Chapter 4
The Role of World Bank in Global Development

Ismail Erkan Çelik
Beykent University, Turkey

Ümit Hacıoğlu
Beykent University, Turkey

Hasan Dinçer
Beykent University, Turkey

ABSTRACT

In global development it has been observed that the World Bank sources have been allocated on a limited scale by developed countries as not all countries have been included in the process at the same rate. The efforts of the World Bank to increase the development level of countries, which have resource allocation and structural problems, have contributed to obtaining structural improvement in the world economy as well as necessary sources of income from the world trade for each country. Depending on that, recovery targets with the tools and resources of the World Bank used for the purpose of expanding developing countries are set forth in this study.

INTRODUCTION

The first idea of establishing The World Bank was put forward in the United Nations Monetary and Financial Conference held in Bretton Woods, town of New Hampshire, the US between the 1st and 22nd July. This meeting commonly known as Bretton Woods Conference in literature review was conducted with the attendance of experts representing 44 countries including USSR or governments unofficially.

In the conference, a project was prepared proposing not only the establishment of International Monetary Fund (IMF), which would provide to stabilize the exchange rates and finance the short-term desperate straits of international payments, but also the establishment of IBRD to be able to make up for the destruction of the World War II on various countries especially Europe. After the Project was approved by the government, the World Bank was founded at the end of 1945.
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(Kaya, 2002: 5). The World Bank is a union of 187 member countries. Member countries are represented by the Governors’ Council that makes the policies in the World Bank. These governors generally consist of the finance and development ministers of the countries. The Governors’ Councils of the World Bank group and IMF meet once a year. While France, Germany, Japan, the UK and the US creating the biggest five members of the bank are represented by one fulfillment director, other countries are represented by 19 fulfillment directors.

The credit loans offered by the World Bank are investment credits basically used for infrastructure projects like highway, dam and telecommunication systems construction, along with health and education investments (Mason and Asher, 1973:3-28; Woods, 2006: 3-7). The organizational structure of the World Bank has the chairman, who acts a board chairman, and rules the bank. Traditionally, the chairman is American as the biggest investor is the USA. The fulfillment directors chairman acts for 5 years. The board of directors is composed of fulfillment directors. These people meet twice a week to discuss the new policies, administrative budget, country helping strategies, and financial decisions. The World Bank is administrated by vice chairmen’s leadership and facilitation (Gilberts and Vines, 2006: 38-46; Williams and Young, 2006:84-100; Mason and Asher, 1973:3-28; Woods, 2006: 3-7; www.worldbank.org).

A new source has been proposed under the name of “Structural rapport programs” to finance the countries that have trouble in paybacks in 1980. The loans offered under this program are given to national financial and justice institutions to fulfill the social, structural and sectoral reforms. (Gavin and Patrik, 1995: 329-334; Nelson, 1995: 12-16; Woods, 2006: 3-7) However, the bank conditions the countries in terms of paying back the loans to ensure the hastiness of the action (Usal, 2008:235). When this cycle is examined, the structural problems of underdeveloped countries are solved by the efforts of the World Bank and the premonition and precautions are taken with the contributions of the World Bank (Shihata, 1995: 2-9; Fox and Brown, 1998: 7-12). This study focuses on the financial contributions including structural effects and rehabilitation process of the World Bank to the countries for the sustainable development.

PRE-WORLD BANK FINANCIAL SYSTEM

The chronological process of the international monetary system until the establishment of the World Bank is given below: (Kapur, et al. 1959:46-72; Mason and Asher, 1973:3-28) The Money is important in trade because it is different when it is used in daily exchange and the international relations. The government explains the currency and then applies the law when the money is used in the economy. Money in international platform is different. International currency selection is conducted under the control of market powers. Therefore the selection of the international currency is a market-based process.

In the merchandising way of thinking of the 16th century gold and silver are limited when tried to be taken out of the country. In the second half of the 16th century, gold and silver, used in England were very unstable in terms of exchange rate. This is because of inadequacy of the commodity of money. After the merchantilist actions, there has been a new action because of the gold and silver coming into the country.

After the discovery of America, America got the shape of an outpost of England. British Pounds, shillings Penny and used in colonization. Great Britain officially set the silver standard in colonization. This corresponds to the standard silver cylinder being equal to 86 pure Tro. The thus formed silver standard has been processed by becoming legal. UK grain weight of 129.4 based on the gold standard bi-metal Guinea fixing formed and these values was equal to the weight of silver. Unfortunately, the use of silver has shown