plan (1997-98 to 2001-2002) by the Commission shows that on an average these States could raise only half the revenue they had planned to do during the first three years of the Plan period. Not only that, even what had been mobilised had been mostly on the basis of borrowings and not through tax and other revenue receipts.

In a letter sent some time ago to the Andhra Pradesh Chief Minister, Mr. N. Chandrababu Naidu,

the Deputy Chairman of the Planning Commission, Mr K. C. Pant, has said "under your leadership, the State has undoubtedly initiated a number of reforms. Nonetheless, there is an urgent need to widen and deepen the reform process to put State finances on a sound-footing."

In almost identical letters to other Chief Ministers, Mr. Pant took pains to point out that the Commission's appraisal had showed that the fiscal performance of the States, in particular their resource mobilisation efforts, were presenting a "disturbing picture." The letters also contain details of the States' inability to raise committed resources during the first three years of the Plan period and their excessive reliance on borrowings.

The prescription offered include rationalising of tax rates and subsidies, cutting non-Plan

expenditure and raising user charges. The Commission also computed the failure of the State-level public enterprises to make their committed contributions to the States' resources. Mr. Pant urged the Chief Ministers to initiate mid-term corrections to ensure that the development programmes did not suffer and that the Plan targets were realised.

THE HINDU

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