An Introduction to World Bank

Deepak Soni

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

The World Bank's 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)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID)

The World Bank's (the IBRD and IDA's) activities are focused on developing countries, in fields such as human development (e.g. education, health), agriculture and rural development (e.g. irrigation and rural services), environmental protection (e.g. pollution reduction, establishing and enforcing regulations), infrastructure (e.g. roads, urban regeneration, and electricity), large industrial construction projects, and governance (e.g. anti-corruption, legal institutions development). The IBRD and IDA provide loans at preferential rates to member countries, as well as grants to the poorest countries. Loans or grants for specific projects are often linked to wider policy changes in the sector or the country's economy as a whole. For example, a loan to improve coastal environmental management may be linked to development of new environmental institutions at national and local levels and the implementation of new regulations to limit pollution, or not, such as in the World Bank financed constructions of paper mills along the Rio Uruguay in 2006.

Founding[

The WBG came into formal existence on 27 December 1945 following international ratification of the Bretton Woods agreements, which emerged from the United Nations Monetary and Financial Conference (1–22 July 1944). It also provided the foundation of the Osiander Committee in 1951, responsible for the preparation and evaluation of the World Development Report. Commencing operations on 25 June 1946, it approved its first loan on 9 May 1947

(US$250M to France for postwar reconstruction, in real terms the largest loan issued by the Bank to date).

Membership

All of the 188 UN members and Kosovo that are WBG members participate at a minimum in the IBRD. As of May 2016, all of them also participate in some of the other 4 organizations: IDA, IFC, MIGA, ICSID.

WBG members by the number of organizations which they participate in:

1. Only in IBRD: None
2. IBRD and one other organization: San Marino, Nauru, Tuvalu, Brunei
3. IBRD and two other organizations: Antigua and Barbuda, Suriname, Venezuela, Namibia, Marshall Islands, Kiribati
4. IBRD and three other organizations: India, Mexico, Belize, Jamaica, Dominican Republic, Brazil, Bolivia, Uruguay, Ecuador, Dominica, Saint Vincent and the Grenadines, Guinea-Bissau, Equatorial Guinea, Angola, South Africa, Seychelles, Libya, Somalia, Ethiopia, Eritrea, Djibouti, Bahrain, Qatar, Iran, Malta, Bulgaria, Poland, Russia, Belarus, Kyrgyzstan, Tajikistan, Turkmenistan, Thailand, Laos, Vietnam, Palau, Tonga, Vanuatu, Maldives, Bhutan, Myanmar
5. All five WBG organizations: the rest of the 138 WBG members

Non-members are: Andorra, Cuba, Liechtenstein, Monaco, North Korea.

Organizational Structure

Together with four affiliated agencies created between 1957 and 1988, the IBRD is part of the World Bank Group. The Group's headquarters are in Washington, D.C. It is an international organization owned by member governments; although it makes profits, these profits are used to support continued efforts in poverty reduction.

Technically the World Bank is part of the United Nations system, but its governance structure is different: each institution in the World Bank Group is owned by its member governments, which subscribe to its basic share capital, with votes proportional to shareholding. Membership gives certain voting rights that are the same for all countries but there are also additional votes which depend on financial contributions to the organization. The President of the World Bank is nominated by the President of the United States and elected by the Bank's Board of Governors. As of 15 November 2009 the United States held 16.4% of total votes, Japan 7.9%, Germany 4.5%, the United Kingdom 4.3%, and France 4.3%. As changes to the Bank's Charter require an 85% super-majority, the US can block any major change in the Bank's governing structure.

The organization of the bank consists of the Board of Governors, the Board of Executive Directors and the Advisory Committee, the Loan Committee and the president and other staff members. All the powers of the bank are vested in the Board of Governors which is the supreme policy making body of the bank.The board consists of one Governor and one Alternative Governor appointed for five years by each member country. Each Governor has the voting power which is related to the financial contribution of the Government which he represents.

The Board of Executive Directors consists of 21 members, 6 of them are appointed by the six largest shareholders, namely the USA, the UK, West Germany, France, Japan and India. The rest of the 15 members are elected by the remaining countries.Each Executive Director holds voting power in proportion to the shares held by his Government. The board of Executive Directors meets regularly once a month to carry on the routine working of the bank.The president of the bank is pointed by the Board of Executive Directors. He is the Chief Executive of the Bank and he is responsible for the conduct of the day-to-day business of the bank. The Advisory committees appointed by the Board of Directors.It consists of 7 members who are expects in different branches of banking. There is also another body known as the Loan Committee. This committee is consulted by the bank before any loan is extended to a member country.

World Bank Group Agencies

The World Bank Group consists of

- The International Bank for Reconstruction and Development (IBRD), established in 1945, which provides debt financing on the basis of sovereign guarantees;
- The International Finance Corporation (IFC), established in 1956, which provides various forms of financing without sovereign guarantees, primarily to the private sector;
- The International Development Association (IDA), established in 1960, which provides concessional financing (interest-free loans or grants), usually with sovereign guarantees;
- The International Centre for Settlement of Investment Disputes (ICSID), established in 1965, which works with governments to reduce investment risk;

- The Multilateral Investment Guarantee Agency (MIGA), established in 1988, which provides insurance against certain types of risk, including political risk, primarily to the private sector.

The term "World Bank" generally refers to just the IBRD and IDA, whereas the term World Bank Group or WBG is used to refer to all five institutions collectively.

The World Bank Institute is the capacity development branch of the World Bank, providing learning and other capacity-building programs to member countries.

The IBRD has 189 member governments, and the other institutions have between 153 and 184 members.[1] The institutions of the World Bank Group are all run by a Board of Governors meeting once a year.[9] Each member country appoints a governor, generally its Minister of Finance. On a daily basis the World Bank Group is run by a Board of 25 Executive Directors to whom the governors have delegated certain powers. Each Director represents either one country (for the largest countries), or a group of countries. Executive Directors are appointed by their respective governments or the constituencies.

The agencies of the World Bank are each governed by their Articles of Agreement that serve as the legal and institutional foundation for all of their work.

The activities of the IFC and MIGA include investment in the private sector and providing insurance respectively.

Capital Resources of World Bank:

The initial authorized capital of the World Bank was $ 10,000 million, which was divided in 1 lakh shares of $ 1 lakh each. The authorized capital of the Bank has been increased from time to time with the approval of member countries.On June 30, 1996, the authorized capital of the Bank was $ 188 billion out of which $ 180.6 billion (96% of total authorized capital) was issued to member countries in the form of shares.

Member countries repay the share amount to the World Bank in the following ways:

1. 2% of allotted share are repaid in gold, US dollar or Special Drawing Rights (SDR).

2. Every member country is free to repay 18% of its capital share in its own currency.

3. The remaining 80% share deposited by the member country only on demand by the World Bank.

Objectives:

The following objectives are assigned by the World Bank:

1. To provide long-run capital to member countries for economic reconstruction and development.

2. To induce long-run capital investment for assuring Balance of Payments (BoP) equilibrium and balanced development of international trade.

3. To provide guarantee for loans granted to small and large units and other projects of member countries.

4. To ensure the implementation of development projects so as to bring about a smooth transference from a war-time to peace economy.

5. To promote capital investment in member countries by the following ways;

(a) To provide guarantee on private loans or capital investment.

(b) If private capital is not available even after providing guarantee, then IBRD provides loans for productive activities on considerate conditions.

Functions:

World Bank is playing main role of providing loans for development works to member countries, especially to underdeveloped countries. The World Bank provides long-term loans for various development projects of 5 to 20 years duration. **The main functions can be explained with the help of the following points:**

1. World Bank provides various technical services to the member countries. For this purpose, the Bank has established "The Economic Development Institute" and a Staff College in Washington.

2. Bank can grant loans to a member country up to 20% of its share in the paid-up capital.

3. The quantities of loans, interest rate and terms and conditions are determined by the Bank itself.

4. Generally, Bank grants loans for a particular project duly submitted to the Bank by the member country.

5. The debtor nation has to repay either in reserve currencies or in the currency in which the loan was sanctioned.

6. Bank also provides loan to private investors belonging to member countries on its own guarantee, but for this loan private investors have to seek prior permission from those counties where this amount will be collected.

Projects & Programs in India

- Bihar Transformative Development Project
  Jun 28, 2016
- North Eastern Region Power System Improvement Project
  Jun 24, 2016
- Technical Education Quality Improvement Project III
  Jun 24, 2016
- Tejaswini: Socioeconomic Empowerment of Adolescent Girls & Young Women
  Jun 21, 2016
- Himachal Pradesh Horticulture Development Project

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