Specialized Economic Organizations of the United Nations and Its Impact on Global Economy

A Thesis Submitted to the University of Dhaka for the Degree of Masters of Philosophy

Submitted by

Chowdhury Mowsumee Fatema

Reg. no. 305

Session: 1998-1999

Department of Law
University of Dhaka
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Dedicated

to

My Beloved Country
Bangladesh
and The Poor People
of The World at Large

DECLARATION

This thesis is a presentation of my original research work. Wherever contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature and acknowledgement of collaborative research and discussions.

I would like to declare and confirm that no part of the material offered in this thesis has previously been published, exhibited or submitted by me for another qualification in this university or any other institution or organization.

24/08/2010

(Chowdhury Mowsumee Fatema)
M. Phil. Researcher
Department of Law
University of Dhaka
Dhaka, Bangladesh.

CERTIFICATE

This is to certify that the work incorporated into this thesis entitled "SPECIALIZED ECONOMIC ORGANIZATIONS OF THE UNITED NATIONS AND ITS IMPACT ON GLOBAL ECONOMY" was carried out by Chowdhury Mowsumee Fatema under my supervision.

24/08/2010

Dr. Mizanur Rahman
Professor
Department of Law
University of Dhaka

(Professor Dr. Mizanur Rahman)
M. Phil. Supervisor

ABSTRACT

The study explores the economic impact of the specialized economic organizations of the United Nations. By way of doing so, it looks back the formation of the United Nations specialized organizations. It also points out the status quo ante as well as present economic condition of the world and analyses the impact of the specialized economic organizations of the United Nations.

After a comprehensive study on the role of the specialized economic organizations of the United Nations, this paper is prepared with very careful attention and keen interest. The first chapter attempts to explain the title of the study. At the same time, it provides the objectives, significance and reasons behind this study. The second chapter attempts to explain how the research was conducted. The third chapter presents an overview idea of the specialized economic organizations of the United Nations, the economic activities of the United Nations and the impact of the specialized economic organizations. Financial institutions and the global economy are discussed in chapter four. Summary and some recommendations have been given in chapter five and finally conclusion is drawn in the last chapter of the paper.

The Laws which are designed by the World Bank (WB) are not so much friendly for the less developed and developing countries. As because when World Bank lends money, it imposes various conditions which are not congenial for the sovereignty of a state. Under the shadow of dominance of the USA, the WB tends to satisfy the interest of the developed countries. The utmost effect of this resulted in the economic crisis during 2008-2009. The negative effects on the economies of developing and least developed countries are very much obvious. So, at present, it is of urgent need to modify the implementation procedure of the World Bank to make the procedure soft and easier for developing and least developed countries so that they can well utilize the money obtained to improve the livelihood of their people which is the vision of the World Bank.

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The author really does not have adequate words to express her heartful sense of gratification, every indebtedness and sincere appreciation to her benevolent teacher and research supervisor Dr. Mizanur Rahman, Professor, Department of Law, University of Dhaka, for his constant help, scholastic guidance, valuable suggestions, timely and solitary instructions, affectionate encouragement and constructive criticisms for successful completion of the research work as well as preparation of this thesis.

The author visited a number of libraries for information to avail of the opportunity to work in this field like UNIC (United Nations Information Centre), USIS (United States Information Services), BLA (Bangladesh Environmental Lawyers Association), British High Commission, Russian Embassy, Korean Embassy, Public Library, British Council Library, National Library, CDL (Community Development Library), Bangla Academy, Jatio Gronthokendro and Library of the Department of International Relations of the University of Dhaka. The author expresses many thanks to all the staffs and concern personnel of those libraries.

It will be a great ungratefulness if the author does not thank Mr. Jaman Uddin of Department of Law, University of Dhaka for his direct cooperation. She is also very much grateful to Mr. M.A. Mazid, Librarian of Library & Public Information Center, World Bank Office, Dhaka who was really helpful during collection of necessary information from Library.

The author is very glad to express her gratefulness and deepest appreciation to her beloved family members, especially to her elder brother Chowdhury Monzurul Kabir, Deputy Police Commissioner, Dhaka Metropolitan Police for his sacrifice, endless prayer, blessings and economic support to reach her at this level of higher education.

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The author also extends cordial thanks to her friends and well wishers who always inspired with best of their wishes to complete this manuscript.

Author

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CHAPTER ONE

INTRODUCTION

1.1 Rationale

Globalization refers to the process of integration across societies and economies. The phenomenon encompasses the flow of products, services, labor, finance, information, and ideas moving across national borders which in turn results in faster growth of consumer products, quicker access to new technology, cheaper imports and hundreds of millions of jobs, mainly but not only, in developing and least developed countries. This economic rationale for global integration depends on supporting factors to facilitate the process. The factors include advances in transportation, communication, and technology to provide the necessary conduits for global economic integration. While these factors are necessary, they are not sufficient. Collaboration with political will through international relations is required to leverage the potential of the supporting factors.

For developing countries, there is much at stake and they must take timely initiative in convincing the rest of the world community that circumstances demand a revision of the respective powers of the UN and the Bretton Woods institutions, with the UN taking the overarching lead role, and the other bodies, as specialized agencies, having responsibilities within a new framework of multilaterally agreed functions.

It is declared in Article 57 of the UN Charter, specialized agencies are autonomous bodies working "in economic, social, cultural, educational, health, and related fields." As most of the worldwide economic activities are the consequences of specialized economic organizations of the United Nations, I have chosen the topic **"SPECIALIZED ECONOMIC ORGANIZATIONS OF THE UNITED NATIONS AND ITS IMPACT ON GLOBAL ECONOMY"** for my M. Phil. Degree.

1.2 Objectives of the Study

The study pursues the following objectives:

a) To go through the specialized economic organizations of the United Nations;

b) To cognize the worldwide economic activities or the global economy;

c) To perceive the activities of the specialized economic organizations of the United Nations; and

d) To dissect the impact of the specialized economic organizations of the United Nations on global economy.

1.3 Basis of Specialized Economic agencies

The experience of two world wars and the inflammatory inter-war period prompted an ambitious and imaginative attempt to build a set of multilateral institutions designed to facilitate the conduct of international relations on a co-operative and stable basis. The intention of the intellectuals and government leaders who shaped these institutions was to break away from the previous disastrous policies of arbitrary and unilateral actions by governments which had led to so much bloodshed and to the fragmentation of the world economy and market. Wanting to lay the foundations of a lasting peace, security and prosperity, they sought the answer in trying to bring a major part of international relations within the ambit of some form of global governance.

Implicit in what they proposed, and in what they ultimately managed to build, was the notion that government action was needed to bring order out of the chaos that was left after the Second World War and that to do this it was necessary to build global institutions to facilitate government action.

The United Nations is a global organization enjoying almost universal membership, whilst the European Economic Community is an example of a regional organization. Before an international organization can make any impact on the international scene, it must be afforded some degree of international personality. The degree of international personality enjoyed by international organizations varies. An international organization may enjoy certain rights, but not others, and, while all states enjoy the same degree of personality, this is not true with regard to international organizations[1].

The United Nations was supposed to be the center-piece of an entire system and its role was to be all embracing, covering social, economic, humanitarian, and political and security issues. The need for international economic and social co-operation cannot be over-emphasized. It is fully recognized that peaceful and friendly relations among nations require cooperation in the economic and social area[2].

The preamble of the charter expresses, 'to promote social progress and better standards of life in larger freedom' and to employ international machinery for the promotion of the economic and social advancement of peoples'. Under Article 1(3), the UN Charter enlists the achievement of international co-operation in solving international problems of an economic charter as one of the purposes of the UN. Article 13(1) (b) provides that the General Assembly shall, initiate studies and make recommendations for the purpose of promoting international co-operation in the economic field[3].

The UN Charter assigns to the United Nations the central role in the UN system for global macro-economic policy and strategy formulation and guidance. The international machinery that the UN was supposed to employ in order to discharge this role subsumed all the specialized agencies, including IMF and IBRD. Article 57 of the Charter provides that "the various specialized agencies shall be brought into relationship with the United Nations".[4] In the same Article (57.1), the Charter defines specialized agencies based on their basic instrumental agreement and having wide international responsibilities in economic, social and cultural fields. Article 58 provides that the organization shall make recommendations for the co-ordination of the policies and activities of the specialized agencies. According to Article 59, it is the UN that is supposed, as appropriate, to initiate negotiations of purposes set forth in Article 55. Thus the Charter provisions are clear that the UN was intended to play a holistic overarching role with respect to specialized agencies in the economic, social and humanitarian fields.

1.4 Characteristics of Specialized Economic Organizations

By intergovernmental agreement the specialized organizations are established and have wide international responsibilities in economic, social, cultural, educational, health and related fields. The Specialized Agencies are thus autonomous international organizations. They stand however in a special relationship to the UN, which distinguishes them from other international organizations. The Economic and Social Council (ECOSOC) of the UN have negotiated agreements with many international organizations, which provide the basis for the collaborations with the United Nations. The UN Charter in Article 57 has contemplated such relationship and the agreements between UN and the Specialized Agencies are regulated by Article 63 of the UN Agencies which now regulate the standards on social and economic areas on global basis.

Each agency has its own constitution, its policy-making organs, budget and secretariat and runs independently within the frame-work of its constitution. The specialized Agencies may be divided into two broad groups:

a) Specialized Economic Organizations; and

b) Specialized Social Organizations.

1.5 Basic Principles of Specialized Economic Organizations

The principles on the basis of which the specialized economic organizations are working for global economy has been given below:

a) To assist in the establishment of a multilateral system of payments in respect of current transactions;

b) To re-affirm at the highest political level of the UN economic roles and press for their implementation;

c) To promote international monetary co-operation;

d) To shorten the duration and lessen the degree of disequilibrium in the international balance of payments of members;

e) To promote exchange stability;

f) To stop the current erosion of mandates and capabilities, at the center and in different organizations of the UN;

g) To give confidence to members by making the Fund's resources available to them;

h) To adapt the various organs and organizations to the new situation and challenges, with particular emphases on the General Assembly, ECOSOC and UNCTAD, as the nodal points of the organization; and

i) To promote international monetary co-operation.

Actually the five (5) organs of the World Bank are known as the Specialized Economic Organizations of the United Nations. That is why it will be fruitful to discuss these five (5) organs of the UN before discussing their impacts on global economy. The World Bank Group in addition to International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), three other organizations make up the World Bank Group. The International Finance Corporation (IFC) promotes private sector investment by supporting high-risk sectors and countries. The Multilateral Investment Guarantee Agency (MIGA) provides political risk insurance (guarantees) to investors in and lenders to developing countries. The International Centre for Settlement of investment Disputes (ICSID) settles investment disputes between foreign investors and their host countries[5].

1.5.1 Characteristics

The World Bank is one of the world's largest sources of funding and knowledge to support governments of member countries in their efforts to invest in school, health centres, water and electricity; fight diseases and to protect the environment. The World Bank is not a 'bank' in the common sense. The World Bank is an international organization owned by the 186 countries—both developed and developing—that are its members.

World Bank was set up in 1944 as the international Bank for Reconstruction and Development and first began operations in 1946 and it had only 38 members. That number of member countries increased sharply in the 1950s and 1960s, when many countries became independent nation and joined to the World Bank. As membership grew and their need changed, the world expanded and is currently made up of five (5) different agencies.

All support to a borrowing country is guided by a single strategy which is designed by that individual country itself with the help of the World Bank and many other donors, aid groups, and Civil Organizations.

1.5.2 Objectives of the World Bank

The World Bank has implemented more than 10,000 projects from 1947 to the present in developing countries worldwide, with its finance and/or technical expertise aimed at helping those countries reduce poverty.

We live in a world so rich that global income is more than \$31 trillion a year. The per-capita incomes in developed countries are more than \$ 40,000 a year. But in this same world 2.8 billon people, more than half of the people in developing countries live on less than \$700 a year. Of these, 1.2 billion people earn less than \$1 a day. As a result, 33,000 children die every day in developing countries. In these countries, each minute more than one woman dies during child birth; poverty keeps more than 100 million children, most of them girls, out of school.

The aims of the World Bank are to bridge this divide and turn rich country resources into poor country growth. One of the world's largest sources of development assistance, the World Bank tries to support the efforts of developing country governments to build schools and health centres, provide water and electricity, fight disease, and protect the environment.

1.5.3 Difference between the World Bank and a Commercial Bank

While it lends and even manages funds much like a regular bank, the World Bank is different in many important ways. It is owed by 186 countries. The financial support advice the World Bank provides its member countries to design to help them fight against poverty. And unlike commercial bank, the World Bank often lends a little bit to countries that are unable to raise money for development anywhere else.

Countries that borrow from the World Bank also have a much longer period to repay loans than commercial banks allow. The World Bank borrow money at low interest rates from capital marks all over the world and channel it to developing countries much lower rates of interest than what marks would charge these countries.

1.5.4 Procedure of Making Loans

The World Bank offers two basic types of loans:

a) Investment loans for goods, work and to support economic and social development projects in a broad range of sectors; and

b) Adjustment loans to support policy and institutional reforms.

During loan negotiations, the World Bank agrees with the borrowing country on the developed objectives of the project or program, outputs, performance indicators (to measure the improve success of the project) and a plan to put it all into practice. Once a loan is approved and it becomes effective the borrower puts the project or program into practice according to that agreed with the World Bank.The World Bank supervises how each loan is used and evaluates the results. All loans are governed by operational polices. Which make sure that operations are economically, financially, socially and environmentally sound.

1.5.5 Representation at the World Bank

The World Bank is run like a co-operative, with member countries as shareholders. The share of a country is based roughly on the size of economy. The United States is the largest single shareholder, with 16.41 percent of the votes, followed by Japan (7.87%), Germany (4.49 %), the United Kingdom (4.31 %) and France (4.31%). The rest of the shares are divided among the other member countries.

An Executive Director represents every member government. The five largest shareholders (United States, Japan, Germany, France and the United Kingdom) approve executive director each, while other member countries are represented by 19 Executive Directors.

1.5.6 Not a Bank but Rather a Specialized Agency

The World Bank is not a bank in the common sense. It is one of United Nations specialized agencies, and is made up of 186 member countries. These countries are jointly responsible for how the institutions are financed and how its money is spent. Along with the rest of the development community, the World Bank centres its efforts on reaching the Millennium Development Goals (MDGs), agreed to by UN members in 2000 and aimed at sustainable poverty reduction. The "World Bank" is the name that has come to be used for the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Together these organizations provide low-interest loans, interest-free credit, and grants loan to developing countries. About 10,000 development professionals are from nearly every country in the World Bank's Washington DC headquarters or in its 109 country offices.

1.5.7 $9 Billion in Assistance

The world's low-income countries generally cannot borrow money in international markets or can only do so at high interest rates. In addition to direct contributions and loans from developed countries, these countries receive grants, interest-free loans, and technical assistance from the World Bank to enable them to provide basic services. In the case of the loans, countries have 35-40 years to repay, with 10-year grace period. Interest-free credit and grant financing comes from IDA, beside from IDA funds, very little of the Bank's income is provided by its member world's largest source of concessional assistance. Some 40 rich countries provide the money for this funding by making contributions every four years. The fund was replenished most recently in 2002, with one-quarterly $9 billion from donors and another billion from the Banks resources. At that time, donors agreed on increased use of IDA grants up to 21 percent of resources to help address the special difficulties, such as the HIV/AIDS epidemic, faced by the poorest and most vulnerable countries. IDA credits make up about one-quarter of the Bank's financial assistance.

1.5.8 $11 Billion in Loans

Higher-income developing countries-some of which can borrow; from commercial sources, but generally only at very high interest rates- receive loans from the IBRD.

Countries that borrow from the IBRD have more time to repay than if they borrowed from a commercial bank--15 to 20 years with a three-to-five-year grace period before the repayment of principal begins. Developing country governments borrow money for specific programs, including poverty reduction efforts, delivery of social services, protection of the environment, and promotion of economic growth that will improve living standards.

1.5.9 Global Goods

Over the past few years, the World Bank has put significant resources into activities meant to have global impact. One is debt relief and under the enhanced debt relief which will save them $41 billion over time. The money of these countries saves in debt repayments will instead be put into housing, education, health, and welfare programs for the poor.

The World Bank, along with 186 countries and numerous organizations, has committed to an unprecedented global partnership to fight poverty. The Millennium Development Goals define specific targets in terms of school enrolments, child mortality, maternal health, disease and access to water to be met by 2015.

Among numerous other global partnerships, the World Bank has put supporting the fight against HIV/AIDS at the top of its agenda. It is the world's largest long-term financer of HIV/AIDS programs. Current Bank commitments for HIV/AIDS amount to more than $1.3 billion, with half of that for sub-Saharan Africa.

1.5.10 Corruption and Fraud

The World Bank works with countries in their anti-corruption efforts and has as well a number of mechanisms in place to prevent corruption and fraud in bank-financed projects. The Department of institutional integrity has a 24 hour fraud and corruption, Hotline 1-800-831-0463.

1.5.11 The Variety of Work on the Ground

The Bank is currently involved in more than 1,800 projects in virtually every sector and developing country. These are as diverse as providing micro-credit in Bosnia Herzegovina and raising AIDS awareness in communities in Guinea, supporting education of girls in Bangladesh and improving health care delivery in Mexico, helping East Timor rebuild upon independence or India to rebuild Gujarat after a devastating earthquake.

1.5.12 Poverty reduction strategies

For the poorest developing countries in the world the bank's assistance plans are based on poverty reduction strategies; by combining a cross-section of local groups with an extensive analysis of the country's financial and economical situation the World Bank develops a strategy pertaining uniquely to the country in question. The government then identifies the country's priorities and targets for the reduction of poverty, and the World Bank aligns its aid efforts correspondingly. The bank supports certain kinds of poor people's organizations such as the Self-Employed Women's Union and Shack/Slum Dwellers International. Forty-five countries pledged US$25.1 billion in "aid for the world's poorest countries", aid that goes to the World Bank International Development Association (IDA) which distributes the gifts to eighty poorer countries. While wealthier nations sometimes fund their own aid projects, including those for diseases, and although IDA is the recipient of criticism, **Robert B. Zoellick, the president of the World Bank**, said when the gifts were announced on December 15, 2007, that IDA money "is the core funding that the poorest developing countries rely on".

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CHAPTER TWO

MATERIALS AND METHODS

2.1 Personal Communication

I visited different United Nation's offices in Bangladesh namely United Nations Information Centre, Library & Public Information Center (World Bank Office), International Finance Corporation Office to solicit information on specialized economic agencies of the United Nations. I also visited a number of the NGOs namely ASFEC, ELCOP and NGO-personnel who also pointed a lot of particular information.

2.2 Visiting to Different Libraries and Institutions

I visited a number of libraries. I had obtained some publications from those libraries. The concern personnel of all the libraries helped me a lot. Some of these libraries are National Library, Public Library, British Council Library, Dhaka University Central Library, libraries of the Department of Economics, Geography and Political Science of the University of Dhaka, Jahangirnagar University Central Library and libraries of the Department of Economics, Geography and Government & Politics of Jahangirnagar University.

2.3 Compilation of Information

After collecting different relevant books, publications and documents I went through all the materials. From those, I have consumed the information on specialized economic organizations of the United Nations and their impacts on global economy.

2.4 Limitations of Information Collection

The main obstacle to collect information is financial limitation of the researcher. Whole traveling costs had to be borne by the researcher. So it is quite impossible for any research like me to bear the cost of visiting so many places.

The second one was the Social obstacle. I want to say here about the present condition of our society. Now-a-days, it is very difficult for a women researcher to go different places alone. The prevailing social environment creates bar in the way of effectively collecting research materials.

2.5 Internet Browsing

I had to browse a lot of websites from internet of various UN organs and other organizations to collect necessary recent information which are being incorporated in present research.

CHAPTER THREE

ACTIVITIES OF VARIOUS SPECIALIZED ECONOMIC ORGANIZATIONS AND ITS' IMPACT ON GLOBAL ECONOMY

This chapter is primarily concerned with a description of the various approaches and methods that are adopted by various Specialized Economic Organizations of the United Nations and their impacts on global economy. It is also found out in this chapter the countries which are the members of those organizations and what procedures should be followed by them in order to become a member of the various Specialized Economic Organizations. We have already noticed in the previous chapter that there are five (5) organs of the World Bank which should be treated as the various Specialized Economic Organizations of the United Nations. The names of the Specialized Economic Organizations are:

a) International Development Agency (IDA);
b) International Bank for Reconstruction and Development (IBRD);
c) International Finance Corporation (IFC);
d) Multilateral Investment Guarantee Agency (MIGA); and
e) International Centre for the Settlement of Investment Dispute (ICSID).

The term "World Bank Group" encompasses all five institutions. The term "World Bank" refers specifically to two of the five- IBRD and IDA[1].

Most of the world's nations committed themselves to working together to reduce poverty by half by 2015 when they signed the Millennium Declaration at a meeting at the United Nations in 2000. The Millennium Declaration has eight goals[2]:

- End extreme poverty and hunger;
- Make sure all children receive a primary education;
- Promote equal rights for women and give them power to help themselves;

- Improve the health of pregnant women and mothers;
- Reduce child death rates;
- Tackle HIV/AIDS, malaria, and other diseases;
- Protect the environment and natural resources; and
- Developed and international partnership for development.

The Bank is well placed to provide analysis, evaluation, advice, and financing on issues from governance to sector reform to economic growth. The Bank can convene stakeholders stimulate debate, consensus, inclusion, and participation- particularly of poor people- and public accountability mechanisms in lending products and strategies. Finally, the Bank can support the strengthening of civil society and government institutions at the local and national levels.

The World Bank is owned by its 186 member countries, which constitute its Board of Governors. General operations are delegated to a smaller group, the Board of Executive Directors, with the President of the Bank serving as Chairman of the Board. It has a staff of about 10,000 employees, working at headquarters and over 100 country offices[1].

In the fiscal ending year June 2007, the World Bank Group committed $34.6 billion in loans, grants, equity investments and guarantees to its members and to private business in member countries.

Developing countries are paying a steep economic price for a crisis that originated at the centre of the world's financial system. They need to consider how they can protect themselves from external financial shocks. Moreover, most developing countries are rightly trying to build deeper and efficient financial systems, and this crisis should be seized as an opportunity to expose the hidden risks of financial development how more sofisticated financial systems require more and not less, regulation-reported by UNCTAD Secretariat Task Force.

The World Bank has been mobilizing concessional resources for poverty reduction and sustainable development for nearly 50 years. IDA continues to be the primary channel for such resources. However, in recent years there has been strong growth in complementary channels that are also administered by the Bank, both at the country level and in support of global priorities. The Bank takes on this role largely in response to the international community's desire that it help leverage donor resources for a broad range of development initiatives. These initiatives vary significant in size and complexity, ranging from multibillion dollar arrangements- such as Carbon Finance; the Global Environmental Facility; the Heavily Indebted Poor Countries Initiative; and the Global Fund to Fight AIDS, Tuberculosis, and Malaria- to much smaller and simpler freestanding ones. These activities are further described in the World Bank's Trust Funds Annual Report. Table 3.1 lists the top 10 trust fund donors.

TABLE 3.1: TOP TEN TRUST FUND DONORS (Millions of Dollars)

Donor	2006	2007
United Kingdom	654	1190
Netherlands	514	766
United States	735	747
European Commission	493	652
Canada	217	533
Japan	392	412
World Bank Group	421	408
Germany	165	332
France	177	288
Serbia	-	234
Others	1446	1772
Total Cash Contribution	5214	7334

Source (The World Bank Annual Report 2007, pp.62)

3.1 International Development Agency (IDA)

3.1.1 Introduction

The International Development Association (IDA), established in 1960, is the part of the World Bank Group that provides long-term interest-free loans (credits) and grants to the poorest of the developing countries. It does this to support economic growth, reduce poverty and improve living conditions. IDA's long-term no-interest loans pay for programs that build the policies, institutions, infrastructure and human capital needed for equitable and environmentally sustainable development. IDA's grants go to poor countries already vulnerable to debt or confronting the ravages of HIV/AIDS or natural disasters.

3.1.2 The Countries which are Eligible to Borrow IDA Resources

Three factors determine whether countries are eligible for IDA assistance:

a) Relative poverty, defined as Gross National Product (income) per person below an established threshold, currently US$965 per year;

b) Lack of credit worthiness to borrow on market terms and, therefore, a need for confessional resources to finance the country's development program; and

c) Good policy performance, defined as the implementation of economic and social policies that promote growth and poverty reduction.

Some countries, such as India and Indonesia, are eligible for IDA assistance due to their low per person incomes, but are also creditworthy for some IBRD borrowing. These countries are known as "Blend" borrowers.

3.1.3. The Countries which have graduated from IDA

Thirty-two countries have graduated from IDA throughout its history, ceasing to borrow from the Association. Some 9 countries have since "reverse graduated," or re-entered IDA. Now total net IDA graduates are 23.

3.1.4 The Top Areas that IDA Funds Go Into

IDA is now the single largest source of donor funds for basic social services in the poorest countries. In the 12 months to June 30, 2005, IDA's support for projects was targeted at human development such as education, health, social safety nets, water supply and sanitation (36%); law, justice and public administration (23%); industry (18%); infrastructure (14%), and agriculture and rural development (8%)[4].

3.1.5 Concessional Loan of IDA

A concessional loan typically carries no interest and offers a much longer grace period and maturity than other forms of financing could provide. IDA's standard concessional loan (called a 'credit') does not require principal repayments until 10 years after it is signed, with a final maturity of 40 years. Therefore, a country effectively repays only about 40% of a regular IDA credit, after applying a discount rate to convert credit repayments over 40 years into today's prices.

3.1.6 Sources of IDA Resources

The largest source of IDA resources is new contributions from donor countries. This accounts for about $18 billion of approximately $33 billion in resources which will be current IDA borrowers, investment income, and other resources including residual resources from past replenishments. An additional source of funds is transfers from IBRD net income.

Table 3.1 The top 10 recipients of IDA resources

The top 10 borrower countries in fiscal year 2006 were:

FY06 Top Ten IDA Borrowers	$million
Pakistan	1183
Vietnam	786
Tanzania	751
Ethiopia	505
India	500
Bangladesh	462
Nigeria	422
Democratic Republic of Congo	365
Ghana	355
Afghanistan	240

Source (http://go.worldbank.org/GUIB673TL0)

3.1.7 Countries which are the Largest Donors

The largest pledges to IDA14 were made by the United States, the United Kingdom, Japan, Germany, France, Italy and Canada. Combined, these countries account for about 60% of donor.

3.2 International Bank for Reconstruction and Development (IBRD)

3.2.1 Introduction

The International Bank for Reconstruction and Development, a United Nations Specialized Economic Agency created to assist developing nations by loans guaranteed by member governments.

The International Bank for Reconstruction and Development is one of the five institutions constituting the World Bank Group. The IBRD is an international organization whose original mission was to finance the reconstruction of nations devastated by WWII. Now, its mission has expanded to fight poverty by means of financing states. Its operation is maintained through payments as regulated by member states. It came into existence on December 27, 1945 following international ratification of the agreements reached at the United Nations Monetary and Financial Conference of July 1 to July 22, 1944 in Bretton Woods, New Hampshire.

The IBRD provides loans to governments, and public enterprises, always with a government (or "sovereign") guarantee of repayment. The funds for this lending come primarily from the issuing of World Bank bonds on the global capital markets - typically $12-15 billion per year[5]. These bonds are rated AAA (the highest possible) because they are backed by member states' share capital, as well as by borrowers' sovereign guarantees. (In addition, loans that are repaid are recycled (relent). Because of the IBRD's credit rating, it is able to borrow at relatively low interest rates. As most developing countries have considerably lower credit ratings, the IBRD can lend to countries at interest rates that are usually quite attractive to them, even after adding a small margin (about 1%) to cover administrative overheads.

Since inception in 1944, the World Bank has expanded from a single institution to a closely associated group of five development institutions. Its mission evolved from the International Bank for Reconstruction and Development (IBRD) as facilitator of post-war reconstruction and development to the present day mandate of worldwide poverty alleviation in conjunction with its affiliate, the International Development Association.

Once it had a homogeneous staff of engineers and financial analysts, based solely in Washington, DC. Today it has multi-disciplinary and diverse staffs that include economists, public policy experts, sector experts and social scientists, and 30% of its staff is now based in country offices.

Reconstruction remains an important focus of its work given the natural disasters and post conflict rehabilitation needs that affect developing and transition economies. It has, however, broadened its portfolio's focus to include social sector lending projects, poverty alleviation, debt relief and good governance. At today's World Bank, it has sharpened its focus on poverty reduction as the overarching goal of all our work.

3.2.2 Historical Background

The IBRD was established mainly as a vehicle for reconstruction of Europe and Japan after World War II, with an additional mandate to foster economic growth in developing countries in Africa, Asia and Latin America. Originally the bank focused mainly on large-scale infrastructure projects, building highways, airports, and power plants. As Japan and its European client countries "graduated" (achieved certain levels of income per capita), the IBRD became focused entirely on developing countries. Since the early 1990s the IBRD has also provided financing to the post-Socialist states of Eastern Europe and the former Soviet Union.

As early as February 1943, United States Undersecretary of State Sumner B. Welles urged preparatory consultation aimed at the establishment of agencies to finance reconstruction and development of the world economy after WWII. The US and the UK took leading roles in the negotiations that were to result in the formation of the IBRD and the IMF. The IBRD is the main lending organization of the World Bank Group and, like its sister institution, the International Monetary Fund (IMF), was born of the Allies' realization during World War II that tremendous difficulties in reconstruction and development would face them in the post war transition period, necessitating international economic and financial cooperation on a vast scale. The

IBRD, frequently called the "World Bank," was conceived in July 1944 at the United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire, US. Commencing operations on June 25, 1946, it approved its first loan on May 9, 1947 ($250m to France for post war reconstruction, in real terms the largest loan issued by the Bank to date).

3.2.3 Purposes

Although one of the Bank's early functions was to assist in bringing about a smooth transition from wartime to peaceful economies, economic development soon became the Bank's main object. Today, the goal of the World Bank is to promote economic development that benefits poor people in developing countries. Loans are provided to developing countries to help reduce poverty and to finance investments that contribute to economic growth. Investments include roads, power plants, schools, and irrigation networks, as well as activities like agricultural extension services, training for teachers, and nutrition-improvement programs for children and pregnant women. Some World Bank loans finance changes in the structure of countries' economies to make them more stable, efficient, and market oriented. The World Bank also provides technical assistance to help governments make specific sectors of their economies more efficient and more relevant to national development goals.

3.2.4 Membership

The Bank's founders envisioned a global institution, the membership of which would eventually comprise all nations[6]. Membership in the IBRD rose gradually from 41 governments in 1946 to 186 as of June 2009. The names of the member states along with dated of membership are given in the annex (Table 01).

A government may withdraw from membership at any time by giving notice of withdrawal. Membership also ceases for a member suspended by a majority of the governors for failure to fulfil an obligation, if that member has not been restored to good standing by a similar majority within a year after the suspension. Only a few countries have withdrawn their membership from the Bank, and all but Cuba (withdrew in 1960) have rejoined.

Although the Soviet Union took part in the 1944 Bretton Woods Conference, and signed the final act establishing the IMF and the IBRD, it never ratified the Articles of Agreement or paid in the 20% of its subscribed capital that was due within 60 days after the Bank began operations. Had it joined, the Soviet Union would have been the Bank's third largest shareholder, after the United States and the United Kingdom. Over the next four decades, as the Bank grew in size and scope, it couldn't fulfil its founders' intentions of being a truly global institution due to the absence of the Soviet Union. Then, at the beginning of the 1990s, as political and economic change swept through the 15 republics of the USSR, the Soviet government indicated its interest in participating in the international financial system and sought membership in the IMF and World Bank. On 15 July 1991, Soviet President Mikhail Gorbachev formally applied for membership for the USSR in the IBRD and its three affiliates (IFC, IDA and MIGA). However, by December 1991, the USSR had ceased to exist. During 1992, the Russian Federation and 15 former Soviet republics (including the Baltic States) applied for membership and were accepted. Eleven of them also applied to IDA, 14 to IFC and 15 to MIGA. To accommodate these countries, the total authorized capital of the bank was increased.

3.2.5 Countries that had "Graduated" from the IBRD

A "graduating" country is one where lending is being phased out. As of 2002 there were 27 countries that had "graduated" from the IBRD.

3.2.6 Structure

3.2.6.1 Board of Governors

All powers of the Bank are vested in its Board of Governors, composed of one governor and one alternate from each member state. Ministers of Finance, central bank presidents, or persons of comparable status usually represent member states on the Bank's Board of Governors. The board meets annually.

The Bank is organized somewhat like a corporation. According to an agreed-upon formula, member countries subscribe to shares of the Bank's capital stock. Each governor is entitled to cast 250 votes plus 1 vote for each share of capital stock subscribed by his country.

3.2.6.2 Executive Directors

The Bank's Board of Governors has delegated most of its authority to 24 executive directors. According to the Articles of Agreement, each of the five largest shareholders—the United States, Japan, Germany, France and the United Kingdom—appoints one executive director. The other countries are grouped in 19 constituencies, each represented by an executive director who is elected by a group of countries. The number of countries each of these 19 directors represents varies widely. For example, the executive directors for China, the Russian Federation, and Saudi Arabia represent one country each, while one director speaks for 24 Francophone African countries and another director represents 22 mainly English-speaking African countries.

3.2.6.3 President and Staff

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

According to an informal agreement, the president of the Bank is a US national, and the managing director of the IMF is a European. The president's initial term is for five years; a second term can be five years or less. Past presidents of the Bank include

Robert S. McNamara (1968–81), A. W. Clausen (1981–86), Barber B. Conable (1986–91), Lewis T. Preston (1991–95). James D. Wolfensohn (1995-1999). Mr. Wolfensohn was unanimously reappointed by the Bank's Board of Executive Directors to a second five-year term as president beginning June 1, 2000. He is the third president in World Bank history to serve a second term. 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. 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 heads a staff of more than 8,000 persons from over 130 countries.

3.3 The Multilateral Investment Guarantee Agency (MIGA)

3.3.1 Introduction

The Multilateral Investment Guarantee Agency (MIGA) is the political risk insurance arm of the World Bank Group, established in 1988 to help developing countries attract and retain private investment. It furnishes private enterprises investing in developing countries with non-commercial risk insurance and provides developing country members with technical assistance regarding investment promotion. MIGA guarantees protect investors against loss resulting from expropriation, breach of contract, war, and civil disturbance including insurrection, coups d'état, revolution, sabotage, and terrorism. In addition to offering insurance to private companies, MIGA mobilizes additional guarantees for investors and assists host governments with legal services.

The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank group. It was established to promote foreign direct investment into developing countries. MIGA was founded in 1988 with a capital base of $1 billion and is headquartered in Washington, D.C.

MIGA promotes foreign direct investment into developing countries by insuring investors against political risk, advising governments on attracting investment, sharing information through on-line investment information services, and mediating disputes between investors and governments. MIGA also requires host country government approval for every project. MIGA tries to work with host governments - resolving claims before they are filed.

3.3.2 Structure

All countries belonging to IBRD are eligible to join MIGA. Its current membership stands at 163 countries. Each member country is represented on the Council of Governors, which meets annually but delegates its power to a Board of Directors with 24 members. The Board of Directors oversees MIGA's day-to-day operations. While MIGA is legally separate from the World Bank, its Board of Directors is comprised of the same members as the World Bank's Board, with slightly different voting shares. MIGA is divided into seven functional units. The seven functional units are:

a) Underwriting Department;
b) General Counsel;
c) Legal Affairs and Claims Department;
d) Central Administration Department;
e) Finance and Risk Management Department;
f) Policy and Environment Department;
g) Investment Marketing Services Department; and
g) Operations Evaluation Department.

3.3.3 Process of Obtaining Information

MIGA undertakes the majority of its operations in strict confidentiality, making very little information available about individual projects. MIGA's Disclosure Policy does not require the release of any information about its projects prior to their approval, other than environmental documents for high-risk projects.

3.3.4 MIGA's project:

In fiscal year 2009 MIGA issued guarantees for projects in Kazakhstan, Latvia, Hungary, Russian Federation, and other countries hit by the global financial crisis to help banks with long-term liquidity and improvement of asset liability management. In addition to high-value guarantees supporting the banking sector in Europe and Central Asia, MIGA supported microfinance institutions in Pakistan and Uruguay and smaller banking projects in Rwanda and South Africa.

Since its inception, MIGA has issued nearly 300 guarantees totaling $7.8 billion for projects in the financial sector. The financial sector guarantee portfolio accounts for 47 percent of MIGA's gross exposure[7].

3.3.5 MIGA Policy

In addition to its own Environmental Assessment and Disclosure policies, MIGA currently applies interim issue-specific safeguard policies, including policies on:

a) Natural Habitats;
b) Forestry;
c) Pest Management;
d) Dam Safety;
e) Projects on International Waterways;
f) Involuntary Resettlement;
g) Physical Cultural Resources; and
h) Indigenous Peoples.

MIGA is considering reviewing its environmental and social safeguard policies, based on public comments and the Compliance Advisor/Ombudsman's review of IFC's Safeguard Policies. Comments on MIGA's interim social and environmental policies may be submitted to MIGA.

3.3.6. Annual Meetings

MIGA holds its annual meetings in tandem with the other arms of the World Bank Group. The 2003 meetings were held in Dubai from September 23-24, 2003.

3.3.7 Conclusion

Founded in 1985 with operations beginning in 1988, MIGA is one of the five agencies under the World Bank Group. It supports private sector investments in developing countries against political risk, provides technical assistance and advisory services to developing countries, and provides information to promote foreign direct investment in developing countries.

Private investors need assurance that their portfolios in politically risky countries are guaranteed. MIGA insures projects against:

a) Any losses an investor may experience if local currency cannot be converted into foreign currency and taken outside the host country;

b) Losses due to host government actions that reduce or end investors' control over or rights to the insured investment, such as nationalization or confiscation;

c) Losses due to breaches of contracts; and

d) Losses caused by war and civil disturbance.

MIGA's services are not unique. In the political risk insurance industry, more than half of the market is controlled by private insurers, and the rest is divided between government-backed export credit agencies (ECAs). MIGA shares only 4% of the market, and its coverage is issued at rates similar to those offered by private insurers or ECAs. However, MIGA has one advantage over other political risk insurance providers: it has a strong "deterrence" factor. A MIGA guarantee comes with the implicit or explicit backing of the World Bank Group and all of MIGA's member nations. An investor that has a MIGA guarantee can claim a payment to MIGA for the loss covered by the guarantee. In return, MIGA will request that the host country -- which must be a MIGA member -- reimburses the amount. If the host country refuses to pay, MIGA will suspend their coverage for projects in that country. With such an arrangement, governments are unlikely to take or promote actions that would require that a claim be paid. Countries are very careful to not damage their reputation with other investors, cause problems with the Bank, or threaten Bank loans to their countries.

MIGA, like its sister organization, the International Finance Corporation (IFC) -- the other private sector arm of the World Bank Group -- shares a lack of environmental and social accountability for the projects it guarantees and continuously struggles to prove that its operations have demonstrative effects in poverty reduction and development impacts.

3.4 International Finance Corporation (IFC)

3.4.1 Introduction

IFC is a member of the World Bank group and is headquartered in Washington, dc. It shares the primary objective of all World Bank group institutions: to improve the quality of the lives of people in its developing member countries. Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. IFC's mandate is to promote sustainable economic development through the private sector. IFC pursues this goal through innovative solutions to the challenges of development, as we invest in companies and financial institutions in emerging markets. IFC considers positive developmental impact an integral part of good business, and we focus much of our effort on the countries with the greatest need for investment. IFC recognizes that economic growth is sustainable only if it is environmentally and socially sound and helps improve the quality of life for those living in developing countries. The international finance corporation promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives.

3.4.2 Strategy

Frontier Strategy -- Investments and Services

IFC focuses its efforts where they make the greatest difference. IFC invest in the sectors and countries that the private sector is unwilling or unable to enter on its own, either because of an adverse economic situation or because business success has not been demonstrated there before. IFC also plays a catalytic role for other project sponsors, including commercial banks, to invest in developing countries.

Priority Sectors for Development

IFC emphasizes sectors that have a high impact on the economies of developing countries, because they reach large numbers of people or benefit many other sectors of the economy. These priorities include the financial sector, health and education, infrastructure, information and communication technologies, and small and medium enterprises: together, they represent about 70 percent of IFC's operations.

Technical Assistance -- Building Capacity for Business

IFC supports private sector development both by investing and by providing technical assistance and advisory services that strengthen businesses. Key capacity-building initiatives include training and advisory services for small and medium enterprises, investments in small business, and development facilities serving regions or addressing specific issues of sustainability.

Sustainability -- A Broad Impact on Society

Through its Sustainability Initiative, IFC aims to ensure that environmental and social benefits are at the centre of economic growth. As part of the World Bank Group, IFC is committed to helping reduce poverty and to furthering concrete progress toward the Millennium Development Goals that the international community has set for achievement by 2015.

Sustainability -- Improving Use of Resources

Focusing on sustainability makes good sense for business. IFC's current work in the energy sector -- with utilities, private companies, and financial institutions -- provides examples of how innovative approaches to project finance can allow the private sector to achieve environmental benefits while enhancing profitability.

3.4.3 Basic Principles of IFC

It promotes sustainable private sector development primarily by:

a) Financing private sector projects located in the developing world;

b) Helping private companies in the developing world mobilize financing in international financial markets; and

a) Providing advice and technical assistance to businesses and governments.

3.4.4. Funding of IFC's Activities

IFC's equity and quasi-equity investments are funded out of its net worth: the total of paid in capital and retained earnings. Strong shareholder support, triple-A rating and the substantial paid-in capital base have allowed IFC to raise funds for its lending activities on favourable terms in the international capital markets. Retained earnings now represent almost three-quarters of IFC's net worth of $9.8 billion (end-June 2006).

3.4.5. Ownership and Management

IFC has 182 member countries, which collectively determine its policies and approve investments. To join IFC, a country must first be a member of the IBRD. IFC's corporate powers are vested in its Board of Governors, to which member countries appoint representatives. IFC's share capital, which is paid in, is provided by its member countries, and voting is in proportion to the number of shares held. IFC's authorized capital (the sums contributed by its members over the years) is $2.45 billion; IFC's net worth (which includes authorized capital and retained earnings) is considerably larger and at the end of June, 2005, was $9.8 billion.

The Board of Governors delegates many of its powers to the Board of Directors, which is composed of the Executive Directors of the IBRD, and which represents IFC's member countries. The Board of Directors reviews all projects.

The President of the World Bank Group, Robert B. Zoellick. Executive Vice *President*, also serves as IFC's president. IFC's Executive Vice President, Lars Thunell, is responsible for the overall management of day-to-day operations.

Although IFC coordinates its activities in many areas with the other institutions in the World Bank Group, IFC generally operates independently as it is legally and financially autonomous with its own Articles of Agreement, share capital, management and staff.

3.5 International Centre for Settlement of Investment Dispute (ICSID)

3.5.1 Introduction

The International Centre for Settlement of Investment Disputes (ICSID or the Centre) is a public international organization created under a treaty, the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention or the Convention). The Convention was formulated by the Executive Directors of the World Bank and submitted by them on March 18, 1965 to member States of the Bank for consideration with a view to signature and ratification. The Convention, entered into force on October 14, 1966[8].

In accordance with the provisions of the Convention, ICSID provides facilities for the conciliation and arbitration of investment disputes between Contracting States and nationals of other Contracting States. The Centre's objective in making such facilities available is to promote an atmosphere of mutual confidence between States and foreign investors conducive to increasing the flow of private international investment.

ICSID does not itself engage in such conciliation or arbitration. This is the task of conciliators and arbitrators appointed by the parties or as otherwise provided for in the Convention. The Centre assists in the initiation and conduct of conciliation and arbitration proceedings, performing a range of administrative functions in this respect.

Recourse to conciliation and arbitration under the ICSID Convention is entirely voluntary. No Contracting State or national of such a State is obliged to resort to such conciliation or arbitration without having consented to do so. However, once the parties have consented, they are bound to carry out their undertaking and, in the case of arbitration, to abide by the award. Moreover, all Contracting States, whether or not parties to the dispute, are required to recognize awards rendered pursuant to the Convention as binding and to enforce the pecuniary obligations imposed thereby.

Such awards are not subject to any appeal or to any other remedy except those which, like the remedy of annulment, are provided for in the Convention itself.

Besides providing facilities for conciliation and arbitration under the ICSID Convention, the Centre has since 1978 had an Additional Facility allowing it to administer certain proceedings between States and nationals of other States which fall outside the scope of the Convention, notably conciliation and arbitration proceedings where one of the parties is not a Contracting State or a national of such a State.

Until the mid-1980s, jurisdiction in all of the cases brought to ICSID was founded upon consents recorded in an investment contract or similar instrument. Since then, an increasing number of cases have been founded on consents to ICSID arbitration, put in place by investment laws and treaties. With the influx of cases based on general consents of the States in the laws and treaties, only a minority of the proceedings before the Centre today concern disputes exclusively over the performance of investment contracts concluded by the State. The cases now more typically concern claims over such events as civil strife in the State, alleged expropriation or denials of justice by it, and actions of its political subdivisions.

3.5.2 Objectives

The Centre was established to provide facilities for the conciliation and arbitration of investment disputes and to promote the flow of foreign investment between developed and developing countries, bearing in mind the need for international cooperation for economic development. It was often unforeseeable if the enforcement of a award that was rendered locally in favour of the investor would be carried out. Since a neutral forum for foreign investors was previously non-existent, the establishment of the centre has to be viewed as an effort to provide such a forum for the settlement of disputes arising out of investments. So far it represents a unique model in international law, since the Centre operates in total independence from domestic legal systems. The domestic courts sole role is the assistance in the enforcement of the awards rendered by the arbitral tribunal. There is no right to appeal or review the award by any domestic court. The signatories agreed to recognize that an award rendered by an ICSID tribunal as if it was a final judgment of their own court.

The centre itself is not engaged in conciliation and arbitration but assists in the initiation of conciliation and arbitration proceedings, performing a variety of procedural and administrative functions.

3.5.3 Establishment of ICSID

On a number of occasions in the past, the World Bank as an institution and the President of the Bank in his personal capacity have assisted in mediation or conciliation of investment disputes between governments and private foreign investors. The creation of the International Centre for Settlement of Investment Disputes (ICSID) in 1966 was in part intended to relieve the President and the staff of the burden of becoming involved in such disputes. But the Bank's overriding consideration in creating ICSID was the belief that an institution specially designed to facilitate the settlement of investment disputes between governments and foreign investors could help to promote increased flows of international investment.

3.5.4 Rules and Regulations

The Convention on the Settlement of Investment Disputes between States and Nationals of Other States was opened to signature on March 18, 1965 on behalf of all the States members of the International Bank for Reconstruction and Development. The Convention entered into force on October 14, 1966, when it had been ratified by 20 countries. As at April 10, 2006, 143 countries have ratified the Convention to become Contracting States [9].

Pursuant to Article 6(1) (a)-(c) of the Convention, ICSID's Administrative Council has adopted the following Regulations and Rules[10]:

a) Administrative and Financial Regulations;
b) Rules of Procedure for the Institution of Conciliation and Arbitration Proceedings (Institution Rules);
c) Rules of Procedure for Arbitration Proceedings (Arbitration Rules); and
d) Rules of Procedure for Conciliation Proceedings (Conciliation Rules).

These Regulations and Rules are contained in ICSID Basic Documents together with the ICSID Convention. The above-mentioned Institution, Arbitration and Conciliation Rules apply only to proceedings brought under the Convention. Under the ICSID Additional Facility Rules, the ICSID Secretariat is authorized to administer certain proceedings that fall outside the scope of the Convention.

The World Bank does not have a specifically defined social policy as such. Within the institution, three predominant social policy "domains" can be identified: social sectors, social protection, and social development. The fact that each has a distinct location within the organization has served to create artificial conceptual and operational barriers to a holistic social policy. Of the three, social development has struggled hardest to gain legitimacy land a critically important, associated, operational portfolio. After two decades of progress, the recently completed strategy paper" Empowering People by Transforming Institution: Social Development in World Bank Operations" (World Bank, 2005) is al landmark in terms of the integration of a social development agenda into the World Bank. It defines social development as s "transforming institution to empower people....with three operational principles to guide its approach to social development: inclusion, cohesion and accountability." Linked to this are three strategic priorities that are summarized as more macro, better projects and better grounding (World Bank 2005).

The third strategic priority -"better grounding: Improve research, capacity building, and partnerships to solidify the grounding for better operations"- provides the opportunity to identify a new conceptualization of social policy. In his " Concept Note: New Frontiers of Social Policy," Dani[11] defines this in terms of the achievement of " more equitable and socially sustainable development outcomes....A holistic social policy seeks to promote policies, institutions, and programs that balance a concern for equity and social justice with the concern for economic growth" (Dani 2005)

The World Bank takes as the starting point for its redefinition of social policy the 1995 Copenhagen World Summit for Social Development (WSSD) and the gaps identified by the UN Secretary General in the 2005 follow-up report on the Social Summit.

Impact of specialized economic organizations

This section presents the impact of specialized economic organizations on global economy. This is followed by a description of different activities of the various specialized economic organizations. Throughout history, de-ventures, generals, merchants and financiers have constructed an ever-more-global economy. Today, unprecedented changes in communications, transportation, and computer technology have given the process new impetus. During recent years, the concept of Global Public Goods (GPDs) has become an increasingly important part of international policy making. The concept appears in the agendas of UN agencies, the World Bank, and Non-governmental organizations. Everyone depends on public goods, neither markets nor the wealthiest person can do without them. Global issues are present in all areas of our lives as citizens of the world. They affect our economies, our environment, our capabilities as humans, and our processes for making decisions regarding cooperation at the global level i.e. global governance. Global issues in the area of peace and security are also very important but are beyond the expertise and mandate of the World Bank.

World Bank Assistance

The Bank approved \$19519.4 million and \$24695.8 million for world-wide in theme and sector in 2002 and 2007 fiscal year respectively (\$11,451.8 million from IBRD and \$8,067.6 million from IDA in fiscal year 2002; \$12,828.8 million from IBRD and 11,866.9 million from IDA in fiscal year 2007, (Table 3.2 and 3.3)

TABLE 3.2 WORLD BANK LENDING BY THEME IN FISCAL YEAR 2002-2007 (Millions of dollars)

Theme	2002	2003	2004	2005	2006	2007
Economic Management	1,408.0	777.7	428.8	594.6	213.8	248.3
Environmental and Natural Resource Management	924.0	1,102.6	1,304.6	2,493.8	1,387.3	2,017.0
Financial and Private Sector Development	5,055.4	2,882.9	4,176.6	3,862.0	6,137.8	4,260.8
Human Development	1,756.1	3,374.0	3,079.5	2,951.0	2,600.1	4,089.4
Public Sector Governance	4,247.2	2,464.1	3,373.9	2,636.4	3,820.9	3,389.7
Rule of Law	273.2	530.9	503.4	303.8	757.6	424.5
Rural Development	1,600.0	1,910.9	1,507.8	2,802.2	2,215.8	3,175.7
Social Development, Gender, and Inclusion	1,385.7	1,003.1	1,557.8	1,285.8	1,094.1	1,250.3
Social Protection and Risk Management	1,086.4	2,324.5	1,577.0	2,437.6	1,891.7	1,647.6
Trade and Integration	300.9	566.3	1,212.7	1,079.9	1,610.9	1,569.9
Urban Development	1,482.4	1,576.3	1,358.1	1,860.0	1,911.2	2,622.7
Theme Total	**19,519.4**	**18,513.2**	**20,080.1**	**22,307.0**	**23,641.2**	**24,695.8**

Source(www.worldbank.org/finance)

TABLE 3.3 WORLD BANK LENDING BY SECTOR IN FISCAL YEAR 2002-2007 (Millions of dollars)

Sector	2002	2003	2004	2005	2006	2007
Agriculture, Fishing, and Forestry	1,247.9	1,213.2	1,386.1	1,933.6	1,751.9	1,717.4
Education	1,384.6	2,348.7	1,684.5	1,951.1	1,990.6	2,021.8
Energy and Mining	1.974.6	1,088.4	966.5	1,822.7	3,030.3	1,784.0
Finance	2,710.8	1,446.3	1,808.9	1,675.1	2,319.7	1,613.6
Health and Other Social Services	2,366.1	3,442.6	2,997.1	2,216.4	2,132.3	2,752.5
Industry and Trade	1,394.5	796.7	797.9	1,629.4	1,542.2	1,181.3
Information and Communication	153.2	115.3	90.9	190.9	81.0	148.8
Law and Justice and Public Administration	5,351.2	3,956.5	4,978.8	5,569.3	5,857.6	5,468.2
Transportation	2,390.5	2,727.3	3,777.8	3,138.2	3,214.6	4,949.0
Water, Sanitation, and Flood Protection	546.0	1,378.3	1,591.6	2,180.2	1,721.0	3,059.4
Sector Total	**19,519.4**	**18,513.2**	**20,080.1**	**22,307.0**	**23,641.2**	**24,695.8**
Of Which IBRD	11,451.8	11,230.7	11,045.4	13,610.8	14,135.0	12,828.8
Of which IDA	8,067.6	7,282.5	9,034.6	8,696.2	9,506.2	11,866.9

Source(www.worldbank.org/finance)

3.6.1 Impact of IDA

IDA was established to provide assistance to poorer developing countries .It has 159 members. IDA provides credits to the poorest countries - mainly those with an annual per capita gross national product of $785 or less (in 1996 U.S. dollars). By this criterion, about seventy countries are eligible. Although IDA is legally and financially distinct from the IBRD, it shares the same staff and the projects it supports have to meet the same criteria as do projects supported by the IBRD.

To ensure that its borrowers get the best value for the money they borrow, Bank assistance is untied and may be used to purchase goods and services from any member country.

3.6.1. IDA and Gender

Methods of Promoting Gender Equality

Inequalities in rights, opportunities and assets available to men and women occur everywhere, but tend to be greater in low-income countries and, within countries, among the poor. In many developing societies, women are considered drains on the wealth of the society and their productive contribution is not recognized because it is not counted, for example in agricultural production, or not valued as much as that of men. Childbearing and childcare demands may also compromise women's productivity and curtail their opportunities for education and employment. Furthermore, because a woman's work in the home is considered more important than allowing her to receive an education, girls may be denied basic educational opportunities, which perpetuate gender inequality.

Gender inequalities tend to lower the productivity of labor, create inefficiencies in the allocation of resources within households and in the economy, contribute to poverty, and reduce human well being. Without adequate human capital (Human capital is understood as people's knowledge, skills and abilities needed to participate actively in the labor force and otherwise contribute to the economy.), access to economic resources, or a voice in decision-making in development, poor women tend to be engaged in jobs with low incomes and few opportunities. In contrast, when men and women are relatively equal, economies tend to grow faster, the poor move more quickly out of poverty and the well being of men, women, and children is enhanced.

Gender inequality is a critical factor contributing to poverty in many countries that qualify for support from IDA, which makes promoting gender equality and women's empowerment a central part of IDA's work. IDA has found that not only are women and children the victims of some of the worst ravages of poverty, they are also too often left behind if development strategies do not take specific account of their circumstances.

IDA's Gender Strategy

IDA operations address the constraints on development and poverty reduction created by gender inequalities in a given social sector or country. IDA's objectives for its work on gender issues during IDA13, the current lending cycle which spans fiscal years 2003 through 2005, are to strengthen its assessments of constraints to gender equality in IDA countries; and closely monitor, evaluate and report on progress in integrating gender issues fully into its work.

IDA incorporates gender issues into its operations and Country Assistance Strategies (CASs) according to the World Bank's Gender Mainstreaming Strategy adopted in September 2001, which aims to integrate gender issues fully as a central part of the Bank's work. The key priorities for strengthening IDA's attention to gender issues to increase the impact of its work are:

a) Preparing periodic, consultative, multi-sector Country Gender Assessments (CGA) that diagnose the gender-related barriers to and opportunities for poverty reduction and sustainable development, and identify the priority sectors in which IDA will focus its gender mainstreaming efforts;

b) Developing and implementing policy and operational initiatives in response to the assessment;

c) Monitoring and evaluating the implementation and results of these initiatives;

d) Increasing the impact of the CGAs through stronger dissemination of information and follow-up activities;

e) Strengthening gender analysis in the poverty and social impact analyses, development policy reviews, and public expenditure reviews for IDA countries;

f) Complementing gender analysis with corresponding actions and monitoring in IDA-supported economic and sector work and lending; and

g) Creating awareness of gender issues in areas where they are currently given little attention, such as financial sector development and energy, and building the capacity of governments and Bank staff to promote gender equality issues in their policies and programs.

Successful Integration of Gender Issues in IDA Projects are as follows:

Providing Micro-finance Opportunities for Women

Limited access to financial services constrains economic participation. Micro-finance is a means to compensate for the failure of the banking sector in providing financial services to people with limited resources. It supports investment and growth, and helps alleviate poverty by making financial services (both credit and savings facilities) available to more lower-income persons, including women. This helps increase employment productivity, incomes, and living conditions.

As for example the Micro-finance Project in Madagascar aims to improve women's economic condition and enhance their participation in economic activities by increasing their long-term access to financial services, which at present is virtually non-existent. Savings and Loans Associations will seek to offer women simple, convenient, and attractive financial instruments that are consistent with their needs and preferences.

The Second Poverty Alleviation Fund Project in Pakistan

IDA provides micro-credit loans, and grants for small scale community infrastructure schemes (including improved drinking water supply, irrigation, and sanitation, areas which greatly affect women), skill development and education and health facilities, targeted towards the poor and disadvantaged of Pakistan, especially women.

Increasing Women's Participation through Building Infrastructure

Women play a key role in transporting, storing and using household water. Water and sanitation infrastructure enhances access to rural water supply and sanitation by rural communities, thereby increasing women's participation in the community and access to opportunities.

In South Asia

This project with a strong gender focus includes the India Rural Women's Development and Empowerment Project (RWDEP), the Nepal Adjustment Credit, the Ghazi Barotha Hydropower Project, the AJK Community Infrastructure and Services Project, and the NWFP Community Infrastructure Project in Pakistan. Women are also the primary targeted beneficiaries of the Second Karnataka Rural Water Supply and Sanitation Project in India, in which communities in project villages would benefit from improved water supply and environmental sanitation services through time savings in collecting water, better health from more and cleaner water, improved sanitation and better hygiene practices.

TABLE 3.4 IBRD AND IDA LENDING BY SECTOR IN FISCAL YEAR 2002-2007 IN SOUTH ASIA (Millions of dollars)

Sector	2002	2003	2004	2005	2006	2007
Agriculture, Fishing, and Forestry	328.1	212.6	251.9	940.8	368.9	733.6
Education95.9	95.9	364.6	665.8	286.4	377.2	724.7
Energy and Mining	504.8	150.6	130.8	83.60	483.0	243.7
Finance	310.0	185.8	331.4	461.8	73.0	678.1
Health and Other Social Services	278.7	369.0	334.6	493.2	195.9	1006.2
Industry and Trade	443.1	144.9	46.1	485.2	306.5	292.9
Information and Communication	12.4	11.5	16.9	91.9	50.0	2.8
Law and Justice and Public Administration	632.5	372.3	925.5	885.7	1107.4	1165.8
Transportation	758.1	1067.6	444.8	1181.0	520.1	559.9
Water, Sanitation, and Flood Protection	144.9	40.0	273.7	83.7	321.3	223.9
Sector Total	**3508.4**	**2918.7**	**3421.6**	**4999.3**	**3797.2**	**5631.6**
Of Which IBRD	893.0	836.0	439.5	2095.9	1231.0	1599.5
Of which IDA	2651.4	2082.7	2982.1	2897.4	2566.2	4032.1

Source (THE WORLD BANK ANNUAL REPORT 2007, pp.55)

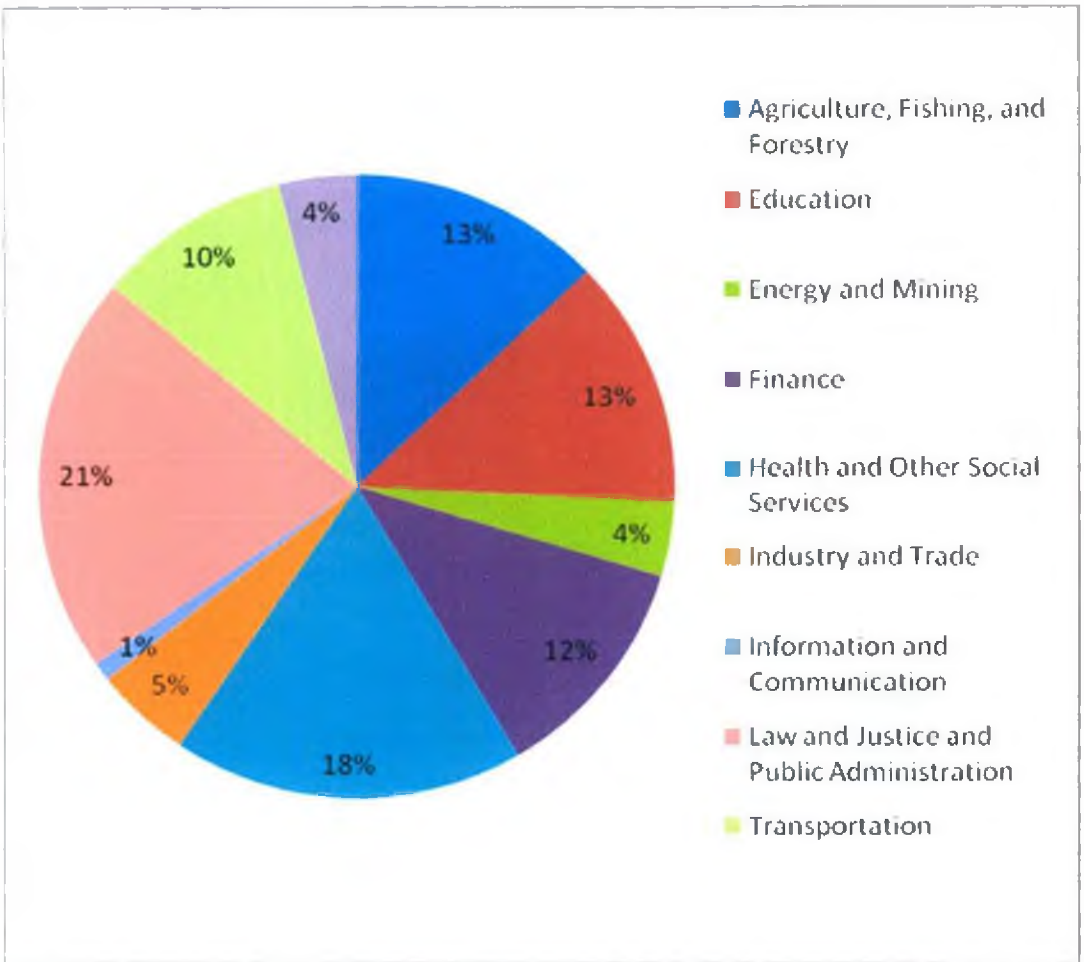

Fig 3.1: IBRD AND IDA LENDING BY SECTOR IN FISCAL YEAR 2007 IN SOUTH ASIA (SHARE OF TOTAL OF $5.6 BILLION)

The Village Infrastructure Project in Ghana

Is part of an effort to better the living conditions of rural women and girls through direct transfers of technical and financial resources:

a) Reduction in post-harvest losses coupled with value-added through processing will increase incomes of rural women, who dominate agro-processing activities;

b) Women and girls are the major participants in the daily efforts to secure safe drinking water for households, which often involve trips of up to 3 km to fetch water. The development of water resources close to villages will result in time-saving and reduction in drudgery among rural women. The time saved will give rural women greater flexibility to undertake other tasks such as taking better care of children or engaging in productive economic activities, and girls the opportunity to go to school;

c) Women and girls are the main head loaders of produce from farms to the villages. The development of village tracks and trails and the introduction of IMTs will remove some or all of the drudgery from them and reduce on-farm losses as products will be evacuated more efficiently and quickly to village storage; and

d) Women in coastal fishing villages will benefit from provision of improved technologies for fish smoking and drying and the provision of storage and waste disposal facilities.

Promoting Gender Equality in Education

In Yemen, IDA is supporting a child development project that uses a community education approach to increase girls' enrollment and retention in primary schools. The project complements Yemen's new strategy on girls' education, which includes reduction of cost barriers by waiving school fees for girls.

The project supports:

a) Setting up community schools;

b) Increasing the number of female teachers and providing them adequate training;

c) Providing school kits to reduce costs and strengthening textbook distribution system; and

d) Incorporating water systems in the project thus, freeing girls up from fetching water and giving them more time to attend school.

In Burkina Faso, the Basic Education Sector Project supports the first phase (2001–05) of the government's Basic Education 10-Year Program. IDA will help build the capacity of the Ministry of Basic Education (MEBA) and will help the government implement activities to expand basic education and promote greater participation by girls and women. For example, it will experiment with integrated approaches (e.g., early childhood education and non-formal education) in the 20 poorest provinces, and implement reforms to improve the quality and efficiency of education (e.g., curriculum reform, in-service training, and evaluation of learning outcomes).

Other examples of projects that have successfully incorporated gender analysis and actions are the Kenya Free Primary Education Project, Eritrea Education Sector Investment Project, Chad Education Sector Reform Project and the Sierra Leone Rehabilitation of Basic Education Project.

Gender Awareness in the Fight against HIV/AIDS

The Multi-country HIV/AIDS Program (MAP) Operations in Africa focuses particular attention on addressing the gender dynamics of HIV/AIDS in its response to the pandemic. Both the Kenya and Sierra Leone MAP operations support gender-awareness training for staff at all levels of program implementation. The national AIDS coordinating bodies now give more prominence to the gender dynamics of

AIDS in these countries. In the 2004 fiscal year, gender-responsive MAP Operations are being extended to Cameroon, Malawi, and Zambia.

In Chad, IDA is supporting an AIDS project intended to reduce the transmission and socioeconomic impact of the HIV/AIDS epidemic and the socioeconomic impacts of high fertility. IDA does this by supporting women's education and income-generating activities for women and women's associations. The project seeks to empower women to make their own decisions on their fertility and includes gender-specific indicators among project performance indicators, such as:

Addressing Gender Issues across Sectors are as follows:

a) Targeted information, education, and communication campaigns on reproductive
health and HIV/AIDS for behavioural change;

b) Increased status and autonomy of women through income-generating activities,
leading to a reduction in their fertility and HIV infection rates;

c) Comprehensive support and care for HIV/AIDS orphans;

d) Accessibility to voluntary HIV counselling and testing and mitigation of mother-to-child transmission for pregnant women; and

e) Promotion and distribution of modern methods of contraception.

The Honduras Regional Development in the Copan Valley project pays specific attention to gender issues in an income-generation component, which includes training, technical assistance, and capacity building for employment or small enterprise development linked to natural/cultural tourism.

Gender Sensitive Downsizing in Vietnam's Poverty Reduction Support Credit

Recent research in Vietnam demonstrated that a comprehensive economic reform program was likely to affect men and women differently. This research directly affected the design of Vietnam's first Poverty Reduction Support Credit. In particular, the formula of the severance package supported under the PRSC included a large lump sum component to ensure that displaced female workers were not penalized relative to displaced male workers.

Empowering Women and Men through Self-Help Groups

The Rural Women's Development and Empowerment Project in India links women with development opportunities such as service delivery, access to credit and improved livelihoods. The project focuses on male and female self-help groups. A main strategy is to strengthen and build the capacity of the self-help groups to improve training opportunities, financial management, income generation and marketing, communication and conflict resolution.

The 2003 fiscal year regional gender mainstreaming monitoring report identified other examples of successful gender integration in IDA projects.

3.6.3 Action of IDA

There are various successive actions of IDA in different member states. From these successive actions it can be found what the impacts of IDA over the world economy. Among them some important examples of actions of IDA are given bellow in details:

Bangladesh: Educating girls: Female Secondary School Assistance Project

The IDA-financed Bangladesh Female Secondary School Assistance Program (FSSAP), launched in 1993, supported a government program to improve access to secondary education for girls by providing tuition stipends [22]. It improved the quality of schools through teacher training, provision of performance incentives to schools and students, and water and sanitation facilities. The project covered 121 of Bangladesh's 507 sub-districts.

Girl's enrollment in secondary schools in Bangladesh jumped to 3.9 million in 2005, from 1.1 million in 1991, including an increasing number of girls from disadvantaged or remote areas. This has enabled Bangladesh to achieve one of its Millennium Development Goals ahead of time gender parity in education. Girls' enrollment spiked 67 percent in 17 years. Female enrollment, as a percentage of total enrollment, increased from 33 percent in 1991 to 48 percent in 1997 and close to 55 percent in 2008.Girls pass rates soared. Secondary School Certificate pass rates for girls in the project area increased from 39 percent in 2001 to 62.8 percent in 2008. Training grew, and focused on quality. More than 33,000 teachers were trained under the project. Some 64,000 members of school management committees and another 64,000 members of Parent-Teacher Associations from 6,000 institutions were trained in school management accountability, with a focus on education quality and conducive learning environments. Participating schools exceeded the target. About 7,000 schools—many more than originally targeted—participated in the program through a cooperative agreement with the Ministry of Education. Additional benefits accrued. Studies show that indirect benefits of the project included reduced early-age marriages and fertility rates, better nutrition, and more females employed with higher incomes.

IDA has contributed US$185 million since 1993 for several projects designed to enhance girls' access to secondary education. In the early 1990s, the Government formulated its policy, and IDA established implementation arrangements to take forward the Government's policy initiative on a major scale. IDA then helped build and strengthen a program management unit within the Ministry of Education that manages and oversees the stipend program. With IDA support for the program in 121 upazilas (sub-districts), the Government scaled up the program to the whole country after its success in these upazilas. A key innovation was the direct funding mechanism featuring the transfer of stipends directly from banks to individual girls' bank accounts.

Responding Quickly to Natural Disasters in India

When an earthquake struck Gujarat in January 2001, it killed about 13,800 people, and injured another 167,000. The quake smashed to rubble some 220,000 houses and damaged nearly a million others, besides disrupting power and water supply, and the road, irrigation, and telecommunication networks. Thousands of schools, hospitals, administrative buildings, and markets collapsed. Families, livelihoods, and social networks were destroyed.

"Nothing had prepared us for the devastation that was to come," says Fatima Behn, a resident of Dabhi village, in the Patan District of Gujarat. "But as mothers, we soon realized that we had to get a firm hold on our feelings and deal with the other realities—children who were terrified and had to be fed, no houses available. One of the first things that we wanted was a makeshift school for our children."

The international community, Indian civil society, and the World Bank responded swiftly. Relief and rescue teams, food, tents and medicines, cash and donations, and long-term offers to help in reconstruction flowed in. As a result of this collaboration, over 800,000 houses have been repaired and reconstructed to a higher standard than before. Some 5,000 engineers and 24,000 masons have received training in building seismically safe houses. About 1,400 primary schoolrooms have been completed by non-governmental organizations, and another 1,000 are in progress. In addition, repairs of about 7,000 public buildings are now complete.

Fuelling Economic Growth in Mozambique

After more than 17 years of civil war, Mozambique emerged during the 1990s as one of the world's poorest, most debt-ridden countries. To offer better lives for its people, the government of Mozambique understood the need to create jobs and attract investment in ways that would help rebuild a shattered society.

Today, Mozambique is the home to the single largest industrial investment in southern Africa, the $1.3 billion aluminium smelter called Mozal. Built in the years after the end of the civil war, Mozal has involved a number of investors and lenders, including the Industrial Development Corporation of South Africa, which was backed by a $40 million guarantee from the Multilateral Investment Guarantee Agency (MIGA), an arm of the World Bank Group.

Yet it is not the project's size that makes Mozal so notable, but the tremendous impact it has had on the development of the host country. In 2001, the facility contributed an estimated 10 percent to Mozambique's GDP growth, brought in new technical skills, created thousands of jobs, and contributed to much needed local infrastructure development.

Mozal also contributes by adhering to good environmental and social practices. Working in partnership with the government, NGOs, and local communities, a special Mozal Trust is providing more than 17,000 local families with a host of services, including community infrastructure, education and training, and health care services that aim to fight AIDS and malaria.

The Mozal project also has played an important role in creating a blueprint for assessing and processing foreign direct investment proposals, strengthening the government's capacity, and fostering a more responsive regulatory framework and investment climate. Thanks to the Mozal's "demonstration effect," foreign investors are considering several new developments of more than $1 billion.

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Expanding Education in America

For any, a fifth grader in Capan, a city in the Armenian valley, going to school these days is fun. Her new textbook has plenty of colourful pictures and up-to-date information. Her school offers lots of creative activities such as theatre, dance and music. Ani is learning how to use a computer and is connected to students all over the world through the Internet.

But in 1998, few textbooks could be found in classrooms in Armenia, and those that were available were old and shabby leftovers from the Soviet era. The World Bank, together with UNICEF and the United Nations Development Programme (UNDP), gave the government $15 million for the Education Financing and Management Reform project that currently covers all Armenian schools up to tenth grade.

Under this initiative, a foundation was created to share the cost of textbooks among the schools, the government, and the students' parents. Since then, new classes have been added and students can now learn Armenian history and literature, civic education, information technology, and the arts.

When the project started, Armenia's education system was on the verge of collapse. The textbook foundation was the first step in a quest to have the right to a good education for an entire generation of children. For children like Ani, this has already made a real difference to their lives.

Banking in Bosnia

The bitter war that rocked Bosnia and Herzegovina brought devastation on many fronts, including the complete collapse of the country's banking system. The loss of people's lifesavings led to widespread distrust, making the operation of most banks unviable. Today, a number of key reforms and the entry of foreign financial institutions, with access to capital and better lending conditions, are helping to restore faith in the system.

The Multilateral Investment Guarantee Agency (MIGA) is contributing to the recovery of the banking sector by providing guarantees to a number of foreign banks, including coverage for the expansion and diversification of an Austrian bank, Hypo Alpe-Adria-Bank, throughout the Federation of Bosnia and Herzegovina and the Republika Srpska.

Hypo Bank offers a variety of services, including corporate and individual lending. The bank is helping to make reconstruction more affordable to everyday citizens and to restore the country's production base by offering lower-interest, longer-term capital to local investors. Its clients are engaged in a variety of sectors, including the production of food, furniture, and construction materials. With most of Bosnia's production facilities destroyed in the war and almost all goods imported at a higher cost, these loans are critical to the country's economic reconstruction.

One of the bank's clients, FeAl, produces aluminum window profiles. "It is very important for companies to have enough liquidity to expand operations and to face the increase in demand; availability of credit is fundamental for the recovery of the local industry," says Mate Cujic, the company's director.

Results Measurement System IDA

IDA's assistance is intended to improve the lives of the people living in poor countries. To measure the degree to which IDA is helping these countries grow and reduce poverty, IDA introduced a system in 2002 for measuring results, as part of the policy framework for the 13th replenishment of IDA resources[12]. This system was designed to strengthen the focus of IDA's activities on development outcomes and to help informing the IDA donors of the effectiveness of IDA's assistance. The system has been strengthened as part of the IDA14 replenishment negotiations and the enhanced system took effect in July 2005. A new era has been triggered in facilitating tracking of the system's indicators and to report on progress which provides explanations of the indicators, makes data easily accessible, provides graphing tools, and generates links with other relevant sources.

Result Measurement System for IDA14

The IDA14 results-measurement system is designed to show aggregated results accross IDA countries, reflect the priorities and process of national poverty-reduction strategies, assess IDA's contribution to development results and link to the Millennium Development Goal Framework. It measures results on two levels:

Aggregate Country Outcomes

The first tier of the system includes 14 indicators (see chart below). The criteria for selecting the indicators included consistency with country priorities in national poverty reduction strategies, alignment with MDG indicators, and relevance to IDA's mandate and to IDA-financed activities in borrowing countries. Most of the indicators are considered in Poverty Reduction Strategy Papers (PRSPs), which are the countries' plans to reduce poverty, either as specific targets or as subjects for discussion in the text. The other indicators are complementary, reflecting IDA's support for economic growth, private-sector development and public-sector management that are necessary to reduce poverty.

IDA's Contribution to Country Outcomes

The second tier of the system introduces a stronger focus on results and a self assessment system in World Bank Country Assistance Strategies in IDA countries and an assessment of the quality and outcomes of projects in the IDA portfolio, drawing on data from the Operations Evaluation Department (OED) and the Quality Assurance Group (QAG). Indicators include the number of country teams that use a results-based CAS, CAS final outcome ratings as validated by OED, project-outcome ratings as validated by OED and quality-at-entry indicators for IDA projects as assessed by QAG.

External Panel Review of the Results Measurement System for IDA13

An external review process consisting of:

a) A verification exercise of the targets met; and

b) A review of longer-term technical issues related to results measurement was conducted between Spring and Fall of 2004.

Booz, Allen, Hamilton provided a team of experts to carry out the first step (referred to as the "Inception Report"), who concluded that the target objectives were met with respect to both input and outcome indicators, and that the procedures used by IDA to produced, collect and evaluate data, and those used to report progress on indicators, were sound and accurate. Following circulation of the Inception Report, Bank Management engaged a panel of individual statistical experts to carry out the second step of the review. The Panel's conclusions and recommendations, along with comments from Bank Management and a summary of the Committee on Development Effectiveness (CODE) deliberations are available below (Methods for Monitoring the Achievements made towards IDA Results Indications: An External Panel Review, September 2004).

3.7 Impacts of IBRD

At the time of inception, the primary goal of IBRD was to assist the reconstruction of western economies damaged by World War II. As post-war reconstruction progressed, the Bank pursued its other primary objective, the development of underdeveloped nations. As the world has changed, the goals of the Bank have changed. Today the overarching goal of the World Bank Group is to help its member nations reduce poverty IBRD is now owned by the governments of 186 countries .To join the IBRD, countries must first be members of the International Monetary Fund (IMF). The IBRD borrows most of the money it lends through medium- and long-term borrowings in capital markets across the globe.. As well as borrowings, the IBRD is funded by the capital its members have paid in, its retained earnings, and repayments on its loans.

3.7.1 Activities

3.7.1.1 Financial Resources

Authorized Capital

At its establishment, the IBRD had an authorized capital of US$10 billion. Countries subscribing shares were required to pay in only one-fifth of their subscription on joining, the remainder being available on call but only to meet the IBRD's liabilities if it got into difficulties. Moreover, not even the one-fifth had to be paid in hard cash at that time. The sole cash requirement was the payment in gold or US dollars of 2% of each country's subscription. A further 18% of the subscription was payable in the currency of the member country concerned, and although this sum was technically paid in, in the form of notes bearing no interest, it could not be used without the member's permission. In 1959, each member was given an opportunity to double its subscription without any payment. Thus, for countries joining the IBRD after the 1959 capital increase and for those subscribing to additional capital stock, the statutory provisions affecting the 2% and 18% portions have been applied to only one-half of their total subscriptions, so that 1% of each subscription that is freely usable in the IBRD's operations has been payable in gold or US dollars, and 9% that is usable only with the consent of the member is in the member's currency. The remaining 90% is not paid in but is subject to call by the IBRD[13].

Financial Resources for Lending Purposes

The subscriptions of the IBRD's members constitute the basic element in the financial resources of the IBRD. Subscribed capital for fiscal year 2002 was about US$121.6 billion. The Bank also draws money from borrowings in the market and from earnings. In 2002, the Bank's outstanding borrowings were US$110.3 billion, raised in the capital markets of the world. The IBRD is able to raise large sums at interest rates little or no higher than are paid by governments because of confidence in the

Bank engendered by its record of stability since 1947 and the investors' knowledge that if the IBRD should ever be in difficulty, it can call in unpaid portions of member countries' subscriptions. In connection with its borrowing operations, the Bank also undertakes a substantial volume of currency and interest rate swap transactions. These swaps have enabled the IBRD to lower its fund-raising costs and to expand its direct borrowing transactions to markets and currencies in which it otherwise would not have borrowed.

3.7.1.2 Lending Operations

The IBRD lends to member governments, or, with government guarantee, to political subdivisions, or to public or private enterprises. The IBRD's first loan, US$250 million for post war reconstruction, was made in the latter part of 1947. Altogether, it lent US$497 million for post war reconstruction, all to European countries. The IBRD's first development loans were made in the first half of 1948. The IBRD provides loans and development assistance to middle income countries and credit worthy poorer countries[14].

Table 3.5: IBRD lending by region, fiscal years 2000 and 2006

Region	Percentage share of lending	
	2000	2006
Europe and Central Asia	42	17
Latin America & the Caribbean	37	25
East Asia & Pacific	9	14
South Asia	8	16
Middle East & North Africa	4	7
Africa	1	20

Share of total lending of $1.5 billion (2000) and share of total lending of $23.6 billion (2006)

Sources: Data from World Bank (2002), p.27; World Bank (2006), p.56.

Table 3.6 : IBRD lending by theme, fiscal year 2006

Theme	Percentage share of lending
Financial & private sector development	26
Public sector governance	16
Human development	11
Rural development	9
Urban development	8
Social protection & risk management	8
Trade & integration	7
Environmental & natural resource management	6
Social development, gender & inclusion	5
Rule of law	3
Economic management	1

Share of total lending of $23.6 billion

World Bank (2006), p.56.

Table 3.7 : IBRD lending by sector, fiscal year 2006

Sector	Percentage share of lending
Law & justice & public administration	25
Transportation	14
Energy and mining	13
Finance	10
Health & other social services	9
Education	8
Agriculture, finance & forestry	7
Industry and trade	7
Water, sanitation & flood protection	7
Information & communication	<1

Share of total lending of $23.6 billion

World Bank (2006), p.56.

Loan Terms and Interest Rates

The IBRD normally makes long-term loans, with repayment commencing after a certain period. The length of the loan is generally related to the estimated useful life of the equipment or plant being financed. Since July 1982, IBRD loans have been made at variable rates. The lending rate on all loans made under the variable-rate system is adjusted semi-annually, on 1 January and 1 July, by adding a spread of0.5% to the IBRD's weighted average cost during the prior six months of a "pool" of borrowings drawn down after 30 June 1982. Since July 1989, only borrowings allocated to lending have been included in the cost of borrowings with respect to new loans and existing variable rate loans that are amended to apply the new cost basis. For interest periods beginning from 1 July 2002 through 31 December 2002, the variable lending rate was 5.27%. Before July 1982, loans were made at fixed rates, and, accordingly, the semi-annual interest-rate adjustments do not apply to payments made on these older loans.

3.7.1.3 Purposes of the Loans

The main purpose of the Bank's operations is to lend to developing member countries for productive projects in such sectors as agriculture, energy, industry, and transportation and to help improve basic services considered essential for development. The main criterion for assistance is that it should be provided where it can be most effective in the context of the country's specific lending programs developed by the Bank in consultation with its borrowers. In the late 1980s, the World Bank came under criticism that its policies, intended to encourage developing countries to restructure their economies in order to render them more efficient, were actually imposing too heavy a burden on the world's poorest peoples. This, and charges by environmentalists that World Bank lending had underwritten projects that were severely detrimental to the environment of developing countries, led to a re-thinking of the Bank's policies in the 1990s.

Implementing the Bank's Poverty Reduction Strategy

The fundamental objective of the World Bank is sustainable poverty reduction. Underpinning this objective is a two-part strategy for reducing poverty that was proposed in the World Development Report 1990. The first element is to promote broad-based economic growth that makes efficient use of the poor's most abundant asset, labour. The second element involves ensuring widespread access to basic social services to improve the well being of the poor and to enable them to participate fully in the growth of the economy. Progress in implementing the poverty-reduction strategy is clearly visible in Bank-wide statistics on new lending. At the September 1999 annual meetings of the World Bank Group and IMF, ministers agreed to link debt relief to the establishment of a poverty reduction strategy for all countries receiving World Bank/IMF concessional assistance[15].

Sector and Structural Adjustment Lending

Bank lending for sector adjustment and structural adjustment increasingly supports the establishment of social safety nets and the protection of public spending for basic social services. In its assistance to countries that are preparing adjustment programs, the Bank works with them to:

a) Design the phasing of programs to accommodate the needs of the poor;

b) Give priority to relative price changes in favour of the poor early in the reform process;

c) Secure adequate resources for the provision of basic social services aimed at the poor, and design social safety nets into economic-reform programs; and

d) These efforts better position of the poor to be major beneficiaries of the economic growth and associated employment opportunities that are facilitated by the implementation of adjustment programs.

Human Resource Development

Bank lending for human resource development has largely been committed for education, and its focus has been towards development of basic education. Lending for education increased from an average US$700 million during the 1980s to an average US$1, 907 million during the first four years of the 1990s. In 1999 the amount climbed to US$2,014 million.

Bank lending for population, health, and nutrition has expanded even more rapidly. Average yearly lending to this sector during the 1980s was US$207 million, while lending during fiscal 1999 was US$1,726 million[15].

The Environment

The Bank has continued to support environmental protection efforts with loans totaling US$978 million in fiscal year 1999, compared to US$404 million in fiscal year 1990. But the full story cannot be told by stand-alone environmental projects. As of the late 1990s, half of all World Bank projects now have an environmental component of some kind.

In fiscal year 1993 the World Bank undertook structural changes to respond to growing borrower demand for Bank assistance in environmental issues, and to the need for internal strengthening of monitoring and implementation. A Vice Presidency for Environmentally and Socially Sustainable Development was established. Three departments were placed under this vice presidency—the Environment Department, the Agriculture and Natural Resources Department, and the Transport and Urban Development Department.

The Global Environment Facility (GEF) is a cooperative venture between the World Bank, the United Nations Development Programme, the United Nations Environment Programme, and national governments. The Facility provides grants to help developing countries deal with environmental problems that transcend boundaries, such as airborne pollution produced by smokestacks or hazardous waste dumped into rivers. The GEF gives priority to four objectives: limiting emissions of greenhouse gases; preserving biodiversity; protecting international waters; and protecting the ozone layer.

Private Sector Development

There are concerns that in line with the growth in private debt, risker borrowers may be taking a larger share of the market. According to the World Bank[16], unrated borrowers (both sovereign and corporate) issued 37 percent of bonds in 2006, in comparison with 10 percent in 2000.

The promotion of private sector growth in developing member countries has always been central to the Bank's overall mission of fostering sustainable growth and reducing poverty. In December 1999, the Bank Group announced a restructuring to better align and expand its work related to the private sector. The reforms took effect 1 January 2000. The reorganization tightened the link between the Bank's public sector work and its private sector transactions in the developing world, which are made through the IFC. The World Bank helps governments to formulate policy frameworks that encourage a positive environment for business to function as the primary engine of growth while the IFC, the private sector arm of the Bank Group, provides advice and makes loans and equity investments in companies in developing countries. According to an IFC official the changes were in response to "one of the biggest challenges facing [the Bank's] client countries: How to create a favourable business environment and help finance small and medium enterprises." In addition to creating a new combined unit to coordinate Bank Group activities, help capitalize local financial institutions, and teach them the business of financing small and medium enterprises, the restructuring also involved the creation of joint World Bank-IFC departments, or product groups, for industries where there is a strong interface between public policy and private sector transactions. Three new industry groups, telecommunications/informatics, oil/gas/petrochemicals, and mining, include both policy and transaction capacity. Beyond the new industry groups, the principal advisory services focused on the private sector in both the World Bank and IFC are coordinated under single management.

3.7.1.4 Other Activities

Technical Assistance

The Bank provides its members with a wide variety of technical assistance, much of it financed under its lending program. The volume of technical assistance in which the Bank is involved as lender, provider, or administrator rose sharply during the 1990s. In addition to loans and guarantees to developing countries, the World Bank carries out its mission by providing advice and assistance with telecommunications sector reform and national information infrastructure strategies. Special programs in this category include InfoDev and TechNet. The Information for Development Program (InfoDev) began in September 1995 with the objective of addressing the obstacles facing developing countries in an increasingly information-driven world economy. It is a global grant program managed by the World Bank to promote innovative projects on the use of information and communication technologies (ICTs) for economic and social development, with a special emphasis on the needs of the poor in developing countries. In recognition of the critical role that science and technology play in promoting economic growth and social progress, in July 1999 TechNet was created as a cross-cutting thematic group to promote knowledge and education in the areas of science and technology and informatics. TechNet acts as a clearing-house and network for professionals inside and outside the Bank.

Inter-Agency Cooperation

The Bank's overarching purpose is helping to reduce global poverty. To this end, the institution encourages the involvement of other development agencies in preparing poverty assessments and works closely with other UN agencies in preparing proposals to improve the quality of poverty-related data. At the country level, the Bank is broadening its efforts to coordinate work with UNDP, UNICEF, and the International Fund for Agricultural Development in specific countries on preparing or following up poverty assessments and planned human development assessments.

Coordination between the Bank and the UN system on poverty at the project level is extensive, particularly in the design of social funds and social action programs. Together with other UN agencies, the World Bank has taken the lead in mobilizing groups of donors, both multilateral and bilateral, to tackle specific areas of concern—for example, the Consultative Group on International Agricultural Research (CGIAR), which is cosponsored by the FAO, UNDP, and the World Bank. The Bank is an active partner in interagency activities which include the follow-up to the World

Conference on Education for All and the World Summit for Children; the Safe Motherhood Inter-Agency Group; the Onchocerciasis (river blindness) Control Programme; the Global Programme for AIDS; and the Task Force for Child Survival. The Bank also has links with the United Nations at the political and policy making level in the work of the General Assembly and its related committees, and the Economic and Social Council.

The Economic Development Institute was the Bank's department responsible for such dissemination. Through seminars, workshops and courses, EDI enabled policy-makers to assess and use the lessons of development to benefit their own policies. On 10 March 1999, the World Bank unveiled the successor to the EDI, the World Bank Institute (WBI). The new learning entity also absorbed the World Bank's Learning and Leadership Centre. The WBI drives the Bank's learning agenda, working in three main areas: training, policy services, and knowledge networks. WBI is located at World Bank headquarters in Washington, DC. Many of its activities are held in member countries in cooperation with regional and national development agencies and education and training institutions. The Institute's distance education unit conducts interactive courses via satellite links worldwide. While most of WBI's work is conducted in English, it also operates in Arabic, Chinese, French, Portuguese, Russian and Spanish.

Economic Research and Studies

The Bank's economic and social research program, inaugurated in 1972, is undertaken by the Bank's own research staff and is funded out of its administrative budget.

The research program is shaped by the Bank's own needs, as a lending institution and as a source of policy advice to member governments, and by the needs of member countries. Its main purposes are:

a) To gain new insights into the development process and the policies affecting it;

b) To introduce new techniques or methodologies into country, sector and project analyses;

c) To provide the analytical bases for major Bank documents, such as the World Development Report; and

d) To help strengthen indigenous research capacity in developing countries.

Total Loans by Region in Millions of US Dollars, since Fiscal Year 1990

(as of 30 June 2002)

Table 3.8: IBRD Loans Showing by Region

REGION	AMOUNT
Africa	3,061.6
East Asia and Pacific	55,088.1
South Asia	15,535.8
Europe and Central Asia	46,291.7
Latin America and the Caribbean	66,242.2
Middle East and North Africa	13,688.4

3.8 Impact of MIGA

MIGA was established to promote the foreign direct investment in member countries. It does this by providing guarantees to private investors against major political risks and offering investment marketing services to host governments to help them attract foreign investment. MIGA is an independent self-supporting agency of the World Bank Group. MIGA has 175 members. MIGA has its own capital base and country membership, but it shares the World Bank's development mandate to promote the economic growth of its developing countries.

3.8.1 Guarantees

MIGA provides guarantees against non-commercial risks to protect cross-border investment in developing member countries. Guarantees protect investors against the risks of Transfer Restriction, Expropriation, War and Civil Disturbance, and Breach of Contract (for contracts between the investor/project enterprise and the authorities of the host country). These coverages may be purchased individually or in combination. MIGA can cover only new investments.

Distributed MIGA's Guarantees

In the past twelve years, the distribution of MIGA guarantees has remained fairly constant across the four major sectors: finance, infrastructure, manufacturing, and mining.

Table 3.9: Sector Guarantees -Based Distribution of MIGA

SECTOR	1998	1999	2000
Financial	38%	34%	42%
Manufacturing	20%	12%	15%
Infrastructure	19%	29%	19%
Mining	15%	12%	13%

South African-based corporations hold the largest share of MIGA's guarantee portfolio of any developing country member, at 5.4%. Nearly 70% of investors receiving MIGA guarantees are from just five countries: the Netherlands, the United States, the United Kingdom, Canada, and France are multinational corporations based in industrialized nations, including some of the largest corporations in the world: Japan-based Mitsubishi and Marubeni, US-based Citigroup and tobacco-giant Philip Morris. All of these corporations could buy political risk insurance in the private market and do not need this insurance to be guaranteed by a public multilateral agency.

Table 3.10 : Major MIGA Guarantees Receivers

COUNTRY	1999	2000
Netherlands	23%	20.51%
United States	24%	19.72%
United Kingdom and Territories	15%	15.58%
Canada	6%	7.77%
France	8%	5.75%

Types of Guarantee Coverage Offered

Transfer restriction coverage protects against losses arising from an investor's inability to convert local currency (capital, interest, principal, profits, royalties, or other monetary benefits) into foreign exchange for transfer outside the host country. The coverage also insures against excessive delays in acquiring foreign exchange caused by the host government's actions or failure to act. Currency devaluation is not covered.

Expropriation coverage offers protection against loss of the insured investment as a result of acts by the host government that may reduce or eliminate ownership of, control over, or rights to the insured investment. This policy also covers partial losses, as well as "creeping expropriation," a series of acts that over time have an expropriator effect. Bona fide, non-discriminatory measures taken by the host government in the exercise of its legitimate regulatory authority are not considered expropriatory.

War and civil disturbance coverage protects against loss due to the destruction, disappearance, or physical damage to tangible assets caused by politically motivated acts of war or civil disturbance, including revolution, insurrection, and coups d'état.

Terrorism and sabotage are also covered. War and civil disturbance coverage also extends to events that result in the total inability of the project enterprise to conduct operations essential to its overall financial viability.

Breach of contract coverage protects against losses arising from the host government's breach or repudiation of a contractual agreement with the investor. In the event of such an alleged breach or repudiation, the investor must be able to invoke a dispute resolution mechanism (e.g., arbitration) set out in the underlying contract and obtain an award for damages. The investor may file for a claim if, after a specified period of time, payment is not received.

Eligible Countries for Guarantee Coverage

Eligible investors include nationals of any MIGA member country, provided they are not nationals of the country where the investment is being made. Under certain conditions, however, investments made by nationals of the host country may also be eligible. A corporation is eligible for coverage if it is either incorporated and has its principal place of business in a member country, or if it is majority-owned by nationals of member countries. A state-owned corporation is eligible if it operates on a commercial basis.

3.8.2 Providing Technical Assistance to Investment Promotion Intermediaries

Foreign direct investment (FDI) is having a dramatic impact on the way companies do business and developing economies integrate with the global economy. Whether considering investments as a means to gain access to resources, reduce costs, or enjoy growth in new markets, international corporate investors increasingly are implementing their strategies on a global scale.

Developing countries now compete with developed countries as well as each other to attract foreign direct investment. MIGA provides technical assistance (TA) to investment promotion intermediaries (IPIs) in developing member countries to enhance their capacity to provide investors with information and advice, with the goal of reducing the transaction costs associated with site selection, as well as helping new ventures get established. This assistance transfers best practice knowledge and skills so that the developing country IPIs are better equipped in their efforts to compete in promoting their locations as destinations for FDI.

MIGA is one of the few organizations with global experience and the ability to provide the broad-based package of assistance needed to build an organization's institutional capacity in areas such as strategic planning, investor marketing, sector targeting, and in improving responsiveness to investor needs through information services.

MIGA typically engages with national level organizations, but also works on a provincial or regional basis. TA takes two basic forms: (1) capacity building and investment facilitation services to help develop and implement investment promotion strategies and (2) information services that disseminate information on investment opportunities and business operating conditions in developing member countries.

Many of MIGA's TA projects are based on partnerships, not just within the World Bank Group, but with the broader development community.

3.8.3 Functions of MIGA in Different Parts of the World

MIGA works in all regions of the world, having provided investment guarantees for projects in more than 90 developing countries across a broad range of sectors. Currently, Europe and Central Asia account for 45 percent of MIGA's outstanding portfolio, followed by Latin American and the Caribbean at 25 percent. MIGA's coverage for projects in sub-Saharan Africa totals 17 percent of all outstanding guarantees, Asia and the Pacific account for 13 percent. Guarantees for projects in the Middle East and North Africa stand at 3 percent of the portfolio.

3.8.3.1 Technical Assistance

MIGA also provides technical assistance to help government and other intermediaries involved in promoting investments to improve their ability respond to investor needs. The agency's active technical assistance portfolio currently includes 84 activities covering 40 countries. Of these activities, 25 are in Europe and Central Asia, 21 in sub-Saharan Africa, 18 in Asia and the Pacific, 12 in Latin America and the Caribbean, four in the Middle East and North Africa.

3.8.3.2 Resolve Disputes

MIGA also works to actively resolve disputes that may adversely impact investments guaranteed by the agency, and may selectively agree to informally help settle disputes between investors and member states, even when the agency is not involved as a guarantor. These activities have involved all regions of the world. MIGA is actively working on disputes in Argentina, China, the Dominican Republic, Egypt, Guatemala, the Kyrgyz Republic, Mauritania, Moldova, Nicaragua, and Nigeria.

Table 3.11 Ten Largest Outstanding Country Exposures in Guarantees Portfolio

Host Country	Gross Exposure ($M)	% of Gross Exposure
Brazil	382.6	7.5
Bulgaria	351.5	6.9
Serbia and Montenegro	349.4	6.9
Croatia	312.5	6.1
Mozambique	300.2	5.9
Romania	286.5	5.6
Russian Federation	271.0	5.3
Bosnia and Herzegovina	270.6	5.3
Ukraine	180.8	3.6
Ghana	174.0	3.4
Total	**2,879.1**	**56.5**

Settling Disputes through Mediation

As a member of the World Bank Group, MIGA routinely provides an umbrella of deterrence against government actions that could disrupt insured investments and helps resolve potential disputes to the satisfaction of all parties—both of which enhance investor confidence in the safety of investments and encourage the flow of foreign direct investment. In order to prevent a potential claims situation from escalating, MIGA provides free mediation services to all its clients. This service has been very effective to date, with all cases but three reaching an amicable resolution.

In addition to ensuring the safety of projects guaranteed by MIGA, the agency helps countries improve their investment climates by working to remove the obstacles to the flow of foreign investment. One of these obstacles is the existence of disputes between investors and the countries that host the investments.

Helping clients keep projects going on investment disputes can entail a government being accused of breaching its contract with an investor or expropriating an investor's concession, or an investor being accused of violating its contractual obligations to the host country. Both sides disagree about which is at fault and about how the damaged party should be compensated. MIGA uses its "good offices" in these cases to examine areas of responsibility and potential liability, and to help the parties reach an agreement that would settle the dispute to the satisfaction of both sides.

If the parties are unable to settle their dispute and a claim for compensation is brought by an investor under a MIGA guarantee, the agency will review the facts of the dispute and make a formal determination. If MIGA finds for the insured investor, it will pay the compensation to which the investor is entitled under the guarantee. Under the terms of the international convention establishing MIGA, the agency is then permitted to seek reimbursement of such payments from the host government. To mitigate against the risk of loss in the case of investment disputes, investors are required to notify MIGA as early as possible of difficulties with a host government that might give rise to a claim of loss under the guarantee.

Finding creative solutions to investment disputes until recently, there was no facility to which foreign investors or sovereign states could turn for informal professional help to resolve disputes. But in 1996, MIGA began offering mediation services to help governments and foreign investors find creative solutions to their disagreements. MIGA believes a festering investment dispute will scare off investors, and that it is in everyone's interest to resolve conflicts over investment.

The drafters of MIGA's charter were aware that unresolved disputes between investors and countries could be just as much an obstacle to foreign investment as political risk or an unsatisfactory investment climate, and MIGA was specifically directed to encourage the amicable settlement of disputes.

Mediation is an alternative to litigation, which isn't always feasible. Litigation is rarely attractive, considering the high costs and amounts of time usually involved in arbitration and other forms of litigation.

Regardless of whom the claimant is, MIGA satisfies itself that the dispute is of sufficient significance to jeopardize the country's ability to attract foreign investment. Cases of lesser importance are not taken up by the agency.

MIGA has resolved a considerable number of cases since it began offering its mediation services and currently has active cases in a dozen countries.

Mediation Highlights: Case Studies

Agency Averts Claim for Power Project in China

In the late 1990s, provincial government officials in China unilaterally reduced the prices paid to certain electric power producers, violating an agreement to buy power at an agreed rate from a foreign investor. The investor was jointly operating four peaking power plants with local government entities.

MIGA had provided five guarantees for these projects from 1993-95, insuring the $65 million investment against the risks of transfer restriction, expropriation, and war and civil disturbance. When the investor alerted MIGA to its difficulties, the agency decided to step in.

A year of ongoing negotiations with the investor and with government representatives at the local, provincial, and national levels eventually yielded a memorandum of understanding—the first step toward resolving the problem and avoiding a claim by the investor. That agreement, signed late in 2000, sought to address the contractual changes that had led the investor to sound the alarm.

"Central government authorities were unequivocal in saying they wanted to do everything they could to avoid a claim," says Lorin Weisenfeld, chief counsel for MIGA. "The investor also proved to be reasonable and flexible, willing to make certain sacrifices today to protect important long-term interests."

The next step was to implement the memorandum. Progress was slow, says Weisenfeld, due to the complexities of working with so many different levels of government. Talks eventually faltered when local officials failed to accept some of the proposed new contract terms.

MIGA, the investor, and government representatives spent another year and a half negotiating a resolution of the remaining issues. In May 2002, a new memorandum was signed, embodying additional concessions by the investor and placing less of a burden on local enterprises. The agreement provides compensation to the investor for a plant that proved unusually expensive to build and allows the investor to receive annual distributions of invested capital as a depreciation allowance. The provincial power company has replaced the municipal power enterprises as purchaser under the power purchase agreements. All parties have also agreed to work to control project costs so they remain in line with costs of other peaking power plants in the region.

The memorandum of understanding nails down the fundamental elements of the settlement, reflecting a political commitment on all sides. This dispute is just one of some two dozen that erupted in China's power sector following the 1999 price change. It is one of the relatively few to have been resolved amicably.

Agency Helps Resolve Decade-Long Dispute in Sri Lanka over Arbitral Award

Cement is an important commodity in Sri Lanka, because of population growth and infrastructure development, and is often imported. The high demand for cement encouraged a Gibraltar-based company, Italtrade Limited, to sign a deal in 1990 with a subsidiary of Sri Lanka Cement Corporation, then a state enterprise, to provide 310,000 tons of "clinker," the raw material used to manufacture cement.

Italtrade had won the contract through a bidding process. Although it followed through on its obligation to deliver the material, payment failed to materialize. The problem was compounded when Sri Lanka Cement, charging that Italtrade had breached the contract, cashed a $475,000 bond posted by Italtrade to guarantee its performance under the contract.

For the next seven years, Italtrade tried in vain to get payment for the tons of clinker it had provided and reimbursement for the performance bond it had posted. In 1997, having exhausted all informal channels and now bankrupt, Italtrade began an arbitral proceeding against the state enterprise under the rules of the International Chamber of Commerce. It was awarded $475,000 for the performance bond, $1,325,000 in damages for the contract breach, plus interest and costs. The award was not appealed and was deemed by the International Chamber of Commerce to be binding.

Sri Lanka Cement failed to honour the award, and the legal quagmire continued. Actions to enforce the award in Sri Lanka were rejected on procedural grounds by local tribunals. As these legal actions were unfolding, the state had begun to privatize the cement industry, leaving Sri Lanka Cement Corporation little more than a shell company. It was eventually bought by Holcin Lanka, a subsidiary of a major multinational cement producer, which became an unwilling party to the dispute when it acquired the assets and liabilities of the former state enterprise.
That's when MIGA stepped in. Concerned about the enforceability of arbitral awards, a critical element of investor protection, MIGA worked for two years to bring the

relevant parties to the table. In September 2002, all sides agreed to meet in Washington, DC, to start negotiations.

"Throughout these years, there had been a series of government turnovers, with varying degrees of commitment to resolve the case through mediation," said Luis Dodero, MIGA's former Legal Vice President and General Counsel. "As the country gets back on its feet following the end of the civil war, thoughts in Colombo are again turning to the role of foreign investment in promoting growth, and the government clearly sees the benefit of clearing up this outstanding claim. Mediation provided an attractive context in which to do so.

To facilitate a settlement, Italtrade agreed to significantly reduce the amount of its claim. For its part, Holcin Lanka stepped in to pay the award, so compensation would not have to come out of government coffers.

"If a settlement had not been reached, we would have had a hard time promoting foreign direct investment into the country because of the unenforced arbitral award," says Dodero. Resolution of this claim "will help the government promote an investment climate that is attractive, friendly, and predictable."

3.8.3.3 Harnessing Technology to Promote Foreign Direct Investment

As a means of promoting investment in developing countries and emerging markets worldwide, MIGA began using the Internet in 1995 to provide timely and essential data and analyses to investors and their advisors. Today, the agency operates a portfolio of online information services that serve some 75,000 investors, advisers, and investment promotion practitioners on a monthly basis.

MIGA's investor information services include: the Investment Promotion Network ,Privatization Link , and FDI.

These information services provide prospective foreign investors with updates on new investment opportunities as well as critical information and analysis to support their investment decision-making. All services are free of charge; FDI Xchange, MIGA's customized e-mail update service, requires registration.

The FDI Promotion Centre gives investment promotion practitioners access to knowledge and learning resources that support their activities to attract and retain foreign direct investment. Building on MIGA's Investment Promotion Toolkit, the website provides best practice resources to assist practitioners in updating their knowledge and skill.

3.8.3.4 Sector-Based Distribution of Guarantees Portfolio

MIGA guarantees cover projects in a broad range of sectors and sub-sectors, with projects in infrastructure and finance each accounting for 39 percent of the outstanding portfolio. Contracts for oil, gas and mining projects lay claim to the next largest share of the MIGA pie, at 9 percent, while agribusiness, manufacturing and tourism together account for 5 percent of outstanding guarantees.

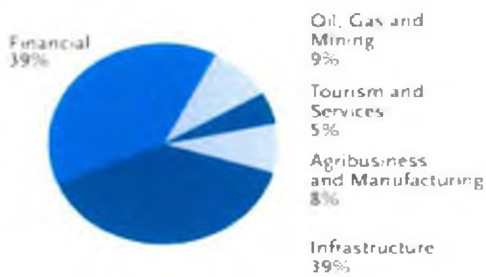

Figure 3.2: Pie Chart of Sector-Based Distribution of Guarantees Portfolio

3.8.4 MIGA Offers Four Basic Types of Coverage

Currency Inconvertibility

Protects against losses arising from an inability to convert local currency investment returns into foreign exchange for transfer outside the host country;

Expropriation

Protects against loss from acts by the host government that may reduce or eliminate ownership of, or control over, rights to the insured investment;

War and Civil Disturbance

Protects against losses arising from military action or civil disturbance that destroys or damages tangible assets of the project enterprise or interferes with its operations; and

Breach of Contract

Protects against losses from the investor's inability to obtain and/or enforce a decision or award against a host country that has repudiated or breached an investment contract.

The Multilateral Investment Guarantee Agency, MIGA, a private sector arm of the World Bank Group, today said it issued $1.3 billion in investment guarantees (insurance) for 41 projects in developing countries during the fiscal year ending June 30, 2006. The results bring total coverage issued since MIGA's inception in 1988 to $16 billion. (MIGA's 2006 Annual Report at www.miga.org/2006annualreport.)

3.8.5 Problems with MIGA operations

As part of the World Bank Group, MIGA is a publicly funded agency with a remit to promote development and poverty alleviation. It struggles to fulfil this role in its promotion of the private sector. The major problems with MIGA operations, which are summarized below, have been identified by in the recent report by Friends of the Earth "Risky Business: How the World Bank's Insurance Arm Fails the Poor and Harms the Environment".

Firstly, being an arm of the World Bank Group, MIGA poses as a development agent with a special role in meeting development objectives through private sector promotion. MIGA has probably achieved the latter goal in promoting the private sector, but still has to show that the projects it guarantees have demonstrative effects in development, such as poverty reduction and environmental protection. MIGA operates, instead, the simple belief that private sector promotion will create growth, which automatically leads to poverty reduction.

Scattered achievements in development goals may be found in some MIGA-insured projects. For example, in 1997 MIGA claimed the 70 guarantees it approved catalyzed an additional USD 4.7 billion in foreign investment, directly creating 4,000 jobs. On the other hand, MIGA-guaranteed projects such as the Freeport McMoRan Grasberg gold and copper mine in West Papua have been associated with the loss of livelihoods of thousands of indigenous peoples, conflicts between local indigenous peoples and the Indonesian military protecting the company, and huge environmental and social costs that local people have to bear. In short, MIGA still has to conduct a fully-fledged review on how it has met its development goals since its inception 16 years ago before it claims that its operations promote development goals as intended.

Secondly, MIGA's guarantee portfolio reflects the existing investment pattern rather than promoting foreign direct investment in countries where foreign direct investment is low or official development assistance is falling. 51% of MIGA insurance has supported projects in Latin America and Caribbean, the region that already receives the most foreign direct investment. In contrast, only 12% of MIGA funds support investment in Sub-Saharan Africa, the region receiving the lowest amount of foreign direct investment.

Thirdly, MIGA's environmental and disclosure policies remain weak. While MIGA's policies are based upon those of the Bank's other private sector arm, the IFC, they are not as strong, and in key areas are qualified, diluted, or made non-binding. MIGA's disclosure policy only requires the agency to make public those documents that will not harm "business and competitive interests of MIGA's applications" and that will not violate confidentiality obligations. Similar to other World Bank arms, MIGA classifies the projects it guarantees into 3 environmental categories: A, B, and C. It only has disclosure requirements and public discourse for Category A projects, not for Categories B and C although these may also have adverse social and environmental impacts. Environmental Impact Assessment (EIA) documents and other project information can also be difficult to access, especially for locally affected communities. These documents and information are available in the Bank's Infoshop in Washington, D.C. and Bank's website in English and not readily accessible at the local level in local languages.

MIGA allows frequent exceptions to its policies, to the point of rendering them meaningless. For example, the Environmental Policy allows MIGA to waive a requirement for consultations with local stakeholders before and during the EIA process if it feels that host country disclosure laws are adequate and have been followed. It also provides a loophole for avoiding the procedures that require the Agency to follow a host of "safeguard" policies such as policies on indigenous peoples, information disclosure, involuntary resettlement, forestry, etc., and instead apply other "internationally recognized standards of best management practices" if guidelines and host country laws do not exist.

Fourthly, MIGA is weak in its monitoring capacity. Once a project is underway, MIGA is not equipped properly to continue monitoring that the projects it insures adhere to MIGA's standards and policies, especially those in the environmental and social areas. The Evaluations Department has only three staff members: the director, a full-time staff person, and a full-time consultant. It has no regular, ongoing monitoring system in place. While MIGA staff will, from time to time, visit project sites and review a sample of projects, MIGA has to rely heavily upon information provided by its clients to monitor projects.

3.9 Impact of IFC

The IFC was established to promote private sector growth in developing countries and help to mobilize domestic and foreign capital for this purpose. It has 182 members. Legally and financially the IFC has its own operating and legal staff. The IFC provides loans and makes equity investments in support of projects. IFC seeks profitable returns and prices its finance and service, to the extent possible, in line with the market while taking into account the cost of its funds. The IFC shares full project risks with its private sector partners.

3.9.1 Activities

Within the World Bank Group, the World Bank finances projects with sovereign guarantees, while the IFC finances projects without sovereign guarantees. This means that the IFC is primarily active in private sector projects, although some projects in the public sector (at the municipal or sub-national level) have recently been funded.

Private sector financing is IFC's main activity, and in this respect is a profit-oriented financial institution (and has never had an annual loss in its 50-year history). Like a bank, IFC lends or invests its own funds and borrowed funds to its customers and expects to make a sufficient risk-adjusted return on its global portfolio of projects.

IFC's activities, however, must meet a second test of contributing to a reduction in poverty in line with its mandate. In practice, this is broadly interpreted, but considerable time and effort is devoted to both:

a) Selecting projects with positive developmental outcomes; and

b) Improving the developmental outcome of projects by various means.

Apart from its core investment activities, IFC also carries out technical cooperation projects in many countries to improve the investment climate. These activities may be linked to a specific investment project, or, increasingly, to broader goals such as improving the legislative environment for a specific industry. IFC's technical cooperation projects are generally funded by donor countries or from IFC's own budget.

3.9.2 IFC Goes Carbon Neutral on World Environment Day

On June 5, 2006, World Environment Day, the whole World Bank Group becomes "carbon neutral." From this day forward, greenhouse gas (GHG) emissions from its Washington, D.C., offices, its Spring and Annual meetings, staff commuting, and all operational travel from headquarters will be offset through investments in renewable energy and energy efficiency, and through the purchase of verified emissions reductions from projects in developing countries.

As the private sector arm of the World Bank Group, the International Finance Corporation is part of this effort. This commitment is an integral component of IFC's corporate response to climate change. IFC is increasing its investments in projects that have sustainable energy benefits. It is also facilitating the participation of emerging market companies in the market for carbon credits under the Kyoto Protocol. The new IFC social and environmental standards require that IFC clients measure their greenhouse gas emissions. So, in keeping with its commitment to reducing carbon emissions, IFC will now offset its own carbon footprint.

The vast majority of IFC's carbon emissions are due to air travel and electricity use. Since December 2004, IFC has been purchasing green, renewable power for 100 percent of its electricity in the Washington office. The building was designed to be energy efficient, and it received the U.S. Energy Star Label in 1999, 2001, 2004, and 2005. This means that it met the rising bar of being in the top 25 percent of energy efficient buildings in the U.S. for those years.

For the remaining emissions of 18,000 tons CO_2, IFC purchased carbon offset credits in the form of verified emissions reductions from projects by the Forestry Agency ("Moldsilva") in Moldova, and Precious Woods in Costa Rica. IFC chose offsets from forestry projects in recognition of the role of forests in addressing desertification—the theme of this year's World Environment Day.

To track its carbon emissions and calculate the necessary amount of offsets to purchase, IFC partnered with the World Resources Institute to develop a greenhouse gas inventory. The methodology is based on the World Business Council for Sustainable Development (WBCSD)/WRI Greenhouse Gas Protocol Initiative, an internationally recognized accounting and reporting standard for GHG emissions.

IFC's purchase of carbon offsets began in year fiscal 2006, and it is an ongoing commitment. While the current offset purchase is for operations in Washington, IFC is strengthening methodology for tracking GHG emissions from its other 96 offices located around the world, which make up more than 30 percent of its global office space. The intent is to purchase offset for emissions from global operations when more robust data is available.

3.9.3 Investment Products

The International Finance Corporation (IFC) is part of the World Bank Group. IFC was established in 1956 to encourage private sector investment in developing countries. The Corporation promotes that objective through two primary types of activities: providing investment products for private sector projects in its developing countries, and providing advisory services and technical assistance to businesses and governments.

IFC offers a full array of investment products which are given below:

3.9.3.1 Equity and Quasi-Equity

IFC risks its own capital by buying shares in project companies, other project entities, financial institutions, and portfolio or private equity funds. IFC generally subscribes to between 5 and 20 percent of a project's equity. IFC will not normally hold more than a 35 percent stake and is never the single largest shareholder in a project. IFC is a long-term investor in its projects. When it comes time to sell, IFC prefers to exit by selling shares in the capital markets following a public offering. With quasi-equity instruments IFC invests through products that have both debt and equity characteristics. Some instruments, like subordinated loans and convertible debt, impose fixed-repayment schedules. Others, such as preferred stock and income notes, do not require such rigid repayment arrangements.

3.9.3.2 Loans and Intermediary Services

IFC finances projects and companies through its A-loans, which are for IFC's own account. IFC does not accept government guarantees. Maturities of A-loans generally range between 7 and 12 years at origination, but some loans have been extended to as long as 20 years. While most IFC loans are provided in major currencies, IFC is expanding its capacity to offer local currency loans. IFC carries out comprehensive due diligence before investing in any project. Because of its extensive lending experience in developing countries, IFC is uniquely qualified to evaluate the risks associated with projects. IFC is willing to extend loans that are repaid only from the cash flow of the project, with only limited recourse or without recourse to the sponsors. IFC also makes loans to intermediary banks, leasing companies, and other financial institutions through credit lines that result in further on-lending. These credit lines are often targeted to small businesses.

3.9.3.3 Mobilization

Mobilization of private sector financing in developing countries is fundamental to the fulfilment of IFC's role as a development catalyst. IFC can broaden its impact by mobilizing loans from other financial institutions that are willing to lend to projects only with IFC's participation. Syndicated loans, or B-loans, are the cornerstone of IFC's mobilization efforts. Through this mechanism, financial institutions share fully in the commercial credit risk of projects, while IFC remains the lender of record. Participants in IFC's loans share in the advantages that IFC derives as a multilateral development institution, including preferred access to foreign exchange. Where applicable, these participant banks are also exempted from the mandatory provisioning that regulatory requirements impose. In addition, IFC mobilizes private capital for companies by engaging in underwriting, private placements, and equity fund investments that help clients gain access to international capital markets, often for the first time.

3.9.3.4 Guarantees and Risk Management

Guarantees on financial instruments and stand-by financing provide opportunities for clients to use IFC's good credit to access capital markets and gain borrowing flexibility. Products include credit guarantees on loans and bonds, trade enhancement and forfeiting facilities, and loan facilities. IFC commonly provides partial credit guarantees on bonds and loans and full credit guarantees on local currency loans. Credit guarantees cover all credit risks during a specified portion of the financing term or up to a specified capped amount and often serve to extend maturities beyond what private creditors would otherwise provide. Guarantees in local currency support client needs while helping develop local financial markets. In the international bond markets, a foreign currency partial credit guarantee helps an IFC client company diversify funding sources by establishing its own credit with international investors. IFC offers partial credit guarantees on trade enhancement and forfeiting facilities. These facilities help partner banks expand or extend trade financing programs for local importers and exporters when such programs are constrained by country limits or other factors. Loan facilities provide partial credit guarantees for general loan programs that serve small and medium enterprises. IFC's risk management services enable clients to access derivatives markets. Currency-hedging instruments allow clients to hedge exposure related to foreign currency borrowings. Interest rate hedges allow clients to transform the nature of their borrowings (for example, fixed rate to floating rate). Commodity price-hedging products allow clients to reduce risks related to price volatility. IFC also provides risk management facilities so that clients can use hedging products for a fixed period of time on a pre-approved basis.

3.9.4 Other services

3.9.4.1 Advisory Services

IFC advisory services are designed to improve the investment climate in member countries and the business practices of companies in which IFC invests. They play an increasingly important role in the way IFC approaches its investment activities. IFC undertakes a wide array of financial market advisory assignments, specializing in securities markets and in banking and credit institutions. Assignments address areas such as local debt market development and capacity building at financial institutions. The work of the Private Sector Advisory Services, jointly managed by IFC and the World Bank, covers policy issues, sector advice, and specific transactions. IFC's activity in this area includes advice on competition policy, privatization structuring, and policy analysis of foreign investment issues. Another jointly managed unit, the Small and Medium Enterprise Department, focuses on business environment issues, capacity building, and the development of innovative financing techniques. The IFC corporate governance program advises on practices and policies at IFC investee companies, assists in addressing country-specific risks, and provides information on promoting strong corporate governance.

3.9.4.2 Technical Assistance

Technical assistance further complements IFC's investment activities by offering advisory and training services to governments and private companies. IFC manages special project development facilities that help small and medium enterprises. IFC also manages the Technical Assistance Trust Funds program, which is supported by donor governments. These funds sponsor feasibility and sector studies, training initiatives, environmental and social review of projects, and advisory assignments to governments. In the former Soviet Union, IFC's Private Enterprise Partnership provides technical assistance and advice to companies and governments to attract investment, stimulate small and medium enterprises, and improve the business environment.

3.9.5 Business with IFC

Switzerland is the 12th largest shareholder in IFC, which has 175 member states. Its holdings amount to 1.77 percent of the total. Since 1960, a total of 120 Swiss private sector companies and financial institutions have participated in 163 projects financed by IFC. Over USD 538 million have been committed by the Swiss private sector in the framework of these projects, of which USD 6 million were in the form of loans. Equity and quasi-equity represented a total of USD 532 million. The cumulative value of projects approved by the IFC involving the participation of the Swiss private sector amounts to USD 10 billion.

There is no standard application form for IFC investment products. A company or entrepreneur seeking to establish a new venture or expand an existing enterprise must submit an investment proposal, including preliminary project and corporate information. IFC may then proceed by requesting a detailed feasibility study or business plan to determine whether or not to appraise the project.

SOFI can support companies in establishing contacts with IFC, arranging meetings and submitting an investment proposal. SOFI can also actively support companies in preparing the requested feasibility study or business plan and in structuring the project with IFC.

The poorest countries- those served by the International Development Association- have a particularly urgent need for a dynamic private sector. IFC has significantly expanded its contribution in this areas; more than half of IFCs 447 projects were in IDA countries in FY 2009. New commitment in those countries totalled more than $4.4 billion or nearly 42 percent of IFCs total. In December 2008, IFC made an additional $450 million contribution to the 15th replenishment of IDA as part of a $1.75 billion commitment over three years[17].

IFC has also been working more closely with other parts of the World Bank Group, helping to make the best use of the Bank Group's diverse areas of expertise, products, and services while tackling the most pressing development challenges. In FY 09, there are 15 joint investment projects and 104 joint advisory projects in IDA countries[18]. As emerging and developing markets begin to emerge from today's crisis, they will need the unique package of investment and advice the IFC provides. Public sector funds alone will not be enough to ensure a sustainable recovery, private enterprises and the capital needed it to thrive, will be essential.
IFC is an ideal platform for advancing private sector development in these markets, as they both cope with the crisis and address broader challenges. For example, IFC has recognized that the private sector can make a useful contribution to reducing greenhouse emissions, and in boosting investments in energy efficiency and renewable energy.

3.10 Impact of ICSID

ICSID was established to help promote international investment. It does this by providing facilities for the settlement, by conciliation and arbitration, of disputes between foreign investors and their host countries. Provisions referring to arbitration under the auspices of ICSID are a common feature of international investment contracts, investment laws, and bilateral and multilateral investment treaties. ICSID has 145 members. In addition to its dispute-settlement activities ICSID undertakes research, advisory services and publishing in the fields of arbitration and investment law.

3.10.1 Provide Facilities for Conciliation

Pursuant to the Convention, ICSID provides facilities for the conciliation and arbitration of disputes between member countries and investors who qualify as nationals of other member countries. Recourse to ICSID conciliation and arbitration is entirely voluntary. However, once the parties have consented to arbitration under the ICSID Convention, neither can unilaterally withdraw its consent. Moreover, all ICSID Contracting States, whether or not parties to the dispute, are required by the Convention to recognize and enforce ICSID arbitral awards.

3.10.2 Administer Certain Proceedings

Besides providing facilities for conciliation and arbitration under the ICSID Convention, the Centre has since 1978 had a set of Additional Facility Rules authorizing the ICSID Secretariat to administer certain types of proceedings between States and foreign nationals which fall outside the scope of the Convention. These include conciliation and arbitration proceedings where either the State party or the home State of the foreign national is not a member of ICSID. Additional Facility conciliation and arbitration are also available for cases where the dispute is not an investment dispute provided it relates to a transaction which has "features that distinguishes it from an ordinary commercial transaction." The Additional Facility Rules further allow ICSID to administer a type of proceedings not provided for in the Convention, namely fact-finding proceedings to which any State and foreign national may have recourse if they wish to institute an inquiry "to examine and report on facts."

3.10.3 Settlement of Disputes

A third activity of ICSID in the field of the settlement of disputes has consisted in the Secretary-General of ICSID accepting to act as the appointing authority of arbitrators for ad hoc (i.e., non-institutional) arbitration proceedings. This is most commonly done in the context of arrangements for arbitration under the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), which are specially designed for ad hoc proceedings.

Provisions on ICSID arbitration are commonly found in investment contracts between governments of member countries and investors from other member countries. Advance consents by governments to submit investment disputes to ICSID arbitration can also be found in about twenty investment laws and in over 900 bilateral investment treaties. Arbitration under the auspices of ICSID is similarly one of the main mechanisms for the settlement of investment disputes under four recent multilateral trade and investment treaties (the North American Free Trade Agreement, the Energy Charter Treaty, the Cartagena Free Trade Agreement and the Colonia Investment Protocol of Mercosur).

Under the ICSID Convention, ICSID proceedings need not be held at the Centre's headquarters in Washington, D.C. The parties to an ICSID proceeding are free to agree to conduct their proceeding at any other place. The ICSID Convention contains provisions that facilitate advance stipulations for such other venues when the place chosen is the seat of an institution with which the Centre has an arrangement for this purpose. ICSID has to date entered in such arrangements with the Permanent Court of Arbitration at The Hague, the Regional Arbitration Centres of the Asian-African Legal Consultative Committee at Cairo and Kuala Lumpur, the Australian Centre for International Commercial Arbitration at Melbourne, the Australian Commercial

Disputes Centre at Sydney, the Singapore International Arbitration Centre and the GCC Commercial Arbitration Centre at Bahrain. These arrangements have proved their usefulness in many ICSID cases and have helped to promote cooperation between ICSID and these institutions in several other respects.

The number of cases submitted to the Centre has increased significantly in recent years. These include cases brought under the ICSID Convention and cases brought under the ICSID Additional Facility Rules. In addition to its dispute settlement activities, ICSID carries out advisory and research activities relevant to its objectives and has a number of publications. The Centre collaborates with other World Bank Group units in meeting requests by governments for advice on investment and arbitration law. The publications of the Centre include multi-volume collections of Investment Laws of the World and of Investment Treaties, which are periodically updated by ICSID staff. Since April 1986, the Centre has published a semi-annual law journal entitled ICSID Review-Foreign Investment Law Journal. The journal was recently rated as one of the top 20 international and comparative law journals in the United States.

In the light of the above discussion it can be said that though the above activities of the five organs of the World Bank is distinctly applicable to its different organs but the main aim of the World Bank i.e. poverty reduction, the basis of which is granting loan is implemented by IBRD, IDA and IFC. MIGA mainly works as guarantor and ICSID tries to devote itself for resolving disputes. **The first developing country to receive a loan from the Bank was Chile. On March 25, 1948, the Bank extended two loans to Chile totalling \$16 million[19]. The first loan was to provide foreign exchange for the construction of additional hydroelectric plants and related transmission lines, installation of additional generating units and provision of pumping equipment for irrigation.**

A major expansion of the Bank's work on global issues began in the late 1990s, when the Bank increased its orientation toward global partnerships and associated program support activities. This change in policy reflected the Bank's recognition of the rapid pace of globalization and sharply increased attention to global issues within the development community. In September 2000, the Development Committee of the Bank and the IMF endorsed the Bank's priorities in supporting global public goods; those priorities focus on five areas: public health, protection of the global commons, financial stability, trade and knowledge.

Finally, in addition to its own programs, the World Bank is active in many global partnership programs that address global issues. Through its participation in these programs, the Bank plays an important role in collective action on a variety of global issues. Besides CGIAR, examples include the Global Fund to Fight AIDS, Tuberculosis and Malaria; the Global Environmental Facility; and the Consultative Group to Assist the Poorest. The Bank looks forward to continuing and strengthening these partnerships while continuing to pursue its own initiatives on global issues-alongside its traditional country-based projects, many of which also contribute to building a healthier global community.

The World Bank has developed the Living Standards Measurement Survey (LSMS) to obtain reliable household income both fairness and globalization are contributing to an increasing awareness among the citizens of the world's rich countries that they need to help improve the well-being and opportunities of the citizens of poor countries, especially if they are to reduce global inequalities.

The impact of globalization on poverty has generated considerable debate. Globalization has many facets, including foreign trade, cross-border financial flows, international migration, temporary movement of service providers, and information flows. The focus here is on openness to trade. Although absolute poverty has declined as the world has globalized, some view globalization as unfair to the poor. Anti-globalizes argue that openness to trade has led to greater poverty and to rising disparities between and within countries.

While recognizing global inequality as a problem, the international community has been mostly focused on reducing absolute poverty. For example, the Millennium Development Goals (MDGs) measure the numbers of people living in derivation and do not address distribution issues directly. However, a growing literature argues that inequality can affect the pace of poverty reduction.

The World Bank's mission is to work for a world free of poverty. The Bank is helping developing countries and their people achieve the MDGs and sustained development through a two-pillar strategy: building a climate for investment, jobs, and sustainable economic growth; and investing in and empowering poor people to participate in development. The development strategy recognizes that strong growth requires and economic environment that is conducive to investment, job creation, and productivity growth. It also recognizes that economic growth cannot be sustained without human development[20].

The World Bank helps countries reduce poverty and sustain development by providing financial assistance--concessionary financing through the International Bank for Reconstruction and Development (IBRD)--as well as a wide range of policy advisory and analytical services and technical assistance. In conducting these activities, the Bank tailors its support to the needs of the recipient country. The Bank's programs help to foster economic and financial stability, enhance the investment climate and the development of the private sector, promote more open international trade, improve infrastructure services, strengthen governance and fight corruption, and promote environmental sustainability. Through its programs the Bank also supports education, promotes gender equality, improves health outcomes, and combats communicable disease.

IDA is the largest source of concessional financial assistance for the world's poorest countries. Traditionally, IDA provided assistance in the form of highly concessional credits, but since fiscal 2003, it has expanded the use of grants for the poorest and most deeply indebted countries. IDA commitments totalled $8.7 billion in fiscal year 2005[21].

The World Bank is a vital source of financial assistance to developing countries around the world. The World Bank also plays a leadership role in the global aid community through its analytic and advisory work. The International Development Association (IDA) is the affiliate of the World Bank that helps the world's poorest countries by providing resources–concessional finance and grants–for programs aimed at boosting economic growth and improves living conditions. IDA credits are interest-free loans with repayments stretched over 35 to 40 years, including a 10-year grace period. In 2002, IDA began providing a significant portion of its resources in the form of grants, which are anticipated to account for approximately 30 percent of IDA's commitments in the coming years. The allocation of IDA's resources is determined primarily by each borrower's rating in the annual country performance and institutional assessment (CPIA).

A World Bank research program is currently engaged in data gathering and analysis on the development impact of international migration, with the aim of identifying policies, regulations, and institutional reforms that developed and developing countries can adopt to ensure that migration results in improved development outcomes.

The World Bank is one of the largest multilateral donors to education, with a current portfolio of $8.4 billion invested in 144 projects in 86 countries. The Bank has supported education in developing countries since 1963, when it financed its first education project in Tunisia, and has transferred more than $39 billion in loans and credits for education since then. World Bank lending in education has evolved continuously since that first loan to Tunisia. The early programs supported the training of mid-level staff, through expansion of general secondary and vocational education and building of education infrastructure. Later, primary education programs became the predominant focus. Driven by evidence that returns to primary education were highest for developing countries and exceeded the returns to vocational and tertiary education. In the 1990s, the World Bank put poverty reduction at the centre of all its development efforts. While recognizing that institutions are important and that equity is essential for prosperity[21].

The World Bank's support for education extends beyond resource transfer, and it is increasingly integrated into a holistic program covering all levels of education. The Bank has a well-developed infrastructure for bringing together a menu of services for the benefits of client countries, including policy advice; finance; sharing of experiences across regions, countries, and sectors; and convening of a diverse range of stakeholders in formal and informal partnerships. In fiscal 2006, the World Bank transferred about $ 2 billion to developing countries to support the development of policies and strategies, strengthen institutions and service delivery and help countries expand the qualitative and quantitative capacity of their education systems at all levels[21].

The World Bank participates in global efforts to mitigate and adapt to climate change mainly through two initiatives: the Global Environment Facility and the Carbon Finance Portfolio.

The World Bank acts as an implementing agency for the Global Environment Facility (GEF), which was established in 1991 to provide grants for projects to support biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants. Through GEF the Bank disburses about $250 million a year for projects related to energy efficiency, renewable energy, and sustainable transportation. GEF has a small pilot portfolio on adaptation and has managed two special funds related to adaptation. Here the Bank's major role is in piloting projects that link adaptation to more general development finance, although at this stage annual disbursement period of the Kyoto Protocol, the Adaptation Fund, based on a 2 percent levy on CDM credits, will significantly increase the resources available for adaptation–probably to hundreds of millions of dollars a year.
The Bank was a pioneer in facilitating carbon trading under the CDM and JI flexibility mechanisms of the Kyoto Protocol. The Prototype Carbon Fund was

launched in 1999 with a target of $180 million, and by 2006 the Bank was managing nine funds with available funds approaching $2 billion. Approximately 850 project proposals covering a wide range of energy sources, reductions of greenhouse gases other than carbon dioxide, and Land Use, Land-Use and Change and Forestry (LULUCF) activities have been reviewed by the technical specialists within the Carbon Finance Unit, and about 40 contracts for the delivery of carbon credits have already been signed. The challenge for the Bank is to support the delivery of the energy needed for development at low cost and with equitable access. The Bank must play a leading role in mainstreaming climate risks into the development planning process so that the poorest and most vulnerable are not trapped in poverty through recurring climate-related losses.

The World Bank group supports government efforts at sustainable energy development in developing countries through financing, advice, and knowledge transfer. The International Finance Corporation issue loans and equity and the Multilateral Investment Guarantee Agency issues guarantees, to support private investment in energy. The International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) can issue partial risk guarantees, with sovereign counter guarantees, to support such investment, particularly where the key risk of a project relates to concerns about government performance or policy reversal. Similarly, IBRD or IDA partial credit guarantees with sovereign counter guarantees can help catalyze long-term private financing for projects that improve public services. IBRD loans and IDA credits to countries with sovereign guarantees can also be used when private financing cannot be catalyzed. The World Bank works with member countries and multiple other partners on urgent energy development issues, including increasing access to clean fuels and electricity, securing reliable energy supply that underpins economic growth, catalyzing investments in the sector, reducing the sector's demand on public finances, and improving governance in the sector.

The World Bank Group has historically invested about $ 3 billion a year in water-related sectors, accounting for about 5 percent of its investment in developing countries. Lending for water accounted for about 16 percent of World Bank lending over the past decade, and the major water services components as well as water resources each accounted for about 4 percent. The World Bank Group is committed to using its knowledge, its convening power, its ability to link water issues to other sectors through economy-wide engagement and a multidisciplinary perspective, its engagement at all scales (local, watershed, city, irrigation district, river basin and aquifer, country, and regional) to integrate interventions across these various dimensions. The World Bank Group will continue to be a partner in bringing about both investment and reform in a sequenced and prioritized manner aimed at achieving sustainable, integrated water resources management and water services, and thus responsible growth and poverty reduction in developing countries. Depending on the needs of individual developing countries, the Bank will support the development of water infrastructure, including hydropower at a range of scales, depending on national and local needs and opportunities.

The fisheries and aquaculture loan portfolio of the World Bank has evolved considerably in recent decades. Before 1980, about 60 percent of all World Bank fisheries loans were for large-scale fisheries development, such as the building of industrial vessels and fishery service facilities. By the 1980s, the Bank had reached its support for increased production from capture fisheries and shifted its emphasis toward aquaculture, resource assessments and fisheries research. In the 1990s, the Bank further reduced its investments in capture fisheries and increased investments in aquaculture to roughly half of its total direct investment in the sector. The World Bank has responded to the growing concerns of its member countries over the sustainability of increased harvesting of wild fish stocks and the impact on aquatic ecosystems of rapidly expanding aquaculture production. The Bank has acknowledged that, to ensure the sustainability of capture fisheries and aquaculture, long-term investments are required at many political or society levels: in planning, ecosystems-based resource management, and postharvest operations; in human resources and applied science and extension institutions; and in public-private partnerships. The Bank's current efforts concentrate on improved governance, coastal management, inland fisheries, and smallholder aquaculture operations, mostly in Africa and in South and East Asia. The World Bank will broaden its support for sustainable fisheries at the country, regional and global levels and has established a new Global Program on Fisheries (PROFISH). In implementing this program the Bank is focusing on policy reforms guided by the FAO Code of Conduct for Responsible Fisheries and is working with global partners, including the FAO, the IUCN–The World Conservation Union, the WorldFish Center, and regional organizations. PROFISH will focus on good governance, sustainable fisheries policies, and promoting effective fisheries strategies. In co-operation with the Global Environmental Facility (GEF), the Bank is participating in regional fisheries initiatives such as the Strategic Partnership for a Sustainable Fisheries Investment Fund in the Large Marine Ecosystems of Sub-Saharan Africa, while also building on the GEF's large marine ecosystem projects.

The World Bank's engagement in the forest sectors of developing countries inevitably addresses the balance between production and conservation. It also involves questions of the fair distribution of the benefits and responsibilities of forest use and protection among interested economic and social groups, as well as consideration of the longer-term issues of forest sustainability and environmental health. Managing these trade-offs is not only technically difficult but politically complex as well.

Recognizing these challenges, in 2002 the World Bank revised its overall forest strategy, and today the Bank uses its various instruments in innovative ways to further enable sustainable forest management. Beginning with its 1991 forestry strategy and its 1993 operation policy, the activities of the Bank in the forest sector were guided by a ***do no harm*** principle that focused largely on environmental issues and on pure protection options. Although the 1991 strategy recognized the role that forests could play in poverty reduction and the importance of policy reforms in containing deforestation, its hallmark was a strong commitment not to finance commercial

logging in primary tropical moist forests. Starting in 1998, the World Bank reviewed its forest strategy. The new strategy approved in 2002 was based on findings from a review by the independent Operations Evaluation Department and a two-year process of analysis and consultation, which gathered information and viewpoints from development partners and other stakeholders around the world. The revised forest strategy is built on three equally important and interdependent pillars: Harnessing the potential of forests to reduce poverty, integrating forests into sustainable economic development, Protecting vital local and global environmental services and values.
The World Bank's role in post conflict reconstruction goes back to its origins: the Bank's very first loans supported the construction of Western Europe after World War II. For most of the period since then, the Bank has focused more on traditional development projects in infrastructure and later on structural adjustment lending to developing countries. In the 1990s, however, the Bank became once again much involved in post conflict reconstruction, first in the West Bank and Gaza and then in Bosnia and Herzegovina, where it was asked, along with the European Union, to manage the post-conflict recovery. Other such reconstruction efforts followed, for example, in El Salvador and Mozambique. In recent years, the Bank has been working closely with the UN and others in Afghanistan, the Democratic Republic of Congo, Haiti, Iraq, Kosovo, Liberia, Sudan, and Timor-Leste. Drawing on the lessons learned from the reconstruction initiatives of the 1990s, the World Bank in 2001 established an operational policy on conflict and development cooperation. This has made the Bank's approach to conflict-affected and conflict-prone countries more systematic and more consistent. Financing instruments and support arrangements have been established to help Bank country teams provide timely and appropriate assistance to these countries. The Bank's Post-Conflict Fund (PCF) supports the planning, piloting, and analysis of groundbreaking activities through funding of governments and partner organizations at the forefront of this work.

The Role Bank confronts corruption globally by helping countries combat corruption more effectively, by making a country's anticorruption efforts a significant factor in lending decisions regarding that country, by working to prevent corruption from infecting Bank-financed projects, and by actively participating and often leading international efforts to fight corruption. The World Bank undertakes extensive analytical and operational work on corruption through its regional operations and through its Poverty Reduction and Economic Management Department, the World Bank Institute, and the Legal Department. It uses this knowledge and expertise to help countries improve public service transparency and accountability. The World Bank requires that all Country Assistance Strategies, which are the basis for the Bank's lending decisions, address governance issues often dominate the Country Assistance Strategy. In 2005, almost half of all new Bank projects addressed governance issues. The Bank also refuses to grant loans or suspends the disbursement of loans and debt forgiveness in cases where the government or the funded projects are plagued with corruption. The World Bank's Department of Institutional Integrity participates in fiduciary reviews of Bank-funded projects that are perceived as vulnerable to corruption and fraud. Among the multilateral development banks and other international financial institutions, the World Bank has led the way in the breadth and depth of its anti-corruption and governance strategy and approach. In addition to mainstreaming corruption and governance issues into all facets of its operations, the Bank aims to set high standard by which it hopes governments and other international financial and development institutions will measure their own efforts and strive to attain or even exceed them. In February 2005, the World Bank released its first annual report on corruption and fraud investigations involving Bank-financed projects as well as cases internal to the Bank. The World Bank recognizes that a concerned effort is needed to win more battles against corruption, and it actively supports international and interagency programs that aim to do so.

The World Bank is one of many institutions and players engaged in helping achieve the goals set out in the various global compacts. As the world's largest development financial agency, the Bank has important contributions to make, but what the Bank itself does will not be the determining factor in success. The Bank supports the MDGs through its financial and technical support for social services, such as education, health, and nutrition that complement the efforts of others toward meeting the MDGs. The World Bank is active in virtually all of the issues covered in the global compacts. In the area of climate change, the Bank is currently facilitating the creation of a new management framework for trading in carbon emissions, as well as promoting clean energy in its financing of energy facilities. The Bank committed $378 million in grants and lending toward climate change-related efforts in fiscal 2005 alone. In the area of trade, the Bank advocates that the reform agenda should target agriculture, labour-intensive manufactures, services, aid for trade and trade facilitation, and special treatment for developing countries. In the area of education, the Bank has been a pioneer: through the Heavily Indebted Poor Countries initiative, it has provided debt relief to 28 low-income countries, most of them in Africa. As part of its role in monitoring progress toward the MDGs, the Bank has started a new information system, called the Development Data Platform, whose purpose is to tackle a number of challenging data issues and improve accessibility to data around the globe. The Bank has also created multiple new Web sites as a part of its global monitoring project. The Bank's Development Economics Unit has played a key role in monitoring progress toward the MDGs through providing statistical data and analysis and technical recommendations. In the near future, as described in Global Monitoring Report 2006, many of the actions of the World Bank will be aimed directly at helping achieve the MDGs.

The IFC adopted its current environmental and social policies in 2006, replacing a number of operational policies in that field that were in effect until that time. The new policies, termed "Performance Standards (PS)," address, to a large extent, similar issues as those addressed by the World Bank safeguard policies. In October 2007, MIGA adopted Performance Standards and Guidance Notes similar to those of IFC, including the definitions and procedures set therein. The World Bank (IBRD and IDA) stands out as the only international financial institution with detailed policies and procedures for projects on international waterways. Although the IFC and MIGA now have their own policies, it is likely that the general provisions included therein will be complemented by the detailed provisions as well as the precedents and practice of the World Bank.

As regards Bangladesh perspectives, The World Bank has disbursed a record US $ 1 billion to Bangladesh over the last two fiscal years (FY2008 -09). This trend is likely to continue in the current fiscal year according to Ellen Goldstein, the World Bank Country Director. In her initial meeting with Sheikh Hasina, Honorable Prime Minister, Goldstein reaffirmed the World Bank's willingness to increase support for growth-enhancing infrastructure, social development and nutrition programs and local delivery of public services. In addition to disbursements from the existing portfolio, the World Bank committed a record amount of over US$ 1 billion for new operations during the last fiscal year (FY09). Many of these operations are beginning to disburse this year. The World Bank will seek to commit a similar amount in the current year in line with Government priorities.

"*The World Bank is maintaining a steady flow of disbursements to Bangladesh. The amount flowing into the country far exceeds repayments, so the World Bank makes a strong positive contribution to development in Bangladesh*" said **Goldstein**. "*In this respect, I discussed with the Honorable Prime Minister our expected support for construction of the Padma Bridge, which is a transformative investment aimed at unlocking the development potential of the Southwest Region.*"

In addition to discussion of the bridge project, Ms. Goldstein congratulated the Honorable Prime Minister on her global leadership on climate change issues on behalf of the most vulnerable countries. She commended Government on the recent publication of its Climate Change Strategy and Action Plan, and offered World Bank support for its effective implementation.

Ms. Goldstein, who joined as Country Director last month, also met recently with Ministers, Secretaries and members of civil society with whom she engaged in development dialogue. The country's priorities will be reflected in the World Bank's new Country Assistance Strategy for 2010-2013, which is now under preparation.

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CHAPTER FOUR

FINANCIAL INSTITUTIONS AND THE GLOBAL ECONOMY

Globalization encapsulates a vision of shared universal values, goals and measures to advance society and it is one of the key challenges faced by the economic policy makers in the twenty-first century. It can be traced to the pre-colonial and the colonial phase which saw the spread of trade and financial links between nations, often re-enforced by economic and military prowess encapsulated in pre and post imperialist rivalries[1].

Globalization can be subscribed as the process which involves growing economic 'interdependence of countries worldwide. The present phase of globalization is in many ways, similar to the process of economic integration among nations, which began in the mid-1800s. The 1980s and 1990s have witnessed the rapid globalization of the production process, facilitated by the structural adjustment programmes dictated by the World Bank and the IMF. The process of globalization of finance has assumed greater significance and power than that of production, especially recent years. Thus, the present process of globalization of finance is no longer complementary to international trade and investment, but has gained a life of its own (Kavaljit Singh[2]).

The four decades from 1870 to 1913 were the age of laissez faire. There were almost no restrictions on the movement of goods, capital and labour across national boundaries. The second phase of globalization, beginning in the early 1970s, co-incided with the political dominance of the United States as the superpower. The process of globalization has been uneven over time and across space. The inequalities and the asymmetries implicit in the process, which led to uneven development in the late 19th century, mostly for political reasons are bound to create uneven development in the late 20th century mostly of economic reasons.

The contemporary phase of globalisation has served to extend and remould such relationships marked by compression of the world economy, a blurring of national borders, and above all, creation of a new space that coexists with the nation state. It ties together nation states and other actors and links national and global markets though flows (trade and finance), collective security and labour movements, to transform the world. This is under-scored by a shift from state to non-state forces to shape economic and political change–peace, development and justice–through international, regional, non-governmental and multinational institutions. This poses questions on the autonomy of the nation state and its control over policies. Major concern is the extent to which the scope of different regions, nations and groups of participating in globalization is influenced by their historical exposure to the world economy[3]. Because of greater integration today, global markets are more important than domestic markets than at any time in history. The market potential of leading areas is higher in today's developing countries than it was in today's developed countries during the nineteenth and early twentieth century's [4].

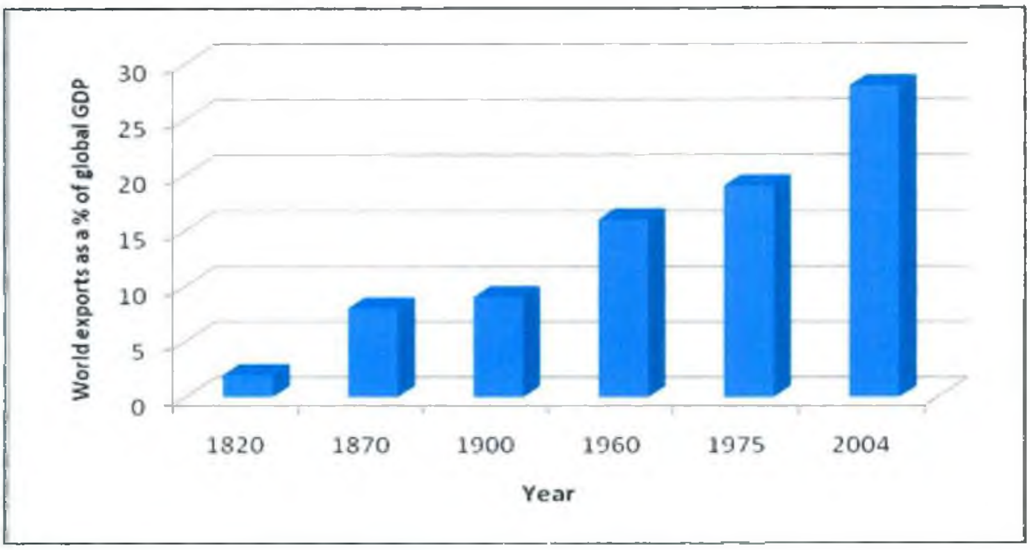

Fig. 4.1 Today's developing countries face a more integrated world.

So today's developing countries can take advantage of world markets of unprecedented size and can access these markets with greater ease. At the same time, greater flows of foreign direct investment, expanding twice as fast as world trade, increase access to knowledge at the world's technological frontier. For the most successful developing countries (mainly in East Asia) of recent decades, the result has been national growth–driven by leading areas far faster than that of today's developed countries in the early stages of their development. Globalization paves the way for transnational relationships and creates a new space co-existing with the nation state. The critique on globalization reveals major gaps in analysing key aspects of the process.

4.1 Globalization and the Decline of Social Reform

Societies and economics around the world are becoming more integrated. Integration is the result of reduced costs of transport, lower trade barriers, faster communication of ideas, rising capital flows and intensifying pressure for migration. Integration or globalization has generated anxieties, about rising inequality, shifting power, and cultural uniformity. Global integration is already a powerful force for poverty reduction, but it could be even more effective, not all, of the anxieties are well-founded. Both global opportunities and global risks have outpaced global policies. Globalization generally reduces poverty because more integrated economics tend to grow faster and this growth is usually widely diffused. As low-income countries break into global markets for manufactures and services, poor people can move from the vulnerability of grinding rural poverty to better jobs, often in towns or cities. In addition to this structural relocation, integration raises productivity job by job. Workers with the same skills–be they farmers, factory workers or pharmacists–are less productive and earn less in developing economics than in advanced ones. Integration reduces these gaps. Rich countries maintain significant barriers against the products of poor countries, inhibiting this poverty-reducing integration. Globalization also produces winners and losers, both between countries and within them. Between countries, globalization is now mostly reducing inequality. However, many poor countries–with about 2 billion people–have been left out of the process of globalization. Clearly, for this massive group of people, globalization is not working. Some of these countries have been handicapped by unfavourable geography, such as being landlocked and prone to disease[5].

Changes in the post war development of the welfare state became evident during the 1970s, and despite national variations these changes revealed numerous international parallels. In the context of fiscal crises and lower rates of growth, governments introduced shifts in tax structures, caps on public spending, wage and price controls, and "anti-inflation" monetary policies. Further expansion of reforms slowed or stopped, and the principle of the welfare state itself began to come under attack[6].

The actual beginning of globalization is controversial. Many may consider it to be a twentieth-century even post 1945, phenomenon. But it could be argued that globalization was born when Manila was founded as a Spanish entrepot in 1571. Connections across the Pacific Ocean (one-third of the Earth's surface area) finally linked with Asia with Americas (about one-third of the globe). Linkage of the Americas with the Africa–Eurosian 'old world' (approximately one-third of the Earth surface) had previously existed since 1492. Increased demand for silver in China, the world's dominant economy, indeed global connections. Europeans were world wise, multi-country commercial, epidemiological and ecological and demographic interactions were unleashed at a planetary level. It is professed that these historical forces heavily influenced global relations today.

The general cause of these shifts was not a changed political vision but rather what has come to be called the "new reality," the byword for the internationalization of capital, the coming of the global economy. In this new world market capital became "denationalized," that is, characterized by such a high degree of productive capacity and interlocking trade and investment that it cannot be said to have a national home. This is not to say that the largest and most industrialized nations no longer act in the interests of their "national" capital or that the national state is no longer an important source and means of capital accumulation. It is, however, to say that, once internationalized, capital:

a) requires "freedom" from national controls or intervention;

b) has ultimately no national allegiance;

c) has interests that span the world and far exceed national jurisdictions; and

d) *operates within a world economy and possesses a "global perspective"* in which domestic or national markets form only one element and indeed are too small for the productive capacity it possesses.

The global economy produces its own demands that are distinct from those of the national economy. It also produces an integrated international arena that is both distinct from and a challenge to bounded and protected national economies, now moribund as such but characteristic of the development of capitalism up to the 1970s.

It follows that the persistence of a national framework in the form of trade barriers, monetary and fiscal regulations and institutions, and a vast number of laws and standards must be overcome. Just as with the formation of the nation-state in the eighteenth and nineteenth centuries, when local and regional barriers to trade had to be eliminated and national standards established in order to provide the possibilities for capital to expand more or less unfettered within a defined geographic territory, so too national standards and barriers to trade now have to be eliminated to allow capital to compete without such restraints in a global economy. We have arrived at the end of the era of the nation-state, and its declining significance is an important factor in the erosion of social reforms. Economic powers are now able to determine the direction of development at the international level, where compromises with national working classes, and indeed national governments, are not so necessary.

4.2 The Coming of the Global Economy and International Organizations

Since the end of Second World War the world has undergone constant changes resulting into serious risks from border violations to intra-regional geo-political disputes. These problems coupled with power equation, socio-economic factors and perception of conflicting nations' functions have the potentials to cause irreversible regional and even global destabilization. *Many countries of the world were being pulled apart by powerful blocs/forces and no single country had the capacity to counter-balance them.* The world, especially the small state looked more towards the United Nations for establishment of peace. This aspiration ultimately resulted in the launching of the first peace mission in 1948.

Throughout the history of the capitalist mode of production there has been an expanding world market. Capitalist classes have always sought to encompass and capitalize not only their domestic markets but also the "external" market. Such expansion, moreover, has been facilitated by a corresponding growth in the size and power of the state, in the public debt, and in financial mechanisms, that is, in international banking and credit facilities. There have also been correlative developments in the nature of the labour supply: the development of capitalism engendered the forcible "freeing" of farmers or peasants from their land, the enslavement of non-Europeans, the purchase of indentured or bonded workers, the export of convicts, and the use of child labour.

To be sure, a world economic system was evolving, but it was coming about through the expansion of nationally defined corporations that were branching out, in competition with other capital formations, to increase their overseas territorial dominions as markets for their commodities, sources of raw materials, and avenues for investment. It was defined by the increasing interdependence of national capitals, but it was still a system of national capitals whose interests were promoted by a national state, and whose expansion gave rise to the modern colonial system, forms of protectionism, and international wars. By World War I, the most industrialized national capitals supported by state military power had divided the world into spheres of influence, but they had also spilled over their national foundations in other ways. They had formed international cartels, trusts, and banking syndicates for the control of world markets; and after First World War they had attempted to create international organizations and regulatory agreements to mitigate imperial rivalry (League of Nations), to regulate inter-imperial trade, investment, and capital markets (Bank of International Settlements, BIS), and to help guard against the expansion of socialism (the tripartism of the International Labour Organization, ILO).

Despite these trans-national beginnings, the world economic order between the two world wars remained dominated by competing national capitals. The Second World War, like the First, represented competition between national capitals raised to the level of the mobilization of the resources of the entire nation. It was, however, to be the last of such wars.

The immediate preconditions of globalization lay in World War II, the last major conflict characterized by the expansion of capital in its national form. Prior to that war, capital was largely national in character, and corporate interests, as "national interests," were jealously guarded at home and abroad by means of standing armed forces, tariff barriers, currency controls, and nationalism and citizenship, among numerous other national laws and policies. The war represented the historical denouement of the contradiction between the continuous impetus of capitalist expansion and its form as the nation-state.

From the point of view of capital, the war's end presented two dilemmas: how to reconstruct capitalism in Europe - but in a way that avoided rebuilding the contradiction between expanding capital and its national political form - and how to contain socialism, a form of property antithetical to the growth of capitalism. The solutions were more often than not combined in the same developments.

For the capitalist nations, the period between World War II and the 1970s constituted an interregnum between the age of competing imperial powers and the coming of the global economy. As the pre-eminent capitalist power at the end of the war, the United States was in a position to restructure the post war world to reflect its own interests. Those interests, however, were in essence the interests of capital as capital, albeit still in national guise. Given this, the U.S. restructuring of the post war capitalist world marked the beginning of the resolution of the contradiction that had given rise to both world wars. The world as it was–national governments representing national corporations–could grow no further except to encounter more collisions between national forms and with the obvious outcomes –bilateralisms, commercial warfare, national economic problems, and war. Moreover, given new atomic weaponry, another world war between the industrial nations had become unthinkable.

So began a period in which the boundaries of international relations were largely prescribed by the claims and exigencies of one imperial power. The "international regime" introduced after the war was a reflection of the international demands of U.S. corporate interests. As the dominant post war power, hitherto limited in its access to the European and Japanese economies and their colonies or spheres of influence, the United States was intent on opening up new markets to itself. Its efforts were to lay the groundwork for a single world economy of competing capitals.

4.3 Establishing a Global 'Enabling Framework'

The U.S.–designed post war rapprochement saw the creation of political and economic structures and policies that remained dominated by the United States throughout the period. Under U.S. auspices in 1944, the future members of the United Nations (UN) held a conference at Bretton Woods and established the basis of an international monetary system. The delegates created an exchange-rate mechanism by setting the parities of national currencies against the U.S. dollar; and they established, among others, two institutions, the International Monetary Fund (IMF) and the World Bank (WB). The IMF was intended to regulate international trade balances, but its general function was described as "a sort of Magna Carta for a future world economic order." The World Bank was designed to manage an international fund for economic development. Alongside these mechanisms, the General Agreement on Tariffs and Trade (GATT, established in 1947) would provide the institutional means for a negotiated removal of all national barriers to world trade and to create universal regulations for increasingly free commerce.

Under globalization World Bank group need to adapt, modify, or even make way for new relevant organizations which can resolve post-cold war problems. Early post-war literature on World Bank group to be effective. These were concern over devising a mechanism to establish transparency and legitimacy and a more trans-governmental model of the influence of World Bank group. The World Bank group are forceful in forging relationships between and within nations and initiating change. They embody separate and complementary and often conflicting norms, informed by differing values and ideologies. There are also acute differences in the structures of international organization hierarchy, source of finance, and the scope of devising, interpreting and reforming institutional arrangements. World Bank group can serve as an arena, an instrument or an actor to resolve economic, political, security and social concerns due to conflicts between and within nations. This, however, cannot be divorced from international, regional, and national power which may strongly influence the functioning of institutions. The goals, functioning modes and the bureaucracy governing institutions are closely associated with historical and post-cold war centres of power and influence, though; some may be relatively independent in devising their programmes. The capacity to bargain, form coalitions, coerce within institutions and disciple members, impacts on satisfying laudable goals. This impinges on the relevance and feasibility of institutions and confronting, adapting and coping with changing global complexities. Globalization requires existing World Bank group to adopt rapidly or allow new institutions to meet the challenges. Because these are the key institutions to fulfil the goals of conflict reduction and sustainable growth and development.

An integral feature of the international political economy of development, therefore, is constituted what is termed the North-South conflict. This refers to the existence of political differences and the diplomatic conflict between the governments of adverse industrial countries and the governments of developing countries. Within the global political economy, issues of dominance and dependence remain important and the answers to questions concerning who gets what, when, and why are linked to the different ways in which interests are articulated. North-South conflict is an integral part of the international political economy of development through a brief exploration of its historical evolution. The ability of developing countries to exercise influence over international negotiations depends on the degree of solidarity they can achieve therefore we assess the extent to which divisions among developing countries mean that they will be incapable of presenting a united front to the holders of powers in the world economy. The dissatisfaction of developing countries with the liberal international economic order first surfaced in the 1950s with demands for reformed of the international trading order and calls for increased economic aid. The North-South conflict was given increased prominence in the 1970s with debate over a New International Economic Order (NIEO). Between 1973 and 1979 the NIEO dominated North-South discussions. Indeed it can be argued that this period saw development with its highest international political profile. The NIEO also encompassed reform of the GATT, IMF and World Bank. Developing countries argued that these organizations were controlled by the advanced industrial countries and failed to support developing country interests. A number of resolutions were passed by the UN General Assembly of which the most important were the Declaration on the Establishment of a New International Economic Order (1974), the Program of Action on the Establishment of a New International Economic Order (1974), and the Charter of Economic Rights and Duties of States (1975) creating the framework for the NIEO. These UN resolutions were seen by some scholars as important legal documents. They set out the mutual responsibilities of state, established a framework of action and the justification for a new order. The negotiations leading to the creation of an NIEO ended in failure. No single event or factor was responsible for the failure of the NIEO. However, the refusal of Western states to enter into serious negotiation was the most important reason for the collapse of the North-South dialogue. The North-South conflict arises from a real disparity in power and resources between rich and poor states. The gap between the richest and poorest countries of the world has increased rather than diminished in the past three decades. Thomas and Reader stated "almost a third of humanity still lives in conditions of dire poverty, and 14 million people die of hunger annually". The historical record shows that Third world solidarity responds to changes in the global political economy and is not static. The structural adjustment policies imposed by the World Bank and IMF in promoting liberal economic thought severely curtailed the independence of developing countries. Continuing existence of poverty and inequality, many countries identity with a collective Third World voice because of their lack of influence in international organizations. This inability to influence the international agenda is most starkly seen in the weighted voting decision-making process of the IMF and World Bank.

The central question is the relevance of the World Bank group in the post-cold war era. This has to pursue the ways in which it can manage the new challenges-reorganising its goals and structure, including bureaucracy, influence and others institutions, and incorporating the state and the non-state institutions. It has to respond to, and re-shape, global changes. Main activity of the World Bank group aims on peace, and on development, offer useful inside into the concept, ensuring peace, peaceful diplomacy, peacemaking and peace keeping, and reassessing developing programme within a market economy. These are intertwined with the changing post-cold war conflicts. Economic and social goals should be elevated to the same status as reduction of conflict, peacemaking and peace keeping. This demands urgent reform of the World Bank group-beaurucratic, financial and technical-while harnessing the virtues of non-state actor including NGOs interest groups and the private sectors. However, a working partnership cannot be based just on rhetoric's. These require collaboration and co-operation. Major hurdles emerge given the shifting and changing conditions of stability, harmony and anarchy, disintegrating states and the spread of fundamental movements, demands for more autonomy.

Criticism of the World Bank group unveil duplication of activities, over-manning, lack of collaboration and communication between unites, over and underspecialization, and misallocation of resources, and above all, lack of effective execution.

A number of priority functions can be identified so that the present structures can be gauged against expectation. Now-a-days, many conflicts cannot be resolved through collective security theories. These arias from the spread of local conflict, such as those of an ethnic nature with deep-rooted causes with one part having a monopoly of right on its side and the inability of the ICSID to prevent or solved such conflicts. This in turn requires an expansion of its capacity for preventing diplomacy.

In pursuing economic development, it is essential to remove poverty and the underlying economic problem that may lead to conflict. Development remains the first priority of many states. A lack of political will is the main cause of the failure to deal with such issues but new negotiating structure may offer a fresh approaches. In the post-cold war era the World Bank group is facing a new international agenda of critical socio-economic problems in countries which are so interdependent that no country can resolve them on its own. The present structure may be inadequate to meet these new tasks. Developed and developing countries may hold different views on the nature of the reforms. Major overhauling of finance, alongside drastic changes to sections of the bureaucracy including streamlining the specialized branches is critical. The dependence of the World Bank group on the USA–the major contributor–has been used by the latter to impose its own neoliberal ideology and block many of the World Bank groups' goals. These has been fiercely opposing many developing countries as it has been seen as a poly to shift the world bank towards a more market-based institution driven by the priorities of the developed nations. The World Bank has to streamline its bureaucracy eliminate duplication, impose stringent financial accountability and improve co-ordination between peace keeping and development. This could make it a powerful force in globalising developing nations.

The World Bank group have focused on growth and development. However, their policies have had far-reaching socio-political consequences. It has been governed by market based concepts and increasingly, their relevance is being questioned. The World Bank need to be assessed and reformed to meet future global challenges. Power in the World Bank has resided among developed nation on the basis of their contribution; "*one dollar one vote*" is the base of this institution. The basis of granting loans by such institutions have been subjected too much criticism from developing countries, though in recent year the World Bank has tried to develop a more independent and 'development friendly' process in comparison with the IMF. In contrast to the wider goals of the UN, the Bretton Woods (BW) institutions- the World Bank and the IMF- and the related GATT/WTO; have pursued specific economic and development concerns: growth, poverty reduction and trade and finance. They have been the conservators of rules, conventions and understandings that have shaped international economic relations. The creation of the World Bank should be seen in the context of the depression of the 1930s and the huge costs of failure to develop regulations and organizational structures to establish economic policies. Deep and persistent slumps erupted–trade barriers, the collapse of the international monetary system and termination of international lending. The creators of the World Bank, i.e. International Bank for Reconstruction and Development (IBRD) underestimated the needs of European Reconstruction and neglected those of the third world. The Bank's capitalization and operating procedures devise in 1944 were not equipped to cope with post-war reconstruction.

The World Bank group faces unique problems due to the nature of globalization. This is illustrated by the harrowing concern over the pattern of speculative flows of finance and its impacts on the world economy, exemplified by the East Asian economic crisis from 1997 onwards. The downturn of these economies aroused critical questions regarding such movements and the consequences for destabilisation of pockets of the world economy, indeed globalization itself. Re-appraisal of the World Bank is essential to establish balanced growth, reduce poverty and impose curbs on 'free' market.

When the World Bank began to explore the concept of social capital around the time of the Copenhagen Summit in 1995, it did so as part of a broad-ended notion of sustainable development, understood a having social as well as economic, human, and environmental dimensions. Subsequently, more attention has been paid to links between social capital and poverty and over the past five years the Bank has produced considerable analytical work on this theme. It has complemented this work with operational experiments linking social capital, governance, local institutions, and social cohesion. These bodies of work provide the basis for rethinking the link ages between social capital, poverty, and social development. Efforts in recent years to promote participation and partnership reflect early steps in this direction[7].

But the recognition that social relationships, networks and organizations are critical determinations of poverty has far broader implications for the way development institutions do business.

1. First, the World Bank needs to incorporate social and institutional analysis more prominently into country sector analysis, project preparation, and project monitoring. This would in turn influence the design of both investment projects and adjustment lending –as recent changes in the Bank's work in Colombia demonstrate. At a micro level, this means analyzing the social relationships underlying local governance and economical activity, and the role of poor people's networks and organizations in their livelihood strategies. At a macro level, it implies exploring the ways certain policies and political and economic arrangements can weaken pro-poor social capital and how social capital affects public bureaucracies and distribution of public expenditure.
2. Second, the Bank should learn how its different instruments and way of working affect- and are affected by – social capital. Operational experience and project based research should drive much of this learning. In particular, as the Bank engages more in initiatives involving decentralization, community – driven development, and local civil society organizations, it will be important to learn from these experiences in working with local forms of social capital, and to understand the positive and negative effects they have on this social capital; it cannot be assumed that such approaches will have only positive effects. Likewise, it is important to rethink the design of a wider range of projects (sectoral adjustment, government reform, market regulation, and the like) through a social capital lens. The precise implications for operational design and implementation will, however, vary according to country context. Indeed, this is another (if not new) lesson from the social capital discussion, and a reason why this essay does not make precise operational recommendations.

3. Third, the Bank should foster the types of social capital likely to reduce poverty. This means understanding the characteristics, concerns, and relationships of a wide range of actors and encouraging new forms of civic engagement an interinstitutional links. It also means working with many more partners to catalyze coalitions for poverty reduction involving local, regional and national actors. Though only in their infancy, the Comprehensive Development Framework and the Poverty Reduction Strategy Papers offer important opportunities in this regard.

The vision of the World Bank, envisaged by **Keynes**[8], was for the expansion of global growth and employment rather than for deflationary policies. The World Bank group is alleged to have become vehicles not for global management but for policing the world. The rule of such institutions is being further undercut by the largest nations due to mounting unilateral action, bilateral consultations or groupings such as the Group of Seven (G7), that act outside the institutions. The World Bank needs to assess the relevance of its programmes not only development but also on peace and human rights. Complex global problems make it necessary to harness the strengths of the BW institutions and the UN. This can ensure long term stability of domestic and global policies. A focus on 'globalization with a human face' was claimed to guide the World Bank and the IMF to adopt a more flexible approaches towards their policies on conditionality, debt repayment and structural adjustment. However, this seems to have dissipated after the East Asian economies started recovering with a resurgence of the neoliberal market-based thrust (Falk, 2000). The onslaught on debt relief strategies in Africa, too, under the World Bank and IMF inspired the Heavily Indebted Poor Countries Initiatives, underlines the persistence of strict adjustment measures to qualify for relief with adverse implications for poverty. Hence, it is essential to critically monitor the practices of World Bank in furthering their avowed goals and strategies of globalization.

Critiques of the World Bank have argued that it should be reformed not dismantled. It is advocated that a gradual, sequential and selective approach be pursued in relation to a range of concerns: institutional development, land reform and privatization, capital market liberalization, completion policies, worker safety nets, health infrastructure and education. Promotion of local and international democracy is vital to global economic policy. ***'People should govern markets; markets should not govern peopl'.***

The poorest people can't be fully benefited by the systems of the World Bank, but there is huge potential to reduce their vulnerability to shocks through self-targeting programs such as food-for-work schemes. Social protection can be a dynamic force for growth and innovation beyond the gaining of acceptance for change – it can be crucial to the ability of poor people to take the risks involved in entrepreneurship. Finally, the combination of openness and a well-educated labour force produces especially good results for poverty reduction and human welfare. Hence, a good education system that provides opportunities for all is critical for success in this globalizing world. Successful globalization – on any of these models– usually enlarges the state, both absolutely and relatively. However, globalization weakens some aspects of government, making some policy instrument ineffective.

Developing countries will suffer most from global warming, while rich countries are generating most of the carbon dioxide (CO_2) that is causing the problem. In bargaining to achieve fair rules on such issues, poor countries are handicapped by both their poverty and their fragmentation. Recent globalization has been a force for poverty reduction, and has helped some large poor countries to narrow the gap with rich countries. However, some of the widespread anxieties are well founded: Globalization could be much more effective for poor people and its adverse effects could be substantially reduced and if it is possible then it seems to the researcher that the World Bank would be more effective to implement it's goals that's why the problems must be addressed, but they are manageable. From the research it has been noticed that World Bank's policies are not going to do much for poor countries if other policies are bad. As **Mundell[9] (2000)** puts it: "The twentieth century began with a highly efficient international monetary system that was destroyed in World War I and its bungled recreation in the inter-war period brought on the great depression". As economy is the main driving force of globalization, the new wave of globalization which began about 1980 is distinct. First, and most spectacularly, a large group of developing countries broke into global markets. Second, other developing countries became increasingly marginalized in the world economy and suffered declining incomes and rising poverty. Third, international migration and capital movements, which were negligible during a second wave globalization, have again become substantial. All of these situations World Bank Group exists with its' method and methodology but in practice it can done a little bit development to the third world economy.

So the World Bank more directly under the influence of the US government and more consistently conservative, are often seen as **"the black sheep of the UN family"**. I do however believe that they are also very cleaver farmer in case of business soil. However, because they suit the policy needs of Washington and the other rich countries, they prove consistently more powerful than the UN system agencies, with which they often work at cross purposes or propose a conservative common program known as "policy congruence".

The word economy is now facing some serious challenges in sustaining its brisk pace. The end of the housing bubble in the United States of America, as well as the unfolding credit crisis, the decline of the United States dollar vis-à-vis other major currencies, the persistence of large global imbalances and high oil prices will all threaten the sustainability of global economic growth in the coming years.

Trade is one of the more visible victims of the current crisis. In the first quarter of 2009, the value of world merchandise trade fell by 30 percent relative to the same period in the preceding year. The volume of trade is estimated to have fallen by over 15 percent during this period with considerable variation across countries and sectors. New World Bank research demonstrates the growing sensitivity of trade to changes in income, the adverse effects of the financial crisis, and the relative resilience of services trade.

The responsiveness of trade to income has risen over time, and tends to be higher has risen over time, and tends to be higher during global downturns. **Caroline Freund**[10] shows that the elasticity of trade to income rose from less than 2 in the 1970s to over 3.5 in recent years. In addition, she finds that during the global recessions that occurred in 1975, 1982, 1991, and 2001, while income growth declined on average by 1.5 percentage points relative to the previous year, real trade declined by nearly five times as much.

Financial crisis can exacerbate downturns in trade flows through adverse supply-side effects on exporters. **Leonardo Iacovone** and **Veronika Zavacka** explore the impact of banking crisis on manufacturing in developed and developing countries during 1980-2000[11]. They find that exports of sectors more dependent on external finance were hit harder during a financial crisis than were other sectors, with a 4-percentage point reduction in export growth vis-à-vis that of sectors less dependent on external finance.

Service trade has weathered the crisis much better than goods trade. **Ingo Borchert** and **Aaditya Mattoo** examine flows in services trade and show that although demand for services has plummeted, it has been less elastic and thus less cyclical than demand for goods[12].

Poor people in developing economies are highly exposed to the global crisis. *World Bank estimates for 2009 suggest that lower growth rates trap 46 million more people before the $ 1.25 a day poverty line than expected before the crisis. An extra 53 million people will be living on less than $2 a day and child mortality rates could soar. It is estimated that 200000-400000 more children a year, a total of 1.4 – 2.8 million from 2009 to 2015, may die if the crisis persists*[13] *(David, 2009).*

Poor consumers are the first to be hurt by lower demand for labour and falling remittance, in addition, shrinking fiscal revenues and potential decreases in official and flows threaten to reduce access to social safety nets and to such social services as health care and education. Households may have to sell productive assets, pull children out of school, and reduce calorie intake, which can lead to acute malnutrition. The long-term consequences can be severe and is some cases irreversible, especially for women and children.

Almost 40 percent of low and middle income economies are highly exposed to the poverty effects of the crisis. Yet three-quarters to them cannot raise funds domestically or internationally to finance programs to curb the effects of the downturn.

Establish a vulnerability fund. The World Bank has proposed a vulnerability fund financed by high-income economies to assist countries that cannot afford to protect the vulnerable. The fund's priorities would be to invest in safety net programs and infrastructure and to finance small and medium-size enterprises and microfinance institutions.

Substantially increase lending by the International Bank for Reconstruction and Development (IBRD). IBRD could make new commitments of up to $ 100 billion over the next three years[14].

Fast track funds from the International Development Association (IDA). A facility is now in place to speed $ 2 billion to help the poorest countries deal with the effects of the crisis[14].

Respond to the food crisis. Nearly $900 million is approved or in the pipeline to help developing countries cope with the impact of high food prices through a $ 1.2 billion food facility[14].

Ensure trade flows. The International Finance Corporation (IFC), a member of the World Bank Group that focuses on the private sector, plans to double its existing Global Trade Finance Program to $3 billion over three years, and to mobilize funds from other sources.

Boister distressed banking system. IFC is putting in place a global equity fund to recapitalize distressed banks. IFC expects to invest $1 billion over three years and Japan plans to invest $billion.

Keep infrastructure projects on track. IFC expects to invest at least $300 million over three year and mobilize $1.5 billion to provide rollover financing and recapitalize viable infrastructure projects in distress.

Support microfinance. IFC and Germany have launched a $500 million facility to support microfinance institutions facing difficulties as a result of the crisis.

Shift advisory support to help companies weather the crisis. IFC is refocusing advisory services to help clients cope with the crisis. It estimates a financing need of at least $ 40 million over three years[14].

The crisis has made it all too clear that globalization of trade and finance calls for global cooperation and global regulation. But resolving this crisis and avoiding its recurrence has implications beyond the realm of banking and financial regulation, going to the heart of the question of how to revive and extend multilateralism in a globalization world[15].

The global financial crisis requires the re-examination of current approaches to international development [16]. The United Nations must play a central role in guiding this reform process. It is the only institution which has the universality of membership and credibility to ensure the legitimacy and viability of a reformed governance system. It has proven capacity to provide impartial analysis and pragmatic policy recommendation in this area.

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CHAPTER FIVE

SUMMARY AND RECOMMENDATIONS

This section represents the summary and recommendations based upon the review of the related information given and analyzed for the present research. Firstly we shall consider the major findings of this study. Conclusions are then drawn in the light of those findings. Finally, certain recommendations are made to reform the Specialized Economic Organizations of the United Nations to make those organizations more effective on global economy.

5.1 Major Findings

The World Bank Group consists of five inter-related agencies: 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).

The IBRD and IDA provide loans to borrower governments for projects and programs that promote economic and social progress by helping raise productivity so that people may live better lives. Along with these loans, the World Bank provides advice and technical assistance. The International Finance Corporation (IFC)–which works closely with private investors and invests in commercial enterprises in developing countries–and the Multilateral Investment Guarantee Agency (MIGA)–which encourages direct foreign investment in developing countries by offering insurance against non-commercial risk –share the same overall goals. The International Centre for Settlement of Investment Disputes (ICSID) shares the World Bank's objective of promoting increased flows of international investment by providing facilities for settling disputes between foreign investors and their host countries. Collectively, these five institutions are known as the World Bank Group.

The IBRD lends only to credit worthy borrowers and only for projects that promise high real rates of economic return to the country. As a matter of policy, the IBRD does not re-schedule payments, and it has suffered no losses on the loans it has made. While it does not aim to maximize profits, but rather to intermediate development funds at the lowest cost, the IBRD has earned a net income every year since 1948.

IDA was established in 1960 to provide assistance to poorer developing countries that cannot meet the IBRD's near-commercial terms. IDA provides credits to the poorest countries –mainly those with an annual per capita gross national product of $785 or less (in 1996 U.S. dollars). By this criterion, about seventy countries are eligible.

All members of the IBRD are eligible to join IDA, and 159 have done so. Unlike the IBRD, most of IDA's funds are contributed by its richer members, although some developing countries contribute to IDA as well. In addition, IDA receives transfers from the net earnings of the IBRD and repayments on its credits.

IDA credits are made only to governments. The repayment period is thirty-five to forty years. Credits carry no interest, but there is a commitment charge, which is set annually, within a range of 0 - 0.5 percent of the undisbursed balance; the commitment charge is currently set at zero percent. Although IDA is legally and financially distinct from the IBRD, it shares the same staffs and the projects it supports have to meet the same criteria as do projects supported by the IBRD.

Under its Articles of Agreement, the World Bank cannot allow itself to be influenced by the political character of a member country: only economic considerations are relevant. To ensure that its borrowers get the best value for the money they borrow, Bank assistance is untied and may be used to purchase goods and services from any member country.

The IFC established in 1956, helps promote private sector growth in developing countries and helps mobilize domestic and foreign capital for this purpose. It has 172 members. Legally and financially the IFC and the World Bank are separate entities, and the IFC has its own operating and legal staff. It draws upon the World Bank for administrative and other services, however.

The IFC provides loans and makes equity investments in support of projects. Unlike most multilateral institutions, the IFC does not accept government guarantees for its financing. Like a private financial institution, the IFC seeks profitable returns and prices its finance and service, to the extent possible, in line with the market while taking into account the cost of its funds. The IFC shares full project risks with its private sector partners. The IFC issues its own annual report.

ICSID was established in 1966 to help promote international investment. It does this by providing facilities for the settlement, by conciliation and arbitration, of disputes between foreign investors and their host countries. Provisions referring to arbitration under the auspices of ICSID are a common feature of international investment contracts, investment laws, and bilateral and multilateral investment treaties. ICSID has 127 members. In addition to its dispute-settlement activities, ICSID undertakes research, advisory services and publishing in the fields of arbitration and investment law. Its publications include multivolume collections of "Investment Laws of the World" and "Investment Treaties" and the semi-annual "ICSID Review - Foreign Investment Law Journal." ICSID issues its own annual report, which may be obtained from the ICSID Secretariat.

MIGA was established in 1988 to promote the flow of foreign direct investment in member countries. It does this by providing guarantees to private investors against major political risks and offering investment marketing services to host governments to help them attract foreign investment.

MIGA is an independent self-supporting agency of the World Bank Group. Like the IFC, it has its own capital base and country membership, but it shares the World Bank's development mandate to promote the economic growth of its developing member countries.

MIGA has 141 members. MIGA issues its own annual report, which may be obtained from its Office of Central Administration. MIGA's activities fall under the jurisdiction of the Compliance Advisor/Ombudsman (CAO) office, an internal World Bank Group body charged with assisting MIGA and IFC Management to improve their environmental and social performance and resolve problems related to the impacts of their projects on affected populations.

The Bank Group is governed by the Board of Governors, which meets once a year at the Annual Meetings. The Board of Governors is composed of high government officials from each member government. For ongoing governance, the Board delegates its authority to a smaller group of Executive Directors. The Executive Directors are based in Washington, and meet regularly to provide overall direction to the Bank Group. Management of the World Bank is delegated to the President of IBRD and IDA and IFC, the Executive Vice President of IFC, and the Executive Vice President of MIGA.

5.2 Recommendations

The United Nations and its related family of institutions have contributed to global policy making on a wide range of social and economic issues. But sixty years later, with worsening poverty and a deepening environmental crisis, the global economic system and the UN's capacity seem tragically flawed. Fundamental change is urgent to assure the future of human life on the planet.

There is enough food in the world for every person to lead a healthy and productive life, but hundreds of millions of people go to bed hungry every night, while large numbers of others suffer from obesity. The UN's Millennium Development Goals set forth a target of halving the proportion of hungry people by the year 2015. Political leaders of virtually every country have endorsed this goal, but implementation is sorely lacking .The Specialized Economic Organizations exert a great deal of power in the globalized world economy. If the activities of the organizations are honestly implemented then that problem can be solved in many angles.

One of the worst effects of Globalization is that it causes a race to the bottom on wages and working conditions around the world. Working together we can build an alternative global economy and the 'Bridge' of this bondage are the specialized economic organizations.

Currently, the rules of the global economy are written by various institutions. Such as World Bank Groups, World Trade Organizations and the IMF. These institutions have written global policy with input mainly from multinational corporations and very little input from citizens. But the citizens can and should play an active role in shaping the future of our global economy. For this purpose the specialized economic organizations of the U.N. should have to write the global policy with input mainly from citizens.

From the economic and social point of view, during the three decades following the United Nations' creation, economic growth generated full employment and growing prosperity and facilitated the acquisition of social rights in the North, while there was steady development in many countries of the South .For removing this problem some policy were adopted such as, the International Development Strategy, aid targets, preferential treatment and non-reciprocity in trade negotiations. But those cannot reach its goal. That's why a number of new principles, framework, guidelines and benchmarks for international co-operation for development should have to be adopted. Besides this for implementing those policies mandatory provisions should be attributed.

To assist the Organization's central role in the economic field is not just a matter of nostalgia for democracy, or misplaced romanticism in a world of hard bargaining and power politics, or indeed excessive constitutionalism in interpreting the UN Charter. An integrated and coordinated approach to global economic matters, derived from democratic deliberations, is a necessity in an increasingly interdependent but unstable global community.

For international co-operation the UN was supposed to "employ international machinery" and this included all the specialized agencies, including the World Bank. But the United Nations has not yet been allowed to assume the full range of powers and functions provided for it in the Charter. A key step in any programme of reform of the UN System must therefore be to equip the United Nations to undertake its holistic role as provided for in the Charter. To achieve effective co-ordination of UN activities and policies with those of the specialized economic agencies, must be brought within the fold of the United Nations, such that they become accountable to the UN and function within the framework of policies and strategies laid down by the policy organs of the United Nations.

It is essential to prevent any further erosion of the UN's mandate, institutional capacities and democratic character. The Organization must be enabling to respond more adequately to increasingly complex global challenges, and thereby to fulfil the mission inherent in its mandate.

In the paragraph below, policy objectives are outlined with a view to re-invigorating the UN and restoring to is rightful functions and a central place in international affairs.

Images

Distorted images of the UN and bad publicity have harmed the institution and have deprived it of public support. It is essential that the UN be better explained to give the public a better understanding concerning what the Organization does and how and what it can and cannot do. This requires a substantial public informant and education programme about its functions and processes, successes and failures.

Finance

The financing of its weakest spot.. Because the UN does not command adequate funding to perform its various tasks successfully, its performance suffers which, in turn, gives rise to dissatisfaction. Dependence on a few major contributors exposes the Organization to increasing pressures, erodes its intellectual freedom and subjects the Organization to the fiat of a few powerful and wealthy countries .To be revitalized, it is essential that funding commensurate with the desired functions and tasks be made available, but in a manner that does not hold it to ransom. There must also be more efficient use of existing resources.

Staff

A high-quality, motivated staff inspired by the Organization's goals and mission is a key requirement for the UN. Without this, it will be unable to perform various tasks effectively or exert the necessary drive. Sustained efforts are needed to rekindle a sense of public service in the international civil service and to restore its leadership role in global affairs.

"Getting the social relations right" is no panacea for development- no magic poverty – reducing bullet. Enabling social and economic policy environments remain equally important, as do technical expertise and quality. Building positive forms of social capital is, however, a very important dimension of the challenge of development: to understand and strengthen the social foundations of sustainability. The challenge lies at the core of the future social development agenda.

The World Bank must:

(a) Radically cut the number of binding and non-binding conditions attached to their lending .The World Bank in particular must stop its tendency to micro-manage reform in poor countries.

(b) Immediately stop imposing controversial economic policy conditions which push privatisation and trade liberalization related reforms, even if these are contained in nationally owned poverty reduction papers.

(c) Ensure that any conditions focus only on fundamental fiduciary concerns which enhance developing countries citizens ability to hold their governments to account, rather than developing countries accountability to the Bank.

Global inequalities were highlighted by the prolonged ideological, political, and military contest known as the Cold War. By the end of World War II, the dominant powers were the US and the Soviet Union. The United Nations, created in April 1945 in San Francisco, provided a forum for meetings between the major powers and all other independent states, but real power remained with the richest states. Even in the UN, the US, the Soviet Union, France, Great Britain, and China (first Taiwan and later the Peoples Republic on the mainland) got the right, as permanent members of the Security Council, to veto substantive proposals. That process should be abolished for following economic equality in every sector by the specialized economic organizations.

CHAPTER SIX

CONCLUSION

"Our dream is a world free of poverty" - sign at the entrance to the World Bank's Headquarters in Washington, D.C., which is basically the dream of the United Nations (UN). To achieve the goal expressed in the above mentioned sign, the UN became the first and leading organization in the world history to give some form of political representation to all regions of the world. As a result, in 1945 to the inception, 50 countries came together to write the Charter of the UN, whereas the number of the member countries was rapidly raised to 191 in 2003.

In a powerful and influential critique of post-war development policy, Arturo Escobar (1995) argues that the development discourse began in 1949 with President Truman's inaugural Presidential address in which he enunciated large-scale support for development. This perspective usefully alerts us to the role of external powers in constructing development and the importance of the international political climate. Escobar's view is, however, a limited one since it removes autonomy from developing countries, and makes them solely passive recipients of Western policy.

The World Bank is one of the central pillars in the global economy and has been called the *"architects of the world economy."* The IMF and World Bank were originally established at the Bretton Woods Conference in 1944. They were mainly funded by the United States to re-build the shattered world economy after it broke down during the Great Depression of the 1930s and World War II.

Although the United Nations appeared to be the embodiment of a genuinely democratic and multilateral world in the making, it was dominated by an executive (the Security Council), whose members (with the exception of the U.S.S.R.) were largely beholden to the United States. The UN was, moreover, financially dependent on the United States, as were most of its member nations, making it largely an instrument to make the world over in the image of America. This quintessentially capitalist nation and the principles that it stood for were to be the model for the new world in the making, and U.S. dominance in supranational agencies and institutions remains to this day.

Within a decade after 1945, the main elements of a framework of a supranational regime of accumulation, albeit dominated by the United States, had been established. There were the principles of liberal democracy ensconced in the United Nations, Marshall Aid for reconstruction, the IMF, World Bank, and GATT to regulate and liberalize world trade, incipient common markets promoted everywhere, and U.S. military control and influence throughout the world. All these facets of the post-war world order were progressively realized and operative by the end of the 1960s. A foundation had been laid for the regulation of multinational corporations that in principle transcended bilateral or multilateral relations between nation-states. This global regulatory regime was an essential precondition, a necessary and complementary part of the trans-national corporation and the process of globalization.

In this period of transition to a world economy, all political parties in the industrial nations, including those whose tendency is social-democratic, are confronted with the tasks of managing a capitalist economy, now no longer national, with only the tools of the moribund national state. Given this predicament, most parties in the West coming into power since the mid-1970s have pursued more or less similar policies - policies reflecting the demands of internationalized capital, yet at the same time spelling out the conditional end of the nation-state and its associated political alternatives and social reforms.

The conditions that gave rise to the welfare state are being eroded or transformed. The nation-state is losing its raison d'etre, that is, capital with a national identity; there is a decline in "returns" from the Third World; a continuous revolutionary restructuring of industry is creating weakened trade union movements, a levelling of social strata, and a growth in long-term unemployment; and the consequent changes in the tax-base and growing social needs are increasing state indebtedness. Since the 1970s, when the People's Republic of China shifted to the "capitalist road," and since the early 1990s, when the U.S.S.R. collapsed from its own bureaucratic weight, the threat of socialism in the world, let alone in the West, has been minimized.

The debate on globalization started in the mid-1980s and continued the discussion on internationalization and trans-nationalization from the 1970s. In a similar fashion globalization was used to describe the processes whereby former national economies were gradually opened to competition, information, technology, capital – and people.
The critics argue that globalization has integrated the élites of developing countries into the global system (sixties radicals would have called them the *comprador bourgeoisie*). The élites pay more attention to the needs of wealthy outsiders than to the needs of their own people. In the Philippines context, critics argue that free market ideology and neoliberal policies have enriched the élites while sinking the poor into an ever-deepening black hole of poverty, hunger, and degradation.

Globalization has been closely linked to economic growth. Between 1950 and 1973, global GDP grew at about 4.91 per cent per year before falling to the still respectable rate of 3.01 per cent after 1973. In just under fifty years, global GDP multiplied by more than six times. There were many causes of growth. In the capitalist world, the dominant powers, above all the US, learned the lesson of Big Era Eight: ruthless competition and severe breakdown of global trade can stifle growth. The major capitalist powers deliberately engineered a revival of world trade after World War II, focusing primarily on Europe and Japan. The US pumped huge amounts of money into the reconstruction of both regions, and the major states collaborated to create an international financial system linked to the United Nations. Its aim was to help finance reconstruction and modernization throughout the world.

The activities of the World Bank is theoretically perfect but when attention will go to its materialization procedure then it is noticeable factor that in practice World Bank does a little bit for the development of least developed and developing countries. The functions of World Bank are dominated by the developed countries in which the developing and least developed countries are no more than orderlies to follow the decisions and orders of the developed countries.

CHAPTER SEVEN

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CHAPTER EIGHT

APPENDIX

The list of IBRD members is given below:

Member	Dated of Membership
Afghanistan	Jul 14, 1955
Albania	Oct 15, 1991
Algeria	Sep 26, 1963
Angola	Sep 19, 1989
Antigua and Barbuda	Sep 22, 1983
Argentina	Sep 20, 1956
Armenia	Sep 16, 1992
Australia	Aug 5, 1947
Austria	Aug 27, 1948
Azerbaijan	Sep 18, 1992
Bahamas, The	Aug 21, 1973
Bahrain	Sep 15, 1972
Bangladesh	Aug 17, 1972
Barbados	Sep 12, 1974
Belarus	Jul 10, 1992
Belgium	Dec 27, 1945
Belize	Mar 19, 1982
Benin	Jul 10, 1963
Bhutan	Sep 28, 1981
Bolivia	Dec 27, 1945

Bosnia and Herzegovina	Feb 25, 1993
Botswana	Jul 24, 1968
Brazil	Jan 14, 1946
Brunei Darussalam	Oct 10, 1995
Bulgaria	Sep 25, 1990
Burkina Faso	May 2, 1963
Burundi	Sep 28, 1963
Cambodia	Jul 22, 1970
Cameroon	Jul 10, 1963
Canada	Dec 27, 1945
Cape Verde	Nov 20, 1978
Central African Republic	Jul 10, 1963
Chad	Jul 10, 1963
Chile	Dec 31, 1945
China	Dec 27, 1945
Colombia	Dec 24, 1946
Comoros	Oct 28, 1976
Congo, Democratic Republic of	Sep 28, 1963
Congo, Republic of	Jul 10, 1963
Costa Rica	Jan 8, 1946
Cote d'Ivoire	Mar 11, 1963
Croatia	Feb 25, 1993
Cyprus	Dec 21, 1961
Czech Republic	Jan 1, 1993
Denmark	Mar 30, 1946
Djibouti	Oct 1, 1980

Dominica	Sep 29, 1980
Dominican Republic	Dec 28, 1945
Ecuador	Dec 28, 1945
Egypt, Arab Republic of	Dec 27, 1945
El Salvador	Mar 14, 1946
Equatorial Guinea	Jul 1, 1970
Eritrea	Jul 6, 1994
Estonia	Jun 23, 1992
Ethiopia	Dec 27, 1945
Fiji	May 28, 1971
Finland	Jan 14, 1948
France	Dec 27, 1945
Gabon	Sep 10, 1963
Gambia, The	Oct 18, 1967
Georgia	Aug 7, 1992
Germany	Aug 14, 1952
Ghana	Sep 20, 1957
Greece	Dec 27, 1945
Grenada	Aug 27, 1975
Guatemala	Dec 28, 1945
Guinea	Sep 28, 1963
Guinea-Bissau	Mar 24, 1977
Guyana	Sep 26, 1966
Haiti	Sep 8, 1953
Honduras	Dec 27, 1945
Hungary	Jul 7, 1982

Iceland	Dec 27, 1945
India	Dec 27, 1945
Indonesia	Apr 15, 1954
Iran, Islamic Republic of	Dec 29, 1945
Iraq	Dec 27, 1945
Ireland	Aug 8, 1957
Israel	Jul 12, 1954
Italy	Mar 27, 1947
Jamaica	Feb 21, 1963
Japan	Aug 13, 1952
Jordan	Aug 29, 1952
Kazakhstan	Jul 23, 1992
Kenya	Feb 3, 1964
Kiribati	Sep 29, 1986
Korea, Republic of	Aug 26, 1955
Kosovo	**Jun 29, 2009**
Kuwait	Sep 13, 1962
Kyrgyz Republic	Sep 18, 1992
Lao People's Democratic Republic	Jul 5, 1961
Latvia	Aug 11, 1992
Lebanon	Apr 14, 1947
Lesotho	Jul 25, 1968
Liberia	Mar 28, 1962
Libya	Sep 17, 1958
Lithuania	Jul 6, 1992
Luxembourg	Dec 27, 1945

Macedonia, FYR of	Feb 25, 1993
Madagascar	Sep 25, 1963
Malawi	Jul 19, 1965
Malaysia	Mar 7, 1958
Maldives	Jan 13, 1978
Mali	Sep 27, 1963
Malta	Sep 26, 1983
Marshall Islands	May 21, 1992
Mauritania	Sep 10, 1963
Mauritius	Sep 23, 1968
Mexico	Dec 31, 1945
Micronesia, Federated States of	Jun 24, 1993
Moldova	Aug 12, 1992
Montenegro	Jan 18, 2007
Mongolia	Feb 14, 1991
Morocco	Apr 25, 1958
Mozambique	Sep 24, 1984
Myanmar	Jan 3, 1952
Namibia	Sep 25, 1990
Nepal	Sep 6, 1961
Netherlands	Dec 27, 1945
New Zealand	Aug 31, 1961
Nicaragua	Mar 14, 1946
Niger	Apr 24, 1963
Nigeria	Mar 30, 1961
Norway	Dec 27, 1945

Oman	Dec 23, 1971
Pakistan	Jul 11, 1950
Palau	Dec 16, 1997
Panama	Mar 14, 1946
Papua New Guinea	Oct 9, 1975
Paraguay	Dec 28, 1945
Peru	Dec 31, 1945
Philippines	Dec 27, 1945
Poland	Jan 10, 1946
Portugal	Mar 29, 1961
Qatar	Sep 25, 1972
Romania	Dec 15, 1972
Russian Federation	Jun 16, 1992
Rwanda	Sep 30, 1963
Samoa	Jun 28, 1974
San Marino	Sep 21, 2000
Sao Tome and Principe	Sep 30, 1977
Saudi Arabia	Aug 26, 1957
Senegal	Aug 31, 1962
Serbia and Montenegro	Feb 25, 1993
Seychelles	Sep 29, 1980
Sierra Leone	Sep 10, 1962
Singapore	Aug 3, 1966
Slovak Republic	Jan 1, 1993
Slovenia	Feb 25, 1993
Solomon Islands	Sep 22, 1978

Somalia	Aug 31, 1962
South Africa	Dec 27, 1945
Spain	Sep 15, 1958
Sri Lanka	Aug 29, 1950
St. Kitts and Nevis	Aug 15, 1984
St. Lucia	Jun 27, 1980
St. Vincent and the Grenadines	Aug 31, 1982
Sudan	Sep 5, 1957
Suriname	Jun 27, 1978
Swaziland	Sep 22, 1969
Sweden	Aug 31, 1951
Switzerland	May 29, 1992
Syrian Arab Republic	Apr 10, 1947
Tajikistan	Jun 4, 1993
Tanzania	Sep 10, 1962
Thailand	May 3, 1949
Timor-Leste	Jul 23, 2002
Togo	Aug 1, 1962
Tonga	Sep 13, 1985
Trinidad and Tobago	Sep 16, 1963
Tunisia	Apr 14, 1958
Turkey	Mar 11, 1947
Turkmenistan	Sep 22, 1992
Uganda	Sep 27, 1963
Ukraine	Sep 3, 1992
United Arab Emirates	Sep 22, 1972

United Kingdom	Dec 27, 1945
United States	Dec 27, 1945
Uruguay	Mar 11, 1946
Uzbekistan	Sep 21, 1992
Vanuatu	Sep 28, 1981
Venezuela, Republica Bolivariana de	Dec 30, 1946
Vietnam	Sep 21, 1956
Yemen, Republic of	Oct 3, 1969
Zambia	Sep 23, 1965
Zimbabwe	Sep 29, 1980
Total	**186**