

WORLD BANK, WTO, IMF

# WORLD BANK

- World Bank, in full World Bank Group, international organization affiliated with the United Nations (UN) and designed to finance projects that enhance the economic development of member states.
- Headquartered in Washington, D.C., the bank is the largest source of financial assistance to developing countries.
- It also provides technical assistance and policy advice and supervises—on behalf of international creditors—the implementation of free-market reforms.
- Together with the International Monetary Fund (IMF) and the World Trade Organization, it plays a central role in overseeing economic policy and reforming public institutions in developing countries and defining the global macroeconomic agenda.

- The World Bank Group comprises five constituent institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

# OBJECTIVES OF WORLD BANK

1. To provide long-run capital to member countries for economic reconstruction and development.
2. To induce long-run capital investment for assuring Balance of Payments (BoP) equilibrium and balanced development of international trade.
3. To provide guarantee for loans granted to small and large units and other projects of member countries.
4. To ensure the implementation of development projects so as to bring about a smooth transference from a war-time to peace economy.
5. To promote capital investment in member countries by the following ways:
  - (a) To provide guarantee on private loans or capital investment.
  - (b) If private capital is not available even after providing guarantee, then IBRD provides loans for productive activities on considerate conditions.

# OBJECTIVES OF WORLD BANK

- 1. World Bank provides various technical services to the member countries. For this purpose, the Bank has established “The Economic Development Institute” and a Staff College in Washington.
- 2. Bank can grant loans to a member country up to 20% of its share in the paid-up capital.
- 3. The quantities of loans, interest rate and terms and conditions are determined by the Bank itself.
- 4. Generally, Bank grants loans for a particular project duly submitted to the Bank by the member country.
- 5. The debtor nation has to repay either in reserve currencies or in the currency in which the loan was sanctioned.
- 6. Bank also provides loan to private investors belonging to member countries on its own guarantee, but for this loan private investors have to seek prior permission from those counties where this amount will be collected.

# World Development Report

- It is a flagship publication from World Bank published since 1978. The report is considered as an invaluable guide for economic, social, and environmental state of world.
- World Development Report: Data for Better Lives was released on March 24, 2021. It examines tremendous potential and risks of changing data landscape for people living in lower income countries.

- World Development Report: Data for Better Lives provides five recommendations over development:
  - 1. New Social Contract for Data:** Global South experts recommends that different stakeholders like civil society and academia, are key to help in improving transparency and contribute towards development.
  - 2. Increase Data use to Realize Value:** The experts also flagged gaps in understanding data and its governance in developing contexts. So, they recommend that efforts should be made to improve data literacy and expand access for all specially, the vulnerable groups.
  - 3. Equitable access:** The experts raised concerns on how public and private systems for data do not capture poor people or vulnerable groups. So, it recommends, marginalized people need a better representation across data systems.
  - 4. Protect people from data misuse:** Experts further recommends on issues related to governance arrangements and systems using which data flow so as to ensure that they are safe, ethical and secure.
  - 5. Integrated national data systems.** Experts further highlight difficulties for countries which are suffering from poverty, fragility and poor governance in designing high-quality data systems. So, they recommend for increased investments in physical and human capital to have integrated national data systems.
- The report further proposes several ways in which data can be used more effectively so as to improve development outcomes through program design, better public policies and service delivery to improved market efficiency and private sector growth led job creation.

# World Bank-IMF Climate Change platform for Poor Countries

- According to the World Bank and IMF, there prevails twin global problems. They are as follows:
- The need to restructure or reduce the heavy debt burden of poor countries
- The need to reduce fossil fuel emissions contributing to climate change
- Therefore, the solution of including climate change into debt restructuring process will help motivate sovereign lenders to write off certain percentage of debt of poorer countries. Basically, the international financial organizations will negotiate in reducing the debt of poorer countries citing climate change and COVID-19 crisis.
- The Climate change platform is highly important as several poor countries are struggling to shore up their food supplies and infrastructure due to climate change. These countries are not emitting the green houses in large amounts. However, they are bearing the brunt of the impact from the rest of the world. The platform will address this issue.

- **About the platform**

- The advisors in the platform will include officials from United Nations, private investors and ratings agencies.
- The platform is supported by the G20 economies as well.
- Three countries such as Chad, Ethiopia and Zambia have initiated the negotiations with the creditors under the new platform.
- Apart from the initiations of World Bank and International Monetary Fund, there has been other initiatives to reduce the debt of poor countries. One such is the Debt Service Suspension Initiative.

- **Debt Service Suspension Initiative**

- China, USA and G20 members offered a temporary relief to the poor countries by suspending the debt service payment from the countries. This is referred to as Debt Service Suspension Initiative.

# WTO

- Created in 1995, the World Trade Organization (WTO) is an international institution that oversees the global trade rules among nations. It superseded the 1947 General Agreement on Tariffs and Trade (GATT) created in the wake of World War II.
- The WTO is based on agreements signed by the majority of the world's trading nations. The main function of the organization is to help producers of goods and services, exporters, and importers protect and manage their businesses. As of 2021, the WTO has 164 member countries, with Liberia and Afghanistan the most recent members, having joined in July 2016, and 23 “observer” countries.

- The WTO is essentially an alternative dispute or mediation entity that upholds the international rules of trade among nations. The organization provides a platform that allows member governments to negotiate and resolve trade issues with other members. The WTO's main focus is to provide open lines of communication concerning trade between its members.

# ISSUES FACED BY WTO

- **Lack of Transparency:** There is a problem in WTO negotiations as there is no agreed definition of what constitutes a developed or developing country at the WTO.
- Members can currently self-designate as developing countries to receive 'special and differential treatment' – a practice that is the subject of much contention.

- E-commerce & Digital Trade: While the global trade landscape has changed significantly over the past 25 years, WTO rules have not kept pace.
  - In 1998, realizing that e-commerce would play a growing role in the global economy, WTO members established a WTO e-commerce moratorium to examine all trade-related issues relating to global electronic commerce.
  - Recently, however, the moratorium has been called into question by developing countries because of its implications for collecting revenue.
  - Moreover, as the Covid-19 pandemic accelerates the shift to e-commerce, rules to regulate online trade will be more important than ever. But in contrast to trade in goods and services, few international rules govern cross-border e-commerce.

- Agriculture and Development: The WTO Agreement on Agriculture, which came into force in 1995, was an important milestone.
- Agreement on Agriculture targets reform of subsidies and high trade barriers, which distort agricultural trade.
- However, agreement on agriculture is facing issues due to food security and development requirements for developing countries like India.

# IMF

- The International Monetary Fund, or IMF, promotes international financial stability and monetary cooperation. It also facilitates international trade, promotes employment and sustainable economic growth, and helps to reduce global poverty. The IMF is governed by and accountable to its 190 member countries.
- **Primary aims:**
  - Promote international monetary cooperation;
  - Facilitate the expansion and balanced growth of international trade;
  - Promote exchange stability;
  - Assist in the establishment of a multilateral system of payments; and
  - Make resources available (with adequate safeguards) to members experiencing balance-of-payments difficulties.

- **Founding and mission:** The IMF was conceived in July 1944 at the United Nations Bretton Woods Conference in New Hampshire, United States. The 44 countries in attendance sought to build a framework for international economic cooperation and avoid repeating the competitive currency devaluations that contributed to the Great Depression of the 1930s. The IMF's primary mission is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries and their citizens to transact with each other.

- **Surveillance:** In order to maintain stability and prevent crises in the international monetary system, the IMF monitors member country policies as well as national, regional, and global economic and financial developments through a formal system known as surveillance.
- The IMF provides advice to member countries and promotes policies designed to foster economic stability, reduce vulnerability to economic and financial crises, and raise living standards.
- It also provides periodic assessments of global prospects in its *World Economic Outlook*, of financial markets in its *Global Financial Stability Report*, of public finance developments in its *Fiscal Monitor*, and of external positions of the largest economies in its *External Sector Report*, in addition to a series of regional economic outlooks.

- **Financial assistance:** Providing loans to member countries that are experiencing actual or potential balance-of-payments problems is a core responsibility of the IMF. Individual country adjustment programs are designed in close cooperation with the IMF and are supported by IMF financing, and ongoing financial support is dependent on effective implementation of these adjustments.
- In response to the global economic crisis, in April 2009 the IMF strengthened its lending capacity and approved a major overhaul of its financial support mechanisms, with additional reforms adopted in subsequent years. These changes enhanced the IMF's crisis-prevention toolkit, bolstering its ability to mitigate contagion during systemic crises and allowing it to better tailor instruments to meet the needs of individual member countries.

- In response to the Covid-19 pandemic, the IMF temporarily increased the access limits under emergency financing instruments and the annual limit on overall access under nonconcessional resources. The IMF also established the Short-term Liquidity Line (SLL) to provide a backstop to members with very strong policies and fundamentals.

- **Capacity development:** The IMF provides technical assistance and training to help member countries build better economic institutions and strengthen related human capacities. This includes, for example, designing and implementing more effective policies for taxation and administration, expenditure management, monetary and exchange rate policies, banking and financial system supervision and regulation, legislative frameworks, and economic statistics.

- **SDRs:** The IMF issues an international reserve asset known as Special Drawing Rights, or SDRs, that can supplement the official reserves of member countries participating in the SDR Department (currently all members of the IMF). A general allocation of SDRs must be consistent with the objective of meeting the long-term global need for reserve assets and requires Board of Governors approval by an 85 percent majority of the total voting power. Once agreed, the allocation is distributed to member countries in proportion to their quota shares at the Fund. Total global allocations are currently about SDR 204.2 billion (some \$293 billion). IMF members can voluntarily exchange SDRs for currencies among themselves.

- **Resources:** Member quotas are the primary source of IMF financial resources. A member's quota broadly reflects its size and position in the world economy. The IMF regularly conducts general reviews of quotas. The 14<sup>th</sup> Review, which was concluded in 2010 and became effective in 2016, doubled quota resources to SDR 477 billion (about US\$687 billion). The 15<sup>th</sup> Review was concluded in 2020 with no increase in quota.
- In addition to quota resources, credit arrangements between the IMF and a group of members and institutions provide supplementary resources. These arrangements, called New Arrangements to Borrow (NAB) are the main backstop to quotas. On January 16, 2020, the Executive Board agreed on amendments to the NAB, including a doubling of its size to SDR 365 billion (\$526 billion), for a new period from 2021 to 2025. This reform entered into force on January 1, 2021.