

The World Bank's role in international development

What is the World Bank?

The World Bank was created in 1946 to help rebuild countries devastated by World War II. Over time, its focus shifted from reconstruction to development. The Bank is based in Washington DC and its stated mission is to end extreme poverty and build shared prosperity. It is made up of five constituent institutions, the two development-focused ones being the International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA).

The IBRD and IDA provide loans at preferential rates to member countries, as well as grants to the poorest countries. Loans or grants for specific projects are often linked to wider policy changes in the sector or the country's economy.

The International Development Association (IDA)

The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. Overseen by 173 shareholder nations, IDA [aims to reduce poverty](#) by providing loans and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions. IDA complements the World Bank's original lending arm, the IBRD, which provides loans and advice to middle-income and credit-worthy poor countries.

IDA is one of the largest sources of assistance for the world's 75 poorest countries, and is the single largest source of donor funds for basic social services in these countries. IDA supports a range of development activities including primary education, basic health services, clean water and sanitation, agriculture, business, infrastructure, and institutional reforms.

As with other multilateral institutions, the IDA periodically needs replenishing, with the current funding period being 2017-20. During this period, the UK committed over £2.5 billion to IDA, making it the single largest funder. IDA will require further replenishment in December 2019.

What about debt owed by poor countries?

As well as making grants, IDA lends money on concessional terms. This means that IDA credits have a zero or very low interest charge and repayments are stretched over 30 to 38 years. IDA also provides grants to countries at risk of 'debt distress'. In addition to concessional loans and grants, IDA provides debt relief through the [Heavily Indebted Poor Countries \(HIPC\) Initiative](#) and the [Multilateral Debt Relief Initiative \(MDRI\)](#).

Long-standing campaigners may remember concerns over many years about poor countries becoming heavily indebted to richer countries and international institutions, and having to make interest payments at the expense of providing basic services. These debt relief mechanisms were created in response to those concerns, and following the Make Poverty History campaign in 2005, large-scale debt write-off enabled some countries to provide free education and healthcare for the first time.

There is once again concern about rising levels of debt among countries no longer eligible for support from multilateral institutions. You can find out more from the [Jubilee Debt Campaign](#) and the [Bretton Woods Project](#).

Why advocate at the World Bank?

The World Bank's mission includes two ambitious goals by 2030, approved in April 2013, that align with RESULTS' priorities: to end extreme poverty, and to promote shared prosperity by fostering the income growth of the poorest 40% in every country.

The Bank is a powerful institution due to the resources it provides for development (it is the largest single source of finance for development in the world), and its influence over the policies of member countries.

RESULTS and our partners around the world have worked together to influence the World Bank for many years. The Bank has made a number of changes which show the impact of our sustained advocacy through:

- The adoption of strong language in emphasizing poverty reduction
- Increased funding by the Bank over the years for basic education, basic health and other poverty-reduction programmes, and
- Improved reporting on investments and impact.

What is the UK's role at the Bank?

As a major donor, the UK has permanent representatives on the World Bank's Board of Governors (currently Secretary of State for International Development Penny Mordaunt) and on its Executive Board (UK Executive Director Richard Montgomery, a senior DFID civil servant). The UK therefore has a major role not only as a significant funder, but in helping to decide the investment priorities and development approaches of the Bank as a whole, including IDA and IBRD.