

Course Name:-B.A.LLB-IIth Sem  
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Topic:-World Bank

# Origin of World Bank

The World Bank (WB) was originally created as the International Bank for Reconstruction and Development (IBRD) in 1944 along with its twin, the IMF. Together they came to be known as the 'Bretton Woods' twin sisters'. When it was set up it was decided that this international bank would assist in the economic reconstruction of the World War II-damaged European economies. In early 1946 this international bank launched its carrier as the multilateral development bank and since then the IBRD came to be known as the World Bank. Its headquarters is located in Washington, opposite the IMF building, and it lies as the next door neighbour of the White House.

# 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.

# 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:**

- 2% of allotted share are repaid in gold, US dollar or Special Drawing Rights (SDR).
- Every member country is free to repay 18% of its capital share in its own currency.
- 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.

- Bank can grant loans to a member country up to 20% of its share in the paid-up capital.
- The quantities of loans, interest rate and terms and conditions are determined by the Bank itself.
- Generally, Bank grants loans for a particular project duly submitted to the Bank by the member country.
- The debtor nation has to repay either in reserve currencies or in the currency in which the loan was sanctioned.
- 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 countries where this amount will be collected.