ROLE OF THE WORLD BANK IN HUMAN RESOURCE DEVELOPMENT IN INDIA

ABSTRACT

THESIS

SUBMITTED FOR THE AWARD OF THE DEGREE OF

Doctor of Philosophy

IN

COMMERCE

BY

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Under the Supervision of
Dr. Imran Saleem
Reader

DEPARTMENT OF COMMERCE
ALIGARH MUSLIM UNIVERSITY
ALIGARH (INDIA)

2006
ABSTRACT

The historical traces reveal facts about India’s wealth and its vibrant foreign trade relations. India the golden bird professed the world about Vasudev Kutamkam (The World is our home -Globalization) since time immemorial. Sir Adam Smith has also contributed on the issue by advocating and highlighting the strength and role of invisible hands of market forces namely demand and supply.A consequent logical derivation was to opt for globalization where all the factors of production contribute towards the maximization of social welfare .The national boundaries paved way for freer flow of factors of production and facilitated faster growth and development. Negotiations replaced restricted barriers. Every efforts of the world community aimed maximization of growth and development.

Various countries with increasing growth and development faced different problems consequent to the growth. Increased awareness , increased standard of living and rapid environmental decay creating health concerns, build-up a sound argument that economic growth and development is an important but not the sufficient condition for welfare. This necessitated a need for macro policy interventions to address the issue of human resource development.
Led by the great economist Prof. Mahbu-ul-Haque the concept of human resource development and its index gained popularity. The issue was pressed further by the United Nations. The great depression of 1930s and the two world wars amply established the need for a more synthesized and balanced growth of all the countries of the world to avert the eventuality of third world war. Sir Dexter White and Sir Keynes proposal of restructuring the world economy was translated into Bretton Wood Agreement that paved way for creation of the institutions to cater the varied economic and developmental needs of each of the country more specially the weaker ones. The agreement created International Monetary Fund (IMF) to meet the contingent and short term needs of the countries mainly due to balance of payment problems. On the other hand, International Bank for Reconstruction and Development (IBRD) and its affiliates were created to meet the long term developmental requirement of a country, so as to ensure capacity building of a nation for growth and development.

Since then, many international agencies are working in this direction. They are advocating and advising the national governments for increased investment leverage in social sector in their respective macro policies. In the initial stages, World Bank’s
contribution to many nations was largely in the field of economic growth and development. However with the shift of emphasis from economic growth and development to the Human Resource Development, the perception and the role of the World Bank in India has also shifted. The third world countries in general and India in particular has successfully hosted a number of programmes assisted by the World Bank so as to develop the human resource - Health, Physical environment, education and literacy. The World Bank has provided not only financial assistance but has also extended its technical and managerial assistance.

The World Bank (IBRD) is an inter governmental institution. Corporate in form, the capital stock is owned by its member governments. Initially only nations that were member of the IMF could be members of the World Bank. This restriction on membership was subsequently relaxed.

The twin of the Bank Strategic framework are critical to success in achieving sustainable poverty reduction and helping countries meet the goals. Different groups of client countries have different needs. Working with the Bank on the MDGs is the priority in most low-income countries. The middle income clients more often seek to work with the Banks potential commitments and it own client driven from work program. The discussion intensified among networks, country directors and
clients to enhanced this alignment of country goals and MDGs agenda. It is clear that some of the goals are unlikely to be achieved in certain countries without a major effort by developing countries, developed countries, and the entire development community.

THE MILLENIUM DEVELOPMENT GOALS (MDGs)

The MDGs are the frame of reference for the Bank’s work in partnership with other international institutions. The MDGs are a set of goals with specific targets for poverty reduction to be achieved between 1990 & 2015, and they represent an unprecedented level of world consensus on what is needed for sustainable poverty reduction. The goals are listed as below.

1. Eradicate Extreme Poverty And Hunger

Halve the number of people in extreme poverty, and the number of people who suffer from hunger by 2015.

2. Achieve Universal Primary Education

Ensure by 2015 that all children will be able to complete a full course of primary schooling.

3. Promote Gender Equality And Empower Women
Eliminate gender disparity in primary and secondary education by 2015 and in all levels of education by 2015.

4. Reduce Child Mortality
Reduce by two thirds the under five mortality rate by 2015.

5. Improve Material Health
Reduce by three quarters the maternal mortality rate by 2015.

6. Combat HIV/AIDS, Malaria And Other Diseases
Halt the spread of HIV/AIDS, malaria, and other major diseases, and begin to reverse the spread, by 2015.

7. Ensure Environmental Sustainability
Halve the preparation of people without sustainable access to drinking water by 2015.

8. Develop A Global Partnership For Development
Further develop an open, rule-based, predictable non-discriminatory trading and financial system.

Partnership has become a core element of the Bank’s business approach. By working with partners in the international community to identify the area, each has a comparative advantage; the effect of each development dollar can be magnified. With careful attention to what works in a particular situation, proven approaches can be brought together and appropriate projects carried out to produce better results. At
the same time, the growing importance of partnerships in the Bank's work makes it important to ensure strong alignment of new partnerships with The Bank’s strategies/priorities and with country driven development strategies

The Bank partners with other international institutions such as the International Monetary Fund (IMF), the U.N., other Multinational Development Bank, OECD, the European Union (EU) and the WTO.

*It is difficult to apportion the success or failure its policies between the Bank and country as it has to walk through the country governments and its institutions.* Here good policies may become victims of poor implementation. Earlier studies came with a revelation that wherever there was good governance backed by strong institutional infrastructure the result have been good and ‘India’ was counted as one of those countries where the result were good. However, India has not benefited much from its approach in terms of higher inflow of funds between 1993 and 1999. India received a modest 4% of the resources of the Bank, compared to 12% for China 10% for Argentina, 9% for Russia, 7% for Mexico, 6% for Korea. Not withstanding the fact that World Bank
considers India as good borrower, yet not given its due in terms of quantum of lending¹.

In its 50-year of partnership with India, the Bank concentrated on the growth objective in the first phase, subscribing to the theory that developments would automatically twilled down out of growth. It has started initiatives on the main plank of poverty alleviation only recently. However, the World Bank formulated a near 20-20 vision for the year 2010 and has drawn up the following targets for India.

1. Reducing poverty to 15 percent

2. Halving the proportion of malnourished children

3. Putting in place a reliable disease surveillance system.

4. Increasing contraceptive prevalence to more than 60% of eligible couples; and reducing the population growth the rate to 1.2% (from 1.9%).

Even on the objective of growth, where the Bank concentrated its lending in the first phase, the investment resulted in less growth than in other countries, notably China, because about 40% of capital stock was
under government ownership with poor productivity. The Bank lent and still goes exclusively to the government appears to be a critical constraint particularly in India where government’s capital productivity is lower than in other LDC’s.

In India the Bank has primarily invested in infrastructural activities. Its involvement in the area of human resource development is of much recent origin. The World Bank had been instrumental in advocating and providing technical assistance in building the reform agenda of India.

The World Bank had also been cheaper source of financing for India. The Bank has not only addressed the economic issues and fund raising for India but has also joined hands in combating more pertinent issues like corruption, environmental issues, social issues and HIV/AIDS control. For the last five years the bank has started taking interest in HRD related issues namely health and education.

The Bank largely participated in India through Government, be it the national government or the state government. The bank has also promoted the innovative Public Private Partnership (PPP) for infrastructural development.
In the social sector, mainly to address the HRD issues, the World Bank largely implemented its project through respective governments, invited and used the local community as a resource base and took help of powerful monitoring agencies.

The analysts suggest that health and education are the most powerful tools in contributing towards HDI. The health aspects influence longevity of life, infant mortality, maternal death at the time of birth, spread of diseases and prevention from under nutrition/malnutrition so as to ensure healthier life. Simultaneously, various researches have also established direct impact of education on the increasing level of income at the micro and macro levels. Education also contributes modernization of attitudes and the ability to adopt changes. These assertions have forced the bank to invest pro-actively in the area of health and education recently. In India health and education both are state subjects the states are responsible for health and education related facilities to its inhabitants. Simultaneously the central government may decide and help in developing coordination, national policy and at times may also provide financial aid and support. Thus the World Bank funded and coordinated various health and education related projects with the central government as well as various states government.
Attempt has made to assess the growth pattern in the area of health and education. Trend Analysis have been made to gauge, the width and depth of country investment in these sectors. Investment trend of the World Bank into these areas have also been identify. The aid analysis clearly established that India has been consistently investing into these two areas. However, the investment was never commensurate and sufficient to meet the growing requirement and demand in both the sectors.

For over the last one-decade the World Bank have also started investing into these two areas. It is pointed out that the bank’s contribution into these areas have been very limited. However, there advocacy efforts seem to have transformed the government opinion during the period. Though the World Bank have increased its investment only marginally but it has been able to convenience the government of India to setup its investment. This led to quantum jump in both health and education sector investment.

Support to a broad range of program aimed at reducing poverty and improving living standard in the developing world without threatening the environment. In the process the bank collaborates with a number of national and international agencies to garner more resources and ensure
effective implementation. Other agencies like IFC, MIGA largely concentrate on promoting the private sector of an economy. Sharing its experience the world bank also help the national government of a country to develop an effectively implement the economic reforms. The World Bank group also assist to the poorest countries along with countries in conflict.

It is important to highlight that the World Bank group largely works in close co-ordination with the government of India and state governments and thus Bank’s policies are largely facilitative in nature rather than conflicting. In its approach the World Bank has most strategically weaved in a number of international agencies thus multiplied its limited resource many fold. Further to address special needs of each of the members, the Bank has very rightly evolved the large number of disbursement instruments. These instrument normally of vary in terms of interest rates, terms and condition and period of repayment. To address the very need of the each of the member nation, the Bank provide them funds and help in a package form through these instruments.

In terms of outcomes, it is also shown that given various efforts of states and central government of India and with the help of the world bank and international agencies, India had been able to beat the
Millennium Development Goals (MDGs) on economic front as the reported fall in the percent population of poor people has actually reduced faster than given targets. However, on rest of the seven Millennium Development Goals, account the progress is not commensurate to the desired targets. Thus the World Bank as to step up its efforts if the Millennium Development Goals (MDGs) are to be achieved.
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Dedicated
to
my loving parents
and brothers
who always been a source of inspiration, guidance and encouragement for me
This is to certify that the work embodied in this thesis entitled "Role of the World Bank in Human Resource Development in India" is the bonafide work to the best of my knowledge and is carried out by Mr. Mohammad Tariq Intezar. It is suitable for submission for the Ph.D. degree in Commerce of Aligarh Muslim University, Aligarh.

(Dr. Imran Saleem)
Reader
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In the name of ‘ALLAH’ the most beneficent, benevolent and merciful. All praise and thanks due to ‘Him’ without whose guiding, light and perennial help we can achieve nothing.

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Mohammad Tariq Intezar
PREFACE

Any initiative to serve the cause of humanity should be applauded. The classical perception of Adam Smith regarding the role and strength of invisible hands of demand and supply in promoting economic prosperity has once again started gaining ground. The wisdom of maximum social welfare is also reviving. These factors put together led to increasing momentum in the process of globalization.

The skewed individual growth of a few countries on the world map, experience of World Wars and intercourse with the great depression has forced the world community to strive for the promotion of balanced growth world over. During World War II, Prof. Dextar White from U.S.A. and Sir Keynes of UK, have proposed restructuring model for the World economy. This project got translated into the Britton Wood agreement. The agreement conceptualized and formalized the establishment of two important International Organizations namely International Monetary fund and International Bank for Reconstruction and Development popularly known as the World Bank.

These two institutions were entrusted the responsibility of helping and advising the restructuring of war torn and weak economies. The primary responsibility of IMF is to bail out countries with the
balance of payment crisis in the short run. The World Bank on the other hand sponsors projects leading to restructuring, revitalization and capacity building.

It may further be pointed out that gradually the world perception towards growth and development is also tilting towards principle of maximum social welfare. Advocacy of economists like Paul Strean for the adoption of “Basic need approach” and many other economists have proved that mere economic growth and development is only important but not the sufficient condition for Human Welfare.

These attempts have paved the way for the Human Development Index introduced by United Nation Development Programme (UNDP) in its first human development report. All economic efforts need to culminate into optimization of human welfare. Hence, human development is fast emerging as an integral part of the developmental process of any nation. Without human development and welfare, no development can be rated as complete and justified. It is a positive change towards enlarging the choices of the people. The choice may be infinite and ever changing yet three essential needs are aspired by one all at every level of development. These include health and longevity of life, to acquire knowledge and to have access to resources required for a decent standard of living.
For over two decades the United Nation through its human development report and advocacy at various platforms has been in forefront of an effort to generate awareness in the contemporary development discourse, the policy focus on the broader attributes of well being.

Since then, many international agencies are working in this direction. They are advocating and advising the national governments for increased investment leverage in social sector in their respective macro policies. In the initial stages, World Bank’s contribution to many nations was largely in the field of economic growth and development. However with the shift of emphasis from economic growth and development to the Human Resource Development, the perception and the role of the World Bank in India has also shifted. The third world countries in general and India in particular has successfully hosted a number of programmes assisted by the World Bank so as to develop the human resource - Health, Physical environment, education and literacy. The World Bank has provided not only financial assistance but has also extended its technical and managerial assistance.

It is against this backdrop that the study has proposed to analyze the role of the World Bank in nurturing the HRD in India. The study further proposes to make reference of Health and Education sector and
suggests to make them the prime areas of assistance from the World Bank to India.

**Objectives of the study:**

The present study mainly aims to achieve the following objectives -

1. To study the policies of the World Bank in Developing Nations.
2. To study the role of the World Bank in Human Resource Development (HRD) in India.
3. To assess the health and education sector in India.
4. To analyse the World Bank assistance in health and education sector in India and to see whether it is sufficient and whether the outcomes are in congruence with the outlays.

**Hypotheses:**

Based on pilot research and literature review the following hypotheses have been formed and tested –

1. The role of the World Bank in providing assistance to India for human resource development is not commensurate to requirements of India.
2. Government is putting in a plethora of resources, raised through domestic sources as well as foreign borrowing.
3. Health and Education are the basic prerequisite to develop the human resource factors.
4. In spite of huge investment the outcomes are still limited.

5. There is a lack of quality products in terms of quality health service and quality education offered to the commuters of these services.

Methodology :-

The project is based on the sound cannons of social research and endeavor is made in this project to analyze the ongoing funding pattern in the areas of Health and Education. It is observed that an integrated marketing strategy has not been adopted by the government so far to promote this social cause of Health and Education. Based on the hypothesis testing an effort is made to plan and suggest an integrated marketing strategy for promoting the social cause of Health and Education with considerable economy and affectivity. Most of the analysis work is based on secondary data. Primarily, Human Development Report, World Bank Reports and Plan Documents are extensively used to cull out required data. Appropriate statistical tools are used at required places.
Chapter-One
CHAPTER-1

THE WORLD BANK GROUP –AN INTRODUCTION

India, the classically known golden bird, had not only been rich in resources but also had literacy and technical superiority when compared to many countries of the world. India had well developed navigation system. Many Indians as well as foreign historians have given detailed account of India’s wealth, health and her foreign trade and networking. India’s intercourse with the world economy has references right from Vedic era (1200 B.C.). The holy book bible also contains references about Indo-Babilonian trade. Dr. Lassen, the well-known German orientalist states “the Egyptians dyed cloth with indigo and wrapped their mummies in India’s Muslins. Other writers like Ptolemy (140 A.D.) Fa-Hien (410 A.D.) and Hien-Tasang etc have also given details of India’s foreign trade.

India was one of the most affluent societies of the world during ancient era. The prosperity encouraged a number of nations to find alternate routes to make their access to India. The European got the permission from the then Kings and Nawabs of India to establish trade links. Gradually they entered into power politics of the country and unfortunately, India became the colony of the British Empire. The
Britishers exploited India, as if 'the water of Holy Ganga was sucked and was sponged into river Thames.°

Professing the philosophy of "Vasudev–Kutumbakun (The world is our home–Globalization) to the world community India became skeptical towards the world community after experiencing the British advent. Being the colony of British empire, India experienced free trade and unrestricted International Capital Movements under the era of classical gold standard since 1882 -1940. Despite no involvement in the world wars directly, India still experienced the burnt of two wars and the heat of the great depression of 1930’s. Immediately before India’s independence the world community experienced rampant competition and phenomenal unemployment. Tariffs, Quota and exchange controls also became wide spread, leading to almost total collapse of the world economic order.

It was during the early period of second world war when Sir Dextor white of U.S.A. and Sir John Keynes from U.K. have very rightly submitted plan for restructuring the world economy. These proposals largely called for overall growth of the world community together. The establishment of set of institutions was recommended, to ensure a more cohesive world economic order to propel international trade and finance. A system was suggested to set up borrowing facilities for weaker economic players facing temporary balance of
payment crisis and also funds required for long term structural adjustments. This turned into Bretton Wood System laid at “Bretton Wood”, New Hampshire in 1944.

The Bretton wood system has contributed positively to the world economy. To start with Quotas have fallen and Tariffs were gradually reduced to acceptable levels. To get more countries were invited to enter into multilateral trading and promote freer flow of trade.

Given the economic disparity at the international level it was highly desirable to assist weaker countries and ensure prosperity to the world in the long run. Thus to meet this objective the twin institution system was accepted under Bretton Wood System.

It was decided that an institution named International Monetary Fund (IMF) be created embodying mechanism of smooth settlements of International Payments as well as assisting the countries facing balance of payment crisis in the short run. It was further noted that a country in balance of payment crisis may not be able to revive it and grow at its own, therefore, International Bank for Reconstruction and Development (IBRD) popularly known as the World Bank was also established to provide long term assistance for structural changes in the economy and to facilitate faster growth and development.

Despite various shortcomings, the fund has achieved striking success in the field of international monetary cooperation. It has
proved to be of use in promoting its main objectives of growth of international trade, reduction of restrictive practices, easy convertibility of currencies and manage stability of exchange rate. The fund is a truly international institution and has demonstrated dynamism and adaptability to the growing and changing requirements of world economy. It tries to harmonize more effectively the economic relations of advanced and poor nations.

In short, the fund has shown capacity for good work and purposes and many bold ideas have been emanating from it, in view of the improvements and changes in operations, role in achieving its objectives and maintaining better international and monetary relations.
INTERNATIONAL MONETARY SYSTEM

THE GOLD STANDARD (1914-18)

THE INTER WAR YEARS (1914-1939)

BRETTON WOODS AGREEMENT (1944)

INTERNATIONAL INSTITUTIONAL ARRANGEMENT

WORLD BANK GROUP
(Five Agencies – One Group)

INTERNATIONAL MONETARY FUND (IMF)

International Bank for Reconstruction and Development (IBRD)

International Development Association (IDA)

International Finance Corporation (IFC)

Multilateral Investment Guarantee Agency (MIGA)

International Centre for the Settlement of Investment Disputes (ICSID)
The World Bank (IBRD) is an inter governmental institution. Corporate in form, the capital stock is owned by its member governments. Initially only nations that were member of the IMF could be members of the World Bank. This restriction on membership was subsequently relaxed.

**Functions of the World Bank (IBRD)**

Principal functions of the IBRD are set forth in article 1 of the agreement and are presented as below:

1. To assist in the reconstruction and development of the territories of its member by facilitating the investment of capital for productive purposes.

2. To promote private foreign investment by means of guarantee of participation for loans and other investments made by private investors. When private capital is not available on reasonable terms, to make loans for productive purposes out of its own resources.

3. To promote the long term balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members.

4. To arrange loans made or guaranteed by in relation to international loans through other channels so that more useful
and urgent projects, large and small alike will be dealt with. The Bank considers its role to be a marginal one of the supplement and assisting private foreign investment in the member countries.

A little consideration will show that the objectives of the IMF and IBRD are complementary. Both aim at increasing the level of national income and standard of living of the member nations. Both serve as lending institutions, the IMF for short term and the IBRD for long-term capital. Both aim for promoting the balanced growth of international trade.

**Bank’s Organization**

The IBRD structure is organized on a three tier basis- a Board of Governors, Executive Directors and a President. The board of Governors is the supreme governing authority. It consists of one governor (usually the Finance Minister) and one alternative governor (Usually the Governor of the Central Bank), appointed for five years by each member. The board is required to meet once a year. It reserves to itself the power to decide important matters such as new entries, changes in the Bank’s stock of capital, ways and means of distributing the net income, its ultimate liquidation etc. For all technical purposes however, the board, delegates it powers to Executive Directors for the day-to-day administration.
The Executive Directors elect a President who becomes their ex-officio Chairman holding office during their pleasure. He/She is the chief of the operating staff of the Bank, and subject to the direction of the Executive Directors on questions of policy and is responsible for the conduct of the ordinary business of the Bank and its organization.
BANK’S ORGANIZATIONAL CHART

BOARD OF GOVERNORS

Governor
(Usually Finance Minister)

Alternative Governor
(Usually Governor of Central Bank)

Executive Directors
(Appointed by the Member Countries having largest no. of Shares and rest Elected by other Member, 5 of 24)

PRESIDENT
(Elected by the Executive Directors)
THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

Established : 945
Members : 184

IBRD aims to reduce poverty in middle income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products and (non lending) analytical and advisory services. The income that IBRD has generated over the years has allowed it to fund development activities and to ensure its financial strength, which enables it to borrow in capital markets at low cost and offer clients good borrowing terms. IBRD 24-members Board is comprised of 5 appointed and 19 elected Executive Directors who represent 184 member countries.

THE ROLE OF IBRD

Countries with a per capita income less than $5,115 that are not IDA – only borrowers are eligible to borrow from IBRD. Countries with higher per capita income may borrow under special circumstances or as part of graduation strategy. It is important to note however that the amount that IBRD is prepared to lend to eligible countries at any given time depends on their creditworthiness as individual IBRD
borrowers. Thus, countries may be eligible to borrow but may not access to IBRD resources because of poor credit worthiness. In addition, net IBRD loans outstanding to any individual borrower, irrespective of borrower creditworthiness, currently may not exceed $13.5 billion. Seventy five percent of people who live on less than $1 a day live in countries that receive IBRD lending. The borrowers typically are middle-income countries that enjoy some access to private capital markets. Some countries are eligible for IDA lending as a result of their low per capita income but they are also creditworthy for IBRD borrowing. These countries are known as “blend borrowers”. IBRD provides important support for poverty reduction by helping clients to gain access to capital in larger volumes on good terms with longer maturities and in a more sustainable manner than the market provides.

IBRD is a rated financial institution with same unusual characteristics. Its shareholders are sovereign governments. Its member borrower have a voice in setting its policies. IBRD loans (and IDA credits) typically are accompanied by non lending services to ensure more effective use of funds. Unlike commercial banks IBRD is driven by development impact rather than profit maximization.

**IBRD KEY FINANCIAL INDICATORS:**

(Millions of Dollars)
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<td>Operating Income</td>
<td>1,144</td>
<td>1,924</td>
<td>3,021</td>
<td>1,696</td>
<td>1,320</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>118,866</td>
<td>121,589</td>
<td>116,240</td>
<td>109,610</td>
<td>104,401</td>
</tr>
<tr>
<td>Total assets</td>
<td>222,748</td>
<td>227,454</td>
<td>230,062</td>
<td>228,910</td>
<td>222,008</td>
</tr>
<tr>
<td>Total equity</td>
<td>29,570</td>
<td>32,313</td>
<td>37,918</td>
<td>35,463</td>
<td>38,588</td>
</tr>
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THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

IDA established in : 1960
Members : 165
Fiscal 2005 Commitments : $8.7 billion 160 new operations in 66 countries

The International Development Association plays a key role in supporting the bank’s poverty reduction programmes. IDA assistance is focused on the poorest countries to which it provides interest free loans and other services. IDA depends on contribution from its healthier member countries – including some developing countries for most of its financial resources.

IDA was established in 1960, as an affiliate of the World Bank. It started providing finance to less developed members on a soft loan basis i.e. on terms imposing a lower interest and servicing charge on loans than what the conventional bank charges.

It provides development finance on easy terms to less developed members countries. It also promoted economic development, increased productivity and thus raised standard of living in the under developed areas.

Contributions to IDA enable the World Bank to provide approximately $8 billion to $9 billion a year in highly concessional
financing to the world’s 81 poorest countries. IDA’s interest-free credits and grants are vital because these countries have little or no capacity to borrow on market terms. In most of these countries, the great majority of people live on less than $1 or $2 a day. IDA’s resources help support country led poverty reduction strategies in key policy areas, including raising productivity, providing accountable governance, building a healthy private investment climate, and improving access to education and health care for poor people.

THE ROLE OF IDA

IDA is the world’s largest single source of concessional financial assistance for the poorest countries, and it invests in basic economic and human development projects. Eligibility for access to IDA resources is governed by two basic criteria, a country’s relative poverty (as measured by per capita income) and its degree of credit worthiness for IBRD resources. The operational income cutoff for IDA eligibility in fiscal 2003 was a per capita gross national income of $875. The amount of IDA resources that countries depends or the equality of their policies to promote growth and reduce poverty which are access on are annual basis. In exceptional circumstances IDA extends eligibility to countries that are above the income cutoff but are not fully credit worthy to borrow from IBRD, such as small island economies.
IDA recipient countries face complex challenges in striving for progress towards the Millennium Development Goals (MDGs). Policy priorities include strengthening the fight against the spread of communicable diseases, including HIV/AIDS, building a healthy investment climate as a prerequisite for private sector investment, promoting gender equality and improving the quality of basic education and poor access to it.

INTERNATIONAL FINANCE CORPORATION (IFC)

Established : 1956
Members : 178
Fiscal 2005 Commitment : 5.4 billion dollars 236 projects in 67 countries.

The International Finance Corporation was established in July 1956 with the specific object of providing finance to the private sector. Though it is affiliated to the World Bank. It is a separate legal entity with a separate fund and functions. Members of the World Bank are eligible for its membership.

OBJECTIVE

International Financial Corporation IFC’s objective is to help economic development by encouraging the growth of productive
private enterprise in its member nations, particularly in the underdeveloped areas.

**IFC KEY FINANCIAL INDICATORS FISCAL 2001-2005**

Millions of Dollars (unless otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>241</td>
<td>161</td>
<td>528</td>
<td>982</td>
<td>1953</td>
</tr>
<tr>
<td>Net Income</td>
<td>345</td>
<td>215</td>
<td>487</td>
<td>993</td>
<td>2015</td>
</tr>
<tr>
<td>Liquid assets, net of associated derivatives</td>
<td>13,258</td>
<td>14,532</td>
<td>12,952</td>
<td>13,055</td>
<td>13,325</td>
</tr>
<tr>
<td>Loan and equity investments, net</td>
<td>8,696</td>
<td>7,963</td>
<td>9,377</td>
<td>10,279</td>
<td>11,489</td>
</tr>
<tr>
<td>Borrowing withdrawn and outstanding</td>
<td>15,457</td>
<td>16,581</td>
<td>17,315</td>
<td>16,254</td>
<td>15,359</td>
</tr>
<tr>
<td>Total Capital</td>
<td>6,095</td>
<td>6,304</td>
<td>6,789</td>
<td>7,782</td>
<td>9,798</td>
</tr>
<tr>
<td>Return on average net assets (%)</td>
<td>0.6</td>
<td>0.6</td>
<td>1.8</td>
<td>3.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Return on average net worth (%)</td>
<td>4.1</td>
<td>2.7</td>
<td>8.2</td>
<td>13.7</td>
<td>22.6</td>
</tr>
<tr>
<td>Cash and liquid investments as a percentage of next 3 year’s estimated</td>
<td>101</td>
<td>109</td>
<td>107</td>
<td>116</td>
<td>142</td>
</tr>
<tr>
<td></td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
<td>2004</td>
<td>2005</td>
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<td>--------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td><strong>net cash requirements (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt-to-equity ratio</td>
<td>2.6:1</td>
<td>2.8:1</td>
<td>2.6:1</td>
<td>2.3:1</td>
<td>1.8:1</td>
</tr>
<tr>
<td>Capital adequacy ratio (%)</td>
<td>48</td>
<td>49</td>
<td>45</td>
<td>48</td>
<td>50</td>
</tr>
<tr>
<td>Total reserve against losses on loans to total disbursed loan portfolio (%)</td>
<td>16.0</td>
<td>21.9</td>
<td>18.2</td>
<td>14.0</td>
<td>9.9</td>
</tr>
</tbody>
</table>

**Source:** World Bank Annual Report, 2005 – Year in Review p.9.

**Note:** 2005, Income after Expenditures for Technical and Advisory Services
THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

Established : 1988
Members : 165
Cumulative guarantees issued : $14.7 billion
Fiscal 2005 guarantees issued : $1.2 billion

*Amounts include funds leveraged through the Cooperative Underwriting Program.

Concerns about investment environments and perceptions of political risk often inhibit foreign direct investment—a key driver of economic growth—in developing countries. MIGA addresses these concerns by providing political risk insurance (guarantees), offering investors protection against non-commercial risks such as expropriation, currency inconvertibility, breach of contract, war and civil disturbance. MIGA also provides advisory services to help countries attract and retain foreign investment, mediates investment disputes to keep current investments intact and remove possible obstacles to future investment, and disseminates information on investment opportunities to the international business community.
## MIGA Key Financial Indicators FISCAL 2001-2005

MILLIONS OF DOLLARS (unless otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>493</td>
<td>484</td>
<td>381</td>
<td>256</td>
<td>241</td>
</tr>
<tr>
<td>Operating income/operating capital (%)</td>
<td>653</td>
<td>702</td>
<td>766</td>
<td>811</td>
<td>830</td>
</tr>
<tr>
<td>Operating capital</td>
<td>7.5</td>
<td>6.9</td>
<td>5.0</td>
<td>3.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Net exposure</td>
<td>3157</td>
<td>3202</td>
<td>3204</td>
<td>3259</td>
<td>3138</td>
</tr>
<tr>
<td>Operating capital/net exposure (%)</td>
<td>20.7</td>
<td>21.9</td>
<td>23.9</td>
<td>24.9</td>
<td>26.4</td>
</tr>
<tr>
<td>Five largest exposures (%)</td>
<td>1,002</td>
<td>1,006</td>
<td>912</td>
<td>923</td>
<td>834</td>
</tr>
<tr>
<td>Five largest exposures/net exposure (%)</td>
<td>31.7</td>
<td>31.4</td>
<td>28.5</td>
<td>28.3</td>
<td>26.6</td>
</tr>
</tbody>
</table>
Net exposure in IDA-eligible countries

<table>
<thead>
<tr>
<th>Year</th>
<th>Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>934</td>
</tr>
<tr>
<td>2002</td>
<td>1,113</td>
</tr>
<tr>
<td>2003</td>
<td>1,255</td>
</tr>
<tr>
<td>2004</td>
<td>1,139</td>
</tr>
<tr>
<td>2005</td>
<td>1,341</td>
</tr>
</tbody>
</table>

Net exposure in IDA/net exposure (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>29.6</td>
</tr>
<tr>
<td>2002</td>
<td>34.8</td>
</tr>
<tr>
<td>2003</td>
<td>39.2</td>
</tr>
<tr>
<td>2004</td>
<td>34.9</td>
</tr>
<tr>
<td>2005</td>
<td>42.7</td>
</tr>
</tbody>
</table>


Note: Shareholders equity plus net insurance portfolio reserves, b. Aggregate of five largest country net exposures.

* Fig. In US$

THE INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID)

Established : 1966

Members : 152

Total Case Registered : 184

Fiscal 2005 Cases Registered : 25

ICSID helps encourage foreign investment by providing international facilities for conciliation and arbitration of investment disputes thereby helping to foster an atmosphere of mutual confidence
between states and foreign investors. Many international agreement concerning investment refer to ICSID arbitration facilities. ICSID also conduct research and publishing activities in the areas of arbitration law and foreign investment law.
WORLD BANK PROGRAMS

Through its loans, policy advice and technical assistance, the World Bank supports a broad range of programs aimed at reducing poverty and improving living standards in the developing world. Effective poverty reduction strategies and poverty, focused lending are central to achieving these objectives. Bank programs give high priority to sustainable social and human development and strengthened economic management, with a growing emphasis on inclusion, governance, and institutions building.5

No country will grow economically and reduce poverty while its people cannot read or write, or while its people struggle with malnourishment and sickness. As we enter the new millennium, hundreds of millions of people lack the minimally acceptable level of education, health and nutrition that many countries would not accept for granted. This is not just an individual moral issue; it is a global economic disparity and a major impediment to the reduction of poverty.

Accordingly, the Bank directs much of its assistance where the impact will be greatest or basic social services such as reproductive and maternal health care, nutrition, early childhood development programs that target the rural poor and women. As the largest single investor in social sector, the Bank has provided loans totaling over $45
billion for more than five hundreds projects for human development in hundred countries.

The Bank also helps governments to restructure social security and pension systems and establish social safety nets to protect those, most at risk from being hurt by the effects of economic restructuring. In addition to lending money, the Bank provides advice through services such as in-depth country assessments pertaining to poverty, country assistance strategy and public expenditure reviews so that governments can set sound long term strategies for pursuing economic growth.

PROTECTING THE ENVIRONMENT

Poverty reduction is intrinsically linked to environment and social sustainability. Availability means a number of things, but first and foremost it means that sources are enhanced or protected rather than damaged or depleted as part of the development process.

Developing countries are much more vulnerable to environmental degradation than industrial countries. Problems such as air and water pollution, climate change, loss of biological diversity, and deforestation are threatening their ability to meet the basic human needs of their people: adequate food, clean water, safe shelter, and a healthy environment.
The Bank goes to great length to ensure that its projects do not harm the natural environment. All projects are screened to determine whether they pose environmental risks. Environmental assessments are undertaken on projects that may be harmful, and the Bank includes special measures in such projects to avoid environmental damage.

Environmental concerns have been synthesized into Bank activities, because experience has shown that it is more cost-effective to prevent environmental damage than to clean it up later.

To enhance these efforts, the Bank works in partnership with other development agencies, non-governmental organizations, and community groups to gain the benefit of their knowledge and experience. The Bank works with IUCN (The World Conservation Union), the Nature Conservancy, the Worldwide Fund for Nature, and many other organizations to help facilitate programs to protect rivers, forests and coastal areas. The Bank is also one of the implementing agencies of the Global Environment Facility, an organization that is playing a key role in addressing global environmental priorities such as biodiversity, climate change, Ozone depletion and pollution of international waters.

Stimulating Private Sector Growth

The private sector is the engine of long term growth. A stable and open business climate with access to credit and sound financial
systems is essential for private entrepreneurs. This helps them to emerge, for business to flourish and for local people and inventors from abroad to find the confidence to invest and create wealth, income, and jobs. The World Bank is helping client governments throughout the developing world to create the necessary conditions for the revival and expansion of Private Sector investment. These include: Putting in place the basic laws, regulations and local institutions that private investors need and to ensure clear enforcement of contractual obligations.

Building the physical infrastructure (such as transportations, dams etc) and developing the critical technological and information base necessary in the global market place. The Bank also help in developing local capital market and banking systems. In additions to its loans and technical assistance, the World Bank also offers guarantee designed to mitigate investment risks, especially for long term debt financing.

They are particularly important for encouraging private financing for infrastructure – where more than $250 billion a year in investment is needed to meet the Bank clients country needs for the next decade. These guarantees are intended to supplement reform programs and complement the risks mitigation benefits offered to the private sector by IFC and MIGA.
Since its inception in 1956, the Bank private sector affiliate, the IFC, has committed more than $29 billion of its own funds and has arranged $19.2 billion in syndications and underwriting for 2,446 companies in 136 developing countries. The IFC also helps countries establish for privatization.

MIGA’s political risk guarantee also support Private Sector growth by giving investors confidence to invest in endeavours that might otherwise look too risky. MIGA has covered investment projects in more than eighty-five developing countries, providing more than $7 billion in guarantee and facilitated and estimated $36 billion in foreign direct investment in different countries. MIGA also provides technical assistance to governments, and serve investors and client countries by providing current information or investment opportunities through innovative web portals.

PROMOTING ECONOMIC REFORM

As economic distortions exacerbate partly, the Bank helps its client governments improve their economic and social policies so as to increase efficiency and transparency, promote stability and bring about equitable economic growth. The Bank provides funding, policy advice and technical assistances in support of reform efforts to cut budget deficits, reduce inflation, liberalize trade and investments, privatize state owned enterprises, establish sound financial systems, strengthen
judicial system and ensure property rights. These reforms helped attract foreign private capital, generate domestic savings and investment and enabled governments to provide effective social services.

However, because reform measures can lead to unemployment as unproductive enterprises are closed, and to increased prices when inefficient governments subsidies are cut, reforms can adversely affect poor and vulnerable people in the short term. To address these concerns, the Bank support for reforms often included funding for safety net programs to help protect the poor or to keep vulnerable people from slipping into deeper poverty.

High levels of debts – owed mostly to governments is being increasingly recognized as a reverse constraint on the ability of poor countries to undertake fundamental/reforms.

To help ensure that economic reform efforts are not put at risk by high debt and debt service burdens, in 1996 the Bank and International Monetary Fund (IMF) launched the Highly Indebted Poor Countries Initiative (HIPC). The initiative represents a commitment by the international community, including all creditors, to act together in a coordinated and concerted fashion to reduce the debt of very poor countries to sustainable levels. To qualify for HIPC debt relief, a country must be eligible for IDA credits, face an unsustainable debt
burden, and demonstrate a commitment to economic reform. Debt relief granted under the initiative based on debt sustainability within a context of economic growth and poverty reduction. So far, thirteen countries have qualified for debt relief under the enhanced initiative that will amount to approximately $23 billion.

**FIGHTING CORRUPTION**

For governments to be effective, they must have the trust and confidence of the people they serve. Corruption has a devastating impact on trust in government and diminishes the effectiveness of public policy. It impedes investor confidence and has a negative impact on foreign investment. Corruption also reduces the effectiveness of aid and threatens both political and grass root support for donor assistance.

While citizens and governments must themselves lead the fight against corruption, the Bank has been assisting a number of countries with their anti corruption efforts. The Bank has conducted surveys to determine the extent and character of corruption in various countries. It has organized workshops, courses and training for government officials and members of civil society. But the most far-reaching efforts of the Bank are making countries identify and implement the policy and institutional reforms that can minimize opportunities for corruption. These reforms include better financial regulation, supervision and
disclosure; greater accountability in the private sector through the confirmation of shareholder and credit rights.

In total, the Bank now has more than 700 activities dealing with public sectors institutional reforms in more than 90 countries, and more than two dozen countries have requested assistance to deal specifically with corruption.

ASSISTING COUNTRIES AFFECTED BY CONFLICTS

Conflict and violence are among the world’s most pressing developmental problems, affecting many of the world’s poorest countries. The Bank in facilitating the transition from dependence on relief to sustainable economic growth. It also helps in improving the coordination of poor conflict reconstruction and recovery assistance.

The Bank has focused not only on rebuilding infrastructure, but also on programs to promote economic adjustment and recovery, address social sector needs, and build institutional capacity. Projects designed to assist in mortifying, demobilization and reintegration of ex-soldiers displaced populations. The Bank is working around the globe – in places as diverse as the Balkans, Burundi, Cambodia, East Timor, Haiti and Sierra Leone – and with a wide range of partners to help rebuild economies and bring stability and a better future to the people whose lives has been affected by conflict.
LEVERAGING INVESTMENT

The World Bank's unique partnership with its client governments and its role in helping them shape their plans and priorities, equip it to play a strong coordinating role in leveraging funds for development.

IBRD and IDA loans and credits typically cover less than half of the total investment costs of a project. The remaining is provided by client government themselves or by co-financiers. In this fashion the resources that the Bank raises from bondholders and shareholders are multiplied in both scope and effectiveness. Co-financing arrangements with other donors are an extremely effective means not only for mobilizing additional resources, but also for facilitating coordination among development agencies. Co-financiers include other development banks, the European Union, National Aid Programs and export agencies. The Bank Chairs consultative group meetings for many of its client countries, at which officials from donor countries meet with chief policy makers from borrowing countries to discuss overall economic priorities and strategies and to pledge support.

STRATEGY AND ACTION

The World Bank Consists of IBRD and IDA, IFC, MIGA and ICSID whose common mission is to fight against poverty. The Bank comprises 184 shareholder countries. To assist its client countries in
achieving sustainable development, it harness resources and forms partnership with others, including development lending institutions and Civil Society Organizations (CSOs).

Development involves changes. It requires learning about what works and what does not work in particular circumstances and then building the capacity for applying that knowledge throughout an economy. By taking what has been learned and using the available instruments and resources, the Bank can achieve outcomes that are appropriate to the challenges at hand. It is with decades of experience that the Bank has recognized several common factors associated with overall progress in development. These factors— the basis for the Bank’s strategy are as following:

- **An Active State:** Good governance in both the public and private sectors influences the environment where contracts are enforced and markets can function; basic infrastructure works; there are provisions for adequate health, education and social protections; and people are able to participate in decisions that affect their lives.

- **Empowerment:** Ensure that all people have the ability to shape their own lives, by providing opportunity and security and by fostering effective participation and social inclusion.
ECONOMIC GROWTH

It is essential because countries that have reduced poverty most effectively are those that have grown the fastest. There has been no example of successful development without sustained periods of high per capita growth of output.

- It is necessary to have a vital ‘private sector’ to drive sustained economic growth with small and medium enterprises playing particularly an important role in generating employment opportunities for poor people.

- Vibrant External Policy: Policy that is rational and appropriate to the country is essential as the removal of barriers to international trade so that developing country exports can contribute growth.

- Finally the country and society need to have ownership of the development agenda to reflect the country specific circumstances and political economy.

THE BANK’S STRATEGY AND THE MULTISECTORAL NATURE OF THE MILLENIUM DEVELOPMENT GOALS

The twin of the Bank Strategic framework are critical to success in achieving sustainable poverty reduction and helping countries meet the goals. Different groups of client countries have different needs.
Working with the Bank on the MDGs is the priority in most low-income countries. The middle income clients more often seek to work with the Banks' potential commitments and its own client-driven work program. The discussion intensified among networks, country directors, and clients to enhance the alignment of country goals and MDGs agenda. It is clear that some of the goals are unlikely to be achieved in certain countries without a major effort by developing countries, developed countries, and the entire development community.

THE MILLENIUM DEVELOPMENT GOALS (MDGs)

The MDGs are the frame of reference for the Bank’s work in partnership with other international institutions. The MDGs are a set of goals with specific targets for poverty reduction to be achieved between 1990 & 2015, and they represent an unprecedented level of world consensus on what is needed for sustainable poverty reduction. The goals are listed as below.

1. **Eradicate Extreme Poverty And Hunger**

Halve the number of people in extreme poverty, and the number of people who suffer from hunger by 2015.

2. **Achieve Universal Primary Education**

Ensure by 2015 that all children will be able to complete a full course of primary schooling.
3. **Promote Gender Equality And Empower Women**

Eliminate gender disparity in primary and secondary education by 2015 and in all levels of education by 2015.

4. **Reduce Child Mortality**

Reduce by two thirds the under five mortality rate by 2015.

5. **Improve Material Health**

Reduce by three quarters the maternal mortality rate by 2015.

6. **Combat HIV/AIDS, Malaria And Other Diseases**

Halt the spread of HIV/AIDS, malaria, and other major diseases, and begin to reverse the spread, by 2015.

7. **Ensure Environmental Sustainability**

Halve the preparation of people without sustainable access to drinking water by 2015.

8. **Develop A Global Partnership For Development**

Further develop an open, rule-based, predictable non-discriminatory trading and financial system.7

**PARTNERSHIPS: INCREASING THE IMPACT OF DEVELOPMENT EFFORTS**

Partnership has become a core element of the Bank’s business approach. By working with partners in the international community to identify the area, each has a comparative advantage; the effect of each
development dollar can be magnified. With careful attention to what works in a particular situation, proven approaches can be brought together and appropriate projects carried out to produce better results. At the same time, the growing importance of partnerships in the Bank’s work makes it important to ensure strong alignment of new partnerships with The Bank’s strategies/priorities and with country driven development strategies

**INSTITUTIONAL PARTNERSHIPS:**

The Bank partners with other international institutions such as the International Monetary Fund (IMF), the U.N., other Multinational Development Bank, OECD, the European Union (EU) and the WTO.

**INTERNATIONAL MONETARY FUND (IMF)**

The Bank’s foremost institutional alliance is with the IMF with which it collaborates on a number of initiatives aimed at reducing poverty.

The Bank and the IMF further strengthened their collaboration in fiscal 2003. Each organization concentrates on its area of comparative advantage. The IMF is responsible for the dialogue with country authorities on macro economic issues and the World Bank takes the lead on social and structural issues.

In addition to the continuous delivery of debt relief to eligible countries under the Heavily Indebted Poor Countries (HIPC)
Initiatives, the executives boards of the two institutions approved the achievement of completion point stains for two HIPC countries during fiscal 2003. 

UNITED NATIONS (U.N) 

In fiscal 2003, the Bank–UN partnership advanced in its commitment to a coordinated approach for poverty reduction strategies. This has involved identifying complementary between the MDGs and the PRSP process. The Bank and the United Nations Development Group have an open dialogue on the harmonization of policies, procedures and practices. Attention is now being placed on better development effectiveness and deeper country ownership.

The Bank has supported the parallel process taking place at intergovernmental level. In 2002 meetings of the Bank’s Development Committee, ministries called for a focus in the global monitoring of actions and the policies to achieve the MDGs. Many of the Bank’s senior managers are involved in the ongoing dialogue on these issues between the U.N. and the Bank, dialogue that strengthens the understanding of respective roles and responsibilities in carrying out the development agenda.

The increasingly complex political, social, economic and international dimensions of conflict adversely affect the ability of countries to work towards the MDGs. The U.N. and the Bank, in close
partnership are pursuing ways to strengthen cooperation among themselves and other key shareholders.

MULTILATERAL DEVELOPMENT BANKS

The Bank’s collaboration with other multilateral development banks, such as the African Development Bank, the Asian Development Bank, Inter American Development, the European Bank for Reconstruction and Development and the Islamic Development Bank, remained strong and intensified significantly in several areas.

ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) AND ITS DEVELOPMENT ASSISTANCE COMMITTEE (DAC)

The Bank’s partnership with OECD accelerated in May 2000 when the heads of the two institutions signed a joint statement of cooperation. Since that time the two institutions have established clear focal points for proactive collaboration.

The Bank and OECD work together on the OECD/DAC agenda, aligning donor support for the Comprehensive Development Framework. It also attempts sharpen the focus on the results, improving harmonization of donor policies and practices while dealing with the problems of low-income countries under stress.
EUROPEAN UNION

The European Union is a natural partner for the World Bank Group. Its multilateral aid program is managed by the European Commission.

The EU provides 55% of the total official development assistance in the world—and is the developing world’s most important trading partner, absorbing 21 percent of its exports and extending preferential arrangements to developing regions. The EU works towards political and economic reform and poverty reduction in the world, especially the third world countries with which it has active trade, investments assistance and migration links. Thus collaboration between the EU and the World Bank Group is obvious and has expanded on many fronts in recent years.

WORLD TRADE ORGANIZATION (WTO)

Strengthening the Bank’s capacity on trade and establishing the new Trade Department has enabled partnership with the WTO, based on objectives of open trade and development. An initial visit to the WTO by the president of the World Bank led to the preparation of a strategy for institutional collaboration, which focuses on (a) cooperation in the sharing of policy research and knowledge (b) joint work in implementing the integrated framework for Technical Assistance for the least developed countries (c) cooperation in the
delivery of trade training and capacity building by the World Bank Institute (WBI) and the WTO, and (d) Cooperation in promoting a stronger global dialogue on trade and development.

**ACTION ON COUNTRY PRIORITIES**

In carrying out its strategy the Bank tailors its approach to each country's needs. The Bank action are centered on the country’s vision for development, a good diagnosis of the policies proposed, a Bank program to support the vision, and a focus on result. This translates into specific approach for low-income countries, low-income countries under stress, and middle-income countries.

**COUNTRY ASSISTANCE STRATEGIES (CAS)**

Building on and incorporating existing country knowledge, the CAS is the business plan that guides Bank Group activities in client country. Prepared in consultation with the government, development partners and other stakeholders. The CAS set out a program of lending and of knowledge and advisory services linked to the country’s development strategy as defined in a poverty reduction strategy programme, a Comprehensive Development Framework, or other country owned process.9

**LOW INCOME COUNTRIES**

Carrying out the Bank’s two pillars strategy in low income countries, where the vast majority of the World’s poorest people live,
present special challenges. The investment climate in these countries may not be conducive to sustainable growth. Limited institutional, human and physical resources can keep poor people away from participating in development.

A key tool in the Bank support for low income countries in the PRSP which was introduced, result oriented, comprehensive road maps that are based on broad consultation with internal and external partners and stake holders PRSPs are intended to serve as the framework for domestic policies and cross-sectoral programs to reduce poverty and for development aid.

The process emphasises country’s ownership in framing plans that reflect each country special circumstances and needs. The Bank plays an active role in helping clients strengthen the role of stakeholders in the PRSP process. The Bank also encourages countries to integrate the MDGs into their strategy paper presentation, considering the cross-sectoral actions needed to achieve the goals. This approach will ensure that the tradeoffs inherent in achieving the MDGs are addressed by country strategies.

Poverty Reduction Strategy Programmes – based IDA assistance to low income countries includes Poverty Reduction Support Credits, which are designed to support country – owned poverty reduction priorities. These credits focus on building government capacity and
institutions, particularly those serving poor people. There is also a new provisions to allow the use of IDA funds for projects in the private sector.

LOW INCOME COUNTRIES UNDER STRESS (LICUS)

In an era of performance based lending, the Bank and other donors have realized that many of the poorest countries have been left behind. They have recognized the need to engage much more resources actively in low-income countries with the most chronically weak policy and governance environments. In June 2002, the Task Force on low-income countries under stress recommended to the Board of Executive Directors that the Bank should work in close cooperation with its partners to expand and improve its analytical work, invest in capacity building and identify innovative project mechanisms to improve governance and deliver basic social services on LICUS.

Work on the LICUS Task Force recommendation began in fiscal 2003 and is centered at the country level, as each country has different defining characteristics and each with own speed. At the country level, LICUS principles have been incorporated in CAS. Examples of the strategies include a highly selective programs in Angola that focuses on natural resource revenue management; demobilization of combatants and community – driven social action; activities to rebuild the knowledge base and donor government dialogue at Haiti,
completion of multi-donor mission in the Central African Republic
demonstration projects for the provision of public goods in Somalia;
policy dialogue and capacity building in support of the peace process
in Sudan; and sectoral programs that combines top down public finance
management with community – driven initiatives to support improved
governance in Tajikistan etc.

MIDDLE – INCOME COUNTRIES

Poverty remains a challenge for middle-income countries too,
which are home to three quarters of the world’s poor people. These
countries face significant and diverse challenges.

The crucial rules for the Bank here are to assist the countries
with reforms that improve the investment climate, support economic
restructuring and investment while their access to long-term capital is
limited. Bank helps them to reduce the remaining concentrations of
poverty, and mitigate their vulnerability to economic shocks, and
support country-level action on the global public goods agenda. The
bank continues to help middle income countries to achieve growth in
the private sector by helping them complete fundamental market –
opening reforms that make the country more attractive for investment
and by supporting ensuring structural and social reforms. Towards
these ends the Bank uses a number of tools to advance its policy
dialogue with countries and to continue engagement with active borrowers.

One of such tools is more effective use of diagnostic reports, which deepen the understanding of a country’s development priorities and the cross-sectoral links and implications for reducing poverty. Furthermore, the Bank offers partial credit and partial risk guarantee to mobilize private sector financing for individual projects. The Bank’s support for financial sector developments draw on the complementary role of IFC and MIGA.

THE WORLD BANK – LENDING INSTRUMENTS

The World Bank Group is an international organization of more than 180 member countries. Its objective is poverty reduction. It collaborates with other organizations to help client countries for active sustainable and equitable growth. The Bank Group offers an array of customized services— including loans, technical assistance, and advice— to its developing and in transition member countries.

The lending instruments of the International Bank for reconstruction and development (IBRD) and the International Development Association (IDA), which together are the World Bank provides loans and development assistance to middle income countries and creditworthy lower income countries. IDA provides low interest
loans and other services to the poorest countries. IBRD also makes to borrowers is a number country, with the country guarantee.

The other members of the World Bank offer different kinds of services. The International Finance Corporation (IFC) finances private sector ventures in developing countries, in partnership with private invertors. The Multilateral Investment Guarantee Agency (MIGA) encourages direct foreign investment in developing countries by providing guarantees against non-commercial risk to foreign investors. And the International Center for the Settlement of Investment Disputes (ICSID) provides facilities for the settlement of investment disputes between foreign investors and their host countries.

The Bank has two basic types of lending investments: Investment Loans and Adjustment loans. Investment loans have a long-term focus (5 to 10 years) and finance goods, work and services in support of economic and social development projects in a broad range of sectors. Adjustment loans have a short-term focus (1 to 3 years) and provide quick-disbursing external financing to support policy and institutional reforms. Both investment and adjustment loans are used flexibly to suit a range of purposes and are occasionally used together in hybrid operations. Loans are made as part of the comprehensive lending program set out in the country Assistance Strategy (CAS), Which tailors Bank assistance (both lending and non lending services)
to each borrower's development needs and the Bank's comparative advantage. The CAS incorporates projects and programs with the greatest potentials to reduce poverty and further the country-development objectives.¹⁰

Lending operations are conducted in several phases. The borrowers identify and prepare the project and the Bank reviews its viability. During loan negotiations, the Bank and borrower agree on indicators, implementation plan, and schedule for disbursing loan funds. Once the Bank grants the loan and it becomes effective, the borrower implements the projects and programs according to the terms agreed upon with the Bank. The Bank supervises implementation and evaluates results.

All loans are governed by the world Bank's operational policies, which aim to ensure the Bank-financed operations are economically, financially, socially and environmentally sound. Fiduciary policies and procedures govern the use of project related funds, particularly for the procurement of goods and services. Safeguard policies help to prevent unintended adverse consequences on third parties and the environment.

**INVESTMENT LENDING**

Investment loans provide financing for a wide range of activities aimed at creating the physical and social infrastructure necessary for poverty alleviation and sustainable development.
The nature of investment lending has evolved over time. Originally focused on hardware engineering services, and bricks and mortar investment lending has come to focus more on institution building, social development, and public policy infrastructure needed to facilitate private sector reduction involving private contracts in new housing construction, for example to rural development (formalizing land tenure to increase the security of small farmers); water and sanitation (improving the efficiency of water utilities); natural resource management (providing training in sustainable forestry and farming); post conflict reconstruction (reintegrating soldiers into communities); education (promoting the education of girls); and health (establishing rural clinics and training health care workers).

**DISBURSEMENT:**

Funds are disbursed against specific foreign or local expenditure related to the investment project including pre-identified equipment, materials, civil works, and technical and consulting services, studies and incremental recurrent costs. Procurement of these goods, works and services is an important aspect of project implementation. To ensure satisfactory performance, the loan agreement may include conditions of disbursement for specific project components.\textsuperscript{11}

Innovation loans were recently introduced to provide more innovation and flexibility. Other instruments tailored to borrower
specific needs technical assistance loans, financial intermediary loans and emergency recovery loans.

**SPECIFIC INVESTMENT LOAN (SIL)**

Specific Investment Loan (SIL) supports the creation rehabilitation, and maintenance of economic, social and institutional infrastructure. In addition, SIL may finance consultant services and management and training programs.

The SIL is a flexible lending instrument appropriate for a broad range of projects. SIL helps to ensure the technical, financial, economic, environmental, and institutional viability of a specific investment. They also support the reform of policies that affect the productivity of the investment.

**SECTOR INVESTMENT AND MAINTENANCE LOANS (SIMLs)**

Sector Investment and Maintenance Loans (SIMLs) focus on public expenditure programs in particular sector. They aim to bring sectoral expenditures, policies, and preference in line with a country development priorities by helping to create an appropriate balance among new capital investments, rehabilitation, reconstruction and maintenance. They also help the borrower development the institutional capacity to plan, implement and monitor the expenditure or investment program.
SIMs typically involve agreement on the composition of sector investment programs and on sectoral policy reforms necessary for the programs success. They also involve strengthening the institutions that will carry out the programs.

The SIM is most appropriate where a sector expenditure program needs expensive coordination particularly if the program involves a large share of donor-financed investments. Therefore, SIM typically involve coordinated efforts among the multilateral and bilateral donors providing assistance to the sector.

**ADAPTABLE PROGRAM LOAN (APL)**

Adaptable Program Loans provide phased support for long term development programs. They involve a series of loans that build on the lessons learned from the previous loan(s) in the series.

**SPECIAL DESIGN FEATURES**

APLs involve agreement on (1) the phased long term development program supported by the loans (2) Sector policies relevant to the phase being support and (3) Priorities for sector investments and recurrent expenditures. Progress in each phase of programs is reviewed and evaluated as necessary, before the subsequent phase can be initiated.

APLs are used when sustained changes in institutions, organizations or behaviour are a key to successfully implementing a
program. They can be used to support a phased program of sector restructuring or system reform in the power, water, health, education, and natural resources management sectors, where times is required to build consensus and convince diverse factors of the benefits of politically and economically different reforms.

**LEARNING AND INNOVATION LOAN (LIL)**

The Learning and Innovation Loan (LIL) supports small pilot type investment and capacity building projects that, if successful could lead to larger projects that would mainstream the learning and results of the LIL.

LIL do not exceed $5million and are normally implemented over 2 to 3 years – a much shorter period than most Bank investment loans. All LILs include an effective monitoring and evaluation system to capture lessons learned.

LILs are used to test new approaches. Often in start up situations and with new borrowers. LILs may be used to build trust among shareholders, test institutional capacity and pilot approaches in preparation for larger projects, support locally based development initiatives and launch promising operations that require flexible planning based on learning from initial results.
TECHNICAL ASSISTANCE LOAN (TAL)

The Technical Assistance Loan (TAL) is used to build institutional capacity in the borrower country. It may focus on organizational arrangements, staffing methods and technical, physical or financial resources of key agencies.

TALs require arrangement on specific action programs to strengthen organization and on terms of reference for the appointment of consultants and local counterparts.

TALs are used to build capacity in entities directly concerned with implementing policies, strategies, and reforms that promote economic and social development. They also build capacity related to public sector reform and to the preparation, implementation and maintenance of investment or adjustment operations by supporting specific tasks related to their preparation or implementation.

FINANCIAL INTERMEDIARY LOAN

Financial Intermediary Loans provide long-term resources to local financial institutions and to finance real sector investment needs. The financial institutions assume credit risk on each such project.

Eligibility for FIL requires a satisfactory macroeconomic and sector framework. The FIL supports financial sector reforms—interest rate policies, subsidies, measures to enhance financial system competition, institutional development of financial intermediaries—
that have a direct and substantial bearing on the operational efficiency or financial intermediaries FIL may accompany adjustment that address financial sector policy issues and certain technical assistance components. The borrower may pass on Bank funds to a financial intermediary either a loan or equity. The financial intermediary in turn may pass on Bank funds to sub-borrowers as sub-loans or equity, to finance projects that aim to increase the production of goods and services. To ensure satisfactory performance these subprojects must meet specific eligibility and development criteria. Bank funds are disbursed against eligible expenditures for goods, works and services, including technical assistance.

FIL helps to develop sound financial sector policies and institutions, promote the operational efficiency of those institutions in a competitive environment, improve the terms of credit to enterprises and households private investment

**EMERGENCY RECOVERY LOAN**

Emergency Recovery Loans (ERL) support the restoration of assets and production levels immediately after an extraordinary event – such as war, civil disturbance or natural disaster – that seriously disrupts a borrower economy. They are also used to strengthen the management and implementation of reconstruction efforts and to
develop disaster – resilient technology and early warning systems to prevent or mitigate the impact of future emergencies.

To accommodate the emergency nature of the operations, abbreviated processing may be used. The ERC may include fast-disturbing components that finance a list of imports identified as necessary to an effective recovery programs.

ERLs focus on the rapid reconstruction of economic, social, and physical systems within a limited period, normally 2 to 3 years. The finance investment and productive activities, rather than relief or consumption. For recurring events such as annual flooding or for a slow onset disaster such as drought SIL is usually more appropriate.

ADJUSTMENT LENDING AND OTHER NON-PROJECT LENDING

Adjustment loan provides quick – disbursing assistance to countries with external financing needs, to support structural reforms in a sector or the economy as a whole. They support the policy and institutional changes needed to create an environment conducive to sustained and equitable growth.\(^\text{13}\)

Adjustment loans were originally designed to provide support for macroeconomic policy reforms, including reforms in trade policy and agriculture. Over the time they have evolved to focus more on structural, financial sector, and social policy reform, and on improving
public sector resource management. Adjustment operations now generally aim to promote competitive market structures (for example, legal and regulatory reform). Correct distortions in incentives reforms (taxation and trade reform) establish appropriate monitoring and safeguards (financial sector reform) create an environment conducive to private sector investment (judicial reform, adoption of a modern investment code) encourage private sector activity (privatization and public service reform) and mitigate short-term advance effects of adjustment (establishment of social protection funds).

Structural and sector adjustment loans are the most commonly used adjustment instruments. Other types of adjustment loans designed to respond to specific borrower needs are programmatic and special structural adjustment loans and rehabilitation loans. Debt reduction loans, while not adjustment loans, often accompany adjustment operations.

*Structural Adjustment Loan (SAL) supports reforms that promote growth, efficient use of resources and sustainable balance of payments over the medium and long term loans.*

SALs typically on major macroeconomic and structural issues that cut across sectors such as trade policy, resource mobilization, public sector management, private sector development, and social safety nets.
SECTOR ADJUSTMENT LOAN (SECAL)

The Sector Adjustment Loan (SECAL) supports policy changes and institutional reforms in a specific sector.

SECAL focuses on major sectoral issues such as the incentives and regulatory frameworks for private sector development, institutional capability and sector expenditure programs.

PROGRAMMATIC STRUCTURAL ADJUSTMENT LOAN

The Programmatic Structural Adjustment Loan (PSAL) is provided in the context of a multiyear framework of phased support for a medium-term government program of policy reforms and institution building.

PSAL support the government’s program through a series of loans provided for 3 to 5 years, each building on the preceding loan to support sustained, sequential structural and social reforms. Each individual adjustment loan under PSAL typically supports a one year program, with it trenches (if there is more than one trench) spaced regularly throughout the year and tied to specific target measures. Monot able indicators are build into the design of each loan in the series. The eligibility and disbursement criteria are the same as for SAL.
SPECIAL STRUCTURAL ADJUSTMENT LOAN

The Special Structural Adjustment Loan (SSAL) supports structural and social reforms by creditworthy borrowers approaching a possible crisis or already in crisis and with exceptional external financial needs. These loans help countries to prevent a crisis, to mitigate its adverse economic and social impacts.

SSALs are available to countries facing an actual or potential financial crisis with substantial structure and social dimensions. They support structural, social and macroeconomic policy reforms that are typically part of an international support package put together by multilateral donors, bilateral donors and private lenders and investors.

REHABILITATION LOAN

The Rehabilitation Loan (RIL) supports governments policy reform programs aimed at or creating an environment conducive to private sector investment, where foreign exchange is required for urgent rehabilitation of any key infrastructure or productive facilities. The focus is a key short term macro-economic and sector policy reform needed to reverse declines in infrastructure capacity and productive assets.

RILs are typically used when a country is committed to overall economic reform but a SAL cannot be used because the structural reform agenda is still emerging. RIL are appropriate in transition economies and post conflict situations.
DEBT REDUCTION LOAN (DRL)

The Debt Reduction Loan (DRL) helps eligible highly indebted countries reduce commercial debt and debt service to a manageable level, as part of a medium-term financing plan in support of sustainable growth. The focus is on rationalizing the country's external commercial bank debt, by either converting it to lower-interest instruments or buying it back at a discount.

WORLD BANK GUARANTEES

Guarantees promote private financing in borrowing member countries by covering risk that the private sector is not normally in a position to absorb or manage. All Bank guarantees are partial guarantees of private, debt so that risks are shared between the Bank and private leaders. The Bank's objective is to cover risks. It is a unique position to bear, given its experience in developing countries and its relationships with governments.

The Bank's project based guarantees help mobilize private sector financing for individual projects; while policy based guarantees help to mobilize private resources for sovereign entities.14

The guarantee covers either sovereign and political risks or credit risks. Expect for project based partial risk guarantees, which are extended on a limited basis to IDA borrowers is support privately financial projects, Bank guarantees are available only to IBRD borrowers.
PROJECT – BASED PARTIAL CREDIT GUARANTEE

This guarantee covers all risks during a specific financing period. It is designed to assist government and their entities in accessing new sources of debt financing with longer maturities that would otherwise be available.

POLICY BASED PARTIAL RISK GUARANTEE

This guarantee covers specific sovereign or political risks. It is generally used where the government has moved from owner or operator to regulator or purchaser of a service. It protects lender's against debt service defaults that result from man's performance of government obligations agreed to under a concession or similar arrangement.

POLICY – BASED GUARANTEE

The policy Based Guarantee (PBG) is a partial credit guarantee of sovereign borrowings from private creditors, designed to improve governments access to capital markets in support of agreed upon structural, institutional, social reforms. PBGs are offered to countries with a strong track record of performance; a satisfactory structural, social and macroeconomic policy framework, and a coherent, strategy for governing (or regaining) access to international financial markets.
Chapter Two
CHAPTER-2

THE WORLD BANK GROUP IN INDIA—A SYNOPTIC VIEW

The signboard at the World Bank’s Headquarter in Washington reads “Our Dream is a World Without Poverty”. The World Bank is seen as the beacon of development a lender, of last resort and a savvier of poor countries. It is supposed to combine the hard nose of a banker with the human face of a development agency. It is perceived to be more intellectual than UNDP agencies and less harsh than the IMF in administering bitter pills through conditionalities. It has tried to differentiate itself as a development bank lending to poor countries who are denied access to market financing and to social projects that do not command the interest of private investors.

(A report sponsored by the US Congress Meltza Commission 2000, Allen Meltzner of Carnegie Mellon University and Jaffary Sachs of Harvard University suggested that the World Bank should restrict its focus to poverty alleviation and vacate its role as a Bank, where capital markets can better take care).

However, as the Meltzer commission 2000 found in practice, more lending of World Bank goes to countries that barrow in the Capital markets, the World Bank Credit is just seen as a bit cheaper
source of finance comforted by government guarantee normally not available for private sector lenders. With reduced funds on its disposal and bearing the criticism of its unwarranted taking up those functions that could well be left to the capital market. The Bank has changed its strategy from project based lending for ‘hardware’, which requires large funds—to lending for capacity building (for ‘software’ or consultancy services, requiring smaller amounts). It has also changed its role from primarily being a lender to being catalyst of lending by facilitating projects to access funds from the capital market. It does this by providing the ‘A’ loan which enables securing of much larger ‘B’ loans from commercial banks. It has also entered the guaranteeing and insurance business through its affiliate Multilateral Investments Guarantee Agency (MIGA). For instance, it gives a counter guarantee on a sovereign guarantee of a country, for a free!

*It is difficult to apportion earlier the success or failure its policies between the Bank and country as it has to walk through the country governments and its institutions.* Here good policies may become victims of poor implementation. Earlier studies came with a revelation that wherever there was good governance backed by strong institutional infrastructure the result have been good and ‘India’ was counted as one of those countries where the result were good. However, India has not benefited much from its approach in terms of
higher inflow of funds between 1993 and 1999. India received a modest 4% of the resources of the Bank, compared to 12% for China, 10% for Argentina, 9% for Russia, 7% for Mexico, 6% for Korea. Notwithstanding the fact that World Bank considers India as good borrower, yet not given its due in terms of quantum of lending.

In its 50-year of partnership with India, the Bank concentrated on the growth objective in the first phase, subscribing to the theory that developments would automatically trickle down out of growth. It has started initiatives on the main plank of poverty alleviation only recently. However, the World Bank formulated a near 20-20 vision for the year 2010 and has drawn up the following targets for India.

1. Reducing poverty to 15 percent

2. Halving the proportion of malnourished children

3. Putting in place a reliable disease surveillance system.

4. Increasing contraceptive prevalence to more than 60% of eligible couples; and reducing the population growth the rate to 1.2% (from 1.9%).

Even on the objective of growth, where the Bank concentrated its lending in the first phase, the investment resulted in less growth than in other countries, notably China, because about 40% of capital stock was under government ownership with poor productivity. The Bank lent and still goes exclusively to the government appears to be a
critical constraint particularly in India where government’s capital productivity is lower than in other LDC’s.

India has improved the well being of its people. Since the year 1970’s, country economic growth has risen, poverty has declined, and social indicators have improved. The average life expectancy at birth has increased from 49 which years to the current 63 years in the year 2003. Interestingly there was dramatic reduction since 1950 in infant mortality from 150 to current average of 68 per thousands live births.

Since post independence more than half of the country population was living in poverty, if we compare in the 1990s witnessed high levels of poverty reduction and important achievements in literacy with enrolment of primary school age children from 70% in 1992 to more than 80% at the end of the decade gross enrolment ratio in 2005.

India today has more than 100 million children aged 6 to 10 attending primary school, making it the World’s Second largest system after China. While these improvements shows achievements in a challenging environment. India’s social indicators remains weak by most measures of human development. However, there is little room for being complacent and more challenges are to be addressed yet.
CURRENT CHALLENGES

Poverty – A threat to developmental programmes is India’s one of the biggest challenges despite good progress since 1990s.

Country’s poverty, as measured in non-income indicators such as health and education is also a significant challenge. Despite remarkable progress in education, India still is home to the world’s largest number of illiterates. India still accounts for 25% of the world’s out of school children and more than 20% of the gender gap in elementary education.

The relative achievement of the stabilization and reform progress during the 1990s India’s future progress in reducing poverty and improving social indicators critically depends on the countries ability to accelerate economic growth and maintain a stable macro-economic frame work.

With the growing global focus on the Millennium Development Goals (MDGs), including halving the proportion of people living on less than one dollar a day and achieving universal education by 2015, success in India is critical to the achievement of these goals.

While improvements in poverty and illiteracy are becoming more concentrated in India’s largest and poorest states namely Uttar Pradesh and Bihar. The relevant Millennium Development Goals will not be achieved without these efforts to widen economic opportunities and
solve some of the barriers to more rapid poverty reduction and better human outcomes.

Eradicating poverty is the declared objective of India's development strategy. A broad national consensus has emerged on the means to achieve this objective – rapid growth through industrialization and redistribute transfer to the poor. India's development policies welded two disparate visions namely Mahatma Gandhi's dream of a simple Village based economy and Nehru's Socialist ideal of self-reliant welfare state. In order to accommodate both, the government subsidized small scale industries and handicrafts and intervened extensively in the economy through publicly owned heavy industries economic openness was viewed with suspicion.

A series of five year plans gave concrete shape of the strategy in line with the development paradigm of their time.

Government control over the economy and large public investment in productive activities generated some social benefits but also had a significant negative side. The industrial licensing system, the restrictions on capital flows, and the controlled system of high trade barriers reduced competition. It theorized enterprise restructuring, generated monopoly rents and stifled growth. Paradoxically, the public sector – with its human and financial
resources overstretched – lacked the capacity to intervene effectively on behalf of the poor.

The proportion of poor people fluctuated around 50 percent through the 1970s, when the average per capita income growth rate was below 1 percent. The higher per capita growth of the 1980s estimated at 3.5 percent. But the high growth was unsustainable as it relied on excessive public spending and financing of the fiscal deficit at commercial rates. Moreover, the unintended bias against labour intensity was such that output growth in the industrial sector during 1951-91 did not contribute to poverty reduction at all, either in urban or rural areas. Instead, poverty reduction was positively affected by growth in the agricultural and service sectors, and by human capital development.

By the 1980, India had eradicated famine and attained self-sufficiency in food production. The Bank played a modest role in helping create the physical and institutional infrastructure of the Green Revolution, but the Bank’s role in sustaining the revolution was critical. India also made significant gains in social indicators with some southern states succeeding in bringing fertility to replacement levels. Between 1970 and the late 1980s life expectancy rose from 49 to 60 years, infant mortality fell from 1.37 to 80 per thousand and the
annual population growth rate fell from 2.3% to 2%. Gross primary enrolment rose from 73% to 97%.

But social indicators trailed behind those of China and many other low-income countries by the end of the 1980s with only moderate steps toward economic reform. India also trailed in the global economic competition, the result of closure to trade and investment; a license-obsessed, restrictive state; inability to sustain social expenditures; loss of confidence in the efficiency of growth in reducing poverty; macro instability, indeed crisis, pessimism and marginalization of India in world affairs.4

**Strong Foundations for Development**

Based on policies prevailing in the mid-1990s, predictions of some researches using cross-country growth/regressions revealed a per capita growth rate of 3.6 percent a year beyond 1996. Their simulations showed that India could have doubled its per capita growth rate if it had adopted East Asian policies on public savings, openness, labor market flexibility and government spending.

Beyond growth and macroeconomic stability researches and policy analysts have reached a broad consensus on the factors affecting the pace of poverty reduction in India; more effective public development spending to enhance infrastructure (especially in rural areas), human capital and agricultural productivity. In turn, policy
makers and governments frameworks influenced the accumulation of physical and human capital, their efficient allocation and technological innovation and adoption (Srinivasan 2001). All these factors have significant presence of the World Bank.

Widespread agreement has also emerged across the political spectrum on the need to rejuvenate the reform process. This view – articulated in the past five years in economic journals, policy studies, government committee deliberations, and Bank reports – have been endorsed by all past coalition governments and reaffirmed strongly by the current one. But the belief that a second round of reform comes also from vested interest that gain from the complex incentive structure. Preoccupation with issues of ethnicity and religion, regional pulls and pressures and ideological baggage of economic nationalism remain obstacles to sustained reform.

A LARGE, UNFINISHED REFORM AGENDA

Business surveys and qualitative assessments of India’s economic management and institutional performance in the 1990s confirm that there have been substantial improvements in many areas, but they also point to remaining frameworks of labour market policies, corporate governance and exit policy, banking sector efficiency and trade protection. High corporate tax rates (35 percent for domestic
coupons and 48 percent for foreign companies), in particular are a disincentive to private investment.

**FISCAL REFORM**

Reducing the fiscal deficit should be a priority but little progress on this front is expected till date. The public bureaucracy need streamlining. Public programs for marketing food and other commodities (including the still ineffective public distribution system) need further reform, as do programs for employment and training. Subsidies (about 14.4% of GDP) and public enterprise losses need to be reduced expenditure need to be redirected towards operations and maintenance and investment in infrastructure. To improve revenue buoyancy and equity, the tax base needs broadening and tax administration need improvement.

**GOVERNANCE**

Variable enforcement of laws, regulations and contracts and delayed administration of justice are serious problems, especially with respect to the poor. The chain of accountability from the Civil Service to the legislature is weak—audit reports have limited impact because of a lack of transparency delays and poor follow up by parliamentary committees. State administrative and financial controls capacities have large gaps and variations. The performance of the Civil Service is undermined by overstaffing, low salaries, inadequate performance
appraisals, and political interference, corruption which extends to the police and judicial system is perceived to be serious.

Much work lies ahead to improve weak governance. In addition to strengthening financial accountability public sector reforms require focus on quality efficiency, incentives for service delivery and orientation towards a market economy. The legal system also needs strengthening to fight corruption and uphold equality under the law. Devolution of powers has been gradual since the landmark 1992 constitutional amendment mandated decentralization of state responsibilities to elected local bodies or panchayats and enhanced representation of women's in such bodies. Training is needed to improve local capacity for administration and service delivery.

PRIVATE AND FINANCIAL SECTOR DEVELOPMENT

A major constraint to private sector development is slow privatization of public enterprises, including banks, due in part to a blurred delineation of responsibilities among the multiple government agencies and commission that advise on and implement privatization. Overlay protective labor laws need to be relaxed archaic bankruptly and liquidation laws and procedures (including sick industrial company) urgently need reform completing regulatory framework for corporate governance also needs more transparency.
OPENNESS

Protection remains very high compared with all large countries in Asia and Latin America. The liberalization timetable to correct the still substantial anti-export bias of the current regime should be accelerated. Even internally, India is not a single common market, especially in agriculture – interest rate, sale taxes, and movement restrictions across and within status still apply.

AGRICULTURAL REFORM

Agriculture remains over regulated, with distracted production and marketing incentives. Public resources are used inefficiently, mostly for public employees salaries and subsidies for water, electricity, fertilizers and food that does not reach the poorest. Basic reforms are needed to free internal trade, eliminate other market distortions and interface India fully with world markets while. Increasing investment in agricultural technology and rural infrastructure, protecting the poor, and ensuring that quality inputs are supplied is also the call of the day.

ENVIRONMENTAL PROTECTION

Environmental legislation is adequate, but current efforts to strengthen the weak enforcement capacity must be accompanied by policy changes. To stem over-watering and excessive private, pumping, form, aquifers, subsidies for electricity and water should be
drastically reduced. Community based programs hold promise for improved natural resource management, but scaling them up requires increased public funding. A more effective public role for urban sanitation services is also needed.

SOCIAL SECTORS

Public education can be effective, as Madhya Pradesh, where local community successfully took responsibility for hiring teachers and monitoring their performance. At the same time, national enrolment level in primary schools, better efficiency access by the poor requires increasing public expenditures, reallocating expenditures away from territory levels toward primary ones, making institutional changes.

SOCIAL INCLUSION

India’s public sector has an affirmative action program which applies to elected bodies to help break caste inequality. Reservation of a third of local council seats for women, decreed by the 1992 Panchayats Act, is already raising the voice of poor women in local politics. India’s gender strategy aims to empower women socially and economically by changing attitudes toward girls, providing education, training, employment and support services and emphasizing women’s rights and laws. This strategy should be pursued with renewed vigor, sensitively mainstreaming programmes in all development programs
and monitoring their gender — disaggregated and carte-disagreement impact.

**INDIA—THE WORLD BANK HISTORICAL RELATIONSHIP**

India was one of the Bank founding members and is still one of the Bank’s main borrowers and has had a major influence on the bank understanding of development. The bank has been India’s largest source of all long-term gross inflows in the 1980s by the end of 1990s still supplying more than a Fifth. The Bank disbursement which were about 5.5 percent of gross domestic public investment during the 1980s and have been 6.2 percent since 1998 cumulative lending from 1950 until June 2000 has been $53.8 billion for 412 Project Split almost equally between the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). Bank commitment to India have averaged about $1.6 billion annually during fiscal 1997-2000, with 54 percent from IDA and 46 percent from the IBRD. Satisfactory country policy performance, however IBRD lending in recent years would have been substantially higher and the blend would have been harder.

Bank’s relationship with India began with a slow acquaintanceship; praise from the bank for India First Five Year Plan; cautious lending for railways, iron and steel irrigation and development financial and mild criticism of the overlay ambitious second five year
The policy dialogue triggered by the Bell’s report and directed by the Bank president become confrontational. The bank and India become estranged with the notable exception of agriculture (that part of the bell report) was prepared under the direction of John Crow ford for the bank, the policy dialogue represent an early attempt to use the leverage of its lending in a major member country. India’s agricultural sector become the focus of bank assistance. With helped expedite the adoption and dissemination of the new technologies that produced the green revolution. At the same time, Indian authorities – who feared Bank interference in politically ambitions to support government anti-poverty programs policy advice and economic analysis mostly produced by resident mission staff in close consultation with government officials had a modest impact. Conditionally was used sparingly and common ground between the Bank objectives and the
government was continually stressed. External political factors helped cement the relationship while assistance from the U.S. government declined, reflecting a deteriorating political relationship, bank lending increased and soon exceeded aid flows from other donors, eliciting much good will from Indian officials by the end of 1970s. India and bank were converging the Bank had adopted the essence of India outlook on development priorities, while India agreed to cut tangle of red tape.

During 1980s, most academics, government officials, and top political leader became aware of the need to adopt a new model of economic management. But the necessary political support for far reaching reform was not forthcoming. Bank staff identified a large number of sector especially in industry and finance, that pointed to policy deficiencies, requiring attention. While the Bank was actively promoting structural adjustment in many of its member countries, high-level discussion of necessary policy adjustment in India was largely avoided. Throughout 1980s Bank management did not address India disappointing policy record for fear of jeopardizing a strong lending relationship with a sensitive client. The Bank also muffed its advisory and institutional reporting roles. Although IDA lending slowed considerably throughout the 1980s both as a proportion of the total and in absolute terms.
IBRD lending and International Financial Corporation investment expanded very rapidly. Total bank annual commitment reached a peak of $3 billion in Fiscal 1989 and $18.5 billion for the decade. In many cases bank supported project were inconsistent with bank economic and sector analysis and advice. Many project had limited policy content and supported the expansion of the state in economy, regardless of efficiency. The bank continued to lend to public sector enterprises that made fertilizer steel and cement etc.

The bank also bent for the expansion of irrigation system known for their inability to recover cost and cloved with the suspicion of corruption. The focus on irrigation came at the cost of neglect of rain fed areas in which a large portion of the rural poor live. Bank lending for urban development met with considerable failure because it ignored the public finance and institutional development aspect of urban lending. The failure was so profound that it became the reason for the decision in the first half of the 1990s to withdraw entirely from the sector.

Furthermore despite the great needs in the social sector the Bank was not able to establish a dialogue or of the government resistance to foreign advice. There were some bright spot such as a loan to the housing development corporation that helped establish project that provided resources.
For venture capital research and development on the whole however, in the 1980s, transfer of resources was the over riding object of the Bank, with little concern for the effectiveness with which these resources were used. As lending expanded in the wrong direction, the quality at entry of the bank portfolio faltered. OED rated bank performance at the project-appraised stage satisfactory in only 26 of 57 operation (52 percent of total commitment) approved in Fiscal 1985-89.  

THE CHANGING SCENARIO:

Against the backdrop of strong commitment to structural adjustment by a new government, the relevance of bank assistance increased markedly during and immediately after the 1990-91 macro economic crisis. Changing the mindset of the principal counterparts in the core sectors was not the issue any more. Instead the central challenge was to help the newly elected reform minded government implement it programs, a challenge that the bank substantially met.

Bank assistance focused on supporting macro economic stabilization measure (together with the International Monetary Fund) reform in the investment and trade regimes, finance, taxation and public enterprises and cushioning short term social costs etc. At the same time the bank sought to discontinue old style lending for public enterprises and state electricity board and to build a lending programs in health and education. The bank continued lending however in a number of sector without a sector strategy and without seeking the necessary reform (for example in Agricultural irrigation Urban Water Supply and even banking). Nonetheless the partial attempt to make bank advice consistent with its lending led to a record drop in new commitment in Fiscal 1994 to less than $ 1 billion and dismantling of the industrial and Finance division of the Indian Department. For the first half of 1990s Bank focused on crucial areas of reforms for
sustainable growth (for improved macro economic management and liberalization of the trade and investment regime and on human development (for broad based improvement of primary social services). It also expanded its support for environmental protection. But the bank did not pay enough attention to inadequacy of agriculture and the structural constraints to rural development. It initially ignored opportunities to reform safety nets and to improve the targeting of the poor and women in its project and it public expenditure. In the second half of 1990s the relevance of Bank assistance to poverty reduction improved and much more so after 1997. In the mid 1990s the Bank began studying state finances, increased its attention to sector reforms, offered assistance in establishing a framework conducive to efficient private investment in infrastructure. It also offered its support in structuring social program and providing the poor with skills to participate in the new, more competitive economy.

The telecommunication companies, ports and gas and oil sector which had the potential to attract private investment were excluding from lending assistance. All new loans were expected to have strong policy content. The 1995 Country Assistance Strategy (CAS) document explicitly listed continued reduction of the central government deficit to 5.5 percent in 1995-96 and beyond and progress in implementing it
reform agenda as triggers for providing annual lending volumes of around $2.9 billion.

The strategy also proposed to discontinue lending to states whose fiscal stance was unsustainable. Significant shortfalls against that trigger were expected to lead to progressive reduction in lending.\(^\text{10}\) It also approach to deal with the challenge of finding a role for bank in supporting reforms. That is to scale up lending to reforming states. And for the first time the CAS articulated monitorable target against which the success of assistance can be judged.

Support for policy reform (through early engagement and building consensus and ownership with partner and client) in key areas including rural development, power, urban management and urban water supply and sanitation.

- Focus on poverty alleviation including a large and expanding social lending program and initiatives for community participating and demand driven small investment in the poorest district.

- Increased priority to the social and environmental impact of Bank operation.

- Promotion of public sector development including the financial sector.
The table reveals that in addition to the reduction in poverty incidence, education indicators have improved markedly. For the first time since independence, the absolute number of illiterate citizens in India declined between 1991 and 2001. Literacy rates rose particularly for women. Enrollment rates of primary aged children also increased, and the gap between enrolment ratio for boys and girls declined.

However, against these achievements, progress in improving health indicators in India has been mixed. Reduction in the Infant Mortality rate (IMR) slowed during the previous decade and the higher IMRs have persisted among disadvantaged groups such as SC/ST population. Progress in addressing malnutrition has been minimal. Based on existing data, the maternal mortality rates has worsened; however there are problems with the data. Other worrisome trends are an accelerating rate of infection by HIV/AIDS and deterioration in the overall sex ratio for children under four. These trends have continued despite an increase in public expenditures on health. It is partly because public expenditures on health, remain low by international standards and thus much need to be done. Furthermore, the aggregate indicators mark widening divergence in GDP per capita and other indicators of well being between the richer and poorer states. While poverty declined in both, the rate of progress is skewed in favor of richer states. In 1999/2000, 76 percent of India's poor lived in the
states with per capita GDP lower than the all India average. Generally, the poorest states also lagged behind in social indicators. For example, Assam have the highest percent of population that is calorie deficient, reflecting extreme hunger poverty; Orrisa, Madhya Pradesh and Uttar Pradesh have the highest infant and child mortality rates; and UP shows the lowest primary school enrollment rate. Access to reliable water supply and electricity, which is important to both economic and human development is missing.

CONCENTRATION OF POVERTY IN INDIA

<table>
<thead>
<tr>
<th>% of total number of poor</th>
<th>1983</th>
<th>1987/88</th>
<th>1993/94</th>
<th>1999/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor states*</td>
<td>71</td>
<td>70</td>
<td>71</td>
<td>76</td>
</tr>
<tr>
<td>Richer states**</td>
<td>27</td>
<td>28</td>
<td>26</td>
<td>22</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes: * includes AP, Assam, Bihar, Kerela, MP, Orissa, Rajasthan, UP, and West Bengal

** Includes Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Tamilnadu.

Source: India : Staff Calculations, based on Planning commission.
Performance on environmental issues, particularly related to environmental health, also reflects some growing disparities. While urban air pollution in Delhi and other metro-cities has stabilized largely thanks to mounting pressure to act from environmental activities and NGOs representing the urban elite-efforts. To reduce indoor air pollution from the use of traditional biomass fuels have suffered from inconsistent policies and lack of recognition of the issue. For the poor, it is often this indoor air pollution that constitutes a larger risk to health, disproportionately affects women and young children and contributes to high infant/child mortality rates.

In other areas of environmental sustainability, the story is mixed. For instance, deforestation appears to have been reversed on a national scale, which is a considerable achievement. At the same time consumption of fuel wood has increased, suggesting continued pressures on forests. The worsening availability and quality of water, particularly ground water depletion, has emerged as the major concern threatening livelihoods and development prospects in many areas.

The issue of whether India will be able to reach its MDGs targets by 2015 is yet to be analysed. The recently completed Bank report "Attaining the Millennium Development Goals in India" has focused on the major human development related MDGs (e.g. child mortality, child malnutrition, schooling enrolment and completion, gender
disparity in schooling and hunger poverty. In its analysis of progress for achieving the MDGs at the state level, the report asserts that India cannot hope to attain the MDGs without significant improvement in the poorest states, which will account for an even larger share of the country's population in 2015. The study concludes that achieving theses goals will be very challenging in the poorest states particularly for the goals 100% net primary enrollment and 100% primary completion of education.

**ECONOMIC DEVELOPMENTS AND OUTLOOK**

India's ambitious program of economic reforms, underway since 1991, can be credited to overall good progress in increasing incomes and improving living standards. Even though the pace of reforms has been since the mid-1990s, cumulative changes so far have been substantial. Reforms included abolition of all quantitative restrictions on non consumer goods, reduction in tariff, unification of the exchange rates, adoption of more liberal rules of foreign direct investment, and the introduction of current account convertibility. Many sectors have opened up to private activity, trade policy, the exchange rate have been further liberalized, and the reform of capital markets has started, leading to an improved investment climate. After several years of, at the best, slow decline, tariffs were significantly reduced in Jan 2004 - the average un-weighted
tariff was cut from 22 percent to 33 percent. There were initial signs of fiscal adjustments at the center and in some states.

INDIA AND THE WORLD BANK GROUP

PARTNERSHIP:

Given the vast development challenges, and the modest size of the bank group programs relative to the population and economy of India, the Bank group cannot support India in every effort towards achieving its tenth plan goals and the MDGs. Instead, since 1997 bank group strategy has been to engage selectivity in India and primarily at the state level, with knowledge resource and financing geared towards reform. The main thrust of the strategy has been to support the programs to create demonstration effect that might stimulate reform across other states, or in the other sectors of reforming states. In developing this CAS, the Bank focused on key aspects of the reform agenda and working in partnership with Govt. of India, reforming states and others. The recent bank group has been ambitious in their efforts to catalyze and expand the state reform process in area that are central to reducing poverty in India - and when process in reform was slower than expected, bank strategy was also well structured to deal with the slowdown in reform implementation that took place in several states. While concluding that the FY02-04 strategy was broadly appropriate, the review points to some lessons of experience which
suggest an evolution (rather than a fundamental rethink) of the strategy. Going forward these include; the need to address growing disparities in state development performance, especially given the importance of the poorest states for achievement of MDGs; the importance of long term engagement with states on cross-cutting reform issue; and the disadvantages of concentrating investment lending in states that are recipients of adjustment lending.

For new Bank lending, commitments fell short of the base case of the CAS during FY03 and FY04 and below the program envisioned at the time of the Progress Report. Reasons for this include delay in both adjustment and investment lending due to a slower than expected pace of reform implementation in some states. Consistent with the 'Self-activating triggers' of the Fy02-O4 CAS, the Bank's lending volumes have been reduced when states have slowed in their implementation of fiscal, governance and power reforms. The investment pipeline was also affected by preparation delays.

Despite this IDA resources, which are constrained at low levels relative to India's size and absorptive capacity, are likely to be fully utilized. By contrast, while the slowdown in some states reforms reduced Bank financing, during FY03 and FY04 the AAA program of the Bank was stepped up. The country team continued dialogue on reforms and provided non-lending technical assistance in UP when
further adjustment lending was put on hold as the state's reform process faltered. Substantial policy advice and non-lending technical assistance have also been provided in states where adjustment lending has been under preparation, namely AP, Karnataka, Tamil Nadu and Orrisa. Important analytic work on the investment climate and fiscal, governance and power sector reform was also initiated in states where the bank had not previously been engaged in these areas, including Maharashtra, Bihar and Punjab.15

In addition to the expansion of state level policy dialogue the country team focused on major studies such as the DPR and an AP Growth Study in order to disseminate key messages more widely across India. A Country Procurement Assessment Review (CPAR), several State Financial Accountability assessments (SFAAs) and numerous sectoral policy notes, workshops and dissemination activities were also delivered to bolster the reforms at both the federal and states levels.

For IFC programs, commitment in India grew strongly over the period, despite considerable variation in response to market and regulatory conditions. Over the last two years record commitment was achieved in India, nearly doubling its portfolio, improving profitability and investing in high impact projects, making India IFC's second largest exposure. In FY-05, IFC committed a record US$348 million, with a concentration in manufacturing. It also made investment in
agribusiness, power, oil expansion through in long term debt, aided by
the introduction (in FY-02) of local currency lending, which is better
suited to sectors such as infrastructure, housing finance and healthcare
that do not generate foreign exchange.

SCALING UP

The country team's review of Bank Group assistance reconfirmed
the positive impact that the Bank Group can have when focusing on
supporting key aspects of the reform agenda and working in
partnership with the government, states and others. The Bank Group
offers a number of strengths. First among these is the Bank Group
ability to gather and share global knowledge and experience with
government and other important audiences in India. Secondly, the Bank
Group has a broad array of tools that it can offer to help mobilize
private financing and foster greater private sector participation in
India's development. Thirdly, through lending and investments the
Bank Group can help catalyze greater effectiveness and more efficient
spending of others (e.g., state level governments) towards the ultimate
goal of reducing poverty and encouraging India's sustainable
development. In looking ahead, the core message of this CAS is to
build on this strength while engaging in new ways with India to
achieve a major step-up in Bank Group impact and delivery.
To achieve this enhanced impact, three *Strategic Principles* will underpin the Bank Group's work:

- *Focusing on outcomes*, to ensure that all of the work of the Bank Group is explicitly geared towards supporting India's achievement of its development goals. The Bank Group will support achievement of these outcomes with all of its finance and knowledge resources in India; the outcomes will in turn serve as the goal post to measure the effectiveness of Bank Group support over the medium term timeframe of the assistance strategy.

  During FY-05 the Bank Group will also seek to support or develop a stronger focus on results and an 'outcome orientation' within the programs of Government and the states, emphasizing impact monitoring and evaluation and improved service delivery for some of the most far reaching programs of government.

- Due to the complexity of India's development challenges, World Bank group program will necessarily span a wide range of sectors and types of interventions. Nevertheless, selectivity will be applied, to target limited resources to activities where assistance is welcome and where contributions can also be the most effective. Lending selectivity will also be exercised by choosing projects in a way that seek to maximize their impact. During FY-05, this means focusing adjustment lending on states undertaking comprehensive reforms, as is currently
the case, and applying 'guidelines for engagement' for investment lending. Even with scaled-up lending, gross disbursements will be very small in relation to the size of India's economy - less than 0.2% of GDP. Selectivity therefore also means a greater emphasis, on projects that move from successful pilots to larger scale interventions, and projects that scale expansion of proven government programs on a sector wise basis.

The Bank will also aim to substantially expand its role as a particular realistic knowledge provider and generator. To achieve this shift, changes are envisioned on a number of fronts, including: (i) strengthening Bank capacity to act as a channel for ideas and of international experience; (ii) placing greater emphasis on understanding the motivation of interest group and different stakeholders in the reform process; (iii) helping clients to better communicate the potential benefits of their reform programs; and (iv) operating in more strategic and integrated fashion across different organizational units of the Bank to leverage knowledge resource more effectively. Given the modest scale of Bank group financing, to help realize its role as a full development partner, an important part of its knowledge function will be directed to supporting better delivery and effectiveness of government programs, with the aim of leveraging rather small knowledge-based intervention into significant impact on
development outcomes. Applying these strategic principles, the bank will seek a substantial increase in its volume of lending to India.

Given India's enormous needs, the expansion will primarily be in (i) **infrastructure** (roads, transport, power, water supply and sanitation, irrigation and urban development - to underpin both accelerated growth and improved services delivery); (ii) **human development** (education, health, social protection - priorities to support specific MDGs); and (iii) **rural livelihoods** (with an emphasis on community-driven approaches). Cross cutting reforms at state level will also remain an important focus. Expansion in lending for human development and rural livelihoods will depend critically on availability of IDA resources; whole expansion would be justified by the opportunity to contribute to achieving MDGs.

The stepped up program will provide increased opportunity of collaboration across the bank group to promote innovative **Public-Private Partnerships (PPPs)** for infrastructure development - particularly in power and transport. The private sector development strategy suggests some areas where this collaboration might be developed. The basic principle guiding the division of labor is for the Bank to support activities that warrant public support, while IFC and MIGA assistance will encompass activities that fall within the private sector's role.
IFC will continue to provide equity and loan financing and guarantees to supplement what is available from India financial institution or capital markets, and will help to mobilize financing from both domestic and international sources. This will include pioneering investments in infrastructure where innovative structure and long tenures are required. Investments in projects which are constrained by limited risk appetite of other investors, including medium-sized manufacturing companies, agribusiness companies and companies entering new markets domestically and internationally, IFC will add value to the projects it invest in by mobilizing finance from other source (especially foreign investment), advising on structuring, acting as an honest broker between various projects parties and facilitating international partnership, particularly with other developed countries.

In its lending and investment, the bank group on adding value through advice on environment, social substantiability and the transfer of global knowledge and best practices. In doing so, IFC will promote higher corporate standards of social and environment responsibility. Harmonization with government system will be managed carefully, focusing during the CAS period on sectors in which its benefits are clearly greater than risks (i.e., large number of small, relatively low risk investment as in education, reproductive and child health, rural water and rural roads).
Additionally, country-financing parameters, which will allow increased flexibility in the type of expenditure that are eligible for Bank Financing in India, are also being developed. While the new financing parameters are not likely to lead to a significant change in demand for bank financing, they can simplify procedure and reduce the transaction costs of Bank financing for Government of India.

In order to scale up the impact of the Bank group's global knowledge resources in India, AAA program is being reshaped to focus on (i) preparation and dissemination of a limited number of major reports on key issues in India's development, either required for fiduciary reasons, or focused on topic which a public exposition of bank views would be helpful to advancing the development debate; and (ii) 'just in time' activities primarily in response to Government of India requests. The bank group will seek an increasing array of partnerships local research institutions and interested organizations in both developing its analytic work and disseminating important findings. An enhanced program of support on five of the areas where capacity - building efforts can be most beneficial has been initialized. These five thematic areas -HIV/AIDS control, urban development, local government capacity building, improving the investment climate and strengthening fiscal management along with a particular focus on four of the poorest states with the greatest capacity building needs.
Since India has underutilized funds and grant programs offered by the bank group in the past, at the request of Govt. of India, greater effort will be made to enhance participation with these programs in the coming strategy period. In particular, Govt. of India and the bank will seek to help strengthen project readiness via upfront analytical work strengthen implementation capacity or the capacity of key institutions (e.g., through Japan Policy and Human Resource Development (JPHRD) and Institutional Development Fund (IDF) grants etc.

**WORKING AT NATIONAL LEVEL**

Scaling up will require expanded bank support at national level. A large part of this expansion will be in the form of AAA: for instance the series of major reports will primarily address issues of national consequences. Some of these issues are expected to be: the implication of India's gender imbalances, employment issues (especially young people), long term economic impacts of HIV/AIDS, building India's knowledge economy, India's adaptation to climate change and a review of disability issues etc. The medium term review of the CAS will address the program anticipated for the latter half of the strategy period. With the recent DPR serving as a model, the bank will work to bring a multi-sectoral perspective to these studies and seek broad dissemination of their messages across India. The increase in overall lending will also involve more lending at national level compared to
recent years. An important shift envisioned for FY07-08 is the use of new approaches, including Co-financing with other development partners under common arrangements, for national programs in the areas most critical to meeting the MDGs. Using such approaches, the bank will seek to step up its national level engagement and work closely with partners that can join the bank in providing substantial assistance. Such operations are already beginning to materialize, with the first being a major new sector-wise approach supporting Govt. of India national elementary education program - *Sarva Sikhsha Abhiyaan (SSA)* - approved by board in April 2004. This can be expected to pave way for a stronger and more effective partnership between the Bank and the Govt. of India in a future.

**WORKING WITH THE STATES**

Some important shifts are also being implemented in the bank group approaches to the states. Since 1997, the CAS has included a focus on the states undertaken comprehensive reforms, in order to support the leaders of change and serve as a catalyst to the states level reform process. With the widening gulf between the reforming and non-reforming states in India, leading to a concentration of poverty and poor social indicators in just a few states, some shifts in this approach are warranted. *Though the bank group strategy will retain an essentially reform and performance based approaches to the states, it*
will also change in ways that are intended to go as far as possible in opening up new opportunities for engagement with these largest and poorest states.

A number of steps are envisaged. Firstly, in consultation with Government of India the bank is seeking in this CAS to ensure that all of the largest and poorest states of India that so which are engaged in a dialogue on cross-cutting reforms that are the focus of adjustment lending (fiscal management, governance, service delivery, the power sector and the investment climate), regardless of their eligibility for adjustment lending. Either the Bank or ADB would take the lead in offering support through dialogue on cross cutting reforms in each of the major states. Twelve of India's 28 states account for 90% of the poor. The Bank is currently actively engaged in dialogue with Karnataka, Orissa (in collaboration with DFID), AP (in collaboration with DFID), UP and Tamil Nadu and would seek a similar dialogue with Bihar, Maharashtra, Rajasthan and Jharkhand. ADB is engaged in dialogue with MP (in collaboration) and Assam. ADB has also had a longstanding engagement with West Bengal.

Secondly, the Bank will work proactively try to build a productive development relationship with four states where poverty is increasingly concentrated in India and where public institutions are considered to be at their weakest - Bihar, Jharkhand, Orissa and UP.
This support could go beyond the basic dialogue on crosscutting reform noted above.

The expanded support of these four states could take several forms during the strategy period. The bank would seek to mobilize limited grant funding resources (e.g., from the IDF or Japan Social Development Funds (JSDF) to finance innovative governmental and non governmental activities targeted to poverty reduction and progress towards MDGs. A good example of this kind of work is the recent approval of a JSDF seed grant for the Orissa fund for development initiatives. The bank would also work to help these states meet 'guidelines for engagement' for investment lending in support of critical poverty focused projects. At this time the most promising candidates are the IDA financed projects that rely on community driven approaches to improve rural livelihood, watershed management and rural water supply and sanitation. The country program and WBI will also seek avenues for focused knowledge support and capacity building in these states.

Thirdly, State level Adjustment Lending operations (SALs), aimed at supporting achievement of the MDGs, are also expected to remain an important part of the bank program - up to 15% of total lending. While in the initial phase such lending was limited to three states (UP, AP and Karnataka), Gol has adopted the guideline of united
official external financing of states budgets which provide transparent criteria for such support and have opened the way for additional states to receive such funding on a performance basis. In addition to supporting states the government efforts to reduce fiscal deficits, reform the power sector, strengthen governance and implementation of a range of actions to improve the investment climate - all of which have been covered by initial states SALs - this lending would support cross cutting actions to improve preceded by in-depth analytic work, and the bank would provide technical assistance to help states as they implementation their comprehensive reform programs.

Government of India guidelines for states adjustment lending will be the subject of ongoing discussion between Government of India and the Bank to adapt to evolving circumstances. However, the most recent guidelines emphasize that external support be designed so that:

- Any state that is considered to be implementing a comprehensive reform effort would be eligible for adjustment lending. Similarly, any previously performing state that discontinues comprehensive reform implementation would no longer be eligible for adjustment lending for as long as it remain off track.

- Adjustment lending to states would be set in a medium term framework of about five years, consisting of about medium term reform program and associated external financing.
• Progressive deficit reduction, power sector reform, improved governance, the investment climate and improved services delivery would be elements of all programs, with the basic design principle being to focus on key actions within the states control that would promote poverty reduction most effectively; and

• External financing would not be an addition to overall financing for states (since it would be in the context of declining states budget deficits) and is therefore to be seen as refinancing or substituting for higher cost debt. In this context, states with both serious debt sustainability issues and solid reform programs would be the best candidates for adjustment lending; on lending terms for adjustment lending would be kept under review, bearing in mind their basic role as an incentive for reform implementation.

Fourthly, there is no longer an upfront decision to concentrate substantial state-level investment lending on 'focus states' that are also receiving adjustment lending in support of cross-cutting reforms. Instead, investment lending will be channeled more broadly to states that are able to comply with the new 'guideline for engagement' for the relevant sector. These guidelines attempt to set out the sector-specific conditions that experience has shown to be necessary for project success. Given that small size of bank resources relative to the vast needs across India's states - and the prospects that more states will take
up sector reform during the period - it is likely that demand for bank support could outstrip its capacity to respond at the same time within a sector. Where this is the case, the Bank would engage first with the states with the greatest number of poor citizen, or weakest indicators, in order to maximize its impact.

WORKING WITH EXTERNAL PARTNERS

Recently Government of India announced new guidelines for the development cooperation with bilateral partners. As per the new guidelines, India will receive direct bilateral assistance only from Japan, the United Kingdom, Germany, the United States, the European commission and the Russian Federation. All other bilateral assistance would be routed either through multilateral organization or for projects of economic and social importance directly to universities, NGOs or autonomous bodies registered under the foreign contribution (regulation) act.

The work of the Bank group has been coordinated or leveraged with that of external partners in the most sectors, including energy (ADB, JBIC, DFID, USAID, KfW, CIDA), education (EC, DIFD), health and nutrition (USAID, WHO, EC, DIFD, UN Agencies, CDC, AUSAID, ILO and other institution including the gates foundation), and small and medium enterprise financing (DFID, KfW and GTZ). IFC has co-financed investments with ADB, DEG and FMO and has
partnered with ADB, CIDA, DFID, the EC, the Netherlands and Norway in Small and Medium Enterprise (SME) development technical assistance in north east India.\textsuperscript{16}

Generally, coordination has worked well through informal communications at the projects team level, complemented by periodic overview discussions with the various partners, usually in Delhi. During the FY07-08 strategy period the bank group would continue to proactively look for opportunity to ensure coordination and cooperation with external partners in this way. In addition, in the changed donor landscape, a particular focus in our coordinated with the largest external financing sources (ADB, EC, DFID, Japan, and Germany) will be on the efforts to develop common, harmonized financing approaches that are based on Govt. judiciary and safeguard arrangements, within the constrains of evolving bank policy.

There are considerable overlaps in the areas of activity between the Bank and ADB in India - both institutions have a substantial and growing involvement in infrastructure and in energy, and are also engaged in adjustment lending to states. Frequent interactions between the Bank and ADB staff, generally through their New Delhi offices, have been effective in ensuring strong coordination and open activities complementary and mutually reinforcing. The possibility of both
institutions supporting the national rural roads program through co-financing is being reviewed. A coordinated assistance strategy for national roads was jointly developed by ADB, the Bank and Govt. of India, is now under implementation and will be updated shortly. The Bank group and ADB also coordinate in other sectors, including urban development and energy.

At the initiative of DFID, the bank and DFID India entered into a strategy partnership agreement more recently that will provide a broad context to the institutions' cooperation in support of the Govt. of India's development efforts. DFID and the Bank have worked together on direct budgetary support and power sector reform in AP and Orissa, and also co-finance (with other agencies) Govt. of India's centrally sponsored RCH and education programs. Complementary support is also provided in rural urban development and power sector reform.

IMPLEMENTATION AND MONITORING

Achieving the main objective of this CAS - a measure in the bank's impact delivery in India - will pose many challenges in the years ahead. Actions are already underway to address these challenges by strengthening organization and management of the country program. To enable the Bank to move to a higher level of delivery and allow for close interaction with its clients, a cadre of senior staff is being positioned in New Delhi office. Lead specialist positions have been
created in key sectors and sub sectors in order to strengthen team leadership and accountability in New Delhi, while also improving links to the networks. In order to provide coordinated support to growing number to states where the bank will engage, state coordinators have also been designated. Strategic oversight and management of Bank's growing program is also being strengthened in the country management unit, including position of a senior country manager in Washington.

This realignment is taking place within the context of an already strong Bank team that is highly decentralized. Since 1997, India-country director has based in the New Delhi office and operational responsibility has been substantially delegated to an expanded team in India. During FY04, more than 44% of all lending, AAA and TA activities were led by task managers in India. New Delhi is increasingly used as a hub for regional operation of the bank and is the operational base for procurement.17

IFCs activities in India are managed from a regional hub based in new Delhi, with a smaller office in Mumbai. Together, they are responsible for the business development in all sectors and portfolio supervision of manufacturing, services and financial sector projects. To ensure that clients benefits from IFCs global expertise, country based staff and global staff based in Washington work closely together in project teams. In addition, some senior international staff is based in
Delhi and Mumbai, while locally recruited staff is given extensive training at IFC headquarters as well as opportunities for international experience. To increase its presence in southern India, IFC intend to establish a small office in Chennai, co-located with IBRD/IDA accounting office and a small SEDF office in Guwahati, Assam for delivery of SME programs in north and India-east India.

FACTS ABOUT THE WORLD BANK IN INDIA

1. India is one of the world bank “founding fathers”

India was among the 17 original participants of the 1944 Bretton Woods Conference conceiving the idea of the International Bank for Reconstruction and Development more commonly known today as “The World Bank”.

2. World Bank Loans are Cheap Sources of Financing

India receives roughly half of its World Bank loans interest free. These are through Bank’s International Development Association. This agency provides grants annually, which are loans at zero interest with a 0.75 percent finance change. The remaining world Bank loans to India are provided by the International Bank for reconstruction development, another world bank agency which provides loans at low interest. The countries that borrow from the IBRD have more time to repay when compared to borrowing from IBRD with at least 15 to 20 years with a
3. **The Bank Rely on Local Expertise**

The world bank office in New Delhi has around 140 professional staff members of which around 95 percent are Indian nationals who specialize in areas such as education, financial management, resource management, information technology and communication. The Bank works closely with the Indian government. This is the world Bank’s overall strategy as the country is specially designed to support the goals outlined in the government yearly plans.

4. **The Bank looked to India first for new development ideas.**

In December 2003, New Delhi allowed non-government players in the development area and find funding for their creative programs. More than 1500 proposals were received out of which the 20 most innovative ideas got support grant of US$20,000.

5. **Bank has Joined hands with India to fight against HIV/AIDS**

The Bank is largest financer of India’s National AIDS Control Program (NACP) a commitment of around US$275 million in interest free credits. The government develops its ability to manage HIV/AIDS programs at the central and state levels government is enabled to ensure important gains in improving blood safety, expanding surveillance to the scope of the problem, and scaling up activities aimed at prevention and treatment support from the Bank and other donors.
6. **World Bank Bringing Bank Assistance to the State Level**

Although Bank financing is still channeled through national governments, World Bank have agreement that allows a significant amount of this to go to some of India’s poorest and more active states like Andhra Pradesh, Uttar Pradesh, and Karnataka. Focus of the work has been supporting fiscal reforms, reducing corruption and accountability of State Governments.

7. **World Bank and Energy Sector**

For 50 years, World Bank assistance to India’s energy sector has covered power projects and alternative sources of energy. Bank has been a key partner in government’s efforts to develop its national power grid, and it has provided assistance aimed at increasing the access of poor people to electricity and clean fuel.

8. **World Bank Excited about e-governance in India**

The Government of India is planning to use Internet technology to reduce corruption, increase public accountability – and bank is all-willing to support.

9. **The World Bank India’s Vision of “Education for All”**

World Bank is the largest external financer of India’s District Primary Education program (DPEP) which covers over 50 million primary – school children, over one million teachers and 375000
schools. The most significant contribution of DPEP has been its bringing primary education to the center stage of the nation's agenda.\textsuperscript{12}

RECENT SOCIAL PROGRESS AND OUTLOOK

By many measures, India has made good progress in reducing poverty and improving the welfare of its citizens in recent years. The Bank's 2003 development policy review- "India: sustaining reform, reducing poverty" provides a detailed discussion. Official estimates show a decline in poverty from 36 percent in the early 1995 to 26.1 percent in 1999-2000, though the household survey underlying the 1990-2000 figures indicate a smaller degree of poverty reduction. How much smaller/bigger is a matter of debate as estimates vary widely but all estimates have praises for growth on this front.

MONITORING THE COUNTRY ASSISTANCE STRATEGY

The appropriateness of this strategy will ultimately be measured by the bank group contribution to India's achievement of its development goals. Monitoring will take place both at the individuals project and report level, and at the level of overall assistance program. Some of the indicators that will be used to monitoring the effectiveness of overall bank group contribution are provided in the county strategy outcome matrix. Management and staff reviews progress against these proposed outcomes and indicators in a midterm review of the assistance strategy.
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Chapter Three
CHAPTER – 3

THE HUMAN RESOURCE DEVELOPMENT (HRD)—
CONCEPTS AND CONSTRUCTS

"The basic purpose of development is to enlarge people's choices. In principle these choices can be infinite and can change over time. People often value achievements that do not show up at all, or not immediately in income or growth figures: greater access to knowledge, nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedom and sense of participation in community activities. The objective of development is to create an evaluating environment for people to enjoy long, healthy and creative lives."

Mahbub-ul-Haq

Development has been the foremost aspiration of all human societies. Development, if intended to range socio-economic standard and the life style of the people, to particularly help the deprived sections of the society. The ultimate aim of development must be to improve the quality of life of the people and to ensure social justice. A healthy process of development in a society calls for constant planning and monitoring of development programmes with a view to harmonise
the desired objectives of the society with the available resources. It has been observed over the years that development has often brought happiness to one group and misery to another. It has motivate and involve one sector, but may alienate another sector.

Traditionally development has been defined purely in terms of economic magnitudes. Accordingly, it is looked at as a process whereby there is steady increase in the level of real income per head in a country. In other words, development is a process by which the production and distribution of goods and services improves. However, development in recent years is being redefined in terms of reduction or elimination of poverty, reducing inequality and increasing employment within the context of a growing economy. The basic problems of population, poverty, inequality and unemployment are as much social as they are economic in nature.

SOCIAL BENEFITS OF DEVELOPMENT

Development confers several economic and social benefits on human beings. In a developed society, people are able to consume not just more but any thing that they desire. Development not only provides them with greater material wealth but increase the range of choice.

Development gives a man greater control over his environment including nature and thereby increases his freedom. Improved
technology yield more abundant and more varied food with far less labour. Famine are fast becoming historic events, and death rates are reduced and disease disappeared. Thus life itself is freed from some of nature’s menaces.¹

One of the greatest benefits from development is the economic and social role of women. In a backward society, woman is a drudge. She is no longer a beast of burden, instead she gets at least a chance to be a full human being, exercising her mind and talents in the same way as men-folk do. Higher the ladder of economic development, greater the degree of women’s freedom and greater her participation in the decision making process of the household and of the society at large.

Development becomes particularly important to societies where political aspirations are currently in excess of resources. Development may forestall what might otherwise prove to be unbearable social tension. For instance in countries like India, the weaker section presses for increasing basic amenities and the working classes demand ever larger pay packets. If in such societies income per head is stagnant, the demand of one group can be met only at the expense of other group. This is bound to lead to civil strife unless there is a rapid rise in production per head.
So, economic development is not an unmixed blessing. It can make or break the society. It needs to be appropriately geared and monitored to achieve desired ends. Indication clearly focus on formulation and implementation of development policies and programs of economic and social implications of development.

**HUMAN RESOURCE DEVELOPMENT (HRD)**

Human resources are perhaps the most strategic and critical determinant of growth, and yet its development has not received the required attention. A country may possess abundant physical resource, still it may not lead to rapid economic growth unless its manpower is enterprising and have developed necessary skills and attitude. Human touch is required to mobilize, organize and use those resources effectively. Some countries who have hardly any natural and physical resources, yet they achieved tremendous economic growth.

Concern for human development and well being is as old as the human being itself. Its integration with developmental policies, especially in relation to the evaluation for their effectiveness, is of recent origin. Issues pertaining to Human development, have regional and global dimensions, but they fall mainly in the domain of national policies. Raising the level of development of nation, managing over one billion people in the democratic setup is the major challenge for HRD at the macro level.
Human development, or HRD at macro level is universally known as a comprehensive and composite concept of development itself. It means social development as in the field of population, education and health. It calls for the participation, both of the rich and the poor, even developed nation with international agencies. In the process of development HRD for any country is a comprehensive approach. In addition to the standard GDP growth per capita, recognition need to be given to other measurable components like literacy, longevity and facts, not easy to measure human freedom and equity.²

According to Nehru “the rate of our economic growth obviously depends on the country growth rate of population. A big pressure of fast growing population which consumes larger production, leaves little room for saving or investment for further advance.” The basic problem before Nehru was, how in an under developed and poverty stricken country like India, surpluses could be crated for investment and production.³
The worst thing about poverty is that it creates a vicious circle of poverty. As figure of vicious cycle given as under

- Low Consumption
- Low Income
- Low Productivity
- Poor Health
- Low Savings
- Low Investment

In underdeveloped countries various forces as mentioned above are at work which make the poor poorer. It implies a circulation constellation of forces tending to act and react upon one another in such a way as to keep a poor country in state of poverty. Being poor, a man lacks the means to propel and since he lacks the means to propel, he remains poor. Poverty leads to inefficiency and incapacity to do well that in turn end up in poverty.

The role of saving and investment in underdeveloped countries is relatively small. A country is poor because it is poor. But now the ambition of all is to achieve self-reliance or self growth. Thus, for rapid economic development somehow means must be created for
economic growth, the rate of savings must be raised and investment must be encouraged by all possible means.\textsuperscript{6}

On the basis of forgoing discussion in the earlier para it may safely be concluded that for the total welfare of mankind the policy makers will have to address not only the economic indicators but will simultaneously have to develop human resource as a means of production. If developed to the full, will necessarily contribute to faster economic growth with educated and healthy individual, who is likely to be more productive. His abortive capacity in terms of economic investment will be higher. Given his abilities and health, he will be a more productive factor of production consequently shall be able to earn more and thus break the vicious cycle of poverty. His additional income in all likely-hood he will spend more on nutrition, health, education etc. thus, nurturing his generation into newer expansion path of growth and development.

The experience reveals that individuals are normally trying to adopt the environmental condition even if they are living in sub human conditions. Once adopted they are not likely to be able to unshackle the grin of vicious cycle of poverty at their own.

It is against this backdrop that government of India need to act in a coherent manner. The World Bank may also play the joint and pro-
active role in this direction and establish some exemplary replicable models.

**Approaches to Human Resource Development:**

While trying to counter Marxian point that labour is the ultimate resource of value, gradually side-tracked in its analysis of production, the fact is highlighted that human beings are not merely the means but also the end of the production.  

Various texts on Management have adopted what may be called a micro approach to the study of HRD, for they confine their attention within the precincts of the firm. In many of such works the term ‘human resource’ includes only the employees or wage earners as distinct from the executives/managers directly involved in the decision making process. As a result human resource planning becomes virtually identical with manpower planning at the micro- or firm level.

Hersey and Blanchard put it, “an important role for managers is the development of the takes-relevant maturity skill of the different groups of workers in an enterprise. Some times the managerial personnel is also included.”

To quote Herry and Franklin, “an enterprise is made up of human, bonding together for mutual benefits and the enterprise is made or destroyed by the quality and behaviour of its people. What distinguishes an enterprise is its human resource having the ability to
use knowledge of all kinds. Management is an important category of human resource which is basic to most achievement.

At the firm level HRD usually incorporates the maximum development of existing manpower through suitable opportunities of training and placement.

Barbara Ward, "the natural resource are most threatened with pollution. It is nothing but "man himself". According to Harbison "human resources are the energies, skills, talent and knowledge of people which potentially can and should be applied to the production of goods and services.

It is true that by aggregating the operations of all the individual units of economic activity we arrive at the community. So that in a sense there is little to choose between the micro and the macro approaches. But still the micro-aggregation approach would fail to incorporate much which is relevant and which only the macro-societal approach can cover. Keynes analysis of under employment equilibrium reveals that considerable unemployment might exist even if all the firms in the economy attain their respective maximum profits positions. Firms may not try human 'betterment' outside their premises. As a result much would remain outside the area of the study of human resources and such a study is bound to have only limited utility. It is necessary to know how and why the economy fails to attain full
employment of human resources in a developing country like India and what the community can do for reaching full employment. HRD would lack purposes if the developed human resources cannot be successfully utilized.

(1) **Human Resource Use:**

Optimum utilization of already employed human resource within firms and utilization of unemployed human resources are the two vital issues. The first one is a problem of micro level the other one is a macro problem requiring societal action for full employment at the governmental level. But the objective of an economic policy for full employment cannot simply be just providing all individuals with jobs. Ensuring full employment is a quantitative objective. Ensuring fair employment that is the right job for the right person is also important. For this is necessary to plan for an equalization of the demand and supply of each and every type of job in the country. An examination of the fiscal, monetary and other policies for full employment may involve an evaluation of the comparative employment generating capacity of the alternative economic systems.

(2) **Human Resource Development (HRD)**

It is not the quantity so much as the quality or skill of the human resources, which operates as a major determinant of economic growth in any economy. But less developed economies suffer from a relative
lack of skill of different kinds. Hence the need for skill formation which involves HRD. But as human being are not only the means but also the end of production or growth, HRD becomes an objective by itself apart from being a factor in economic development.

Society has to provide for all the opportunities and facilities without which such development is impossible. So HRD must start from childcare. In order of the fact that that child's latent skill has the scope for maximum development and should ensure not only the necessary physical amenities of life but also education of the right type, both general and technical specialized. Education system has its limit set by the political cultural and social customs and values. Evaluation and reconstructing of the prevailing educational principles and practices may then have to be made on a part of the wider task of HRD. If just reform of existing system is not to be enough, may have to think in terms of alternative ones. Human betterment is the ultimate purpose for which social, cultural, economic and political evaluations often did, take place in many parts of the world.

If any HRD programme has to start from childcare, nutrition of the child population has to be the focus of concern particularly in the third world where malnutrition and hunger continue to threaten the normal development of the majority of the children.
At least more than hundred million people in Asia, Africa and Latin America live in a state of abject poverty, suffering from undernourishment, grossly inadequate medical care, education, hygiene, housing, supply of clear water and similar other basic facilities. About forty percent of humanity receives no health care at all.

As HRD is ultimately the study of manpower, the subject is bound to be multi-dimensional phenomenon. HRD cuts across the areas of politics, economics, sociology, psychology and many other social and physical sciences which contribute directly or indirectly to the development and preservation of man’s body and soul.

**Human Capital Theory:**

The notion of education as an investment in economic growth arose in the late 1950s in the United States. Economists such as Abramovitz, Solow and Denison found that the growth of national product in economically advanced countries could not be adequately explained by the growth of the physical capital stock and the growth of the labour force. A considerable part of growth remained unaccounted for (Abramovitz, 1956; Denison, 1962; 1967; Kendrick, 1961; Solow, 1957). These authors adjusted the growth of the labour force for increases in labour quality that were due to education. In addition to the growth in physical capital stock, the increase in human capital
turned out to be of great importance as well. As people became more and more educated, developed more skills and improved their reading and writing abilities, it was argued they became more productive and they were better able to handle existing and new production techniques. The inclusion of human capital in growth accounting studies substantially reduced the unexplained residual in growth.

*Human capital theory* developed this line of thought further, particularly at a micro-level. This theory was based on the close relationship observed in many societies between the number of years of education received and a person income level. The essence of human capital theory was the notion that individuals (supported by their parents) were willing to invest in their own education so that they would be able to earn a higher income in the future. These investments consisted of educational expenses and income forgone by delayed entry into the labour market. The theoretical link between investment in education and the level of income was labour productivity - just as in the macro-approach. Increasing the level of schooling would lead to higher labour productivity. In line with neoclassical economic theory, greater labour productivity would result in higher incomes for the categories of employees concerned.¹⁰

Not only individuals would benefit *from* investment in education. Society as a whole would also benefit from an increasing
supply of better-educated workers and citizens. External effects of education included more rapid technological change, reduced fertility and better infant health (e.g. Lloyd et al., 2000). Such positive external effects are a justification for public subsidies to education and calls for an increasing role of the World Bank in this direction. Endogenous growth theory suggests that investments in technological change, research and development and physical and human capital are subject to increasing returns owing to spillover effects through which firms profit from each others’ investments. The more a country has previously invested in technology and in human and physical capital, the more it will profit from additional investment. Such theories thus offer an explanation of increasing divergence of economic performance in the world economy.

Another version of human capital theory is contained in the notion of 'conditional convergence'. Given characteristics such as a country's initial investment rate and educational attainment, countries will tend to converge to common productivity levels and growth rates, with countries with lower initial productivity growing more rapidly and countries with higher productivity growing more slowly. However, countries in different convergence groups do not converge on each other. Countries with higher initial levels of education will tend to converge to higher growth rates and levels.\textsuperscript{11}
Though human capital theory was initially developed in the United States and Europe, it was soon applied to developing countries as well. The idea of furthering development by means of education had already achieved considerable popularity, well before the rise of this theory. Many members of the new elites in developing countries had received their education during the colonial period. It was often via education that they had been exposed to ideas about human rights, nationalism and development. At the same time, colonial educational systems had offered them insufficient opportunities to develop their talents. Independence provided an opportunity for rapid improvements in access to education. Education was also regarded as a modernising force. It would help detach people from traditional cultural influences and social relationships that were seen as obstacles to modernization.

Human capital theory provided an additional justification for increased efforts in the field of education. National and international policy makers embraced the theory wholeheartedly. The theory provides a framework for the systematic evaluation of the costs and benefits of different kinds of education for households. The costs include School fees, costs of books, teaching materials, school uniforms, and Income forgone while receiving an education. One of the major costs of formal education is that the entry of a person to the labour market is delayed for years. During this period, the individual or
the household not only has to bear the costs of education, but also loses the income which could have been earned in this period.

The benefits consist of the difference between the life time income of an individual with a given amount of education and the lifetime income he would receive if he had not had this education. ‘On the basis of the total costs and benefits one can calculate the average annual return on an educational investment, the so-called rate of return. In addition to the private rates of return, social rates of return can be calculated for society as a whole. Here the benefits include the positive external effects of educating an individual for society. The local costs refer to the total cost of education including public subsidies and the production forgone by society because individuals do not produce while being educated’.

One of the interesting research findings was the fact that in developing countries the rate of return on investment in education was higher than the rate of return on investment in physical capital. The rates of return in developing countries were substantially higher than those in high-income countries. The highest rates were found in the poorest countries. Another interesting finding was that the rates of return for primary education were consistently much higher than those for secondary and higher education. On these grounds developing countries need to give priority to primary education.
Since governments usually bear the greater part of the costs of education, individual calculations of costs and benefits will differ substantially from social calculations of costs and benefits. Without exception individual rates of return are higher than social rates of return. This is one of the factors contributing to the explosive growth in the demand for secondary and higher education in developing countries.

Prior to a discussion of criticisms of human capital theory, the question should be raised why investment in human capital (education) should lead to higher productivity and economic development.

**HUMAN DEVELOPMENT INDEX (HDI)**

The United Nation Human Development Index is a summary composite index that measures a country average achievements in three basic aspects of human development: longevity, knowledge and decent standard of living. Longevity is measured by life expectancy at birth knowledge is measure by a combination of adult literacy rate and the combined primary, secondary and territory gross enrolment ratios and standard of living by GDP per capita in purchasing power parity (PPP)is US$. The HDI calculations still differ from some inadequate and unreliable data, but the production of index already put considerable pressure on the global community to improve the quality of social and human statistics world wide.
It is a standard means of measuring well being especially child welfare. The index was developed in 1990 by the Pakistani noted economist Late Mahbubul Haque and has been used since 1993 by the United Nation Development Programme in its annual report.

Any measure that values money more than a bottle of milk is bound to raise serious question about its relevance for human progress. It is no surprise then that since the emergence of national income accounts there has been considerable dissatisfaction with gross national product as a measure of human welfare. Those prices register the prevailing economic and purchasing power in the system but they are silent about the distribution, character or quality of economic growth, GNP also leaves out all activities that are not monetized, household work, subsistence, agriculture, unpaid services what is more serious, GNP fails to capture the cultural, social, political and many other choices that people make. There has been long search for a more comprehensive measure of development that could capture all or many more of the people choice, make a measure that would serve as a yardstick of the socio-economic progress of the nations. Several difficulties have marked the search. Some analysts came out with scopes of economic and social indicators but did not aggregate them into a composite index so policy makers found such measures hard to digest. Several composite major lacked a sound methodological base
and were abandoned after brief trials. Neither enough investment was made in constructing measures, that were alternative to GNP nor was the effort sustain enough to develop refine and test such socio economic indices.

**COMPUTATION OF THE HUMAN DEVELOPMENT INDEX (HDI)**

Before the HDI is computed, an index needs to be created for such dimensions as the life expectancy index, education index, (comprising literacy and gross enrolment index). Performance in each dimension is expressed as a value between 0 and 1 by applying the general formula

\[
\text{Dimension Index} = \frac{\text{Actual Value} - \text{Minimum Value}}{\text{Maximum Value} - \text{Minimum Value}}
\]

*Values (Maximum, Minimum) for each dimension*

- Life Expectancy (85 years and 25 years)
- Literacy (100 and 0)
- Gross Enrollment Ratio (100 and 0)
- Per Capita Income in PPP US $ (4000 and 100) are used in computing the HDI
The actual construction of the HDI is calculated as a simple average of the three dimensions.

Life Expectancy Index + Educational Attainment Index + Real GDP per capita (PPP)

\[
\text{HDI} = \frac{\text{Life Expectancy Index} + \text{Educational Attainment Index} + \text{Real GDP per capita (PPP)}}{3}
\]

(1) Life Expectancy Index

\[
= \frac{63.3 - 25}{85 - 25} = \frac{38.3}{60} = 0.64
\]
Adult Literacy Index

\[ \frac{61.0 - 0}{100 - 0} = \frac{61}{100} = 0.61 \]

Combined Primary, Secondary and Tertiary Enrollment ratio Index.

\[ \frac{60 - 0}{100 - 0} = \frac{60}{100} = 0.60 \]

(II) Educational Attainment Index

The Literacy Index and gross enrolment index are given 2/3 and 1/3 weightage to arrive at the education index.

\[ \frac{2}{3} (0.61) + \frac{1}{3} (0.60) \]

\[ = \frac{[2(0.61) + 1(0.60)]}{3} = 0.606 \]

Adjusted real GDP per capita

\[ \frac{\log 2,892 - 100}{\log 40,000 - 100} \]

\[ = \frac{\log 2792}{\log 39900} = 0.7489 \]

Average = \[ \frac{0.64 + 0.606 + 0.7489}{3} = 0.664 \]

Therefore, India’s HDI is 0.664
UNDP’s annual Human Development Report classify countries into three categories high human development (HDI 0.800 and above), medium human development (HDI 0.799-0.500) and low human development (HDI below 0.500) of the 177 countries fall in high, 88 in median and 32 in low human development. Human Development Report 2005 clearly shows in that Norway (0.963) is ranked first while India (0.602) is ranked 127th and falls in the medium category.

Of the 32 countries in the low development category, as many as 30 are from Africa.
Composite Human Development Index

HEALTH:

Health and Education are the most vital components of development. They belong to the basic needs every development strategy tries to meet. Improving the state of health and the level of education, contributes to the realisation of other developmental objectives such as economic development labour productivity growth, responsiveness to innovation, and future oriented ness. From the perspective of economic development investment in education and health care can be regarded as an investment in human capital. In turn, economic growth and development feeds-back into improvements and health, education and other indicators of human development.

THE STATE OF HEALTH IN DEVELOPING COUNTRIES

Health service indicators present the least reliable picture of the state of health. These indicators refer to the inputs into health care. They do not provide any information on the functioning or effectiveness of systems of health care. In theory, indicators of morbidity (i.e. diseases) offer the most complete picture of the state of health. In practice, however, not enough information on the prevalence of diseases is available. Even in highly developed countries morbidity registration is unreliable; in developing countries the situation is even worse. Here no full medical records of the population are kept. This approach cannot provide us with reliable information about the actual
prevalence of different types of diseases in different countries or regions. Therefore, *demographic indicators* are used most frequently. They are relatively easy to register and they reflect some of the important aspects of health. The drawback of demographic indicators such as the mortality rate and average life expectancy is that they do not tell us very much about the actual state of health of the surviving population. Many diseases in developing countries are chronic. They undermine health and welfare even when they do not result in death.

Some of important demographic indicators are discussed like: infant and child mortality; average life expectancy at birth; patterns of illness as reflected by causes of death.

Mortality is distributed bimodally, with high probabilities of dying in the first years of life (in particular at birth and immediately afterwards) and gradually increasing chances of dying after the age of 30. High mortality among infants and children under the age of 5 is one of the important characteristics of the poor state of health in developing countries. This, in turn, affects average life expectancy. For these reasons, the literatures on health issues give prominence to the topic of infant and child mortality.

Infant mortality is defined as the chance of dying between the age of 0 and 1 per 1,000 births. Child mortality is defined as the chance of dying between the age of 0 and 5 per 1,000 births. In the
1995-2000 period the average infant mortality rate per 1,000 live births in developing countries was 65 as compared to 8 in the more developed countries. The mortality rate for children under the age of 5 was 95 per 1,000 in developing countries and 10 per 1,000 in more developed countries.

In *Global Strategy for Health for All by the Year 2000* (WHO, 1981) one of the stated objectives was that infant mortality in the year 2000 should be no higher than 50. Under-5 mortality should be below 70.

Fears that the decrease in infant mortality has been slowing down since the 1980s (Caldwell, 1986; UN, 1984) have so far proved to be unfounded. From year to year, infant and child mortality rates continue to decline.

Despite positive trends, present levels of infant and child mortality in developing countries are still unacceptably high. In relative terms the gap between developing and rich countries has widened. In 1950, the probability of an infant in a developing country dying before the age of 1 was 3.1 times as high as in rich countries; today the probability is 8.1 times as high. The probability of a child dying before it reaches its fifth birthday in a developing country is almost ten times as high as in more developed countries. Also the gap
between the least developed countries and other developing countries seems to be on the increase (UN, 2001; WHO, 1993).

The 1999 *World Health Report* (WHO, 1999) the report analyses the relationships between infant mortality and per capita income. It shows that at one point of time there is a relationship between GDP per capita (in 1985 PPP dollars) and infant mortality. The higher the income, the lower infant mortality. However, between 1952 and 1992 the whole curve shifts downwards. This means that in 1992 the same level of real income as in 1952 is associated with much lower rates of mortality. This shift is due to changes in medical technology and knowledge.

The report cites research by Preker et al. (1999) who have decomposed the changes in mortality and life expectancy between 1960 and 1990 in 115 developing countries. They conclude that 45 per cent of the reduction in under-5 mortality is due to generation and utilisation of new medical knowledge, 38 per cent: is due to improved education of adult females and 17 per cent is due to changes in income (standard of living, nutrition). In the case of life expectancy, around 50 per cent of the improvement is due to new knowledge, around 30 per cent is based on the educational level of adult females. Thus the analysis integrates standards of living, education and technological change.
Two cautionary remarks are in order. First, there are no simple technological fixes. Success in combating diseases depends on an integrated approach, where health systems provide access to new technology and knowledge. But health systems and medical technologies interact with improved nutrition, improved sanitation and water supply, and improved education.

Second, in the future existing medical technologies cannot be relied on to the same extent as in the past. New strains of TB, malaria and pneumonia are rapidly becoming drug-resistant and these diseases are re-emerging. Major new diseases such as AIDS are emerging. Finally, the increasing global mobility of people creates new dangers of infection.

The synthesis suggests three main avenues towards improving health: (1) shifting the income-health curve through advances in technology; (2) moving along the curve by increasing income per capita; (3) changing the position relative to the curve by health-care policy and improving the effectiveness of health systems.

As countries improve their standards of living and levels of education, they will tend to move along the curve. New medical knowledge and its applications will shift the curve downwards (better average health irrespective of average incomes). At the same level of income, some countries will perform worse than average (above the
curve), others better (below the curve). Improving health system development should enable countries to join or even exceed the curve. (WHO, 1999: ch. 1). Finally, at the same level of income, a more equal distribution of income will also translate to better health conditions, as the poorer segments of the population share in the fruits of growth.

HEALTH AND ECONOMIC DEVELOPMENT

There is a considerable literature on the relationships between investments in health care and economic development. Health is an important aspect of human capital. Investments and improvements in health are seen as having major positive impacts on economic growth and development.

One can distinguish micro-level and macro-level relationships between health and economic performance. Studies at the micro-level focus on the causal mechanisms through which health affects the economic behaviour and performance of individuals and households. Studies at macro-level analyse the statistical relationships between investments in health, health status and economic development.

The quantification of the relation between improvements in the health situation and changes in economic output is found with difficulties. At the macro-level, health interacts with a great variety of other proximate and ultimate determinants of growth. Growth itself contributes to better health through factors such as improved nutrition.
in a circular process. Therefore, it is hard to isolate the specific contribution of health indicators to economic growth. Researchers attempt to quantify the losses in output and productivity caused by illness and reduction of hours worked because of premature death. But, we also know that there is widespread unemployment and under utilisation of labour in most developing countries. Therefore, better health outcomes do not automatically result in higher employment or output. Moreover, workers may compensate for low productivity owing to illness by working longer hours.

At the micro-level, illness undermines the productive capacity of individuals and households. The following relationships can be distinguished:

1. Reduction of labour input. Illness results in a decrease of the number of hours a person is capable of working per year.

2. Reduction of labour intensity. Illness and malnutrition often lead to loss of body weight, body length and a decrease in human energy and productivity. Undernourished and unhealthy people become listless, lethargic and passive. Protracted illness and malnutrition in youth can lead to lifelong impairment of mental functions, creativity and learning potential. All this implies direct negative effects on labour productivity and labour income (Basta O. al, 1979).
3. A choice of less productive activities, requiring less energy and effort. Illness and malnutrition may force people to choose less productive work and lower incomes.

The market wage rate in a labour surplus economy may be too low to guarantee sufficient food. Thus it may be economically efficient to set minimum wages above free-market rates.\textsuperscript{16}

Labour productivity is especially important for households that depend on their own labour for their livelihood. Illness leads to reduced production in subsistence agriculture, lower revenues for the self-employed and lower wage incomes for labourers. It is not hard to imagine the disastrous effects of serious illness on the life chances of a household trying to survive at subsistence level.

At the macro-level, the focus is on the relationships between the state of health of a population and growth and productivity indicators. In historical research, Fogel claims that about one third of economic growth in England in the past 200 years is due to improvements in nutrition and health. The percentage of total growth attributed to the various health variables in this literature lies between 26 and 40 per cent. The following direct and indirect relationships can be distinguished at macro-level:

1. Health improvements result in declining child mortality and increasing life expectancy. In the early stages of the
demographic transition (before the population starts to age) this results in an increase in labour supply and a reduction in the dependency ratio. In East Asia this has contributed to accelerated growth of per capita income. Fogel (1986) estimated that 30 per cent of per capita growth since 1780 in Western countries was due to improvements in heath and nutritional status. These mechanisms, however, only operate if a dynamic economy is also able to provide paid employment for the increased supply of labour. Conversely, high child mortality and a low life expectancy can result in reductions in total labour supply. In the light of widespread under utilisation of labour in many developing countries this does not inevitably lead to reduced growth of production. However, if mortality is highly concentrated in certain occupational groups, there can be negative effects on production. This is clearly the case with AIDS, which hits hardest in the category of young adults with relatively high schooling. AIDS results in a veritable destruction of human capital.

2. High infant and child mortality also leads to replacement fertility. This involves a decrease in the productive potential of women during pregnancy and the period of breastfeeding.
3. Low life expectancy is also not conducive to future-oriented attitudes. Increases in life expectancy make for higher rates of collective saving and investment.

4. Illness may lead to a decrease in learning potential. As a result, investments in education and human capital become less attractive. Improvements in infant health and nutrition directly increase the benefits of education. Conversely, investment in education may lead to higher productivity of investment in health care.

Thus recent research tends to conclude that investments in health care make substantial positive contributions to economic growth and development. The contribution to total growth in different studies varies between 26 per cent and 40 per cent.

4 Health-Care Policy:

In building health-care systems after World War II, many developing countries initially copied Western medical institutions. Attention and resources were heavily invested in educating qualified doctors and specialists and in the realization of a system of medical faculties, hospitals and curative medicine. The attitude towards native, traditional medicine was negative; it was considered non-scientific. Most hospitals were located in national and provincial capitals and were insufficiently accessible to the rural population and to some
extent also to the inhabitants of urban slums. Major urban hospitals and clinics received around two-thirds of the government health budget, while serving just 10 to 20 per cent of the population (WHO, 2000). In addition, there were 'vertical' campaigns - outside the hospital system - against particular diseases, e.g. malaria, tuberculosis, whooping cough (Netherlands Development Cooperation, 1988). These campaigns focused on combating the vectors of diseases and on preventive vaccination. But they were initially not integrated sufficiently into health-care policy as a whole.

In the course of the 1970s there was increasing criticism of the health strategies pursued up till then. At a large-scale international conference in Alma Ata in 1978, a plea was made for a system of primary health care. At this conference it was stated that health is a basic human right and that health care ought to be accessible, affordable and socially relevant.

In the Alma Ata resolutions primary health care is interpreted in a very broad sense. It includes health education and information, provision of adequate food supplies and nutritional supplements such as school, milk, provision of clean water, measures to promote hygiene (sanitation), health care for mothers and their children, information about birth control, vaccination against infectious diseases, prevention and control of endemic diseases like malaria, treatment of diseases,
adequate supply of medicines and the promotion of mental health.

The Alma Ata conference has been extremely influential. In a series of resolutions of international organisations, the recommendations made at the conference have been adopted. National authorities have been urged to implement them. In 1979, the United Nations Assembly endorsed the Alma Ata recommendations. In 1981 the World Health Organization (WHO) adopted the *Global Strategy for Health for All by the Year 2000*. Moreover, the WHO makes use of indicators to monitor the degree to which authorities meet their commitments with respect to health policy. The commitment to the Alma Ata goals has recently been reaffirmed in the new world health declaration on *Health for All in the 21st Century*, adopted by the World Health Assembly in May 1998.

In detailed evaluations published in 1987, 1993 and in the subsequent editions of the *World Health Report*, the World Health Organization tried to monitor the degree to which the objectives of the *Global Strategy for Health for All by the Year 2000* were actually being realised. These have been substantial declines in infant and child mortality and increases in life expectancy - especially in Asia and Latin America.
The World Health Organization monitoring reports discern slow improvements in the percentage of populations covered by elements of primary healthcare and in the commitment of governments to primary health-care objectives. The availability of safe drinking and sanitary facilities (excreta disposal, waste treatment, sewer systems, and so forth) has improved. Vaccination of children against six targeted diseases (diphtheria, tetanus, measles, poliomyelitis, tuberculosis and whooping cough) has clearly improved. There have been noticeable expansions of local community health services. The numbers of health workers, health volunteers and trained traditional midwives have increased. In some countries there is even an oversupply of medical personnel.

(A) HEALTH IN INDIA

Health condition in India have improved evidently in recent decades. Generally, the improvements have accompanied socio-economic progress.

Life expectancy at birth is the most reliable measure of health status of a country. It provides an idea to the range and intensity of health problems. Life expectancy at birth in India has increased from 32 years (in 1951) to 62 years. Like wise, death rate in the country has also recorded a steep fall. The death rate in India was 27.4 in 1951, it came down to 22.8 in 1961, and further to 9.0. Rise in life expectancy
and fall in death rate indicate that the health conditions in India have considerably improved.

But the life expectancy at birth even after a very sharp rise in recent years is low as compared to life expectancy found in other countries. In Japan it is 78 years; in USA it is 75 years in Sweden it is 77 years, and even Mexico it is 69 years. It shows that the average standard of health in India is still poor by international standards.

**CAUSES OF POOR HEALTH**

A combination of direct and indirect factors like improvement in medical technology, improvement in water supply, hygiene and sanitary facilities, combating animals carriers of diseases, higher income, improved nutrition, better education and understanding of causes of diseases and public measuer etc these factors may effect the state of health in a particular country

Firstly, poor medical technology in curative medicine and development of effective medicines not possible to treat diseases. Preventive medicine based on vaccination is the part of medical technology. Many diseases can be easily eradiated at modest cost by means of large scale vaccination schemes. Vaccination against small pox has been eradicated and vaccines have drastically reduced measles polio, TB. Millions of children continue to die of these diseases by poor medical technology especially in poor countries.
Secondly, no improvement in water supply, hygiene and sanitary facilities. Many diseases are caused because of contaminated water, unhygienic treatment and unhealthy living conditions. Facilities for the hygienic treatment of excrements are often drastically inadequate.

Thirdly, un controlling vectors in health care policy that transmit diseases e.g. flies, mosquitoes, worms, snails or rats. Improper use of chemical substances for combating vectors.

Fourthly, poor improvement nutrition. Needless to say it is the most important factor reducing susceptibility to diseases and reinforcing natural resistance against diseases contracted.

Fifthly, is an important autonomous factor but improper policy is a sign of negligence. Improper basic health care policy cannot improve in Child mortality rate and life expectancy.

Lastly lake of education of mothers cannot improve the children chance of survival – both from a preventive view point, e.g. hygiene vaccination, food and in a curative sense e.g. making better use of the possibilities health facilities in other words improving educational levels is positively associated with practices favourable to children survival.

CAUSES OF POOR HEALTH IN INDIA

In India, high birth rate and fast growth of population is a cause of concern. A number of health risks drive from high fertility rates in
India. When a large number of people live in poor households located in crowded, unsanitary surroundings communicable diseases spread mainly high mortality results there from expeditiously away the children.

High mortality rates induce families to have many children so that they can assure themselves of a few surviving children. This circular pattern adversely affects the health standards.

Similarly, population growth makes it move difficult to provide safe or sufficient water supply, garbage disposal and sanitation for the community. It increases the cost of providing adequately trained healthy manpower and medical facilities.

Widespread malnutrition contributes to the in evidence and severity of health problems. It poses a major threat to the Children and in extreme, threatens their lives.

In addition, malnutrition creates serious health problems by contributing to premature birth and to abnormally low weight at birth.

Malnutrition is also a major contributing factor in infectious diseases thereby reducing acquired immunity.

The problem of inadequate nutrition is compounded by rapid population growth. Large family size and close spacing of birth frequency insufficient food and care for children.
Unsanitary condition and housing, the contamination of food, water or soil with human waste is cause of a number of diseases. If water is not safe for drinking or insufficient for personal hygiene and sewage disposal diseases will spread more easily. This reduces the health status of the country.

In addition to poor sanitation and water supply vary sizable proportion of the total population of cities life in sub standard dwellings lacking in space ventilation and sunlight. Such these conditions tend to increase the incidence of diseases.

(B) EDUCATION

Like health, Education is both an end and a means. It is one of the basic human rights and a developmental goal in its own right. But, education also contributes to the realisation of other important developmental goals.

1. Promotion of economic growth and development Investment in the physical capital stock alone is not sufficient for economic development- Investment in 'human capital' is also required.

2. Modernisation of attitudes and mentalities in society.

3. Contributing to important developmental goals such as increased life expectancy, improved health and reduced fertility. Education of mothers, in particular, makes important contributions to better
health of children and reductions in fertility. These are among the important non-economic benefits of education.

4. Political socialisation, promotion of a sense of civic responsibility, contributing to national integration and national political consciousness in developing countries.

5. Reducing social and gender inequality and increasing social mobility.

6. Contributing to higher income, personal growth, development and emancipation.

Immediately after World War II, expectations concerning the role of education in development were high. Expansion and improvement of education were generally considered as essential to development. Governments in developing countries were prepared to invest heavily in education. Families saw education as the main way to improve their children chances of life. International organizations were eager to provide financial and technical support for the construction of new educational systems.

However, since the 1970s, optimism about the contributions of education has been shaken. Not all investment in education proved beneficial to development resources were often insufficient and the quality of education was disappointing.
In a classic study based on international comparisons of indicators of literacy and economic development, Bowman and Anderson (1963) conclude that economic development can only set in once the level of literacy among the adult male population has reached at least 40 per cent. Analogous to Rostow's theory of the stages of economic growth which argues that modern economic growth will set in only if physical investment exceeds a certain threshold value - Bowman and Anderson argue that literacy is a *necessary condition* for economic growth. Especially in European and North American history, growth of human capital has been more important than has been hitherto recognised. Education, however, is not a *sufficient* condition for growth and development. Without investment in physical capital and the rise of institutions that provide positive incentives to productive efforts there will be no economic development.

Once the 40 per cent threshold been reached, further development of literacy has little impact, according to Bowman and Anderson. It is not until literacy exceeds the 70 per cent level that it will have positive effects on further economic development.

As with human capital, an interesting debate developed concerning the Bowman and Anderson hypothesis (Tortella, 1990). The essential problem is how to determine the direction of causality empirically. It is indisputable that on average more affluent societies
are also more literate and have more training per head of the population. However, this may be explained by the fact that people with higher incomes are willing to pay more for education than people at lower income levels. According to Schultz (1988), the income elasticity of education is only 1.4. This means that if the national income rises by 1 per cent, expenditure for education goes up 1.4 per cent.

Some researchers try to solve this problem by examining the relations between literacy at an earlier moment in time (A) and national income at a later moment in time (B). For Spain Nuhez has estimated that the level of literacy affects provincial per capita income with a 35 years' lag (Nunez, 1990). Lars Sanuberg (1982) even states that for European countries the degree of literacy in 1850 is the best predictor of national income in 1970. In the short run, however, there is no connection between literacy and economic growth.

For Sandberg too education is only one of the relevant factors in economic development. The volume of investment in physical capital is also of great importance. Sandberg argues that countries will benefit more from physical capital accumulation when their initial level of education is higher. The currently affluent Scandinavian countries, Sweden and Finland, provide examples supporting this proposition. In the nineteenth century these countries were quite poor but at the same
time they had high levels of literacy, which were the foundation for their later growth. Japan can also be quoted as an example supporting Sandberg's theory. Around 1869 the Japanese were already highly educated. Since then Japan has continued to invest in education as part of its national development and modernisation strategy. The investment in physical capital, which started after the Meiji Revolution in 1869, enabled Japan to experience rapid economic growth from the late nineteenth century onwards, especially in the period 1950-70. In an excellent analysis of the Japanese catch-up experience, combine the notions of *complementarity* and threshold. The early increase in education initially had little impact on growth because capital per worker was growing slowly, so there was little complementarity. After World War II, a threshold level of education had been reached and capital accumulation and slower education advance combined to promote explosive growth. Finally, the rapidly industrialising East and Southeast Asian countries such as China, South Korea, Singapore and Taiwan also achieved high levels of literacy and education at a relatively early stage prior to their economic take-off (World Bank, 1993).
INDICATORS OF EDUCATIONAL DEVELOPMENT

Before discussing empirical developments in education in developing countries, the following indicators of educational development are as:

1. Indicators of Educational Enrolment

The gross enrolment ratio is the ratio in a given year of the total enrolment at a given educational level (primary, secondary or tertiary) and the total estimated population in the corresponding age bracket. It is a rather rough criterion, which does not take into account that the numerator includes children outside the relevant age category (e.g. pupils of secondary school age still enrolled in primary education). The gross enrolment ratio, therefore, presents too rosy a picture of primary educational enrolment. Frequently, it even exceeds 100 per cent. Experts suggest that this indicator overestimates actual enrolment by 10 per cent to 30 per cent.

The net enrolment ratio is a better criterion of enrolment. This ratio indicates what percentage of each school age group is actually somewhere in the school system. The problem with this concept is that it does not show where in the educational system the pupils actually are. In recent UNESCO publications the definition of net enrolment has been adjusted to take this into account (UNESCO, 2002a). Net enrolment is now defined as the percentage of an age group enrolled in
the education level appropriate for that age group. Of course, the new enrolment figure will be lower than the old one because part of the age group is left out of consideration.

SHORTCOMING OF INDICATORS OF EDUCATIONAL ENROLMENT

- Over-reporting. Enrolment data are inflated since schools have an interest in high educational enrolment by national ministries of education to UNESCO.

- Enrolment versus completion. Enrolment data do not show how many students actually complete the educational cycle in which they are enrolled. Dropping out of schools quite common. Between 20 per cent and 75 per cent of all students do not continue beyond the fourth year of primary school.

- The quality of data of international database seems to be deteriorating over time. In recent years less data have been available for secondary and tertiary education.

2. Educational Attainments

Reports on enrolment tell us something about the efforts made by a society to educate its people. However, they provide little information on the outcomes of the educational process by the time people leave school and enter the labour market. A useful alternative indicator is the average number of years of schooling completed by
people in different age categories. This indicator provides information on the quantity of human capital per person. Thus, one could look at years of schooling completed for all persons over 15 years of age or all persons over 25 years of age.

Psacharopoulos and Arriagada (1986) have made estimates of years of schooling in the labour force - based on labour-force surveys and population censuses. With some justice, they argue that this is one of the best indicators of the stock of human capital. Psacharopoulos and Arriagada weight the percentages of the labour force that have completed a given educational cycle with the cumulative length in years of that educational cycle. They distinguish six phases or cycles: no education, incomplete primary education, complete primary education, incomplete secondary education, complete secondary education and higher education.

3. Financial Indicators

Financial indicators give us an idea of the efforts of governments and societies to develop educational systems and the resources available for education. Well-known indicators are:

1. Government educational expenditures as a percentage of the national income;

2. Government educational expenditures as a percentage of total government expenditures;
3. Government expenditure per pupil at different levels of education.

Previous reports on education data refer to government expenditure only. Private expenditure on education is not included. In fact, households are responsible for sizable proportions of educational expenditures. Again it should be noted that financial indicators are input indicators rather than output indicators. Different countries may achieve very different educational outcomes for similar levels of educational expenditures.

LITERACY:

One of the few indicators of educational outcomes is the degree of literacy. Even here, though, one should be careful. Too often literacy is determined by means of survey questions about literacy to which one can answer yes or no, without any testing of the actual skills themselves, the other estimates of literacy it is assumed that a person is literate when he or she has attended primary school for at least four years.

Moreover, literacy itself had been defined in very different ways. According to UNESCO a person is functionally literate 'if a person is able to engage in all those activities in which literacy is required for effective functioning of his group and community and for enabling him to continue to use reading, writing and calculation for his own and the community's development'. 
The functional definition captures the ability of people to use literacy to carry out everyday tasks. But, as common tasks differ across cultures, the comparative measurement of literacy is not easy. The best measures of literacy are based on tests for reading, writing and simple arithmetic calculation. Most often literacy is expressed as a percentage of the population over 15 years of age.\textsuperscript{19}

**SIGNIFICANT DEFICIENCIES IN EDUCATION SYSTEMS**

1. **The Quality of Education**

   The quality of education in developing countries has come under increasing criticism. Classes are very large, with class sizes sometimes even reaching extremes of 70 to 100 pupils. Students are often absent from school, grade repetition and dropout rates are high. In some countries only 10 per cent of all students complete the educational cycle in which they are enrolled. Teachers are underpaid; their training is often insufficient and their motivation is low. Teaching materials are of poor quality, if available at all. Sanitary conditions are frequently unspeakable- Education is very much focused on preparing for examinations and learning by rote. Even when educational cycles are completed, it is not always known how much the pupils have actually learned. Educational attainment does not guarantee educational achievement.
The financial problems may cause the quality of education to deteriorate even further. Educational authorities respond to budget squeezes by increasing the size of classes, using the same buildings more intensively and cutting back on expenditures on educational infrastructure teaching materials and, where possible, on teachers salaries. These cutbacks primarily affect primary education, which is unwisely given low priority.

After the relative neglect of quality issues in the preceding decades, improving educational quality was included among the six major educational goals formulated for 2015, at the World Education Forum in Dakar in 2000.20

2. Lack of Relevance

Educational systems in developing countries were often set up as copies of Western educational models. The content of education was Western-oriented; textbooks were Western; examination requirements were derived from Western exams. little attention was paid to the indigenous history, culture and society. In many countries the language of instruction was - and frequently still is - the language of the former colonial power. Education tends to be academically oriented and has little relationship with the life situations of most students. In the 1970s, radical always went so far as to characterize Western-oriented education in Africa, Asia and Latin America as an instrument of
oppression and alienation. At school people learn to look down on their own culture. The more successful their educational career, the more students tend to become alienated from their own social backgrounds.\footnote{21}

It is indisputable that education has alienating effects and can contribute to the formation of rootless elites. Still, it is important to realise that education as an instrument of modernisation, technology transfer and social change is always a reflection of the educational systems of the dominant nations in world society. An educational system that is in complete harmony with the requirements of a traditional society would not contribute much to "development". A modern educational system cannot but be 'alienating' in a partly traditional society.

The challenge is to develop educational systems that are both relevant to the life situations of people in developing countries and provide meaningful entry into the modern international world of science and technology.

3. Unequal Access to Education

Access to educational facilities is distributed very unequally. In particular, there are great differences between urban and rural areas. In rural areas schools are scarce and of poor quality. Students have to travel great distances to get to school and means of transport are lacking. Both educational participation and the quality of education lag
far behind those in urban areas. In the cities there is almost universal primary education. Furthermore, secondary and higher educational institutions are concentrated in urban regions. Rural young people have far less opportunities to follow secondary and higher education than their urban counterparts.

A second significant inequality in educational participation is that between males and females. The particular in secondary and higher education female participation lags far behind that of males. In primary education, the Gender Parity Index - defined as female enrolment divided by male enrolment ratios - was 0.93 worldwide in 1999. Lowest rates are found in Southwest Asia (0.84), The Arab States (0.88) and Sub-Saharan Africa (0.89). At higher levels of education, gender disparities tend to increase. Disparities at primary level are amplified at secondary and tertiary level. Women are most at a disadvantage in those countries where total enrolment is low. In terms of literacy women are also at a serious disadvantage, especially in Latin America and the Arab States. In the Arab States female illiteracy in 1999 was almost double that of male illiteracy.

Another significant form of educational inequality derives from the socio-economic status of the parental family. As in Western societies, children from upper social strata and income groups or from dominant ethnic groups are significantly more likely to participate in
the highest levels of education. However, in the African context, Foster emphasises that access to modern education is relatively open. Education has promoted rather than hampered upward social mobility.

4. Mismatch Between Education and the Labour Market

One of the most important points of criticism of education in developing countries is the mismatch between education and the labour market. As already pointed out that agricultural education is almost non-existent in many countries where agriculture provides the main source of employment and livelihood.

Despite widespread unemployment among the educated, there are still severe shortages in specific occupations, especially those requiring technical skills. Education is still oriented too much to the humanities and social sciences - languages, law, history, sociology, economics - rather than to technical, scientific and agricultural disciplines. In these areas the services of expatriate experts? are still often called upon.24

To improve the match between education and the labour market, it is often argued that vocational education and on-the-job training should receive more emphasis in educational policy. However, students still have a clear preference for academically oriented education. Regardless of high-educated unemployment rates, academic education still seems to offer the best career prospects from an individual point of
view. One of the most important recommendations of educationalists is to give higher priority to primary education. Extensive research has shown that both the private and the social returns on investment in primary education are much higher than the returns on investment in secondary and tertiary education. In primary education, more could be achieved with less resources. Such a policy switch, however, encounters considerable opposition on the part of politically influential groups, who are defending the educational opportunities of their offspring.

**EDUCATIONAL POLICY**

During the first few years after World War II educational policy was mainly concerned with the quantitative expansion of educational facilities. Not much thought was given to the content of the educational curriculum. Education was seen as a driving force in economic development. In this respect, the rapid expansion of education was the counterpart of capital accumulation in the industrialization strategy, in addition, education would contribute to social modernization and political integration.

The plans to expand the educational system were partly based on the political convictions and ideologies of political leaders in post-war developing countries. But they were also based on various educational
planning models. In educational planning three types of analysis have been of importance, as follows:

1. planning based on the social demand for education;
2. manpower planning;
3. planning on the basis of cost-benefit analyses.²⁶

a. Planning based on the social demand for education

This type of planning is based on the numbers of students who enrolled in various kinds of education in the past. Past enrolment trends are extrapolated into the future. This kind of planning is the easiest from a political point of view. But it does not always lead to efficient outcomes. The over-expansion of secondary and higher education was to some extent due to planning on the basis of social demand. Members of social elites who want their children to receive a good higher education are more likely to make their voices heard in the political process than powerless rural people who would benefit more from an improvement of primary education.

b. Manpower planning

Manpower planning tries to determine the social need for employees with different kinds of education. Educational systems are designed to fulfill these needs. For example, estimates are made of the
numbers of doctors required. These estimates determine the capacity of medical schools.

In theory this is a valuable approach. In practice, however, the experiences with manpower planning have been very disappointing, both in developing countries and in more developed countries (Gillis et al., 1992). It seems to be impossible to predict the demand for various categories of employees more than two or three years ahead. Since it takes years for changes in the educational system to be realised, the situation may well have changed by the time new graduates come onto the labour market. Moreover, manpower planning doesn't pay any attention to the costs of education.

c. Cost-benefit Analysis of Education

In keeping with the recommendations of human capital theory, this form of planning calculates costs of different types of education for individuals and the community, and the direct and indirect financial benefits deriving from education. This allows one to compare the returns on investment in education to the returns on investment in physical capital stock. One can also determine which kind of educational investment—vocational, general, technical, primary or higher education, and so on—will have the highest returns. Educational planners, of course, are primarily interested in social rather than private costs and benefits.
Since the 1960s, many cost-benefit analyses of education have been performed. Although attractive on theoretical grounds, cost-benefit analysis has some serious drawbacks. First, know the present remuneration of different categories of employees with different levels of schooling, but do not know how the structure of earnings will be in the future. Secondly, one cannot be sure that income differentials actually reflect differences in productivity. Thirdly, the indirect benefits of education are very difficult to determine. Finally, cost-benefit analysis usually disregards both the content and the quality of education. Cost-benefit analyses have usually been restricted to comparisons between primary, secondary and higher education. Therefore, in practice cost-benefit analysis does not offer a sound basis for detailed policy making.

Psacharopoulos (1989) pointed out that there is a wide gap between educational planning and educational practice. Often educational plans are formulated in a highly abstract manner, disregarding problems of implementation and resource availability. This actually explains why so many educational reforms never get beyond the drawing-board stage. The recent recommendations of the 2000 World Education Forum on Education for All in Dakar have therefore made external finance conditional on the drafting of credible educational plans.
Since the early 1970s the debate on educational policy has shifted in two directions. On the one hand, as educational performance improved in developing countries increasing attention was paid to achieving education for all. On the other hand, the educational debate increasingly shifted from an emphasis on quantitative expansion to a focus on the content and quality of education.

Following the example of the World Health Organization, the World Conference on Education for All held in Jomtien, Thailand in 1990 formulated the global objective of education for all. In 2000, this was followed by the World Education Forum on Education for All held in Dakar in 2000 (UNESCO, 2000a). This meeting focused on both quantitative and qualitative issues. On the one hand, it specified clear-cut quantitative targets such as Universal Primary Education and a 50 per cent reduction in illiteracy, to be realised by 2015. On the other hand, attention was paid to issues of content and educational quality. Progress towards the goals was monitored in annual monitor reports.

These debates resulted in a series of proposals and recommendations for reform that will dominate the educational agenda in the coming years. In conclusion to this chapter, we will summarise the most important recommendations emerging from the literature and the policy debates.
1. Expansion and improvement of primary education in developing countries is argued for almost unanimously. One of the key goals of international educational policy is the achievement of Universal Primary Education by 2015. The resources to achieve this objective should be transferred from secondary and higher education. National sources should be supplemented by international financial flows. Growth of educational enrolment in secondary and higher education should be limited in order to prevent over schooling and academic unemployment. In higher education students should pay a greater part of the costs of education.

2. Education should be made more relevant to the needs of the labour market.

3. Primary schools in rural areas should pay more attention to subjects that are relevant to the rural population. In secondary and higher education more attention should be paid to agricultural education.

4. In the curriculum more attention should be paid to technical subjects and the natural sciences and less to the humanities and the social sciences.

5. On the labour market educational certificates and diplomas should receive less emphasis. Credentialism results in over schooling.
6. It is no use discussing the content of education without paying attention to the form and content of examinations. Less emphasis in education on the preparation for academically oriented examinations would have positive effects on educational content and relevance.

7. Quality improvement in (primary) education implies additional (restraining and better payment of the teaching staff. Increasing emphasis should be placed on measuring the outcomes of the educational process rather than focusing on enrolment.

8. Non-formal education should be further developed as a supplement to and in close relationship with formal primary education. Non-formal education can contribute in particular to further training of people who already have jobs and to increased literacy among adults and school-leavers.

9. Reduction of gender inequality has explicitly been adopted as one of the targets of international educational policy. It is one of the key goals for 2015.

Despite the scarcity of financial means, developing countries should try to provide adequately in the increasing need for education in coming years. Scarce resources should be utilised as efficiently as possible, with due regard for costs. Repetition of past mistakes should be avoided. Education is no guarantee for development. The high hopes
for education have often not been fulfilled. Nevertheless, education is still one of the important links in the process of development. Developing countries are well advised to continue to invest in education.

Education is critical input in human resource development and is essential for the country’s growth. The major indicators of socio-economic development viz, the growth rate of the economy, birth rate, death rate, infant mortality rate and literacy rate are all interconnected, and need to be looked at in totality.

There is enough evidence even in India to show that a high literacy rate, equally in the case of women, correlates with low birth rate, low infant mortality rate and increase in the rate of life expectancy. The recognition of this fact has created awareness on the need to focus upon literacy and elementary education programmes not simple as a matter of social justice, but more to foster economic growth, social will bring and social stability.

Education in India is a state subject. It means that the individual states in India are responsible for the expansion and growth of education in their respective states. The union Government Provides the guidelines necessary in the national interest, and also provides the financial assistance.
In an educationally advanced environment the educational reforms seem to have achieved a success but in a less developed socio-economic and educational environment, educational reforms seem to have been less successful.

In short, educational reforms have not been successful in overcoming the weakness of smaller coverage, lower quality and higher inequality. In some case, the problems seem to have been aggregated with widening inter regional disparities, inter-community disparities and still larger inequalities in between the male and female learners.
References


5. Nehru Jawaharlal; India and the World, p. 176


7. Ibid, p.112.

8. Ibid, p.17.


11. Ibid; p.161

12. Ibid; p. 177

13. Ibid; p. 208-209

14. Ibid; p. 221

16. Ibid; p.147


Chapter-Four
CHAPTER-4

ROLE OF THE WORLD BANK IN HUMAN RESOURCE DEVELOPMENT IN INDIA

The process of globalization is gaining momentum. The classical wisdom of Maximum Social Welfare is reviving. It is increasingly being realized that growth in income and wealth is necessary but not a sufficient condition to maximize human welfare. Thus the process of development in any society should ideally be viewed and assessed in terms of what the society can do for the average individuals and enabling process of masses in contributing positively to the development of society.

The decade of 1990s saw a visible shift in the focus of development planning from mere expansion of production and distribution of goods and services and the consequent growth of per capita income to the planning for enhancement of social welfare covering masses and reducing disparity. It is now being realized that human development is a much wider connotation then just rise and fall of income levels. It is about quality of life, the level of human well being, availability and access of basic social services and the address of macro policies towards the poor masses.
The initiation of developmental process across the nation and consequent emergence newer issues are a powerful reminder that the expansion of output and wealth is only a means and not the end itself. All economic efforts need to culminate into optimization of human welfare. Hence, human development is an integral part of the developmental process of any nation. Without human development and welfare no development can be rated as complete and justified. It is a positive change towards enlarging the choices of the people. The choices may be infinite and ever changing yet three essential needs are aspired by one and all, at every level of development. These include health and longevity of life, to acquire knowledge and to have access to resources required for a decent standard of living.

Denied of these essentials, other opportunities go into veins. The notion of human welfare includes not only the increasing production and consumption of goods and services but also their equitable and just distribution. The macro level efforts primarily need to target the deprived sections, more specially those living below the normative minimal poverty line and are unable to lead productive and socially meaningful life.

Such conceptualization of human welfare encompasses individual attainments in the area of longevity, health and education along with a conducive social and physical environment.
A specific focus on these aspects of development is necessary as experience shows that economic prosperity measure in terms of per capita income does not always ensure enrichment in quality of life reflected in broader dimensions of well-being that are desirable in themselves. Hence, they are socially valued. They are also desirable because of their instrumental value in sustaining the development process and enlarging available opportunities and choices of people. While equality in development outcomes may not be feasible goal of equity and social justice, such an approach to human well-being emphasizes equality in opportunities for all in the process of development. However, human development has two sides. The formation of human capabilities and enabling people to make use of their acquired capabilities. If the scales of human development do not finally balance the two sides, considerable human frustration may result.

India has shown substantial improvement in the fields of education and health. Nonetheless, indicators continue to suggest low levels of literacy and school enrolments, high levels of infant mortality, Maternal mortality and malnutrition. Despite mounting of food grains with government agencies, food and nutrition security at the household level continues to be a major problem for a substantial section of population. Moreover, within India, inter-state and intra-
state disparities are still large. The poor, rural women, disabled persons and people belonging to scheduled castes and scheduled tribes continue to stand out as the most vulnerable sections of society.

For over two decades the United Nation through its human development report and advocacy at various platforms has been in forefront of an effort to generate awareness in the contemporary development discourse the policy focus on the broader attributes of human well being. The World Bank has also intensified its effort in this direction across the world. Following the suit the United Nation’s Human Development Report has also endeavoured to put together indicators and various composite indices to evaluate development process in terms of available means or inputs. These indicators are treated as the tools for guiding national public policies and programs towards the developmental goals of the nations and at the same time provide criterion to evaluate the process of social change.

It may be pointed out that India along with its neighbor countries has a considerable Similarity in terms of being lower in Human Development Index ranking in the word order. The SAARC countries covered here mostly show indicators with a lower levels of attainments for people residing in rural areas.
TABLE -1

INDIA’S GLOBAL POSITION ON HUMAN DEVELOPMENT WITH OTHER SAARC COUNTRIES- 2000 & 2003.

<table>
<thead>
<tr>
<th>Countries</th>
<th>2000</th>
<th></th>
<th></th>
<th>2003</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>Rank</td>
<td>Value</td>
<td>Rank</td>
<td></td>
</tr>
<tr>
<td>Srilanka</td>
<td>0.741</td>
<td>89</td>
<td>0.751</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.499</td>
<td>138</td>
<td>0.527</td>
<td>135</td>
<td></td>
</tr>
<tr>
<td>Nepal</td>
<td>0.490</td>
<td>142</td>
<td>0.526</td>
<td>136</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>0.577</td>
<td>124</td>
<td>0.602</td>
<td>127</td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.478</td>
<td>145</td>
<td>0.520</td>
<td>139</td>
<td></td>
</tr>
<tr>
<td>Bhutan</td>
<td>0.494</td>
<td>140</td>
<td>0.536</td>
<td>134</td>
<td></td>
</tr>
<tr>
<td>Maldives</td>
<td>0.743</td>
<td>84</td>
<td>0.745</td>
<td>96</td>
<td></td>
</tr>
</tbody>
</table>


The HDI value and ranks have been reflected in Table -1 for the SAARC nations. The geographic spread of these nations and skewer neighboring countries that are low in HDI ranking is evidently clear. A comparison of 2000 and 2003 show that Nepal, Bangladesh and Bhutan had been able to improve substantially in terms of their HDI ranking.
## TABLE -II
OVERVIEW OF SAARC COUNTRIES: SOCIO-ECONOMIC INDICES FOR 2002

<table>
<thead>
<tr>
<th>Countries</th>
<th>Infant Mortality Rate</th>
<th>Life Expectancy at Birth</th>
<th>Illiteracy</th>
<th>%of population Below Poverty line</th>
<th>GDP per capita #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Srilanka</td>
<td>14.78 deaths/1000 live birth (2004 est)</td>
<td>72.89 years (2004 est)</td>
<td>7.7%</td>
<td>22% (1997 est.)</td>
<td>Purchasing power parity $4000 (2004 est)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>74.43 death /1000 live birth</td>
<td>62.61 years</td>
<td>54.3%</td>
<td>32% (2000-01 est)</td>
<td>Purchasing power parity $2200 (2004 est)</td>
</tr>
<tr>
<td>Nepal</td>
<td>68.77 deaths per 1000 live birth</td>
<td>59.4 years</td>
<td>54.8%</td>
<td>42% (1995-96 est)</td>
<td>Purchasing power parity $1500 (2004 est)</td>
</tr>
<tr>
<td>India</td>
<td>57.92 death per 1000 live birth</td>
<td>63.99 years</td>
<td>40.5%</td>
<td>25% (2002 est)</td>
<td>Purchasing power parity $3100 (2004 est)</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>64.32 death per 1000 live birth</td>
<td>61.71 years</td>
<td>56.9% years</td>
<td>45% (2004 est)</td>
<td>Purchasing power parity $2004 est</td>
</tr>
<tr>
<td>Bhutan</td>
<td>102.56 death per 1000</td>
<td>53.99 years</td>
<td>57.8%</td>
<td></td>
<td>Purchasing power parity $1400 (2003 est)</td>
</tr>
<tr>
<td>Maldives</td>
<td>56.52 death per 1000</td>
<td>64.06 years (2005 est)</td>
<td>6.2%</td>
<td></td>
<td>Purchasing power parity $3900 (2002 est)</td>
</tr>
</tbody>
</table>

Table 2 also reveals significant indicators in terms of countries help correlation having lower HDI are reporting in most of the cases a direct correlation ship with socio-economic indices like infant Mortality Rate (IMR), Life Expectancy at Birth, Illiteracy, Percentage of population below poverty line and GDP per capita.

Srilanka and Maldives rank higher in HDI and therefore, report lesser infant mortality, illiteracy and percentage of population below poverty line. While life expectancy and GDP per capita is higher in these countries when compare to other SAARC countries. This sufficiently proves that investment in Human Resource Development shall necessarily contribute on some as well as economic front.

At large the challenges of Human Development in the SAARC nations appear to be daunting. Persisting and abject poverty, complex social stratification, unsatisfactory infrastructure, low literacy, poor health and nutrition along with weak governance, make the problem even more complex. Given the comparative indicators, it is only Srilanka that appears to have comfortable position compared to the world standard. The concentration of adverse variables in the region suggest comparative disadvantage to the region as a whole. However, India seems to have been performing comparatively well in the region. It has an infant mortality rate of 57.92 deaths per thousands per live births. The countries namely Pakistan, Nepal, Bangladesh and Bhutan
are performing poorly on this front. Bhutan have a highest 102.6 death per thousands nearly doubled of India performance.

Almost the similar trend has also been followed in case of life expectancy at birth. The poorest being in Bhutan. However, on this front India is comparable to the other countries of the region and the disparities are not too wide. The table further reveals that India has seriously lagged behind in terms of literacy growth than compared to Srilanka and Maldieve. Yet with 40.5 percent illiterate its position is comparatively much better in the region as compared to Pakistan having 54.8 percent, Bangladesh with 56.9 percent illiterates while Bhutan has the highest 57.8 percent illiterate. Still to cap it all, India’s economic performance has been tremendous for over a decade and consequently population below the poverty line has squeezed down to one fourth of the population.

Infact, except on the economic front India social, administrative and political setups experienced considerable degeneration. The academic institutions have not been able to perform as they ought to be while the administrative machinery is disrupted with increasing corruption. The post independence era has witnessed at dismissal failure of the government in ushering necessary changes required to have fair and equitable social structure.
Based on the analysis it may safely be observed that investment in health and education need to be intensified if we are to seriously consider human as a resource and want to nurture it to its optimal capacity.

**HEALTH**

The analysis also reflects upon the growth made on account of health related issues including child mortality, longevity etc. This was largely consequent to the planned investment consistently made by the Government of India. The World Bank’s contribution in health sector is relatively limited and is comparatively a new phenomenon. The World Bank has made its first contribution during the sixth five year plan from 1980 to 1985 with only rupees 252.16 crores. Though change in the Government new sixth plan was drafted but the World Bank withdrew itself from making any additional commitment. Even during the seventh plan the Bank role in the country health sector was nil.

Table appears that World Bank role remained restricted due to macro-economic crisis of the country and the prevailing political uncertainties. During this period the government expenditure has fallen considerably. The eighth plan has devoted a huge investment of rupees 75.822 crores as country limited resources was no more a problem. The World
# COUNTRY AND THE WORLD BANK CONTRIBUTION FOR HEALTH IN INDIA SINCE FIRST FIVE YEAR PLAN

<table>
<thead>
<tr>
<th>Plan</th>
<th>Period</th>
<th>Amount (Rs.) Crores</th>
<th>Annual Growth Rate (%)</th>
<th>Period</th>
<th>Amount (Rs.) Crores</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>1951-56</td>
<td>652</td>
<td></td>
<td>1956-61</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Second</td>
<td>1956-61</td>
<td>1408</td>
<td>53.69</td>
<td>1956-61</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Third</td>
<td>1961-66</td>
<td>2259</td>
<td>37.67</td>
<td>1961-66</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Plan Holiday</td>
<td>1966-69</td>
<td>1402</td>
<td>-61.13</td>
<td>1966-69</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Fourth</td>
<td>1969-74</td>
<td>3355</td>
<td>58.21</td>
<td>1969-74</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Fifth</td>
<td>1974-79</td>
<td>7608</td>
<td>55.90</td>
<td>1974-79</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Fifth 2</td>
<td>1979-80</td>
<td>2231</td>
<td>-241.01</td>
<td>1979-80</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Sixth</td>
<td>1980-85</td>
<td>1821</td>
<td>22.52</td>
<td>1980-85</td>
<td>252.16</td>
<td>100.00</td>
</tr>
<tr>
<td>Sixth-2</td>
<td>1985-90</td>
<td>33929</td>
<td>94.63</td>
<td>1985-90</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Seventh</td>
<td>1985-90</td>
<td>36886</td>
<td>8.02</td>
<td>1985-90</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Seventh-2</td>
<td>1985-90</td>
<td>9609</td>
<td>-283.87</td>
<td>1985-90</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Seventh-3</td>
<td>1995-90</td>
<td>10422</td>
<td>7.80</td>
<td>1992-97</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Eight</td>
<td>1992-97</td>
<td>75822</td>
<td>86.25</td>
<td>1997-2002</td>
<td>4633.135</td>
<td>100</td>
</tr>
<tr>
<td>Tenth</td>
<td>2002-07</td>
<td>9283</td>
<td>-451.34</td>
<td>2002-07</td>
<td>3614.76</td>
<td>-45.22</td>
</tr>
</tbody>
</table>

**Source:**
* [www.worldbank.org.in/project operations](http://www.worldbank.org.in/project operations).

**Notes:** Data from 1970 to 1982 are based on Official Exchange Rates.
Data from 1993 onwards are based on Foreign Exchange Dealers Association of India (FEDAI)
India – 2004 Observer Statistical Handbook/Observer Research Foundation, New Delhi
Year 2004 Currency Rate taken as on December 31, 2004
Country Expenditure on Health (In Rs.)

\[ y = 3114.2x - 8388.8 \]
\[ R^2 = 0.3793 \]
Country and the World Bank’s Contribution for Health in India

World Bank Contribution for Health 9.90%

Country Contribution for Health 90.10%
During a period when the World Bank made contribution to health sector i.e. contribution since eighth plan, it is still very limited when compared to the total expenditure. The World Bank contribution was only 9.9 percent of the total expenditure made by the Government of India. Thus the achievement of the health sector cannot be credited to the World Bank account only. It is practically very difficult to divide the credit between the two. Yet considering the World Bank experienced and expertise in the third world and its guiding and advocacy role, its contribution is significant and important.

It is understandable that despite best of intentions, the Bank cannot meet health requirement of the country like India. Still its role as an advocate for increased investment and budgetary allocation for health sector could be instrumental in realizing the Millennium Development Programs. The World Bank role may also be instrumental in developing contextualized workable models for more effective and judicious utilization of all the resources invested in the health sector.
On the basis of discussion in earlier chapters, it may be safely interpreted that education is one of the basic perquisite for human development. To break the vicious circle of poverty, education is important but not the sufficient condition. Many of the researches have proved over and again the importance of primary education at the macro level. No child right and other fundamental rights of a citizen can be expedited without sufficient education and knowledge. For instance right to speech can normally be better appreciated if a person is educated. Education helps in understanding the health issues, enhances productivity delays child marriage, helps in family control and reduces child mortality etc. These factors put together shall necessarily be able to break the vicious circle of poverty and may even lead to formation of virtues circle of growth and development.

Realizing these factors the policy maker have put in substantial investment during five year plan periods. The given Table -4 reveals that with exception to plan holiday there is a consistent growth in the education expenditure during various plan periods.

However, the World Bank had contributed in education sector till recently. The World Bank experimented to investment money in education sector in India with nominal amount of rupees 92.6 crores, which was only a small as 1.2 percent of the expenditure made by the central government.
## COUNTRY AND THE WORLD BANK CONTRIBUTION FOR EDUCATION IN INDIA SINCE FIRST FIVE YEAR PLAN

**Table IV**

<table>
<thead>
<tr>
<th>Country Contribution for Education</th>
<th>World Bank’s Contribution for Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
<td>Period</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>First</td>
<td>1951-56</td>
</tr>
<tr>
<td>Second</td>
<td>1956-61</td>
</tr>
<tr>
<td>Third</td>
<td>1961-66</td>
</tr>
<tr>
<td>Plan Holiday</td>
<td>1966-69</td>
</tr>
<tr>
<td>Fourth</td>
<td>1969-74</td>
</tr>
<tr>
<td>Fifth</td>
<td>1974-79</td>
</tr>
<tr>
<td>Fifth 2</td>
<td>1979-80</td>
</tr>
<tr>
<td>Sixth</td>
<td>1980-85</td>
</tr>
<tr>
<td>Seventh</td>
<td>1985-90</td>
</tr>
<tr>
<td>Seventh</td>
<td>1985-90</td>
</tr>
<tr>
<td>Eight</td>
<td>1992-97</td>
</tr>
<tr>
<td>Ninth 2</td>
<td>1997-02</td>
</tr>
<tr>
<td>Tenth</td>
<td>2002-07</td>
</tr>
</tbody>
</table>

**Source:**
* www.worldbank.org.in/projectoperations

**Notes:** Data from 1970 to 1982 are based on Official Exchange Rates
Data from 1993 onwards are based on Foreign Exchange Dealers Association of India (FEDAI)
India – 2004 Observer Statistical Handbook/Observer Research Foundation, New Delhi
Year 2004 Currency Rate Taken as on December 31, 2004
With such investment there was hardly any substantial outcome and consequently the World Bank did not venture any further. It was late as in the Seventh plan—from 1985 to 1990, when the World Bank made an investment of rupees 5370.6 crores. Since then its investment stagnated in subsequent years and even declined marginally. However, The Bank’s contribution this time produce notable changes in the education system. They had been able to influence the policy makers of the country.

During this period the world biggest primary education program namely Uttar Pradesh Basic Education Project (UPBEP) and District Primary Education Program (DPEP) have been implemented. These programs have generated demand for education through enrolment drives, have equipped the education system by providing training on appropriate levels and has also created awareness through its advocacy program. The seventh five year plan advocacy efforts have in fact resulted into over 460 percent growth in the government investment in education in the eighth plan.

These efforts have demonstrated the possibilities of increase investment in education. It has created awareness and thus a political compulsions for the parties to come up with bigger initiatives. This has led to much bigger programme namely Sarva Siksha Abhiyaan where the government expenditure doubled during the Tenth Plan, in comparison to previous plan. The World Bank also enhanced its contribution in the education sector by about four times.
Country and the World Bank's contribution for Education in India

World Bank's Contribution for Education
2.80%

Country Contribution for Education
97.20%

1 2
The graphic presentation of country expenditure on education on education also reflects consistent enhancing trend with marginal fluctuation during the period.

In order to further test the justification of huge investment and initiatives for health and education a diamond chart is developed through the judgment sampling of four countries. Niger and Norway have been selected on the ground that Norway is listed first (highest ranking) HDI while Niger records lowest HDI. India is an obvious selection as study relates to it while Pakistan is a neighboring country that facilitates comparability.

It is reflected that diamond has been evolved by choosing four indicators namely HDI, GDP per capita, life expectancy index and education index.
### Human Development Index—Development Diamond

<table>
<thead>
<tr>
<th>Human Development Index</th>
<th>GDP Per Capital (PPP, US $)</th>
<th>Life Expectancy Index</th>
<th>Education Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORWAY</td>
<td>0.963</td>
<td>37670</td>
<td>0.91</td>
</tr>
<tr>
<td>INDIA</td>
<td>0.602</td>
<td>2892</td>
<td>0.64</td>
</tr>
<tr>
<td>PAKISTAN</td>
<td>0.527</td>
<td>2097</td>
<td>0.63</td>
</tr>
<tr>
<td>NIGER</td>
<td>0.281</td>
<td>835</td>
<td>0.32</td>
</tr>
</tbody>
</table>

*Source: Human Development Report-2005*
The given diamond clearly reflects upon a few facts. Firstly there are countries that lay much below India. Even neighboring Pakistan is a lower performer when compared to India. Secondly all four indicators are positively correlated as no countries diamond intersects the diamond of any countries. In other words it may be said that Norway with highest GDP per capita, Life expectancy and Education index is the one with the highest HDI. On the contrary Niger with lowest HDI also reports lowest GDP per capita, Life expectancy and Education index. Even the countries India and Pakistan that are close to each other in all the indicators do not intersect each other. Thus it is amply clear that India fast economic growth and increasing investment from the government as well as the World Bank in health and education sector is a strategy in right direction and shall be able to produce desirable results in terms of Human Resource Development in the long run.
# THE MILLENNIUM DEVELOPMENT GOALS AND INDIA’S TENTH FIVE YEAR PLAN

<table>
<thead>
<tr>
<th>Goals</th>
<th>MDG Target for 2015</th>
<th>Tenth Plan 2002-07</th>
<th>1990</th>
<th>2000</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Eradicate extreme poverty and hunger</td>
<td>Halve 1990 poverty and malnutrition rates</td>
<td>21% by 2007, 11% by 2012 reduced poverty ratio by 5% by 2007, by 15% by 2012</td>
<td>39%</td>
<td>26%</td>
<td>Planning Commission</td>
</tr>
<tr>
<td>National Poverty Ratio</td>
<td>18%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Achieve universal primary education</td>
<td>Net enrolment to 100</td>
<td>100% by 2003</td>
<td>51%</td>
<td>77%</td>
<td>NSS</td>
</tr>
<tr>
<td>Net primary enrolment ratio (%)</td>
<td>100%</td>
<td>100% by 2007</td>
<td></td>
<td>38%</td>
<td>NFHS</td>
</tr>
<tr>
<td>Cohort reaching grade 5 (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Promote Gender Equality</td>
<td>Education ratio to 100</td>
<td>91% by 2007 reduce gap by 50% by 2007</td>
<td>73.9%</td>
<td>81%</td>
<td>World Development Indicators</td>
</tr>
<tr>
<td>Ratio of young literate females to males</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infant mortality rate (per 1000 live births)</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Improve Maternal Health</td>
<td>Reduce 1990 maternal mortality by three-fourths</td>
<td>2 by 2007, 1 by 2012</td>
<td>4.4</td>
<td>5.4</td>
<td>NFHS</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------------------------</td>
<td>----------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Maternal mortality ratio (per 1000 live births)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Combat AIDS, malaria and other HIV/AIDS</td>
<td>Halt and begin to reverse, AIDS, etc.</td>
<td>Zero level of new infections by 207</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Ensure Environmental Sustainability</td>
<td>Reverse loss of environmental resources</td>
<td>25% by 2007, 33% 2012</td>
<td>21.4%</td>
<td>21.6%</td>
<td>Govt. of India</td>
</tr>
<tr>
<td>Forest area (% of total land area)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Global partnership for Development</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Graph: Two

GOAL - 2

- MDG Trend Line
- Actual Net Enrolment Ratio
- Extrapolated Trend Line
- Coherent Target
- Coherent Actual
- Extrapolated Actual Trend line

Years: 1990 to 2025

Percentage: 0% to 100%

Key Points:
- 1990: 51%
- 2000: 77%
- 2005: 100%
- 2010: 100%
- 2015: 100%
Graph: Four

GOAL - 4

- MDG Trend Line
- Infant Mortality Rate per thousand
- National target year Infant modality rate
- Extrapolated Actual IMR

Data points:
- 1990: 7.9
- 2000: 6.8
- 2010: 4.5
- 2015: 2.8
- 2020: 2.6

The role of the World Bank may also assist by comprising the millennium development goals (MDGs) against the actual performances since 1990s and National targets by planning commission, government of India. Graph I while pertains to the goal of reducing poverty in India depicts the MDG trend line between 1990 to 2015. The goal aims to reduce poverty from 39% in 1990 to 18% in 2015. The actual performance of on account of poverty reduction is much stronger when compare to the MDG trend line. Even the target set by planning commission for poverty reduction is more ambitious than the banks role. Given the 8% plus growth rate and trend line extrapolation shows that in all likely hood India would be able to beat not only the World Bank targets but also the national targets in near future.

India is making substantial efforts for universalisation of primary and upper primary education.

The World Bank has most recently started making significant contribution in the area of education. The Bank has supported the biggest education programme in the world namely Uttar Pradesh Basic Education Project (UPBEP) and District Primary Education Programme (DPEP). Yet the targets set by the World Bank as MDGs seem to be a distant dream. The extrapolated actual trend line even missed the National target of achieving 100 % net enrollment ratio.
Given the poor quality of education, family oriented issues like poverty, sibling care, household work and ill health etc. has made the coherent target the mammoth job and the actual coherent remains miserably poor. Thus the World Bank needs to intensify its efforts in the area of education in terms of investment as well as advocacy.

MDGs Goal 3 relates to ratio of young literate females to males. The progress on this account is likely to influence gender discrimination. Once again it appears that social rigidity prevail, over wisdom. Even in today modern world the ratio of young literate to male remains as low as 81%. Once again it reflected in Graph -3. That given the current pace of growth on this account, we are likely to miss even the national targets. This is also the area requiring intensive efforts in terms of advocacy, awareness and other programmes to achieve the set targets.

Goal 4 deals with infant mortality rate in 1990 the infant mortality rate per 1000 was high as 79. This a major indicator for poor health conditions in India. The MDG gives a call to bring it to as low as 26 infant mortality per 1000 by the year 2015.

The national target is a little more ambitious and aims to bring it down to 28 infant mortality rate per 1000, a target below the MDG trend line however if the trend line of actual performance during the last decade is extrapolated at the same pace, the situation seems to be
given. Thus if the World Bank and government is serious about reducing the IMR as per said targets, the need intensify their efforts in educating the young mothers and also in providing adequate health facility.

Despite the modern health facilities and the pinnacle of health services, the maternal mortality ratio per 1000 is 4.4 in 1990, the World Bank has targeted to bring it down to one maternal mortality per 1000 by 2015. Indian policy makers are even more ambitious and targeted/mortality per 1000 by 2015. On the contrary the actual performance on this account is negative i.e. maternal mortality per 1000 has increased from 4.4 in 1990 to 5.4 in 2000. This calls for more aggressive strategies on this front. Education awareness availability of preventive medicines and vaccines and also the curative clinical facilities are required if we are necessary to achieve the target.

Goal 6 relates to combating to AIDS, malaria etc. Though no specific data are available on this account yet we are far from the MDG of Zero level of new infections by 2007. This also calls for sensitization and curative modes.

Goal 7, though directly deals with Human Resource Development but is still important to influence general health. The growth in terms of forest areas is negligible increasing by only 0.2 % during the last decade. The targets are ambitious if we are really want
to reverse the loss of environmental resources in the next decade. The World Bank should extent its helping hand on this account as well. India being a huge country requires investment and help bigger volume. Therefore, it is also desirable that the bank seriously concentrates on its last and eight MDG of goal partnership for development. To garner resources in larger volumes to make substantial impact in social sector in India’s global partnership for development appears to be only viable strategy with the World Bank.
Chapter-Five
CHAPTER-5

CONCLUSION & SUGGESTIONS

This chapter essentially summarizes the earlier deliberations of the thesis. The later part of the chapter takes up the issue of contribution of the World Bank in Human Resource Development in India and gives certain suggestions for more affective role of the World Bank.

The project at the outset evaluates the changing philosophy of the present day business world, tilting towards the Adamsmith’s derivation of free economy. There are ample evidences about India having business interaction with the world and was reported to be one of the most affluent societies of the world in older times. The British rule on India for over two centuries had forced the country to become skeptical towards globalization and the preacher of Vasudev Kudamkam (The whole world is our home – Globalization) shunned its’ economy to the out side world.

In early 20th century, the world experienced severe competition, saturating markets and increasing unemployment culminating into the world war-I followed by a world wide economic lull and later the world war-II. However, immediately after World War-II restructuring the world economy became indispensable.
In 1944, 45 countries set together and created the historic Bretton Wood agreement. The Agreement, treating trade as an engine of growth, has tried to facilitate free trade world over. It planned to convenience the world community for the virtues of reduced quotas, tariffs and exchange control etc., to facilitate free trade and nurture the economic interest through multilateral negotiations and agreement. Another issue restructuring the suffocating and weakest of the economies of the world, was also raised. To help them, a whole lot of institutional system was created through this agreement Subsequent efforts were also made to strengthen on it to strengthen the said institutional group by giving it newer arms.

Most initially the Bretton Wood agreement provided for the establishment of two institutions, namely International Monitory Fund (IMF) and International Bank for Reconstruction and Development (IBRD). The IMF aims to provide mechanism of smooth settlement as well as assisting the countries facing balance of payment crisis in the short run. These economies also needed economic structuring requiring substantial investment and expertise. To achieve this objective of providing long term assistance for structural changes in the economies and to facilitate faster growth and development, IBRD was created.

The IBRD with a three-tier structure included Board of Governors, Executive Directors and a President. The Board of
Governors as represented by all the members, largely the Finance Ministers and the Governors of the Central Banks appointed by the members, giving it democratic character.

Four other institutions namely International Development Associations (IDA), International Financial Corporation (IFC), Multilateral Investment Guarantees and Assistance (MIGA) and International Credit the Bank for Settlement in Investment and Dispute (ICSID) were also added to the strength of IMF and IBRD. The idea is to address various issues facilitating the process of Globalization and Growth and Development. These agencies through different permutations and combination assist a member country. Thus, its multidimensional requirement are catered its comprehensively through its loan, policy advise, experience and technical assistance of the World Bank.

If the international community is serious about overall growth and development of the world in general and developing countries particularly, no countries shall remain poor and backward. It is said that poverty anywhere is a threat to prosperity everywhere. India is one of the founder signatories of the Bratton Wood agreement. The nation has in its early good period has contributed generously to the IMF and IBRD alike. Needless to say that the financial crises of late 80s and
early 90s required help. IMF and IBRD reciprocated and bailed out India for the crises to a large extent.

India housing largest population after China also have largest number of poor people. Thus, very logically the World Bank’s Poverty Elevations Programmes cannot go without India. Through its Millennium Development Goals (MDGs), the World Bank has fixed relevant targets for poverty elevations and for growth and development. However, up till the turn of the century, quantum wise the World Bank contribution in India at the most was modest. India received only 4% Bank’s resources when compared to China 12%, 10% for Argentina, 9% for Russia, 7% for Mexico and for many other smaller countries with generous funding.

In India the Bank has primarily invested in infrastructural activities. Its involvement in the area of human resource development is of much recent origin. The World Bank had been instrumental in advocating and providing technical assistance in building the reform agenda of India. It is significant to point out that when the net transfers from all sources from the world have taken a substantial dip during early 1990s, actual restructuring phase of India, the net transfers from the World Bank remain consistent. The consistency and flow of funds from the World Bank was a great help to the nation and was good enough for confidence building.
The World Bank had also been a cheaper source of financing for India. The Bank has not only addressed the economic issues and fund raising for India but has also joined hands in combating more pertinent issues like corruption, environmental issues, social issues and HIV/AIDS control. For the last five years the bank has started taking interest in HRD related issues namely health and education.

The Bank largely participated in India through Government, be it the national government or the state government. The bank has also promoted the innovative Public Private Partnership (PPP) for infrastructural development.

In the social sector, mainly to address the HRD issues, the World Bank largely implemented its project through respective governments, invited and used the local community as a resource base and took help of powerful monitoring agencies.

To ensure larger resources the World Bank group has coordinated the efforts with other external agencies like ADB, JBIC, DFID, USAID, EC, WHO and various UN agencies etc. Generally, coordination has worked well.

The third chapter essentially concentrates on the aspects of benefit of growth and development in general and the social benefits in particular. It deals with the Human Resource situation in India where even after 60 years of Independence, the vicious circle of poverty is
tightening its clutches. The situation calls for specific intervention if Human Resource is to develop. In order to assess and understand the World Bank role in the development of human resource, this chapter essentially evaluates conceptual part of Human Resource Development.

The Human capital theory explains amply that economic growth in advance countries is not only the outcome of growth of physical capital stock. The theory supported by large number of authors emphasize that it is not only the quantity of labours but the quality, which lead to higher growth. The quality of human capital has been closely established as a direct out come of health and education. Consequently, the world has shifted its emphasis from computing increase in national income as a measure of growth and development. This concept is being increasingly replaced by measuring the Human Development Index (HDI), which is a mean as well as an end in itself.

The analysis suggest that health and education are the most powerful tools in contributing towards HDI. The health aspects influences longevity of life, infant mortality, maternal death at the time of birth, spread of diseases and prevention from under nutrition/malnutrition so as to ensure healthier life. Simultaneously, various researches have also established direct impact of education on the increasing level of income at the micro and macro levels. Education also contributes modernization of attitudes and the ability to adopt
changes. These assertions have forced the bank to invest pro-actively in the area of health and education recently. In India health and education both are state subjects the states are responsible for health and education related facilities to its inhabitants. Simultaneously the central government may decide and help in developing coordination, national policy and at times may also provide financial aid and support. Thus the World Bank funded and coordinated various health and education related projects with the central government as well as various states government.

The fourth chapter has endeavored to work on contribution of the World Bank in these two areas in India. Attempt has made to assess the growth pattern in the area of health and education. Trend Analysis have been made to gauge, the width and depth of country investment in these sectors. Investment trend of the World Bank into these areas have also been identify. The aid analysis clearly established that India has been consistently investing into these two areas. However, the investment was never commensurate and sufficient to meet the growing requirement and demand in both the sectors.

For over the last one-decade the World Bank have also started investing into these two areas. It is pointed out that the bank’s contribution into these areas have been very limited. However, there advocacy efforts seem to have transformed the government opinion
during the period. Though the World Bank have increased its investment only marginally but it has been able to convince the government of India to setup its investment. This led to quantum jump in both health and education sector investment.

Support to a broad range of program aimed at reducing poverty and improving living standard in the developing world without threatening the environment. In the process the bank collaborates with a number of national and international agencies to garner more resources and ensure effective implementation. Other agencies like IFC, MIGA largely concentrate on promoting the private sector of an economy. Sharing its experience the world bank also help the national government of a country to develop an effectively implement the economic reforms. The World Bank group also assist to the poorest countries along with countries in conflict.

It is important to highlight that the World Bank group largely works in close co-ordination with the government of India and state governments and thus Bank’s policies are largely facilitative in nature rather than conflicting. In its approach the World Bank has most strategically weaved in a number of international agencies thus multiplied its limited resource many fold. Further to address special needs of each of the members, the Bank has very rightly evolved the large number of disbursement instruments. These instrument normally
of vary in terms of interest rates, terms and condition and period of repayment. To address the very need of the each of the member nation, the Bank provide them funds and help in a package form through these instruments.

In terms of outcomes, it is also shown that given various efforts of states and central government of India and with the help of the world bank and international agencies, India had been able to beat the Millennium Development Goals (MDGs) on economic front as the reported fall in the percent population of poor people has actually reduced faster than given targets. However, on rest of the seven Millennium Development Goals, account the progress is not commensurate to the desired targets. Thus the World Bank as to step up its efforts if the Millennium Development Goals (MDGs) are to be achieved.
SUGGESTIONS

1. Good health is a fundamental right of the child that only the mother can ensure. The maternal education and sensitization shall necessarily help in intensifying the preventive vaccination during and after pregnancy. This in turn will reduce burden on curative medicines and will save huge money for the family that otherwise would have been required for curative medicine. The educated mother is the first teacher for inculcating hygiene practices to the child. This will ensure healthy hygiene practices in an individual throughout his life. A sensitize mother will also understand and administer breast-feeding to the child and will also be able to promote good food habits for increasing / balancing nutritional intake for the child. Therefore it is desired that the World Bank should primarily concentrate on educating mothers.

2. The Education and sensitization of mother will generate demand for pre birth and post birth vaccination and other medical facilities. The World Bank should workout a strategy in collaboration with the government in creating facilities that efficiently provide pre birth and post birth medical facilities. These sentences may also provide the most basic health facilities required by one and all from time to time.
3. People living in the urban slums and also those living in an around industrial cities including rural habitants, are exposed to contaminated underground water. Even those getting supply of running water, the leakage and contamination from such broken points speaks of careless attitude at macro level towards this most basic need of getting potable water. The World Bank has rightly identified and started working in this area. Yet the magnitude of problem is much bigger and need more intensive intervention in terms of advocacy and investment from the World Bank.

4. Having the experience of working with many government of various countries the world Bank must deliberate and help developing a comprehensive health policy toward transmitting diseases. Considering cultural affinity and close bonding between the members of the families and society exposes the whole community for transmitting diseases.

5. India being a country of a culture where sex and family education is a taboo, the challenge to address family education issue more often is challenging. The World Bank and the government should workout a strategy where without hurting anybodies emotions, the education should be imparted.
Experience shows that NGOs and community organization can better handle the issue.

6. It is not only the family education but the World Bank should involve more often serious NGOs, private sectors partners along with community health in designing and implementation of various health oriented programmes. Their active participation may also be used for creating demand oriented health care system and affective monitoring of the same.

7. Sensitization of gender issue is also a major challenge. Neglect of girl child and over emphasis on the birth of male child is not only creating disproportionate ratio between the two but also lead to neglect of girl child leading to under nutrition/malnutrition, ill health, early marriage, early motherhood, ignored motherhood and much more complexities of this kind. Therefore gender issue need to be focused while creating a comprehensive health care policy.

8. The government and the World Bank should together chalk out a strategy to evolve an effective public distribution system for cost effective immunization and availability of basic life saving drugs at effortable prices. At higher prices, the availability of clinical facilities will still lead to denial of access for poor masses of health care facilities.
9. India is a country of poor masses who are uneducated, less sensitive and ignorant toward their own health and the health of families. This leads to absence of demand and consequently absence of monitoring pressure on the supply chain of the medical facilities. The government has tried to facilitate basic health facilities at most of the levels, yet many of them abscond while those who shall demand remain ignorant. This calls for awareness and sensitization programs so as to make the system demand given. This will create the demand pressure and hence, accountability and monitoring of the supply points.

10. India particularly lacks in providing medical facilities in certain critical ailments like HIV/AIDS. The doctors and other medical staff do not have the most basic facilities including technology and equipments to health and treat the patients. On the other hand they are also not sensitive and responsive to the requirement of such patients. The problem gets more complex when even the attendants get their wards admitted and then just push off. Therefore specific technologies, facilities and extensive sensitization programmes are the call of the day if the patients are really to be treated and masses are to be benefited.

11. It may further be pointed out that there are certain other critical ailments which are more general in nature where large number of
people, specially the villager suffer. The World Bank in collaboration with the government need to workout a strategy where they facilitate treatment of those ailments in all health centers.

12. It is further recommended that we need to develop at least gradually the system of managing public health informatics. The system needs to have elaborate database pertaining to the reported ailments, the availability of medical facilities, the public distribution system along with informations relating to preventive and curative health care issues. In the long run this will help the World Bank and the government in developing more comprehensive health care policy.

13. Despite the best of relations between the World Bank and India, the role of the World Bank in developing India’s Human Resource had been at the best limited and of recent origin. Considering the geographic spread and its diverse requirements, the Bank needs to step up its investment in health sector in India. It is understandable that the world bank can not meet India’s total health requirements but shall at least invest enough to meet software need of the programmes that provide training, creating awareness and sensitization to make the system demand driven
and also advocate on behalf of community for more rationalized and comprehensive national health care policy.

Further education is one of the fundamental child rights and is a basic requirement to multiply the dynamic properties of a human as a resource. Researchers have proved over and again that on average the earning capacity of an illiterate and that of a primary graduates differ significantly. The one with education is more likely to have more income and consequently is often able to break the vicious circle of poverty.

Therefore, in order to contribute in the Human Resource Development in India, the World Bank may also contemplate and adopt the following suggestions.

1. Large number of awareness drives, availability of schools within a periphery of one and a half kilometer in plains and within one kilometer in hilly regions, strict regulation on caste and creeds prejudicious have contributed a lot in increasing access to the poor masses. Yet much more need to be done on this account. Even the government / Official data confirm that till date universal access in actual sense could not be ensured across the nation. For one reason or the other, the child is denied of access to the school education. Some times it is the poverty and child labour, at time is a sibling care or may be it is the culture of the
family to not to provide education at least to the girl child. The latest initiative of fixing up the responsibility on parents and thus compulsory enrolment and attendance is a step in the rights direction. The World Bank needs to further advocate on this account and share its experience in the effective implementation of the same.

2. Quality even today is an elusive concept for Indian education system. Many researches clearly show that dropout is consequent to the poor quality of education being given to the child. After spending 5-8 precious year of childhood, our education system at the best help him/her to become literate while comprehension and development of psychomotor domain is nowhere insight. This calls for improvement in pedagogic interventions. Having deep understanding and experience, the Word Bank should help the policy makers and educationists of India on this account.

3. The Word Bank may also intensify its efforts in the area of technology training of teachers and educational administrators. The teacher may tend to use the modern pedagogic intervention. They should be enabled to develop child’s effective and psychomotor domain along with the cognitive domain. This will only lead to multi dimensional comprehensive development of Human Resource. Training to educational managers and
administrators will help in the formulations of appropriate policies, affective implementations, supervisions and monitoring etc. to facilitate smooth functioning of the education system.

4. The Indian education system is mostly examination oriented. The teacher teaches only with the intention to complete the book/syllabus while the child put in all his/her effort to pass the examination. Neither of them attempts on quality learning outcomes and the related assessment. The World Bank may help the policy makers and teachers to understand and implement continuous and comprehensive evaluation of the child. This will ensure better learning and its application in practical life that in turn will boost demand for education.

5. Many of the government school do not have even the minimal school infrastructure inhibiting the class rooms transaction and required learning environment. It is understandable that the World Bank may not be able to provide infrastructure to all. In case in place of this the World Bank at least may try to create a few models and impress upon the policy makers to take a note of it.

6. Indian education system is rusted due to corruption and wastage. The funds allocated for school development and for other purposes of the kind, find way to the pockets of individuals.
Schools have also been politicized. The teachers of the schools have strong liaison with the politicians. These factors put together derailed the total educational management system. The system is ailing with non accountability. The World Bank may attempt, to help in better management and may motivate the policy makers to establish clear-cut accountability and responsibility of each individual working in the system.

7. Awareness programmes are still required in India. People here are ignorant, poor and often illiterate. Therefore, the parents do not understand and appreciate the importance of education. It is further recommended that the awareness programmes should also aimed to create demand for quality education.

8. The World Bank may also continue to stress on decentralization educational planning. The process of educational planning by the stake holders has conceptualize justification for all expenditures on the one hand and on the other hand instilled sense of belongingness and ownership of the schools. This strategy of the Bank is highly appreciated and need to be consolidated further.

9. The Human Resource need to be developed not only through good education but by inculcating a sense of responsibility in the community. Therefore it is recommended that the World Bank should intensify its effort in convincing the educational
authorities to further decentralize monitoring and control of primary and upper primary level, the community people and village education committee should be made responsible and accountable for the performance of local areas school.

10. The World Bank may also endeavor to extend its efforts and share expertise with the private sectors and NGOs. There are large numbers of non government school that are also the part of the process of Human Resource Development. Therefore, Bank should workout the strategy to help these institutions to build up further and provide quality education so to nurture balanced and multifaceted competent individuals. Such individuals shall indispensably be able to put India on the newer trajectory of growth and development in the long run.
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# ABBREVIATIONS

<table>
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<tr>
<th>Abbreviation</th>
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<tr>
<td>AAA</td>
<td>Analytical and Advisory Activities</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AP</td>
<td>Andhara Pradesh</td>
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<td>APL</td>
<td>Adaptable Programme Loan</td>
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<td>AUSAID</td>
<td>Australian Aid Agency</td>
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<td>CAS</td>
<td>Country Assistance Strategies</td>
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<td>CDC</td>
<td>Commonwealth Development Corporation</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<td>CPAR</td>
<td>Country Procurement Assessment Review</td>
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<td>CSO</td>
<td>Civil Society Organization</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DC</td>
<td>Development Committee</td>
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<td>DEG</td>
<td>German Development Finance Group</td>
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<td>DFID</td>
<td>Department For International Development</td>
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<td>DPEP</td>
<td>District Primary Education Programme</td>
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<td>DPR</td>
<td>Development Policy Review</td>
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<td>DRL</td>
<td>Debt Reduction Loan</td>
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<td>EC</td>
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<td>ERL</td>
<td>Emergency Recovery Loan</td>
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<td>Acronym</td>
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<td>EU</td>
<td>European Union</td>
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<td>FIL</td>
<td>Financial Intermediary Loan</td>
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<td>FMO</td>
<td>Dutch Development Agency</td>
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<td>FY</td>
<td>Financial Year</td>
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<td>GDP</td>
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<td>Government of India</td>
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<td>HDI</td>
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<td>HIPC</td>
<td>Highly Indebted Poor Country</td>
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<td>HRD</td>
<td>Human Resource Development</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>ICSID</td>
<td>International Center for Settlement of Investment Dispute</td>
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<td>IDA</td>
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<td>International Finance Corporation</td>
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<td>International Labour Organisation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>Infant Mortality Rate</td>
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<td>Infoshop</td>
<td>Information Shop at the World Bank</td>
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<td>JBIC</td>
<td>Japan Bank for International Cooperation</td>
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<td>JPHRD</td>
<td>Japan Policy and Human Resource Development</td>
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<td>LICUS</td>
<td>Low Income Countries Under Stress</td>
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<td>LIL</td>
<td>Learning and Innovative Loan</td>
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<td>MC</td>
<td>Medical Care</td>
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<td>MDBs</td>
<td>Multilateral Development Banks</td>
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<td>Millennium Development Goals</td>
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<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<td>MIS</td>
<td>Management Information System</td>
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<td>MP</td>
<td>Madhya Pradesh</td>
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<td>MTFRP</td>
<td>Medium Term Fiscal Reform Programme</td>
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<td>NACP</td>
<td>National AIDS Control Programme</td>
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<td>NGOs</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>Poverty Reduction Strategy Paper</td>
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<td>Public Sector Undertaking</td>
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<td>Reproductive and Child Health</td>
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<td>SSA</td>
<td>Serva Siksha Abhiyan (Education for all Initiative)</td>
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<td>Special Structural Adjustment Loan</td>
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<td>Technical Assistance</td>
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TAL : Technical Assistance Loan
UN : United Nation
UP : Uttar Pradesh
UPBEP : Uttar Pradesh Basic Education Project
USAID : US Agency for International Development
WBI : World Bank Institute
WHO : World Health Organization
WTO : World Trade Organization
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