

The world bank essay

Business, Corporate Governance



The World Bank, when you first hear the name it makes you think that it is a traditional international bank.

That is not true though; The World Bank isn't exactly what you would think it is. In reality, it is a group that is compiled of five international organizations that facilitate poverty stricken countries all across the world for developing economic growth and the elimination of poverty. The five organizations that combine to form The World Bank are: The International Bank for Reconstruction and Development, The International Finance Cooperation, The International Development Association, The Multilateral Investment Guarantee Agency, and The International Center for Settlements of Investment Disputes. The World Bank has supported and provided for countries across the world and has been a vital part of the worlds improving economies.

Since inception in 1944, the World Bank has expanded from a single institution to a closely associated group of five development institutions. Their mission evolved from the International Bank for Reconstruction and Development (IBRD) as a facilitator of post-war reconstruction and development to the present day mandate of worldwide poverty alleviation in close coordination with their affiliate, the International Development Association, and other members of the World Bank Group, the International Finance Corporation (IFC), the Multilateral Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment Disputes (ICSID). They are based solely in Washington, DC, where their staff includes economists, public policy experts, sector experts and social scientists and now more than a third of the staff is based in country offices (1. The World Bank). The World

Bank focuses only on developing countries with the ambitions to improve certain things such as agriculture for example. It provides loans to countries that are members of The World Bank and to those countries that are poverty stricken they distribute grants out to them.

Reconstruction is an important part of their work. However, the global challenges in the world compels them to focus on; poverty reduction and the sustainable growth in the poorest countries, especially in Africa; solutions to the special challenges of post-conflict countries and fragile states; development solutions with customized services as well as financing for middle-income countries; regional and global issues that cross national borders—climate change, infectious diseases, and trade; greater development and opportunity in the Arab world; and pulling together the best global knowledge to support the development. At today's World Bank, poverty reduction through an inclusive and sustainable globalization remains the overarching goal of their work (1.

The World Bank). The International Bank for Reconstruction and Development (IBRD) aims to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services. Established in 1944 as the original institution of the World Bank Group, IBRD is structured like a cooperative that is owned and operated for the benefit of its 187 member countries. IBRD raises most of its funds on the world's financial markets and has become one of the most established borrowers since issuing its first bond in 1947. The income that

IBRD has generated over the years has allowed it to fund development activities and to ensure its financial strength, which enables it to borrow at low cost and offer clients' good borrowing terms.

The initial authorized capital of the bank was 12 million. The lending for reconstruction ended in 1967, and into the present the Bank remains the largest source of development assistance. This assistance is intended primarily for projects that were unable to attract private investment. On May 9, 1947 the Executive Directors approve the Bank's first loan, to Credit National of France in the amount of \$250 million for reconstruction purposes, one of the largest loans in real terms made by the Bank in its first fifty years, as well as the first funding for France.

Among other things, the money was used to purchase railway locomotives and to rebuild ports. This year the International Bank for Reconstruction and Development entered the bond market for the first time with an offering of \$250 million, which was substantially oversubscribed and bonds immediately started to sell at a premium over the public offering price. At the end of 1950 the Bank issues its yearend report where the total loans of IBRD passed the \$1 billion mark for the first time; there was a total of 49 countries that were members of the Bank and 17 different loans were approved, totaling \$279, 230, 000. By 1959 the Bank achieved the highest possible, triple bond rating, which has been rigorously maintained ever since. This was an important achievement for the bank, because it gets most of its funding from private money markets.

Moreover, the first overseas offices were set up in Paris, Hague and Copenhagen, to oversee loan expenditures. During this time it was also agreed that the interest rates paid by borrowing countries be the same for all countries, irrespective of their individual credit rating (1. The World Bank). In 1952 the World Bank submits a report to the Economic and Social Council on a proposal for the establishment of an International Finance Corporation to stimulate economic development through private investment in underdeveloped countries.

The IFC is a branch of the World Bank that began its work in 1956, founded by Robert L. Garner, with the objective of promoting sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives. In other words, it lends money to private companies of the third world, because, if these companies grow, it will help their respective countries to grow too.

The IFC has 182 member countries. IFC's 182 member countries provide its authorized share capital of \$2.4 billion, collectively determine its policies, and approve investments. To join IFC, a country must: Be a member of the World Bank (IBRD); have signed IFC's Articles of Agreement; and have deposited with the World Bank Group's Corporate Secretariat an Instrument of Acceptance of IFC's Articles of Agreement. IFC coordinates its activities with the other institutions of the World Bank Group but is legally and financially independent. IFC's member countries, through a Board of Governors and a Board of Directors, guide IFC's programs and activities. Each country appoints one governor and one alternate. IFC corporate powers

are vested in the Board of Governors, which delegates most powers to a board of 24 directors.

Voting power on issues brought before them is weighted according to the share capital each director represents. The directors meet regularly at World Bank Group headquarters in Washington, DC, where they review and decide on investment projects and provide overall strategic guidance to IFC management. Directors also serve on one or more standing committees, which help the Board discharge its oversight responsibilities by examining policies and procedures in depth.

The Audit Committee advises on financial and risk management, corporate governance, and oversight issues. The Budget Committee considers business processes, administrative policies, standards, and budget issues that have a significant impact on the cost-effectiveness of Bank Group operations (2. The International Finance Corporation) The IFC is a vital part of the World Bank, because they developed innovative investment services, broadened the World Bank's capacity to provide advisory services as well as deepened their corporate governance, environmental and social expertise. IFC continues to develop new financial tools that enable companies to manage risk and broaden their access to foreign and domestic capital markets. Their investment services include: * Loans for IFC's Account * Syndicated Loans * Equity Finance * Quasi-Equity Finance * Equity & Debt Funds * Structured Finance | * Intermediary Services * Risk Management Products * Local Currency Financing * Sub national Finance * Trade Finance| To this day the IFC is improving many member countries, as of 2009 China, India, Brazil and

other emerging markets whose private sectors IFC helped build early on are now the world's rising economic powers. They continue to promote sustainability, helping their clients invest in other developing countries, and focusing on regions that still may have high poverty rates. IFC is now seen as the global leader in private sector development finance, mobilizing more than \$10 billion from partners for special initiatives in response to the global financial crisis, as well as launching the new IFC Asset Management Company that will pool additional resources from others (2. The International Finance Corporation).

In 1960 was the launch of the International Development Association. The initial funding was \$912. 7 million. Today the IDA is one of the largest sources of assistance for the world's 79 poorest countries, 39 of which are in Africa, and the largest single source of donor funds for basic social services in these countries. IDA aims to reduce poverty by providing interest-free credits and grants for programs that boost economic growth, reduce inequalities and improve people's living conditions.

In 1961 Honduras receives the first IDA credit worth \$9 million for highway development and maintenance. The following year they provided the first funding for education to Tunisia to support the construction of schools. IDA lends money (known as credits) on concessional terms. This means that IDA credits have no interest charge and repayments are stretched over 35 to 40 years, including a 10-year grace period. IDA also provides grants to countries at risk of debt distress.

Eligibility for IDA support depends first and foremost on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually. IDA also supports some countries, including several small island economies, which are above the operational cutoff but lack the creditworthiness needed to borrow from IBRD (The International Development Association). Some countries, such as India and Pakistan, are IDA-eligible based on per capita income levels, but are also creditworthy for some IBRD borrowing. They are referred to as “blend” countries. Since its inception, IDA credits and grants have totaled US\$222 billion, averaging US\$13 billion a year in recent years and directing the largest share, about 50 percent, to Africa (4. The International Development Association).

In 1966 the International Centre for the Settlement of Investment Disputes (ICSID) was established. It provides arbitration services in investment disputes, which arise between foreign investors and host country governments. It also provides advice to developing countries governments on the drafting of foreign investment laws and regulations. ICSID is an autonomous international institution established under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID or the Washington Convention) with over one hundred and forty member States. The Convention sets forth ICSID's mandate, organization and core functions. The primary purpose of ICSID is to provide facilities for conciliation and arbitration of international investment disputes. The ICSID Convention is a multilateral treaty formulated by the Executive Directors of the International Bank for Reconstruction and Development (the World Bank).

It was opened for signature on March 18, 1965 and entered into force on October 14, 1966. The Convention sought to remove major impediments to the free international flows of private investment posed by non-commercial risks and the absence of specialized international methods for investment dispute settlement. ICSID was created by the Convention as an impartial international forum providing facilities for the resolution of legal disputes between eligible parties, through conciliation or arbitration procedures. Recourse to the ICSID facilities is always subject to the parties' consent. As evidenced by its large membership, considerable caseload, and by the numerous references to its arbitration facilities in investment treaties and laws, ICSID plays an important role in the field of international investment and economic development.

Today, ICSID is considered to be the leading international arbitration institution devoted to investor-State dispute settlement (6. International Centre for Settlement of Investment Disputes). In 1988 the Multilateral Investment Guarantee Agency was incepted, MIGA's mission is to promote foreign direct investment (FDI) into developing countries to help support economic growth, reduce poverty, and improve people's lives. It does this by providing political risk insurance (guarantees) to the private sector.

Foreign direct investors can play a critical role in reducing poverty, by building roads, for example, providing clean water and electricity, and above all, providing jobs. By taking on these tasks, the private sector can help economies grow and avert the need for governments to use funds better spent on acute social needs, while taking advantage of the opportunity to

make profitable investments. Concerns about investment environments and perceptions of political risk often inhibit foreign direct investment, with the majority of flows going to just a handful of countries and leaving the world's poorest economies largely ignored.

MIGA addresses these concerns by providing political risk insurance for foreign investments in developing countries and dispute resolution services for guaranteed investments to prevent disruptions to developmentally beneficial projects. MIGA also helps countries define and implement strategies to promote investment through technical assistance services managed by the World Bank Group's Foreign Investment Advisory Services. The agency's strategy focuses on specific areas where we can make the greatest difference such as: Countries eligible for assistance from the International Development Association (the world's poorest countries); Conflict-affected environments; Complex deals in infrastructure and extractive industries, especially those involving project finance and environmental and social considerations and South-South investments (from one developing country to another). Since its inception in 1988, MIGA has issued guarantees worth more than \$21 billion for more than 00 projects in 100 developing countries (5. Multilateral Investment Guarantee Agency).

In September 2010, the World Bank launched the new web-based World Integrated Trade Solution (WITS) system. The WITS software has been developed by the World Bank, in close collaboration and consultation with various international organizations, including United Nations Conference on Trade and Development, International Trade Center, United Nations

Statistical Division, and World Trade Organization. WITS is a trade software tool giving access to bilateral trade data between countries based on various product classifications, product details, years, and trade flows. It also contains tariff and non-tariff measures as well as an analysis tool to calculate the effects of tariff reductions. The trade-to-GDP ratio is a basic indicator of openness to foreign trade and economic integration.

It indicates the dependence of domestic producers on foreign demand (exports) and of domestic consumers and producers on foreign supply (imports), relative to the country's economic size (GDP). A graph that tracks the trade-to-GDP ratio for a country is useful to measure its degree of outward orientation over time. Countries tend to trade more, relative to nominal GDP, as their per capita incomes rise, but at a decreasing rate.

However, it is difficult to say whether a country's ratio is low or high without putting other characteristics in context. All else equal, larger countries in terms of geography and population tend to have a lower trade-to-GDP ratio than smaller countries because they have the option of undertaking a bigger share of trade within their borders. Comparisons are more meaningful, therefore, across countries of similar economic size, population, and geographical size/location. Comparing the trade-to-GDP ratios of the four emerging developing countries – Brazil, Russia, India, and China — it is clear that China and India have been integrating into the world economy rapidly since the 1990s. Russia reached its peak trade-to-GDP ratio of over 110 percent in 1992, but the ratio is around 50 percent at present.

While acknowledging that large countries like Brazil trade less than what would be predicted for countries at their level of income per person, its trade-to-GDP ratio in 2008 was half of China's (3. The World Bank). With all that said, I think The World Bank was a very intelligent idea. The Bank is a very useful and courteous agency that is willing to help suffering countries. For there to be an agency that is strictly devoted in helping better the world's economic status, benefits everyone.

The World Bank has supported and provided for countries across the world and has been a vital part of the world's improving economic status. Over the past 66 years The World Bank has implemented new divisions to make transactions run smoother, areas within their company that specialize in certain aspects of the market. The research that was compiled to write this paper proves that the Bank is a center piece to many international ties. Not only does it provide for the lesser developed countries but I believe it has also contributed to our World peace by helping countries help other countries. Work Citing1. " The World Bank.

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