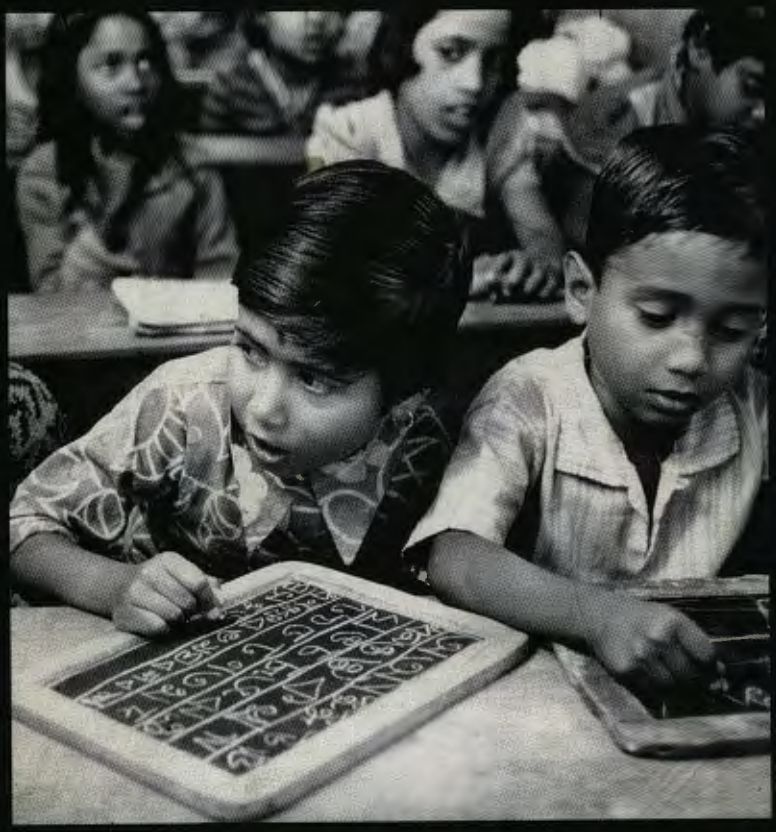
THE WORLD BANK



IN INDIA

THE WORLD BANK IN INDIA

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FOREWORD

The World Bank and India have shared a close partnership since the inception of the Bank. This has been for a very good reason: in the area of development, both India and the Bank share the fundamental goal of achieving poverty reduction on the basis of sustainable growth.

The history of the Bank's assistance to India has been a dynamic and adaptive one. In the early years, the Bank emphasized infrastructure. During the seventies and eighties Bank assistance was broadened to include agriculture and the social sectors. And in the early nineties, support for India's far-reaching economic policy reforms and for expanded social and environmental programs have been the focus of our assistance. Throughout this period, the Bank's lending assistance has been complemented by a fruitful dialogue on emerging policy issues. The Bank has also helped to coordinate the Aid India Consortium since 1958. More recently, the Bank's recognition of project implementation as an area in need of renewed attention saw India as one of the first countries to undertake a comprehensive review.

In all these areas, the relationship between the Bank and India has shown remarkable resilience, and despite some occasional differences of perspective, has grown in strength and depth.

The Indian economy is currently undergoing a fundamental reorientation aimed at providing the basis for a recovery of growth with poverty reduction in the nineties. The Bank is proud to have assisted this effort so far. A successful transformation of the Indian economy, continuing along the path of the last two years, could realistically lead to sustainable growth at a pace sufficient to double per capita income in a single generation and to reduce substantially the proportion of absolute poor.

On this occasion of the inauguration of the Bank's new offices in Delhi, it gives me great pleasure to reaffirm the Bank's partnership with India and our willingness to do all we can to assist India's quest for shared and sustainable growth.

D. Joseph Wood
Vice President
South Asia Region
World Bank

October 30, 1993

THE EARLY YEARS

The history of the World Bank-India relationship goes back to the beginnings of the Bank itself. India was one of the 17 countries which met in Atlantic City, USA in June, 1944 to prepare the agenda for the Bretton Woods Conference, and one of the 44 countries which signed the final Agreement that established the Bank. In fact, the name "International Bank for Reconstruction and Development" (IBRD) was first suggested by India to the drafting committee. The Indian delegation to Bretton Woods was led by Sir Jeremy Raisman, Finance Member of the Government of India and included Sir C.D. Deshmukh (Governor of the Reserve Bank of India, later to become India's Finance Minister), Sir Theodore Gregory (the first Economic Adviser to the Government of India), Sir R.K. Shanmukham Chetty (later independent India's first Finance Minister), Mr. A.D. Shroff (one of the architects of the Bombay Plan for India's economic development) and Mr. B.K. Madan (later India's Executive Director in the IMF). This very distinguished delegation played a leading role in Bretton Woods in pressing the case of the less developed countries generally and of India in particular. Indeed it fell to India to do so since in 1944, when so much of Asia and Africa was still under colonial rule, undivided India was the natural advocate for the interest of low-income developing countries.

Indian Delegation to the Bretton Woods Conference

Unlike the United Nations, where each country has one vote, decision-making powers in the Bretton Woods institutions were based on quotas or capital subscriptions. These were meant to reflect 'the economic significance' of shareholders, based on factors such as national income, gold and dollar holdings and participation in international trade. India—strongly supported by the British delegation led by Lord Keynes—argued for, and succeeded in, obtaining a quota that placed, her among the top share-holders of the Bank. As originally agreed at Bretton Woods, the member countries having the largest number of shares were the United States, the United Kingdom, the Soviet Union, China, France and India, in that order. Since the Soviet Union failed to ratify the Bretton Woods Agreement, India moved to the fifth place. This was important since the Bank's Charter entitled each of the five members having the largest shares to have a permanent seat in its Executive Board and to appoint its own Executive Director (ED).

In the early 1970s, Japan moved into the first five positions and India continued to be on the Bank Board with an elected ED who also represents Bangladesh, Sri Lanka and Bhutan. The EDs of the Bank are in 'permanent residence' at the Bank's headquarters in Washington D.C. and are able to constantly interact with each other, the President of the Bank (who is also the Chairman of the Executive Board) and the Bank staff. India's continuous presence in the Board, right from the Bank's creation, has enabled her to play a significant role in the formulation, implementation and monitoring of the Bank's policies and operations, particularly from the standpoint of its developing member countries. Equally important has been the participation of India's Finance Ministers—who are Governors of the Bank—in the annual meetings which provide the basic policy guidelines for the Bank's Executive Board. It is important at the outset to put in perspective this dimension of India's relationship with the Bank, since much of what follows has to be concerned with the Bank in India rather than India in the Bank.

In the early years there was some doubt whether India was creditworthy enough to borrow from the IBRD and the beginnings of the Bank's lending relationship with India were tentative. Although the first development loans (as distinct from loans for Europe's post-war reconstruction) were made early in 1948, it was not until late in 1949 that the first loan to India was approved, marking the start of the long-lasting relationship that was to follow. The rapid increase in lending to India occurred only in the succeeding decades.

Even though lending to India was modest in the 1950s,

BRETTON WOODS AND AFTER

Towards the end of the Second World War, the allied powers began to envision 'a new world order' for preserving peace and promoting prosperity. At the political level, the United Nations was to be a 'parliament of nations' in which all members would have equal vote. International economic organization to ensure orderly financial and trade relations was to rest on three principal pillars. One was an institution to secure cooperation and coordination in monetary matters; another was to make available long-term capital for post-War reconstruction and for the development of the low-income countries; and the third was an international organization to promote trade among nations on an orderly, free and fair basis. The latter did not materialize as a formal institution but took the form of General Agreement on Trade and Tariffs (GATT) while the first two became the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) respectively.

The International Bank for Reconstruction and Development, better known as the "World Bank," (together with the IMF) was conceived in July 1944 at the United Nations Monetary and Financial Conference in the New Hampshire village of Bretton Woods, USA. The World Bank opened for business on June 25, 1946 as an official multilateral institution whose share capital was owned by its member countries. The Bank anticipated devoting its initial energies to war-ravaged Western Europe, but help for these countries soon came in the form of the US Marshall Plan and the World Bank shifted its focus to the developing world in Asia, Africa and Latin America.

With this reorientation of objectives, the basic philosophy behind the Bank's operations became to 'develop the resources and the productive capacity of the world, with special reference to the less developed countries.' The World Bank was to borrow on world markets and lend to countries short of foreign exchange for reconstruction and development. The prime objectives of such lending were to finance investments in developing countries that would contribute to their economic growth and well being.

the decade was notable for three landmarks in the India-Bank relationship. The first was the Bank's mediation in settling the dispute between India and Pakistan on the sharing of the waters of the Indus river basin which straddles both countries. Mr. Eugene Black, the then President of the Bank, being greatly concerned with the serious damage that the escalation of the dispute was bound to cause to the economic development of the sub-continent, offered (in 1952) the good offices of the Bank to find a solution. This timely offer was accepted by both India and Pakistan. After eight years of hard negotiations, during which Sir W.A.B. Iliff, the Bank's mediator, and his staff played a crucial role, the *Indus Waters Treaty* was signed by Prime Minister Nehru and President Ayub Khan in September 1960. According to the historians of the Bank, two important factors that brought about the settlement were 'the Bank's doggedness and ingenuity in keeping the negotiations alive,' and the Bank's ability 'to find and provide finance for the physical works needed to carry out an Indus agreement.' Mr. N.D. Gulhati, the renowned engineer who led India's technical team in Washington, was to point out: 'For a long time, many feared that this dispute, unless contained, might lead to a full-fledged war between the two newly independent countries. As it turned out, this dispute happens to be the only one of the "main disputes" between the two countries which has been resolved . . . What is more, the settlement was by voluntary agreement. The Treaty has survived two wars.'

Signing of the Indus Waters Treaty: Jawaharlal Nehru, Mohammed Ayub Khan and W.A.B. Iliff

The second high point of the fifties was the establishment of the *Aid India Consortium* in 1958. The India Consortium of major bilateral and multilateral leaders was the first of the Consortia and the Consultative Groups that the Bank was to set up for its developing member countries. Conceived as a 'rescue operation' to help India out of the severe balance of payments crisis the country faced in the midst of its Second Plan (1956-61), the Consortium has continued to play a vital role in mobilising international aid for India. Besides chairing the annual meetings of the Consortium, the Bank services its discussions by circulating a detailed Country Economic Memorandum on the performance, problems and prospects of the Indian economy. Such 'donor coordination' has greatly reduced the burden on India having to deal with each donor individually at the policy level; the Consortium has improved the element of assurance and predictability in external assistance; and, most importantly, its meetings have provided an invaluable forum to India and the aid community for conveying and responding to each other's concerns.

The end of the fifties marked the third most significant development in channelling multilateral aid for India's development, namely, the establishment of the *International Development Association* (IDA). Interestingly, the beginnings of the idea can be traced to a suggestion made in 1949 to the UN Subcommission on Economic Development by its Indian Chairman, Professor V.K.R.V. Rao, that there was need for a new international development financing agency in order to complement and supplement the Bank's efforts. The Subcommission drew attention to 'the massive investments for economic development which can neither satisfy the preconditions required by the Bank, nor carry the interest charges involved, nor be liquidated within the period required.' After passing through much debates and deliberation, this need found its response in the establishment of IDA as the soft-loan affiliate of the Bank in September 1960.

IDA has opened up a whole new avenue of sustainable development lending for low income countries. It has supplemented the loanable resource of the Bank in sizeable measure; because of the highly concessional nature of its credits, its operations are not inhibited by the creditworthiness of its borrowers nor do they jeopardize it. Moreover, the injection of IDA financing, by softening the debt burden of low income countries, has enabled some of them to borrow also from other sources (including the Bank) on harder terms. The creation of IDA has been the single most important factor paving the way for the Bank Group's lending to India to expand swiftly and significantly in the sixties and beyond.

THE WORLD BANK GROUP

The World Bank Group consists of the International Bank for Reconstruction and Development (IBRD) and its three affiliates: the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). The IBRD accounts for about three-fourths of all Bank lending. IDA provides highly concessional "credits" to the world's poorest countries. IFC lends directly to the private sector without government guarantees. It also takes up equity positions in companies to foster development of capital markets in developing countries. MIGA promotes private investment in developing countries by providing guarantees on project investments.

The World Bank presently has 178 member countries, each represented by one Governor who is usually the Finance Minister of the country. The share of the Bank that each member country owns is determined largely by the size of its economy. The share of capital determines a country's voting share in the Bank. The Board of Governors delegates its authority to a smaller group of representatives, the Board of Executive Directors who are responsible for decisions on policies affecting the Bank's operations and for the approval of all loans. The World Bank President is the Chairman of the Board of Executive Directors. The Board, which is in permanent residence, meets several times a week to approve loans and Bank policies. Finally, the management and day-to-day operations are carried out by the Bank's 6,800 staff members from over 100 countries.

The IBRD raises most of its money from bonds and other debt securities issued in world financial markets, based on the guarantee of share capital subscriptions from its members. Other sources of Bank funds are shareholders' capital and retained earnings. IBRD loans are given for a period of 15 to 20 years, and generally have a five year grace period. The interest rate on these loans is adjusted every six months according to changes in the cost of funds to the Bank; the current rate is 7.43 percent. The cumulative lending of the IBRD as of June 1993 is $235 billion. The Bank has earned a profit every year since 1947.

IDA, the soft-loan affiliate of the Bank, depends almost entirely on contributions made from time to time by the wealthier member governments for its financial resources. The donor nations replenish IDA resources every three years. In December 1992, 34 countries agreed to provide IDA with $18 billion to fund its aid operations for the three years beginning July 1, 1993. This funding is called the Tenth Replenishment because it is the tenth time donors have agreed to replenish IDA. IDA provides highly concessional—almost grant-like—loans to the world's poorest countries. Only countries with an annual per capita income of less than $1235 can borrow from IDA. However, most of IDA's loans are provided to countries with annual per capita incomes of $765 or less. IDA commitments, which are known as "credits," have a ten year grace period and must be repaid over 35 to 40 years, depending on the borrower country's creditworthiness. Cumulative commitments upto June 1993 are $78 billion. Being the soft loan counterpart of the Bank, IDA has concentrated its lending in the areas of poverty, human development and economic adjustment, each accounting for about a third of total IDA commitments in recent years. The other sectors of funding have been infrastructure and natural resources.

The member of the Bank Group are variously share-holders, contributors, eligible borrowers and sole suppliers of goods and services financed by the Group. Given these features, the Bank Group can well be understood as an international cooperative credit society of member nations. This explains Lord Keynes' remark that the Bank could have been more appropriately called a Fund, in the sense of a mutual benefit fund.

LENDING OPERATIONS

TRENDS:

World Bank[1] lending to India started in 1949, when the first loan of $34 million was approved for the Indian Railways. The first decade of the Bank's lending to India (1949-1959) saw just about 20 loans for a total amount of $611 million. In the years 1960-1969, overall lending to India from the Bank Group rose to $1.8 billion, three times the level in the previous decade, 70 percent of which came from highly concessional IDA money. During 1970-79, although India's share in IDA lending was maintained at around 40 percent, there was a large increase in the absolute volume of IDA lending – from $1.8 billion in the previous decade to $7.6 billion. And the IDA share in total Bank assistance reached a high of 80 percent in this decade.

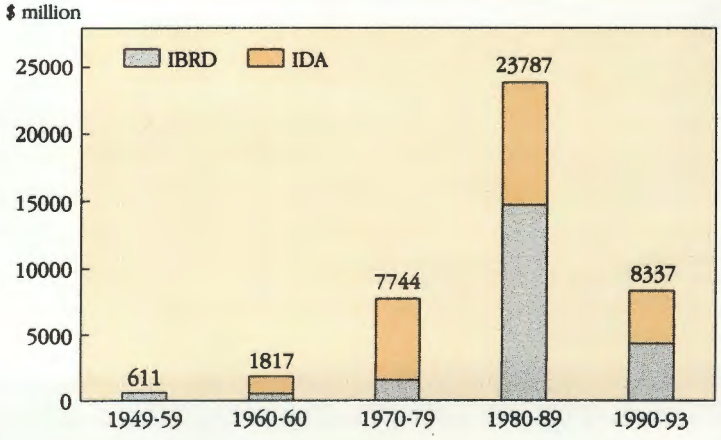
In the 1980s, India's share in total IDA lending declined to 25 percent because of increased claims on IDA funds from the least developed countries of Sub-Saharan Africa and on account of the entry of China as another IDA-eligible country. It was, however, possible to compensate for this decline with a large increase in IBRD lending, the volume of which rose to $14.7 billion during 1980-1989, almost ten times the level of $1.5 billion in the previous decade.

In aggregate terms, the Bank has, in the last four and a half decades, lent approximately $42 billion to India, about equally divided between IBRD and IDA. India has claimed about 15 percent of total World Bank lending: 9 percent of cumulative IBRD commitments to all borrowers and 28 percent of IDA's. India is the single largest borrower in both the institutions.

THE IBRD-IDA BLEND
(in percent)

fiscal years	IBRD	IDA
1949-59	100	–
1960-69	27	73
1970-79	20	80
1980-89	62	38
1990-93	52	48
1949-93	51	49

LENDING OPERATIONS IN INDIA



[1] *Unless the IBRD and IDA are distinguished in the text or in context, "World Bank" or "Bank" includes IDA and "loans" includes IDA credits.*

CHANGING COMPOSITION OF LENDING:

The evolution of the Indian development strategy and the Bank's active support of it are reflected in the changing composition of Bank lending. In the 1950s, India embarked on a strategy of large scale industrialization based on development of basic industries and infrastructure, and the Bank supported these initiatives by investing in infrastructure projects. In the 1960s, the emphasis on building infrastructural capacity continued and was extended to agriculture. The vital need for agricultural output to keep pace with population growth was realized and the Bank undertook financing of several irrigation and drainage projects. The Green Revolution, supported by the World Bank, helped bring new technology into agriculture, making India largely self-sufficient in food.

The poverty reduction strategy introduced in the 1970s expanded the range of investments by placing emphasis on programs which more directly benefitted the poor. During this period IDA greatly increased its support for agriculture and rural development, with irrigation and other sub-sectors in agriculture accounting for over a third of total lending. With the emphasis on poverty reduction, infrastructural investment extended to areas like urban development and water supply. IDA also made its first loans for family welfare in India.

CHANGING COMPOSITION OF IBRD/IDA LENDING
(in $ million)

sectors	1949 to 1959	1960 to 1969	1970 to 1979	1980 to 1989	1990 to 1993
Transport	307.61	538.80	544.67	1925.30	153.00
Telecommunications		151.07	358.58	659.00	
Power	114.00	151.11	1247.00	6764.20	2148.00
Oil, gas & coal		35.00	150.00	2744.30	1047.00
Industry	179.00	833.85	1952.67	3070.80	665.60
Irrigation		94.35	1238.15	3323.00	303.00
Agriculture	10.00	13.00	1671.73	2925.20	691.50
Urban Development			171.00	1234.30	
Water Supply & Sewerage			377.00	480.00	291.80
Education			12.00	280.00	732.10
Population, Health & Nutrition			21.20	380.60	1455.00
Structural Adjustment					850.00
TOTAL	610.61	1817.18	7744.00	23786.70	8337.00

In the 1980s the power sector grew to command 40 percent of total lending from the World Bank. This decade saw an increasing thrust towards the social sectors as well, including projects for family welfare, public health and nutrition. Greater support was also given to programs aimed at improving women's incomes and their status in their community.

In recent years, the Bank has expanded its support to include primary education and has become more involved in policy reform. The first structural adjustment loan was approved in 1991 to help the country reorient its policies for achieving sustainable growth at a more rapid pace. IDA, particularly, has been helping the Government to protect and expand social and environmental programs while undertaking structural adjustment.

SECTORAL ALLOCATIONS:

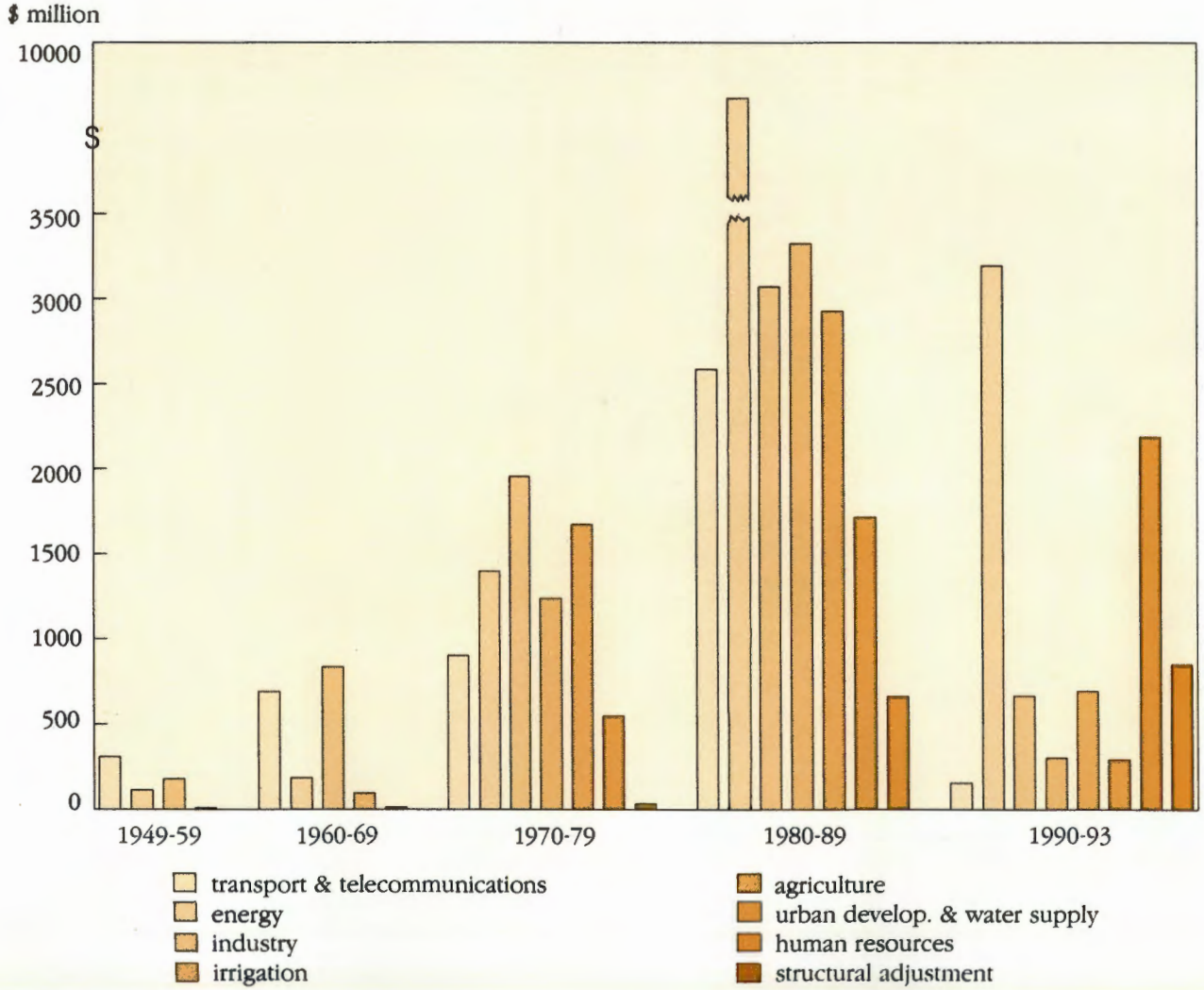
Almost half a century of partnership between India and the World Bank has led to Bank participation in a broad spectrum of investments of fundamental importance to India's economic development, contributing finance, technology and implementation assistance. Within the common objectives of growth and poverty alleviation, the approach has been a pragmatic one of adjusting lending programs to meet emerging needs. Thus the role of the Bank in each sector has unique and distinctive features that have developed over time in response to diverse and evolving priorities.

Transportation and Telecommunication:

The Bank has had a long association with the development of India's transport sector from the first Railway loan in 1949 of $34 million. Since then, the Bank has provided flexible funding for a variety of requirements in this sector. Over the past three and a half decades, the World Bank has committed about $6 billion for transport investments, more than half of which has come from concessional IDA funds.

Originally the emphasis of Bank lending to the transport sector was to build infrastructure and promote economic integration. With few exceptions, all transport lending up to the 1960s went to the Indian Railways which, at Independence, was the dominant mode of both freight and passenger transport. Until the mid-1970s Bank projects were designed with a strong sectoral emphasis on transport planning at the national level, railway investment planning and adequate cost recovery. Subsequently, Bank assistance has helped to strengthen corporate planning, technological upgradation, production facilities, and maintenance in the transport sector as well.

CHANGING COMPOSITION OF LENDING



Following the highway loan in 1961, there was a hiatus in Bank lending for roads for over two decades. In 1985, the Bank resumed lending to roadways aiming at a more balanced portfolio. Rapid growth of demand for road transport services, especially for freight movements made it critically important to increase investments in the road subsector. In the area of sea transport, the Bank has invested in port development. The Nhava Sheva Port Project, which was designed to improve export competitiveness by providing India with its first modern port, has been one of the recent projects supported by the Bank.

The Bank has also been active in the telecommunication sector. Telecommunications received about $1.5 billion during the 1960s and 1970s, more than half of which came from IDA credits. Funding has been mainly for the import of telecommunications components and equipment to improve telephone services in the four major metropolitan cities. The Bank has emphasized the value of private sector participation in improving telecommunication facilities to meet the rapidly growing demand.

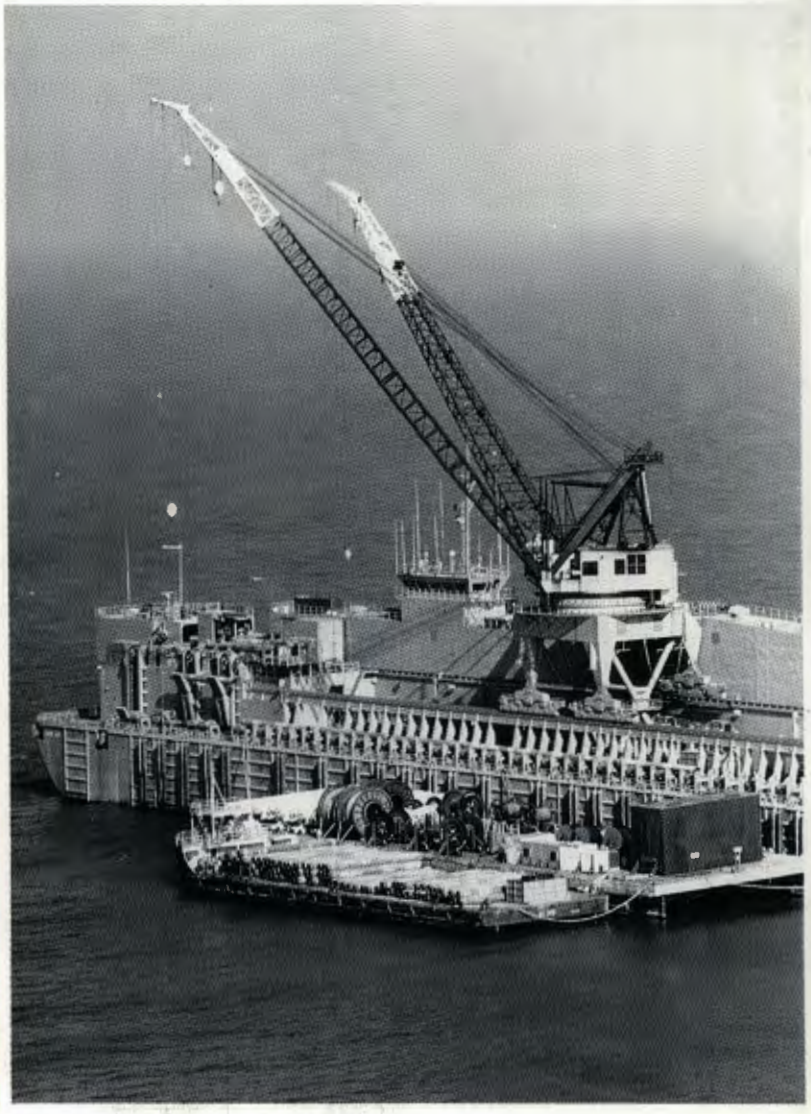
Energy:

Bank Group support for the energy sector in India started in 1950 with a loan to the Damodar Valley Corporation for $18.5 million. Since then 37 IBRD loans ($7.2 billion) and 20 IDA credits ($2.4 bilion) have been made for power projects in India. Nine loans have been approved for the oil and gas sector and four for coal. The International Finance Corporation (IFC), too, has made five investments totalling $203 million during 1989 to 1991. With growing demand, a major challenge for India in the 1990s is to strike a better balance between supply expansion and efficiency improvements. Major reforms are also under way to improve energy conservation, reduce dependence on oil imports, and meet rural energy needs.

The Bank has been supporting reform initiatives of the Government of India (GOI) through a series of ongoing and proposed investment/technical assistance operations, following a three-pronged strategy in its lending for the power sector. Firstly, it has supported central agencies, the National Thermal Power Corporation (NTPC) in particular, as a means of effecting sector-wide improvements. Secondly, it has financed a selected number of State Electricity Boards (SEBs) in support of their reforms. Seven states were given assistance in the mid-1980s. These loans, with a total value of $2.2 billion, helped finance generation expansion as well as transmission and distribution improvements. This approach, involving a close relationship with the SEBs, has

been successful in Maharashtra. Finally, in close cooperation with IFC, the Bank has financed private power utilities to improve their financial and economic efficiency and to assist the government in attracting new private capital into the sector.

Bank lending operations in India's oil and gas sector started in late 1970s with ONGC's Bombay High oilfield, which picked up momentum in the 1980s following the Second Bombay High Offshore project, the Krishna-Godavari Petroleum Exploration project, and the Cambay Basin Petroleum project. With the rapid growth of oil production from Bombay High and the corresponding increase in natural gas production, and the discovery of natural gas



reserves in South Bassein, the Bank shifted its emphasis to the gas sector. The first lending operation started with the financing of the South Bassein Gas Development project, followed by the Western Gas Development project and the Gas Flaring Reduction project. Loans in the coal sector have assisted Coal India Ltd. in the introduction of state of art technology in its opencast and underground mining operations. More recently IDA has provided funds for a technical assistance project to assist Bharat Coking Coal to deal with the environmental and social implications of large mine fires in the Jharia coalfield.

Agriculture:

The Indian agriculture portfolio, the Bank's largest for this sector in any country, has been oriented towards India's objectives for increasing food production and alleviating poverty. Bank support

for agriculture in India began in the early 1950s but remained quite limited during the first decade or so. The 1960s witnessed a strong emphasis on the role of agriculture in economic development, both within the Bank and in India. This was partly the result of the catastrophic droughts in 1965 and 1966 in India and also a reflection of the demonstrated effectiveness of the new agricultural technology which heralded the Green Revolution in India.

To date, 130 agricultural projects have received $10.2 billion Bank financing, of which about 80 percent has come from IDA funds. The current portfolio of about 30 projects under implementation includes: irrigation, general agriculture, forestry, research and extension, watershed development mainly using low-cost vegetative techniques, and commercial agriculture, the

latter including dairy, sericulture, rubber and fish and shrimp cultivation.

Over the years the approach to agricultural lending has responded to changing needs. Along with a continuing emphasis on irrigation, agricultural credit, mainly for promoting ground water irrigation through pumpsets, has claimed a large part of Bank assistance in this sector. 1977 onwards an extensive effort was made to introduce Training and Visit (T&V) management systems for extension so as to improve the adoption of available technologies. World Bank support for agricultural extension has covered agriculture extension services in as many as 17 states in India.

The interest in agricultural extension services was followed by increased attention to research as concern rose about the capacity

of research to feed new technologies for transmission to farmers through extension services. Simultaneously, growing concern about natural resource sustainability initiated lending for watershed development and forestry from 1985 onwards. As this attention to resource management grew, the need for greater people's participation became, apparent and—growing largely out of the experience in West Bengal—participatory techniques were included in many projects.

From about 1989 there was an increased focus on women's issues. This has been particularly important in the on going National Sericulture Project, which gives special importance to women and encourages non-governmental organisation (NGO) participation. NGOs have been involved in promoting participation of women, landless and other under-privileged groups in sericulture, obtaining access to cultivable wasteland for mulberry cultivation, organizing groups to adopt improved practices, and helping with marketing and credit applications.

Recently, as it has become apparent that agricultural production and improved efficiency have been seriously inhibited by policy constraints such as export limitations, restrictions on internal commodity movements and subsidies crowding out more productive public investments. Attention has accordingly turned to supporting GOI and a number of states in the introduction of policy reforms in agriculture.

Urban Development

World Bank lending for urban water supply and sewerage started with the approval of the first IDA credit for Bombay water supply and sewerage in 1973. Since then the Bank has lent more than $4 billion for these activities, around 90 percent of which has been in the form of IDA soft credit. Nine water supply operations have been financed by the Bank in various states for providing basic requirements of potable drinking water and sanitation systems.

World Bank's urban development projects have successfully provided access to shelter for the urban poor through slum improvement and the provision of small but affordable serviced plots with core housing. Large programs for serviced plots have been developed in Bombay and Madras. In addition to serviced plots and slum upgrading, Bank financed urban development projects have supported municipal infrastructure such as roads, street lighting, solid waste management, drainage, water supply, sanitation and traffic management.

Social Sectors:

Poverty alleviation has high priority for the Government of India and for the World Bank. Improving the human resources of the poor—their health and their education—is a central means of reducing poverty. For over twenty years, the GOI and the World Bank have worked together to expand and improve basic social services through a series of projects that support the family welfare, nutrition, education and training, and public health programs in the country.

Bank support for human resource development has totalled more than $2.2 billion, of which more than 70 percent has been committed in the 1990s. Improving the condition of women and girls has been a central objective—in family planning and maternal and child health services, in nutrition services, in skills training for women, in special efforts to improve girls' access to and benefit from primary education, and in strategies for improving women's access to disease control services. Equally important in the design of project interventions is increased attention to the special needs and conditions of tribal people and other socially and economically disadvantaged groups.

Bank-India collaboration in the area of social services began with the First Population Project in 1972, which served as a pilot project. It was followed by projects to develop basic infrastructure; improve the integration of family planning and maternal and child health services; create demand for family planning; and extend the use of contraceptive techniques for spacing of births. Recently the family welfare projects have extended to urban areas and have been concentrating on improving the efficiency and quality of service delivery.

In 1992, in collaboration with the GOI and UNICEF, the Bank provided substantial financing for expansion and improvement of the maternal and child health services component of the family welfare program. The Child Survival and Safe Motherhood Project supports expanded and enhanced programs of immunization, control of diarrhoea and acute respiratory infections, and pre-natal care for mothers. Together, the eight population projects and the child survival and safe motherhood project have involved a total Bank investment of $745 million.

A related concern has been nutrition, where the Bank has so far invested $418 million. Malnourishment of children and mothers has been shown to contribute to high maternal and infant death rates, and to reduce both attendance and learning in school. Bank support for India's nutrition programs began in 1980 with the First

Tamil Nadu Integrated Nutrition Project. The project provided health care to pregnant and lactating women and children of the age of 6 to 36 months, growth monitoring for children, supplementary feeding, and nutrition education and counselling for mothers. The project reduced severe malnutrition by half at a low cost. A Second Tamil Nadu Integrated Nutrition Project approved in 1990 will extend the successful program from the original 9,000 to all of the state's 20,000 villages. The Bank has also supported the Integrated Child Development Services (ICDS) program of the Government of India in several backward districts of the country, where supplementary feeding, health care, and early childhood education for pre-school children are provided.

In the health sector, the Bank has been investing in several disease control projects. Under the National AIDS Control Program (1992), it is estimated that at least 300,000 AIDS cases will be avoided on account of the project by the year 2000. In the National Leprosy Eradication project started in 1993, about 2.4 million people will benefit, including 1.6 million women. It is expected that the project will eliminate leprosy as a public health problem by the year 2000. These projects are supported by IDA credits of $169 million.

From family welfare, health and nutrition, the World Bank has moved into the area of primary education. Responding to India's request for assistance in support of its intensive efforts to improve primary education, especially for those districts with low female literacy, Bank assistance began in 1993 with the Uttar Pradesh Basic Education Project. This project aims to improve access and learning achievement of all children in ten districts; design special programs for girls, such as increasing the proportion of female teachers and eliminating gender bias in textbooks; and to develop the state's capacity for planning, management and evaluation. Approximately 1.8 million poor children are expected to benefit from this project, of whom 60 percent would be girls. The project is supported by an IDA credit of $165 million as well as bilateral confinancing. Similar investments are being planned in seven other states in India. In 1989, the GOI asked the Bank for assistance in modernizing and restructuring the country's vocational training system. National in scope, the Vocational Training Project supports quality improvement and training in new technologies for skilled and semi-skilled workers. The Bank has also supported the Ten-Year Technician Education Investment Program. Bank assistance for these projects totals $727 million.

Adjustment Lending:

The broadening of the World Bank's lending program to include policy based and quick disbursing adjustment lending since 1991, has reflected the growing recognition shared by both the Bank and Indian authorities—of the importance of macro-economic policy framework in the process of social and economic development. This new chapter in the Bank's lending relationship with India has been enabled by the new economic policies.

The World Bank approved its first Structural Adjustment Loan (SAL) to India in December 1991, for an equivalent of $500 million, with one half of it in the form of IDA soft credit. This operation was intended to support the initial phase of the Government's program of industrial deregulation, liberalization of international trade, and increasing the efficiency of public enterprises. The SAL has demonstrated the Bank's catalyzing role in being able to broaden multilateral and bilateral external assistance to India, when such assistance was crucial, and in laying the foundation for subsequent adjustment lending.

The Government of India has been concerned that the poor should be protected against the austerity of fiscal adjustment; and that working men and women affected by industrial restructuring need retraining and redeployment. Such concerns were readily shared by the Bank, and led to the Social Safety Net Adjustment Program, with a blend of $500 million of soft IDA credit and about $400 million multilateral and bilateral funding. The purpose is to support and strengthen India's existing social safety net facilities, and also to achieve greater cost effectiveness in primary education, primary health care, disease control and nutrition in the most disadvantaged areas in India.

Achieving a closer integration with the world economy has been another important objective of India's new development policies and one with potentially significant benefits. The country's share of world trade is rather marginal with scope for a large increase in exports. Access to modern foreign technology and to direct foreign investment acquires importance in this context. To support India's transition to a more open and competitive economy, the Bank approved, in June 1993, an adjustment loan (i.e. the Liberalization of the External Sector and Investment Regime), for the equivalent of $300 million in a single release operation.

The policy initiatives of the past two years undertaken by the Government of India, and supported in part by the Bank's adjustment lending, are beginning to yield results. The macro-economic stabilization program has succeeded in building up the country's foreign exchange reserves and in controlling inflation. Equally encouraging has been the progress on the structural front, specially the freeing of industry from licensing requirements, unification of exchange rates, removal of quantitative restrictions on imports of capital and intermediate goods, reduction in custom tariff rates and opening up of banking, mining and mutual funds industries to a more competitive environment.

WORLD BANK – INDIA PARTNERSHIP: THE HIGHLIGHTS

Compared to many other developing countries, India's reliance on foreign resources for financing its development has been of a relatively small order. Even so, support from the Bank and IDA for India's development has been of indisputable value. India, over most of the period, has relied mainly on official external flows from bilateral and multilateral sources. Being a large country, which has also consistently pursued an independent foreign policy, bilateral aid has accounted for a relatively small proportion of official flows, and India's borrowing from multinational sources has been predominantly from the Bank Group.

The World bank has been of help to India's development in several important ways. It has not only supplemented bilateral flows in a significant measure but has also helped mobilize, sustain and coordinate bilateral assistance through the Consortium. These funds have been made available for a large number high priority projects and programs aimed at growth and poverty alleviation. IDA has shored up India's creditworthiness, thereby widening her options to borrow from other sources in the international markets. Most importantly, procurement of goods and services from Bank Group financing is untied since it can be sourced in any of the Group's world wide member countries. This has enabled India to get the best value out of her borrowing by making it possible to import goods, technology and services on the most competitive terms.

THE LENDING FABRIC:

Lending to India from the Bank Group has been predominantly in the form of project lending, i.e. for specific development projects and programs. Projects in all key sectors of development have received Bank lending, with the sectoral emphasis conforming to priorities that have emerged from one phase to another in India's own development process. Up to 1990 the Bank had funded 312 projects, of which 178 were financed through IDA. The current active portfolio consists of about 125 projects amounting to about $34 billion in various sectors of the economy.

The Bank has been flexible not only in the purposes of its loans, but in its lending modalities as well. The projects funded by the Bank should appropriately be viewed as comprehensive

programs aimed at broad developmental objectives rather than as 'construction plans' directed merely at creating infrastructure, nor in terms of individual investments restricted to specific projects. For example, projects in the social sectors and in irrigation taken up by the Bank have kept in mind regional imbalances and special efforts have been made to reach out to backward areas. A number of projects have been 'multi-state' in the sense that they have funded investments and activities in a number of states within the framework of a single project.

External lending for projects or 'project aid' tends to convey the impression that financing is confined to the import content of specific, localized facilities. This has been far from the case in Bank financing, which has covered not only direct foreign exchange needs but has gone much beyond this by covering in local currency costs for goods and services that could be obtained domestically, including recurrent costs in some projects. In India, the element of local cost financing (LCF) has been relatively high, especially in agriculture, irrigation, roads and the social sectors where the import content is limited. LCF has thus provided a significant input of 'free foreign exchange.' Also, counterpart funds arising from LCF have provided budgetary support, supplementing domestic savings. In this way, Bank financing has simultaneously helped reduce India's foreign exchange gap, the savings gap and budgetary deficits.

That the Bank has always looked beyond the strict project framework is evident in the technical assistance provided by it. Though exclusive technical assistance projects are a recent phenomenon in India, technical assistance has always been embedded in the project identification, design, and supervision stages of the project cycle. Most project loans also include funds for obtaining technology, training, and consultancy services. As the historians of the Bank point out: 'The Bank has sought to contribute, to almost every lending operation in which they have been engaged, something more than financing. Not all of the "something more" has been technical assistance, but much of it, including a portion of what borrowers may have regarded as administrative harassment, has been technical assistance.' Moreover, the technical reports prepared by the Bank, along with its economic and sectoral studies, have served as useful inputs both at the policy and project levels.

The Bank has also provided technical assistance to India through its Economic Development Institute (EDI). Established in 1956 as a training center, the EDI has been offering courses on the general process of development and on economic and financial techniques for handling specific sets of problems. In recent years

the EDI has also increased the policy focus in the training activities that it offers. Apart from courses run from Washington D.C., the EDI has also organized programs in India. It is also noteworthy that two of the Directors of the EDI have been distinguished economists from India.

Institution building has been another major emphasis of the World Bank. It has been viewed as a vital aspect of lending operations because of its relevance for strengthening the long-term domestic development capacities of borrowers. In India, the Bank's contribution to institution building has been many sided. Financial intermediation has provided an important nexus for institution

building. Working closely with all-India financing institutions, the Bank has sought to strengthen institutional capacities and to reform their organizational structures and operational procedures. Similarly, it has been interacting with central authorities (such as Central Water Commission, Directorate of Agricultural Extension and National Wastelands Board), large individual entities operating at the all-India level (the Indian Railways, Telecommunication Board, National Thermal Power Corporation, Fertilizer Corporation of India etc.) and state-level executing departments and agencies (like State Electricity Boards, State Irrigation Departments, Metropolitan Development Authorities and Water Supply Authorities).

The Bank has opened doors to fruitful interaction between governments and non-governmental organizations (NGOs) and has encouraged public policies that foster effective NGOs. Though the Bank does not make grants directly to the NGOs, it readily recognizes the development actions effectively carried out by them in low-income countries. NGO involvement in Bank financed projects has risen sharply, providing valuable services and important insights into the social and environmental aspects of the projects.

TOWARDS SELF-RELIANCE:

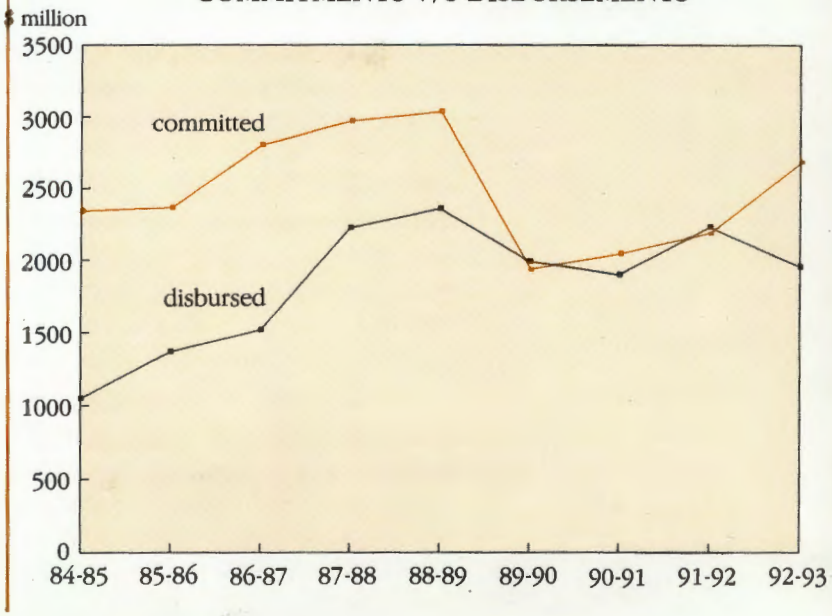
In the important objective of self-reliance there is and can be no difference in perceptions between the Bank and its borrowers. While technical assistance and institution building seek to enhance domestic capabilities, the purposes and forms of Bank lending aim at promoting self-reliance in the balance of payments. In India, lending operations and procedures have sought to address this objective in a number of ways. The simplest example is the entire set of Bank projects in agriculture, energy, infrastructure and industry. The large portfolio in oil and gas development and in fertilizer manufacture has been a major contribution to import substitution while infrastructure development has provided the basis for both export promotion and import substitution in agriculture and industry.

Wherever appropriate and possible under Bank procedures, procurement of goods and services for projects has been reserved for domestic bidding, in order to encourage and utilize India's capacities in manufacturing and construction. The Bank provides a 15 percent price preference for procurement of goods and 7.5 percent price preference for civil works supplied by India. In 1991 local procurement in India for IBRD and IDA projects amounted to $1.2 billion in value, which was about 25 percent of local procurement in all borrowers. In the same year, India supplied

about 6 percent of goods and services procured from developing countries.

Slow aid disbursement and the problems of implementing the large portfolio of on-going projects in India have always been a major concern for the Bank and the Government of India. The New Delhi Office has worked closely with the Indian authorities to improve project supervision in the agriculture sector and to expedite procurement and disbursement processes. More recently, in the light of a major study on the problems of managing the Bank's portfolio—the Wapenhans Report—the Bank has intensified its collaboration with the Indian government to improve the quality of the on-going project portfolio. To this end three major initiatives have been undertaken: first, a unit has been established in the New Delhi Office to deal with procurement, disbursement and audit operations across sectors; second, country implementation reviews, focussing on generic issues and on poorly performing projects, have been carried out jointly with the Government of India; finally, a more pro-active stance has been taken towards project restructuring, cancellation and closure. This has resulted in recent cancellations of several IBRD projects and project components totalling $850 million. The Bank has also been willing to reallocate unutilized IDA aid for new and quick disbursing projects. IDA fund savings from eighteen projects valued at $379 million have been deployed in this way.

COMMITMENTS V/S DISBURSEMENTS



THE PROJECT CYCLE

A substantial chunk of World Bank lending in India (about 94 percent) has been for specific projects. The concentration on project lending is directed at ensuring that Bank funds are invested in sound, productive projects that contribute to the development of a borrowing country's economy as well as to its capacity to repay the loan. No two projects are alike; each has its history, and lending has to be tailored to its circumstances. On the other hand, each project passes through a cycle that, with some variations, is common to all.

The first phase of the project cycle is concerned with identifying projects that have a high priority and appear suitable for Bank support. It is the Government which proposes projects for financing by the Bank. After a proposal is initiated by the Government, the Bank comes in to review and appraise the proposal and then decides whether to fund it or not.

The Bank examines the project in the context of its lending strategy for the country. After deciding that the project also meets a *prima facie* test of feasibility—that technical and institutional solutions are likely to be found at costs commensurate with expected benefits—it enters the lending program. Following this, an extensive period of project preparation begins. This part of the project cycle involves carrying out feasibility studies and establishing a work schedule for the project.

As the project takes shape and studies near completion, the project is scheduled for appraisal. Appraisal provides a comprehensive review of all aspects of the project, viz. technical, institutional, economic, and financial. Appraisal is solely the Bank's responsibility. The Bank's appraisal report, summarizing its recommendations for a loan conditions, forms the basis for negotiations with the borrower. After negotiations, the appraisal report, amended to reflect the agreements reached, is presented to the Board of Executive Directors. Approval by the Board marks the beginning of the implementation stage of the project.

The actual implementation of the project is the responsibility of the Government; the Bank's role is to supervise the project as it is implemented. Supervision is also an important way for the Bank to provide technical assistance to its borrowers, one of Bank's primary developmental roles. The World Bank

normally does not disburse its funds without evidence that the borrower has spent the money to achieve the agreed purposes. Strict procurement rules ensure that appropriate materials and services are used. These rules usually require the borrower to purchase goods and services through international competitive bidding (ICB), open to firms in all the World Bank member countries. The ICB process, which involves public advertising, ensures that contracts are awarded in a fair and efficient manner.

The final stage of the project cycle is that of monitoring and evaluation. An independent department within the World Bank, the Operations Evaluation Department (OED) is responsible for assessing the results of the projects. The evaluation compares project costs, benefits, timetable, and efficiency with what had been expected at the time of appraisal. It also suggests how to improve project performance in the future.

POLICY DIALOGUE:

An account of World Bank's contributions to the Indian economy would be incomplete without a reference to the policy dialogue. The ultimate mission of the World Bank is to help accelerate sustainable economic growth and reduce poverty in the developing world. To reach this aim the Bank has been involved in reviewing the economic strategies of the borrowing members and conducting a continuous dialogue with them at the policy level.

Many policy issues, both macro and sectoral, become relevant in appraising and negotiating the financing of projects and programs presented by the Governments. These issues are mostly resolved before the lending is approved or become conditions – to the extent necessary and appropriate – for the Bank's support. There are times when an agreement cannot be reached, in which case the project is dropped. But the effects of such slippages on the overall level of Bank Group financing for India has not been significant. India's needs are so large and project potentialities are so many that the Bank has been able and willing to deploy its financing in other projects or sectors. The relationship has always been one of the Bank supporting programs initiated by the Government and not *vice versa.*

"A dialogue on projects and on sectors is difficult enough for the Bank and for the borrower. But what is even more difficult for the Bank and borrower is dialogue on the general economic, financial and development policies of the borrowing country. Such a dialogue has often been desirable in the past and has taken place. It is, in my opinion, usually going to be essential in the future that the Bank conduct this kind of dialogue with low-income countries which need a large flow of resources from abroad for a long period."

–Escott Reid, 1965

Right from the beginning, the Bank has felt the need to review and discuss the economic and financial policies of its borrowers. In the early years the overriding purpose was to assure its Board and other donors that the countries which borrowed funds could pay back the interest and the principal; in other words, it was an issue of creditworthiness. It did not take much time to see that policy concerns had to extend beyond balance of payments effects. The development strategies which defined the policies of the governments in the important areas or sectors of the economy – fiscal, monetary, trade, agriculture, industry and infrastructure – had important effects not only on the creditworthiness, but also on how effectively the funds could promote economic development, which is the shared objective of the Bank and its borrowers.

In recent years, two significant developments have given impetus to the policy dialogue. First, there has occurred a growing awareness of the pivotal role of social sector policies both as they affect growth and, no less importantly, poverty reduction. The World Bank has extended its project involvement as well as its policy dialogue to sectors such as education, health, population and nutrition. Cutting across all projects and sectors, the concern for environment and for sustainable development policies has also become crucial.


HOWRAH 53 B.GARDEN
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"India, moreover, has never been a tabula rasa *patiently awaiting advice on development priorities or strategy before deciding on a course of action. Since obtaining its independence in 1947, India has had a government able and willing to assign a high priority to economic development and has been a repository of strongly held ideas on what needs to be done."*

—Mason and Asher, 1973

The second impetus to the policy dialogue has come from the emergence of adjustment lending as a new instrument. Adjustment loans or credits provide flexible and quick funding to countries which undertake policy reform programs. In a sense, the concept is not new to the Bank or to India. Program loans, going back to the mid-1960s, were the percursor of adjustment lending. Even then the Board of the Bank had concluded that it was appropriate for the Bank and IDA to make program loans available to a country that had a 'satisfactory development program and supporting economic and financial policies, and where project lending alone would not provide an adequate amount of external finance at the time when it was needed.' Between 1964 and 1976, India became the recipient of nine industrial program loans totalling $ 1330 million.

While the first generation of adjustment lending dealt mostly with the effects of the energy crises and debt problems, adjustment lending has been increasingly reformulated as a vehicle not only for dealing with crisis situations but also for supporting countries that decide to go through the arduous task of structural reforms. The

preparation and implementation of these operations have required a more systematic approach to the policy dialogue. The Bank's large program of country and policy assessments is backed by economic and sector studies based on painstaking research. Bank staff, with the help of consultants and often in collaboration with national experts, prepare reports on a wide range of subjects. These reports are first discussed within the Bank and then with relevant authorities in the countries. The conclusions help define the country lending strategies of the Bank. Through these studies and discussions, the experiences of member countries also become more readily available to each other.

The history of the policy dialogue between the Bank and India reflects the changing circumstances as well as the evolution of ideas on economic development in general during the post-World War period. The high optimism about India's potential, opportunities and strategies that prevailed in the 1950s provided a promising start to Bank-India relations. The Bank was ready to help India solve the balance of payments crises of 1958 and the deliberations gave birth to the institution of Aid Consortium. Following this a high-level mission organized by the World Bank visited India and wrote a very positive report on the Indian economy which was to be described by I.G.Patel as 'one of the most heart-warming documents in the annals of international relations.' This mission of the 'three wise men' included Sir Oliver Franks (Britain), Dr. Hermann Abs (Germany) and Mr. Allan Sproul (the United States). Their report set the positive tone of Bank-India relations in the next few years.

"There is no doubt that in both the rich as well as the poor countries, there has been of late considerable disenchantment with the giving or receiving of assistance across national borders . . . There is no reason why we should object to an assessment of our plans and policies by the aid-giving countries and institutions and much less reason why we should suspect something sinister in every honest advice rendered to us. As long as we ourselves are clear about where we stand and what we wish to achieve, there is no reason why we should fear a dialogue with other people."

—I.G. Patel, 1971

"There is no particular evidence that the licensing system has in fact served any positive economic purpose. There is little doubt, however, that it has prevented efficient enterprises from expanding, that it has imposed restraints upon the achievement of economies of scale, and that it has delayed and hampered investment and production activity. It has, like the import control system, protected and preserved inefficiency by, in effect, allocating market shares and restraining the growth of more efficient enterprises."

—Bell Report, 1965

"The fact of the matter is that the Bank cannot force any Government to do anything. We are only an outside agency that has money to lend but even the amount of money that we can contribute to any one country is a small fraction of the country's own resources. We can only support what Governments and people themselves are prepared to do. We can help in the process. We have world-wide experience, we have some idea of what works and what doesn't work. . . . . In India or elsewhere if these reform programs are not indigenous, they would not survive. The reform programs are fundamentally political; they are economic reform programs but they are essentially part of the political process. No foreign agency can involve itself in such a process. The Bank will not even try".

—Ernest Stern, 1993

By the beginning of the 1960s, however, the Bank, among other commentators, became more critical of the direction of Indian economic policy. In 1965, a large economic mission produced a comprehensive report, later to become known as the Bell Mission Report after its leader, Bernard Bell. The recommendations of the report were supportive of the Green Revolution which was already being put into effect in India and gave an added impetus to its successes. However, the report drew attention to several dysfunctional features of the highly regulated trade and industrial regimes in India, its overvalued exchange rate, and the drawbacks of planning based on detailed location and production targets. Over the decades that followed, the dialogue on these topics became more sporadic with the Bank and the Government of India agreeing to disagree on the more controversial areas and concentrating their collaboration on sectoral strategies in agriculture, infrastructure, power and urban development. Only recently has the dialogue on macro-economic policy issues become active under the new reform programs of the government.

There is an extensive and rich literature on the effectiveness and the quality of policy advice that has been part of the Bank's partnership with India. The views range from dismissing any Bank influence to attributing great importance to it, positive or negative. The truth, no doubt, lies somewhere in between. In India, as in some other countries, the World Bank has been accused of undue interference in internal economic policies and, at times, the Government has been blamed for succumbing to World Bank 'pressures'. This is not borne out by the facts. The overall levels of World Bank aid to India as a whole do not appear to have been used at any time as a lever for effecting policy changes since the total commitments of Bank aid over the years have followed a steady trend of increase.

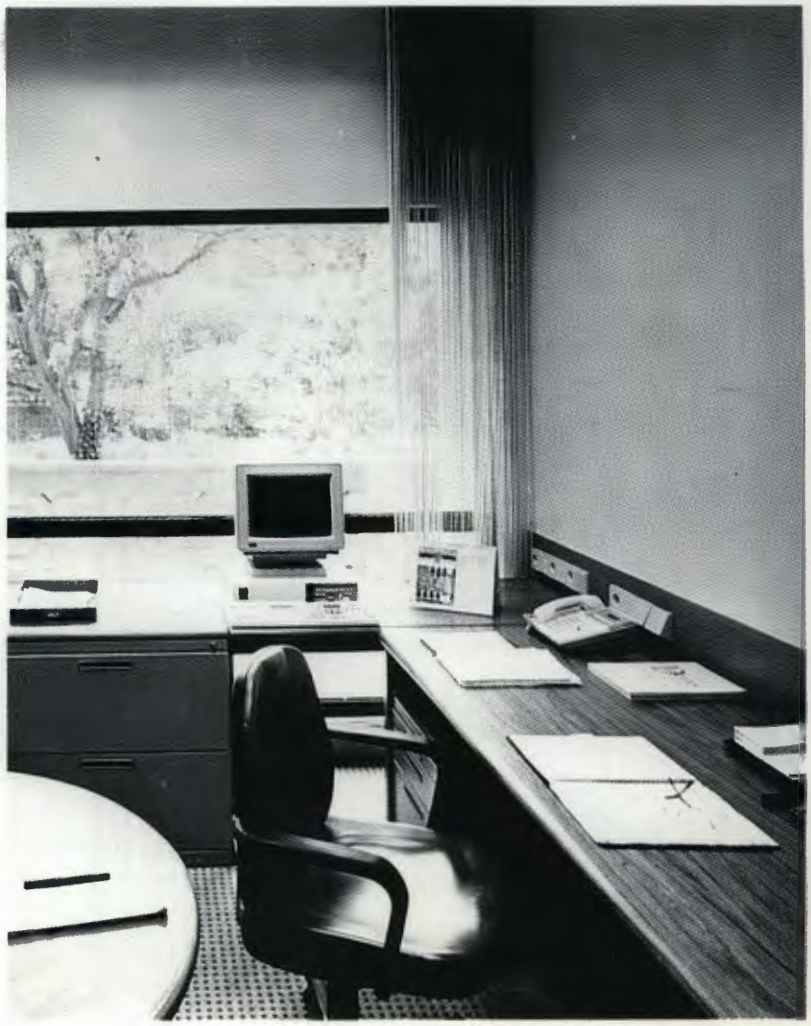
The right way to look at the World Bank advice function is not to see it as an attempt to 'buy policies' but as offering timely and adequate support for mutually agreed policies best designed to promote development. There is a fine but genuine distinction between these two perceptions. The basic tenets on which aid diplomacy has to be built are well understood on both sides. The World Bank has to satisfy itself as well as persuade other donors that aid will be serving the ultimate purpose of accelerating growth and reducing poverty and that the necessary policy environment is in place. On the other hand, only governments have the mandate and the responsibility for deciding what is in the best interests of their people. The Bank fully recognizes that only policy reforms of a country's own choosing have any chance of success. The

"If the World Bank's influence gets beyond a certain point, if it begins to look like pressure, even if it is something desirable in itself or something desired by the country itself, pressure by the Bank to achieve it can be a very deadly political weapon. The World Bank is a source of external finance to India, and it is very easy, when an unpopular measure is taken, for its critics to argue that the country has either been bribed or blackmailed into a policy measure. Unless there is a degree of political sensitivity, one may get a situation where the whole relationship between the World Bank and the recipient country can get awkward . . . The thing to guard against is the role of the World Bank as an agent for pressurizing rather than leaning at the infant open door . . . Whether the World Bank comes in then as a gentle supporter of a door about to open and gives a push, or whether the Government says 'No' because this is something coming from outside in the form of pressure or leverage, that is something which has an extremely significant and rather delicate balance."

—L.K. Jha, 1971

harmonization of these concerns defines the delicate art of aid diplomacy or as L.K. Jha had put it, 'learning against open doors.'

The policy dialogue is not a one-way street either. The interaction of the Bank and India on policy issues has been beneficial to both parties. The Bank has been successful in bringing the experience of other countries to the attention of India in the areas of agricultural, industrial, trade and infrastructure policies. Equally, India's development strategies have impressed on the Bank the importance of medium-term resource planning, food security and the value of an open, federal democracy. Both parties have contributed to and benefitted from the general evolution of thinking on development policy that has characterized the years since the Second World War.



NEW DELHI OFFICE:

The establishment of a World Bank Resident Mission in Delhi in 1957 was a sign of the importance that the Bank attached to its relations with India. The New Delhi Office is today the oldest, continuously functioning resident mission; its history reflects the evolving role of the World Bank-India partnership.

The New Delhi Office started as a small office chiefly with representational and information gathering responsibilities. The functions of the first Resident Representative were to keep the Bank informed on all matters relevant to its activities in India and to represent the Bank's view on the Government's development programs and policies. An Assistant Resident Representative was added in 1963 and an engineer for project supervision in 1964.

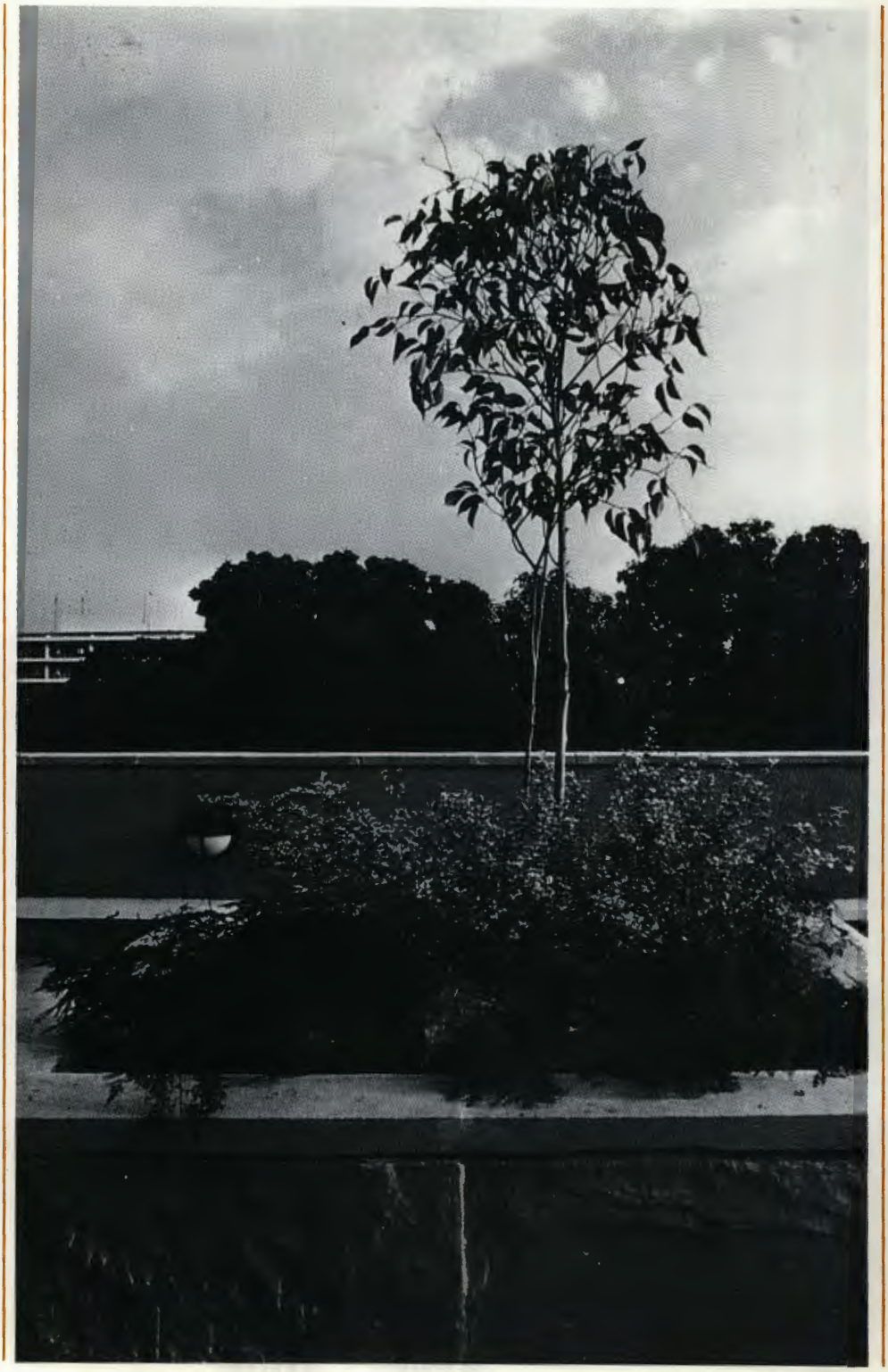
The Resident Mission was welcomed by the Government of India and has throughout enjoyed close and harmonious relations with the Indian authorities. Space was initially provided by the Government in the Reserve Bank building on Parliament Street, with supporting staff also provided by the Government. The arrangement lasted till late 1966, when the Bank moved into a rented residence at 7 Sardar Patel Marg, which was converted into office space for the rapidly expanding staff. In the fall of 1970, the Resident Mission shifted into the new quarters in the Ford Foundation Complex near the Lodi Gardens.

Over the years, there was much discussion in the Bank as to what the functions of the Resident Mission should be. By 1966 its primary function was defined as policy interaction with project work taking a subsidiary place. In the following years the responsibilities of the Delhi Office, headed by economists, acquired an overwhelming focus on economic reporting. In the 1970s the Office, strengthened with several sector specialists, got increasingly involved in project related work. As the office expanded during 1970s and the 1980s, the agricultural group, in particular, grew rapidly, extending its activities to project supervision.

The Agriculture Unit of the New Delhi Office with five Headquarters and 16 local high leel staff now carries out the supervision of all the agriculture projects in India and assists the headquarters staff in the preparation and appraisal of projects. It is the only country-based unit where all supervision work as well as procurement, disbursement and audit work of agriculture projects have been devolved to a field office. In recent years, staff members have been added for other sectors as well and the procurement and disbursement capacity is being expanded to handle projects in these sectors.

The New Delhi office is proud and pleased to move into its own building on October 30, 1993, nearly twenty five years after President George Woods first mooted the proposal. The building is testimony to the close and cordial working decades that have gone by since Bretton Woods. These relationships have been cemented on both sides in a variety of ways and at many levels. India's Executive Directors at the Bank's headquarters in Washington and the Resident Mission of the Bank in New Delhi have both played a notable part. Visiting teams from Washington and supervision teams from the New Delhi office have struck excellent working relationships with Indian executing agencies and their officials. There has been a flow of staff between the Bank and India promoting a reciprocal appreciation of their policies and perspectives. Alumni of the EDI are to be found in many important positions all over India. At the highest levels, India's Finance Ministers and senior officials have enjoyed an excellent rapport with successive Presidents and the top management of the Bank.

Above all, the shared objective of assuring a better life to the people of India has been the strongest bond between the two partners.



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