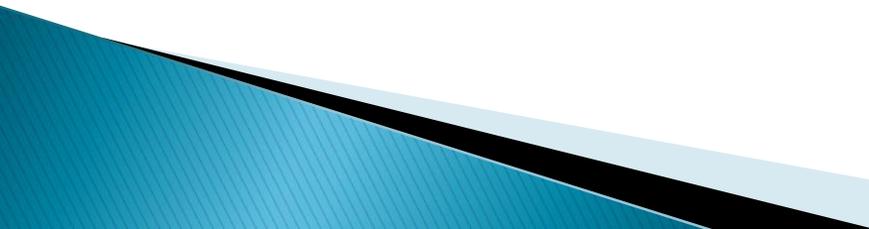


THE WORLD BANK

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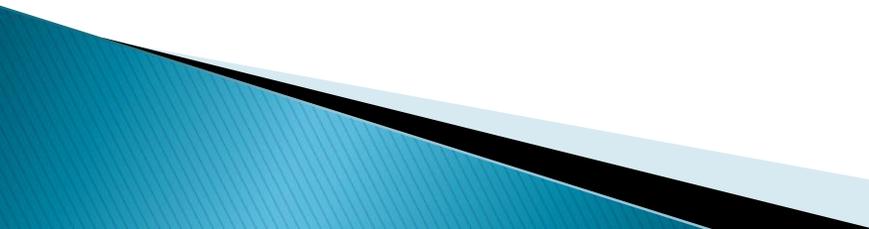
Introduction:

- ▶ The International Bank for Reconstruction & Development (IBRD) is popularly known as the World Bank.
 - ▶ It was established on 27th Dec. 1945.
 - ▶ It is a sister concern of IMF & supplementary institution of IMF, recognized as a specialized Agency of the UN only on Nov. 1947.
 - ▶ IMF provides loan to the member countries to correct the short term disequilibrium in the BO Payments.
 - ▶ Whereas IBRD provides loans to its members to eliminate the long term disequilibrium in the BO Payments.
 - ▶ The main aim of IBRD is the reconstruction & development of the economies of the member countries.
 - ▶ Its membership increased from 44 in 1947 to 182 in 1999.
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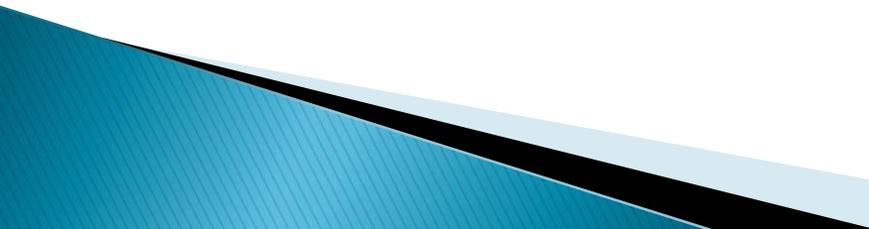
Objectives of IBRD:

- ▶ Various objectives of the World Bank, as incorporated in the Articles of Agreement are as follows, –
 1. To help the reconstruction & development of member countries by facilitating the investment of capital for the productive purposes including the **restoration and reconstruction of economies devastated by wars.**
 2. To encourage the **development of productive resources in developing countries by supplying them investment capital.**
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Objectives

3. To promote private foreign investment through guarantees and participation in loans and other investments made by private investors.
 4. To supplement private foreign investments by direct loans out of its own capital for productive purposes.
 5. To promote long term balanced growth of international trade and maintenance of equilibrium in the B.O.P.s of member countries by encouraging long term international investments.
 6. To bring about an easy transition from a war economy to a peace-time economy.
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Objectives

7. To help in raising productivity, the standard of living, and the conditions of labour in member countries.
 8. **To arrange the loans made or guaranteed by it in relation to international loans through other channels so that more useful & urgent projects, large and small alike will be dealt with first.**
 - ▶ The World Bank advances loans to member countries primarily to help them to lay down the foundation of sound economic growth.
 - ▶ The loans made by the Bank either directly or through guarantees are intended for certain specific projects of reconstruction & development in member countries.
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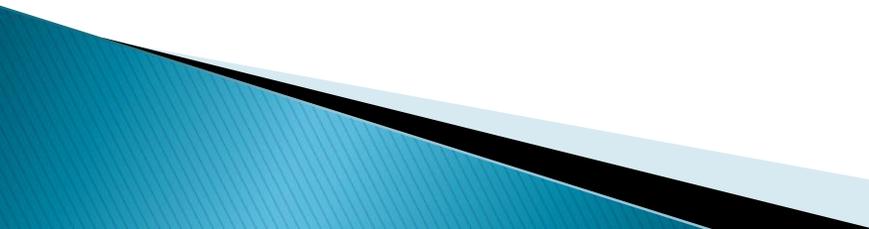
Organization of the World Bank:

- ▶ The organization of the Bank consists of –
 1. The Board of Governors,
 2. The Board of Executive Directors,
 3. The Advisory Committee,
 4. The President & other members of the Staff.
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1. The Board of Governors:

- ▶ All the powers of the Bank are vested in the Board of Governors.
 - ▶ It is the supreme policy making body of the Bank.
 - ▶ It consists of one Governor and one alternate governor appointed for 5 years by each member country.
 - ▶ Each Governor has the voting power which is related to the financial contribution of government which he represents.
 - ▶ For example, USA with its subscription of 6,473 million dollars commands 22.66% of the total voting rights.
 - ▶ The Board of Governors meets annually to chalk out the general policy of the Bank.
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2. The Board of Executive Directors:

- ▶ It consists of 21 members, 6 of them are appointed by the 6 largest share-holders namely, the USA, the UK, Germany, France, Japan and India.
 - ▶ The rest of the 15 members are elected by the remaining countries.
 - ▶ Each ex- Directors holds voting power in proportion to the shares held by his government.
 - ▶ It meets regularly once a month to carry on the routine working of the Bank.
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3. The President of the Bank:

- ▶ He is appointed by the Board of Executive Directors.
 - ▶ He is the chief executive of the Bank and is responsible for the conduct of the day-to-day business of the Bank.
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4. The Advisory Committee:

- ▶ The Advisory committee is appointed by the Board of Executive Directors.
 - ▶ It consists of 7 members who are experts in different branches of banking.
 - ▶ There is also a **Loan Committee** which is consulted by the Bank before any loan is extended to a member country.
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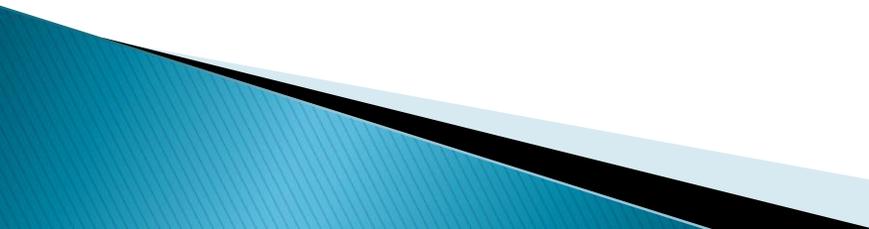
Functions:

- ▶ The Bank is a long term lending institution having the following functions –
 - ▶ The Bank may make or facilitate loans which satisfy the general conditions of Article 3.
 - ▶ The resources and facilities of the Bank shall be used exclusively for the benefit of the members with equitable consideration to projects for development and reconstruction.
1. During the initial years, the Bank assisted the European countries **in reconstructing the war ruined economies.**

Functions

2. After the emergence of a large number of free countries like India, the Bank **provided economic assistance** to these poor countries for their development.
3. In 1948, the UN G. Assembly passed a resolution calling for launching of a programme **of UN technical assistance.**
 - ▶ The finances for this programme were to be raised through voluntary contribution of the member countries.
 - ▶ This programme was later included in the UNDP in 1965 (UN development Programme)

Functions

- ▶ In 1951, the Secretary General appointed a **committee of experts to recommend** measures for the economic development of the under developed countries.
 - ▶ This **committee favoured the establishment of an international development authority** which would provide grants and loans at favourable rates of interests for financing big projects like roads, railways, power facilities and other basic services.
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Functions

4. **The International Finance Corporation(IFC) was set up in 1956 as an affiliate of the World Bank to provide assistance to private enterprises on commercial basis.**
5. **A specialized fund was also created in 1958 along with the creation of International Development Association(IDA) in 1962 in order to provide funds for development.**
 - ▶ **Many advanced countries benefited from this bank.**
 - ▶ **The bank applied strict norms to all projects requiring a firm assurance that the projects were sound & that the governments would not default on repayments.**

Functions

6. There was a change in the policy of the bank after Woods took over as the president of the bank. The bank charged high rate of interest on commercial terms but was willing to take greater risks.
 - ▶ It lent money to the manufacturing industries too.
 - ▶ In fact India also managed to get funds for financing its imports.
 - ▶ The bank has provided advisory services to the member states.
 - ▶ It has also provided training facilities to the officials of the member states to make them more efficient in implementing technical programmes.
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Conclusion:

- ▶ This bank has been **criticized** due to the high rate of interest which it charges on loans.
 - ▶ Despite such criticisms, the bank has been **instrumental in accelerating** the work of economic reconstruction and development in different countries of the world.
 - ▶ The bank has **also acted as a mediator** between different countries in major economic and political issues, e.g. the Indus water dispute between India and Pakistan, the Suez Canal dispute in the Middle East has been solved through its mediation.
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