World Bank Group and World Bank

The World Bank Group (WBG) is a family of five international organizations that gives loans, generally to poor countries. 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). It is responsible for the preparation of the World Development Report. Commencing operations in 1946, it began operations for post-war reconstruction. Its current role is different as it focus is to lend to and develop the poor countries and help fight poverty in all its facets.

The Group's headquarters are in Washington. It is an international organization owned by member governments; although it makes profits, these profits are used to support continued efforts in poverty escalation.

Technically the World Bank is part of the United Nations system, but its governance structure is different: each institution in the 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. The President of the World Bank is conventionally an American and currently is Jim Yong Kim whose ancestry is from South Korea. There are 188 countries in the WB today.

A country has to first join IMF before it can be a member of the WB.
Its five agencies 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 the 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), agriculture and rural development (e.g. irrigation, rural services), environmental protection (e.g. pollution reduction, establishing and enforcing regulations), infrastructure (e.g. roads, urban regeneration, electricity), 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.

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.

Whereas the latter incorporates these two in addition to three more:[3]

- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID)

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 provides grants and credits with repayment periods of 35 to 40 years.

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. IDA 15 (IDA 15th Replenishment) projects over the three-year period ending June , 2011.

IDA15 replenishment provided US$ 41.6 billion. IDA15 supports low-income countries by increasing its activities in combating climate change, facilitating regional integration and cooperation, boosting infrastructure investment and providing greater support to post-conflict countries, notably in Africa.A total of 45 countries made pledges to IDA's 15th replenishment

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.

IDA 16

Donors agreed to contribute nearly $50 billion over three years(2011-14) to the World Bank fund dedicated to the globe's poorest countries.

It supports health, education, food security and building programmes through grants and long-term, interest-free loans to the world's 79 least-developed countries. The fund is replenished every three years at a donors conference. This year it marked a record for giving, with 51 countries agreeing to contribute.
IDA has 172 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.

Established in 1956, 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 been a member of IFC since 1956. As of June 2012, India held 81,342 shares of IFC, representing 3.43% of IFC's subscribed share capital and 81,592 votes, representing 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. As of May 31, 2012, IFC's portfolio of committed investments in India was approximately US$4 billion.In IFC's Fiscal Year 2012, total commitments in India reached US$960 million in 45 projects, distributed across infrastructure, manufacturing, financial markets, agribusiness and renewable energy. The above figures include commitments for IFC's own account and mobilized financing.IFC is scaling up its presence and activities in the Low Income States and NE States (LIS) in India. A new office in Kolkata was set up to focus on the LIS; approximately US$400-500 million has been invested in the LIS over the past three fiscal years. Further, IFC Advisory Services is working in the LIS in 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 to 30-40% of IFC's portfolio 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 in the global credit market to raise a billion dollars that could be 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 was founded in 1988 and is headquartered in Washington.

MIGA promotes foreign direct investment into developing countries by insuring investors against political risk, advising governments on attracting investment etc.

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 was established in 1966 . ICSID has an Administrative Council, chaired by the World Bank's President, and a Secretariat. It provides facilities for the conciliation and arbitration of investment disputes between member countries and individual investors.

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 MDGs. IBRD funds are semi - concessional and of a longer maturity and therefore, cheaper than commercial external borrowings. GOI utilizes IBRD loans primarily for infrastructure projects.

Since 1949 when India took the first assistance from World Bank, the Bank's cumulative commitment to India stands at US$ 91.91 billion {US$ 48.28 billion under IBRD and US$43.63 billion under IDA (up to July, 2012)}.

The support would be for transformative projects, including the Kosi flood recovery project in Bihar state and cleaning up the River Ganga. As part of the overall lending, the Bank also has earmarked USD $3 billion to support the country's domestic response to the global financial crisis.

This includes a USD $2-billion package for the federal government to provide capital to some of the public sector banks so that they could maintain their credit expansion and prevent a shortfall of capital from affecting the economy in the wake of the global economic crisis.

India's enhanced voice

In the recent Capital Increase in IBRD (2010), India has been allocated additional shares. As a result India will become the 7th largest shareholder in IBRD with voting power of 2.91%. Before this revision, India's voting power was 2.77% with 11th position among shareholders. As a constituency (comprising of four countries - India, Bangladesh, Sri Lanka and Bhutan), India's voting power will increase to 3.26% from the present 3.14%. India along with developing countries like China, Brazil, Indonesia, Mexico and Turkey, with greater voting power, would now have more say in the affairs of the World Bank and how its funds are disbursed.China has overtaken Germany, France and the UK to become the third largest shareholder in the Bank with 4.42% voting rights. There is an overall shift of 3% voting share in favour of developing countries, bringing their total vote share to 47%. The change will give emerging nations more say in how the bank is run and how its funds are disbursed.

These changes "are transformative in nature and will reposition the World Bank Group in the international financial architecture".They will strengthen the role the World Bank Group in being an effective multilateral instrument for eradicating poverty, achieving the MDGs (millennium development goals), supporting international efforts to manage global public goods, and most importantly, keeping it relevant in a dynamic world.

Membership of the financial institution gives certain voting rights, which are the same for all countries. But additional votes are granted depending on a country's financial contribution to the organisation.

The International Monetary Fund and the World Bank at a Glance

International Monetary Fund	World Bank
oversees the international monetary system	seeks to promote the economic development of the world's poorer countries
promotes exchange stability and orderly exchange relations among its member countries	assists developing countries through long-term financing of development projects and programs
assists all members--both industrial and developing countries--that find themselves in temporary balance of payments difficulties by providing short- to medium-term credits	provides to the poorest developing countries whose per capita GNP is less than $865 a year special financial assistance through the International Development Association (IDA)
supplements the currency reserves of its members through the allocation of SDRs (special drawing rights)	encourages private enterprises in developing countries through its affiliate, the International Finance Corporation (IFC)
draws its financial resources principally from the quota subscriptions of its member countries	acquires most of its financial resources by borrowing on the international bond market
has at its disposal fully paid-in quotas now totaling SDR 145 billion (about $215 billion)	has an authorized capital of $184 billion, of which members pay in about 10 percent

Financial Stability Board

The Financial Stability Board (FSB), successor to the Financial Stability Forum, was established in 2009 following the G-20 London summit, and includes all G-20 major economies, including India.

The FSB has been established to address vulnerabilities and to develop and implement strong regulatory, supervisory and other policies in the interest of financial stability. It comprises senior representatives of national financial authorities (central banks, regulatory and supervisory authorities and ministries of finance), international financial institutions etc. G20 gave the FSB more power in surveillance role.

FSB is based in Basel, Switzerland.

Financial action task force

In 2010, India has become a member of the Financial Action Task Force (FATF), an inter-governmental body responsible for setting global standards for anti-money-laundering and combating financing of terrorism.

The membership of FATF comes nearly four years after the country became an observer (in 2006) to this elite global body. India is now the thirty-fourth country member of FATF. There are 36 countries in it.

FATF membership is very important for India in its quest to become a major player in international finance, an official release said.

It will help India build the capacity to fight terrorism and trace terrorist money and help to successfully investigate and prosecute money laundering and terrorist financing offences.

India will benefit in securing a more transparent and stable financial system by ensuring that financial institutions are not vulnerable to infiltration or abuse by organised crime groups.

The FATF process will also help in co-ordination of international efforts in anti-money laundering and combating the financing of terrorism, the release added.

The FATF Secretariat is housed at the headquarters of the OECD in Paris.Its President is Mr.Corral.

Asian Clearing Union

The Asian Clearing Union (ACU) was established with its head quarters at Tehran, Iran in 1974 at the initiative of the United Nations Economic and Social Commission for Asia and Pacific (ESCAP), for promoting regional co-operation. The main objectives of a clearing union are to facilitate payments among member countries for eligible transactions on a multilateral basis, thereby economizing on the use of foreign exchange reserves and transfer costs, as well as promoting trade among the participating countries. The Central Banks and the Monetary Authorities of Iran, India, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka, Myanmar and Maldives are currently the members of the ACU.

The Asian Monetary Units (AMUs) is the common unit of account of ACU and is denominated as 'ACU Dollar' and 'ACU Euro', which is equivalent in value to one US Dollar and one Euro, respectively. All instruments of payment under ACU have to be denominated in AMUs.

Reserve Bank receives and pays US Dollars / Euros.
All permitted current account transactions including export / import transactions between ACU member countries are eligible to be settled through the ACU.
India- Iran oil payments

In 2010, Reserve Bank of India has barred Indian companies from using the Asian Clearing Union (ACU) to process current account transactions for oil and gas . India makes $12 billion worth of oil imports annually from the Islamic Republic. In 2009, Iran asked Indian companies such as ONGC to use the ACU to avoid being targeted by U.S. extra-territorial sanctions. But since the U.S. Treasury, which enforces those sanctions, is unable to monitor ACU transactions, Washington had been pressuring Delhi to shut down this route. ACU transactions are made by the central banks and the individual companies and their identities are not known. Thus, USA can not punish them for dealing with Iran.

Under the ACU mechanism, imports by the nine nations are settled every two months with every member paying for imports after netting out its exports among the union. Till 2008, payment under the ACU mechanism was done in US dollars, but after the United States imposed sanctions on Iran over its suspected nuclear programme, the currency was shifted to Euro.

Companies can't deal with the U.S. and EU companies if they have invested over $20 million in Iran.This led to Reliance abandoning plans to invest in an oil refinery in Iran as it saw diminished chances of participating in shale gas exploitation after having bought a stake in a U.S. company.

Without mentioning Iran, the RBI cited unspecified "difficulties being experienced by importers and exporters" while asking companies to stop using the ACU.

In a solution under discussion, banks and oil companies would put in place an alternative means of settlement for India's oil purchases from Iran.

South Korea pays for Iranian crude using the Won.We can explore to do our business in other currencies like (Emirate) dirham.

Trade in each other's currency (rupee and Rial) is not feasible as India's imports are many times more than exports.

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 region 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 in 2008, ADB will follow 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.

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 inaugural meeting of the G-20 took place in Berlin in 1999, hosted by German and Canadian finance ministers.

Mandate

The G-20 is the premier forum for our international economic development that 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.

Origins

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.

Membership

The G-20 is made up of the finance ministers and central bank governors of 19 countries:

- 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

The European Union, who is represented by the rotating Council presidency and the European Central Bank, is the 20th member of the G-20. 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. The G-20 thus brings together important industrial and emerging-market countries from all regions of the world. 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.

Achievements

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:**

First, the scope of financial regulation has been largely broadened, and prudential regulation and supervision have been strengthened. There was also great progress in policy coordination. Finally, global governance has dramatically improved to better take into consideration the role and the needs of emerging of developing countries, especially through the ambitious reforms of the governance of the IMF and the World Bank.

Chair

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 2014 the G-20 chair is Russia

Meetings and activities

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

Interaction with other international organizations

The G-20 cooperates closely with various other major international organizations and fora- World Bank and IMF. The G-20 also works with, and encourages, other international groups and organizations, such as the Financial Stability Board and the Basel Committee on Banking Supervision.

How does the G-20 differ from the 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.

Miscellany

Every G-20 member has one 'voice' with which it can take an active part in G-20 activity. To this extent the influence a country can exert is shaped decisively by its commitment.

There are no formal criteria for G-20 membership and the composition of the group has remained unchanged since it was established. In view of the objectives of the G-20, it was considered important that countries and regions of systemic significance for the international financial system be included. Aspects such as geographical balance and population representation also played a major part.

The G-20 Finance Ministers were tasked from the Pittsburg Summit to take forward work in the following areas;

- Framework for Strong, Sustainable, and Balanced Growth
- Strengthening the International Financial Regulatory System
- Modernizing our Global Institutions to Reflect Today's Global Economy
- Reforming the Mandate, Mission, and Governance of the IMF
- Reforming the Mission, Mandate, and Governance of Our Development Banks
- Energy Security and Climate Change
- Strengthening Support for the Most Vulnerable
- Putting Quality Jobs at the Heart of the Recovery
- An Open Global Economy

Summits

The G-20 Summit was created as a response both to the financial crisis of 2007–2010 and to a growing recognition that key emerging countries were not adequately included in the core of global economic discussion and governance. The G-20 Summits of heads of state or government were held in addition to the G-20 Meetings of Finance Ministers and Central Bank Governors who continued to meet to prepare the leaders' summit and implement their decisions. After the debut summit in Washington, D.C. during 2008, G-20 leaders held 8 summits, the last being in Russia. 2014 and 2015 will be held in Australia and Turkey respectively.

OECD

The Organisation for Economic Co-operation and Development (OECD) is an international economic organisation of 34 countries founded in 1961 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.

The OECD originated in 1948. Later, its membership was extended to non-European states. The OECD's headquarters are in Paris.

ECB

The European Central Bank (ECB) is the institution of the European Union (EU) which administers the monetary policy of the 17 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. The current President of the ECB is Jean-Claude Trichet, former president of the Banque de France.

International financial stability architecture for the 21st century

The institutions involved are:

IMF

- G-20 and G20 Summit since 2008
- 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 underpinings of global economy are strengthened.

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

- we need to restructure global finance, based on an expanded system of capital adequacy standards, financial reporting, system-wide risk management etc. FSB and BIS can have a larger role in this matter.
- 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, and accountability for their success. Specifically, the bank should have one overarching assignment: helping the poorest countries achieve the millennium development goals to reduce poverty, hunger and disease.
- global trade agenda should be reoriented A trade agreement worthy of the effort would do two main things. Importantly, it would help the poorest countries to be more productive ;global trade would 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. A tax on the carbon content of fossil fuels, levied by all countries, would do the job.
- G20 summit should be the policy guidance platform.

Brics Fund and bank

The BRICS emerging economies will set up a $100 billion fund to steady currency markets. China, holder of the world's largest foreign exchange reserves, will contribute the bulk of the currency pool. The initiative to establish a BRICS currency reserve pool is at its final stage. China committed $41 billion; Brazil, India and Russia $18 billion each; and South Africa $5 billion.

A joint BRICS development bank, with capital of up to $50 billion is also on the anvil It is called New development bank.