

World Bank

(International Bank for Reconstruction & Development- IBRD)

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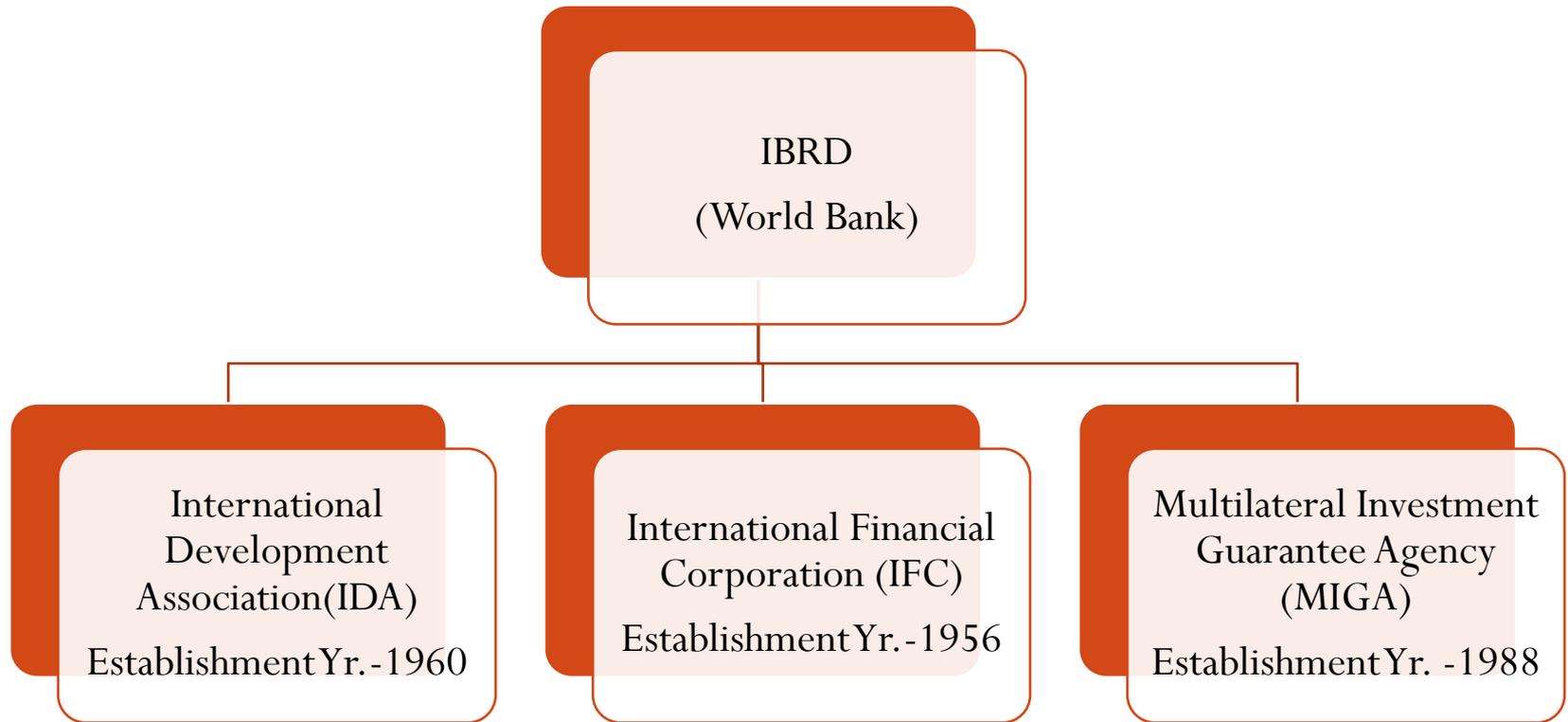
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Introduction

- The International Monetary & Financial Conference was held at Bretton Woods during July 1-22, 1944.
- The main objective of this conference is to finalise the Article of Association of IMF & establishment of an institution for the reconstruction of war shattered countries after Second World War.
- The Conference has given birth to two international financial institutions namely, International Monetary Fund (IMF) & International Bank For Reconstruction & Development (IBRD) in the year 1945.
- IBRD is an inter-governmental institution, corporate in form. Its capital is entirely owned by its members or Governments. And therefore it has *“One Country –One Vote”* System unlike IMF.
- Headquarter: Washington D.C., United States of America.
- President: Davis R. Malpass (13th President of IBRD)

Ramifications of IBRD



Functions Or Purpose of IBRD

- According to Article –I of the Agreement, the functions of Bank are as follows:
 1. To assist in the reconstruction & development of the member nations by facilitating the investment of capital.
 2. To promote private foreign investment.
 3. To promote long term balanced growth of international trade & maintaining equilibrium in balance of payments by encouraging international investments & thereby raising productivity & standard of living.
 4. To arrange the loans or guarantees by it in relation to international loans through other channels.

Funding Objectives of the Bank

- To make sure availability of funds in the markets.
- To provide funds to the borrowers in the form of soft loans.
- To control volatility in net income & overall charges of the loan.
- To provide an appropriate degree of maturity between borrowing & lending.

Guiding Principles of the Bank

- In its lending operations, the Bank is guided by certain policies which have been formulated on the basis of **Articles of Agreements** :

First: The Bank should properly assess the repayment prospects of the loans.

Second: The Bank should lend only for specific projects which are economically & technically sound & of a high priority nature.

Third: The Bank lends only to enable a country to meet the foreign exchange contents of any project cost.

Fourth: The Bank does not expect the borrowing country to spend the loan in a particular country.

Fifth: The Bank's policy is to maintain continuing relations with borrowers & keep in touch with financial & economic developments.

Sixth: The Bank indirectly attaches special importance to the promotion of local private enterprises.

Organisational Structure of the Bank



Special Facilities By the Bank

Facilities	Explanation
(i) Structural Adjustment Facility	For correcting disequilibrium in B/Ps
(ii) Enhanced Structural Adjustment Facility	For making available resources at concessional rate.
(iii) Special Action Programme	For structural adjustments, finance to high priority sectors & advisory service .
(iv) Technical Assistance	For preparing reports, training to Sr. officials of LDCs etc.

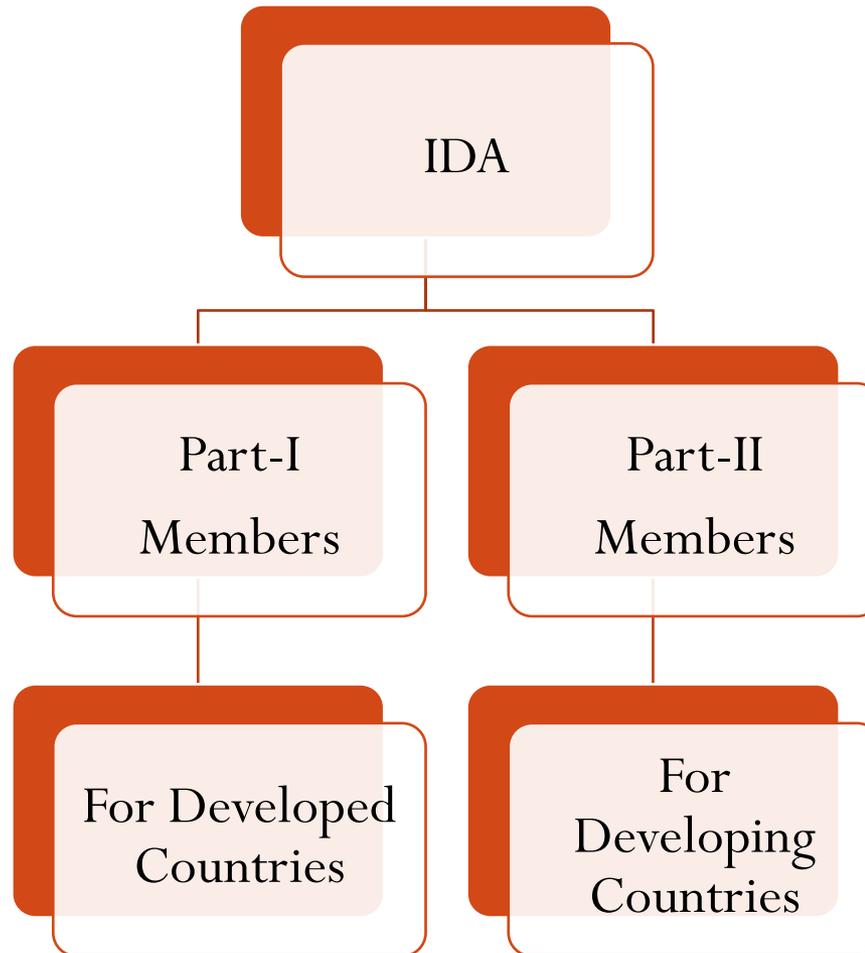
Areas of Sanction for Loans by IBRD

1. Supply side reforms: e.g., improving the efficiency.
2. Price reforms.
3. Changing the price of tradable goods relative to non tradable goods.
4. Getting the correct terms of trade between agriculture & industrial goods.
5. Reducing the size of the public sector.
6. Financial reforms.
7. Tax reforms.

International Development Association(IDA)

- The IDA is an affiliated of the IBRD established in 1960.
- Primarily, its main objective is **to provide assistance to poorer developing countries on soft loan basis**. Hence IDA is a soft loan window of IBRD.
- At present there are more than **181 member countries** of IDA.
- Objectives of IDA :
 1. To provide development finance on easy terms.
 2. To provide assistance for poverty alleviation.
 3. To provide loans for macroeconomic management services like HRD, Population Control, development of health ,education nutrition etc.

Membership of IDA



Conditions of Loans by IDA

- Conditions of IDA includes:
 1. Repayment Period- 35-40 years.
 2. Grace Period- 10 years.
 3. Interest Rate varies in-between Zero to 0.5%.
 4. Administrative Fees is 0.75% on the loan amount disbursed.

International Finance Corporation (IFC)

- IFC was established in July 1956 in order **to provide finance to private sector in developing countries.**
- IFC is also an affiliate of the IBRD but it has separate legal entity, funds & functions.
- All member are eligible to become a member of IFC.

Objectives of IFC

- IFC helps for the growth of private enterprise particularly of LDCs. The objectives of IFC as stated in Article-I of its Article of Agreements are as follows-

“The purpose of the Corporation is to further economic development by encouraging the growth of productive private enterprises in member countries, particularly in less developed areas, thus supplementing the activities of IBRD.”

Multilateral Investment Guarantee Agency

- Objectives:
 1. To promote FDI in developing countries,
 2. To support economic growth,
 3. To reduce poverty,
 4. To improves people's lives.

MIGA fulfills this mandate by offering political risk insurance (guarantees) to investors and lenders.

The International Centre for Settlement of Investment Disputes(ICSID)

- The International Centre for Settlement of Investment Disputes (ICSID) was established in the year 1966 under Convention on the Settlements of Investments Disputes between States & Nationals of Other States.
- The International Centre for Settlement of Investment Disputes (ICSID) provides international facilities for conciliation and arbitration of investment disputes.

Assistance to the Member Countries

1. Direct Investment.
2. Foreign & Local Capital.
3. Technical Assistance.
4. Development of Capital Markets.
5. Assistance to SSIs.

Distinct Role of IMF & World Bank

International Monetary Fund (IMF)	World Bank (IBRD)
• Oversees the international monetary system & promotes international monetary cooperation.	Seeks to promote economic development & structural reform in developing countries.
• Promotes exchange stability & orderly exchange relations among its members.	Assists developing countries through long term financing of development projects & programs.
• Assists members in temporary B/Ps difficulties by providing medium term financing.	Provides special financial assistance to poorest developing countries through IDA.
• Supplements the reserves of its members by allocating SDRs.	Stimulates private enterprises in developing countries through its affiliate IFC.
• Draws its financial resources principally from quota subscriptions of its members.	Acquires most of its financial resources by borrowing in the international bond markets.