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## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

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### ABSTRACT

International bank for reconstruction and development is one of the five organization group which made the World Bank and it is founded in 1944 with goal of development of the middle income and low income countries by providing loans and grants also with the expert assistance for the enhancement in the infrastructure, healthcare and education. It wants to reduce poverty and want to advance the economical growth. Its member countries act as shareholders whose voting powers are based on their financial contribution. It basically focus on the increase the living standards by reducing the global issues such as climate change.

This article examines the role of IBRD is to promote economic growth and poverty alleviation in low and middle income nations. It looks at the background of the IBRD's post world war II founding and how it changed in response to international economic difficulties. This study examines case studies of effective IBRD projects and evaluates their influence on national development strategies using a mixed methods methodology. IT shows that a substantial contribution to policy change and infrastructure development issues like project delivery and debt sustainability still pose serious threats to the program's long term viability.

**KEYWORDS:** World Bank, Board of Governors, financial growth, infrastructure, education system, IBRD, international economic growth, international monetary fund (IMF), climate change, inequality, developing countries

### 1. INTRODUCTION

International bank for reconstruction and development (IBRD) is one of the five members from which World Bank has been constructed. IBRD is the important part of the World Bank. IBRD was established in 1944 as a financial institution that provides loans to the government of the countries. IBRD headquarter is in Washington DC, UNITED STATES. It has 189 member countries with 25 executive directors. It provides finance to the developing countries to reduce poverty and promote economic development.

The IBRD's focus has shifted from immediate post-war recovery to long-term development initiatives over the decades in response to the

evolving requirements of its member nations. It offers grants and loans for a variety of initiatives, such as environmental sustainability, education, health, and infrastructure development. In addition, the IBRD facilitates worldwide discussion on development-related topics, encouraging cooperation between nations and interested parties. IBRD advises middle income countries that seek to build financial well being, limit poverty and enable sustainable development<sup>389</sup>.

This research article will explore the historical background, objectives, and impact of the IBRD, highlighting its significance in the global

<sup>389</sup> IBRD, available at: <http://www.investopedia.com/terms/i/international-bank-of-reconstruction-and-development> (last visited on November 4, 2024).

economic framework and its ongoing commitment to addressing the challenges faced by developing countries. By examining the IBRD's role in financing development and promoting policy reforms, this article aims to provide a comprehensive understanding of how the institution contributes to global efforts in poverty alleviation and sustainable development. IBRD basically works upon the reconstruction of the war torn countries and their economies and by this reconstruction it helps in world economic growth.<sup>390</sup>

### **1.1 HISTORY**

International bank for reconstruction and development was established in 1944 with the international monetary fund (IMF) under Bretton woods conference which was created with the intention of international economic cooperation. In the beginning the World Bank was originally international bank for reconstruction and development which was established with the mission to provide loan for the development of European nations after the World War II. The primary function of the IBRD is to provide facilities post war reconstruction in Europe and the other countries which are devastated by the war.

The IBRD begins its first operation in 1946 that provides loan to the member countries for reconstruction. The first loan letter which was received by the headquarters in Washington DC which was by the French government<sup>391</sup>. After years of the working of the IBRD it evolved from reconstruction to the development of goals including infrastructure development and economic growth. During the time period of 1970's and 1980's it shifted its focus on the development of social and economic growth by making investments in education, health and infrastructure also it works by addressing the global challenges such as climate changes and inequality. Also the loan given after the

borrowing countries agreed to structural adjustment programs.<sup>392</sup>

### **1.2 MEMBERSHIP**

IBRD is the part of the World Bank and it established in 1944. If any country want to be the member of the IBRD then it need to be member of the IMF. The [Boards of Governors](#) and the Boards of [Executive Directors](#) of the member countries governs the World Bank. All the major decisions for the bank made by these authorities.<sup>393</sup> If any country leaves the membership of international monetary fund then that country will not be part of the IBRD. IBRD has 188 member countries as per the last update in October 2023. Kosovo is the last country who joined IBRD on 29<sup>th</sup> June 2023. For becoming the members of the bank according the articles of agreement of the IBRD is to country need to join the IMF, IDA, IFC and MIGA<sup>394</sup>.

1.2.1 Procedure for a country to be part of International bank of reconstruction and development

- ❖ Firstly the country who wants to join IBRD needs to submit application for the membership. That application will be consider as the request of the membership and will be statement that the country will follow the IBRD rules and policies.
- ❖ After submitting the application it will be reviewed by the representative of the all member countries and they will approve the country to be proceed
- ❖ After the approval that new country needs to subscribe the shares of the IBRD. The amount invested by that country will decide its power to vote.
- ❖ The new country need to pay for some subscribed share in the cash and the remaining will be consider as capital.

<sup>390</sup> Helmut volger(eds.), *A concise encyclopedia of the United Nations 885*( Martinus Nijhoff publishers, Netherlands, 2010).

<sup>391</sup> A brief history of the World Bank, *available at*: <http://www.developmentaid.org/news-stream/post/148431/a-brief-history-of-the-world-bank> (last visited on November 4, 2024).

<sup>392</sup> *Ibid.*

<sup>393</sup> World Bank, *available at*: <https://www.worldbank.org/en/about/leadership/members> (last visited on 24 October 2024).

<sup>394</sup> *Ibid.*

- ❖ The country need to follow all the policies, operational guidelines and governance structure of the IBRD.
- ❖ After all these steps the country will become the member of IBRD.

### **1.3 OBJECTIVES OF THE INTERNATIONAL BANK OF RECONSTRUCTION AND DEVELOPMENT**

1. The main objective of the IBRD is to give long term loan to the member countries for the economic reconstruction and development.
2. The countries who are members get their investment capital from the IBRD for the productive resources.
3. To promote the foreign investments through the participation in loans and other investment made by private investors.
4. International Cooperation is to promote international collaboration and integration for sustainable development. The goals of IBRD's programs are to improve cooperation on regional and global issues, foster commerce, and fortify economic relationships between countries<sup>395</sup>.
5. It helps in the transition of the war economy in to the peace time economy.

### **1.4 GOALS OF THE IBRD**

1. It helps middle income countries by reducing poverty.
2. IBRD promotes the international trade amongst the foreign countries.
3. It promotes the global partnership
4. It helps countries in the development of the infrastructure, environment and health sector
5. It promotes basic education for the children around the world.

### **1.5 FUNCTIONS PERFORMED BY INTERNATIONAL BANK OF RECONSTRUCTION AND DEVELOPMENT**

- 8 It provide loans to the developing countries those are not economically strong.
- 9 It promotes the financial investment.
- 10 It is made to reduce the poverty amongst the member countries.
- 11 For private capital investment it provides positive environment.
- 12 IBRD forms their resources from the receivables and the capital reserves.<sup>396</sup>
- 13 It helps the countries by assisting them for dealing with instability and armed conflict.<sup>397</sup>
- 14 It gives loan to the countries on low interest rates for the growth in agriculture and infrastructure sector.<sup>398</sup>

### **1.6 INDIA AND INTERNATIONAL BANK OF RECONSTRUCTION AND DEVELOPMENT**

India is a most borrowing and founder member of the international bank of reconstruction and development. It become member in 1948 after its first loan regarding the agriculture machinery project has been passed. Indian consortium first meet was held at Washington dc. India also has an executive director in international bank of reconstruction and development that represent four countries which are India, Bangladesh, Bhutan and Sri Lanka.

India is the largest borrower of the IBRD and took many financial resources for various projects like health, education and rural development.

#### **Relationship between IBRD and India**

India took financial support from IBRD for various projects for reducing the poverty and to

<sup>395</sup> IBRD, available at: <https://testbook.com/ias-preparation/international-bank-for-reconstruction-and-development-ibrd>( last visited on November 4, 2024).

<sup>396</sup> Unacademy, available at: <https://unacademy.com/content/bank-exam/full-forms/ibrd-full-form>(last visited on 24 October 2024)

<sup>397</sup> IBRD full form: history, overview, functions etc, available at: <http://ngofeed.com/ibrd-full-form>( last visited on November 4, 2024).

<sup>398</sup> Bashir Malam & AbdulkadirSaleh, “ The Responsibilities and functions of the world bank (IBRD) in fostering international economic development”, in Ndalian Alhaji Hassan(eds.), *Concept and practice of administration of international organizations 134*(Nigeria,2022).

promote development with lower interest rates and the time period is longer for the commercial loans.

India has voting power in IBRD which give right to be part of decision making process by which India can take initiative for development policies.

India is an active participant of IBRD through which it gets power to contribute in the global discussions for the development this role gives India a world stage to stand and represent itself.

India took financial support from IBRD for the initiatives for transportation, water, sanitation and energy. It helps in enhancing the urban development and great infrastructure.

IBRD collaborates with the government and state government to make a check and ensure that designed projects are effectively getting done or not or meet with the public needs.

With the collaboration of IBRD with India give participation in consultation & discussions that align with development strategies with global best practices.

### **1.7 ORGANIZATION STRUCTURE**

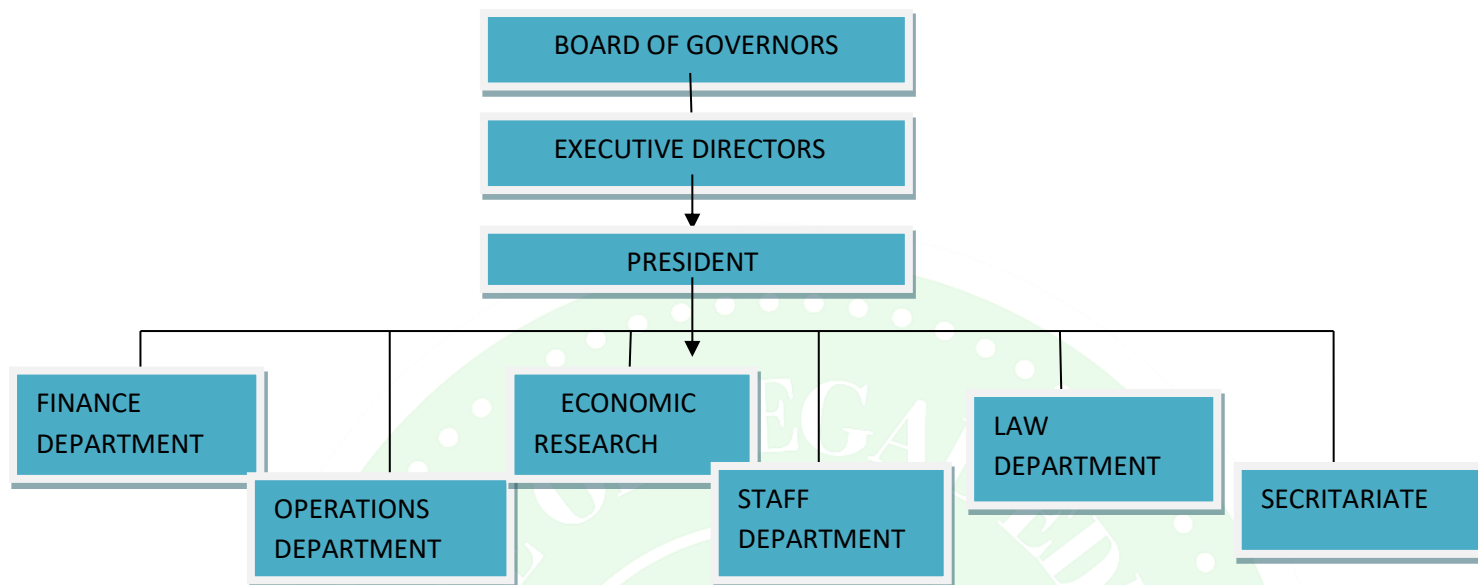
World Bank has five organization with itself IBRD is one of them and it has 189 countries member and these countries are shareholders of the IBRD and represented by the board of governors who are the policy makers in World Bank. These governors are those who are minister of the financial department in the member countries.

IBRD have 25 executive directors in which the five largest shareholders appoint an executive director and the rest of the member countries will be represent by the elected executive directors who will work on site bank . President of the IBRD selected by the team of executive directors for five years tenure and he will be responsible for the overall management of the bank The executive directors will also appoint board of directors for IBRD and keep a check on the bank business, loans and guarantees, budgets also the financial strategies. President gives direction and supervision on the work of

the IBRD. Vice presidents will be in charge in global practices, regions and the functions of the department Every member country of IBRD have their voting power according to their capital subscription.<sup>399</sup> World bank is filled with the staff around the number of 10000 people working.<sup>400</sup>

<sup>399</sup> World Bank, *available at:* <http://britannica.com/topic/world-bank>(last visited on November 4, 2024).

<sup>400</sup> *Ibid.*



### **1.8 PROJECTS OF INDIA WITH INTERNATIONAL BANK OF RECONSTRUCTION AND DEVELOPMENT**

The World Bank's group (international bank for reconstruction and development) has collaborated with India on a number of projects that includes topics like environmental sustainability, health, education and infrastructure. The projects are designed for the development and the enhancement of the living standards of the Indian population. IBRD helps in financial resources with the technical experts.

For the development of the infrastructure the projects will focus upon transportation networks, railways roads and urban transport systems for example: national highways

IBRD also works for water supply and sanitation for the improvement of water supply and sanitation facilities in the rural and urban areas.

India worked for energy projects with IBRD to increase the renewable energy or enhancement of energy resources.

India took loan from IBRD for the education and projects related to education infrastructure such as sarva shiksha abhiyan.

IBRD also gives fund to India for the enhancement of the healthcare systems also including the enhancement of the disease control measures.

India also took funds from the bank for the environment and the climate change like the national Ganga river basin project.

Projects which are initiated by the world bank in india are solar power, agriculture transformation, health system, rehabilitation, sewerage services etc.<sup>401</sup>

### **1.9 IBRD FINANCING**

IBRD established itself with the investment capital of US\$ 10 billion. Funds of IRBD mostly organized from the capital market also the investors believe that IBRD is safe and profitable place to invest their money.

IBRD become the most important in the international capital market by the means of the modern debt products, open new market for the new debt issuance for broad investors around the world of insurance companies, central banks and individuals.

<sup>401</sup> Projects, available at: <http://worldbank.org/en/cpf/india/project> (last visited on November 4, 2024).

World bank borrowing requirements are primarily depends on lending activities for development projects. Its lending has been changed over time so it is annual program.

### **1.10 CONCLUSION**

The International Bank for Reconstruction and Development (IBRD) plays a crucial role in supporting India's development initiatives across various sectors. Through its collaboration, India has been able to implement significant projects that enhance infrastructure, improve health and education, and promote environmental sustainability. The financial support and technical expertise provided by IBRD have been instrumental in addressing the challenges faced by the country and advancing its economic growth. Overall, the partnership with IBRD not only aids in meeting immediate developmental needs but also contributes to long-term sustainable development goals in India

