

Assistance From The World Bank: Platforms for Growth of India

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Abstract:

The International Bank for Reconstruction and Development was created in 1944 to help Europe rebuild after World War II. Today, IBRD provides loans and other assistance primarily to middle income countries. IBRD is the original World Bank institution. It works closely with the rest of the World Bank Group to help developing countries reduce poverty, promote economic growth, and build prosperity. The IBRD was established in 1954 and has 188 member countries. This paper aims to analyse how IBRD is influencing the economic development of India by contributing borrowings for Infrastructural development i.e. transport, manufacturing, urbanization, Rural livelihood opportunities, agriculture, Health, Child nutrition, water and sanitation, Education, and Job creation. Apart from its borrowing activity IBRD is also playing a important role of mentorship by accessing every aspects of human growth by touching the economic and social part of human Life, this paper also emphasized the importance of IBRD, how this institution is associated in the growth and development of various policies of the government of India. In the end on the basis of figures available about the assistance made by IBRD a conclusion is also derived.

Keywords: INTRODUCTION, CAPITAL, MEMBERS, BOARD OF GOVERNORS, GOAL AND WORLD BANK GROUP.

INTRODUCTION

The International Bank for Reconstruction and Development was created in 1944 to help Europe rebuild after World War II. Today, IBRD provides loans and other assistance primarily to middle income countries. IBRD is the original World Bank institution. It works closely with the rest of the World Bank Group to help developing countries reduce poverty, promote economic growth, and build prosperity. The IBRD was established in 1954 and has 188 member countries. It Aims to reduce poverty in middle-income countries and creditworthy poorer countries by promoting sustainable development, through loans, guarantees, and non-lending services, which include analytical and advisory services. Middle and some creditworthy Lower Income countries qualify

for IBRD Loans. Countries are classified based on their previous years Gross National Product into middle income –upper and lower, and Lower Income economies.

India was the 4th largest borrower from IBRD in the World Bank Fiscal Year (FY) 2012 with respect to the Share of Total Loans Outstanding with IBRD. Top 10 member countries of IBRD are the United States of America, Japan, Germany, United Kingdom, France, China, Canada, India, Italy and Saudi Arabia.

In total borrowings, India is the third largest IBRD borrower at \$47.9 billion, behind Mexico (\$52.5 billion) and Brazil (\$51 billion). India is the 8th Largest Shareholder, Effective January 11, 2013, India holds 56,739 shares. With an increase in Shareholding Capacity, India now holds a Voting Power of 3.04%. As a constituency (comprising of four countries - India, Bangladesh, Sri Lanka and Bhutan), India's voting power has increased to 3.62% (rounded off).

IBRD's Services

The World Bank Group works with middle income countries simultaneously as clients, shareholders, and global actors. As this partnership evolves, IBRD is providing innovative financial solutions, including financial products (loans, guarantees, and risk management products) and knowledge and advisory services (including on a reimbursable basis) to governments at both the national and sub national levels. IBRD finances projects across all sectors and provides technical support and expertise at various stages of a project.

IBRD's financial products and services help countries build resilience to shocks by facilitating access to products that mitigate the negative impact of currency, interest rate, and commodity price volatility, natural disasters and extreme weather.

Unlike commercial lending, IBRD's financing not only supplies borrowing countries with needed financing, but also serves as a vehicle for global knowledge transfer and technical assistance. IBRD supports government efforts to strengthen not only public financial management, but to also improve the investment climate, address service delivery bottlenecks, and other policy and institutional actions.

How IBRD Is Financed

IBRD raises most of its funds in the world's financial markets. In fact, in these markets, IBRD is

known simply as the World Bank. This practice has allowed IBRD to provide more than \$500 billion in loans to alleviate poverty around the world since 1946, with its shareholder governments paying in about \$14 billion in capital.

IBRD has maintained a triple-A rating since 1959. Its high credit rating allows it to borrow at low cost and offer middle-income developing countries access to capital on favorable terms -- in larger volumes, with longer maturities, and in a more sustainable manner than world financial markets typically provide.

IBRD earns income every year from the return on its equity and from the small margin it makes on lending.

The World Bank Group goals: End extreme poverty and promote shared prosperity

India is home to one-third of the world's poor, yet the country is poised to lift millions out of poverty in the coming years. By focusing on three engagement areas, the World Bank Group's Country Partnership Strategy for India for 2013-2017 strives to achieve country-level development outcomes that are measured by result indicators. The projects and knowledge activities in the strategy apply transformational and innovative solutions to address India's most pressing challenges, especially in the poorest, least developed, and most isolated states.

With 8 million people entering the labor force every year, India could reap a substantial demographic dividend. This will require tackling challenges across these broad areas, and the World Bank Group, in partnership with the Government of India, is addressing them through its financing and knowledge activities. The strategy calls for a stronger focus on low-income and special category states, where a majority of the poor and the vulnerable people live. Over time, these states should benefit from up to 30% of total World Bank financing, and an increasing number of knowledge activities. The strategy affords special consideration to gender equality. These are projects and knowledge activities that include gender analysis and track gender-specific results. With an additional 10 million people migrating to cities each year, India is undergoing the largest rural to urban transformation in history. The strategy puts special focus on projects and knowledge activities that improve the livability of Indian cities.

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Massive infrastructure gap: Impediment for growth

Infrastructure needs are massive. Only 20 percent of the national highway network is four-lane, ports and airports have inadequate capacity, and trains move very slowly. One-third of the rural population lacks access to an all-weather road. Road safety is a growing concern in a country that is adding new drivers at a record pace. An estimated 300 million people are not connected to the national electrical grid, and those who are face frequent disruptions. The manufacturing sector remains underdeveloped and has grown at a pace that is below expectations. The size distribution of firms in India is characterized by a "missing middle," which is a source of concern given that small and medium enterprises are typically an important source of wage employment. Improving and maintaining a healthy investment and business climate is also crucial to growth.

The World Bank Group's program in the area of economic integration focuses on transport connectivity and the strengthening of markets. India's infrastructure needs cannot be addressed through public investments alone. Private participation exists for highways and electricity generation, but could be developed further in other sectors. Reforms are needed in the power sector, where low energy prices, expensive coal (central to producing electricity in India), and inefficiencies in transmission and distribution are crippling the system. The development of a vibrant manufacturing sector requires reforming outdated labor laws, improving access to land, removing pervasive red tape and increasing access to finance. Greater regional and global integration is also critical to open up market opportunities and foster competition. IBRD has committed to issue 16 billion U.S. dollars and disbursed 5.43 billion U.S. dollars

1. Transport

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. It is estimated that the transport sector alone will require an investment of nearly \$500 billion (3.6 percent of GDP) over the next 10 years. Trains move very slowly owing to poor maintenance, and the entire railway system is grappling with issues of financial sustainability. Poor transport safety, especially

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road safety, is a growing concern in a country that is adding new drivers at a record pace. The WBG's 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. IBRD has committed to issue 7.9 billion U.S. dollars and disbursed 1.9 billion U.S. dollars. The beneficiary states under this project of World Bank are Punjab, Bihar, Rajasthan, Uttarpradesh, Orissa, Jharkhand and Himachal Pradesh.

2. Energy sector

Over the past decade, India has nearly doubled 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 do not have access to electricity, while those who are connected to the grid must cope with unreliable supply. The sector continues to be hobbled by problems: energy demand that far outstrips supply, below market pricing of electricity, constraints in coal and gas supply that force generation stations to operate below capacity, and high rates of loss in distribution. The continued unreliability and poor quality of electricity supplied to firms and households sap investment and growth and reduce India's competitiveness.

Interventions at the national and state levels will focus on promoting financially sustainable access to electricity by (i) increasing access to modern energy, particularly in low-income states; (ii) increasing availability of power to underpin growth while balancing sustainability and climate change concerns; and (iii) strengthening institutions and financial sustainability in the sector. IBRD has committed to issue 4.1 billion U.S. dollars and disbursed 2.4 billion U.S. dollars. The beneficiary states under this project of World Bank are West Bengal, Maharashtra, Uttarpradesh, Haryana, MadhyaPradesh and Bihar.

3. Manufacturing Sector

Manufacturing remains underdeveloped and has grown more slowly than expected. Accounting for just 15 percent of GDP, India's manufacturing sector is small compared with that of the other BRICS. Inadequate infrastructure is one of the main constraints to growth in the sector. The size distribution of firms in India is characterized by a missing middle that, in most developing

countries, accounts for a significant share of wage employment. Whereas large firms can internalize the costs of dedicated infrastructure, small and medium-size firms have no access to the financing that would make it possible to develop their own dedicated infrastructure and, in any case, the scale of their operations does not make it economically feasible. Outdated labor laws, inadequate access to land, and a dearth of skilled workers all have contributed to slow manufacturing growth. The plethora of necessary forms, licenses, inspections, and clearances especially hinders the growth of small and medium-size enterprises.

4. Largest Urban Rural transformation of the 21st century

India is undergoing a massive rural-urban transformation—one of the largest of the 21st century. The number of urban centers has grown from about 5,000 in 2001 to 8,000 in 2011, and 53 cities already have a population in excess of one million. Rural-Urban transformation also implies an efficient use of India's limited natural resources, as well as a shift towards climate resilience. IBRD has committed to issue 13 billion U.S. dollars and disbursed 4.4 billion U.S. dollars. The beneficiary states under this project of World Bank are Maharashtra, Gujarat, Tamilnadu, Karnataka, Uttarpradesh, MadhyaPradesh and Rajasthan.

5. Accommodating the needs of fast growing urban population

Accommodating the needs of fast growing urban population 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.

6. Improved urban transport services

Supporting the modernization of city bus services including improved fuel efficiency, rehabilitation of infrastructure, use of new technology initiatives and technical assistance for greater operational and financial viability, institutional and capacity development will be a key aspect of the World Bank's urban transport strategy. IBRD has committed to issue 471 million U.S.

dollars and disbursed 147 million U.S. dollars. The beneficiary states under this project of World Bank are Maharashtra, Punjab, Chhatisgarh, Karnataka, Uttarpradesh, Madhya Pradesh and Rajasthan.

7. Larger disparities in welfare levels due to spatial transformation

India's rural-urban transformation may result in larger disparities in welfare levels-between the rich and the poor, and between rural and urban areas. Consumption inequality is on the rise, with widening disparities between urban and rural areas. Disparities in human development indicators, especially as they relate to socially excluded groups are also pronounced. While urbanization is inevitable, the persistence of these gaps and inequalities is not. The challenge for India will be to develop policies and programs to ensure that a large part of the population-especially the most vulnerable-is not left behind. India's spatial transformation also requires the effective development of the rural economy through the expansion of farm and non-farm employment and income opportunities. Rural incomes have not grown apace with urban incomes, and job creation in the non agricultural has been slow.

8. Enhanced rural-livelihood opportunities

To accelerate India's efforts toward inclusive rural growth, the Bank will assist national and state authorities in implementing rural livelihood projects. A three-pronged approach will be used: improving existing livelihoods; identifying self-employment opportunities and providing both access to credit and technical assistance for business development; and developing skills that are better matched to the needs of the market. IBRD has committed to issue 1.4 billion U.S. dollars and disbursed 366 million U.S. dollars. The beneficiary states under this project of World Bank are Andhra Pradesh, Orissa, Bihar, Jharkhand, Madhya Pradesh and Rajasthan.

9. Agriculture has grown below Government targets

India remains predominantly rural, and about half of its population derives its income from agriculture or related activities. Stressed natural resources, poor rural infrastructure, inadequate technology, limited access to credit, underdeveloped extension and marketing services, and insufficient agricultural planning at the local level contribute to the lackluster performance. Ongoing global food security concerns, pronounced food-price volatility, and concerns about

climate change all highlight the urgency of boosting India's agriculture productivity.

10. Increased Agriculture productivity

In agriculture, the WBG will engage across five areas: inclusive agricultural and rural growth; technology development and low-carbon and climate-resilient agriculture; food and nutrition security; agricultural markets; and water and natural resources management. IBRD has committed to issue 4 billion U.S. dollars and disbursed 1.8 billion U.S. dollars. The beneficiary states under this project of World Bank are Maharashtra, Tamilnadu, Uttarpradesh Andhra Pradesh, Orissa, Karnataka and Gujrat

11. Health indicators have not matched the country's economic growth

India's health indicators have continued to improve, progress has not matched the country's economic growth over the past decade. Despite increasing rates of decline, maternal and child mortality rates remain on par with rates in much poorer countries, and malnutrition is among the highest in the world. India faces an unfinished agenda of tackling childhood and infectious diseases and malnutrition, as well as an emerging and rising burden of non-communicable and chronic diseases. Progress on tackling communicable diseases such as AIDS, tuberculosis, and polio has been significant, but continued attention is needed to secure the gains. Poor people are highly vulnerable to health shocks, with medical expenses contributing to household poverty and compromising efforts to improve health outcomes.

12. Strengthened public and private health-delivery systems

A large share of WBG's interventions in the health sector will be at the state level, and will focus on strengthening institutions and accountability, developing local systems and capacities, and addressing government and market failures. IBRD has committed to issue 1.5 billion U.S. dollars and disbursed 668 million U.S. dollars. The beneficiary states under this project of World Bank are Maharashtra, Tamilnadu, Delhi, Andhra Pradesh, Orissa, Karnataka, Gujrat and Uttarakhand.

13. Improving Child nutrition

Child malnutrition remains high, and widespread. India accounts for 40 percent (217 million) of the world's malnourished children. The variation across states is particularly striking: the percentage of malnourished children under five years of age varies from 23 percent in the more

advanced state of Kerala to 60 percent in the low-income state of Madhya Pradesh. Despite India's impressive economic growth in the past decade, malnutrition has declined very little. Stunting rates in India are two to seven times higher than those in other BRICS countries. Significant programmatic, institutional, technical, implementation, and capacity constraints stymie efforts to tackle this massive development challenge. An effective response has to go beyond just the health sector to include agriculture, education, industry, water, and sanitation.

14. Access to adequate water and sanitation critical to improving the quality of life

Access to adequate water and sanitation is critical to improving the quality of life and economic potential of all Indians. 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 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. The opportunity cost for women and children who spend an inordinate amount of time securing water for their household each day is huge and takes away from time that could be spent on more productive economic activities or study. Making India's cities more livable will require improvements in the reliability, financial and environmental sustainability, and affordability of water supply and sanitation services. WBG's work will 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 financial sustainability of providers. IBRD has committed to issue 3.6 billion U.S. dollars and disbursed 1.5 billion U.S. dollars.

The beneficiary states under this project of World Bank are Maharashtra, Andrapradesh, orissa, Karnataka, Punjab, Madhyapradesh, Bihar and Uttrakhand.

15. Improved access and quality of education

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. Enrollment 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 Lending summary of IBRD to India **In USD Equivalent** education for all socioeconomic and ethnic groups, manifold inequities persist in the type of education facilities and exposure to and availability of modern techniques of education. WBG will support Government efforts to improve education, mainly at the secondary and tertiary levels, with a more pronounced focus on quality. Greater attention will be paid to teacher training, performance, and accountability—a prime determinant of quality. IBRD has committed to issue 2.4 billion U.S. dollars and disbursed 572million U.S. dollars. The beneficiary states under this project of World Bank are Uttarpradesh, Uttrakhand, Andrapradesh, orissa, Karnataka, Madhyapradesh and Delhi.

1.6 Job as a corner stone of development

Over the last two decades, 8 million people annually entered the labor force in India. Job creation, which has remained relatively flat over a long period, will continue to be a tremendous development challenge as India grapples with how best to provide opportunities to its burgeoning young workforce. At present only 16 percent of the workforce derives its income from regular wage employment, and more than half are engaged in agriculture. The female labor force, decreased from an already small 34 to 29 percent of the total labor force between 2000 and 2010. The drop was particularly pronounced among women with higher levels of education.

The WBG will contribute to the Government target of providing vocational training to 500 million workers by 2022 by focusing on interventions that improve demand-driven skills for productive employment. Projects focus on vocational training, job training and placement support for rural youth, and a program with the National Institute of Entrepreneurship to train trainers. IBRD has committed to issue 3.6 billion U.S. dollars and disbursed 980million U.S. dollars. The beneficiary states under this project of World Bank are Andrapradesh, orissa, Westbengal, Rajasthan, Madhyapradesh, Tamilnadu and Bihar.

	IBRD	IDA Credits	IDA Grants	Total
Original Principal	52,736,320,000.00	49,658,058,538.63	0	102,394,378,538.63
Cancellations	9,275,425,152.51	4,453,630,123.50	0	13,729,055,276.01
Disbursed	34,276,908,967.15	38,203,018,678.87	0	72,479,927,646.02
Undisbursed	9,187,619,760.70	7,128,107,888.76	0	16,315,727,649.46
Repaid	21,648,067,929.13	14,032,848,385.03	0	35,680,916,314.16
Repaid third party	133,774,628.15	0	0	133,774,628.15
Due	12,498,255,965.04	24,570,610,309.83	0	37,068,866,274.87

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