

## The World Bank

The World Bank, the oldest and largest multilateral development bank, provides financial assistance to developing countries to promote economic development. Established in 1945, the Bank initially focused on providing financing for large infrastructure projects. During the past 75 years, its role has broadened to include poverty reduction efforts through social projects (such as education and health) and policy-based loans. The World Bank is currently focused on helping developing countries respond to the health and economic consequences of the COVID-19 pandemic.

### Structure and Governance

The World Bank has two major lending “windows” or “facilities.” The **International Bank for Reconstruction and Development** (IBRD), created in 1945, provides loans, guarantees, risk management products, and advisory services to middle-income countries and some creditworthy low-income countries. The IBRD currently has 189 member countries. In 1960, at the suggestion of the United States, the **International Development Association** (IDA) was created to make concessional loans (with low interest rates and long repayment periods) to the poorest countries. IDA also now provides grants to these countries. IDA currently has 173 member countries.

The IBRD and IDA operate according to procedures established by their Articles of Agreement, documents that outline the conditions of membership and general principles of organization, management, and operations. The World Bank’s highest decisionmaking authority is the Board of Governors, which meets annually. Each member country is represented on the Board of Governors, usually by the finance minister or central bank governor. The U.S. governor is currently Treasury Secretary Steven Mnuchin.

The Board of Governors has delegated day-to-day authority over operational policy, lending, and other matters to the Board of Directors. There are 25 executive directors. The five largest Bank shareholders (China, France, Germany, the United Kingdom, and the United States) appoint their own executive director. Other member countries are represented by elected executive directors. The U.S. executive director is currently DJ Nordquist, previously at the Council of Economic Advisors, among other positions.

Board decisions are reached through voting. Each member country’s voting share is weighted on the basis of its financial contributions to the World Bank. U.S. voting power at the IBRD is 15.98% and at IDA is 10.20%. The United States has unique veto power over amendments to the IBRD Articles of Agreement, but the U.S. cannot unilaterally veto day-to-day decisions, such as the approval of individual projects.

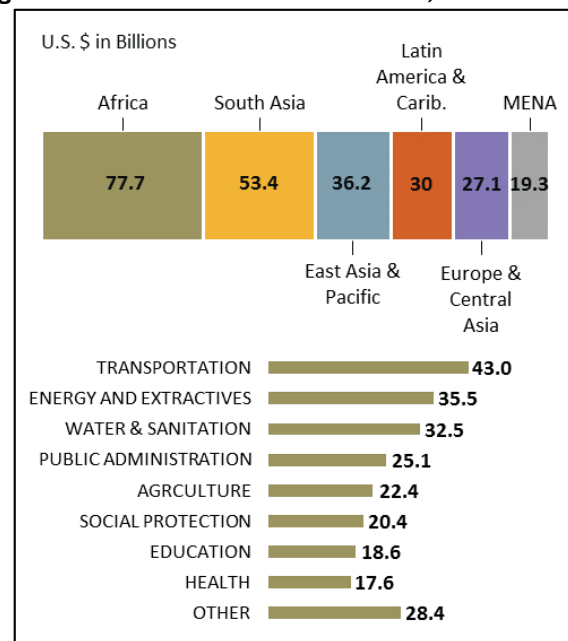
The president of the World Bank is selected by the Board of Directors for a five-year, renewable term. Traditionally, the Bank president has always been nominated by the United

States. David Malpass, previously the Under Secretary for International Affairs at the Department of the Treasury, was selected as the 13<sup>th</sup> World Bank president in April 2019. Headquartered in Washington, DC, the World Bank has more than 120 offices and 10,000 employees worldwide.

### Projects and Financing

The IBRD and IDA fund development projects around the world and in a variety of sectors (**Figure 1**). In terms of the World Bank’s active portfolio by region, Africa, South Asia, and East Asia and the Pacific are the top recipients. By sector, the World Bank has projects focused on transportation, energy, and water and sanitation, among others. The IBRD and IDA disbursed \$20.2 billion and \$17.5 billion, respectively, to developing countries in FY2019.

**Figure 1. World Bank Active Portfolio, FY2019**



**Source:** World Bank Annual Report 2019.

**Note:** MENA = Middle East and North Africa.

In April 2020, World Bank President Malpass committed \$160 billion over the next 15 months to support developing-country responses to COVID-19, more than double the amount committed by the World Bank overall in FY2019. By mid-September 2020, the World Bank had approved 130 COVID-related projects in 97 countries totaling \$5.8 billion.

The World Bank is able to extend financial assistance to developing countries due to the financial commitments of its more prosperous member countries. The IBRD borrows money from international capital markets and then relends the money to developing countries. The IBRD is able to borrow from international capital markets because it is

backed by the guarantees of member governments. The IBRD's total capital is \$280 billion. Most of the capital (\$263 billion) are guarantees from donor countries ("callable" capital) and a small portion (\$17 billion, about 6%) has been paid to the IBRD by donor countries ("paid-in" capital). The United States has the largest financial commitment to the IBRD, accounting for 16.57% of total IBRD resources. U.S. paid-in capital is \$2.9 billion and U.S. callable capital is \$43.5 billion. To date, the IBRD has never drawn on its callable capital. The IBRD earns income on its equity investments and the interest it charges on loans, which it uses to pay for World Bank operating expenses. The IBRD also annually transfers a portion of its net income to IDA.

IDA is able to provide low-cost loans and grants based on direct contributions by donor countries, in addition to the annual transfer from IBRD. IDA also started issuing its own bonds in 2018 as a new way to raise resources. As IDA extends concessional loans and grants to low-income countries, the window's resources become depleted. Donor countries meet every three years, to replenish resources. Across the 18 replenishments of resources since IDA's creation, donor countries have contributed \$258 billion to IDA. The United States has contributed \$53.2 billion, about 21% of the total. U.S. commitments to IDA have fallen in recent replenishment cycles, from \$3.9 billion in the 17<sup>th</sup> IDA replenishment (IDA-17) to \$3.3 billion in IDA-18 to \$3.0 billion in IDA-19.

## U.S. Policy

The United States has traditionally played a leadership role at the World Bank. Within the U.S. government, the Department of the Treasury is the lead agency in the executive branch managing U.S. participation in the World Bank.

Congress also shapes U.S. policy at the World Bank. Congress authorizes and appropriates U.S. financial commitments to the World Bank and, at times, has withheld funding unless certain reforms are completed. Congress has also passed legislation directing U.S. representatives at the World Bank and other international financial institutions (IFIs) to advocate and vote for specific policies, as well as legislation requiring reports from the Department of the Treasury on World Bank and other IFI issues. In addition, presidential appointments for the U.S. representatives at the World Bank (the governor, the executive director, and their alternates) require Senate confirmation.

For FY2021, the Administration requested authorization to vote in favor of a capital increase at the International Financial Corporation (IFC), a lending facility at the World Bank focused on private sector development, as well as authorization for \$3.0 billion for the U.S. contribution to IDA-19. In response to the overwhelming demand for World Bank assistance in response to COVID-19, Congress included these authorizations in the CARES Act (P.L. 116-136). The Administration has also requested for FY2021 \$206.5 million as the second of six installments for a capital increase at the IBRD, as well as \$1.0 billion for the first of three installments to IDA-19.

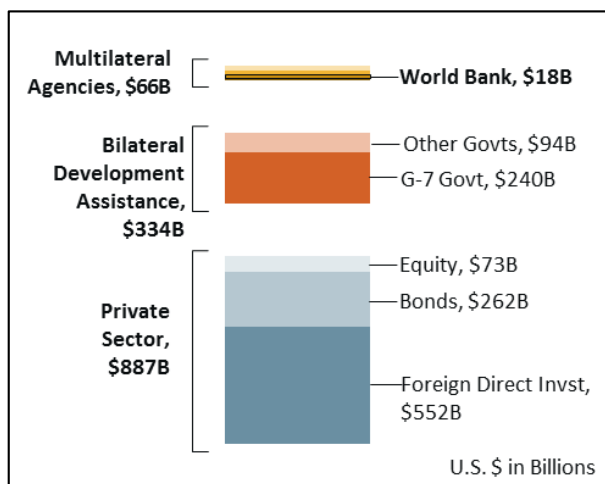
## Current Debates

As the World Bank mobilizes its resources in response to the COVID-19 pandemic, there are questions about whether

additional resources should be made available by donor countries, whether IBRD can stretch its current lending capacity, and whether the World Bank has sufficient staffing to process unprecedented volumes of lending. There are also potential tensions between the quick disbursement of funds and adequate safeguards to protect donor contributions, and questions about project prioritization. Legislation has been introduced urging U.S. leadership in the IFIs during the pandemic and additional steps that could be taken to bolster the IFI response (H.R. 6581, S. 3669, S. 4137).

There are also questions about how the World Bank will coordinate with other multilateral and bilateral donors. The World Bank was created to address shortages of capital for post-WWII Europe and developing countries, but in subsequent decades international capital markets developed and donor countries created new multilateral aid organizations. Today, the World Bank is a relatively small source of capital to developing countries (Figure 2).

**Figure 2. Select Capital Flows to Developing Countries**



**Sources:** OECD International Development Statistics, World Bank World Development Indicators.

**Notes:** 2017 data for net disbursements of official flows and net inflows of private capital. Bilateral development assistance includes OECD Development Assistance Committee (DAC) governments.

In recent years, debate has also focused on China's role at the World Bank, which may be amplified by policymaker concerns about China's handling of its early COVID-19 outbreak (H.R. 907). China is taking a greater leadership role at the World Bank, even while it continues to borrow from the World Bank. Legislation has been introduced that would push for China's graduation from its eligibility for World Bank assistance (H.R. 5051, S. 3017, S. 3018).

For more information, see CRS Report R41170, *Multilateral Development Banks: Overview and Issues for Congress*, by Rebecca M. Nelson and CRS Report R46342, *COVID-19: Role of the International Financial Institutions*, by Rebecca M. Nelson and Martin A. Weiss.

**Rebecca M. Nelson**, Specialist in International Trade and Finance

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.