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REVIEW ARTICLE

INDIA AND WORLD BANK RELATIONS: AN EVALUATION OF INDIA'S ROLE IN THE EVOLUTION OF THE WORLD BANK

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ABSTRACT

India's relations with the World Bank can be traced back to the latter's origin. India was one of the 17 countries, prepared the agenda for the Bretton Woods Conference (June 1944). It was also one of the 44 countries which signed the final agreement for the establishment of the Bank. The name "International Bank for Reconstruction and Development" was first suggested by India to the drafting committee. Since then the two have been established a close relationship with each other from framing the policies of economic development in India to financing the implementation of these policies. The article examines concept of financial assistance for development purposes, the establishment, objectives and organizational structure of World Bank along with its subscriptions. It emphasizes on India's role and association with World Bank. The article also looks into the role played by World Bank in India's economic development.

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INTRODUCTION

The flow of international financial resources occupies a vital position in the economic development of the less developed countries. Some writers view it in terms of the "dependency theory", which states that foreign economic assistance is a tool through which the "center" exploits the "periphery" and so, the latter continues to remain undeveloped. Here, the center is donor and the periphery is the capital-receiving country (Frank, 1999). But, this kind of view has been opposed by Dragoslove Avramovic, who identifies three stages in this respect. The first stage is characterized by heavy inflow of foreign aid, in order to meet the required investment as well as to make service payments on foreign loans. In this stage magnitude of external indebtedness keeps on growing fast. In the second phase, domestic savings and export surplus grows to a magnitude to be equal to that of investment, but the country still borrows to meet the amortization and the interest charges. Indebtedness in this stage rises, but not so fast as in the first stage. In the third stage, domestic resources grow to a magnitude which is sufficient not only to meet the current investment needs but also to service the past loans. Indebtedness begins to lessen. After some time, indebtedness disappears and later the entire investment is made up of domestic resources (Avramovic, 1964).

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These international financial resources or loans come from mainly three donors: bilateral creditors, multilateral creditors and commercial creditors. Among these three, multilateral creditors occupy an important position. These multilateral creditors are also called the International Financial Institutions (IFIs). Which include the International Monetary Fund (IMF), the World Bank (WB), and regional development banks such as the Inter-American Development Bank, Asian Development Bank, African Development Bank and so on. The main creditor among IFIs, is the World Bank, which was set up along with International Monetary Fund at the end of the Second World War at Bretton Woods in the United States.

Establishment of the World Bank

The flow of international financial resources has a long history, but the proportions of the financial flows increased significantly since the seventies of the nineteenth century with the industrial revolution in England. It raised the demand for raw material and foodstuffs, which could be satisfied by making foreign investments that assured not only the supply of food and raw materials but also the marketability of British manufacturers (Sharan, 1991). The characteristic of international capital flows was different during the initial period (Sharan, 1991). Firstly, almost all the lending came from the private sources, in the form of stock and bond issues, because there were no international institutions for lending purpose, nor the system of government to government assistance because many countries were under colonial rule. Secondly, around two thirds of foreign capital went to finance investments in public services, especially transport, which laid the basis for domestic industrial development as well as for the production and transportation of raw materials for export. Thirdly, foreign investments flowed into the resource rich countries.

Second World War brought about certain changes in the flow of this foreign finance. The United States emerged as a net creditor and also the main source of new capital flows. Borrowing by other governments accounted for approximately half of the foreign dollar issues in the United States in 1924-28. But, this trend was greatly affected by the economic depression of 1930s (The World Bank, 1995). Then the international political developments and Second World War worsened the situation. The post Second World War devastated economies of western Europe and, the development needs of nations which were getting independence from colonial rule, necessitated an international organization to reconstruct and help in the recovery of the economy of these states. The efforts of war-affected countries and developing countries came to fruition conception on the 22 July, 1944, at the conclusion of a 44-nation, three-week conference, officially called the 'United Nations Monetary and Financial Conference', held at Bretton Woods, New Hampshire, in the United States. The Articles of Agreement were drafted in 1945 and they came in to force on 27 December, 1945. The resulting institution was the International Bank for Reconstruction and Development (IBRD) began its operations on 25 June, 1946 (Sharan, 1991). It was later renamed as World Bank. The World Bank consists of the IBRD, the International Development Association (IDA), and the International Finance Corporation (IFC).

Objectives of the World Bank

The Articles of agreement constitute a binding document signed by the various governments which became or agreed to become 'members' of the IBRD. The first article sets the purposes of the World Bank or IBRD, with the express direction that it "shall be guided in all its decisions by the purposes set forth" (Ray, 1996). The main purpose is the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes (Clause(1)); the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peace-time needs and the encouragement of the development of productive facilities and resources in the less developed countries (Ray, 1996). Another purpose is the promotion of private foreign investment by means of guarantees, by the IBRD, on loans from private investors. Where the private capital is not available the IBRD is enabled to supplement private investment by providing finance for productive purposes out of its capital, or from funds raised by it (Ray, 1996).

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 IBRD funds are shareholders' capital and retained earnings. IBRD loans are given for a period of 15 to 20 years, and generally have a five years grace period. The interest rate on these loans is adjusted every six months according to changes in the cost of funds to the World Bank. The current interest rate is 7.43 percent (The World Bank, 1993). Currently, it has 183 members and a cumulative lending capacity of about US $360 billions. The IBRD aims to reduce poverty in middle income and creditworthy poorer countries by promoting sustainable development, through loans, guarantees, and non-lending services including analytical and advisory services. Owned by member countries, IBRD links voting power to members' capital subscriptions, which in turn based on a country's relative economic strength (The World Bank, 2001).

The limitations of the IBRD loans are: (a) its finances were available only with the government guarantee and that too only in the form of loans and not in the form of risk capital or equity investments, (b) the private sector enterprises will not get the loans of IBRD and they suffer due to lack of foreign credits. To fulfill these needs the policy makers of the World Bank have decided to establish an institution that would lend, without government guarantee and provide equity investments to the private sector. The institution created for this purpose in July 1956, was the International Finance Corporation (IFC) (Sharan, 1991). By the end of the millennium, the IFC has 175 members with a cumulative lending capital of about US $21.8 billions. The IFC is mandate is to further economic development through the private sector and working with business partners, it invests in sustainable private enterprises in developing countries and provides long-term loans, guarantees and risk management and advisory services to its clients. The IFC invests in projects in regions and sectors under private sector investment and finds new ways to develop promising opportunities in markets deemed too risky by commercial investors in the absence of IFC participation (World Bank, 2000).

The International Development Association (IDA) was setup in 1960 as an affiliate of the World Bank to make concessional long-term loans to the poorest countries. The developing countries had to invest in their infrastructure, like transport, power, health and education. These activities were time consuming and tangible benefits were unlikely to attract private investors. To assist these countries in these sectors the IDA was established. Its lending is more generous with no interest charges and only, with a service charge of 0.75 percent. The repayment period is also extremely favorable with 35 to 40 years (Ray, 1996). Now it has 162 members with a cumulative lending capacity have about US $127 billions. The IDA helps to provide access to better basic services (such as education, healthcare, and clean water and sanitation) and supports reforms and investments aimed at productivity growth and employment creation (The World Bank, 1999).

Subscriptions

Subscriptions by member countries is based on the contribution to the World Bank and also each member's quota in the IMF which is designed to reflect the country's economic strength. Voting rights of the member countries are related to shareholding. Each member of the Bank has 250 votes plus one additional vote for each $100,000 of capital stock subscribed by it. As, the Articles provide with certain designated exceptions, all matters before the Bank are to be decided by a majority of votes cast. The voting formula can be summarized as (Mahendrapal, 1985): the member's quota in US Dollars

A member's vote = 250+
1,00,000

The voting rights of the Bank are based on cumulative contributions to the World Bank. Under the Articles of Agreement the capital subscription is divided into three parts (Mahendrapal, 1985):

- Two percent of each subscription is payable in gold or US dollars, which may be freely used by the World Bank in any of its operations;
- Eighteen percent of each subscription is payable in the currency of the subscribing member. These funds may be loaned out only with the consent of the member country whose currency it is;
- The remaining 80 percent of each subscription is not available to the World Bank for lending but is subject to call if and when required by the Bank to meet its obligations on borrowing or on loans guaranteed by it. Payments on any such call must be made either in gold, US dollar, or the currency required, to discharge the obligations of the Bank for which the call is made.

This 80 percent portion of the capital subscription constitutes assets of the Bank. It will be used for the liquidation of the Bank's obligations only. It is in the nature of guarantee fund. The obligations of members to make payments on calls from World Bank are independent of each other. In other words, the default of one or more members would not excuse any other member from its obligations to make payments. No member country can require paying more than the unpaid balance of its capital subscription (Mahendrapal, 1985).

India's Association with the World Bank

India's relations with the World Bank can be traced back to the latter's origin. India was one of the 17 countries, prepared the agenda for the Bretton Woods Conference (June 1944). It was also one of the 44 countries which signed the final agreement for the establishment of the Bank. The name "International Bank for Reconstruction and Development" was first suggested by India to the drafting committee (The World Bank, 1993). In the early March 1943, a conference of Finance Ministers of the Allied Governments was held in London to discuss the post-Second World War currency arrangements in Europe. At that time India was under the British rule and considered as its dominion state. This conference was held under the chairmanship Ralph Aheton, who was the financial secretary to the Treasury of USA, , attended by the finance ministers of all Allied countries, having their head quarters in London, as well as representatives of the French National committee participated and representatives from the US, China, former USSR and British Dominion Governments participated. Ramaswamy Mudaliar, then member of Viceroy's Executive Council, and Theodore Gregory, the economic advisor, represented India at the Conference. But the participation of India's representatives in the preliminary discussions was under a seal of secrecy and the discussions were in the nature of a technical examination by experts (Sinha, 1996).

After these, technical examinations to form an international institution to help the countries affected by World War II, in May 1944, US President F D Roosevelt issued invitations to 'United and Associated Nations' to send their delegates to a conference to be held at Bretton Woods, New Hampshire, USA, for formulating proposals of a definite character for an IMF possibly a Bank for Reconstruction and Development' (Sinha, 1996). Forty-four nations, including India participated in the conference, which came to be known as the 'United Nations Monetary and Financial Conference', lasting from 1 July to 22 July, 1944. The Indian delegation to Bretton Wood was led by Jeremy Raisman, finance member of the Government of India. The other members included C.D. Deshmukh, the then Governor of the Reserve Bank of India, and later India's finance minister, Theodore Gregory, the first economic advisor to the Government of India, R. K. Shanmukhan Chetty, independent India's first finance minister, A. D. Shroff and B. K. Madan (The World Bank, 1996).

The opening session of the conference at Bretton Woods on July 1, 1944, set up three commissions, namely, 'International Monetary Fund', Bank for Reconstruction and Development', and other means of international financial cooperation. C.D. Deshmukh was nominated the chairman of Commission on Bank for Reconstruction and Development. The rest of the delegation attended and represented India in the Commission on IMF meetings (Sinha, 1996). On behalf of Government of India, the Articles of Agreements relating to the IMF and the IBRD were signed by the Agent General for India in Washington on December 27, 1945, in the Bretton Woods. The approval of the Legislative Assembly for the IMF and IBRD agreements was obtained in October 1946 (Sinha, 1996). The discussions were held on allotting quotas or shares to World Bank member countries. A formula suggested by the Division of Monetary Research of the US Treasury Department was used during the discussions at the Bretton Woods conference. They were: (a) two percent of national income by 1940 (b) five percent of gold and dollar balances by 1 July, 1943, (c) ten percent of average imports of 1933-38 and the sum of (a), (b), (c) and (d) increased by the percentage ratio of average inputs to national income, 1934-38. According to this formula, with a quota of $400 million, India came sixth on the list, after the USA, the United Kingdom, the USSR, China and France (Sinha, 1996).

Under the Articles of Agreement, the principle office was to locate in the territory of the member, having the largest quota or holding the largest number of shares, i.e. the USA. The US representative had recommended Washington, but the UK delegation led by Treasury Secretary J. M. Keynes proposed New York, the financial centre so as to maintain their international character and to avoid political influence. Moreover, the principle seat of the United Nations was to be in New York, it was desirable to have the IMF and World Bank there, to facilitate cooperation. Canada, France and India supported this view. But the US delegate argued that the IBRD, IMF were institutional organizations dealing with governments and therefore it was more appropriate that it should be situated in the administrative capital of a country, rather than it's financial center, where it mighty be subject to private business interests. Since the choice of site rested with the host country, the United Kingdom agreed to it. As a result, India, France and Canada withdrew their objections to the selection of Washington in order to make the decision unanimously (Sinha, 1996). The Indian delegation at Bretton Woods argued for recruiting staff of the Bank from various countries. The Articles of Agreement echo her voice that "due regard should be paid to the fair representation of the nationals of the member countries" (Mason and Robert, 1973). India has been one of the leading members in establishing the IDA. This can be traced back to 1949 when Prof. V.K.R.V. Rao made a suggestion to the UN Sub-commission on Economic Development for the need of a new international development financing agency that could complement and supplement the Bank's effort (The World Bank, 1993).

Organizational Structure

The World Bank has the organizational structure for policy formulation and executive supervision specified in the respective Articles of Agreement. It consists of Board of Governors, Executive Board, and President.

Governors

All the powers of the Bank are vested in a board of Governors, which consists of one Governor appointed by every member country. Generally, a Finance Minister of member country is appointed as the Governor of the World Bank from that member country and an Alternate Governor, generally the Finance Secretary of the member country. Under the provision of Articles of Agreement, the Governors of the Bank are required to hold an Annual Meeting which by custom is usually held in September in conjunction with that of the IMF. In cases where a decision is required by the Board of Governors in between regular annual meetings, i.e., at such a time when the annual meeting is not being held it can be obtained by telegraphic or mail vote (IBRD, 1953). While special meetings of the Board of Governors are authorized, it has so far not been called. The Finance Minister of India is also one of the Governors of the World Bank, and the Finance Secretary is the Alternate Governor and India participates in annual meetings, which provide the basic policy guidelines for the World Bank's Executive Board.

President

The combined effort of the various provisions of the Articles of Agreement and practice has made the President of the Bank a very important person in the management of the Bank. On the one hand, he is the Chairman of Executive Directors, while on the other, he is the President of the Bank and IDA. The only condition concerning eligibility for the President of the Bank is that he should not be a Governor, Executive Director or Assistant Executive Director (IBRD, 1953). The President of the World Bank is the Chairman of the Executive Directors and head of the operating staff of the World Bank. The Executive Directors elect the President. The President presides over the meetings of the Executive Directors, but does not vote, except in case of equal division and also participates in the meetings of the Board of Governors. By an informal agreement, the President of the World Bank is from USA. The World Bank President is virtually a nominee of the US Government through a process of informal consultation with member countries of World Bank (IBRD, 1953).

The Articles of Agreement state clearly that the President of the World Bank shall be responsible for organization, appointment and dismissal of the officers and staff subject to the general control of the Executive Directors. In other aspects of the operations of the World Bank, the President operates under the direction of the Executive Directors. However, by convention, the President informs in advance, the Executive Directors of his intentions to make appointments to senior positions (Venugopal Reddy, 1985). Every member country will undertake to respect the international character of his duty and to refrain from all attempts to influence any employees in discharging his official responsibilities. Subject to the directions of the Executive Directors on questions of policy, the President is responsible for the conduct of the ordinary business of the Bank and for the organization, appointment and dismissal for its officers and staff (Mahendrapal, 1985).

Executive Directors

Executive Directors are responsible for the conduct of the World Bank's general operations. They perform their duties under powers delegated by the Board of Governors. As provided in the Articles of Agreement, 5 of the 24 Executive Directors are appointed by the member countries having the largest number of shares, the rest are elected by the other member countries, which form constituencies in an election process conducted every two years (The World Bank, 2001). Executive Directors consider and decide on IBRD loan and guarantee proposals and IDA credit and guarantee proposals made by the President, and they decide on policies that guide the Bank's general operations. They are also responsible for presenting to the Board of Governors, at the Annual Meetings, an audit of accounts, an administrative budget, an Annual Report on the Bank's operations and policies as well as other matters.

Their oversight responsibility covers all Bank policies and activities, including approval of all lending and guarantee operations and the annual budget. In shaping World Bank policy, the Board of Executive Directors takes into account the evolving perspectives of member countries on the role of the World Bank Group as well as the Bank's operational experience. In this regard an important role is played by the Operations Evaluation Department (OED), which is accountable directly to the Board to perform professional evaluations as set out in OED's Board approved policies, strategies, and work program. The OED provides independent advice to the Board on the relevance, sustainability, efficiency, and effectiveness of operations (The World Bank, 2001). Executive Directors and Alternate Executive Directors also periodically visit borrowing countries to review Bank assistance in progress. They meet a wide range of people, including project managers, beneficiaries, government officials, non-governmental organizations (NGOs), the business community, other development partners, financial institutions and resident Bank staff (The World Bank, 2001).

Since the former Soviet Union failed to ratify the Bretton Woods Agreement, India moved to the fifth place. This was important since the World Bank's chapter 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 (The World Bank, 1993). In the early 1970's, Japan moved into the first five positions, and India continued to be in the World Banks Executive Board with an elected Executive Director, who also represents Bangladesh, Sri Lanka and Bhutan (The World Bank, 1993). The Executive Directors take important policy decisions. Of the 21 Executive Directors in the Bank, one is from India (Das and Dash). India, by its continuous presence in the board right from the beginning, played her legitimate role in the formulation in the implementation of policies and monitoring of the Bank's programmes. The finance ministers of India as members of the Governing Body have been participating in the annual meetings which frame the basic policy guidelines for the Bank's Executive Board. Many Indians have occupied senior positions in the Bank. For instance, Gautam Kaji, was a Managing Director of the Bank.

India's continuous presence in the Board right from the Bank's creation had enabled her to play a significant role in the formulation, implementation and monitoring of the World Bank's policies and operations, particularly from the stand point of developing member countries (The World Bank, 1993). The Board created an independent Inspection Panel in 1993 to address more closely the concerns of people affected by the Bank projects in order to ensure that the Bank adheres to its operational policies and procedures in the design, preparation, and implementation of projects. Any group of individuals believing that they may be harmed by a Bank-supported project may ask the panel to investigate complaints that such harm stems form the Bank's failure to abide by its policies and procedures. The Executive Directors decide, on the recommendation of the Panel, whether an investigation will take place (The World Bank, 2001).

World Bank in India

World Bank established its Resident Mission in India in 1957, in Delhi. The functions of the first Representative were to keep the World Bank informed on all matters relevant to its activities in India and to represent the World Bank's view on the Government of India's development programs and policies. An Assistant Resident Representative was added in 1963 and an engineer for project supervision in 1964, for these World Bank funded projects. 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 World Bank office, headed by economists, acquired an overwhelming focus on economic reporting. During the 1970s, several sector specialists especially in agriculture specialists were appointed by the World Bank (The World Bank, 1993). The Government of India generally deals with World Bank for loans through its Finance Ministry. The Planning commission in India allocates the funds for the long-term development programs. In case of need for World Bank loans, the Planning Commission discusses with the Finance Ministry as well as with the World Bank for policies and strategies. Then the Finance Ministry is responsible for the loan negotiations. Finally, the Reserve Bank of India is likely to be involved in discussions on the mobilization of foreign-exchange resources and for the interface with the domestic financial sector (Klein, 1994).

The External Finance Unit (EFU) in the Finance Ministry actually deals with the World Bank on loans, interventions from Planning Commission and the beneficiary agency, which can be a government department or ministry. This unit understands the objectives, constrains and administrative procedures for arranging and disbursing loans and grants. For example, Government of India negotiated a large loan from the World Bank in the mid-1980s to finance a big hydroelectric plant. The project's benefits (from both increased electricity and agricultural production) were to be spread across four Indian States. The Indian negotiating delegation comprised representatives from 15 separate government units- the Ministry of Finance of the Central Government and the four States, the Ministries of Power, the Ministry of Agriculture of both Central Government and four State Governments (Klein, 1994).

As the Bank operates in India through many kinds of projects, the country obviously offers an experimental ground for learning lessons and getting insights. India assisted the World Bank, by facilitating it to study various problems in sectors like agricultural, social and transport sectors to learn and, to "increase its understanding of the fundamental interactions of agriculture, poverty alleviation, and environment development efforts". Since the creation of the IDA, which gives loans on soft and concessional terms, with long-term period, development of the Indian industry has been an important theme of the Bank. According to the World Bank, India because of her limited credit worthiness, offered the clearest justification for the creation of the IDA. It can be argued that with the establishment of the IDA, the Bank has tried to ease the problems of balance of payment deficits. With out the creation of the IDA, the bank could not have continued to be keenly involved in India (Mason and Robert, 1973).

Both the World Bank and India have been working together in meeting the developmental goals of growth, stability and social development. On occasions, there have been minor differences on prioritization of goals (The World Bank, 1993). In the 1960s, the World Bank criticized the direction of Indian economic policy. In 1965, a large economic mission, known as Bell Mission, produced a comprehensive report on Indian economic policies. This 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 economic policies of detailed location and production targets (The World Bank, 1993). But the then Indian government did not accept these observations of the Bank. The Bank has attached considerable importance to its relations with India. The close cooperation between India and the IBRD goes far beyond the normal creditor-debtor relations. Robert McNamara, the former President of the World Bank, has stated that, "India occupies a position of truly exceptional importance in the global development efforts" (Mahendrapal, 1985). The World Bank's policies on agriculture, most of them related to the Green Revolution under taken by the Government of India, together, were a great success in increasing food production. In the evaluation of the bank as a development agency, a number of initiatives were first taken in response to India's complex and compelling problems. India, being the largest recipient country of the IBRD, has influenced the Bank's conception of the development process.

The Bank's experience in coordinating development assistance from bilateral and multilateral sources to a single recipient country began in India in 1958 when the bank organized the Aid India Consortium (Mahendrapal, 1985). In 1956, India started facing the foreign exchange crisis. In the middle of 1958, the Reserve Bank of India announced that India's sterling balances, which were about Rs.746 crores in April, 1956 dropped to Rs.200 crores. To discuss this problem, the World Bank in August 1958 called a conference in Washington of representatives from the Governments of Canada, West Germany, Japan, the UK and the US to review India's foreign exchange crisis and the prospects of its Second Five Year Plan. For this meeting, the IMF had also sent and observer. At this meeting, more foreign aid was pledged to India and this conference laid down the foundation of a permanent institution, called the 'Aid India Consortium'. It is organized by World Bank to provide 'aid' to India. In 1961, France and IDA joined it. In 1962 Austria, Belgium, Italy, the Netherlands and in 1968 Denmark became its members (Bhambri, 1980).

In its Sixth Annual Report (1950-51) the Bank referred to the existence of tensions between India and Pakistan, and observed: "However a normal relationship between the two countries cannot be expected until a solution of the major political issues which exist between them has been found", and in 1952 offered the mediation to solve the Indus Water dispute between two countries. This offer was accepted by India and Pakistan (The World Bank, 1994). W.A.B. Liff played the role of mediator form World Bank side. In the early 1950s the Bank was involved along with India and Pakistan in a joint study of technical measures to increase the supplies of water available from the Indus River basin. The discussions among these three sides included the preparation of a comprehensive plan for the development of the Indus basin and estimates of cost for construction of new engineering works. After eight years of negotiations, Indus Water Treaty was signed by the Indian Prime Minister Jawaharlal Nehru and the Pakistan President Ayub Khan in September 1960. In the annual report of 1959-60, the Bank stated that with its initiative, the Indus Basin Settlement Plan was accepted by the two governments of India and Pakistan (The World Bank, 2001).

If we look at the World Bank and India relations sector wise, the World Bank has had long association with the development of India's transport sector starting from the first railway loan in 1949, of $34 million. Originally the World Bank's lending to the transport sector was to build infrastructure and promote economic integration. Until the 1970s, the World Bank's projects were designed with a strong sectoral emphasis on transport planning at the national level, railway investment planning and adequate cost recovery. Subsequently, World Bank assistance emphasized on corporate planning, technical upgradation, production, facilities and maintenance in the transport sector (The World Bank, 1993).

In case of Indian agricultural sector, the World Bank policies are oriented towards India's objectives for increasing food production and alleviating poverty. World Bank's support for Indian agricultural began in 1950s but remained quite limited during the first decade. In 1965 and 1966 India faced catastrophic droughts (The World Bank, 1994). To solve the food shortage problem and huge imports of food grains, India changed its policies on the insistence of World Bank. In 1969, the Bank offered a loan for growing seeds of high yielding varieties of food grains in India, which represented the Bank's first financing of seed production, a key component of the Green revolution. In addition, India's progress towards achieving self-sufficiency in food grains has done much to highlight the so-called second generation problems of the Green Revolution for the Bank and for the world as a whole. The Bank's views on non-project or programme aid to underdeveloped member countries have been shaped substantially by its experience during the 1960s in India (Mahendrapal, 1985).

India's ability to produce capital equipment has been instrumental in securing changes in the Bank's policy on international competitive bidding in order to permit a margin of preference for domestic suppliers of goods. In the social sector, poverty alleviation has high priority for the Government of India and for the World Bank. The latter insists on improving the human resources of the poor, their health and their education as a central means of reducing poverty (The World Bank, 1994). India is one of the contributors to the Global Environment Facility (GEF) which is jointly implemented by the World Bank, the United Nations Development Programme, and United Nations Emergency Fund, to protect the environment from damage caused by the Industrial wastage. India was elected as the first Chairperson of the GEF in July 1994. Two of the Directors of the Economic Development Institute (EDI) of the World Bank have been eminent economists from India continuously (Das and Dash).

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