



WORLD BANK'S STRUCTURE, HISTORY, ACTIVITIES - A STUDY

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Abstract

The World Bank is an international organization that helps emerging market countries to reduce poverty. Its first goal is to end extreme poverty. It wants no more than 3% of people to live on \$1.90 a day or less by 2030. Its second goal is to promote shared prosperity. It wants to improve the incomes of the bottom 40% of the population in each country. Since 1947, the World Bank has funded more than 12,000 projects. The World Bank is not a bank in the conventional sense of the word. Instead, it consists of two organizations. One is the International Bank for Reconstruction and Development, which provides loans, credit, and grants. The second is the International Development Association, which provides low- or no-interest loans and grants to low-income countries.

Introduction

The world bank was established on December 25, 1944. United Nations Monetary and Financial conference held at Bretton Woods provided for the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development. Then the World Bank was born. The world bank is actually two different entities namely:

- the International Bank for Reconstruction and Development (IBRD); and
- the International Development Association (IDA).

Both these entities have different role to play in helping out its member nations.

The Bank performs the following functions:

I. To assist in the construction and development of the territories of its members by facilitating investment of capital for productive purposes, including the 'restoration of economies destroyed or disrupted by war', and the encouragement of the "**development**" of productive facilities and resources in less developed countries.

II. To promote private investment and long run balanced growth of international trade and BOP equilibrium by means of guarantees or participation in international loans and investments.

III. To arrange loans made or guaranteed by it. so that more useful and urgent projects receive preference.

IV. To provide finance to projects from its own capital, funds raised by it and by participating with other members.

For all its clients, the Bank emphasises the need for:

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- (i) Investing in people, particularly through basic health and education;
- (ii) Focusing on social development, governance and institution-building as the major elements of poverty alleviation;
- (iii) Strengthening the ability of the governments to deliver quality services with greater efficiency and transparency;
- (iv) Protecting the environment;
- (v) Supporting and encouraging private business development and long-term planning.

Resources of World Bank

Initially, the World Bank has an authorized capital of 10 billion US dollars divided into 1,00,000 shares of 1,00,000 US dollars. Out of this, the member countries' subscription was 9400 million dollars. The United States was the largest subscriber and India was one of the five largest subscribers to the bank. The subscription quota of each country consisted of three divisions.

- Two percent of the quota was payable in gold or US dollars which was available for lending.
- 18 percent of the quota was payable in local currency and was available for lending with the consent of the members whose currency was involved and
- the remaining 18 percent of the subscription was subject to call, as and when required by the bank to meet its obligations.

In 1995, the authorized capital of the IBRD was 184 billion dollar 3.96 percent of the authorized capital represented subscribed capital which amounted to 176.4 billion dollars.

Funds were mobilized from such other sources as governments, commercial banks, export credit agencies and other multilateral institutions. The IBRD finances its lending operations primarily from borrowings in the world capital market.

Lending operations of World Bank

Lending by the World Bank is of two types. The first is for developing countries which are able to pay near market interest rates. Resources for such type of lending are obtained from investors across the world. The World Bank issues bonds to mobilize such funds. The second type of lending is to the poorest countries which have no credit worthiness in the international financial markets. As they will not be in a position to pay near market interest rates on their borrowings. The World Bank's affiliate, the International Development Association (IDA) undertakes Lending to poorest countries.

Forms of loans offered by World Bank:

The World Bank extends loans to member countries in the following forms:



- Granting loans out of its own funds.
- By participating in loans out of funds raised in the market of a member country or otherwise borrowed by the World Bank.
- Providing guarantee in part or in full for loans made by private investors through the usual investment channel.

Conditions of loans offered by World Bank:

The World Bank lends on the following terms:

- The World Bank ensures that the borrower is unable to obtain loans under conditions which the bank considers reasonable.
- Loans are meant for reconstruction or development except in special circumstances.
- The Central Bank of the member country guarantees payment of the principal, interest on loan and other related charges.
- The competent committee in the World Bank is thoroughly satisfied with the loan project.
- The borrower is able to meet obligations as imposed by the World Bank.

Leading pattern of World Bank:

The medium term and long term loans are repayable over a period up to the completion of the project. Long term loans are repayable over a period of 20 years or less with a grace period of 5 years. The interest rate charged by the World Bank is dependent upon its cost of borrowing. Apart from interest, an annual commitment charge of 0.75 percent per year is levied on the outstanding balances.

Since its inception, the World Bank gave priority for infrastructure projects such as roads and railways, generation and distribution of electricity, irrigation projects, telecommunication, Port development, etc., for the first two decades.

Since 1970, the emphasis of World bank has shifted to financing of the educational system in developing countries, creation of institutions for financing industrial investments and provision of technical assistance for the selection and appraisal of industrial and agricultural projects.

However, the present lending concentrate on investment, influencing directly the welfare of people of developing nations. In particular, the purpose is to raise the productivity and standard of living of the poor populace. For example, agriculture and rural development, education, nutrition programmes, family planning, provision of drinking water, low cost housing and improvement of drainage and sewerage system get priority in lending.

During 1980s, two other lending facilities were introduced.

- Structural adjustment facility and
- Enhanced structural adjustment facility.

A Critical Evaluation of the World Bank Activities:

The WB offers two basic types of loans investment loans for the support of economic and social development projects, and development policy loans to support countries' policy and institutional reforms. The WB grants loans only to the developing countries (and not all the 188 members) annually at nearly \$ 20 billion a year usually for a period of 15 to 20 years for the purpose of building roads, dams, and other physical capital that contribute to their economic development. Its lending rate is somewhat low and is fixed every six months.

Statistics and Reports

The World Bank provides a wealth of downloadable data for more than 200 countries. In 2010, the Bank launched an Open Data website, which provides free access to hundreds of major indicators, including:

- Climate change, the environment, and energy
- Health, such as life expectancy
- Urban development and infrastructure
- Labor, income, and education
- Government, economic policy, and sovereign debt
- Demographics such as poverty, gender, and aid effectiveness
- Business, agriculture, and financial²⁸

The Bank analyzes development issues in depth, including the annual World Development Report. Its research reports examine global trends in trade, financial flows, and commodity prices, along with their impact on developing countries. The Bank also publishes the World Development Indicators and Global Development Finance. It provides the Little Data Book, Little Green Data Book, and The World Bank Atlas.

World Bank Purpose and Function

The World Bank provides low-interest loans, interest-free credit, and grants.² It focuses on improving education, health, and infrastructure. It also uses funds to modernize a country's financial sector, agriculture, and natural resources management.

The Bank's stated purpose is to "bridge the economic divide between poor and rich countries." It does this by turning "rich country resources into poor country growth." It has a long-term vision to "achieve sustainable poverty reduction."

To achieve this goal, the Bank focuses on several areas:

- Overcome poverty by spurring growth, especially in Africa.
- Help reconstruct countries emerging from war, the biggest cause of extreme poverty.
- Provide a customized solution to help middle-income countries remain out of poverty.
- Spur governments to prevent climate change



- Work with partners to bring an end to AIDS.
- Manage international financial crises and promote open trade.
- Work with the Arab League on three goals: improve education, build infrastructure, and provide microloans to small businesses.
- Share its expertise with developing countries via reports and its interactive online database.

Conclusion

Poverty is a global concern. Each year, more than three million children die from malnutrition. Approximately 783 million people worldwide don't have access to clean water. Many of those living in developing countries cannot afford medical care and die without leaving any record. The World Bank aims to end extreme poverty and support development. This international organization has long-standing relationships with 189 countries, offering loans and assistance in both the public and private sectors.

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