

World Bank: An overview

Introduction

The World Bank is an international organization dedicated to providing financing, advice, and research to developing nations to aid their economic advancement. The bank predominantly acts as an organization that attempts to fight poverty by offering developmental assistance to middle- and low-income countries.

The World Bank is a provider of financial and technical assistance to individual countries around the globe. The bank considers itself a unique financial institution that sets up partnerships to reduce poverty and support economic development.

The World Bank supplies qualifying governments with low-interest loans, zero-interest credits, and grants, all to support the development of individual economies. Debt borrowings and cash infusions help with global education, healthcare, public administration, infrastructure, and private-sector development. The World Bank also shares information with various entities through policy advice, research and analysis, and technical assistance. It offers advice and training for both the public and private sectors.

World Bank Financials

The World Bank is an organization, rather than a bank. Therefore, its financials are not comparable to traditional financial institutions.

Within the organization operates different sectors: the International Bank of Reconstruction and Development (IBRD), the International Development

Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA)

International Bank for Reconstruction and Development (IBRD), an institution that provides debt financing to governments that are considered middle income. The second organization within the World Bank Group is the International Development Association (IDA), a group that gives interest-free loans to the governments of poor countries.

The International Finance Corporation (IFC), the third organization, focuses on the private sector and provides developing countries with investment financing and financial advisory services. The fourth part of the World Bank Group is the Multilateral Investment Guarantee Agency (MIGA), an organization that promotes foreign direct investments in developing countries. The fifth organization is the International Centre for Settlement of Investment Disputes (ICSID), an entity that provides arbitration on international investment disputes.

History of the World Bank

The World Bank was created in 1944 out of the Bretton Woods Agreement, which was secured under the auspices of the United Nations in the latter days of World War II. The Bretton Woods Agreement included several components: a collective international monetary system, the formation of the World Bank, and the creation of the International Monetary Fund (IMF).

Since their founding, both the World Bank and the International Monetary Fund have worked toward many of the same goals. The original goals of both the World Bank and IMF were to support European and Asian countries needing financing to fund post-war reconstruction efforts.

Both the World Bank and IMF outlasted the collective international monetary system which was central to the Bretton Woods Agreement. President Nixon halted the Bretton Woods international monetary system in the 1970s. However, the World Bank and IMF remained open and continued to thrive on providing worldwide aid.

The World Bank and IMF are headquartered in Washington, D.C. The World Bank currently has more than 10,000 employees in more than 130 offices worldwide.¹⁰

Though titled as a bank, the World Bank, is not necessarily a bank in the traditional, chartered meanings of the word. The World Bank and its subsidiary groups operate within their own provisions and develop their own proprietary financial assistance products, all with the same goal of serving countries' capital needs internationally.

The World Bank's counterpart, the IMF, is structured more like a credit fund. The differing in the structuring of the two entities and their product offerings allows them to provide different types of financial lending and financing support. Each entity also has several of its own distinct responsibilities for serving the global economy.

Organization and 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 experts 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.

Objectives of the World Bank

- This includes providing long term capital to its member nations for economic development and reconstruction.
- Thus, it helps in inducing long term capital for improving the balance of payments and thereby balancing international trade.
- Also, it helps by providing guarantees against loans granted to large and small units and other projects for the member nations.

- So, it ensures that the development projects are implemented. Thus, it brings a sense of transparency for a nation from war-time to a peaceful economy.
- Also, it promotes the capital investment for member nations by providing a guarantee for capital investment and loans.
- So, if the capital investment is not available than it provides the guarantee and then IBRD provides loans for promotional activities on specific conditions.

Purposes of the World Bank

- It wants to create an environment that is a pro-investment.
- Also, it wants to improve the omic stability by reducing poverty.
- So, it is working towards achieving sustainable growth.
- Increasing the opportunities for jobs and business in member nations which are underdeveloped.
- Through investment, it plans to promote the socio-economic status of the society.
- Also, it wants to ensure that the judicial and legal systems are developed and individual rights are protected.
- Strengthening the government of its member nations by promoting education.
- Combating corruption and to ensure that there are adequate training opportunities and research facilities.
- It wants to provide loans with low-interest rates and interest-free credits.

Functions of the World Bank

- It helps the war-devasted countries by granting them loans for reconstruction.

- Thus, they provide extensive experience and the financial resources of the bank help the poor countries increase their economic growth, reducing poverty and a better standard of living.
- Also, it helps the underdeveloped countries by granting development loans.
- So, it also provides loans to various governments for irrigation, agriculture, water supply, health, education, etc.
- It promotes foreign investments to other organizations by guaranteeing the loans.
- Also, the world bank provides economic, monetary, and technical advice to the member countries for any of their projects.
- Thus, it encourages the development of of-industries in underdeveloped countries by introducing the various economic reforms.