



An Introduction to the World of Development Banks

Workshop, May 2013

WU (Vienna University of Economics and Business)



The World Bank Group – Governance Structures and Shareholder Interests

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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

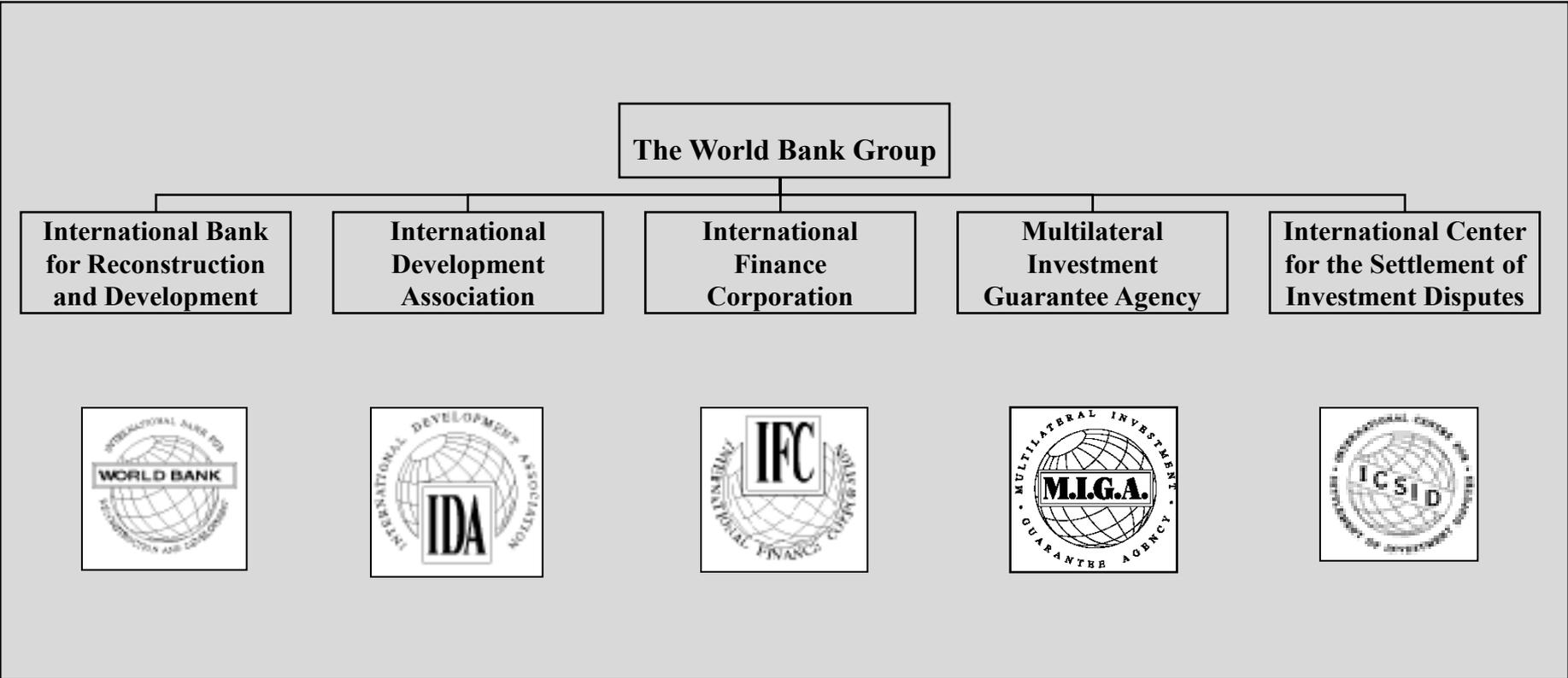


Today, ...

- Mission: “A World Free of Poverty”
- One of the world's largest sources of development assistance
- Providing about \$52.6 billion in Fiscal Year 2012 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 2012 Lending: \$20.6 billion
- 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 2012 Lending/Grants: \$14.7billion
- IDA is the largest source of concessional financial assistance for the world's 81 poorest countries (annual per capita GNI of up to \$1,175)
- IDA offers grants and concessional, interest-free loans (called “development credits”) normally repayable within 35-40 years including a 10-year grace period
- 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 2012 figures: \$15.00 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
- 178 Member Countries
- Fiscal Year 2012 Guarantees Issued: \$2.3billion
- 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
- 147 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 and an Alternate Governor
- The Governors delegate most duties to Executive Directors
- The President of the World Bank reports to the Board of Executive Directors

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 largest shareholders—France, Germany, Japan, the UK, and the US — each appoint an Executive Director
- Other member countries are represented by 20 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 August 2012)

Organization	Date of Membership	Voting Power (Percent of Total)
IBRD	August 27, 1948	0.68
IDA	June 28, 1961	0.77
IFC	September 28, 1956	0.82
MIGA	December 16, 1997	0.74
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%

The World Bank Group – Governance Structures

- ▶ „Written constitution“ not entirely reflecting „real-life“ practice
 - ▶ Imbalance of access to information between Management and Board of Directors
 - ▶ Much leeway for Management as regards timing of Board discussions, discussion format, mode of presentation, order of agenda items (reactive role of Board)
 - ▶ Other international fora at times setting the tone (G-8, G-20)
 - ▶ Tendency to add new bodies (IDA Deputies, IDA Deputies Working Groups, Development Committee) while leaving existing ones unchanged
 - ▶ Size of Board (25 Directors) and other bodies as an obstacle to in depth discussions



The World Bank Group – Governance Structures

- ▶ Formal voting not common in Board of Directors
- ▶ Background of Board members not necessarily perfect mix
- ▶ Capacity constraints in small member countries – limited participation
- ▶ Close contacts between influential member countries and top management
- ▶ More direct involvement of capitals in general given new channels of communication



Much discussion going on in informal/semi-formal settings between Management and individual shareholders



The World Bank Group – Governance Structures

- ▶ The current governance structure is
 - ▶ still „fairly“ inclusive while at the same time „fairly“ functional
 - ▶ enables - relatively - un-politicized discussions

- ▶ However, it is also
 - ▶ quite complex and expensive
 - ▶ gives Management much space for manoeuvre
 - ▶ facilitates a tendency to shift discussions to informal/less inclusive settings

