



## The World Bank

The World Bank was established to bring prosperity to Europe in the post-war era. Now it is the target of anti-globalisation violence. Philip Pank examines the issues

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**Tuesday September 4, 2001**

**Guardian Unlimited**

### So what is the World Bank?

The International Bank for Reconstruction and Development, commonly known as the World Bank, is a UN affiliate set up to finance projects that further the economic development of its member nations. Its foundations were laid at the UN monetary and financial conference at Bretton Woods in 1944. It officially came to life in 1946.

### What does the bank do?

Back in the post-war era, the bank made loans for the reconstruction of Europe. As the rubble began to be rebuilt, the emphasis shifted from Europe to the developing world. It sought to address an apparent bias against lending money to poor countries. That meant that by the late 1950s, the bank was issuing loans for economic development in Africa, Asia, the Middle East and Latin America.

### Where does the money go?

In the fiscal year 2000, the bank lent almost \$16bn (£12bn) to its client countries. It says that its dream "is a world free of poverty" and that it invests money in projects which it thinks will lead developing countries "onto a path of stable, sustainable and equitable growth".

Its ethos is simple: countries that are open to international trade, are diversified, attract foreign direct investment and adhere to free market economic policies are the most likely countries to sustain growth. It is a case of capitalism will feed itself. The theory goes that, by encouraging countries to pursue US-style economic management and by attracting private investment, economies will grow and poverty will die as a knock-on effect.

Much of the money, then, goes on efforts to strengthen banks and capital markets, and on projects that aim to create more "efficient" and less corrupt public institutions. Another slice of money is loaned for projects in countries where private investors are unwilling to invest in infrastructure such as water supply and sanitation, services which have an over-bearing influence on poor people's lives.

### Where does the bank get its money?

There are three main sources of funds for the bank: subscriptions paid up by member countries, bond flotations on the world's financial markets and net earnings on the bank's assets.

### Who are its members?

There are 183 member countries. All members must first join the International Monetary Fund. Members are shareholders in the bank. They do not all pull equal weight within the organisation. The leading contributors, and therefore those with the biggest say in World Bank policy, are: the United States, Japan, Germany, France and the United Kingdom. Each of these five countries has a nominee on the bank's board of executive directors. The remaining 178 countries are between them allowed to nominate a total of 19 other board members. It is this select board that decides on the bank's work.

### So the rich and powerful decide where the money goes?

That should come as no surprise, even to the most die-hard anti-capitalist protestor. Some more moderate critics argue that while it is normal for the richest countries to choose who they are willing to help, the methods used are too narrowly focussed. The critics say that to invest in projects that seek to smash corruption, for example, will do little to alleviate long-term poverty unless and until the entire international economic system is reformed and made fairer.

### But isn't some help better than none?

Again, the critics say not. They argue that the loans given to developing nations have simply made them even poorer. Interest payments on loans suck up money which could go to feed the poor.

And the critics say that the bank attaches far too many strings to its loans. For example, in return for debt relief Benin, the poverty-stricken African country, was forced to liberalise its cotton sector and introduce a performance-based pay structure for civil servants. Zambia was forced to privatise its copper mines in return for relief. The move led to 60,000 job losses in the sector.

### Do the problems mean the bank is dead?

Its overhaul from an institution created to salvage war-torn Europe to the guarantor of prosperity the world over has been fraught with problems. The bank admits in its last report that "the task ahead is daunting".

However, the institution is adamant that it remains vital to ensure that the poorest countries can benefit from globalisation. It believes it is the right body to find ways of ensuring that debt relief eases poverty and of giving people opportunity rather than charity.

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