

WORLD BANK GROUP

The World Bank Group (WBG) is a family of five international organizations. The Bank came into existence in 1945 following international ratification of the Bretton Woods agreements, which emerged from the United Nations Monetary and Financial Conference (1944). Commencing operations in 1946, it began undertook post-war reconstruction of western Europe. Its current role is different as its focus is to lend to developing countries to rid them of poverty.

The Group's headquarters are in Washington. Its head is called President and today it is Jim Yong Kim, South Korean-American physician and anthropologist who has served as the 12th President of the World Bank since 2012 and is on second 5 year term. The President of the World Bank is conventionally an American. There are 189 countries in the WB today.

It is responsible for the preparation of the World Development Report.

World Bank Group is owned by its member governments which subscribe to its basic share capital, with votes proportional to shareholding. Membership gives certain voting rights that are the same for all countries but there are also additional votes which depend on financial contributions to the organization.

A country has to first join IMF before it can be a member of the WB.

World Bank Group consists of five agencies which are:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID)

The term "World Bank" generally refers to the IBRD and IDA, whereas the World Bank Group is used to refer to all the five institutions collectively.

The World Bank's (i.e. the IBRD and IDA's) activities are focused on developing countries, in fields such as human development (e.g. education, health- Swachh Bharat Mission, Sarva Shiksha Abhiyan etc), agriculture and rural development (e.g. irrigation, rural services -Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), Watershed Management Project "Neeranchal" etc), poverty alleviation (Deen Dayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM)), environmental protection (e.g. pollution reduction, establishing and enforcing regulations-National Ganga River Basin Project etc), infrastructure (e.g. roads, urban regeneration, electricity, ports Port Modernization & New Port Development under Sagarmala), and governance (e.g. anti-corruption, legal institutions development).

The IBRD and IDA provide loans at soft rates to member countries, as well as grants to the poorest countries. Loans or grants for specific projects are often linked to wider policy changes in the sector or the economy. For example, a loan to improve coastal environmental management may be linked to development of new environmental institutions at national and local levels and the implementation of new regulations to limit pollution.

The activities of the IFC and MIGA include investment in the private sector and providing insurance respectively. (Details ahead)

Difference between WB and WB Group

The World Bank differs from the World Bank Group, in that the World Bank comprises only two institutions:

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

The IBRD focuses on middle income and creditworthy poor countries, while IDA focuses on the poorest countries in the world.

World Bank Group incorporates these two in addition to three more:

- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
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IBRD

The International Bank for Reconstruction and Development (IBRD) is one of five institutions that comprise the World Bank Group. The IBRD is an international organization whose original mission was to finance the reconstruction of nations devastated by World War II. Now, its mission has expanded to fight poverty by means of financing states.

IDA

The International Development Association (IDA), is the part of the World Bank that helps the world's poorest countries. It complements the World Bank's other lending arm — the International Bank for Reconstruction and Development (IBRD) — which serves middle-income countries with capital investment and advisory services.

IDA was created in 1960 and is responsible for providing long-term, interest-free loans to the world's 80 poorest countries. IDA lends money on concessional terms. This means that IDA credits have a zero or very low interest charge and repayments are stretched over 25 to 40 years, including a 5- to 10-year grace period. IDA also provides grants to countries at risk of debt distress. In addition to concessional loans and grants, IDA provides significant levels of debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).

While the IBRD raises most of its funds on the world's financial markets, IDA is funded largely by contributions from the governments of its richer member countries. Additional funds come from IBRD's and IFC's income and from borrowers' repayments of earlier IDA credits.

Donors meet every three years to replenish IDA funds and review IDA's policies. The most recent replenishment of IDA's resources, the eighteenth (IDA18), has a size of \$75 billion to finance projects over the three-year period from 2017 to 2020.

IDA loans address primary education, basic health services, clean water supply and sanitation, environmental safeguards, business-climate improvements, infrastructure and institutional reforms. These projects are intended to pave the way toward economic growth, job creation, higher incomes and better living conditions.

Eligibility for IDA support depends on a country's relative poverty, defined as per capita income below an established threshold and updated annually (\$1,165 in fiscal year 2018). IDA also supports some countries, including several small island economies, that are above the operational cutoff but lack the creditworthiness needed to borrow from the International Bank for Reconstruction and Development

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(IBRD). Some countries, such as Nigeria and Pakistan, are IDA-eligible based on per capita income levels and are also creditworthy for some IBRD borrowing. They are referred to as "blend" countries.

IDA has 173 members.

IFC

The International Finance Corporation (IFC) promotes private sector investment in its member countries, particularly developing countries as a way to reduce poverty and improve people's lives.

IFC is a member of the World Bank Group and is headquartered in Washington. It shares the primary objective of all World Bank Group institutions: to improve the quality of the lives of people in its developing member countries.

IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world.

India is one of the founder members of the IFC. IFC finances investments with its own resources and by mobilizing capital in the International financial markets. India has 3.38% of the voting power. Over the past few years, in line with a strong strategic focus on India, IFC has augmented its program and portfolio in India by investing in high impact projects. India represents IFC's single-largest country exposure. IFC is working in the the following areas by promoting:

- investment climate for private sector development and inclusive growth;
 - financial inclusion by working on financial services and initiatives related to the sustainability of the MFI sector including micro-credit bureau, risk mitigation initiatives, code of conduct setting etc;
 - renewable energy (solar and biomass) and cleaner production as well as key subsectors like agribusiness; and
 - developing PPP transactions with focus on social services (health and education) and climate change impact projects.
- Infrastructure has been stepped up in India in the last few years and currently accounts for about US\$1.3 billion of current committed portfolio.

IFC floated a rupee bond, masala bond in the global credit market to raise a billion dollars that was used to assist the Indian companies in 2014.

MIGA

The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank group. It was established to promote foreign direct investment into developing countries. MIGA promotes foreign direct investment into developing countries by insuring investors against political risk, advising governments on attracting investment etc. India is a member.

MIGA can cover only new investments. These include:

- new, greenfield investments;
- new investment contributions associated with the expansion, modernization, or financial restructuring of existing projects; and
- acquisitions involving privatization of state enterprises.

ICSID

The International Centre for Settlement of Investment Disputes (ICSID) is an institution of the World Bank group based in Washington. It provides facilities for the conciliation and arbitration of investment disputes between member countries and individual investors. India is not a member.

India and the World Bank

The advantage of borrowing from the World Bank is the low cost and stable financing it provides with longer maturity periods that better match India's investment needs. Financing through the International Development Association (IDA), the Bank's concessional lending arm, is provided for as low as 0.75% p.a., repayable over a period of 35 years, inclusive of a 10 year grace period.

India benefited from the WB funds in education (Sarva Shiksha Abhiyan); health care; health care; power; agriculture; irrigation; natural gas, roads and other sectors.

India has been borrowing from the World Bank (through IBRD and IDA) for various development projects in areas of poverty alleviation, infrastructure, rural development, human resource development, etc. IDA funds are one of the most concessional external loans for GOI and are used largely in social sector projects that contribute to the achievement of SDGs. IBRD funds are semi-concessional and of a longer maturity and therefore, cheaper than commercial external borrowings.

Since 1949 when India took the first assistance from World Bank, the Bank's cumulative commitment to India stands at US\$ 104 billion (US\$ 50 billion under IBRD and US\$54 billion under IDA) by 2016.

IMF and WB

There are similarities and differences between them. Both are owned and directed by the governments of member nations. Both institutions concern themselves with economic issues and concentrate their efforts on broadening and strengthening the economies of their member nations. The two institutions hold joint annual meetings, which the news media cover extensively. Both have headquarters in Washington, D.C. Unless a country is a member of IMF, it can not be admitted to WB.

Despite these similarities, however, the Bank and the IMF remain distinct. The fundamental difference is this: the Bank is primarily a development institution; the IMF is a cooperative institution that seeks to maintain an orderly system of payments and receipts between nations. Each has a different purpose, a distinct structure, receives its funding from different sources, assists different categories of members and strives to achieve distinct goals.

The International Monetary Fund and the World Bank at a Glance**International Monetary Fund**

- Single institution
- oversees the international monetary system
- promotes exchange stability and orderly exchange relations among its member countries
- assists all members--both industrial and developing countries--that find themselves in temporary balance of payments difficulties by providing short- to medium-term credits
- draws its financial resources principally from the quota subscriptions of its member countries
- has at its disposal fully paid-in quotas now totaling USD 650 billion

World Bank

- includes IBRD and IDA
- seeks to promote the economic development of the world's poorer countries
- assists developing countries through long-term financing of development projects and programs
- provides to the developing countries
- encourages private enterprises in developing countries through its affiliate, the International Finance Corporation (IFC)
- acquires most of its financial resources by borrowing on the international bond market
- members' subscriptions are about USD 250 billion. It also raises from bond market and has profits from its assets.

Bretton Woods 2.0

The original Bretton Woods conference purpose was post-WWII reconstruction. The arrangements need redefinition and refocus in the post-recession world since 2008. The broad mandate should be

- The two institutions need to be democratised
- Merit based appointment to the two institutions
- IMF should have an expanded role and be the lender of last resort. SDRs should be more central to global monetary system
- World Bank should be refocused with clear goals: helping the poorest countries achieve the SDGs to reduce poverty, hunger and disease.
- global trade agenda should be reoriented to help the poorest countries to be more productive; global trade should promote environmental sustainability, to help enforce compliance with reduced carbon emissions and protection of endangered biodiversity
- the new global financial structure should help to rescue the world from human-induced climate change.

G-20

The Group of Twenty (G-20) Finance Ministers and Central Bank Governors was established in 1999 to bring together systemically important industrialized and developing economies to discuss key issues in the global economy. The G-20 promotes open and constructive discussion between industrial and emerging-market countries on key issues related to global economic stability. By contributing to the strengthening of the international financial architecture and providing

opportunities for dialogue on national policies, international co-operation, and international financial institutions, the G-20 helps to support growth and development across the globe. The G-20 was created as a response both to the financial crises of the late 1990s and to a growing recognition that key emerging-market countries were not adequately included in the core of global economic discussion and governance. The G-20 is made up of the finance ministers and central bank governors of 19 countries and EU:

- Argentina
- Australia
- Brazil
- Canada
- China
- France
- Germany
- India
- Indonesia
- Italy
- Japan
- Mexico
- Russia
- Saudi Arabia
- South Africa
- Republic of Korea
- Turkey
- United Kingdom
- United States of America

To ensure global economic fora and institutions work together, the Managing Director of the International Monetary Fund (IMF) and the President of the World Bank, plus the chairs of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank, also participate in G-20 meetings on an ex-officio basis. Together, member countries represent around 90 per cent of global gross national product, 80 per cent of world trade (including EU intra-trade) as well as two-thirds of the world's population. The G-20's economic weight and broad membership gives it a high degree of legitimacy and influence over the management of the global economy and financial system.

To tackle the financial and economic crisis that spread across the globe in 2008, the G20 members were called upon to further strengthen international cooperation. Accordingly, the G20 Summits have been held in Washington in 2008, in London and Pittsburgh in 2009, and in Toronto and Seoul in 2010.

The concerted and decisive actions of the G20, with its balanced membership of developed and developing countries helped the world deal effectively with the financial and economic crisis, and the G20 has already delivered a number of significant and concrete outcomes: G-20 (like the G-7) has no permanent staff of its own. The G-20 chair rotates among members, and is selected from a different regional grouping of countries each year. In 2016 the G-20 chair was China. For 2017, it is Turkey. The 2018 G20 Buenos Aires summit is the thirteenth meeting of Group of Twenty (G20). Location is the city of Buenos Aires (Argentina).

It is normal practice for the G-20 finance ministers and central bank governors to meet once a year.

G-20 and G-7

The G-7 was established in 1976 as an informal forum of seven major industrial economies: Canada, France, Germany, Italy, Japan, the United Kingdom and the United States of America. Russia joined later. The G-7 conducts dialogue and seeks agreement on current economic issues on the basis of the comparable interests of those countries. The G-20 was established in 1999 and reflects the diverse interests of the systemically significant industrial and emerging-market economies. It has a high degree of representativeness and legitimacy on account of its geographical composition (members are drawn from all continents) and its large share of global population (two-thirds) and world GNP (around 90 per cent). The G-20's broad representation of countries at different stages of development gives its consensus outcomes greater impact than those of the G-7.

International Financial Architecture For The 21st Century

The institutions involved are:

- G-20
- FSB: In response to the global financial crisis, the international financial community established the Financial Stability Board (FSB). The FSB aims to address vulnerabilities and develop and implement strong regulatory, supervisory and other policies in the interest of financial stability.
- BIS, Basel.
- WB and ADB provide economic assistance so that the long term economic underpinnings of global economy are strengthened
- IMF

ADB

ADB is an international development finance institution whose mission is to help its developing member countries reduce poverty and improve the quality of life of their people.

Headquartered in Manila, and established in 1966, ADB is owned and financed by its 67 members, of which 48 are from the Asia and Pacific and 19 are from other parts of the globe. ADB's main partners are governments, the private sector, nongovernment organizations, development agencies, community-based organizations, and foundations.

Under Strategy 2020, a long-term strategic framework adopted, ADB follows three complementary strategic agendas: inclusive growth, environmentally sustainable growth, and regional integration. In pursuing its vision, ADB's main instruments comprise loans, technical assistance, grants, advice, and knowledge. ADB President is Haruhiko Kuroda.

ECB

The eurozone (euro area) is a monetary union of 19 of the 28 European Union (EU) member states which have adopted the euro (€) as their common currency and sole legal tender. The other nine members of the European Union continue to use their own national currencies. The monetary authority of the eurozone is the ECB.

The European Central Bank (ECB) is the institution of the European Union (EU) which administers the monetary policy of the 19 EU Eurozone member states. It is thus one of the world's

most important central banks. The bank was established by the Treaty of Amsterdam in 1998, and is headquartered in Frankfurt, Germany.

OECD

The Organisation for Economic Co-operation and Development (OECD) is an international economic organisation of 34 developed countries to stimulate economic progress and world trade. It defines itself as a forum of countries committed to democracy and the market economy, providing a platform to compare policy experiences, seeking answers to common problems, identifying good practices, and co-ordinating domestic and international policies of its members. Its membership includes non-European states. The OECD's headquarters are in Paris. India is on the Governing Board of the OECD's Development Centre and it also participates as an observer in some OECD Committees.

NDB

The New Development Bank (NDB), BRICS Bank, is a multilateral development bank operated by the BRICS states. During the sixth BRICS Summit in Fortaleza (2014), the leaders signed the Agreement establishing the New Development Bank (NDB). In the Fortaleza Declaration, the leaders stressed that the NDB will strengthen cooperation among BRICS and will supplement the efforts of multilateral and regional financial institutions for global development, thus contributing to collective commitments for achieving the goal of strong, sustainable and balanced growth. NDB intends to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries.

According to the Agreement on the NDB, "the Bank shall support public or private projects through loans, guarantees, equity participation and other financial instruments. "NDB" shall cooperate with international organizations and other financial entities, and provide technical assistance for projects to be supported by the Bank."

The initial authorized capital of the bank is \$100 bln. The initial subscribed capital of the NDB is \$50 bln which is equally distributed among the founding members. The Agreement on the NDB specifies that the voting power of each member will be equal to the number of its subscribed shares in the capital stock of the bank. K. V. Kamath, the President of the NDB. The bank is headquartered in Shanghai, China.

The first president is from India. Inaugural Chairman of the Board of directors will come from Brazil. Inaugural chairman of the Board of Governors will be Russian.

The 7th BRICS summit in July 2015 marked the entry into force of the Agreement. K. V. Kamath was appointed as President of the Bank.

The Loan Agreement for New Development Bank (NDB) financing of US\$ 350 Million for Development and Upgradation of Major District Roads Project in Madhya Pradesh was signed between Government of India and the New Development Bank (NDB) in 2017. This is the First Loan Agreement for NDB assisted project in India.

AIIB

The AIIB was established as a new multilateral financial institution aimed at providing "financial support for infrastructure development and regional connectivity in Asia." It has its headquarters in Beijing. Its goals are also to boost economic development in the Asia, create wealth, provide infrastructure and promote regional cooperation and partnership. AIIB will "provide or facilitate

financing to any member, or any agency, instrumentality or political subdivision thereof, or any entity or enterprise operating in the territory of a member, as well as to international or regional agencies or entities concerned with economic development of the Asia region.”

The value of AIIB's authorized capital amounts to \$100 billion, with almost \$30 billion invested by China. At its launch in January 2016, there were 57 signatories to AIIB's Articles of Agreement, and in mid- 2017, it has 80. China, India and Russia are the three largest shareholders of AIIB with china holding almost 30% of the share and India about a quarter of china's holding.

The Board of Directors of the Asian Infrastructure Investment Bank (AIIB) approved a loan of US\$160 million in support of the Andhra Pradesh – 24x7 Power for All project in 2017 with the objective to strengthen the power transmission and distribution system in the State of Andhra Pradesh.