The World Bank and its affection towards economic development in Sri Lanka

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Abstract

The World Bank functions as an international organization that fights poverty by offering development assistance to middle-income and low-income countries. As World Bank’s stated official goal is the reduction of poverty. The World Bank has set two ambitious goals to push extreme poverty to no more than three percent by 2030, and to promote shared prosperity and greater equity in the developing world. According to the history of World Bank it was established in 1944 and before 1974 the reconstruction and development loans were relatively small. From 1974 to 1980 their size and number of loans to borrowers were increased and 1980, the World Bank Administrative Tribunal was established. As well as Jim Young Kim is the current president of the World Bank. The World Bank is different from the World Bank Group an extended family of five international organizations. However their world bank’s stated official goal is the reduction of poverty. For the poorest developing countries in the world, the world bank’s assistance plans are based on poverty reduction strategies; by combining a cross-section of local groups with an extensive analysis of the country’s financial and economic situation the world bank develops a strategy pertaining uniquely to the country in question. At that manner the World Bank had recognized Sri Lanka as a lower middle-income country with a total population of 21.0 million people. Strong economic growth in the last decade has led to improved shared prosperity and an important decline in poverty. As Sri Lanka aspires to become a higher middle-income country, it will need to adjust its development model. The Country Partnership Framework a strategic plan that defines the World Bank Group’s engagement with its partner countries. According to the World Bank, the country partnership framework supports to the government of Sri Lanka in implementing its reforms to achieve greater competitiveness through three strategic priorities. As well as the world bank’s support in Sri Lanka includes

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13 active projects operating in 163 locations. Among these projects World Bank delighted to contribute their global experience to support Sri Lanka in its journey to preserve wetland, educate the public and reduce the social and economic impact of floods in Colombo. As well as World Bank concentrates to Sri Lanka through the different kind of projects and going to make new partnership framework to build up Sri Lankan economy without the poverty. So the World Bank delighted to contribute their global experiences to support Sri Lanka.

**Key words:** World Bank, goals of World Bank, Sri Lanka, strategic priorities

**Introduction**

The World Bank is an international financial institution that provides loans to developing countries for capital programs. It comprises two institutions. They are the International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA). The World Bank is a component of the World Bank Group, which is part of the United Nations system. [Source: http://worldbank.lk]

“John Maynard Keynes” and “Harry Dexter White” the "founding fathers" of both the World Bank and the International Monetary Fund (IMF). The World Bank was created at the 1944 Bretton Woods Conference, along with three other institutions, including the International Monetary Fund (IMF). The World Bank and the IMF are both based in Washington, D.C., and work closely with each other. The Gold Room at the Mount Washington Hotel where the International Monetary Fund and World Bank were established [source: http://documents.worldbank.org/curated].

When we concentrate to history of World Bank, before 1974, the reconstruction and development loans provided by the World Bank were relatively small. The Bank's staff were aware of the need to instill confidence in the bank. Fiscal conservatism ruled, and loan applications had to meet strict criteria. The first country to receive a World Bank loan was France. The Bank's president at the time, John McCloy, chose France over two other applicants, Poland and Chile. The loan was for US$250 million, half the amount requested, and it came with strict conditions. France had to agree to produce a balanced budget and give priority of debt repayment to the World Bank over other governments. World Bank staff closely monitored the use of the funds to ensure that the French government met the conditions [source: http://documents.worldbankhistory.org/curated].
From 1974 to 1980, the bank concentrated on meeting the basic needs of people in the developing world. The size and number of loans to borrowers was greatly increased as loan targets expanded from infrastructure into social services and other sectors. One consequence of the period of poverty alleviation lending was the rapid rise of third world debt. From 1976 to 1980 developing world debt rose at an average annual rate of 20%. In 1980, the World Bank Administrative Tribunal was established to decide on disputes between the World Bank Group and its staff where allegation of non-observance of contracts of employment or terms of appointment had not been honored.

During the 1980s, the bank emphasized lending to service Third-World debt, and structural adjustment policies designed to streamline the economies of developing nations. UNICEF reported in the late 1980s that the structural adjustment programs of the World Bank had been responsible for "reduced health, nutritional and educational levels for tens of millions of children in Asia, Latin America, and Africa [source: http://en.wikipedia.org]."

Jim Yong Kim, the current President of the World Bank Group. The President of the Bank is the president of the entire World Bank Group. The president, currently Jim Yong Kim, is responsible for chairing the meetings of the Boards of Directors and for overall management of the Bank. The vice presidents of the Bank are its principal managers, in charge of regions, sectors, networks and functions. There are two Executive Vice presidents, three Senior Vice presidents, and 24 Vice presidents (source: Web.worldbank.org.)

**Objectives of the World Bank**

The World Bank's stated official goal is the reduction of poverty.

The World Bank's stated official goal is the reduction of poverty. However, according to its Articles of Agreement, all its decisions must be guided by a commitment to the promotion of foreign investment and international trade and to the facilitation of Capital investment. The World Bank is different from the World Bank Group, an extended family of five international organizations:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
Since inception in 1944, the World Bank has expanded from a single institution to a closely associated group of five development institutions. Their mission evolved from the International Bank for Reconstruction and Development (IBRD) as facilitator of post-war reconstruction and development to the present-day mandate of worldwide poverty alleviation in close coordination with their affiliate, the International Development Association, and other members of the World Bank Group, the International Finance Corporation (IFC), the Multilateral Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment Disputes (ICSID).[source:www.worldbank.org]

Once, they had a homogeneous staff of engineers and financial analysts, based solely in Washington, D.C. Today, they have a multidisciplinary and diverse staff that includes economists, public policy experts, sector experts and social scientists—and now more than a third of their staff is based in country offices. Reconstruction remains an important part of their work. However, at today's World Bank, poverty reduction through an inclusive and sustainable globalization remains the overarching goal of their work.

- More than 1 billion people still live in destitution. At the same time, inequality is rising in many developing nations.
- The World Bank wants to galvanize international and national support around two goals: to virtually end extreme poverty in a generation and to push for greater equity.
- A new Shared Prosperity Indicator will be used to measure income growth of the bottom 40 percent in each country.

While poverty has declined rapidly over the past three decades, humanity continues to face urgent and complex challenges. More than 1 billion people still live in deep poverty, a state of affairs that is morally unacceptable given the resources and technology we have available today. At the same time, rising inequality and social exclusion seems to accompany rising prosperity in many countries. Under these circumstances, the World Bank's overarching mission of a world free of poverty is as relevant today as it has ever been. So the Bank has established ambitious, but achievable goals to galvanize international and national efforts to end extreme poverty globally within a
generation and to promote "shared prosperity," a sustainable increase in the well-being of the poorer segments of society. (Source: www.worldbank.org)

This second goal reflects the fact that all countries aspire to a better living standard for all of their citizens, not only for the already-privileged. To end extreme poverty, the Bank's goal is to decrease the percentage of people living with less than $1.90 a day to no more than 3 percent by 2030. To promote shared prosperity, the goal is to promote income growth of the bottom 40 percent of the population in each country. [Source: www.worldbank.org]

**World Bank and Sri Lanka**

Support from World Bank to develop the economy in Sri Lanka

Sri Lanka is a lower middle-income country with a total population of 21.0 million people and a per capita income of USD 3,924 in 2015. Following a 30 year civil war that ended in 2009, Sri Lanka’s economy has grown at an average 6.4 percent between 2010-2015. Sri Lanka’s economies transitioned from a previously predominantly rural-based agriculture economy towards a more urbanized economy driven by services. In 2015, the service sector accounted for 62.4 percent of Gross Domestic Product (GDP), followed by manufacturing (28.9 percent), and agriculture (8.7 percent). The country ranked 73rd in Human Development Index in 2015 and has comfortably surpassed most of the MDG targets set for 2015. Strong economic growth in the last decade has led to improved shared prosperity and an important decline in poverty. Extreme poverty remains low, as the $1.90 (PPP 2011) poverty rate fell half a percentage point, from 2.4 to 1.9 percent between 2009/10 and 2012/13. As Sri Lanka aspires to become a higher middle-income country, it will need to adjust its development model. (Source: World Bank: More responsibility for developing countries)

When the World Bank concentrate to Sri Lanka by taking cognizance of the changing development priorities, the government policy statement presented in November 2015 envisioned promoting a globally competitive, export-led economy with an emphasis on inclusion. It identified generating one million job opportunities, enhancing income levels, development of rural economies and creating a wide and strong middle class as key policy priorities. The policy statement proposed reducing the fiscal deficit to 3.5 percent of GDP
by 2020. Also, it discussed far reaching reforms with a view to improve performance of the SOE sector and enhance trade and FDI. The following graph illustrates World Bank’s lending to Sri Lanka.

Figure 01: commitments

![Figure 01: commitments](image)

Source: http://worldbank.org/Sri-Lanka-Country-

Figure 02: IBRD/TDA/IFC Trust funds

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Source: http://worldbank.org/Sri-Lanka-Country-

### 3 Priorities to Support Sri Lanka’s Development

According to World Bank Sri Lanka has opportunities to build on its success and has set out an ambitious development vision to promote a globally competitive, private sector–led economy, with a strong emphasis on jobs and social inclusion. Emerging out of internal conflict in 2009, Sri Lanka has in many respects been a development success story: growth has averaged over
6 percent per year in the past decade and poverty declined from 22.7% in 2002 to 6.1% in 2012-13 [source: World Bank].

The Country Partnership Framework (CPF), a strategic plan that defines the World Bank Group’s engagement with its partner countries, outlines objectives to support the government in achieving its articulated vision and incorporates feedback from stakeholders from around the country, including government, the private sector, academics and civil society organizations. World Bank wants the Country Partnership Framework to resonate with the public and with the people who will be the beneficiaries of the World Bank Group’s support. So they essentially test ideas by going throughout the country and speaking to persons from all walks of life and all ages, the private sector, central and local governments, university students, faith-based and civil society organizations; in secondary cities and in the capital. The World Bank’s support in Sri Lanka includes 13 active projects totalling $1.70b operating in 163 locations.

Figure 03: The World Bank's support projects in Sri Lanka

Source: http://worldbank.org/Sri-Lanka-Country-

Emerging out of internal conflict in 2009, Sri Lanka has in many respects been a development success story. Now, Sri Lanka has opportunities to build
on its success and has set out an ambitious development agenda. During consultations, we met with stakeholders from around the country and multiple sectors, including government, the private sector and non-governmental organizations to define our engagement and development strategy and help Sri Lanka build a brighter future for its people. The CPF sets out a program of knowledge work, technical assistance and investments to support the Government of Sri Lanka in implementing its reforms to achieve greater competitiveness, social inclusion and sustainability. The CPF program can be grouped into the following 3 strategic priorities:

- **Priority 1: Improving Macro-Fiscal Stability and Competitiveness**
  To help the country transition to a more robust, competitive, and globally integrated economy and create better-paying private-sector jobs for the bottom 40 percent of the population.

- **Priority 2: Promoting Inclusion and Opportunities for All**
  “*To end poverty in Sri Lanka: empower women.*” – Pradeep Paranaperuma, Member, Hambanthota District Chamber of Commerce and CPF consultations participant. To support the government’s objective to better distribute the benefits of the country’s growth to all citizens, particularly the most vulnerable and marginalized.

- **Priority 3: Boosting Green Growth, Improving Environmental Management, and Mitigating Natural Disasters and the Effect of Climate Change**
  “... *If we can focus on sustainable development, we will be developed within 2020.*” - Sharuka Selvarajah, Project Officer, Consortium of Humanitarian Agencies and CPF consultations participant.


To help improve the country’s capacity to mitigate the environmental impacts of economic transformation and better manage Sri Lanka’s resources natural resources. This will include limiting the environmental impact of urban development, strengthening climate resilience and disaster risk management, and developing renewable energy sources and better managing natural resources. As well as world bank is going to the new Country Partnership Framework (CPF or framework) presents the engagement of the World Bank Group (WBG) in Sri Lanka over the next four years (fiscal years 2017-20 (FY17–20).
World Bank projects – Sri Lanka

I. Preserving the Beddagana Wetland for Flood Protection, Conservation Education, and Improved Quality of Life- current project

There are much projects that the World Bank conducted for Sri Lanka. “Preserving the Beddagana Wetland for Flood Protection, Conservation Education, and Improved Quality of Life” is the one of project that the world bank conducted in Sri Lanka on 17th of June 2016. Sri Lanka has a unique opportunity to protect its wetlands to prevent flooding and provide cooling during times with high temperatures. Countries around the world are realizing the importance of preserving wetlands and green spaces. The Government of Sri Lanka has developed a Wetland Management Strategy in partnership with the World Bank. World Bank delighted to contribute their global experience to support Sri Lanka in its journey to preserve wetlands, educate the public, and reduce the social and economic impacts of floods in Colombo. [Source: www.worldbank.org/projects]

- Wetlands currently cover about 20 square kilometers of the Colombo Metropolitan Area, but they have been degraded and lost at a rate of 1.2% (58 acres) per year.

- Their loss results in a proportional decrease in water storage capacity and increases the risk of floods. Without wetlands, Colombo would lose 1% of its GDP on average each year due to flood damage similar to the floods that paralyzed the city in November 2010.

- The Beddagana Wetland Park contributes to the flood management goals of the Metro Colombo Urban Development Project (MCUDP). It demonstrates how a wetland can be preserved while promoting eco-tourism and improved livability in the city.

This project is the first Bank supported urban development project in Metro Colombo. The Bank has provided $213 million and the Government $100 million. The Bank has also mobilized a Japan Policy and Human Resources Development Fund (PHRD Grant) and Global Facility for Disaster Risk and Reduction (GFDRR) to further studies on flood mitigation and Colombo’s urban wetlands. Technical Financing has ensured robust decision making and analytical working. As well as there are some project that the World Bank conducted in Sri Lanka [source: www.worldbank.org/projects].
Early Childhood Development Project
LK: AF Dam Safety WRP - Addle Fin
Sri Lanka - Second Health Sector Development Project
Sri Lanka - Transforming the School Education System as the Foundation of a Knowledge Hub
LK 2nd AF for the Community Livelihoods in Conflict Affected Areas
Sri Lanka - Higher Education for the Twenty First Century Project
Sri Lanka Education Sector Development Project
Poverty Reduction Support Credit
Economic Reform Technical Assistance Project

Conclusion

The World Bank is an international financial institution that provides loans to developing countries for programs. The world bank has stated that Sri Lanka has been rapidly achieving its development goals which were set at the time loans were granted to it. The World Bank Group’s activities are guided by a Country Partnership Framework (CPF) which is agreed upon with the Government of Sri Lanka. The CPF will guide the collaboration for the next 4 years until June 2020. As well as the Country Partnership Framework will bring support, through knowledge work and investment, to the implementation reform agenda of the government of Sri Lanka, while advancing the objectives of greater competitive, inclusion and sustainability. The areas identified for support are those in which the World Bank Group (WBG) has a comparative advantage and where there are opportunities to leverage the private sector to provide sustainable solutions to the country’s development challenges. Through online consultations and face-to-face consultations in Matara, Jaffna, Batticaloa, Kandy and Colombo, the general public was able to participate in shaping the strategy. The World Bank says it will further support Sri Lanka’s journey towards higher growth and prosperity and this will require progress across all provinces. As well as World Bank hopes to continue discussions that they have previously had with government to further their collaboration. The World Bank looks forward to continue supporting Sri Lanka’s ambitious development agenda.

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