World Bank Group: Biden picks Ajay Banga for president of World Bank

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Why in News?

- Recently, the US President (Joe Biden) announced that the US is nominating Ajay Banga to lead the World Bank (WB).
    - He said that **the Indian-American business leader** is uniquely equipped to lead the global institution at this critical moment in history.
- **If confirmed** by the WB board of directors, Banga would be the **first Indian-American** to head either of the two top international financial institutions – International Monetary Fund (IMF) and the WB.

What Exactly Constitutes the World Bank Group?

Image Caption: World Bank Group

- The WB is an **international financial institution** that **provides loans and grants** to the governments of low and middle-income/developing countries for the purpose of pursuing capital projects.
    - It was established along with the IMF at the **1944** Bretton Woods Conference.
- **The WB is the collective name** for the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), **two of five international organisations** owned by the WB Group.
- The WB Group, which is the **parent organisation of the WB,** includes –
    - **IBRD:** It provides loans, credits and grants.
    - **IDA:** It provides low or no-interest loans to low-income countries.
    - **International Finance Corporation (IFC):** It provides investment, advice and asset management to private companies and governments.
    - **Multilateral Guarantee Agency (MIGA):** It insures lenders and investors against political risk such as war.
    - **International Centre for the Settlement of Investment Disputes (ICSID):** It settles investment-disputes between investors and countries.
- These all serve the **dual objectives of the WB Group**, which are to end extreme poverty by 2030 and increase shared prosperity for the bottom 40% of the population worldwide.
- As of 2022, the WB is run by a President and 25 executive directors. IBRD and IDA have **189 and 174 member countries**, respectively, and the **U.S., Japan, China, Germany and the U.K**. have the largest voting power.

What is the Leadership of the WB?

- **The President of the WB**, who is the President of the entire WB Group, is responsible for chairing meetings of the boards of directors and for **overall management** of the Bank.
- **Traditionally**, the President of the Bank **has always been a U.S. citizen nominated by the US**, the largest shareholder in the bank.

- The nominee is subject to confirmation by the board of executive directors **to serve a five-year**, renewable term.
- **The boards of directors** consist of the WB Group President and 25 executive directors. The President is the **presiding officer and ordinarily has no vote** except to break a tie.
- The executive directors as individuals cannot exercise any power or commit or represent the Bank unless the boards specifically authorised them to do so.

News Summary Regarding the Nominee of the WB President

- Banga (63) currently serves as vice chairman at General Atlantic and was awarded the **Padma Shri in 2016.**
- Banga is honorary chairman of the International Chamber of Commerce, serving as chairman from 2020-2022.
- He is **a member of the Trilateral Commission**, a founding trustee of the **US-India Strategic Partnership Forum**, etc.
- Previously, he was president and CEO of Mastercard, leading the company through a strategic, technological and cultural transformation.

Q.1) How is the World Bank president appointed?

Traditionally, the President of the Bank has always been a U.S. citizen nominated by the US, the largest shareholder in the bank. The nominee is subject to confirmation by the board of executive directors to serve a five-year, renewable term.

Q.2) What is the difference between the World Bank and World Bank Group?

The WB is the collective name for the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), two of five international organisations owned by the WB Group. The WB Group is the parent organisation of the WB.

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VIDEO: https://www.youtube.com/watch?v=vLLWQR-B6go