

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB), the Department for International Development of the United Kingdom (DFID), and the World Bank are the three main development partners in India providing program loan support to help state governments undertake fiscal consolidation and improve public resource management (PRM).

2. ADB has been active in this area in India, since the mid-1990s. The first PRM loan was to Gujarat (in 1996). By August 2014, ADB had provided seven program loans (including two subprograms for loans to Assam) in support of PRM. Each PRM loan has drawn on the lessons from the previous programs. The first generation program loans primarily focused on fiscal stabilization, e.g., loans to Assam (Subprogram I), Gujarat, and Madhya Pradesh. Given the moderation in fiscal deficits in most states since the formulation of the Fiscal Responsibility and Budget Management Act (FRBM Act) and subsequent state versions of the act, ADB's second generation program loans in India are combining fiscal consolidation with improvements in service delivery in areas such as health and education. The Mizoram Public Resource Management Program, approved in 2009, is helping improve service delivery in the critical education and health sectors in a cost-effective manner while pursuing fiscal consolidation. The West Bengal Development Finance Program, approved in 2012, is focusing on improving the allocative efficiency of public resources, tax administration, and debt management. The Punjab Development Finance Program is also in line with previous program loans. The key objective is to assist the state government in developing fiscal headroom to increase spending on development expenditure, while enhancing revenue mobilization and rationalizing public expenditure.

3. The following table shows the main PRM-type support provided by ADB, DFID, and the World Bank. Similar to ADB's policy-based loans, the World Bank's development policy loans (DPLs) support broad-based subnational policy reforms that cut across sectors. These include compliance with the Fiscal Responsible and Budget Management Act to ensure fiscal discipline, revenue augmentation, and reorientation of expenditures to priority areas like operation and maintenance and the social sector (particularly health and education). Reforms in public financial management (budget, audits, procurement) have been a part of almost all DPLs. In addition, the loans have supported governance reforms across the state as well as reforms in specific sectors such as power, health, and education. Usually, the first DPL operation is broad-based and focused on systemic issues; subsequent operations tend to focus on fewer sectors, signifying the deepening of the reform process and the relationship. Most DPLs have also had complementary technical assistance focused on capacity and institution building. To date, the World Bank has provided DPLs in Andhra Pradesh, Bihar, Himachal Pradesh, Karnataka, Odisha, and Uttar Pradesh states. Recently, it approved two sector-specific national DPLs.

**Table 1: Major Development Partners for Public Resource Management
(policy-based loans) in India**

Development Partner	Project Name	Duration	Amount (\$ million)
ADB	Gujarat Public Sector Resource Management Program	1996–2000	250.0
	Madhya Pradesh Public Resource Management Program	1999–2003	250.0
	Modernizing Government and Fiscal Reform in Kerala Program (cofinancing of \$25 million from	2002–2005	200.0

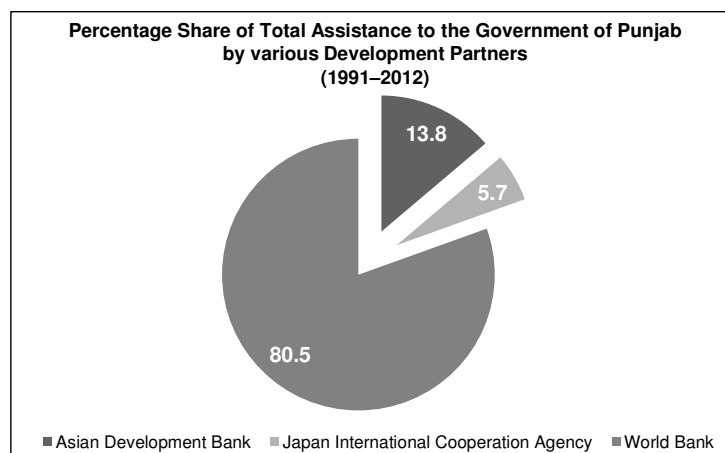
Development Partner	Project Name	Duration	Amount (\$ million)
	the Government of the Netherlands)		
	Assam Governance and Public Resource Management Sector Development Program (Subprogram I)	2004–2007	125.0
	Assam Governance and Public Resource Management Sector Development Program (Subprogram II)	2008–2012	100.0
	Mizoram Public Resource Management Program	2009–2013	94.0
	West Bengal Development Finance Program	2012–2014	400.0
DFID	West Bengal Public Sector Enterprise Reform (Phase II)	2008–2011	35.0
	Odisha Public Sector Reform Program	1999–2011	41.6
	Odisha Modernizing Economy, Government, and Administration	2010–2017	13.0
	Support for Governance Reform in Bihar	2008–2014	29.0
	Andhra Pradesh PMSDIP (Phase II)	2006–2009	12.1
	Madhya Pradesh Strengthening Performance in Government (Phase II)	2012–2016	21.5
	Madhya Pradesh: Strengthening Performance Management in Government	2007–2012	5.6
World Bank (IRDA, IDA)	Uttar Pradesh Fiscal Reform and Public Sector Restructuring	25 April 2000– 30 October 2000	251.0
	First Karnataka Economic Restructuring Loan/Credit	21 June 2001– 31 December 2001	150.0
	Karnataka Structural Adjustment Loan II	14 March 2002– 30 September 2002	100.0
	Andhra Pradesh Economic Reform Loan	14 March 2002– 30 September 2002	250.0
	Andhra Pradesh Economic Reform Program II	10 February 2004– 15 August 2004	220.0
	Odisha Socioeconomic Development Loan/Credit	2 November 2004– 31 July 2005	125.0
	Odisha Socioeconomic Development Loan/Credit II	1 August 2006– 30 June 2008	225.0
	Third Andhra Pradesh Economic Reform Loan/Credit	11 January 2007– 30 June 2010	225.0
	Himachal Pradesh Development Policy Loan I	25 September 2007– 31 December 2009	200.0
	Bihar Development Policy Loan	20 December 2007– 31 December 2009	225.0
	India First Statistical Strengthening Project	1 June 2010– 30 July 2011	107.0
	e-Delivery of Public Services	31 March 2011– 30 June 2012	150.0
	2nd DPL to Support Inclusive Green Growth and Sustainable Development in HP	16 May 2014– 30 November 2014	100.0

ADB = Asian Development Bank, DFID = Department for International Development, DPL = development policy loan, HP = Himachal Pradesh, IBRD = International Bank for Reconstruction and Development, IDA = International Development Association, PMSDIP = Public Management and Service Delivery Improvement Program.

Source: Inputs from development partners (Asian Development Bank, Department for International Development, World Bank).

4. The following figure provides a brief overview of the major development partners (ADB, the Japan International Cooperation Agency, and the World Bank) and their share of assistance as a percentage of total assistance to the Government of Punjab. ADB provided assistance for

tourism development in the state. Japan International Cooperation Agency support focused on afforestation and sewerage. The World Bank was very active in Punjab, including on roads, irrigation, rural health and health care, sewerage, water supply, and technical education.



Source: Government of Punjab.

B. Institutional Arrangements and Processes for Development Coordination

5. ADB collaborates actively with a number of multilateral and bilateral development partners providing assistance to India. Interactions take place through programming-related meetings, sector consultations, and knowledge sharing. In 2012/2013, for example, consultations and programming-related meetings were held with the Agence Française de Développement, the Australian Agency for International Development, DFID, the Food and Agriculture Organization of the United Nations, Germany's GTZ and KfW, the International Labour Organization, the Japan Bank for International Cooperation, the United Nations Development Fund for Women, the United Nations Development Programme, and the World Bank. ADB has had a decade-long partnership with DFID in India. The current DFID–ADB Partnership for India (2009–2015) for a total of \$22 million equivalent (£14 million) covers a cluster technical assistance, which supports ADB's India program especially in states with high incidence of poverty. The focus is also on pro-poor sectors, in line with DFID and the Government of India priorities, such as water resources management, agriculture, rural development, and gender.

C. Achievements and Issues

6. The proposed program assumes a great significance since, prior to this, no such comprehensive assistance was designed for Punjab. Lessons from this loan are expected to complement the development partners' support for improved service delivery, especially in the areas of health and education.

D. Summary and Recommendations

7. ADB will share its experience regarding implementation of this loan with other development partners on a regular basis. Cross-learning from such shared interactions will help firm up strategies for a well-coordinated approach to PRM reforms. This is expected to deepen the reform process by creating sustainable fiscal space and a focused approach to enhancing development financing in the state.