

# World Bank

WORLD Bank is also known as The International Bank for Reconstruction and Development (IBRD). The IBRD was established in Dec. 1945 with the IMF on the basis of recommendations of the Bretton woods conference that is reason why IMF and World Bank are called Bretton woods twin. IBRD started working in June 1946. As on April 2019; the World Bank of 189 members.

- World Bank was formed on **July 1944** at the **Bretton Woods Conference**.
- Headquarter of World Bank is located at **Washington D.C. (U.S.A.)**
- The main purpose of the world bank is "**Reduction of Poverty**".
- World Bank is comprises of two institutions - International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).
- World Bank is member of the United Nations Development Group as well as World Bank Group.
- World Bank Group includes - International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), International Center for Settlement of Investment Disputes (ICSID).
- The president of the world bank comes from the largest shareholder. Members are represented by a Board of Governors.
- If a country wants to be a member of world bank, it has to purchase the shares of world bank group institutions as per agreement, rules and regulations set.
- The five largest shareholders are U.S. , U.K. , France, Germany and Japan.
- The largest shareholders nations has their own Executive Directors.

## 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 countries where this amount will be collected.