



World Bank & Co. Are Development Banks still Relevant?

Workshop, April 2014

WU (Vienna University of Economics and Business)



The World Bank Group – Governance Structures and Shareholder Interests

Gerhard Gunz

former

Advisor to Executive Director, World Bank

World Bank & Co. – Are Development Banks still Relevant?

April 2014

The views and interpretations expressed in this presentation are entirely those of the author. They do not necessarily represent the views of - and should not be attributed to - any former or current employer.”

The World Bank

International Bank for Reconstruction and Development (IBRD)

- founded July 1944
- Bretton Woods, New Hampshire



Its mission?

- To rebuild Europe after World War II

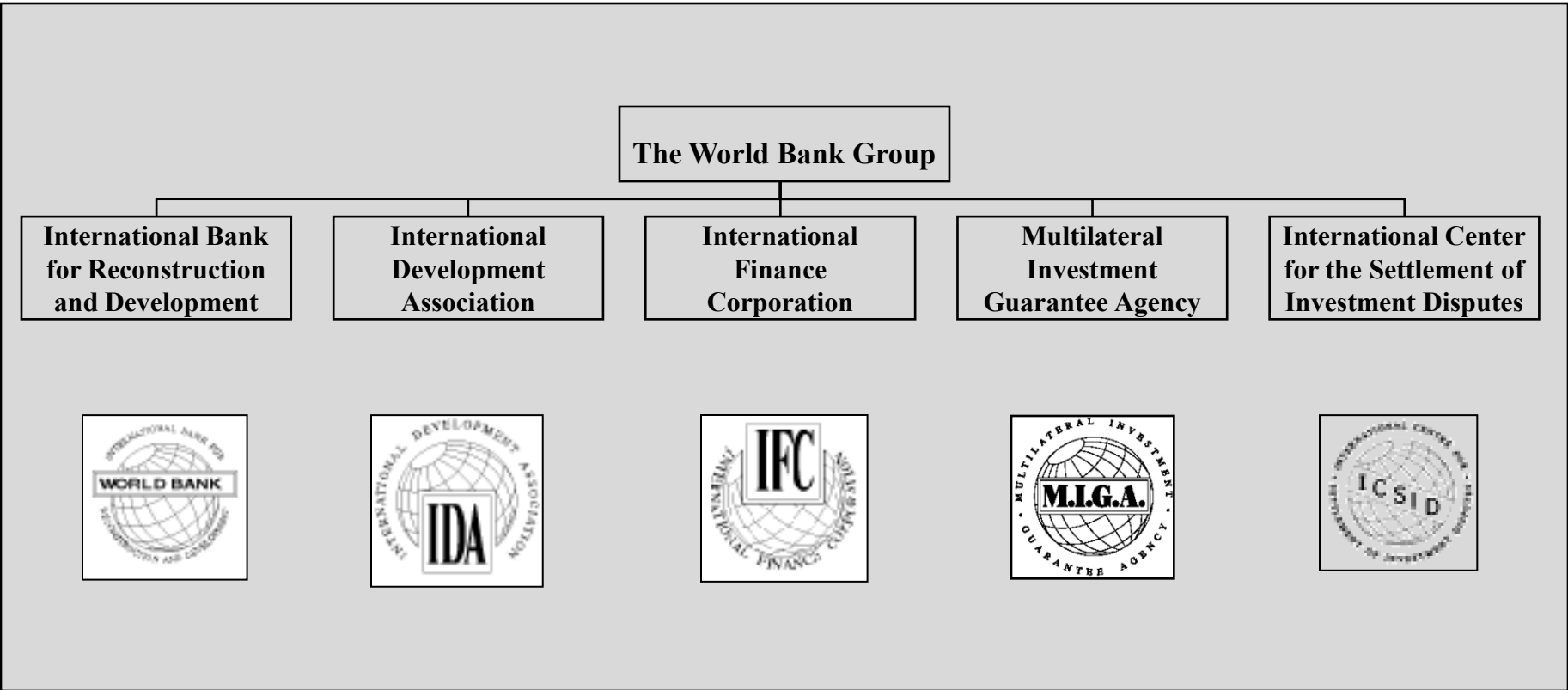


Today, ...

- “Ending Extreme Poverty” & “Boosting Shared Prosperity”
- Providing over \$50 billion in Fiscal Year 2013 in loans & other forms of assistance to developing countries
- Working in more than 100 developing economies



The World Bank Group Structure



Source: Presentation EDS10 Constituency, World Bank

International Bank for Reconstruction and Development (IBRD)



- Established 1944
- 188 Member Countries
- Fiscal Year 2013 Lending: \$15.2 bn (vs. \$20.6 billion in FY12)
- Investment Loans as well as Development Policy Loans (budget support)
- Other instruments: guarantees, and analytical and advisory services to middle-income countries and creditworthy poorer countries
- Voting power is linked to members' capital subscriptions, which in turn are based on each country's relative economic strength
- IBRD has a AAA bond rating which enables it to borrow in capital markets at low cost and to offer clients good borrowing terms
- IBRD seeks not to maximize profit but to earn enough income to ensure its financial strength and sustain its development activities

International Development Association (IDA)



- Established 1960
- 172 Member Countries
- Fiscal 2013 Lending/Grants: \$16.3 bn (vs. \$14.7 billion in FY12)
- IDA is the largest source of concessional financial assistance for the world's 82 poorest countries
- IDA offers grants and concessional, interest-free loans (called “development credits”) with longer maturities and grace periods
- Helps support country-led poverty reduction strategies in key policy areas, including raising productivity, providing accountable governance, improving the private investment climate, and improving access to education and health care

International Financial Corporation (IFC)



- Established 1956
- 184 Member Countries
- Fiscal 2013 figures: \$25.00 billion committed (own funds and funds mobilized through syndications and structured finance)
- Promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives
- Largest multilateral source of loan and equity financing for private sector projects in the developing world
- Provides equity, long-term loans, structured finance and risk management products, and technical assistance and advisory services to its clients

Multilateral Investment Guarantee Agency (MIGA)

- Established 1988
- 180 Member Countries
- Fiscal Year 2013 Guarantees Issued: \$2.8billion
- Austrian banks are major clients!
- Helps encourage foreign investment in developing countries by providing guarantees to foreign investors against losses caused by non-commercial/political risks, such as expropriation, currency inconvertibility and transfer restriction, breach of contract, war, and civil disturbance
- Provides advisory services to help countries attract and retain foreign investment
- Mediates investment disputes to keep current investments intact and remove possible obstacles to future investment

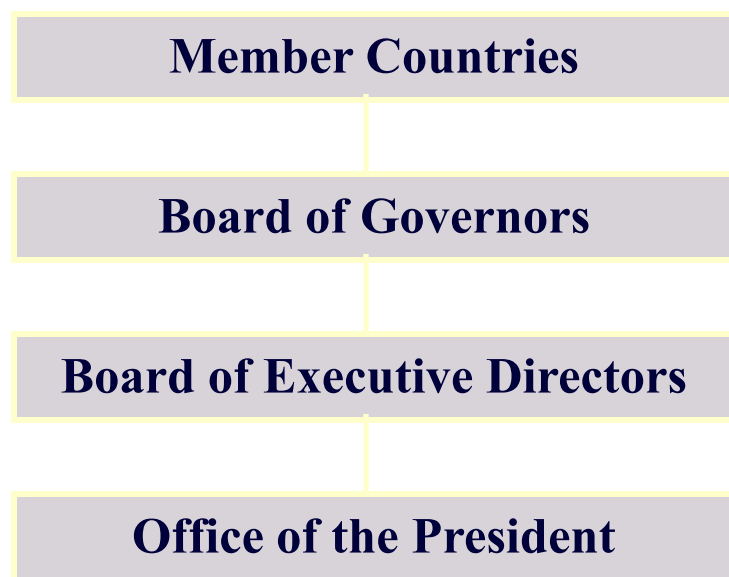


The International Center for the Settlement of Investment Disputes (ICSID)

- Established 1966
- 150 Member Countries
- Helps encourage foreign investment by providing international facilities for conciliation and arbitration of investment disputes between foreign investors and their host countries
- Conducts research and publishes activities in the areas of arbitration law and foreign investment law



Who Runs the World Bank?



- Each member nation appoints a Governor & Alternate Governor (Ministers) – decisions of fundamental importance (e.g. net income allocation, new members, changes to Articles)
- Executive Directors approve loans/transactions, discuss country strategies, elect President
- The President reports to and chairs Board of Directors meetings, heads staff, runs day to day business

Board of Executive Directors



- Every Government of the World Bank Group is represented at the Bank's HQ in Washington, D.C., by an Executive Director
- The five (currently six) largest shareholders— US, Japan, China, Germany, France, the UK — each appoint an Executive Director
- Other member countries are represented by 19 Executive Directors who are elected by constituencies

Office of the Executive Director for Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey

**Executive Director
BELGIUM**



Nov. 1, 2012 to Oct. 31, 2014



**Alternate Executive Director
TURKEY**



Senior Advisor
AUSTRIA



Senior Advisor
CZECH REPUBLIC



Senior Advisor
HUNGARY



Advisor
BELARUS



Advisor
BELGIUM



Advisor
BELGIUM



Advisor
SLOVENIA



Advisor
TURKEY



Advisor Positions, IMF

Source: Presentation EDS10 Constituency, World Bank

AUSTRIA and the World Bank Group

Date of Membership and Voting Power

(as of February 2014)

Organization	Date of Membership	Voting Power (Percent of Total)
IBRD	August 27, 1948	0.69
IDA	June 28, 1961	0.81
IFC	September 28, 1956	0.82
MIGA	December 16, 1997	0.73
ICSID	June 24, 1971	



Voice and Participation Reform Effect on Austria

- Voice Reform decided at the 2010 Development Committee
- Increase voting power of DTCs by 3.13% to 47.13 %
- Further reviews will take place every five years

Voting Power as share of total	Pre-Voice Reform	Post-Voice Reform
IBRD	0.70%	0.63%
IFC	0.83%	0.76%