The World Bank Building

The International Monetary Fund Building

The World Bank and the International Monetary Fund

Adriana Bugyiova

The World Bank and the International Monetary Fund are two major international financial institutions. Both were created after the *Bretton Woods Conference* in 1944, held at the Mount Washington Hotel in New Hampshire. The Conference was attended by over 700 delegates from all 44 Allied nations and its goal was to regulate the international monetary and financial order after the end of World War II. They officially formed in December 1945 in Washington, D.C., where both still have headquarters. Let's take a closer look at these two institutions to better understand their roles and involvement in world economic affairs.

The **World Bank** (WB) provides loans and technical assistance to developing countries around the world with the goal of reducing poverty. To accomplish this, it promotes foreign investment and international trade and facilitates capital investment. Given this objective, it makes sense that no wealthy country can borrow from the World Bank. The poorer the country, the more favourable the conditions under which it can borrow from the Bank. The WB is made up of two development institutions owned by 187 member countries: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD aims to reduce poverty in middle-income and credit-worthy poorer countries, while the IDA focuses on the world's poorest countries. Together, they provide low-interest loans, interest-free credits and grants to developing countries for a broad range of projects like investments in education, health, public administration, infrastructure, financial and private sector development, agriculture and environmental and natural resource management. Most of its financial resources are acquired by borrowing on the international bond markets and from grants by donor nations. The Bank employs a staff of over 10,000 with expertise in economics, engineering, urban planning, agronomics, statistics, law, and management, as well as experts in telecommunications, education, population and health care.

The **International Monetary Fund (IMF)**, for its part, is not a bank and does not intermediate between investors and recipients, although it has at its disposal resources valued at over $200 billion. These resources come from the 187 member countries, which pay membership fees based broadly on their relative size in the world economy. Its professional staff members (over 2,400) are for the most part economists and financial experts. In the IMF's own words, its goal is to "[foster] global monetary co-operation, [secure] financial stability, [facilitate] international trade, [promote] high employment and sustainable economic growth, and [reduce] poverty around the world" (IMF).

Broadly defined, the two institutions seem very similar. In fact, John Maynard Keynes, one of the founding fathers of the two institutions and a renowned economist of the twentieth century, admitted that he was confused by their names: he thought the Fund should be called a bank, and the Bank a fund (Driscoll). However,

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despite many similarities, the World Bank and the IMF are distinct. The fundamental difference lies in the fact that the World Bank is primarily a development institution for poor countries, whereas the IMF is a co-operative institution that maintains an orderly system of payments and receipts between all nations and protects international trade.

Thus, the WB borrows and lends, finances large-scale development projects and offers interest-free loans and grants for projects such as the West Africa Agricultural Productivity Program, where $84 million was allocated to the development and improvement of agricultural technologies. The IMF, on the other hand, seeks to ensure the world monetary system's stability by providing temporary financing to countries with balance-of-payment deficits. For example, the IMF has recently been in the spotlight for granting around €30 billion in bail-out loans to Greece in order to help the country deal with its excessive deficit and to restore international confidence in Greece's ability to repay its debt.

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Here are some additional distinctive features of both institutions (Driscoll):

The International Monetary Fund and the World Bank at a Glance

International Monetary Fund	World Bank
• assists all members – both industrial and developing countries – that find themselves in temporary balance of payments difficulties by providing short-to medium-term credits • supplements the currency reserves of its members through the allocation of SDRs (special drawing rights) • has at its disposal fully paid-in quotas now totalling SDR $204 billion • headed by Christine Lagarde	• assists developing countries through long-term financing of development projects and programs • provides to the poorest developing countries whose per capita GNP is less than $865 a year special financial assistance through the International Development Association (IDA) • encourages private enterprises in developing countries through its affiliate, the International Finance Corporation (IFC) • has an authorized capital of $276 billion • headed by Robert B. Zoelick

Nonetheless, the WB and IMF do collaborate regularly with the primary goal of raising the living standards of its member countries. They hold joint Annual Meetings of the Board of Governors, where member countries' views on current economics and finance issues are presented, and the IMF's Managing Director and the WB's President meet regularly to consult on major issues.

They also issue joint statements and occasionally write joint articles, and have visited several regions and countries together.

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Notes

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