CHAPTER 5

NATIONAL DEVELOPMENT THROUGH WORLD BANK INSTITUTIONS

5.1 Introduction

World Bank Institutions are established in response to social needs as concretized by dominant social groups. Development or decay of institutions depends on their capability to meet the social demands for which they are created\(^1\). The actual role of institutions as differentiated from their legal and formal role cannot be understood if institutions are delinked from social context, equilibrium of social forces and dominant societal values of the specific epoch of their operation.

A relevant framework regarding the genesis of the World Bank flows from specific context in which the Bank was created and its role was defined. The World Bank i.e., International Bank for Reconstruction and Development and International Finance Corporation was established for promoting international investment for reconstruction of economies destroyed by World War II and development of the countries which were emerging gradually on the international scene by winning their independence from colonial rule. ‘Reconstruction’ and ‘development’ were the two formally stated goals of the World Bank and the activities undertaken by it during its decades of existence reveal the real meanings of its mission in the contemporary world\(^2\).

The World Bank started its lending operations for reconstruction and development on June 25, 1946. It instituted a project approach which implied that lending would be for a definite project, involving a specific amount of capital and designating a specific target data for completion. Further, terms and conditions of the loan would be laid down in an agreement with the recipient\(^3\). Observance of the terms and loans would be ensured by specific clauses regarding the Bank’s rights of supervision and inspection over the implementation of the project\(^4\).

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India joined the Bank in 1945 and obtained its first three loans in 1949-50. The first loan to India for 34 million dollars was advanced on August 18, 1949. It was meant for development of Indian Railways. Many more loans were advanced in subsequent years for Indian Railways. Another loan of 10 million dollars was made on September 29, 1949 to finance Indian to import equipment for the reclamation of agricultural land. This loan was to enable the Central Tractor Organisation of the government to clear large areas of land in central India. On April 18, 1950, a loan of 18.50 million dollars was given by the Bank to finance a portion of the cost of first stage of a long-term scheme to develop resources of the Damodar Valley, an important multipurpose project. Specifically, this loan was for the power development project of the Bokaro Thermal Power Plant of the Damodar Valley Corporation. This project was also to receive many more loans in subsequent years. The start of India’s relationship with the Bank was made initially by loans for transport, agriculture and power development. After sanctioning these three loans in 1949-50, the Bank sent a Mission to India in March 1950 to review developments in the economic and financial situation during 1949\(^5\). During the first three decades of its collaboration with the Bank, India is in the category of top five recipients of aid\(^6\). The Bank and IDA loans have been supplemented by International Finance Corporation investment commitments to India totalling $58.4 million.

India obtained $62 million loans in 1949-50 and for 1977-78 it occupies first position of recipients of World Bank loans/credits amounting to $7.9 billion. Out of 132 members of the IBRD in 1978, India occupies the top position as beneficiary of the Bank and IDA investments. How had India achieved such an excellent rapport with the Bank? If a developing country gets too much foreign aid, its vulnerability to outside pressures increases because of its dependency relationship with the donors. How has India stood pressures, if any, of the Bank on policies and development?

India had clearly recognized that capitalism could not be built without foreign aid, and this required an adjustment with the philosophy and strategies of aid-givers\(^7\). India has consciously followed the policy of accommodation; and with a few exceptions synchronized its interests with the demands of the Bank. Despite certain

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differences, India was able to attract huge Bank resources by adjusting to the Bank’s suggestions, advice and pressures. This view is supported with the help of a few illustrations based on the actual relationship between the Bank and India.

(a) Public versus private enterprise:

The World Bank was established with the objective of promoting the interests of private investors and also to strengthen linkages between capitalists classes of the donor and recipient countries. These two goals of the Bank having complementary features, could be pursued by patronizing private enterprise of the developing countries and unifying it with the world capitalist system. The developing countries, which had opted to build and strengthen private capitalism, after attaining freedom from the colonial rule, were confronted with the objective situation in which the state had to play the central role. India and the Bank had different approaches on the issue of public and private ownership and this was dramatized in negotiations between the two over the building of a steel plant for India⁸.

During negotiations between Krupp-Denmag and the Government of India over the Rourekela steel plant, the World Bank expressed its willingness to lend one-third of the required capital if Krupp and the government each took a like share⁹. The premise of the Bank in these negotiations was that Krupp would control technical and managerial aspects of the plant and in due course of time private investors in India would become partners when the plant becomes a proven enterprise.¹⁰ The negotiations on the steel plant in India in state sector fell through because the Government of India did not agree to the Bank’s approach on this issue.

Michael Kidron states that Government of India, however, would not accept virtual IBRD-Krupp control of steel mill in India. Krupp, in turn, was willing to reduce its equity to ten per cent of the paid-up capital. This, however, was unacceptable to the IBRD as it was contrary to its policy of not financing government-controlled industrial enterprise.¹¹

On the one hand, the Bank refused to assist India in the setting up of a steel plant in state sector, on the other, it extended loans to privately owned steel plants. The

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⁸ Bo Sodersten, (2002),p.34.
Steel Mission of 1952 of the Bank submitted a report on ‘Expansion of iron and steel production’ and as a result of its recommendations, the privately owned India Iron and Steel Company got a bank loan of $29.2 million.\(^{12}\)

(b) Bank’s Mediation in Indus Water Dispute:

The Bank was actively involved in accelerating development activities in India. In the early 1950s, the Bank was involved along with India and Pakistan in a joint study of technical measures to increase the supplies of water available from the Indus River System. In February 1954, the management of the Bank put forward a framework for a comprehensive plan for the Indus River System and this was taken under consideration by the governments. Under the leadership of the Bank, studies for sharing of waters were undertaken.\(^{13}\)

The Bank negotiated with the governments of Australia, Canada, West Germany, New Zealand, the United Kingdom and the United States for funding of the engineering plan for the Indus River. In the Annual Report for 1959-60, the Bank stated that with its initiative the Indus Basin Settlement Plan was accepted by the two governments of India and Pakistan. This plan was on the lines of the proposal made by the Bank to the two governments in February 1954.\(^{14}\)

(c) Aid India Consortium:

India had received its first loan from the Bank in 1949 and by the end of June 1959 the Bank had invested $367,547,135 in the country’s economic programmes of development. During this decade, India had implemented its first Five Year Plan, and had started the Second Five Year Plan in April 1956 with a growing crisis of foreign exchange. In the middle of 1958, the Reserve Bank of India announced that India’s sterling balances\(^{15}\) which were about Rs 746 crore in April 1956 had dropped to Rs 200 crore. The International Monetary Fund was approached to help India to tide over difficulties of foreign exchange.

In August 1958, the World Bank called a conference in Washington for representatives of the governments of Canada, West Germany, Japan, the United Kingdom and the United States to discuss and review the India’s foreign exchange


\(^{15}\) Sterling balances were India’s foreign exchange reserves with the British government
crisis and the prospects of Second Five Year Plan. At this meeting, more foreign aid was pledged to India and this conference, which was called to deal with a temporary crisis laid down the foundations of a permanent institution, the Aid India Consortium. Since its establishment, the Consortium has met regularly to review India’s economic progress and priorities before committing foreign aid.  

The Consortium was created as an emergency measure for loans to India, but, its potential for aid co-ordination was immense for aid givers as they institutionalized it. The Bank’s investments in India during the first decade of its operations were directed towards the development of railways, power, multipurpose projects and ports. Besides lending for basic services, the Bank also developed iron and steel industry in the private sector and encouraged foreign investors to participate in its programme of loans to Indian investors. After laying the firm foundation of the links, the Bank evolved a comprehensive approach towards Indian development. The Bank reviewed and scrutinized Indian Five Year Plans salvaged them through crises liked big businesses with capital.

5.2 The Interdependence

National economic development does not take place in isolation; it occurs in the international context which plays a role. In order to understand the connection between the two and in order to influence national development through the world system, it is necessary to trace out, the way the nations have become interdependent and interacting units. The world is a system; it has social, political and economic orders. It is also possible to think of other derivative orders such as technological orders, information order etc. All these have complex and delicate relationship among themselves. It is not possible to disentangle them. It is possible to conceptualise a model in which an individual will fend for himself. He will have low living and sordid existence. He will starve if production is deficient. His surplus will rot if there is surfeit of production. So will be the fate of nation-states. If they are small, they will have to not enough and forego variety. In case the states they are very big, they will manage, but will lose larger advantages in the absence of economic relations with other states.

17 Simon Kuznets, Modern Economic Growth: Rate, Structure and Spread, (1966), p.34.
On real plane, both individuals and nations have inexorable “propensity to truck and barter.”

Surplus products are disposed of in exchange of commodities not otherwise available. Territorial division of labour, international specialisation based on factor endowment and comparative advantage bind nations in trade relations. From the hoary past, international trade has been in existence and ever been on the rise.

Foreign trade, as a proportion of world output, increased from 3 per cent to 33 per cent between 1800 and 1913. It increased by three-fold in volume between 1870 and 1914. During this period, the world was more closely knit with new transport routes, communication channels, trading relationships and financial flows. All this notwithstanding, the benefits were confined to the industrial nations of Europe and North America which took part in world trade. Some of the important areas in the world became more productive and more industrialized. Diversification of product and demand became the phenomenon of the day. This led to rapid expansion in international trade during the close of the 19th century. The absolute increase of international trade between 1875 and 1914 was far greater than any other period in the past of similar lengths. As a result of this there was gradual fusion of the grading areas and groups. Labour and capital moved internationally in greater volume than before and even along new channels. Movement of the factors of production helped to build specialized centers of production which in turn furthered trade.

Economic growth and development has been the prime goal of all nations. Till now it is accepted by all that development is the responsibility of nation-states, the outside world may facilitate or hinder the process. Since nations behave in an international setting, national development cannot take place without the world context. It is up to the nations to take advantage of the world situation. The nations will find their place and direction for development as an integral part of the world system.

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5.3 India and Foreign Aid

The foreign and domestic policies of a country are determined by the stage of its development, the goals and priorities of its leading classes and their perception of alignment of world forces. The colonial domination of India blocked its transition and distorted its development by making it a satellite of the metropolitan economy. The British rule in India destroyed the self sufficient village economy and developed commerce and flourishing artisans and craftsmen. India was transformed by the British into an “agricultural colony of British manufacturing capitalism.” The developed centres of commerce and trade such as Dhaka, Murshidabad, Surat and the developing union of agriculture and domestic industry in rural India were destroyed. The new role assigned to India by the British was of an agricultural farm for supplying raw materials and buying manufactured goods imported from Britain. The consequence of British policy in India was overcrowding of agriculture as the sole occupation of the impoverished masses and rampant poverty and famines. Only under the pressure of World War I the British government in India paid attention to industrialization.

Military strategic reasons, economic requirements to resist foreign competition in the Indian market and development of the Indian national movement created a situation in which the British were disposed to encourage the indigenous capitalist class in order to promote industrialization of the country. Nonetheless, this was only a half-hearted attempt and its consequence was a very lop-sided industrialization of India which was based on traditional industries like jute, textile, sugar, tobacco, etc. On the eve of independence, the new Indian government inherited primitive agriculture, mass poverty and skewed and distorted industrial development primarily in the traditional sector. India had industries, but without a self-sustaining industrial system.

The political movement for freedom from imperialism was led by nationalist leaders who emphasized the destructive role of foreign rule for India. After independence, the Indian capitalist class and their political representatives had to face the issue of foreign aid and investment very squarely. The Indian capitalist class

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entered the post-independence phase with a vacillating attitude towards foreign capital. However, foreign capital was welcomed by Indian state functionaries and captains of industry in the ‘national interest’ of India. The argument in favour of foreign capital was based on the premise that India lacked resources and technology for development. Foreign assistance was essential for an underdeveloped country like India. The government maintained that foreign investment would be allowed in high priority areas of economic development. The draft outline of the First Five Year Plan stated that foreign capital would act as a catalytic agent for domestic resource mobilization and investments would be made in essential sectors of the economy25.

In the 1950s, first two Five Year Plans, both the Industrial Policy Resolutions of 1948 and 1956 and policy statements of government functionaries laid down foundations of foreign investment in India. The institutional mechanism of “joint ventures” was blessed both by the Indian state and the capitalist class. The third and fourth Five Year Plan documents reaffirmed India’s desire and willingness to accept foreign aid for development. The planners emphasized that foreign assistance would be useful to development if the aid-givers took into account not merely the requirements of particular projects, but of the developmental programme as a whole.26

Every successive Five Year Plan opened the country to the flow of multilateral and bilateral public and private foreign aid and investment. Since foreign aid had become an integral part of Indian economic development, the government many a time clarified its policies and appointed many high power committees to streamline procedures for foreign aid. Since Independence, India has diversified and multiplied its sources of public and private foreign investment to build capitalism in the country. Foreign capital has played a crucial role in structural transformation and distortion of the Indian economy. Concentration of economic power and strengthening of Indian big business control over the Indian economy has been attributed to a great extent to foreign aid, whether it was given to the public sector or the private sector27.

5.4 India and World Bank

India’s involvement with the World Bank dates back to its earliest days. India was one of the 17 countries which met in Atlantic City, USA in June 1944 to prepare the agenda for the Bretton Woods conference, and one of the 44 countries which signed the final agreement which established the Bank. In fact, the name “International Bank for Reconstruction and Development” was first suggested by India to the drafting committee.28

The Bank lending to India started in 1949, when the first loan of $34 million was approved for the Indian Railways. Many more loans were advanced in subsequent years for Indian Railways. Another loan of $10 million was made in September 1949 to finance importing equipment for the reclamation of agricultural land. This loan was to enable Central Tractor Organization of the government to clear vast tracts of land in Central India. On April 18, 1950, a loan of $18.5 million was given by the Bank to finance a portion of the cost of the first stage of a long-term scheme to develop resources of the Damodar Valley. The start of India’s relationship with the Bank was made initially by loans for transport, agriculture and power. After sanctioning these loans, the Bank sent a Mission to India in March 1950 to review the developments.29

The first decade of the Bank’s lending to India (1949-1959) saw about 20 loans for a total amount of $611 million. During the years 1960-69, overall lending to India from the Bank rose to $1.8 billion, about three times the lending in the previous decade. Between 1970 and 1979, there was a large increase in the volume of lending and the share of international development assistance reached a high of 80 pc during this decade. However, in the 1980s, India’s share in the total assistance came down to 25 pc. The volume of the World Bank assistance rose to $14.7 billion during 1980-89, almost 10 times the level of $1.5 billion in the previous decade.

The aggregate of the Bank’s lending in India during the period 1944-94 was approximately $42 billion. India is the single largest borrower of World Bank and

29 Government of India, Eighth Five-year Plan, p.146.
International Development Agency. It has claimed about 15 pc of total World Bank lending 9 pc of WB and 28 pc of IDA commitments.

5.5 Five-Decade Relationship

The 50 years of relationship between the Bank and India clearly shows certain trends. In the early years of relationship, the Bank involvement was not direct and visible as compared to 1980s and 90s. In the initial years, the Bank closely collaborated with the more active US Agency for International Development (USAID), to force policy changes. In fact, an alliance of USAID, the Bank, the IMF and transnational corporations (TNCs) worked hand in hand to pursue economic changes. However, after the 80s, the Bank along with the IMF has started a direct and visible role India’s policy making.

Nevertheless, there has been continuity in the basic philosophy and ideology of the Bank over the past 50 years. The philosophy of diluting the basis of economic planning, dismantling of public sector, encouragement to private sector (both national and foreign), and greater emphasis to market forces has been forcefully articulated by the Bank since the 1950s. The Bank has been proceeding in a methodical manner to force India to accept its philosophy.

The Bank created conditions so that the Planning Commission was relegated to the background in the late 1960s. During the oil shocks of 1973 and 1980, the Bank was able to push forward its ideology of market forces with great impetus. By 1990, the entire economic environment was made conducive for foreign capital to play a leading role in tapping emerging markets of middle class consumers in India. And the foreign exchange crisis of 1991 provided the opportunity to the Bank to clinch this objective through structural adjustment programme. The past 50 years of Bank operations in India clearly reveals that the Bank has exploited the foreign exchange crisis periods. So far, India has faced five major foreign exchange crises (1957, 1966, 1973, 1980 and 1991). In each crisis period, the Bank did not miss the opportunity to force its ideology on the government of India.

The Bank was instrumental in India’s policy making right from the early years of Independence. In 1949, the Bank set its first mission to survey the potentialities of

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30 The Hindustan Times, Delhi, (1979), p.34.
32 Id. p.68.
Indian economy. Following this, the then Prime Minister Jawahar Lal Nehru submitted a special policy statement on foreign capital to Parliament. It remains the only document where the role and place of foreign capital in India is stated in explicit terms. It also marked a retreat from the Industrial Policy Statement of 1948. It included the following principles:

- Existing foreign interests to be given ‘national treatment.’
- New foreign capital would be encouraged. Government would frame policies to enable foreign capital investment on terms and conditions that are mutually advantageous.
- Profits and remittances abroad to be allowed.
- Although majority ownership by Indians was preferred, government will not object to foreign capital having control of a concern for a limited period, if it is found to be in the national interest.

The above liberal principles towards foreign capital were fully implemented in the following year’s (1949-50) budget. It provided depreciation allowances and income tax exemptions to a wide range of foreign companies. As a follow up, in 1949-50, the government fully abolished the capital gains tax, while the business profits tax, personal income tax and super tax were reduced in the 1950-51 budget. All these concessions and commitments to foreign capital were incorporated into the Industrial Development Regulation Act, 1951.

Meanwhile, the World Bank began to intervene in Indian economic affairs in a significant manner. A second World Bank Mission visited India in the 1950s. On the basis of its instructions to facilitate the close integration of private capital with foreign capital, the Nehru government established the Industrial Credit and Investment Corporation of India (ICICI) in January 1955.

However, the government announced the Industrial Policy in 1956. This policy was a major departure from the early industrial policy of 1948. While the 1948 statement had given private sector ten years to operate before being nationalized, the

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1956 policy marked out the areas in which the private sector could expand in an uninhibited manner.\textsuperscript{36}

Shortly thereafter, the government earnestly began to flout its own industrial policy. For instance, of the 17 industries listed in Schedule ‘A’ of the Industrial Policy Resolution, “industries the future development of which will be the exclusive responsibility of the state (and in which) will be set up only by the state,” at least seven were opened to multinational corporations through joint ventures. Schedule ‘B’ industries which according to 1956 Industrial Policy, were to be progressively state-owned, had 12 industries of which nine were allowed in private sector.

Although the private sector also benefitted from changes in the official policy, the real beneficiaries were foreign companies. The form in which the World Bank wanted foreign capital to participate in the Indian economy was made clear when the government had sought the Bank’s assistance for financing the Rourkela Steel Plant in 1956. The Bank insisted that the German collaborators supplying technology should have more leverage that had been offered. The negotiations fell through and evidence suggests that the reason for the Indian government to adopt a strong position at that juncture was availability of adequate foreign exchange.\textsuperscript{37}

\textbf{5.6. The Bank and 1957 Forex Crisis}

Until the foreign exchange crisis of 1957, after the sterling balances accumulated by the country in the post-Korean war boom had plummeted, there was no conservation of foreign exchange. There was no foreign exchange budgeting as the country embarked on the Second Five Year Plan. Nevertheless, the heavy import requirements of the private sector and the government’s liberal licensing policy resulted in a huge trade deficit. Therefore, the government was forced to recognise foreign exchange shortage. The government had to approach the IMF for a stand-by arrangement in February 1957. Thereafter, the government approached the United States and the Bank for loans. A policy directive issued by the Director, USAID, announced that no economic aid would be available for the state-owned industrial and mining enterprises except in rare cases.\textsuperscript{38}

\textsuperscript{36} Karl Marx, Capital, Vol 1, Part 4, Chapter 13 Section 7.
\textsuperscript{38} Committee on Banking Finance and Urban Affairs, House of Representatives,(1978), p.133.
The World Bank echoed American criticism that the Plan was over-ambitious. The Bank urged the Indian planners to give more scope to private enterprise and more incentives to foreign private investment.\(^{39}\)

### 5.7. Aid India Consortium

In August 1958, the World Bank called a conference in Washington for representatives of the governments of Canada, West Germany, Japan, the United Kingdom and the United States to review the foreign exchange crisis of India and the prospects of its second Five Year Plan. For this meeting, the IMF had also sent an observer. At the meeting, more foreign aid was pledged to India and this conference which was called to deal with the temporary foreign exchange crisis, laid the foundations of a permanent institution, Aid India Consortium. This international consortium was organized by the World Bank with five members in 1958 to provide aid to India. Its membership increased in later years. In 1961, France and the newly formed International Development Association, and in 1962 Austria, Belgium, Italy and the Netherlands and in 1968 Denmark became the members.\(^{40}\)

Since its establishment in 1958, the Aid India Consortium has met regularly to review India’s economic progress and priorities before committing foreign aid. The World Bank and the Government of India present at the annual consortium meetings, a full review of the Indian economy for the consideration of the aid-givers. Commenting on the role of annual meetings of the Consortium, the World Bank Annual Report of 1964-65 stated that it (consortium) “has served as a vehicle for objective comments on the economic performance and capital requirements of the recipient countries and have served to coordinate external aid and improve the terms on which it is given.\(^{41}\)”

Aid India Consortium, as an aid-givers institution, pledged a finance Indian Five Year Plans and for any other emergency or crisis situation. While in 1958 India had foreign exchange crisis, in 1965-67 the nation was facing debt servicing difficulties and need non-project aid for development. At the Consortium meetings of 1967 and 1968, rescheduling of India’s debts was very favourably considered and aid


was promised for debt relief, food and fertilizers\textsuperscript{42} and further non-project aid was also promised.

The Bank is actively involved in organizing the aid consortium and this act as a bridge between the donors and recipients of aid. The Bank’s annual report commented: “While much of the coordination of development assistance takes place at the meetings, the Bank makes every effort to encourage continuous consultation among members and recipient governments for aid groups sponsored by it. It provides all members with economic reports – special studies, project lists, proceedings of meetings and other related documents. The Bank also provides economic and related analytical reports for aid groups sponsored by other organizations\textsuperscript{43}.”

The balance of payments difficulties arising from the execution of the Five Year Plans were responsible for India’s opening of its planning process to review and approval by the aid-givers. While the Consortium members are guided and persuaded by the Bank’s evaluation of the Indian economy, the government of India also submits memorandum for consortium meetings\textsuperscript{44}.

The real significance of Aid India Consortium can be appreciated by linking it with developments in India and the Western capitalist countries. India’s deepening crisis of development was leading to its growing dependence on foreign multilateral and bilateral aid, the West European capitalist countries had recovered from their post-war economic problems and in the beginning of the 1960s, the United States of America and the West European capitalist countries were collectively well prepared to play an active role in the Third World\textsuperscript{45}.

The Consortium was created as an emergency measure for loans to India, but its potential for aid coordination was immense for the aid-givers that they institutionalized it. For India, the establishment of Consortium has meant that the capitalist countries have taken over responsibility of monitoring of the Indian economy with a commitment to salvage it from crises situations. The World Bank, the economic ministries and the Planning Commission work in close cooperation with each other in harmonizing their respective goals and interests.

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\item[43] Annual Report, IBRD, 1969-70, p.30
\item[45] Alba, P.,A. Bhattacharya, S.Claessens, S.Ghosh and L.Hernandez (1999), p.34.
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5.8 World Bank and Indian Agriculture

While during the 1950s the World Bank was primarily making investments for the development of industrial infrastructure in Third World countries, in the 1960s the emphasis shifted towards agriculture and during these years its investment in agriculture and rural development has increased in cumulative terms. The Sector Policy Papers and annual reports of the Bank clearly emphasize that the share of agriculture has increased from 6 pc of the total Bank lending in fiscal 1948-60 to 16 pc in fiscal 1971-72 and 24 pc in fiscal 1973-74\(^{46}\).

While the basic utilities like transportation, generation and transmission of power and telecommunications had received over the years, two-thirds of all Bank and IDA financing, reversal of this policy was in the offing and the annual report of the World Bank for 1964-65 clearly stated that it would support projects which involved a comprehensive approach to agricultural development, training and extension work. By the middle of 1970s, the Bank and its affiliates were financing projects for fertilizers, farm credit, seeds, irrigation, storage, marketing and processing of farm products, fisheries, foreストries and agricultural universities. The Bank’s annual report of 1969-70 stated\(^ {47}\):

“The development of new high-yielding food grain varieties, the establishment or expansion of effective institutions for channeling investment credit to individual farmers, and the success achieved in programmes for the profitable expansion of livestock production are among the factors which have made notable increase in agricultural investments feasible.”

India was a very important beneficiary of new strategy of investment of the World Bank for the development of agriculture. The World Bank Group sponsored a number of fertilizer and irrigation projects in India and provided funds for agricultural credit institutions for financing inputs such as seeds, pesticides and machinery\(^ {48}\). A few facts would highlight the role of the World Bank Group in financing Indian agriculture\(^ {49}\).

1. Out of five IDA credits for India in 1969-70, three were for agriculture.

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\(^{47}\) Id. p.118.


2. In 1970-71, India got six IDA credits of the amount of $243.4 million, and four of them were for agricultural credit and aerial spray facilities.

3. Seven out of 12 projects funded by the Bank/IDA in 1971-72, were for agricultural development in India.

4. The same pattern of lending, as mentioned above, was repeated in 1972-72. The Bank gave only one loan during the year and the IDA gave ten credits of $494 million. Agricultural credit, fertilizer, development of agricultural markets and agricultural universities received five out of ten IDA credits for the year.

5. In 1973-74, the Bank gave only one loan to India, and the IDA gave seven credits out of which four were directly for agricultural development – dairy development, agricultural credit, apple processing and fertilizer.

6. Loans for 1974-75 were fully for agriculture. The two loans of the Bank of $209 million and ten credits of the IDA of $631.1 million were for irrigation, livestock and fertilizer.

7. In 1975-76, India received three loans and eight credits from the Bank and the IDA of the total amount of $894 million; and eight out of these 11 investment items were meant directly for agriculture and rural development.

8. In 1976-77, out of 13 loan/credits of $750 million, the absolute share went to agriculture and rural development. The annual report of 1976-77 also spelt out the World Bank Group’s strategy towards Indian agriculture. It stated that, “In India, IDA lending supports a comprehensive strategy to improve agricultural yields with the following elements: seed production, ground-water development, provision of credit, the upgrading of extension services and research planning through both national-level and state-level action programmes.”

9. Finally, out of 17 loans/credits of the amount of $1281.5 million, the World Bank Group invested in maximum projects in agriculture in 1977-78.

While the Bank was assisting projects relating to industry, the IDA was providing soft credit for agriculture sector in India. Further, in 1975-76, India
obtained further concessionary loan under the Third Window Projects, scheme of the Bank for irrigation development in Andhra Pradesh\textsuperscript{50}.

With some $5.5 billion in net commitments from both IDA and IBRD, and 24 ongoing projects, the World Bank’s agriculture and rural development program in India is by far the Bank’s largest such program worldwide in absolute dollar terms. This figure is even higher when investments in rural development such as rural roads, rural finance and human development are included. Nonetheless, this amount is relatively small when compared with the Government’s - both central and state - funding of public programmes in support of agriculture. Most of the Bank’s agriculture and rural development assistance is geared towards state-level support, but some also takes place at the national level.

The Bank’s Agricultural and Rural Development portfolio is clustered across three broad themes with each project, generally, showing a significant integration of these themes.

1. Agriculture, watershed and natural resources management
2. Water and irrigated agriculture
3. Rural livelihood development

Over the past five to ten years, the Bank has been supporting:

- R&D in Agricultural Technology through two national level projects with pan-India implementation (the National Agriculture Technology Project and the National Agriculture Innovation Project) coordinated by the Government of India’s Indian Council for Agricultural Research (ICAR).

- Dissemination of Agricultural Technology: New approaches towards the dissemination of agricultural technology such as the Agriculture Technology Management Agency (ATMA) model have contributed to diversification of agricultural production in Assam and Uttar Pradesh. This extension approach is now being scaled-up across India.

- Better delivery of irrigation water: World Bank support for the better delivery of irrigation water ranges from projects covering large irrigation infrastructure

to local tanks and ponds. Projects also support the strengthening of water institutions in several states (Andhra Pradesh, Karnataka, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh) improved groundwater management practices (for instance, in the upcoming Rajasthan Agriculture Competitiveness Project).

- Sustainable agricultural practices through watershed and rainfed agriculture development (Karnataka, Himachal Pradesh, Uttarakhand), soil reclamation efforts (Uttar Pradesh) and, more recently, improved groundwater management practices (for instance, in the upcoming Rajasthan Agriculture Competitiveness Project).

- Improved access to rural credit and greater gender involvement in rural economic activities through rural livelihood initiatives undertaken by a number of states (Andhra Pradesh, Bihar, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu) and soon to be scaled up by GOI with Bank support through a National Rural Livelihood Mission.

- Agricultural insurance by advising Government of India on how to improve the actuarial design and implementation of the insurance program (e.g. rating methodology and product design, index insurance, use of mobile and remote sensing technology to measure yields, etc.).

- Improved farmer access to agriculture markets through policy reforms and investments under the Maharashtra Agricultural Competitiveness Project which aims to reform regulated wholesale markets and provide farmers with alternative market opportunities.

- The land policy agenda through analytical work as well as non-lending technical assistance in support of GOI’s National Land Records Modernization Program.

- Better rural connectivity through IDA support to the Prime Minister’s National Rural Roads Program (PMGSY), and by connecting rural poor and smallholder farmers through collective action to public services through Self-Help Groups (and SHG federations), Water User Associations and Farmer Producer Organizations. Recently the Bank’s Board of Executive Directors
approved the National Rural Livelihood Mission, which supports SHG approaches through a pan-India approach\textsuperscript{51}.

\textbf{5.9. Agri Project in Karnataka}

In seven arid districts Karnataka, a project supported by the International Development Association (IDA) spurred a 25 percent increase in crop yields and reduced soil erosion. It also contributed to a 40 percent rise in household incomes for small and marginal farmers, a gain of more than 50 percent for landless farmers, and a jump of almost 80 percent for larger farms. The lives of people in 400,000 households were improved, helping curb outward migration by about 70 percent. More than 6,000 women’s self-help groups were formed to foster sustainable livelihoods.

More than 70 percent of Karnataka’s major agricultural area falls within the semi-arid zone. These areas are prone to periodic droughts, severe soil erosion, erratic rainfall, and depleting groundwater. These factors erode the natural resource base and significantly hinder agricultural productivity. Most farmers on these rainfed lands can grow only one crop a year, with little opportunity to increase cropping intensity or diversify into more valuable cash crops. Average yields for ten of the most common crops in these regions are between two-to-five times less than what they could be. More efficient and sustainable use of natural resources, especially of soil, water, and vegetation is a basic need for the economic and agricultural development of these areas\textsuperscript{52}.

To tackle these challenges, the project, known locally as ‘Sujala’, was initiated in late 2001 as a community-driven, participatory, and holistic development project to improve the productive potential of selected watersheds in seven predominantly rainfed districts of Karnataka. Cutting-edge satellite technologies were used to plan and prioritize activities, monitor progress, and assess impacts. Open fields were brought under tree cover to intercept rainfall, reduce soil erosion, and bind the top-soil. Field bunds, contoured trenches, and check dams were built to prevent monsoon rain water from carrying away fertile top soil, enabling it to percolate into the ground to recharge tanks and wells instead. High-yielding breeds of livestock were introduced and trees

and grasses were cultivated to increase fodder\textsuperscript{53}. An independent team from Antrix Corporation, part of the Indian Space Research Organization, provided ongoing technical and monitoring and evaluation services to the project. The project was able to push the frontiers in applying these technologies far beyond what was earlier envisioned\textsuperscript{54}.

Between 2001 and 2009, the project achieved its target of establishing 4,300 farmer groups and 6,600 new self-help groups to sustain participatory watershed management across 7,000 communities in 742 micro-watersheds. Key impacts included\textsuperscript{55}:

- The lives of people in 400,000 households improved. Incomes increased by about 40 percent for small and marginal farmers, by more than 50 percent for landless farmers, and by close to 80 percent for farmers on larger properties. Migration from the region dropped by about 70 percent.
- New participatory micro-watershed planning approaches resulted in highly integrated micro-watershed plans being prepared by communities, who assumed greater ownership and commitment to longer-term sustainable land management.
- Runoff and soil erosion were reduced up to 21 cubic meters per hectare. The percentage of irrigated area increased between 6 percent and 14 percent across project sites.
- Crop yields increased by 25 percent over the baseline, cropping patterns shifted to higher valued crops, and milk yields were enhanced by 15 to 20 percent.
- Taking into account member savings, project revolving funds, and leveraged commercial loans, the total potential capital base for self-help groups in project community grew to almost US$13 million by 2009 and continues to be used to help establish small businesses, particularly among women and landless.

\textsuperscript{55} Supra note 24, p.98.
IDA provided US$86.0 million and the Government of India US$14.6 million, while another US$7.4 million came through community contributions. The project was implemented by the Karnataka Government’s Watershed Development Department with several non-governmental organizations. The project partnered with Antrix Corporation, part of the Indian Space Research Organization, to provide ongoing technical and monitoring and evaluation services to the project\(^\text{56}\).

### 5.10. Population, Nutrition and Health

The World Bank has emerged as the world’s largest lender in the health, nutrition and population (HNP) sector of developing countries. The Bank also plays a major role in advising on national health policies. But in India, where the Bank has invested more in HNP than in any other country – US$2.6 billion – over the past three decades, progress, particularly for the poor, has been slow and uneven. While India’s health status has improved substantially, it still is not on a par with other countries at a comparable level of development. The root causes of this halting progress are poverty and low levels of education, particularly among women, but public health programs bear a share of the responsibility\(^\text{57}\).

The Operations Evaluation Department (OED) of the World Bank found that, in the 1970s and 1980s, the Bank supported government programs that were seriously flawed. But in 1988 the Bank began to work more collaboratively with Indian experts to identify determinants of programme constraints, as well as possible solutions. This enabled the Bank to push for better programming and policies and to propose new ways to address fundamental problems in the Indian health system. The results of this more recent approach have been encouraging. This experience with innovative projects, sector work, and policy dialogue in India’s HNP sector offers important lessons for improving health in countries around the world\(^\text{58}\).

Since the early 1970s, the Bank has funded 23 HNP projects in India, while also sponsoring important sector work and engaging the government in an ongoing policy dialogue. From rather simple beginnings, support has evolved slowly, in

\(^{56}\) Raymond, Vernon, “the Multinationals: No Strings Attached” in Foreign Policy No.33, (1979), p.122.


\(^{58}\) Id. p.116.
phases, as the Bank and the government have learned to tackle the weaknesses and limitations of India’s health system in increasingly sophisticated ways.

5.11. Population Projects

In the area of population policy, Bank support has been separated into three distinct phases. Early projects, carried out from 1972 through 1988, had the narrow aim of helping the government carry out its Family Welfare Programme. While designed to integrate family planning and maternal and child health services, in actuality the programme emphasized sterilization and the expansion of facilities. The programme gave little emphasis to increasing demand or improving the quality of family planning services, which reduced its impact on both contraceptive prevalence and total fertility rates. The Bank had little influence on the direction of this programme. The government’s approach was firmly established long before Bank involvement, the Bank’s lending represented only 3.6 percent of total programme funding, and the Bank was generally poorly positioned to suggest improvements or alternatives.

In 1987, a new and somewhat larger Bank team – one with a wider view of human resource development – undertook a series of sector studies that offered excellent diagnoses of the problems in India’s population program. Yet the impact of the initial studies was limited. Over time, however, the Bank’s sector work increased in influence, in large part because the Bank involved the government in selecting and designing the studies and local experts were hired to carry them out. The sector studies helped to generate important policy changes, including a new emphasis on outreach, maternal and child health, temporary contraceptive measures, and education campaigns, which became the basis of the Bank’s newer population projects. The Bank also began to focus on high-fertility states and urban slums – areas with the greatest need. Despite these improvements, it was more difficult to reorient practices and programming than either the Bank or the government had anticipated. Staff who designed these initiatives was perhaps too optimistic about what could be accomplished in states with weak administrations. Project development also suffered from the failure to involve local stakeholders in project design. Had there been more

60 Third Five Year Plan, New Delhi, Government of India, Planning Commission, p.107.
effective stakeholder participation, project feasibility and risk might have been more accurately gauged.

Up to 1988, the Bank funded five population projects worth of $245.7 million, after which its involvement substantially increased, with financing of projects in 1989 ($124.6 million) and 1990 ($96.7 million). Consequently, the Indian government made efforts to address the criticisms by the Bank. This was subsequent to the Bank’s new emphasis on research and the publication of papers that began to develop a strategic image of what the Bank felt need to be done\textsuperscript{62}.

Another shift came in 1996, when the government dropped sterilization and numerical targets as the focus of its population programme, adopting a “target-free” approach that gave greater emphasis to meeting women’s reproductive health needs. The immediate result of the new policy was a reduction in contraceptive acceptance rates, in part because previously exaggerated rates were now more realistically reported. Recent data suggest that acceptance rates are recovering. To help this new policy succeed, the Bank is designing support programmes that are based on need, that closely monitor results, and that provide timely feedback. The design of the recent Reproductive and Child Health Project, for example, is based on related sector work and consultations with stakeholders and NGOs. This project offers practical ways to promote family planning without emphasizing sterilization targets and allows for different implementation models in different situations. It also introduces some elements of performance-based budgeting to increase accountability and puts monitoring and client feedback at the centre of the project. These features should bring about improvements in programme effectiveness\textsuperscript{63}.

5.12. Aid for Nutrition Programmes

The Bank has supported two quite different nutrition programmes. The first, the Tamil Nadu Integrated Nutrition project (TINP), was an innovative program that operated from 1980 to 1997. Designed by Bank staff and Indian consultants, it focused on changing the way mothers feed themselves and their infants and preschool children. Mothers kept records of their children’s weight, and received nutrition education, primary health care, supplemental feeding, and other medical interventions

when necessary. Considerable care was taken in designing work routines, training and supervising staff, and ensuring that supplemental feeding was targeted only at underweight children. The programme was quite successful in reducing severe malnutrition, but less so in reducing moderate malnutrition. This difference may suggest that improvements in feeding practices can only go so far, and that further gains require poverty reduction as well.\(^{64}\)

Despite the relative success of the Bank’s Tamil Nadu project, the Indian government showed little interest in continuing or expanding it. Rather than pressing for its expansion, 1990 the Bank also began to support the government’s predominant initiative for preschool children, the Integrated Child Development Services (ICDS) program. The Bank advocated incorporation of elements of the Tamil Nadu project into ICDS, which was meant to be a holistic child development program, offering nonformal preschool education for children 3 to 6 years of age; supplemental nutrition, immunization, and regular health checkups for children ages 0 to 6; and nutrition and health education for pregnant and nursing women. Outcomes thus far have been disappointing. The TINP experience seems to have been lost on India, although the design has been used in other parts of the world.\(^{65}\)

While ICDS was eventually able to reach 80 percent of the development blocks in the country, it had no mechanisms to ensure that its services and supplemental food actually reached those most in need. In addition, workers were inadequately trained and were overextended, and the program’s outreach, health, and educational components were often neglected. As a result, the Bank rates its ICDS projects as unsatisfactory. While the Bank originally attributed programme flaws to rapid expansion and implementation problems, it now appears that significant changes in direction are required. Yet the program has developed widespread political support, in part because of its widely distributed benefits.\(^{66}\)

5.13. Assistance for Health Programmes

The Bank began to support freestanding health projects in the early 1990s. Until that time, the government funded primary care on its own and did not seek policy advice from the Bank in the health sector. Financial difficulties in the early

1990s and new leadership in the Ministry of Health and Family Welfare, however, provided an opening for the Bank to fund two types of projects: disease-specific interventions and broader, state-level health system reforms.

(a) Disease Control Projects

The Bank’s 1993 study, Disease Control Priorities in Developing Countries, stimulated interest among Indian health officials to request Bank support to develop a series of disease control programs. The projects have introduced important innovations, such as greater integration of the private sector and nonprofits registered societies into the government’s health efforts and new ways of fighting cataract blindness, tuberculosis, leprosy, and malaria. Implementation experience varies widely, but there have been notable successes. The Bank was instrumental in bringing the Indian government to move against AIDS and the Bank-financed National AIDS Control project has established state and national HIV control programs, instituted better diagnosis and treatment, and moved to change risky behaviours. Over 90 percent of the blood supply is now tested for AIDS, a threefold increase. While it is not easy to determine the exact number of HIV cases averted, an estimated one-third of a million cases may have been prevented67.

India launched the first National AIDS Control Program (NACP I) in 1992, focusing on blood safety, prevention among high risk groups, raising awareness among the general population, and improving surveillance. In the second phase (NACP II, 1999-2006), India continued to expand the program at the state level, with greater emphasis on targeted interventions and involving NGOs. In the third phase (NACP III, 2007-2012), India has scaled up targeted HIV prevention interventions for most at risk population groups and further expanded the surveillance system. The World Bank supported all three phases of the NACP68.

The goals of the fourth phase of the NACP are to accelerate reversal of the HIV epidemic and integrate responses. The National AIDS Control Support Project will support the fourth phase of NACP (2012–2017), with a focus on HIV prevention and targeted interventions. The Project will contribute to three components of the NACP IV: (i) prevention, (ii) behaviour change, and (iii) institutional strengthening.

Two other components of NACP IV – provision of care, treatment, and support to people living with HIV and AIDS; and strategic information systems, including disease surveillance – will be supported by the national budget, with technical and financial support from other donors\(^69\).

The project development objective is to increase safe behaviors among high-risk groups in order to contribute to the national goal of reversing the HIV epidemic by 2017.

To fight the resurgence of tuberculosis, the Bank has supported the introduction of Directly Observed Treatment, which now covers 115 million TB sufferers. The Cataract Blindness Control Project has surgically restored sight to 8 million people, and 30 percent of these surgeries were performed with the advanced IOL method. And leprosy victims have benefited from the National Leprosy Elimination Project – almost 12 million have been cured\(^70\). These programmes have focused on diseases that, while serious, together represent only about 6 percent of the mortality and morbidity burden. Cardiovascular diseases, cancer, trauma, mental illness, and tobacco-related diseases have yet to be addressed. These illnesses will almost surely be more difficult to handle, they are less concentrated among the poor, and the government has yet to come up with proposals for their management\(^71\).

(b) State Health Reform Projects

State personnel policies and management systems play a fundamental role in determining system performance and health outcomes. To gain leverage over these critical determinants of success and to tailor programs to each state’s needs and capabilities, the Bank has initiated four state-level health reform projects since 1995. These projects also offer the Bank a long-sought opportunity to influence the more fundamental determinants of how the public health system works at the state level, where the Bank can provide assistance that is tailored to the locality\(^72\).

The first-state-level effort was the Andhra Pradesh First Health Referral System project, a $159 million project approved in 1995. Its aims is to establish meaningful referral systems, provide training and equipment to strengthen

\(^70\) Mudaliar committee on “Foreign Collaboration.” (1998), p.3
\(^71\) pengui Dictionary of Economics, (1973), p.144
\(^72\) Supra note 66, p.76.
management of the state public health system, introduce a cost-recovery mechanism, and improve resource allocation. The Second State Systems project extends the principles of the first project to three other states. It is the largest health project the Bank has ever funded ($350 million), and is showing signs of being too large and complex to be managed satisfactorily. Subsequent projects in Orissa and Maharashtra each focus on one state. Activities range from increasing access to primary care in remote areas, to establishing a new institution to manage the hospital system, to improving service quality at community health centres, focusing on maternity cases. The Maharashtra project also includes an innovative component to establish a new, specialized hospital that operates according to modern hospital management practices.\(^{73}\)

Supervision reports indicate that these projects are progressing satisfactorily. The Andhra Pradesh project, in particular, is progressing well, with some elements – notably management and monitoring and evaluation – rated highly satisfactory. There has been a modest increase in the share of the state budget spent on health and a slight increase in the proportion spent on primary and secondary care, but no evidence yet of significant progress on cost recovery or referral. The Second State Systems project is progressing better in some states than in others. The use of different approaches tailored to the needs of individual states provides a unique opportunity to learn what does and does not work in different settings. But OED’s study concludes that plans for monitoring and evaluation must be further strengthened if this is to take place.

5.14. **World Bank and Power Sector**

Over the past decade, India has nearly doubled its installed generation capacity, become a global leader in renewable energy, improved its transmission network, developed electricity exchanges, and enacted major energy-related legislation. Despite these achievements, an estimated 300 million people and 40 percent of rural households do not have access to electricity while those who are connected to the grid must cope with an unreliable supply. Rural poor households also rely heavily on traditional sources of fuel, which overtime have a negative impact on health outcomes.\(^{74}\)

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\(^{73}\) Richard J. Barnet and Ronald E. Muller, (1998), p.140

Challenges include an energy demand that far outstrips supply; below market pricing of electricity; constraints on the coal and gas supply that force generation stations to operate below capacity; and high rates of loss in distribution\textsuperscript{75}. At the state level, the power sector faces especially acute financial difficulties; accumulated losses in the state distribution sector amount to 1.5 percent of India’s GDP. A new financial restructuring plan, approved in September 2012, is expected to put State Electricity Boards on a more financially sustainable footing.

Key contributions of World Bank Group include interventions at the national and state levels will focus on ensuring financially sustainable access to electricity by (i) increasing access to modern energy, especially in India’s low-income states; (ii) increasing the availability of power to underpin growth while balancing sustainability and climate change concerns; and (iii) strengthening institutions and the financial sustainability of the sector. Support will aim to improve inter-regional power transmission connectivity by increasing the power exchange between regions and states by 23 percent over the next five years. An additional 300,000 poor households are expected to have access to electricity as a result of the Northeast Power Transmission project\textsuperscript{76}.

5.15. Fourth Power System Development Project (PSDP-IV)

Recurrent and severe electricity shortages (peak power deficit of 10.3 percent and energy deficit of 8.5 percent in 2012) have imposed high costs on the Indian economy. Because of inadequate and poor quality of supply, 60 percent of Indian firms rely on captive and back-up generation to meet their electricity needs, and the poor technical and commercial performance of most of the state electricity providers has led to a loss of US$20 billion during 2011-12. More than 350 million people in India today still lack access to electricity, impeding their ability to fully benefit from a high growing economy. India’s power sector also relies heavily on fossil fuels (primarily coal), and the country is currently the world’s fourth largest GHG emitter\textsuperscript{77}.

5.16. Fifth Power System Development Project (PSDP-V)

The Fifth Power System Project builds on a successful partnership with Power Grid Corporation of India Limited (POWERGRID), the national electricity transmission company that is vital to the development of India’s power sector. Not only has the World Bank Group financed POWERGRID’s investment programs (through four direct loans), but it has also supported its ongoing efforts to achieve world class operations and management, and to leverage private participation (including with IFC financing of the Bhutan-India Tala transmission system). WBG’s support to this Project came in the wake of the 2008 global financial crisis, when both international and domestic credit markets In India the cost of debt for domestic investors increased by at least 20-30 percent, and the availability of both debt and risk capital for infrastructure projects decreased. Additional financing to POWERGRID was also part of broader efforts to scale-up IBRD financing in response to the financial crisis. The Project’s development objective is to strengthen India’s electricity transmission system in the western, northern, and southern regions to increase reliable power exchange between regions and states.\(^78\)

Investments under the project will help improve POWERGRID’s service delivery by facilitating more economic use of generation resources; providing greater grid stability; and facilitating development of a power trading regime within the country and with India’s neighbors.\(^79\) The Government is also encouraging private financing in the sector. To this end, the WBG has been working with POWERGRID to explore options for leveraging finance from international markets, with the deployment of IFC-syndicated loan instruments (transaction completed in June 2012), and the possible use of an IBRD Partial Credit Guarantee whereby POWERGRID will access the international loan markets for the first time and on its own credit.\(^80\)

Under this project, the country’s power transmission capacity expanded across its five regional transmission grids to reach 66 billion kilowatt-hours, outperforming end of project target of 60 billion kWh. Since 2008-09, the transmission capacity of the Central Transmission Utility of India has increased to more than 100,000 circuit

km, adding about 28,000 ckm of new transmission lines, outperforming end of project targets.

Transformation capacity has doubled to more than 160,000 MVA over the same period, outperforming the end of project targets. The inter-regional electric power transfer capacity increased from less than 21 to about 30 gigawatts since 2008-09.

5.17. Vishnugad Pipalkoti Hydroelectric Power Project (VPHEP)

The Vishnugad Pipalkoti Hydroelectric Power Project (VPHEP) in Uttarakhand an important part of the World Bank’s commitment to helping improve the performance and sustainability of the hydropower sector in India and sustain the country’s economic growth. In line with the Ministry of Power’s desire to develop public sector hydro companies into top-performing public companies in the power sector, like POWERGRID and NTPC Limited, the Bank is supporting THDC India Limited (THDCIL) to strengthen its capacity and systems to become a leading hydropower company. The Project, which supports activities on the Alaknanda River in Uttarakhand and Rampur Hydroelectric Project on the Sutlej River in neighboring Himachal Pradesh, provides an opportunity to inform the hydro policy dialogue and practice in these two Himalayan states that are expected play a critical role in India’s hydropower development in the future.

Building on lessons learned in other countries, the Project will help create effective project execution for cascaded hydropower systems and foster a coordinated approach to river basin planning and development. HPHEP will also help increase generating capacity to complement the Government of India’s efforts to improve the performance of the country’s distribution and transmission networks. The project development objective is to increase the supply of electricity to India’s national grid through the addition of renewable, low-carbon energy; and strengthen THDCIL’s institutional capacity with respect to the preparation and implementation of economically, environmentally, and socially sustainable hydropower projects. It has two components:

• Construction of the 444 MW Vishnugad Pipalkoti Hydro Electric Project in Chamoli District, Uttarakhand.; and

• Support to capacity building and institutional strengthening at THDC India Limited, the project developer.
Key Expected Results:

1. Addition of 444 MW of renewable energy (hydropower) generation capacity.

2. The strengthening of the institutional capacity of THDCIL through the development and implementation of a capacity building and institutional strengthening plan\(^{81}\).

5.18. Haryana Power System Improvement Project

The major remaining obstacles to making India’s power sector responsive to the demands of consumers and a modernizing economy are at the state level, predominantly in electricity distribution and transmission. By using investment lending to alleviate the infrastructure deficit in a rapidly growing state that also has pockets of poverty, the World Bank is also drawing on global experience in institutional reform to support electricity improvements in Haryana\(^{82}\). The project development objective is to improve the availability, efficiency, and accountability of electricity supply in the state of Haryana through strengthening the transmission and distribution systems. The project supports HVPN, a transmission company, and DHBVN, a distribution company. It has three components:

1. Transmission System Strengthening involves priority investments in substations together with transmission lines for system augmentation.

2. Urban Distribution System Strengthening focuses on improving operational efficiency and enhanced customer service.

3. Technical Assistance and Capacity Building of transmission and distribution companies\(^{83}\).

5.19. Coal Fired Generation Rehabilitation Project

The Bank-supported Coal Fired Generation Rehabilitation Project is helping the Government of India design and implement an appropriately sequenced program to scale-up the Energy-Efficient Renovation and Modernization (EE R&M) of its old, inefficient, and polluting coal-fired power generation capacity. This would help put the sector on a lower carbon path than continuing to operate these plants at their

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present efficiency levels, while also bridging the power demand-supply gap. Recognizing the large carbon emission reduction potential of this Project, the Global Environment Facility (GEF) has provided a US$45.4 million grant\textsuperscript{84}. The Project’s development objective is to improve energy efficiency of selected coal-fired power generation units through renovation and modernization and improved operations and maintenance. The project’s two components focus on:

(a) Energy Efficient Renovation and Modernization Pilots to renovate and modernize 640 MW of old coal-fired power generation capacity to demonstrate energy-efficient rehabilitation approaches.

(b) Technical assistance to support the implementation of pilots, develop a pipeline of pilot interventions, address barriers to energy efficient renovation and modernization projects, and strengthen institutional capacities of implementing agencies\textsuperscript{85}.

While this pilot project is targeting 640 MW for EE R&M, its success could result in the Government of India and various states rehabilitating capacity of identified similar plants. The IBRD-GEF involvement is expected to have an impact on barrier reduction strategy for wider replication of rehabilitation projects. This attempts to address barriers to rehabilitation in the selected pilot states through studies backed with international experiences, policy/regulatory dialogue, and strengthening of institutional capacity. In addition, the project has also helped mobilize qualified contractors to bid on India’s EE R&M opportunities and will demonstrate effective R&M approaches which can be replicated across the country (and possibly elsewhere) once completed successfully\textsuperscript{86}.

Given the significant gap between demand and supply of power in India, these pilots will demonstrate whether and how the rehabilitation of old coal-fired power plants can augment availability of power on competitive terms. The engagement with selected state utilities is helping them build institutional capacity, especially in the areas of design and execution of R&M projects, and efficient operation and management (O&M) of plants. In addition to Reducing carbon emissions from power

\textsuperscript{84} IBRD, Second Annual Meeting of the Board of Governors, (1947), p.7.

\textsuperscript{85} Chinubhai R. Shah and Komal Parikh, “FERA TO FEMA; A Journey from Forbidden Lands to Semi-Open Pastutes”, (2000), pp.175:

\textsuperscript{86} Id. p176
plants, the project would also support improving the overall environmental performance of these plants, including particulates emission, water treatment, ash disposal, and overall safeguards practices and policies in the plant – areas which sometimes do not attract adequate attention of the utility.

5.20. Rampur Hydropower Project (RHP)

The Rampur Hydropower Project (RHP) is a 412 MW run-of-the-river hydropower project on river Satluj in the state of Himachal Pradesh, and is being implemented by publicly-owned SJVNL. The Bank had been involved in financing SJVNL’s first hydropower project (1500 MW Nathpa Jhakri Hydro Electric Project currently in operation. The Bank’s support for the RHP is the first step in its reengagement in the hydropower sector in India after almost a decade of absence. The engagement also complements the efforts of the Bank and Indian government to strengthen the capacity of Himachal Pradesh to manage its hydropower program in a more sustainable manner through a series of policy level engagements.\(^87\)

The development objective of the project is: (i) to improve the reliability of India’s Northern Electricity Grid through the addition of renewable, low carbon energy; and (ii) to improve the effectiveness of the developer, SJVNL, with respect to the preparation and safe implementation of economically, environmentally, and socially sustainable hydropower projects\(^88\). The project consists of three components:

1. Construction of the 412 MW Rampur run-of-river hydroelectric scheme
2. Investment support to implement measures for ensuring higher availability of the existing upstream Nathpa Jhakri hydropower project; and
3. Technical assistance for institutional reform and capacity building\(^89\).

The project successfully included project-affected people in community development initiatives: health services extended to more than 50,000 people by operating a mobile health van in affected villages; sponsorship of 195 local students (including 31 girls) for technical education; merit scholarships awarded to 74 students


\(^89\) Shapiro, op. cit., p.207.
and on-the-job training program to 31 candidates (including five women). In addition, small contracts worth US$3 million awarded to local people.

Strengthened contracts’ management practices through the timely issue of variance orders and the formation of a dispute resolution board for the settlement of claims. It also successfully completed land acquisition and compensation payment process prior to the award of a civil works contract by adopting innovative approaches such as a direct purchase method through negotiations, and lease agreement.

### 5.20.1 Addressing Infrastructure Gap

Although India’s transport network is one of the most extensive in the world, accessibility and connectivity are limited. Only 20 percent of the national highway network (which carries 40 percent of traffic) is four-lane, and one-third of the rural population lacks access to an all-weather road. Ports and airports have inadequate capacity and often poor transport connectivity. Trains move very slowly, owing to poor maintenance, and the entire railway system is grappling with issues of financial sustainability.\(^90\)

The World Bank Group institutions have extended support for the transport sector will focus on the reform and development of railways, highways, and rural roads, and on improving road safety and ensuring asset sustainability. The WB support builds on lessons learned from ongoing transformative projects and from state-level interventions. Over the next five years, WBG projects will aim to improve transport connectivity by upgrading and maintaining 9,000 km of state highways and significantly increasing rail transport capacity on the Eastern Freight Corridor.\(^91\)

### 5.21. Eastern Dedicated Freight Corridor Project I

Indian Railways (IR) operates a national rail network of about 64,600 route-kilometers. In 2011-12, it carried 8.2 billion passengers and 969 million tonnes of freight.\(^92\) Despite strong growth in its freight business, IR has been losing market share to road haulage, due partly to insufficient physical capacity and poor service quality exacerbated by the need to fit freight train movements into a busy passenger service schedule. Without additional rail network capacity, much of the traffic for

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which rail should have competitive advantage would be forced to use road haulage or be suppressed, in both cases at a cost to the economy and in the former case at an environmental cost as well. Over the last decade, IR has successfully adopted many management measures to squeeze more capacity from its existing assets; average trainload, equipment utilization and railway labour productivity have all been greatly improved. Physical capacity on key corridors is now the most pressing constraint.

The Dedicated Freight Corridor (DFC) project is a strategic response to network constraints on critical freight routes in India that form a quadrilateral, connecting the Delhi, Mumbai, Chennai, and Kolkata. The rail network between these cities accounts for just 16 percent of IR’s route network by length, but carries more than 60 percent of its freight traffic. With India’s freight traffic projected to grow at more than 7 percent annually, the DFC program will add dedicated freight-only lines, mostly parallel to the existing routes, built at higher loading standards to permit the operation of larger and heavier axle-load trains. This will not only double the overall rail capacity in the corridors, but also significantly reduce train operating costs per unit of freight.

The current DFC programme includes the Western Corridor (Delhi-Mumbai) and the Eastern Corridor (Ludhiana-Delhi-Kolkata). The Ministry of Railways (MoR) is the designated responsible Ministry and the shareholder of the Dedicated Freight Corridor Corporation of India Limited (DFCCIL). The World Bank is supporting implementation of a substantial portion of the Eastern DFC under a three phased Adaptable Programme Loan (APL). The APL-I is for a 343 km section from Khurja to Kanpur, entirely in the state of Uttar Pradesh. APL–II, currently under preparation, will cover about 390 km from Kanpur to Mughal Sarai, again entirely in Uttar Pradesh. The development objectives of the APL-I are to: (a) provide additional rail transport capacity, improved service quality, and higher freight throughput on the 343 km Khurja to Kanpur section of the Eastern rail corridor; and (b) develop the institutional capacity of DFCCIL to build and operate the DFC network. The APL Phase 1 Project consists of two components: (1) Design, construction, and commissioning of the Khurja-Kanpur section (2) supports the construction of 343 km

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of double track electrified railway capable of freight train operation with 25 ton axle loads at 100

5.22. Pradhan Mantri Gram Sadak Yojana

Established in 2000, the Pradhan Mantri Gram Sadak Yojana (PMGSY)—also known as the Prime Minister’s Rural Roads Programme — addresses poor rural connectivity. The Program originally sought to provide all-season road access for every community with a population greater than 1,000 by 2003, and all villages with populations greater than 500 by the end of the Tenth Five-Year Plan in 2007.\(^\text{96}\)

The time-frame for the programme has now been extended, and the length of the new and improved rural road network increased to 274,000 km. As a result, 70,500 habitations are now connected. The programme’s implementation capacity has been enhanced significantly, with over 50,000 km of road being completed annually, compared to just 15,500 km at the beginning of the programme. Despite these dramatic improvements in rural connectivity over the last decade, 25 percent of India’s villages still lack access to all-season roads. The Bank’s $1.5 billion PMGSY Rural Roads Project covers a mixture of low-income states (Jharkhand, Rajasthan, and Uttar Pradesh), small special category upland states (Himachal Pradesh, Meghalaya, and Uttarakhand), and the middle-income state of Punjab. The project development objective is to support strengthening the systems and processes of the national PMGSY rural roads programme to expand and maintain all-season rural access roads, resulting in enhanced road connectivity to economic opportunities and social services for beneficiary communities in the participating states.\(^\text{97}\)

5.23. Road Projects in States

5.23.1 Assam Road Project:

Assam is one of the lower income states of India, and the gateway to the landlocked northeast region of the country. Its road network therefore has significant strategic importance for the economic integration of the lagging northeast with the rest of the country. About 60 percent Assam’s 38,000 km state road network, managed by its Public Works Roads Department (PWRD), is in poor condition due to

\(^{96}\) *India World Bank Group Country Program Snapshot, (2013)*, p.56

\(^{97}\) Supra note 100, p.67.
years of low investment and lack of maintenance. Overall weak sector management has further aggravated the impact of sector underfunding. The PWRD needs substantial enhancements and revisions in its traditional way of doing business to improve its relatively low performance and institutional effectiveness. The Assam State Roads Project will carry forward and build on many sector reforms already introduced in the PWRD since 2000 through Bank-funded Rural Development Projects. The project’s development objective is to enhance the road connectivity of Assam by assisting the PWRD in improving and effectively managing its road network.

**5.23.2. Punjab Road Sector Project:**

Punjab, located in the northwest, is one of India’s most prosperous states. The agricultural revolution in the 1960s and 1970s and resulting high economic growth substantially improved Punjab’s poverty and social indicators. Punjab is rural and landlocked. Two-thirds of its 25 million people live in villages, and agriculture, directly or indirectly, accounts for 40 percent of the economy, substantially above the Indian average of 24 percent. Better roads, lower transport costs, and higher transport service standards have been identified in the Government of Punjab’s 10th Five-Year Plan as core elements of an enabling investment climate and a prerequisite for economic diversification and accelerated economic growth.

While maintenance funding for national highways by the Government of India and for village roads through crop tax is sufficient, funding for the State Highways has been grossly inadequate. (Until recently, funding for maintenance for Plans Roads was only 25 percent of that required). While funding for maintenance appears assured in the short term, the consequences from the previous inadequate maintenance funding and lack of capacity expansion can be only partially remediated. The Bank is supporting the road sector in Punjab because of the need to address the increasingly serious capacity constraints and to assist the Government of Punjab in strengthening its road maintenance management of the state highways.98

The Project development objective is to improve operating conditions of State roads for road users, in a sustainable way, thus helping to provide the business enabling environment necessary to support Punjab's economic development strategy.

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5.23.3. Technical Assistance for NHAI

The total road network in India is about 3.3 million km, of which about 2 percent are National Highways and Expressways carrying about 40 percent of total road traffic. Recognizing that the poor condition of national highways could impede high economic growth, in 2000 the Government of India launched the National Highway Development Project (NHDP), the largest highway project ever undertaken in the country. The responsibility for implementation was entrusted to the National Highways Authority of India (NHAI). The prime objective of the NHDP was to undertake widening of strategic NH corridors. Prior to implementation of NHDP, the road sector faced persistent underfunding and grappled with poor institutional capacity to manage its network and programs. The existing network was neglected and the sector experienced a trend of “build-neglect-re-build”\(^99\).

With the launch of NHDP, the road sector could attract considerable private financing in addition to public funding through levying additional taxes on fuel. However, in recent times there have been difficulties in attracting private financing and new areas of concerns have emerged: weaknesses in project preparation; delays in land acquisition; large variations during construction; ineffective contract administration resulting in high number of contractual disputes; human resource constraints; and lack of safety awareness. The Government of India is keen to address these challenges by improving NHAI’s program management and operational efficiency\(^100\).

The Project development objective is to assist NHAI in adopting appropriate practices that would enhance its program management and operational efficiency. The project focuses on Institutional Strengthening and Capacity Building of NHAI through technical assistance in project preparation and management, research, training and capacity building, asset management and resource planning, Public Private Partnerships (PPP), socioeconomic and environment impact evaluation, safety, HIV/AIDS prevention, and governance by adopting appropriate approaches and practices.

5.23.4. Karnataka State Highway Improvement Project:

Karnataka, located in the southwest of India, is the eighth largest state of the country, with a population of about 57 million. With 34 per cent of the people living in urban centres, Karnataka is the fifth most urbanized state in India. Although considered to be middle-income state and growing at or above the all-India economic rate of growth, Karnataka has wide regional development disparities, posting risks for sustaining high growth and making it more inclusive. Improving infrastructure, including road transport, is a key component of the Government of Karnataka’s development strategy to sustain growth and bridge regional disparities. Within the state’s relatively extensive road network of 2,08,262 km, the Department of Public Works, Ports and Inland Water Transport is responsible for managing 22,078 km of state highways and 50,037 km of major district roads. The Department faces two notable challenges: a significant paucity of resources for improving the quality and standards of transport infrastructure, and worsening road safety (in 2009, the state accounted for 10 percent of road accidents and 7 percent of road fatalities in all of India). The Bank-supported Karnataka State Highway Improvement Project aims to support the Government of Karnataka in two areas of highway development: (a) achieving more diversified sector financing, building upon India’s experience in extensive use of PPPs for the development of National Highways; and (b) improving road safety design, management, and enforcement to reduce road fatalities and major injuries\(^{101}\). The Project development objective is to accelerate the development of the Core Road Network through leveraging public sector outlays with private sector financing and improving the institutional effectiveness of the road sector agencies to deliver effective and safe roads to users\(^{102}\).

5.24. World Bank and Education in India

India’s efforts to improve access, equity, and quality of education at the primary, secondary, and tertiary levels remains a work in progress. Now that access to primary education has been largely universalized, the challenge ahead is to improve quality, learning outcomes, retention, and access to education by underprivileged children, often in very remote areas.

As the success of elementary education has resulted in demand for education beyond elementary level, there is increasing focus on improving access to secondary education. Of those children who finish primary education, 83 percent transition to the next level. Enrolment rates for grades 9–12 are just 40 percent, and of those enrolled, approximately 15 percent drop out and one-third fail their examinations. While inequities are declining in terms of access and participation at all levels of education for all socioeconomic and ethnic groups, manifold inequities persist in the type of education facilities and exposure to and availability of modern education techniques. Girls make up 45.6 percent of secondary students\(^{103}\).

The key contribution of the World Bank Group will focus on improving secondary and tertiary education, with greater emphasis on educational quality. The implementation of the Bank-supported Rashtriya Madhyamik Shiksha Abhiyan will contribute to the universalization of secondary education. It is expected secondary enrollment will increase from 28 million in 2012 to 40 million by 2017. Greater attention will be paid to teacher training, performance, and accountability—key determinants of quality. Interventions will also help improve labor market entry for young adults\(^{104}\).

5.25. *Technical Engineering Education Quality Improvement II Project*

The Government of India has set itself the target of training 500 million people, from basic literacy to higher degrees, by 2020. The higher education sector is beset by problems – from non-transparent governance, to poor quality, from low investments and lack of labor market orientation, to weak quality assurance.

The first phase of the Technical Engineering Education Quality Improvement Project (TEQIP) started a reform process through 109 government and private engineering education institutions in 13 states and 18 national institutions. In the TEQIP institutions, graduates’ salaries increased by 90 percent over the baseline in nominal terms, and the employment rate increased by 42 percent. About 83 percent of the existing education curricula have been revised, and about 91 percent of eligible programs are either accredited or under assessment for accreditation. The principles in the TEQIP program – autonomy coupled with accountability – are central to the Government’s reform agenda in higher education. These reforms have now been


\(^{104}\) Alex Inkeles, *What is Sociology?* (1975), p.79.
taken forward in the second phase of the TEQIP, which has almost doubled the number of participating institutions and states\textsuperscript{105}.

5.26. Secondary Education Programme

The outstanding success of the Government of India’s elementary education program, which increased enrolment rates to almost 100 percent, is putting pressure on secondary education (grades 9 and 10). Secondary education needs to expand rapidly in response, while at the same time improving the quality of education: two Indian states which participated in the OECD PISA assessment of 15-year olds in mathematics, science, and reading, ranked at the very bottom of 70+ participating countries/regions\textsuperscript{106}.

The Government of India asked the Bank to support expansion and quality improvement in secondary education through the Bank’s flagship program, given our long history of support to elementary education. Since 2004, IDA has contributed close to US$1.85 billion to the program in 2 phases -SSA I–2004-2007 (US$500 million), and SSA II–2008-2012 (US$1.35 billion). The Secondary Education Program, like SSA, is also funded by DFID and the EU, though total Development Partner contributions are about 10 percent of costs over 5 years. However, the Bank’s financial contribution enables it to support and influence the shape of the whole multi-billion dollar program\textsuperscript{107}.

The project development objective is to help India achieve increased and more equitable access to good quality secondary education through support of the Government’s ongoing program for secondary education as delineated in the \textit{Rashtriya Madhyamiki Shiksha Abhiyan} (RMSA) Framework. The Framework is designed to expand access, enhance equity, and improve the quality of secondary education; and in particular, support new innovations and expansion of promising pilot programs. Quality improvement activities include teacher professional development, recruitment of additional teachers, and capacity building of local institutions to support change. Access will be expanded through new and upgraded schools, especially in underserved areas, outreach to communities, more relevant learning materials, and better teachers. Innovations will be supported through new

\textsuperscript{105} Bhagwati and Desai, (1979), P.486.
\textsuperscript{106} Shapiro, (1987), p.207.
\textsuperscript{107} Charles Mitchell, (1967), p.34.
activities of the RMSA program, with clear guidelines for application and appraisal of proposals\textsuperscript{108}.

5.27. Low-Income Housing Finance Project

Accommodating the needs of an additional 10 million urban dwellers each year will be a strategic policy issue for many years to come. Providing them with adequate services such as water, sewerage, drainage, and transportation, and creating opportunities for further economic development will be a challenge. The needs are particularly dire in India’s growing slums. Investments—both public and private—have not kept up with demand. Weak urban planning, ineffective regulations governing land management and use, and distorted land markets hinder the development of vibrant, livable cities. Urban governance is a major issue across all states and cities, and urban service delivery institutions have limited autonomy, accountability, and incentives or client orientation\textsuperscript{109}. Key WBG contributions to urban development will focus on supporting efforts at the national level, as well as state and city government efforts to improve the management and livability of second-tier (medium-sized) cities across India. Support will be in three broad areas: institutional capacity strengthening of urban government, urban transport, and water and sanitation\textsuperscript{110}.

A series of state-level urban and municipal development lending operations will help at least 220 cities develop and implement new and/or updated urban management systems that will improve the service delivery. The Karnataka Municipal Reform Project will help another 230 cities across the state implement a new e-governance and/or GIS mapping system to drastically improve service delivery. Analytical and advisory work on urban-related issues is expected to figure prominently in the program, and will underpin future lending operations. A recently completed study on the social dimension of urbanization is meant to contribute to policy dialogue on the role social protection systems and safety nets can play in a country with a growing urban poor population.

The development objective of the Low-Income Housing Finance Project for India is to provide access to sustainable housing finance for low-income households.

to purchase, build, or upgrade their dwellings. The Project aims to address market failures by giving the necessary capacity building and implementation support and incentives to the National Housing Bank (NHB) – the apex level financial institution for the housing financial system in India – intermediary institutions, and primary lending institutions to expand lending to lower income groups. The Project also provides finance for NHB to refinance low-income housing loans made by primary lenders\(^\text{111}\).

### 5.28. Water and Sanitation

Access to adequate water and sanitation is critical to improving the quality of life and economic potential of all Indians—in rural and urban settings alike. Although the government at the national and state level spends $4 billion annually on improving access to rural water supply and sanitation, only one-third of rural households have access to piped water and sanitation. The already stressed water supply and sanitation delivery system will have to be revamped to respond to the urbanization challenge—an additional 250 million people will migrate to cities in the next 20 years\(^\text{112}\).

Although more than 70 percent of the urban population has access to tap water and more than 80 percent to basic sanitation, piped water is only available for a few hours per day and raw sewage often overflows into open drains. The economic impact of inadequate sanitation in India is estimated at $54 billion or 6.4 percent of GDP in 2006. Most of that cost is attributed to premature mortality and health-related costs\(^\text{113}\).

Key WBG contributions, spanning two decades and three generations of Rural Water Supply and Sanitation (RWSS) projects, focus on strengthening governance and institutional arrangements for water supply and sanitation services; piloting service delivery models that are efficient, accountable, and customer-oriented; and improving the financial sustainability of providers. Going forward, engagement in rural areas will include the Maharashtra RWSS Project using the new performance for results instrument, and a multistate RWSS project focused on low-income states. A successful 24x7 water supply pilot will be scaled up in three cities in Karnataka\(^\text{114}\).

\(^{111}\) Eleventh Annual Report, IBRD, Washington. D.C.


FC will help address efficiency and conservation issues in municipal, agricultural, and industrial water. A new program, for example, will focus on water-use efficiency in major water-intensive commodities, and will also help private sector partners adopt water-efficient technologies. IFC’s Advisory Services is also helping India and more broadly South Asia to become a global leader in water sustainability in private sector operations. WBG interventions are expected to result in an additional 34 million people gaining access to improved water sources and additional 12 million to improved sanitation.  

5.29. Country Partnership Strategy

In keeping with recent changes, the World Bank Group’s new Country Partnership strategy will guide its support to India over the next five years (2013-2017). The strategy aims to help the country lay the foundations for achieving its longer-term vision of “faster, more inclusive growth.”

A key feature of the new strategy is the significant shift in support toward low-income and special category states, where many of India’s poor and disadvantaged live. This is also the institution’s first country strategy to set specific goals for reducing poverty and increasing prosperity for the poorest people. The new strategy proposes a lending program of $3 billion to $5 billion each year over the next five years. Sixty percent of the financing will go to state government-backed projects. Half of this, or 30% of total lending, will go to low-income or special category states, up from 18% of lending under the previous strategy.

The Bank’s India strategy outlines a scenario in which India improves the inclusiveness of the economic growth to that achieved by its best-performing states. This would cut poverty to 5.5% of the population by 2030 from 29.8% in 2010 and increase the share of people living above the threshold where they are at risk of falling back into poverty to 41.3% from 19.1%. If India were to grow as it did from 2005 to 2010 without making that growth more inclusive, poverty would fall to only 12.3% while 33.6% would remain above the vulnerability threshold by 2030.

116 Country Partnership Strategy, India, Published by World Bank
5.30. Key Focus Areas

In the last next five years the CPS has been focusing on three key areas: integration, transformation, and inclusion. A common theme across these areas will be improved governance, environmental sustainability, and gender equality.\textsuperscript{118}

- **Integration:** Clearly, India’s massive infrastructure needs cannot be addressed through public investments alone. The strategy will accordingly focus on improving both public and private investments in infrastructure. For instance, the power sector, vital for economic growth, will need to build greater capacity and improve the reliability of generation, transmission and distribution. A vibrant manufacturing sector— especially small and medium size enterprises that are critical for the creation of jobs — will require the reform of labor laws, and improved access to land and finance. Better integration would result in more-balanced growth among Indian states, helping low-income states converge more quickly with their faster-growing neighbors.

- **Transformation:** By 2031, it is projected that 600 million people will live in India’s cities. Well-managed urbanization can bring innumerable benefits; the strategy will focus on supporting the efforts of national, state, and city governments to improve the livability of urban areas, especially secondary cities, while at the same time working toward higher agricultural productivity.

- **Inclusion:** Economic integration and rural-urban transformation can benefit a large share of India’s population only if there is a stronger focus on human development and on policies that help make growth inclusive. The World Bank Group will support the central and state governments in strengthening the nutrition policy as well as systems and capacities to improve nutrition. It will support government efforts to improve education mainly at the secondary and tertiary levels, with a more pronounced focus on quality across all levels of education. Special focus will be placed on ensuring access to education for underprivileged children, retaining girls in secondary education, and opening opportunities in higher education. It will also work to improve access to finance and to enhance social protection coverage for the more than 90% of the labour force that works in the informal sector.

The World Bank has emerged as an important source of multilateral aid for development in India. It exercises critical influence over national priorities of developing countries. The two affiliates of the Bank i.e., International Finance Corporation and International Development Agency have also expanded their role in the Third World. The Bank has a philosophy of economic development which guides its lending priorities; and the recipients of aid have to adjust their priorities. The basic pillars of its philosophy are that private sector is the engine of development and the developing countries should focus on agricultural development and population control\textsuperscript{119}. A few salient features of India’s relationship with the Bank may be mentioned:

(a) India has received a large amount of aid from the Bank and its affiliates.

(b) The Bank has supported projects of important industrialists in India.

(c) The Bank has invested huge amounts in the development of infrastructure for the industrialization of India.

(d) The Bank has acted as a catalyst for creating credit institutions for industrial development of India. The ICICI, which was established on the initiative of the World Bank, is playing a very crucial role in mobilizing resources for the private sector.

(e) The Bank has coordinated international flow of capital to India by organizing “Aid India Consortium.” The Bank is a very significant channel of information between India and public and private investors in other countries.

(f) The Bank has assisted India to modernize its agriculture and employ new technology for rural development.

(g) The Bank has employed a comprehensive strategy of rural development in India, and its loans/credits have been available for irrigation projects, agricultural marketing, development of seeds, and rural credit. It has spread its activities in almost all sectors and regions of the country\textsuperscript{120}.

(h) The Bank has clearly conveyed a message to the Government of India that economic development is closely linked with population control.

\textsuperscript{119} Economic survey, Government of India, New Delhi, Manager of Publications, (1966), p.34.

\textsuperscript{120} Id. p.35
These facts clearly reveal that the Bank is playing an active role in India’s economic development, and it has a natural expectation that the Government of India would provide all relevant information regarding its performance for the Bank’s scrutiny and appraisal to establish country’s creditworthiness before the aid-givers. The significant achievement of the Bank for India has been to integrate India in world system

5.31. Conclusion

The World Bank has emerged as an important source of multilateral aid for development and it exercises influence over national priorities of the developing countries. The significant achievement of the Bank in India has been to integrate the country in the world system so that the international investors get a huge market for export of capital and technology to maximise their profits. The subsidiaries and branches of the multinational corporations and joint ventures between the foreign and Indian investors play a crucial role in India, and the Bank acts as eyes and ears of the international capital in India. In the early years of relationship, the Bank involvement was not direct and visible as compared to 1980s and 90s. In the initial years, the Bank closely collaborated with the more active USAID to force policy changes. However, after the 80s, the Bank along with the IMF started a direct and visible role in India’s policy-making. Nevertheless, there has been continuity in the basic philosophy and ideology of the Bank over the past 60 years. The nationalisation of coal and oil industry in 1970s closed the sector for private foreign capital. But this move did not affect the area of influence of foreign capital brought in by the World Bank. In the post-independence period, foreign companies were moving away from their traditional sectors of investment, that is extractive and trading activities. The manufacturing sector gained prominence during this period and adopted priorities set by developed countries. Progressively over the years, the Bank has been pumping aids into sectors such as power, mining and exploration, irrigation, agriculture and to some extent telecommunication and railways.

India’s relationship with the World Bank can be seen in three phases. In the first phase, as a source of project financing to support large capital expenditure at a time when access to external credit was limited. In the second phase, notwithstanding

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121 *World Bank and India*, C.P. Bhambr, (1976), p.133
In the 1980s, India’s balance of payments remained fragile and an external crisis loomed large. The economic crisis in 1991 obliged seeking World Bank resources along with the IMF facilities to finance critical imports and honour debt obligations. Access to these funds was contingent on significant changes covering trade, industrial regulation, banking and financial sector reform apart from fiscal prudence to ensure macro-economic stability. In the third phase beginning mid-1990s, the World Bank has become an active development partner and has even tried to mainstream policies in state governments with national objectives. For central sector projects, its policy prescriptions have increasingly mirrored what India adopted in the Ninth and Tenth Five Year Plans.

The World Bank’s current strategy for India is in line with the objectives stated by the government in the Eleventh plan. These objectives have been stated in the Country Strategy (CAS) for India for 2009-12. According to this strategy the Bank has planned to lend a total of US$14 Billion for supporting all these activities. Today India is the single largest borrower from the Bank. Half of the loans that India receives from the World Bank are interest free. These zero interest loans are provided by the IDA and they charge a nominal 0.75 percent as finance charge. The rest of the loans are provided by the IBRD for a low interest rate. By the end of June 2010, the bank group had a total of 75 active projects with a net commitment of $21.4 Billion. The World Bank will step up its lending to India to $5-6 billion annually over the next three years (2015-2017) from the earlier commitment of $3-5 billion a year to help the country return to the higher growth orbit, which is critical for boosting jobs and reducing poverty. World Bank president Jim Yong Kim, who met Prime Minister Narendra Modi and finance Minister Arun Jaitley, endorsed the government’s

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commitment on reforms and said the multilateral agency would support the development initiatives with financing, as well as knowledge and capacity building. \footnote{Financial Express, Jul 24, 2014 available at http://archive.financialexpress.com/news/world-bank-to-lend-india-1518-billion-by-2017/1273106}

Thus, the World Bank has been playing an active role in India’s economic development, and it has a natural expectation that the Government of India would provide all relevant information regarding its performance for the Bank’s scrutiny and appraisal to establish country’s creditworthiness before the aid-givers. To satisfy the demands of aid-givers, the Bank has successfully extracted concessions from the Government of India. India devalued the rate of exchange of its currency and liberalized imports from foreign countries.

However, the social reality is that in India big business has grown in power and the land reforms have not been implemented. Rural and urban poverty has not been reduced. If foreign aid leads to development of a country, India should have been on the road to eliminate poverty and exploitation, which has not been the case. Its high time that the aid-givers as well as India re-evaluate their strategies to ensure a comprehensive and integrated national development through international aid.