

# World Bank

The World Bank Group is an international partnership that includes 189 countries and 5 institutions. They work towards reducing poverty and spreading prosperity. It was formed with International Monetary Fund in the 1944 Bretton Woods Conference. The five development institutions of the World Bank Group include

1. International Bank for Reconstruction and Development (IBRD)
2. International Finance Corporation (IFC)
3. International Centre for the Settlement of Investment Disputes (ICSID)
4. International Development Association (IDA)
5. Multilateral Guarantee Agency (MIGA)

## World Bank Group History

The Bretton Woods Conference happened in 1944, and it led to the establishment of IMF and IBRD.

- The main objective of IBRD was to use loans to help the countries to rebuild that had been impacted by World War II.
- With time, the focus shifted to development, roads, infrastructure, and other projects. And over time, other institutions arose, and five institutions, including IFC, MIGA, IBRD, IDA and ICSID, came to be known as the World Bank Group.
- Currently, the World Bank is focused on various activities with the help of these institutions.
- Now, major importance has been placed on the development of underdeveloped countries.
- World Bank Group has become a leading provider of knowledge and finance for developing countries.
- Now, the five institutions work to reduce poverty and boost long-term development.

## World Bank Membership

- To become a member of the World Bank Group, the country needs to be a member of the IMF first.
- Before joining the IDA, IFC or MIGA, the country needs to join IBRD first
- To become a member of ICSID, a country needs to satisfy the following requirements:
  - a. IBRD Membership
  - b. Signatory to the International Court of Justice's Statute
  - c. ICSID Administrative Council invitation by two-thirds of its members.

## Functions of World Bank

The World Bank Group was established after World War II with the objective of rebuilding the countries damaged due to the war.

- With time, it encouraged the development of lower and middle-income countries and improved the standard of living there.
- It also focused on encouraging long-term capital investment.
- World Bank Group promote investment in developing countries. It offered financial support, expertise and technical assistance.

## International Bank for Reconstruction and Development (IBRD)- World Bank Group

IBRD is a global development cooperative, and it was founded as one of the Bretton Woods Institutions in 1944. There are 189 members of the International Bank for Reconstruction and Development.

- IBRD is the largest development bank in the world, which was established to help the post-World War II reconstruction. After everything got back on track, IBRD changed its focus to other areas.
- Currently, IBRD is focusing on helping countries with low and middle income. It aims to reduce poverty, deal with regional concerns, and boost sustainable growth.
- IBRD is one of the 5 institutions under the World Bank Group, and it invests in various sectors and also offers technical assistance.
- 60% of IBRD's portfolio is concentrated in middle and low-income countries.
- India borrowed money from IBRD in 1949 for the railway project. Since 1960 IBRD has helped India with funding. India has become the largest IBRD client of the World Bank.

## International Development Association (IDA) - World Bank

IDA was founded in 1960 to help the poorest countries in the world and to complement IBRD. The main motive of IDA was to reduce poverty through interest-free loans. The mechanism of IDA enhanced economic growth, quality of life, and reduced inequality. The World Bank includes IBRD and IDA.

## Multilateral Investment Guarantee Agency (MIGA)- World Bank

MIGA was established in 1988. The objective of MIGA was to promote foreign direct investment in developing countries.

- Multilateral Investment Guarantee Agency lowers poverty and enhances the quality of life.
- Just like its name, MIGA guarantees to protect investments against non-commercial risks.
- Political risk insurance products by MIGA offer coverage against
  - Losses due to terrorism, war and civil disturbance.
  - Breach of contract

- Expropriation by the government
- Losses due to inability to legally convert local currency to hard currency.

## International Finance Corporation (IFC)- World Bank

The International Finance Corporation is the sister organization of the World Bank. IFC is majorly focused on the private sector in developing countries.

- It is the largest global development organization.
- IFS supports growth in developing countries by funding investments, raising money, and also providing commercial advisory services.
- IFC is involved with the private sector to increase entrepreneurship and boost business growth.

## International Centre for Settlement of Investment Disputes (ICSID)- World Bank

ICSID is an international organization that deals with the resolution of investment disputes. One of the major functions of ICSID is to settle disputes between governments and investors. In addition, it also settles disputes between states. However, India is not a member of ICSID because it thinks that this organization is biased towards developed countries only.