



## A Study of World Role and the World Bank's Plan of Action in India

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### **Abstract:**

*This study investigates The World Bank's work plan in India is spelt out in its Country Strategy (CAS). The Country Strategy for India is closely aligned with India's own development priorities and describes what kind of support and how much can be provided to the country over a period of around four years.*

*The Country Strategy for India for 2009-2012 is aligned with the government's Eleventh Five Year Plan. It focuses on helping the country to fast-track the development of much-needed infrastructure, support the seven poorest states, and respond to the financial crisis. The strategy was arrived at after a series of consultations with a broad range of stakeholders, including members of the government and civil society.*

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### **1. Understanding the World Bank's Nature and History**

The World Bank is one of the institutions established at a meeting in Bretton Woods, New Hampshire, towards the end of World War II. The other important institution established at that meeting is the International Monetary Fund (IMF)

The World Bank is one of five institutions created at the Bretton Woods Conference in 1944. The International Monetary Fund, a related institution, is the second. Delegates (Satta aapvi) from many countries attended the Bretton Woods Conference. The most powerful countries in attendance were the United States and United Kingdom which dominated negotiations.

Although both are based in Washington, D.C., the World Bank is by custom headed (Dorvani) by an American, while the IMF is led by a European.

The World Bank differs from the World Bank Group, in that the World Bank comprises only two institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), these two in addition to three more:[1] International Finance Corporation (IFC), [2] Multilateral Investment Guarantee Agency (MIGA), and [3] International Centre for Settlement of Investment Disputes (ICSID).

From 1945 to 1999, Bank president John McCoy selected France to be the first recipient of World Bank aid; two other applications from Poland and Chile were rejected. The loan was for \$987 million, half the amount requested and came with strict conditions. Staff from the World Bank

monitored the use of the funds, ensuring that the French government would present a balanced budget and give priority of debt repayment to the World Bank over other governments.

The Marshall Plan of 1947 caused lending by the bank to change as many European countries received aid that competed with World Bank loans. Emphasis was shifted to non-European countries and until 1968; loans were earmarked for projects that would enable a borrower country to repay loans (such projects as ports, highway systems, and power plants). Robert McNamara who was appointed to the presidency in 1968 by Lyndon B. Johnson. McNamara shifted bank policy toward measures such as building schools and hospitals, improving literacy and agricultural reform.

## **2. Primary and Secondary Objectives**

The World Bank Group is advancing multiple reforms to promote inclusiveness, innovation, efficiency, effectiveness, and accountability. It is expanding cooperation with the UN, the IMF, other multilateral development banks, donors, civil society, and foundations. But the effort must go further to realize a World Bank Group that represents the international economic realities of the 21<sup>st</sup> Century, recognizes the role and responsibility of growing stakeholders, and provides a larger voice for developing countries.

World Bank is not a bank in the common sense; World Bank is made up of two unique development institutions owned by 186 member countries: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Each institution plays a different but collaborative role in advancing the vision of inclusive and sustainable globalization. The IBRD aims to reduce poverty in middle-income and creditworthy poorer countries, while IDA focuses on the world's poorest countries. Their work is complemented by that of the International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).

Together, World Bank provide low-interest loans, interest-free credits and grants to developing countries for a wide array of purposes that include investments in education, health, public administration, infrastructure, financial and private sector development, agriculture and environmental and natural resource management.

## **3. Key Factors**

The World Bank sees the five key factors necessary for economic growth and the creation of an enabling business environment as:

1. Build capacity: Strengthening governments and educating government officials.
2. Infrastructure creation: implementation of legal and judicial systems for the encouragement of business, the protection of individual and property rights and the honoring of contracts.
3. Development of Financial Systems: the establishment of strong systems capable of supporting endeavors from micro credit to the financing of larger corporate ventures.
4. Combating corruption: Support for countries' efforts at eradicating corruption.
5. Research, Consultancy and Training: the World Bank provides platform for research on development issues, consultancy and conduct training programs (web based, on line, tele-/video conferencing and class room based) open for those who are interested from academia, students, government and non-governmental organization (NGO) officers etc.

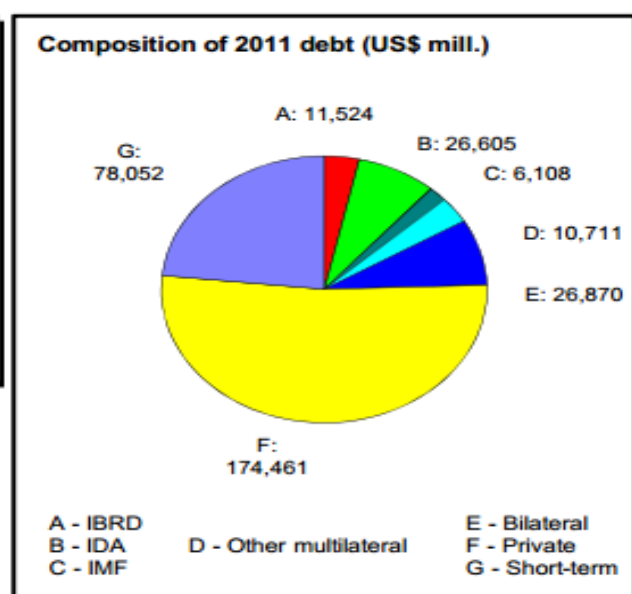
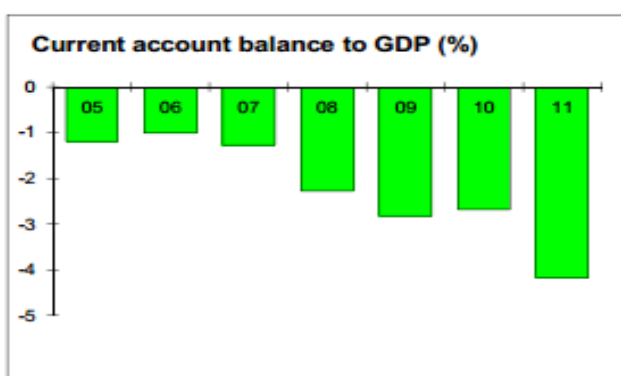
#### 4. The World Bank's Plan of Action in India

The World Bank's strategy envisages total proposed lending of US\$14 billion for 2009 - 2012. As private financing dries up in the wake of the global financial crisis, the Bank has agreed to provide an additional US\$ 3 billion as part of the total financing envelope of US\$ 14 billion. The strategy is implemented through lending, dialogue, analytical work, engagement with the private sector, and capacity building exercises.

#### 5. India's Debt Service Payments

##### EXTERNAL DEBT and RESOURCE FLOWS

	1991	2001	2010	2011
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	86,864	99,499	290,351	334,331
IBRD	8,459	7,009	11,180	11,524
IDA	14,203	19,458	25,888	26,605
Total debt service	7,858	11,770	24,407	29,177
IBRD	1,170	1,091	625	740
IDA	242	570	1,024	1,101
<b>Composition of net resource flows</b>				
Official grants	565	557	1,007	..
Official creditors	2,897	363	5,400	2,631
Private creditors	1,476	-1,444	18,989	17,958
Foreign direct investment (net inflows)	74	5,472	26,502	32,190
Portfolio equity (net inflows)	5	2,950	30,442	-4,137
<b>World Bank program</b>				
Commitments	2,861	2,582	4,348	7,144
Disbursements	2,184	1,997	4,401	2,683
Principal repayments	669	1,152	1,374	1,534
Net flows	1,515	845	3,027	1,149
Interest payments	744	508	275	308
Net transfers	772	337	2,752	841



(Source From: World Development Indicators 2011)

Fig. 1 External Debts & Resources flows

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, we hope the Bank's value will be worth more than just the money it lends.

## **6. Summary**

The Bank's previous four-year Country Strategy for 2005-2008 focused on lending for infrastructure, human development, and improving rural livelihoods. (Read Country Strategy Progress Report.)

### **6.1 Disability**

India has some 40 to 80 million persons with disability. But low literacy, few jobs, and widespread social stigma are making disabled people among the most excluded in India. Children with disabilities are less likely to be in school, disabled adults are more likely to be unemployed, and families with a disabled member are often worse off than average.

### **6.2 Hydropower**

Severe power shortages are seriously hindering India's development. Yet, only 30 percent of the country's hydropower potential has been harnessed so far. When developed in accordance with good environmental and social practices, hydropower plants produce renewable and clean energy and, once established, have long and productive lives.

### **6.3 HIV/AIDS**

There is wide variation in HIV infection rates in the country. About fifty key districts in India have more than half of the country's HIV cases. Tamil Nadu has demonstrated a decline in HIV prevalence among sex workers. India is also making headway on HIV prevention. Despite the recent successes, however, India still faces several challenges in its fight against HIV and AIDS.

### **6.4 Malaria, Kala Azar and Polio**

A US\$520.75 million World Bank project is a major new attack on three diseases still killing thousands and affecting the lives of millions. It will significantly boost effective prevention, diagnosis, and treatment services for Malaria and Kala Azar, and increase Polio vaccinations.

### **6.5 Malnutrition**

India has the world's largest child development program. Yet, the prevalence of underweight children is nearly double that of Sub-Saharan Africa, and among the highest in the world. This is mainly because the program has placed priority on supplementing food rather than on nutrition and health education, and mostly targets children after the age of three when malnutrition has set in.

### **6.6 Regional Integration**

South Asia is the least integrated region in the world. Closer integration can be an effective tool in addressing energy shortages, improving connectivity, and promoting peace and stability.

### **6.7 Urban Challenges**

India's towns and cities have expanded rapidly. However, a quarter of all urban residents live in slums and towns and cities face critical power, water, and infrastructure shortages as well as a rapidly deteriorating environment. Urban areas are beset by poor local governance, inappropriate planning, and weak finances. With urban populations set to rise in the wake of continuing rural-

urban migration, dealing with India's growing urban challenges has become a strategic policy matter.

### ***6.8 Women's and Children's Health***

Every year 2.4 million children and about 136,000 women die unnecessarily in India. This is about one fifth of the global total. India's National Rural Health Mission, launched in April 2005, has a strong commitment to reduce maternal and infant mortality and provide universal access to public health services, the delivery of which is extremely complex and involves a host of public and private, local and international players.

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