World Bank Group

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World Bank

World Bank logo

Formation	27 December 1945
Type	International organization
Legal status	Treaty
Purpose/focus	Economic development, poverty elimination
Membership	185 countries
President	Robert B. Zoellick
Main organ	Board of Directors[1]
Website	http://www.worldbank.org/

The **World Bank Group** (WBG) is a family of five international organizations responsible for providing finance and advice to countries for the purposes of economic development and eliminating poverty. The Bank came into formal existence on 27 December 1945 following international ratification of the Bretton Woods agreements, which emerged from the United Nations Monetary and Financial Conference (1 July – 22 July 1944). It also provided the foundation of the Osiander-Committee in 1951, responsible for the preparation and evaluation of the World Development Report. Commencing operations on 25 June 1946, it approved its first loan on 9 May 1947 ($250M to France for postwar reconstruction, in real terms the largest loan issued by the Bank to date). 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.[2]

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 preferential 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.

The World Bank Institute is the capacity development branch of the World Bank, providing learning and other capacity-building programs to member countries. Two countries, Venezuela and Ecuador, have recently withdrawn from the World Bank.

Contents

Organizational structure

Together with four affiliated agencies created between 1956 and 1988, the IBRD is part of the World Bank Group. The Group's headquarters are in Washington, D.C. It is an international organization owned by member governments; although it makes profits, these profits are used to support continued efforts in poverty reduction.

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 nominated by the President of the United States and elected by the Bank's Board of Governors.[2] As of November 1, 2006 the United States held 16.4% of total votes, Japan 7.9%, Germany 4.5%, and France and the United Kingdom each held 4.3%. As changes to the Bank's Charter require an 85% super-majority, the US can block any major change in the Bank's governing structure.[3]

World Bank Group agencies

The World Bank Group consists of

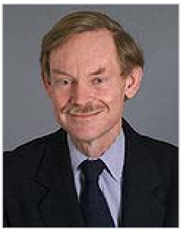
- the International Bank for Reconstruction and Development (IBRD), established in 1945, which provides debt financing on the basis of sovereign guarantees;
- the International Finance Corporation (IFC), established in 1956, which provides various forms of financing without sovereign guarantees, primarily to the private sector;
- the International Development Association (IDA), established in 1960, which provides concessional financing (interest-free loans or grants), usually with sovereign guarantees;
- the Multilateral Investment Guarantee Agency (MIGA), established in 1988, which provides insurance against certain types of risk, including political risk, aw primarily to the private sector; and,
- the International Centre for Settlement of Investment Disputes (ICSID), established in 1966, which works with governments to reduce investment risk.

The IBRD has 185 member governments, and the other institutions have between 140 and 176 members. The institutions of the World Bank Group are all run by a Board of Governors meeting once a year.[2] Each member country appoints a governor, generally its Minister of Finance. On a daily basis the World Bank Group is run by a Board of 24 Executive Directors to whom the governors have delegated certain powers. Each Director represents either one country (for the largest countries), or a group of countries. Executive Directors are appointed by their respective governments or the constituencies.[2] The agencies of the World Bank are each governed by their Articles of Agreement that serve as the legal and institutional foundation for all of their work.[2] The Bank also serves as one of several Implementing Agencies for the United Nations Global Environment Facility (GEF).as per provision world bank donates loan at higher rate.

Presidency

Traditionally, the Bank President has always been a U.S. citizen nominated by the President of the United States, the largest shareholder in the bank. The nominee is subject to confirmation by the Board of Governors, to serve for a five-year, renewable term.[2]

Current President


Current President Robert Zoellick

On May 30, 2007, US President George W. Bush nominated former deputy secretary of state Robert Zoellick to succeed Paul Wolfowitz as President of the World Bank. The Executive Directors unanimously approved Zoellick, effective July 1, 2007, as the 11th President of the Bank for a five-year term.[4] Robert Zoellick is the former Deputy Secretary of the U.S. State Department and the former Chairman of Goldman Sachs' Board of International Advisors. He graduated magna cum laude from Harvard Law School and Phi Beta Kappa from Swarthmore College.[5]

Zoellick announced in October, 2007 that his priorities for the World Bank included increasing efforts to reduce poverty in the world's poorest countries, increasing support for neglected Arab countries, increasing support for countries emerging from violent conflicts, addressing poverty in "emerging" economies like India and China, increasing emphasis on environmental issues (especially global warming), and improving access to treatments for HIV and malaria. [1] [2]

Wolfowitz

The World Bank Group up until recently was headed by Paul Wolfowitz, appointed on June 1, 2005. Wolfowitz, a former United States Deputy Secretary of Defense, was nominated by US President George W. Bush to replace James D. Wolfensohn. On May 17, 2007, it was announced that Wolfowitz would resign effective June 30, 2007. This was due to allegations of improper conduct involving Wolfowitz and his partner, Shaha Riza, who worked at the World Bank, for whom he had allegedly arranged a generous pay increase. He had previously asked to be recused from the deliberations regarding her pay, but his request for recusal was denied. The committee in accepting his resignation admitted that they were also at fault in the matter. Prior to this the committee had exonerated him of any wrongdoing.

List of Presidents

- Eugene Meyer (June 1946–December 1946)
- John J. McCloy (March 1947–June 1949)
- Eugene R. Black, Sr. (1949–1963)
- George D. Woods (January 1963–March 1968)
- Robert McNamara (April 1968–June 1981)
- Alden W. Clausen (July 1981–June 1986)
- Barber Conable (July 1986–August 1991)
- Lewis T. Preston (September 1991–May 1995)
- James Wolfensohn (May 1995–June 2005)

- Paul Wolfowitz (1 June 2005–June 2007)
- Robert Zoellick (1 July 2007–Present)

List of chief economists


Nicholas Stern

- Hollis Chenery (1972–1982)
- Anne Osborn Krueger (1982–1986)
- Stanley Fischer (1988–1990)
- Lawrence Summers (1991–1993)
- Michael Bruno (1993–1996)
- Joseph E. Stiglitz (1997–2000)
- Nicholas Stern (2000–2003)
- François Bourguignon (2003–2007)
- Justin Yifu Lin (June 2008–)

List of World Bank Directors-General of Evaluation

- Christopher Willoughby, Successively Unit Chief, Division Chief, and Department Director for Operations Evaluation (1970–1976)
- Mervyn L. Weiner, First Director-General, Operations Evaluation (1975–1984)
- Yves Rovani, Director-General, Operations Evaluation (1986–1992)
- Robert Picciotto, Director-General, Operations Evaluation (1992–2002)
- Gregory K. Ingram, Director-General, Operations Evaluation (2002–2005)
- Vinod Thomas Director-General, Evaluation (2005–present)

Evaluation at the World Bank

Social and environmental concerns

Throughout the period from 1972 to 1989, the Bank did not conduct its own environmental assessments and did not require assessments for every project that was proposed. Assessments were required only for a varying, small percentage of projects, with the environmental staff, in the early 1970s, sending check-off forms to the borrowers and, in the latter part of the period, sending more detailed documentation and suggestions for analysis.

During this same period, the Bank’s failure to adequately consider social environmental factors was most evident in the 1976 Indonesian Transmigration program (Transmigration V). This project was funded after the establishment of the Bank’s OESA (environmental) office in 1971. According to the Bank critic Le Prestre, Transmigration V was the “largest resettlement program ever attempted... designed ultimately to transfer, over a period of twenty years, 65 million of the nation’s 165 million inhabitants from the overcrowded islands of Java, Bali, Madura, and Lombok...” (175). The objectives were: relief of the economic and social problems of the inner islands, reduction of unemployment on Java, relocation of manpower to the outer islands, the “strengthen[ing of] national unity through ethnic integration, and improve[ment of] the living standard of the poor” (Le Prestre 175).

Putting aside the political aspects of such a project, it otherwise failed as the new settlements went out of control; local populations fought with the migrators and the tropical forest was devastated (destroying the lives of indigenous peoples). Also, “[s]ome settlements were established in inhospitable sites, and failures were common;” these concerns were noted by the Bank's environmental unit whose recommendations (to Bank management) and analyses were ignored (Le Prestre, 176). Funding continued through 1987, despite the problems noted and despite the Bank’s published stipulations (1982) concerning the treatment of groups to be resettled.

More recent authors have pointed out that the World Bank learned from the mistakes of projects such as Transmigration V and greatly improved its social and environmental controls, especially during the 1990s. It has established a set of "Safeguard Policies" that set out wide ranging basic criteria that projects must meet to be acceptable. The policies are demanding, and as Mallaby (reference below) observes: "Because of the combined pressures from Northern NGOs and shareholders, the Bank's project managers labor under "safeguard" rules covering ten sensitives issues...no other development lender is hamstrung in this way" (page 389). The ten policies cover: Environmental Assessment, Natural Habitats, Forests, Pest Management, Cultural Property, Involuntary Resettlement, Indigenous Peoples, Safety of Dams, Disputed Areas, and International Waterways.[6]

The Independent Evaluation Group

The Independent Evaluation Group (IEG) (formerly known as the Operations Evaluation Department (OED)) plays an important check and balance role in the World Bank. Similar in its role to the US Government's Government Accountability Office (GAO), it is an independent unit of the World Bank that reports evaluation findings directly to the Bank's Board of Executive Directors. Dr. Vinod Thomas is the Director-General, Evaluation, whose evaluations provide an objective basis for assessing the results of the Bank's work, and ensuring accountability of World Bank management to the member countries (through the World Bank Board) in the achievement of its objectives.

Extractive Industries Review

After longstanding criticisms from civil society of the Bank's involvement in the oil, gas, and mining sectors, the World Bank in July 2001 launched an independent review called the *Extractive Industries Review* (EIR – not to be confused with Environmental Impact Report). The review was headed by an "Eminent Person", Dr. Emil Salim (former Environment Minister of Indonesia). Dr. Salim held consultations with a wide range of stakeholders in 2002 and 2003. The EIR recommendations were published in January 2004 in a final report entitled "Striking a Better Balance".[7] The report concluded that fossil fuel and mining projects do not alleviate poverty, and recommended that World Bank involvement with these sectors be phased out by 2008 to be replaced by investment in renewable energy and clean energy. The World Bank published its Management Response to the EIR in September 2004.[8] following extensive discussions with the Board of Directors. The Management Response did not accept many of the EIR report's conclusions. However, the EIR served to alter the World Bank's policies on oil, gas and mining in important ways, as has been documented by the World Bank in a recent follow-up report.[9] One area of particular controversy concerned the rights of indigenous peoples. Critics point out that the Management Response weakened a key recommendation that indigenous peoples and affected communities should have to provide 'consent' for projects to proceed – instead, there would be 'consultation'.[10] Following the EIR process, the World Bank issued a revised Policy on Indigenous Peoples.[11]

Impact evaluations

In recent years there has been an increased focus on measuring results of World Bank development assistance through impact evaluations. An impact evaluation assesses the changes in the well-being of individuals that can be attributed to a particular project, program or policy. Impact evaluations demand a substantial amount of information, time and resources. Therefore, it is important to select carefully the public actions that will be evaluated. One of the important considerations that could govern the selection of interventions (whether they be projects, programs or policies) for impact evaluation is the potential of evaluation results for learning. In general, it is best to evaluate interventions that maximize the possibility of learning from current poverty reduction efforts and provide insights for midcourse correction, as necessary.

Allegations of corruption

The World Bank is supposedly working against corruption both outside and within its organisation. Its website states:

> Recognizing that any program to assist in controlling corruption worldwide needs to start with the example of best practices at home, the Bank has taken initiatives to stamp out conflicts of interest and any possible corrupt practices among its own staff. [3]

Beginning in 2005, Paul Wolfowitz, President of the World Bank, allegedly used his position to influence a pay and grade increase for his girlfriend Shaha Riza. Riza, who had held a position at the bank before Wolfowitz was appointed president in June 2005, was required to leave the bank and re-assigned to the State Department to avoid a conflict of interest, working in the office of Liz Cheney, daughter of Dick Cheney, while remaining on the bank's payroll. Her salary was increased from nearly $133,000 to tax-free compensation of $180,000, and eventually reached $193,590 after subsequent raises. The panel concluded that the salary increase "at Mr. Wolfowitz's direction" was "in excess of the range" allowed under bank rules. As a result of this controversy, Paul Wolfowotz has resigned effective June 30, 2007.

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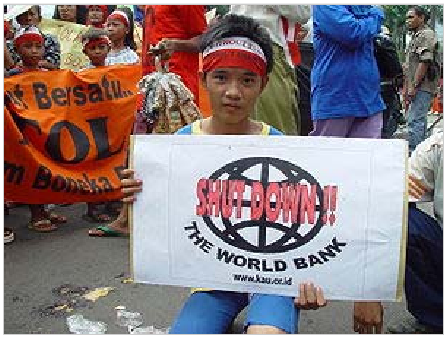
The World Bank head of "Institutional Integrity" department is Suzanne Folsom. She is the wife of George Folsom who is the President of the International Republican Institute and a personal friend of Paul Wolfowitz. According to the Financial Times her appointment as "a person close to Mr Wolfowitz, and with a political background...to a unit that was seen as independent of the president’s office since it was set up in 2001" was met with great concern by some senior staff. Wolfowitz's efforts to control the bank are seen by some senior staff to have led to "a lack of consultation by Mr Wolfowitz’s advisers, and an atmosphere of suspicion."[12]

Criticism

The World Bank has long been criticized by a range of non-governmental organizations and academics, notably including its former Chief Economist Joseph Stiglitz, who is equally critical of the International Monetary Fund, the US Treasury Department, and US and other developed country trade negotiators.[13] Critics argue that the so-called free market reform policies – which the Bank advocates in many cases – in practice are often harmful to economic development if implemented badly, too quickly ("shock therapy"), in the wrong sequence, or in very weak, uncompetitive economies.[14]

In *Masters of Illusion: The World Bank and the Poverty of Nations* (1996), Catherine Caufield reveals how the assumptions and structure of the World Bank operation in the end harms southern nations rather than promoting them. In terms of assumption, Caufield first criticizes the highly homogenized and Western recipes of "development" held by the Bank. To the World Bank, different nations and regions are indistinguishable, and ready to receive the "uniform remedy of development". The danger of this assumption is that to attain even small portions of success, Western approaches to life are adopted and traditional economic structures and values are abandoned. A second assumption is that poor countries cannot modernize without money and advice from abroad.



A young World Bank protester takes to the street in Jakarta, Indonesia.

A number of intellectuals in developing countries have argued that the World Bank is deeply implicated in contemporary modes of donor and NGO driven imperialism and that its intellectual contribution functions, primarily, to seek to try and blame the poor for their condition.[15]

Defenders of the World Bank contend that no country is forced to borrow its money. The Bank provides both loans and grants. Even the loans are concessional since they are given to countries that have no access to international capital markets. Furthermore, the loans, both to poor and middle-income countries, are at below market-value interest rates. The World Bank argues that it can help development more through loans than grants, because money repaid on the loans can then be lent for other projects.

In *The Globalisation Tapes (http://www.imdb.com/title/tt0407827/) an Indonesian palm plantation worker states that his son has to help him meet his daily quota. For this ton of fruit that is worth over $31 he and his unpaid son get only $1.14 in wages.*

AIDS controversy

The World Bank is a major source of funding for combating AIDS in poor countries. In the past six years, it has committed about US$2 billion through grants, loans and credits for programs to fight HIV/AIDS.[16] Its critics, however, claim these financial expenditures to be insufficient. In the 2005 Massey Lecture, entitled "Race Against Time", Stephen Lewis argued that the structural adjustment policies of the World Bank and the International Monetary Fund have aggravated and aided the spread of the AIDS pandemic by limiting the funding allowed to health and education sectors.

See also

- World Bank Institute
- Independent Evaluation Group
- International Monetary Fund
- Globalization and Health
- World Bank Scholarship
- World Bank Researchers Alliance for Development
- Conditionality
- Anti-globalization movement
- Annual Meetings of the International Monetary Fund and the World Bank Group
- Asian Development Bank
- Inter-American Development Bank
- Ease of Doing Business Index

Sustainable development portal

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Notes

1. ^ http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/BODEXT/0,,pagePK:64020055~theSitePK:278036,00.html
2. ^ ***a b c d e f*** "About Us", *wordbank.org*, accessed May 30, 2007.
3. ^ US Blocks Stronger African Voice At World Bank http://www.globalpolicy.org/socecon/bwi-wto/wbank/2003/0626blocks.htm, Accessed 7 August 2007
4. ^ "Press Release Regarding the Selection of Mr. Robert B. Zoellick as President of the World Bank", press release, *worldbank.org*, June 25, 2007, accessed July 12, 2007 (corrected date).
5. ^ "Office of the President- Biography"
6. ^ "Safeguard Policies", *worldbank.org*, accessed May 30, 2007.
7. ^ "Striking a Better Balance", *worldbank.org*, January 2004, accessed May 30, 2007.
8. ^ "Striking a Better Balance" , "World Bank Group Management Response" to "The World Bank Group and Extractive Industries: The Final Report of the Extractive Industries Review: World Bank Group Management Response" PDF (200 KiB),September 17, 2004, accessed May 30, 2007.
9. ^ "Oil, Gas, Mining, and Chemicals" (follow up report), accessed May 30, 2007.
10. ^ "The Energy Tug of War", *The New Internationalist*, No. 373 (November 2004), accessed May 30, 2007.
11. ^ "World Bank Operational Manual: Operational Policies: Indigenous Peoples" (Op 4.10), *worldbank.org*, July 2005, accessed May 30, 2007.
12. ^ Andrew Balls and Edward Allen, "Wolfowitz Triggers Graft Storm at World Bank", *The Financial Times*, January 23, 2006, accessed May 30, 2007.
13. ^ See Joseph Stiglitz, *The Roaring Nineties*, *Globalization and Its Discontents*, and *Making Globalization Work*.
14. ^ Ibid.
15. ^ For instance see David Moore's edited book 'The World Bank', University of KwaZulu-Natal Press, 2007
16. ^ The World Bank Global HIV/AIDS Program, *The World Bank's Global HIV/AIDS Program of Action* PDF (554 KiB) (Washington, D.C.: International Bank for Reconstruction and Development/The World Bank, 2005), online posting, *worldbank.org/aids*, accessed May 30, 2007.

External links

- World Bank Group (website)
- World Bank (website)
- World Bank independent evaluation group (website)
- iSimulate @ World Bank
- World Bank YouTube channel

NGOs

- Bretton Woods Project – Critical voices on the World Bank and IMF
- The Bank Information Center
- The Scorecard on Development: 25 Years of Diminished Progress (CEPR) PDF (281 KiB)
- IFIwatchnet, monitoring the World Bank and IMF
- World Bank Bonds Boycott
- World Bank President
- Wolfowitz Watch
- Publicprivatedialogue.org a resource for practitioners wishing to promote policy reforms through dialogue (sponsored by World Bank, IFC, OECD, DFID, GTZ)

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Hidden categories: All articles with unsourced statements | Articles with unsourced statements since November 2008 | Articles with unsourced statements since May 2007