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TOPIC :- STRUCTURE AND FUNCTIONS OF WORLD BANK

The International Bank for Reconstruction and Development or IBRD, better known as the World Bank, was established at the same time as the International Monetary Fund or IMF to tackle the problem of international investment in 1946. Since the IMF was designed to provide temporary assistance in correcting the balance of payments difficulties, an institution was also needed to assist long-term investment purposes. Thus, the IBRD or World Bank was established for promoting long-term investment loans on reasonable terms.

The World Bank is an inter-governmental institution, corporate in form, whose capital stock is entirely owned by its member-governments. Initially, only nations that were members of IMF could be members of the World Bank; this restriction on membership was subsequently relaxed.

Structure of the World Bank :-

The World Bank's structure is organised on a three-tier basis; a Board of Governors, Executive Directors and a President. The Board of Governors is the supreme governing authority. It consists of one governor usually the Finance Minister and one another or alternate governor usually the governor of a central bank, appointed for five years by each member. The Board is required to meet once every year. It reserves to itself the power to decide important matters such as new admissions, changes in the bank's stock of capital, ways and means of distributing the net income, its ultimate liquidation etc. For all technical purposes, however, the Board delegates its powers to the Executive Directors in the day-to-day administration.

At present, the Executive Directors are 19 in number, of which five are nominated by the five largest share holders - the U.S.A., the U.K., Germany, France and India. The rest are elected by the other members.

The Executive Directors elect the President who becomes their Ex-officio Chairman holding office during their presence. He is the chief of the operating staff of the Bank and is subject to the direction of the Executive Directors on questions of policy and is responsible for the conduct of the ordinary business of the Bank and its organisation.

The World Bank, like any other corporation, has an authorised capital of 21 billion dollar divided into 2,10,000 shares, each having a par value of 1 lakh dollar. Initially, however, its authorised capital was 10 billion dollar. Of the present authorised capital, 20.48 billion dollar are subscribed by the issue of 204,848 shares. Of the paid-up capital 2 percent has to be subscribed in gold or US dollar, the remaining 98 Percent to be paid in the currency of the member.

Functions of the World Bank:-

The Principal functions of the World Bank are as under:-

(I) To assist in the reconstruction and development of the territories of its members by facilitating the investment of capital for Productive Purposes.

(II) To Promote Private foreign investment by means of guarantee of Participation in loans and other investments made by Private investors and when Private capital is not available on reasonable terms, to make loans for Productive Purposes out of its own resources or from funds borrowed by it.

(III) To Promote the long-term balanced growth of international trade and the maintenance of equilibrium in balance of Payments by encouraging international investment for the development of the Productive resources of members.

(IV) To arrange loans made or guaranteed by it in relation to international loans through other channels so that more useful and urgent Projects, large and small alike, will be dealt with first. It appears that the World Bank was created to promote and not to replace private foreign investment. The Bank considers its role to be a marginal one, to supplement and assist foreign investment in the member countries.

A little consideration will show that the objectives of the IMF and World Bank are complementary. Both aim at increasing the level of national income and standard of living of the member nations. Both serves as leading institutions, the IMF for short-term and the World Bank for long-term capital. Both aim at promoting the balanced growth of international trade.