



Universal Eligibility for World Bank Loan

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Why in News

Recently, the **World Bank** has clarified that the **USD 1 billion loan that it has provided to India in May 2020** to deal with **Covid-19** comes with a condition of universal eligibility in procurements.

Key Points

- **Clarification:**
 - The World Bank would have the **right to review the procurement documents, inspect all accounts, records** and other files relating to the project. Compliance to these conditions has been made mandatory for the funding.
 - Following the clarification the Indian Government has also asked all its production units and other major establishments **to remove preferential references in tenders** and ensure that contractors explicitly agreed to comply with the relevant provisions of the World Bank's guidelines.
- **Impact:**
 - This would mean that all **preferential market access policies**, shall not be applicable on purchases made while implementing the national project.
The **preferential market access policies** includes **Public Procurement (Preference to Make in India) Order, Micro Small & Medium Enterprises (MSME) Policy**, certain **benefits to start-ups**.
 - it will be a setback to the **Make in India** and **Atmanirbhar initiative**.

- **Background:**

- The World Bank has announced a loan in May 2020 **to prevent, detect and respond to the threat of coronavirus and strengthen national health systems.**
- It is pivoted towards **migrants, unorganised workers, informal sector**, and creating an integration of the existing infrastructure of safety nets like the **Public distribution system**,
- This loan will be funded and operated in **two phases:**
 - **First Phase:** An immediate allocation of **USD 750 million** for fiscal year 2020.

It will be implemented countrywide through the **Pradhan Mantri Garib Kalyan Yojana (PMGKY)** to benefit vulnerable groups, particularly migrants and informal workers.
 - **Second phase:** A **USD 250 million** second tranche that will be made available for fiscal year 2021.

It would deepen the social protection package, whereby additional cash and in-kind benefits based on local needs will be extended through state governments and portable social protection delivery systems.

World Bank Group

- With 189 member countries, the World Bank Group is a unique global partnership which consists of five development institutions.
- **International Bank for Reconstruction and Development (IBRD)** provides loans, credits, and grants.
- **International Development Association (IDA)** provides low- or no-interest loans to low-income countries.
- **The International Finance Corporation (IFC)** provides investment, advice, and asset management to companies and governments.
- **The Multilateral Guarantee Agency (MIGA)** insures lenders and investors against political risk such as war.
- **The International Centre for the Settlement of Investment Disputes (ICSID)** settles investment-disputes between investors and countries.

India is not a member of ICSID.

Source: TH