CHAPTER TWO.

THE ORIGIN OF THE WORLD BANK.

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2.1 AN INTRODUCTION TO THE WORLD BANK

The International Bank for Reconstruction and Development (IBRD) is an institution, which was formed after the devastation of the economies of Europe. According to Harry Dexter White "No matter how long the war lasts nor how it is won, we shall be faced with three inescapable problems: to prevent the disruption of foreign exchange and the collapse of monetary and credit system to assure the restoration of foreign trade and to supply the huge volume of capital that will be needed virtually throughout the world for reconstruction, for relief and for economic recovery" [1]. The idea of reconstruction was the first to be conceived, focusing only the involved allies in the war and not the rest of less developed countries. Together with its sister institution, the International Monetary Fund (IMF), they were established [2]. By December 31, 1945, 29 countries had approved the bank's Articles of Agreement. In March 1946, the board of governors of the World Bank and the International Monetary Fund were inaugurated in Savannah, where they adopted the institutions' statute and elected the bank's executive directors.

The board first met on May 7, 1946. The bank's first president, Eugene Meyer, took office on June 18, and the bank opened its world headquarters at 1818 H Street, NW, Washington, DC, on June 25 1946. They are what have come to be known as Bretton Woods institutions. But, later there was a greater need for the

IBRD to widen its goal by thinking beyond reconstruction. Hence, focus shifted to development of less developed countries. The World Bank currently is the chief agency of development world wide particularly fighting poverty in less developed countries. The poverty alleviation was not the part of the original mandate for the World Bank instead poverty reduction came onto the bank's agenda only gradually, with creation of IDA and in particular through the championship of McNamara. It pursues these objectives by primarily by providing loans, guarantees and related technical assistance for projects and programs in its developing member countries[3].

World Banks financial objective is not to maximize profit but to earn an adequate net income to ensure its financial strength and to sustain its development activities. World Bank policies have enabled it to build reserves diversify its funding sources to hold large portfolio of liquid investment and to limit a number of risk including credit, market and liquidity risks. The IBRD was established with an authorized capital of $10 billion (in terms of 1944 U.S. dollars) divided into $100,000 and made available for subscription by members. As of 1984, the authorized capital had been increased to $86 billion, following a selective capital increase authorized in 1977. Of the originally subscribed capital, ten percent, or about $1 billion, was actually paid into the bank and has been used and is usable for the most part in Bank operations. The remaining 90 percent, equal to $9 billion, is "uncalled" and can be employed only to meet the obligations of the Bank to holders of its securities[4]. At present the five largest World Bank's184 shareholders, based on a percentage of the total voting power, are the United

States (16.4%), Japan (7.9%), Germany (4.5%), France (4.3%) and the United Kingdom (4.3%). [5]

2.2 ORIGIN OF THE WORLD BANK.

The United States America (USA) had initiated a series of activities to plan for the post-war economic challenges since 1940. This factor led to the holding of a conference at Bretton Woods, New Hampshire, USA in July 1944. The delegates who assembled in this Conference encountered one obstacle coming up with acceptable name for their creation. The British delegates thought it should be called "The International Co-operation for Reconstruction and Development" or be given different title omitting the word "Bank". Some delegates proposed "The International Guarantee and Investment Association", France favoured the name "International Financial Institution for Reconstruction and Development". Following the suggested names, the characteristics of a Bank lacked in them. In practical terms neither does it receive deposits nor deal with individual persons. Only loans were made to Governments, or to public and private entities. On the basis of a Government guarantee of repayment, four fifths of the subscribed capital was not paid in but was to be used as a guarantee against losses; its key function was intended to be the guarantee of private investment. It was not to lend or guarantee loans to any borrower capable of borrowing on reasonable terms from other sources. But regardless of what the appropriate title would have been describing its functions, it has become known widely and a called, as the World Bank [6].

Although the name of the Bank was in doubt, its formation was certain. The U.S. Secretary of State, Henry Morgenthau, sent letters to forty four governments inviting them to send delegates to a conference in Bretton Woods and referred that as being for the Purpose of formulating definite proposals for an International Monetary Fund and possibly a Bank for Reconstruction and Development. Almost all the preliminary work on the proposed bank was accomplished within the U.S. government and until the conference in Atlantic City of the meeting which was to shape the agenda for Bretton Woods; the participation of other countries had been perfunctory.

The secretary of the U.S., Henry Morgenthau, dispatched letters in April 1943 to thirty seven United and Associated Nations and enclosed a preliminary proposal for stabilization fund, together with the Keynes' plan for a clearing union. When representatives from the U.K. and the U.S. met in Washington D.C. from 9th to October 15th, 1943, to debate issues arising out of Article VII of lend-lease agreement, some attention was allocated to commodity arrangements, commercial policy and International Investment. However, the real part of opposition was an amalgamation of the J.M Keynes and Harry Dexter White plans into what translated in the spring of 1944 to a joint statement of the experts on International Monetary Fund (I.M.F.) [7]

In November 1943, the U.S. set its thoughts into an International Bank following the memorandum sent by Secretary Morgenthau, to associated governments, whose title was, "Preliminary Draft Outline" of a proposal for a United Nations Bank for Reconstruction and Development. The cold reaction of the British was due to the priority wise objectives that they wanted to emphasize on both reconstruction and development. In concurring with the British, the American's experts said, the proposed Bank is intended to facilitate the provision of Capital for reconstruction in the immediate post war period as well as for development purposes in the long term.

To this extent, the representatives who assembled in Atlantic City to prepare an agenda for Bretton Woods had a point in hand. Though the U.S. delegates had doubt of the idea of the Bank being included in the discussion, the issue was brought up by the British delegation along with representatives from other countries. It was agreed to have meetings on the subject of International Bank, which had hitherto been somehow neglected to some extent. The American documentation led by White Harry Dexter White of the USA Treasury to conclude in a memorandum to Morgenthau that some substantial differences exist between the British and the Americans which will have to be ironed out at Bretton Woods. This led to the integration of both the U.K. and the U.S. proposals as a document ready for further discussions in the Bretton Woods [8]

The British representatives played a subordinate role to the formation of the Bank, but it had been a U.S. proposal. In regard to the International Investment, it was decided that the British ought to take an initiative on the ground that they would not be in a position in the period immediately following the war to contribute substantial sums towards it. It was for the Americans to take the initiative contribute substantial sum in this part of the field.

Lord Keynes, the Chairman of Commission II of Bretton Woods, which concerned itself with the Bank, in his opening speech remarked, I believe we have before us a proposal to origins of which we owe primarily to the initiative and ability of the United States Treasury, conceived on sound and fruitful lines.[9] The World Bank was the product of the English and the American brains, with valuable assistance from the Canadians. In its early years when Europe was still struggling toward the post war recovery, then the only national subscriptions which the World Bank was able to use on a fully convertible basis were those of the United States and Canada. The only place which the World Bank could borrow was Wall Street.[10]

(i) PREPARATION FOR THE BANK

An examination of the U.S. proposal was done first, which led to the creation of the I.M.F. Harry Dexter White began thinking of a post stabilization fund and International Bank in 1941. In December of the same year, he presented a memorandum entitled proposed program for inter-allied monetary and Bank Action. White had a vision of an International Bank. His proposal was the one that was issued in April 1942 as a proposal for a United Nations Stabilisation Fund and a Bank for reconstruction and Development of the United and Association of Nations that shaped the subsequent discussion. An International

Bank was conceptualized in 1942 following the Bank for International Settlements established in 1930 and the Inter-American Bank that was proposed in 1940 but never materialized [11]. The Bank for International Settlements was created mainly to manage reparation transfer from Germany under the Young plan and later became an agent for European Central Banks in handling gold flows.

White's April 1942 proposal for a Bank for Reconstruction and Development of the United and Associated Nations was influenced by the Inter-American Bank, though he tried to guard against opposition of commercial bankers by providing that short term capital would be provided only when such capital was not available from private sources at reasonable rates.

Important Provisions in the Articles of Agreement of IBRD.

(i) The servicing of the loan is fully guaranteed by national government.

(ii) The Loan is to be offered only after a careful study by a competent committee on the merits of the project and the loan.

(iii) Whenever possible the Bank should guarantee loans made by private investors, instead of making loans directly. (This provision however was qualified.)

The capital of the proposed Bank for Reconstruction and Development was to be US$ 10 Billion, with voting power determined by the number of shares held by each government but with care that no government will hold more than 25 percent of the total voting strength.

Secretary Morgenthau circulated White's proposal to other interested departments of the U.S. government. In May 1942, President Roosevelt authorized the pursuit of these discussions in a cabinet of which White was chairman. Through this technical committee the American proposal was drawn and circulated in November 1943 to other governments and provided most of U.S. technical personnel for Bretton Woods Conference. Technical representatives of other countries subjected this preliminary draft of 1943 to scrutiny. The USA Treasury in July 1944 circulated to the allied and associated powers a set of questions concerning the Bank that went through several editions before holding the Atlantic City meeting.

(ii) ATLANTIC CITY MEETING

On June 30, 1944, a number of countries met in Atlantic City to prepare the agenda for Bretton Woods. The U.S. delegation attended the meeting uncertain of whether the proposal for the International Bank will meet the expectations of the discussions conducted there. However, the U.K. delegation with the 'boat draft' had worked upon this matter and made suggestions for a reorganization of issues covered in turn very similar to that of the final articles of agreement and it rephrased a number of provisions. The 'boat draft' dealt with the Bank's capital structure. The U.S. felt that 20 percent of each country's capital subscription was to be paid in 'initially', with the assumption that this share might be increased over time. The U.K. insisted on a limit of 20 per cent to be paid in, not more than one – fifth of which would be payable in Gold. The 80 percent reserve funds would be callable to meet losses.[12]

A copy of proposals was given by the U.K. and other delegates at the Atlantic City for later discussions at Bretton Woods. The suggestions given were considered in Atlantic City. The U.S. proposal and the 'boat draft' were incorporated into a statement to be placed before the delegates at Bretton Woods.

(iii) Bretton Woods

The draft which was put before the delegates at Bretton Woods was in its general outline, very similar to the Articles of Agreement that resulted from the conference. The titles of the Articles and the chronology of their arrangement were with slight changes but most of it was left unaltered. Various versions were presented by the U.S., the U.K. and new material taken from the draft of the International Monetary Fund proposal. Delegates were asked to give new suggestions and proposals. In the early stages of the conference, discussions dwelt on the IMF. This led to the doubt by that the meeting may terminate without discussing the Bank issue. Delegates from Europe had been shattered by the war; the Russians were interested in the re-constructive objectives of the Bank.

The World Bank serves the purpose of both reconstruction and development, but which objective would have priority? The European countries quite naturally stressed reconstruction. The Russians in particular, asserted that the principal goal of the Bank should be to assist in the reconstruction and restoration of economies devastated by the hostilities. The less developed countries on the other hand, feared that if heavy stress were given on reconstruction, the Bank would hardly get around to development. Mexico proposed a version stating that economic development was the first priority but, the Bank was to assist, during the first post war period, in the reconstruction of member countries and in the transition from a war-time to a peace-time economy.

The Articles of Agreement left the question of priority of purposes entirely to the discretion of the Bank. A compromise was struck by accepting both the goals without giving preference to any. The resources and the facilities of the Bank shall be used exclusively for the benefit of members with equitable consideration to projects for development and projects for reconstruction a like. However paragraph (b) of the same section directs the Bank to pay special regard to lightening the financial burden for countries that have suffered great devastation from energy occupation or hostilities. And there can be little doubt that the countries that are to hold a majority of the stock were focused primarily with the re-constructive objective.

The provisions on the size and structure of the Bank's capitalization followed fairly closely earlier U.S. proposals as modified by British suggestions in Atlantic City. The total capital was to be US$ 10 billion of which 20 percent was callable and 80 percent was to be served as guarantee fund.[13] In the Bretton Woods conference, financing projects of the concerned economies was discussed in detail by setting different terms for loans, Lending and Borrowing by member countries and at what terms and period. Putting these factors in mind, the Bank officials should be careful in their dealings with member countries when assistance is made. Article IV, section 10 provides that the Bank and its officers shall not interfere in the political affairs of any member nor shall they be influenced in their decisions by political character of the member or members concerned. Only economic considerations shall be considered rationally in order to achieve the objectives stated in Article I.

By the time the Bank was established in 1945 with its headquarters in the territory of the largest shareholders as required under the Articles, the membership was more or less restricted to the European and American continents, including Latin America, some Middle Eastern, North African countries and Undivided India. Most of Asia and almost the whole of Africa were not represented for a long time due to the simply reason that they were under the colonial rule. Taiwan continued to claim to represent China.

The World Bank began operations on June 25, 1946. In the initial years of its operation, World Bank loans were offered only to economies affected by war. By August 1947, it had authorized reconstruction loans to the Netherlands ($195 million), Denmark ($40 million), and Luxembourg ($12 million) [14]. However, it was soon realized that the World Bank was not in a position to raise enough money to finance reconstruction. Further, the World Bank was compelled by the Articles to finance projects and not provide general assistance in the nature of non-project loans or payments support. Most of the ravaged countries by the war were really in need of balance of payments support. America had assumed the responsibility through the Marshall plan for assisting reconstruction. The IBRD, hence, shifted its focus to the funding of development. We have elucidated the lending operations of the World Bank in table form as shown below.

Table 2.1: IBRD lending (million dollars)

Lending	2002	2003	2004	2005
Commitment Member Countries	11452	11231	11045	13611
Cross Disbursement	11256	11921	10109	9722
Net Disbursement	812	7996	8408	5131
Loan Income	6861	5742	4403	4155

Source, World Bank annual reports various issues.

Table 2.2: Table of the Capital of the Capital Subscription of IBRD 2006

Member country	Total subscription (US$ million)	Uncalled portion of subscription(US$ million)
US	31695	29966
Japan	15321	14377
Germany	8734	8191
France	8372	7851
U.K	8372	7832
Canada	5404	5069
Italy	5404	5069
Netherlands	4283	4018
Belgium	3496	3281
Spain	3377	3171
Switzerland	3210	3012
Australia	2951	2770
Sweden	1806	1696
Denmark	1623	1525
Austria	1335	1254
Norway	1204	1132
Finland	1033	971
News land	873	821
Portugal	659	620
Ireland	636	599
Greece	203	189
Luxemburg	199	190
Total	110460	103604

(Source World Bank annual report 2006)

2.3 MEMBERSHIP OF ORGANISATION

The World Bank is an Inter-Governmental Institution meaning that only governments of various countries can become its members. Article II deals with the membership of the Bank and its capital, an essential pre-qualification for membership in the Bank is that the applicant should be a member of the International Monetary Fund (I.M.F.).[15]

The authorized capital was put at US$ 10 billion, which was considered modest amount and it was specified that the capital stock would be in terms of United States Dollars of the weight and fineness in effect on July 1st 1944. The capital of the Bank can be increased but it needs a three-fourth majority of the total voting power. Capital was divided into shares of US$ 100,000 each. The original members were allocated an amount of US$ 9.1 billion, the balance being available for new members as and when other countries joined the Bank as members. The U.S.A. was by far the largest shareholder, with subscription US$ 3.175 billion, next was the British and the Russia with US$ 1.3 billion and US$ 1.2 billion respectively. The fourth largest was China, i.e. National China, the People's Republic of China, which joined the Bank only in the late 1980's. The fifth largest was France and the six largest was India. There were 45 countries included in this category, but obviously none of the axis powers could be included at that time, though Japan and German in particular have played an increasingly by important role in later years. Italy was also displaying growing interest. Poland and Yugoslavia were included as was Norway, though Sweden was not one of the founder members. Members of the Bank subscribe to shares of the capital stock in addition to their minimum subscriptions, subject to the rules laid down by the Bank.

By mid-1947, there were only 45 member countries. A substantial increment in membership was registered during the first decade, at the end of which there was a total of 60 members ten of which were from Asia. Within the second decade, World Bank membership shot to a total of 106 and 32 of 46 new members were from Africa. In mid 1960s the membership structure changed, this reflected the International political developments, see the table11 below. By the early seventies, there was a large contingent from Africa. Romania joined in 1973. In the 1980's People Republic of China joined the Bank. Today, the developing countries total to a little more than two-third of the member countries[16]. See the table below.

Table 2.3: Bank's Membership (IBRD including IDA)

Year	Members
1947	44
1950	49
1960	66
1970	112
1971	116
1975	125
1995	179
1999	181
2001	182
2003	184
2004	184

Source: World Bank (various reports)

Table 2.1 shows that, IBRD is becoming popular every time. This is evident from the number of members that have joined it over the years. The number of the members rose from 29 in 1944 to 184 in 2004.

Under Section 8(a) of Article II, it is made compulsory that provisions for payment of subscriptions, with relaxation for members whose metropolitan territories are still under enemy occupation, or who have not recovered possession of their gold reserves. In the infant stage of the Bank's functioning these clauses were relevant. (Czechoslovakia argued that it came under this section by not having recovered possession of its Gold reserves, and this did not have a comply with a mandatory time limit for paying in its two percent out of twenty percent share contribution in Gold or U.S. dollars. The Executive Directors, however, decided that Czechoslovakia was governed by Sec. 8(a) (i) that is applicable to cases where the country's metropolitan territories had suffered enemy occupation. Therefore, Czechoslovakia payment of contribution was postponed by five years only. In December 1953 its membership was terminated and made formal in 1954.

THE INTERTIONAL DEVELOPMENT ASSOCIATION (IDA)

The International Bank for Reconstruction and Development (IBRD), better known as the World Bank, was established in 1944 to help Europe recover from the devastation of World War II. The success of that enterprise led the Bank to turn its attention next to developing countries. By the 1950s, it became clear that the poorest developing countries needed softer borrowing terms than those offered by the Bank. Established in 1960, 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. The first IDA loans, known as credits, were approved in 1961 to Chile, Honduras, India and Sudan. The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries

IDA 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. IBRD and IDA share the same staff and headquarters and evaluate projects with the same rigorous standards. IDA is one of the largest sources of assistance for the world's 80 poorest countries, 39 of which are in Africa. It is the single largest source of donor funds for basic social services in the poorest countries. IDA credits have no interest charge and repayments are stretched over 35 to 40 years, including a 10-year grace period.

2.3 ORGANISATIONAL STRUCTURE

The organizational structure of World Bank may be given in terms of:

(i) The role and functions of the Board of Governors and Directors.

(ii) The position of the President of the Bank as the chief executive.

(iii) The organizational structure in terms of various wings and pattern of staffing.

(i) Board of Governors and Directors

The World Bank like any other corporate body has shares but only member governments subscribe to these shares. The shares were allocated on an agreed formula at the time of establishment of the Bank; closely following the allocations of quotas by the fund. The Bank has been increasing the capital and allotting shares to existing and new member countries on the basis of parallelism with the fund and marginally for special efforts supportive of the Bank. Shares are allotted as a political compromise taking into account some countries subscribe fully to capital allotted occasionally some surrender shares. For quite sometime, the share of the developing countries has reached over 40 percent from 10 percent. See table 2.4.

The member governments are represented through a Governor and an alternate nominated by each member. The Governors as a group constitute the governing body and they meet once a year. The Articles provide that a Board of Executive Directors will perform some major functions for example, increasing the capital, changing the Articles, admitting new members, all the functions of the Board of Governors. This Board, which initially had a membership of twelve, is currently having a membership of 24. The five largest shareholders have a right to nominate their respective Executive Directors. Elections are held every two years (i.e. every alternate annual meeting of the Board of Governors) for the remaining. Maximum and minimum limits of votes needed to get a member elected are prescribed for every election in a manner that reasonable representation is available to the various continents. Voting powers depend on the shares subscribed. To support smaller countries, 250 votes called membership votes are added to each member. In a recent general capital increase enabling doubling of capital base, 250 votes were awarded to each member without seeking payment to bring about the same effect as prescribed in advance; but the countries group themselves into constituencies depending on their preferences. Table 2.5 shows Executive Directors, with their constituencies and their voting power they exercise.

Table 2.4: Voting Powers of the Governors

Country	World Bank	Shares of World:	
	Power share	GDP	Population
USA	19.49	32.90	4.71
Japan	7.86	13.54	2.10
Germany	4.35	6.04	1.36
France	4.17	4.28	0.98
UK	4.17	4.66	0.97
Italy	2.68	3.56	0.96
Saudi Arabia	2.68	0.61	0.35
Canada	2.68	2.27	0.51
China	2.68	3.79	21.00
Russia	2.68	1.01	2.39
Netherlands	2.12	1.24	0.26
Belgium	1.73	0.75	0.17
India	2.68	1.56	17.05
Switzerland	1.59	0.81	0.12
Australia	1.46	1.21	0.32
Spain	1.67	1.90	0.68
Brazil	1.99	1.64	2.85
Venezuela	1.22	0.41	0.41
Mexico	1.13	2.02	1.64
Sweden	0.90	0.69	0.15
Argentina	1.07	0.88	0.62
Indonesia	0.90	0.48	3.45
Austria	0.67	0.62	0.13
South Africa	0.81	0.37	0.71
Nigeria	0.76	0.14	2.14

Source World Bank annual report 2005

EXECUTIVE DIRECTORS

Among the elected Executive Directors (i.e. other than the nominated by the five largest shareholders) there are those who represent exclusively developing countries (i.e. part II countries) and those who represent both developing (part II) and developed (part I) countries. The latter are reflected as Directors representing mixed constituencies. The Executive Directors are based in Washington, U.S.A. and they normally meet for two days in a week and on other day they may meet in various committees informally or formally.

In the Board of Directors, there is weighted voting i.e. each Executive Director vote in the Board of Directors carries the weighted votes of the shareholders that elected the Executive Director. This implies that a view taken by the U.S. Executive Director will carry about twenty percent of the voting power and the Executive Directors of Latin America and Africa numbering six will have to combine to out vote U.S.A. with their strength. Particularly the Board makes decisions on the basis of concerns. The Board approves all borrowings, lending, and budgets and guides the management on matters of policy.

The Executive Directors carry out dual responsibilities. They represent their constituents' interests to the Board of Directors and management when determining policy or considering individual projects and Interests of the Bank to the country or countries that appointed or elected them. They are a link of communication between the Bank and the member countries. Since the Bank operates on the basis of consensus (formal voting in the Board is not common). This dual role entails regular communication and consultations with governments so as to reflect accurately their opinions in the discussions of the Board of Directors.

Policy strategy is decided by the Executive Directors within the parameters of the Articles of Agreement. They approve the operational and administrative budgets; oversee personal policies; authorize borrowings; consider and decide on the loan and credit proposals made by the president. In addition, they are responsible for representation to the Board of Governors at its annual meeting, of an audit of accounts, an admission budget, the Annual Report on the operations and policies of the World Bank and any other issue that requires submission to the Board of Governors. Each Executive Director carries out a various duties, though his primary function is to participate in the meeting of the Board of Directors. In these meetings, the Executive Director is expected to have interest of the World Bank only in view and whether there is any issue involving a potential conflict of interests like consideration of a loan to his constituency, the respective Director is not expected to participate. He operates in a manner that he should try to assist obtain finances from the government or capital markets. He should help the Bank in cases of helping the countries he represents.[17]

In the working of the Board of Directors, informal groups of Directors are in continuous session. Therefore, the Executive Directors from Part Two (P-II) countries (along with alternates in respect of mixed constituencies, if any alternate or temporary alternate belongs to part II) meet regularly to share views and co-ordinate their positions. This is called Group of Nine (G9) (namely, that is, the number of Executive Directors from part II when it was constituted) Developing countries have G5 consisting of the five largest shareholders and become G6 by the addition of Canada. G10 being a larger body consists of Part One (P-I) countries. All Executive Directors meet frequently though separate G6, G9 and G10 meetings precede them.

In 1974, a Development Committee was framed. Formally it was called to as Joint Ministerial Committee of the BOG of the World Bank and the I.M.F. on transfer of real resources to LDC. The committee consists of 21 members, generally finance ministers appointed in turn for successful periods of two years by one of the countries or groups of countries that designates a member of the Bank's or IMF's Board of Executive Directors. The Idea behind development committee was to fulfill the needs of the LDC for having a political platform at the level of ministers in which policy directors can be agreed upon without weighted voting. It provides the overall framework within which the Bank functions. Table 2.5 elucidates the voting power of Executive Directors of the World Bank

Table 2.5: Voting Power of Executive Directors

1 United States	16.36
2 Japan	7.87
3 Germany	4.49
4 France	4.30
5 United Kingdom	4.30
6 Belgium *(et al)*	4.80
7 Spain *(et al)*	4.50
8 Netherlands *(et al)*	4.46
9 Canada *(et al*	3.85
10 Brazil *(et al)*	3.59
11 Italy *(et al)*	3.50
12 Korea *(et al)*	3.45
13 Africa *(Anglophone)*	3.41
14 India *(et al)*	3.40
15 Nordic *(et al)*	3.34
16 Algeria *(et al)*	3.19
17 Switzerland *(et al)*	3.04
18 Kuwait *(et al)*	2.91
19 China	2.78
20 Saudi Arabia	2.78
21 Russia	2.78
22 Indonesia *(et al)*	2.54
23 Peru *(et al)*	2.32
24 Africa *(Franophone)*	1.99
Total	**100.00**

Source, World Bank annual report 2005

(ii) PRESIDENT

The President of World Bank combines the dual role of the chairman of the Executive Directors and the chief of the operating staff of the Bank. The Executive Directors select the president and he ceases to hold office when they so decide. The President presides over the meetings of the Executive Directors (but does not vote except when there is tally) and participates in the meetings of Board of Governors (B.O.G.). He conducts the ordinary business of the Bank, under the direction of the Executive Directors. On personal matters, the President is subject only to the general control of the Executive Directors. By an informal agreement, the president of Bank is from U.S.A. and the Chief Executive of I.M.F. is from Europe. All presidents who have been nominated to the World Bank are those who have distinguished themselves in the U.S.A. and accepted the position of the Bank's President at considerable personal sacrifice in terms of remuneration. The Bank's president is virtually a nominee of the U.S. Government through a process of informal consultations with important member-governments. The president being the nominee of the United States of American and having the highest voting capacity the influence of the United States is felt throughout the World Bank.[18] Six vice presidents head the regions Africa, East Asia and Pacific, Europe and Central Asia, Latin America and Caribbean, Middle East and North Africa, and South Asia. The regions are supported by four networks: environmentally and socially sustainable development; finance, private sector and infrastructure; human development; and poverty reduction and economic improvement. We have presented the chronology of the World Bank presidents which have been USA nominees till date in table form as shown in table 2.6.

Table 2.6: List of World Bank presidents

Year	President Name
1. June 1946–December 1946)	Eugene Meyer
2. March 1947–June 1949)	John J. Mc Cloy
3.1949–1963)	Eugene R. Black
4. January 1963-March 1968)	George D. Woods
5. April 1968–June 1981)	Robert McNamara
6. July 1981-June 1986)	Alden W. Clausen
7. (July 1986-August 1991)	Barber Conable
8. September 1991–May 1995)	Lewis T. Preston
9. May 1995–June 2005	James Wolfensohn
10. 1 June 2005–June 2007)	Paul Wlfowitz

(Source, World Bank annual report different issues)

The President who asserts himself and wants to assert the independence of the Bank may find himself in conflict with the interest of the U.S.A. Depending on the political situation in the World and the U.S.A. in particular, and the personality of the president, some of the operations of the Bank tend to subscribe U.S. interests. There have been many cases where loans have been approved to the countries but the U.S.A. opposed them in the Board of Directors. It is true that most countries had found favour with the World Bank. This has happened with the case of Egypt, Turkey, Philippines and Thailand whose amounts with fewer conditions. U.S.A.'s influence is moderated by some factors such as; time involved in considering the project and processing it, which takes at least 18 – 36 months and the multilateral character of the Board of Directors. Moreover, lending programs has to be responsive in some way or other, to political developments. A good example can be of Afghanistan's suspension. It could be argued that it was a U.S.A. move. Further, that private capital markets would not be convinced that their funds would be safe if invested in such a country. The view of the World Bank was that it was not in a position in such conditions sending its staff to monitor the proper application of Bank's funds. All these matters inclusive and the stance of the bank's president and his relationship with the U.S. Government are crucial.

(iii) Organizational Structure

The World Bank operates under the overall guidance of governors and its policies and operations are deeds by Board of Directors with its President as the Chairman of the Board of Directors and its Chief Executive [19]. Structurally, the Bank has three wings namely Finance Wing, Operation Wing and Support Services Wing. The finance deals with the treasury functions including borrowings and maintaining accounts for lending. The operation wing takes care of the lending policies through centralized policy unit; sectoral divisions specialized in the sectoral policies and regional wings.

Chart I shows the chain of command of the World Bank's staff as they work to achieve the mission of reduction of poverty in the member countries.

Chart 1

World Bank staff

President (Chief Executive Officer)

Board of Governors (B.O.G.)

Board of Directors (B.O.D.)

Loan Committee **Advisory Committee**

Other Staff Members

A vice-president heads each region. A senior vice-president takes care of the entire operation wing. The support services consists of a number of units such as secretariat Department, personnel, legal, Research and others, each headed by a vice president. The secretary of the World Bank is of the rank of a vice president and is also a secretary to the Board of Directors and Board of Governors.

Chart 2 shows the main elements of the organizational structure of World Bank.

Chart 2

Organizational Structure

Organizational Structure Wing

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Finance Wings **Operating Wing** **Support Services Wing**

(Headed by Senior Vice-President) (Each headed by Vice-President)

↓ ↓ ↓

↓ (Treasury functions) ↓ ↓Lending policies↓ ↓ ↓ ↓ ↓

Borrowing Lending Policy Sectoral Divisions Secre- Perso- Legal

Research tarial nnel

Dept. Dept.

Dept. Dept.

↓

↓ (Headed by Vice-President) ↓

Sectoral Policies Regional Wings

The World Bank has its head office in Washington DC and many mission offices scattered around the World. They include those in Nairobi, New Delhi, et cetera. Some 10,000 development professionals from nearly every country in the world work at the World Bank in Washington, DC, or in over 100 country offices. Some of the missions cater to groups of countries. However, these offices operate as extensions of the main offices, since the World Bank continues to be very centralized in its operations. The Articles of Agreement requires President to responsible for the organization and dismissals of officers and staff subject to the general control of Executive Directors. In some cases, the president operates in the direction of Executive Directors. In this way has made the process of recruitment and promotions in the World Bank far less political inference and far more professional than in the United Nations.

The Bank commenced with a staff of a few hundred. It had expanded greatly in the seventies and thereafter. In the beginning the recruitment of the staff was based on personal endorsement by higher-level professionals. Later the Bank formulated its own framework of recruitment. Sometimes it takes distinguished people as vice presidents and rarely recruits Directors directly. Mostly, these posts are filled up by promotions. The positions of senior professionals are filled up by direct recruitment if they are technical people with relevant experiences. A vital component providing stability to the system is the introduction of young professionals program. They invite applications and recruit young people with outstanding academic record and of late they also insist on some work experience. The young professionals who are trained for about a year get absorbed initially in a department but are posted in different divisions and moved around from time to time.[20]

Most of the professionals recruited by the World Bank are those who have built up a reputation in their respective fields. However, employment of political personages with professional expertise is not rare. For example at one occasion Turkey's Prime Minister had served in the World Bank. Other staff members of the Bank had served in the ministerial capacities (Turkey, Panama, and Uganda). The World Bank does not have a quota system nor does it need clearance by a government when it comes to recruitment of its staff. Care is taken to have a wide geographical coverage. The Articles which confer most of the authority regarding personnel issues on the president, state that due regard should be paid to the importance of recruitment personnel on as wide a geographical basis as possible, subject to paramount importance of obtaining higher standards of efficiency and technical competence. In initial years, the Bank had drawn a large part of its staff from the U.S.A. and Western Europe or part I (developed countries) countries. Increasing representation from developing countries of Africa inclusive has been ensured.

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Staff members have no job security. Their services are liable to be terminated with three members' notice. A few years back, an administrative tribunal was established and formal rules were passed governing the service conditions.

Staff remuneration is fixed by taking into considerations the remuneration for similar employment in leading markets (U.S.A. and Western Europe). However, the Bank finds some difficulty in recruiting people with technical expertise from some countries viz. Germany, Japan, France etc. though the principle of equal pay for similar work is generally agreed. In respect of experts from developing countries, there is suspicion that remuneration is pegged relatively low within the permissible range. Some countries particularly Germany and Japan are stated to be providing some financial incentives within the country to encourage their nationals to join World Bank. The Bank frowns upon this practice, but the governments to circumvent the Bank's rules could restore to mechanisms in terms of differed payments.

(iii) Promotion of Balanced Growth of International Trade:

International Investment for the development of productive resources, from which was expected to follow, higher productivity, improved standard of living and better conditions of labour are encouraged. Though there exists specialized agencies such as General Agreement on Tariffs and Trade (GATT) and now, the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD), the international aspect in the promotion of International Investment still remains the core of World Bank economic philosophy. This enables the Bank to have policy dialogue with various borrowers and the preparation of country reports giving technical assistance and counsel to different countries regarding the management of their economies.

(iv) Priority for more useful and urgent projects:

The Bank monitors it's lending on projects. Article III sec. 5 of IBRD Articles, enjoins the proceeds of any loan granted by the Bank are to be used only for the purposes for which it was granted, and the bank is required to make necessary steps to ensure compliance. In addition, the same Article requires the IBRD to also ensure that the proceeds are used with due attention to economy and efficiency. World Bank is selective in its approach and depends to the extent feasible upon borrower's organizations and institutions by stressing on first category and more important projects for efficiency in the concerned economies.

(v) Bringing about Transition:

The World Bank conducts operations with due regard to the level that International Investment on business conditions should be health in the recipient country. This objective brings about a smooth transition from wartime to a peacetime economy. The Bank is governed in all its decisions by purposes set forth in its day-to-day activities of fighting poverty through making sustainable, social and human development and strengthening management with growing emphasis on illusion, governance and institution building. In this way IBRD achieves its objectives.

CONCLUSION

The World Bank is born out of a world agreement and according to the Articles of Agreement, it is accorded legal status. Therefore the World Bank (IBRD and IDA) is an institution which its origin and establishment and the present existence determines its objectives. The united states of America wield huge control of the World Bank for instance, the U.S. capital share in 1970 was 27.42 percent of the total, its voting power was 24.51 percent; the combined U.S., U.K., and French capital share for that year was 43.18 percent, while their combined voting power was 38.77 percent. Again, in 1980, the addition of Germany and Japan raised this combined share to 48.07 percent, while the voting power was 43.59 percent of the total. At present the five largest World Bank's184 shareholders, based on a percentage of the total voting power, are the United States (16.4%), Japan (7.9%), Germany (4.5%), France (4.3%) and the United Kingdom (4.3%). The fact that it discharges some kind of functions of the Bank it does not imply that it is a mere financial institution. Its management, organization and objectives affect the members' globally in the short and long term. Depending on the way it is run, its impacts are felt negatively or positively. The most affected members are those, which belong in the developing World, whose existence depends much on World Bank finances. In terms of its knowledge, experience and expertise and of exposure on worldwide scale the opinions of a person at the World Bank carry weight than persons who represent the country.

NOTES AND REFERENCES

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