



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. Congress appropriates U.S. financial contributions to the World Bank and exercises oversight of U.S. participation in the Bank.

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 decision-making 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 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.

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 15.77% and at IDA is 9.96%. 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.

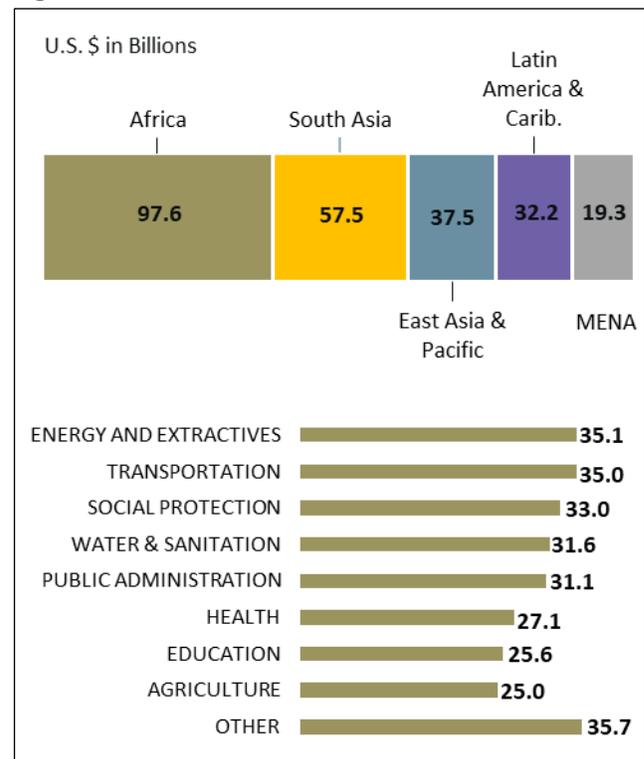
The president of the World Bank is selected by the Board of Directors for a five-year, renewable term. Traditionally, the Bank president has always been nominated by the United States. David Malpass, previously the Under Secretary for International Affairs at the Department of the Treasury, was selected as the 13th 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 \$23.7 billion and \$23.0 billion, respectively, to developing countries in FY2021.

Figure 1. World Bank Active Portfolio, FY2021



Source: World Bank Annual Report 2021.

Note: MENA = Middle East and North Africa.

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 \$298 billion. Most of the capital (\$279 billion) are guarantees from donor countries (“callable” capital) and a small portion (\$19.2 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 16.67% of total IBRD resources. U.S. paid-in capital is \$3.3 billion and U.S. callable capital is \$50 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 \$292 billion to IDA. U.S. contributions to IDA have fluctuated in recent replenishment cycles: \$3.9 billion in the 17th replenishment (IDA-17); \$3.3 billion in IDA-18; \$3.0 billion in IDA-19; and \$3.5 billion in IDA-20. IDA-20 negotiations concluded in March 2022.

World Bank Financing: Key Policy Areas

COVID-19 pandemic: As of June 2022, the World Bank has approved more than 3,000 projects in 137 countries, totaling \$320 billion, to help developing countries address the health and economic emergencies of the pandemic.

Russia's war on Ukraine: The IBRD has not approved any new financing for Russia since it first invaded Ukraine in 2014; the World Bank further suspended all programming in Russia in March 2022. In 2022, the Bank approved \$700 million in emergency financing for Ukraine. In June 2022, it approved \$1.5 billion for Ukraine as part of a broader \$4 billion support package mobilized by the Bank.

Food insecurity: In May 2022, the World Bank announced plans to focus up to \$30 in existing and new projects to address the food security crisis. Projects will focus on agriculture, nutrition, social protection, water, and irrigation.

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 FY2022, the Administration has requested funding for the IBRD and IDA. For IBRD, the Administration requested \$206.5 million as the third of six annual

installments to increase IBRD's capital base, agreed to in 2018. If not paid, the United States would lose voting power at the IBRD. The Administration is also requesting \$1.4 billion for IDA, including \$1 billion for the last installment of IDA-19 and \$427 million to meet unmet U.S. commitments from previous replenishment cycles.

In terms of U.S. representation at the World Bank, the Administration's nomination of Treasury Secretary Janet Yellen as Governor to the IBRD in July 2021 is pending before the Senate. Jose Fernandez, Under Secretary for Economic Growth, Energy, and the Environment at the State Department, was confirmed as the Alternate Governor in August 2021. Adriana Kugler, a development and labor economist from Georgetown University, was confirmed as Executive Director to the IBRD in April 2022. The Biden Administration has not nominated an Alternate Executive Director.

Potential Issues for Congress

Landscape of development financing. The World Bank was created to address shortages of capital after WWII. In subsequent decades, private international capital markets developed and donor countries created new multilateral aid organizations. How does World Bank financing fit with other sources of capital for developing countries?

The role of Russia. Russia continues to be a member of the World Bank, and is the IBRD's 8th largest shareholder. Under what conditions should a country's membership in the IBRD be suspended, and should Russia's membership be reconsidered?

- **The role of China.** China receives financial assistance from IBRD, even as it provided financing to many developing countries. Legislation has been introduced that would call for China's graduation from its eligibility for World Bank assistance (S. 1169, S. 1454) or condition such assistance on China's participation in multilateral debt relief efforts (H.R. 6475). Should China's role at the World Bank evolve, and if so, how?

Doing Business Report. In 2021, the World Bank suspended publication of its *Doing Business Report* (DBR), after an independent investigation found that senior World Bank officials improperly influenced results, including to improve China's rating. The World Bank is formulating a new approach, the "Business Enabling Environment." How do its metrics, methodologies, and independence compare with the DBR?

- **Energy projects.** U.S. policy on World Bank financing for fossil fuels has shifted under recent Administrations, and legislation has been introduced to support World Bank financing for coal and civil nuclear projects (S. 758, H.R. 1646). As global policy concerns focus on climate change, reliance on Russian energy, and high energy prices, what types of energy projects should the World Bank finance?

U.S. leadership. Secretary Yellen has emphasized a commitment to restoring U.S. leadership in the international

system. How do vacancies in U.S. positions at the World Bank impact U.S. leadership? What steps can the United States take to bolster its leadership role at the World Bank?

Rebecca M. Nelson, Specialist in International Trade and Finance

IF11361

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.