World Bank clears $913.8m. loan for India

By Soma Basu

NEW DELHI, SEPT. 29. Compliance with Environmental Assessment (EA) during the implementation of World Bank-assisted projects in India between the fiscal years 1990-97 has been found to be "weak". Yet, loans and credit totalling $913.8 million has been approved to the Government for implementing a dozen new programmes at the national, State and local levels in the current fiscal year.

With this additional resource, the total lending for the year has reached $2.5 billion to support programmes vital for poverty reduction. The World Bank has agreed to reinforce the Government's initiatives because "India fits in the Bank's preparation of a new environmental strategy". The new strategy recognises initiatives that will better align management of the environment and natural resources with poverty reduction and sustainable growth.

The Principal Environmental Economist in the World Bank's South Asia Environment Unit, Mr. Carter J. Brandon, told *The Hindu* that the Environment and Forests Ministry "does not need any more investment money."

"But the World Bank is keen to boost financial support for sectoral projects in different parts of the country which are not necessarily stand-alone Central projects," he said, adding that the World Bank's lending portfolio in India is expected to reach an annual level of $three billion over the next few years.

This means India will account for one-fifth of the World Bank's total lendings amounting to $15 billion per annum. The Bank's "broad environmental portfolio" includes projects in the areas of pollution management, urban environmental priorities, natural resource management, environmental capacity building and global environmental issues.

Though the World Bank's India review of the effectiveness of EAs has reported a "steady improvement in the overall quality between projects of 1991 and those of 1997", there are certain "weak areas" which the Bank hopes India would focus on more in the coming years.

The weakest areas, according to Mr. Brandon, are "identification of issues and scoping, analysis of alternatives, prediction and assessment of impacts and public involvement and consultation." In his opinion, the EAs require a "higher level of expertise as they have to focus on systemic alternatives, policy analysis, linkages with other sectors and institutional arrangements".

Mr. Brandon said that in the South Asian region the term 'environment' was primarily thought of in terms of sustainability of natural resources contributing to livelihoods, the impact of pollution on human health and the functioning of ecosystems to reduce the vulnerability of people, whereas poverty impacts need to be looked at holistically.

"One of the most important implications of the region's poverty focus is that it requires mainstreaming environmental concerns into sectoral and cross-sectoral programmes," he said.

It is, perhaps, in this backdrop that the region's environment-related lending is increasingly being integrated with operations of health, infrastructure, energy, rural and economic management sector units. The new projects for which India has got World Bank assistance include education and health, rural development and water supply, finance and State-level economic reforms, roads and highway development.

$210 m ADB loan for north-south corridor

STATESMAN NEWS SERVICE

KOLKATA, May 27. – The Asian Development Bank, at a board meeting at Manila yesterday had agreed to sanction a $210-million loan for the North-South Transport Corridor, linking Haldia, Kolkata and Siliguri.

The total cost of the project is $ 323 million (Rs 1,500 crore), of which the ADB's share is about Rs 1,000 crore. The Centre and the state government will share the rest.

An official at Writers' Buildings said the ADB has asked the state to complete the project in two phases. Though the construction work of the corridor was the responsibility of the state commerce and industries department, the entire project will be specially monitored by North -South Economic Project Development Board, chaired by the chief secretary, the official said.

The state is expected to receive the loan by August, he said.

The ADB will provide $ 210 million for the first phase of the project, which includes the construction of a 370-km stretch of a highway from Raigunj in North Dinajpur to Barasat in North 24-Parganas.

The project also includes refurbishing NH-34, construction of overbridges, flyovers, bypass roads for smooth passage of traffic along city and important district roads.

The rural access roads will be built and two state highways, SH-10 from Hilli in South Dinajpur to Gajol in Malda, and SH-1 from Chakda to Bongaon, which are connected to NH-34 will also receive a facelift.

An appraisal team from ADB will visit the state in June for discussions on various points and also for inspection.

The official said the ADB was pleased with the state's performance as it completed the $150-million project for construction of a highway from Ilambazar in Birbhum to Moragram in Murshidabad on time.

The official said that by 2003, the ADB may sanction a three-year rolling project of $200 million for construction of Haldia-Kolkata connecting road in the second phase of the corridor project. He said that it will take time as land for this road is yet to be acquired.

THE STATESMAN

28 MAY 2001

'STRIVE FOR A HIGHER GROWTH RATE'

This must be a Plan for the poor, says PM

By Our Special Correspondent

NEW DELHI, JUNE 29. A full meeting of the Planning Commission, chaired by the Prime Minister, Mr. Atal Behari Vajpayee, today accepted the Tenth Five Year Plan's growth target of eight per cent but emphasised that the attempt should be to go beyond that growth rate in order to double the country's per capita income in 10 years.

In his concluding remarks at the meeting, the Prime Minister said the challenge before the country was to wipe out poverty and under-development in the shortest possible time "and this approach paper places this challenge squarely before the nation and also charts a road map for meeting it with clarity and confidence."

Mr. Vajpayee said removal of regional, social and gender imbalances which had strained the social fabric of the country would receive far greater focus in the Tenth Plan than before. "This should be a Plan for the poor; this should be a Plan for Dalits, Adivasis and Backward Classes; and this should be a Plan for all those regions that have lagged behind in development," the Prime Minister said.

Mr. Vajpayee called upon the Central and State Governments to act boldly to remove all the non-financial constraints on the faster growth of capital and labour productivity. "Exclusive reliance on allocations, the relative neglect of outputs and outcomes and lack of executive accountability have not served our Plan objectives in the past. These must be corrected," he added.

The Prime Minister also said that India would have to improve its competitiveness in all spheres to exploit the opportunities of globalisation and to minimise the harmful effects. "Working harder and working better must be our mantra," he pointed out.

In his remarks, the Deputy Chairman of the Planning Commission, Mr K. C. Pant, said the Tenth Plan would strive for a literacy rate of 75 per cent by the end of the Plan period (2002-2007) and for full coverage of rural areas with drinking water facilities by the year 2004, provided sufficient funds are available.

Also, the Planning Commission and the Union Finance Ministry would continue with the linkage of Central assistance to States on the basis of agreed reforms programmes to be undertaken by the latter. This measure has been opposed by some States but the decision has been to continue with the system in order to "improve the effectiveness and quality of Government expenditure as well as bring about sustainability in public finances," Mr Pant said.

The Tenth Plan would also stress on reforms in the Railways, some of which have been outlined in the interim report of the Rakesh Mohan Committee which went into this aspect. Similarly, the power sector reforms are to be vigourously pursued as otherwise the this sector would prove to be a drag on economic growth, Mr. Pant pointed out even as he urged the Prime Minister to seek full political support for the power sector reforms.

The Tenth Plan proposes to formulate development strategies for agriculture in consultations with the State Governments, since it agriculture is primarily a State subject.

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CHASING A MIRAGE

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IT IS GOOD to be ambitious about the targets for economic growth, but such ambitions must be based on what is possible and not the impossible. The assumptions underlying the target of an 8 per cent growth a year during the Tenth Plan (2002-07) are so unrealistic that it does not require a crystal ball to predict that the goal will not be met. A similar unrealism afflicted the framing of the Ninth Plan (1997-2002) target of a more modest growth of 6.5 per cent a year, which is now sure not to be achieved. The full meeting of the Planning Commission which has approved the Approach Paper target of an 8 per cent growth may have covered up the differences between the Commission and the Finance Ministry, but the basic problems with the formulation of the Tenth Plan will not go away.

The Planning Commission's inability to come up with a growth scenario that would conform to the suggestion of the Prime Minister, Mr. Atal Behari Vajpayee, of an annual growth target of as much as 9 per cent was made out to be an example of a concern with feasibility. But this is not the case with even the lower growth target. The Approach Paper assumes a substantial increase in domestic investment and a large improvement in productivity. Although there has been little change in productivity in the economy in spite of the push to competition over the past decade, it is the assumption of the jump in investment that is most problematic. The Centre is expected to find the resources for public investment by a combination of resource mobilisation and savings in expenditure. But it is in resource mobilisation that the assumptions are the weakest. The tax-GDP ratio of the Centre is expected to rise to 11.7 per cent of the GDP and the gross budgetary support (GBS) for the Plan to 5 per cent of the GDP in 2006-07. The annual growth of the GBS is assumed to be as much as 18 per cent. It was the failure in precisely these two areas that contributed to the investment shortfall and therefore to the growth slippage during the first three years of the Ninth Plan. The Planning Commission had only recently completed the long-delayed mid-term appraisal of the Ninth Plan which had highlighted the 9 per cent shortfall in the GBS to the Central and State Plans (with the deficit in the Central Plan as much as 50 per cent) and a continued sluggishness in tax collections as contributing to investment falling behind the target in the Ninth Plan. This has not changed since then and the Union budget for 2001-02 even on paper did not make any provision for a dramatic improvement in the last year of the current Five Year Plan. It is no wonder that the Finance Ministry has been less than positive about the Planning Commission's numbers.

The three Governments that were involved in the formulation of the Ninth Plan were silent about the heroic assumptions which were made then on savings and investment and a projection of a 4.5 per cent growth in agriculture. The assumptions were unrealistic and the projections exaggerated. Yet no lessons have been learnt from that failure. Even if the public sector no longer occupies the "commanding heights" of the economy, the planning process retains a certain relevance because it is acknowledged that public investment in all sectors, and at both the Centre and in the States, continues to play an important role in driving growth. Indeed, there is now a recognition of the need to make up for the neglect in this area in recent years. But if the basic parameters underlying resource mobilisation for public investment are built on such weak foundations, there cannot be much hope for accelerated growth in the Tenth Plan. Only a mirage can be built on far-fetched assumptions.

Budgetary support for states to increase; Gadgil formula to be modified

Tenth Plan to target 8% GDP growth

FROM OUR CORRESPONDENT

New Delhi, June 27: The Centre and the state governments today agreed to peg the growth rate of gross domestic product (GDP) at 8 per cent for the period 2002-07 during day-long confabulations even as the finance ministry cleared the approach paper to the Tenth Plan.

However, sources said finance minister Yashwant Sinha was of the opinion that the aim would be to attain 9 per cent GDP growth during the decade. Real GDP growth in the Ninth Plan has never risen above 6.6 per cent (in 1998-99) and touched a low of 4.8 per cent in 1997-98 (the first year of the Ninth Plan). Real GDP growth in 2000-01 has been estimated at 6 per cent.

In his opening remarks at the full Planning Commission meeting, Prime Minister Atal Bihari Vajpayee said, "We will have to revise our policies, procedures and institutions in order to unleash the productive potential of our people...I also accept that this will require an all party consensus and political unanimity."

The Prime Minister said the vision of attaining an 8 per cent growth would require significant changes in the manner in which the government carries out its economic and development activities.

The Tenth Plan approach paper proposes to step up disinvestment target to Rs 16,000 crore annually, raise investment ratio to 32 per cent from 24 per cent and increase the tax-GDP ratio to 11.7 per cent from the current 9.2 per cent.

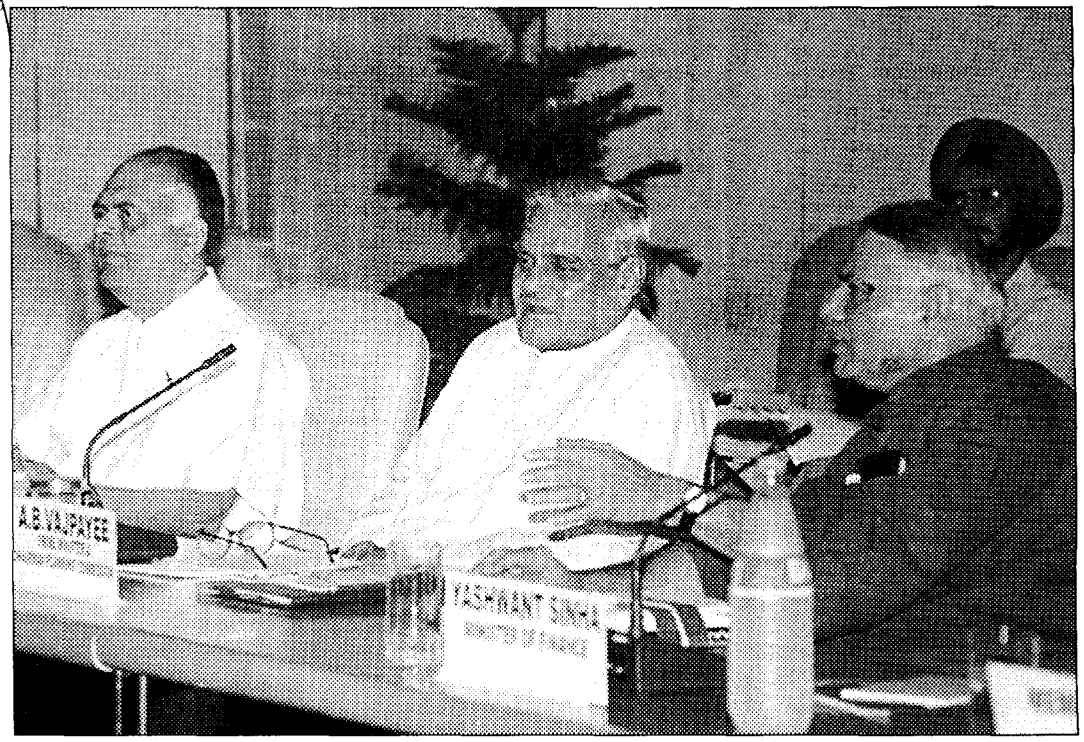
Sources said the two sides agreed to increase the gross budgetary support to 4.5 per cent of GDP during the plan period which would go up to 5 per cent by the end of the Tenth Plan in 2007.

At present, the gross budgetary support is about 3.7 per cent of the GDP.

A committee under the chairmanship of member planning commission N. K. Singh is to be set up to examine the issue of "delinking external aid from gross budgetary support".

The approach paper has proposed a hike in budgetary support to states and modification to the Gadgil-Mukherjee formula for central assistance to achieve the higher 8 per cent GDP growth target.

Speaking to the reporters after the first phase of the meeting, finance minister Yashwant Sinha, said "On every issue in regard to the approach to Tenth Plan, there is complete identity of views between the



Prime Minister Atal Bihari Vajpayee flanked by Planning Commission deputy chairman K.C. Pant and finance minister Yashwant Sinha at a meeting in New Delhi on Wednesday. Picture by Jagdish Yadav

Planning Commission and finance ministry."

Sources said, under the revised Gadgil-Mukherjee formula accepted by the finance ministry, "a higher weightage would be given to performance but necessary elements would be incorporated to help backward states also reach such levels."

Earlier, no weightage was given to performance by population. However, performance weightage by population is being included so that backward states which show an improvement in population control will benefit equally along with states such as Kerala and Andhra Pradesh which have managed to achieve low population growth rates.

Senior officials in the Planning Commission said, "The formula would ensure equitable benefits. The mechanism will be built in a way that all states get to grow equally. As part of performance indicators, the states' revenue efforts would be widened to include both tax and non-tax revenue while the concept of states' own resources would now be regarded as states own funds."

On the issue of raising the investment ratio to 32 per cent from the present level of 24 per cent, sources said there was general agreement that growth had to be brought about by boosting the investment rate and enhancing the investment in capital assets.

Sources said Pant emphasised that there should be a combination of improvement in resource mobilisation as well as a cutback in public expenditure. As part of the Centre's expenditure control efforts, the Tenth Plan paper envisages downsizing the staff strength by 3 per cent per annum.

Addressing the meeting, Pant said, "In the next two days, the NDC will have to consider various issues like special category status to the states of Jammu and Kashmir and Assam with retrospective effect from 1969, to place Uttaranchal on the special category list and per performance of core plans, revision of the Gadgil formula and change in the loan grant ratio in respect of central assistance to state plans."

"We thought it might be a good idea to take up our discussion of approach paper in two parts. Today, we will have a brief presentation on the macro dimension, including objectives, targets and strategy for the Tenth Plan. This could be followed on Friday by a discussion on the major issues and decisions that need to be taken," Pant added.

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SOUNDINGS ON THE TENTH PLAN

MARKETS MIGHT BE the growing reality of the Indian economy but the process of planning will endure. This is not only the dictate of a development paradigm which seeks to come to grips with pervasive poverty and deprivation but an imperative flowing from a decade of liberalisation which has shown that public investment continues to be a critical variable in the nation's economic health.

In setting its sights on the Tenth Five Year Plan, the Planning Commission has inevitably to draw upon the heterogeneous experience with the Ninth Plan which would officially terminate on March 31, 2002. Broadly, the economy has been put over the years on a fairly high growth trajectory with an annual GDP growth rate of 6.5 per cent becoming a viable average. Whether the dividends of higher economic growth have made for a marked decline in poverty, particularly in the rural areas, would continue to be debated. While being willing to go along with the finding of the National Sample Survey Organisation (NSSO) that the poverty level has declined to 26.1 per cent in 1999-2000, from 36.0 per cent in 1993-94, the Planning Commission has now conceded that in addition to the officially recognised population below the poverty line, there is at least another 25 per cent of the population "who consider themselves poor and deserving of Government help". Which brings to the fore the continuing need to put the focus of planning on the alleviation of poverty not as a trickle-down benefit but as a central plank of public policy.

At the threshold level, what seems to dominate attention as regards the Tenth Plan, is the growth rate which it should pitch for. The Planning Commission, in its Approach Paper, has indicated that the Plan should aim at an 8 per cent growth for 2002-07 as being technically feasible even if it would call for "radical departure from present practices" — a vague allusion to the many unfulfilled items on the reforms agenda.

It is a truism that acceleration of GDP growth rate from an average 6.5 per cent to 8.0 per cent a year would call for a combination of increased investment and enhanced efficiency (through the reduction of Incremental Capital-Output Ratio). That, apart from domestic savings which will finance the new investments, reliance will have to be placed on foreign investments to cover less than 5 per cent of the total new investments would indicate that, with all the reforms which have already been put through, FDI is least likely to emerge as a key factor unlike as in China.

In formulating the Tenth Plan, the Planning Commission would need to address the disconcerting reality that economic liberalisation has set in motion new forces which have aggravated disparities among different States. But the question is how the process of planning itself (instead of governance) can supply the corrective for an emerging, more sharply-divided development scenario.

If the economic trends in recent years have accentuated the low employment-intensity of new investments, the country is today confronted with a new challenge of matching the emerging cadres of skilled labour with opportunities for gainful employment. The ascent of the New Economy along with the rapid expansion of an IT-enabled services sector could well be the answer subject only to the caveat that global standards of efficiency would be the bottomline.

Surprising though it would seem, the Tenth Plan should be strongly agriculture-oriented. Not only would farming and allied activities constitute the livelihood for around 65 per cent of the population, but India's true economic potential would be harnessed only through increasing diversification and commercialisation of agriculture. Which again would mean that the strategy for the Tenth Plan must be derived from a process of nation-wide consultation rather than from the top echelons of an urban-minded bureaucracy.

THE HINDU

1 JUN 2001

ADB team coming to offer fresh loans

By Amit Baruah

SINGAPORE, FEB. 8. A high-level delegation of the Asian Development Bank, led by Mr. Yoshiro Iwasaki, director of ADB's Programmes Department (West), left Manila for New Delhi today en route to Gujarat to discuss fresh loan assistance to India for reconstructing the quake-hit State.

Mr. Rajat Nag, a senior ADB official, told this correspondent from Manila that the team would first meet Finance Ministry officials in New Delhi before going to Gujarat. The team's visit was likely to last a week.

Mr. Nag said the bank was looking at fresh loans worth about $ 500 million apart from the $ 350 million "immediate assistance" already pledged by the Manila-based lending institution. There had been some delay in the departure of the team as the Gujarat Government was tied up with more immediate matters, he added.

The ADB team would look at particular sectors for which assistance could be made available — restoration of power supply, reconstruction of houses and rebuilding of urban infrastructure. The final figure of loan assistance was "still open", Mr. Nag said.

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