WORLD BANK FINANCING: FROM EXTREME POVERTY TO PROSPERITY

ANA PREDA, IMOLA DRIGĂ *

ABSTRACT: *This paper examines the World Bank's institutional framework, governance, and operational strategies in promoting global development. It explores how governance structures ensure accountability and efficiency, supporting the Bank's twin objectives of reducing extreme poverty and fostering shared prosperity. The study emphasizes the role of diverse funding sources and financial instruments - including loans, credits, and grants - in addressing development challenges and crises. An analysis of World Bank-financed projects highlights the critical importance of rigorous project design, effective governance, and systematic monitoring in achieving sustainable development outcomes.*

KEY WORDS: *projects, poverty, economic growth, commitments, disbursements World Bank Group.*

JEL CLASSIFICATION: *F33, F34, F35.*

1. INTRODUCTION

While the World Bank has helped lift many people out of extreme poverty, challenges remain and continued efforts are need to deal the evolving global problems. It is important to note that the effectiveness of World Bank financing depends on the commitment and capacity of recipient countries to implement reforms and manage resources effectively.

The methodological and structural aspects of the paper include the analysis of public documents and data related to the World Bank, the analysis of statistical data on projects financed by the five member institutions of the World Bank Group, case studies on specific projects. The research wants to highlight the impact of World Bank-financed projects on economic and social development, to identify the factors that influence the success or failure of these projects, and to study ways of improving the Bank's policies

* *Lecturer, Ph.D., University of Petroşani, Romania,* ana_preda79@yahoo.com
Assoc. Prof., Ph.D., University of Petroşani, Romania, imola.driga@gmail.com

and practices. Research results include a better understanding of the impact of the World Bank's activities on economic and social development, formulating recommendations to increase the effectiveness and relevance of its policies and to contribute to sustainable development, poverty reduction and the promotion of well-being in member countries.

The World Bank was established after the Second World War to support Europe's reconstruction and encourage global economic growth. Initially, its lending focused on European nations recovering from the war. Gradually, its scope widened to include financial and technical assistance for development projects across the developing world. Over time, the Bank expanded its programs to cover infrastructure, education, health, agriculture, rural development, and private sector growth, while also offering technical expertise to help countries design and implement sound economic and social policies.

As global challenges evolved, the World Bank adjusted its strategies to address poverty reduction, sustainable development, governance reform, and gender equality. However, the COVID-19 pandemic dealt a major setback to poverty alleviation - considered the most significant reversal since World War II. Many low- and middle-income nations continue to face difficulties recovering, as high debt burdens, rising food and energy costs exacerbated by Russia's invasion of Ukraine and climate disruptions in key agricultural regions have slowed progress. These overlapping crises have shifted the global poverty trajectory, leaving the world further behind in its goal of eradicating extreme poverty by 2030.

The year 2020 marked a historic turning point: decades of global income convergence gave way to divergence, as the poorest were hit hardest while the wealthiest recovered more quickly. This unequal recovery widened global inequality for the first time in decades. The pandemic, together with steep increases in food and energy costs, affected every economy worldwide, but the severity of the impact differed by country - largely depending on the policy responses implemented during the crisis. Going forward, policy choices will remain critical in shaping a resilient recovery.

2. INSTITUTIONAL STRUCTURE AND GOVERNANCE MECHANISMS

The World Bank Group operates through a complex institutional framework designed to ensure both effective decision-making and broad representation of its member states. Its structure reflects the dual mandate of the institution: providing financial resources for development while safeguarding the principles of transparency, accountability, and inclusiveness in global economic governance.

The Group consists of five main institutions:

- International Bank for Reconstruction and Development (IBRD): Offers loans and financial services to middle-income nations and creditworthy low-income countries.
- International Development Association (IDA): Provides concessional loans and grants to the poorest countries worldwide.
- International Finance Corporation (IFC): Promotes private sector growth through investments, advisory support, and capacity-building initiatives.
- Multilateral Investment Guarantee Agency (MIGA): Delivers guarantees to protect investors and lenders against political and non-commercial risks.

- International Centre for Settlement of Investment Disputes (ICSID): Handles arbitration and conciliation of disputes related to international investments.

Each institution maintains a specific mandate, yet they are interconnected and coordinated under the umbrella of the World Bank Group. This ensures a holistic approach to addressing global development challenges by combining public sector financing, private sector investments, risk mitigation, and legal frameworks for dispute resolution.

In terms of governance, the World Bank Group is owned by its 189 member countries, which are shareholders represented through two main decision-making bodies:

- The Board of Governors - the highest decision-making authority, composed of one governor from each member country, typically the finance minister or central bank governor. The Board of Governors meets annually to decide on major strategic directions, institutional reforms, and financial commitments.
- The Board of Executive Directors - responsible for the day-to-day operations, approval of loans, policies, and budgets. It consists of 25 Executive Directors who represent either individual countries (in the case of the largest shareholders, such as the United States, Japan, China, Germany, France, and the United Kingdom) or groups of countries (constituencies).

Voting power within the World Bank is not distributed equally but is weighted according to members' financial contributions (subscriptions to the Bank's capital). This system ensures that larger contributors have greater influence in decision-making, while still allowing smaller economies to participate through collective representation. Beyond the formal voting system, governance mechanisms emphasize accountability, transparency, and stakeholder engagement. Independent evaluation offices, accountability mechanisms for affected communities, and regular disclosure of project-related documents reinforce the credibility and legitimacy of the institution.

Overall, the institutional structure and governance mechanisms of the World Bank reflect the balance between efficiency and inclusiveness. They allow the organization to function as a global development actor, while at the same time integrating the interests of both high-income and low-income countries. This governance model, although sometimes criticized for favouring wealthier states, provides the framework through which the World Bank Group mobilizes resources, sets priorities, and ensures coordination across its diverse institutions.

3. THE WORLD BANK'S TWIN GOALS: REDUCING EXTREME POVERTY AND PROMOTING PROSPERITY

The World Bank has articulated two overarching and interrelated goals that guide its mission and strategic priorities: ending extreme poverty and promoting shared prosperity. These twin objectives serve as the foundation of the institution's global development agenda and reflect its commitment to addressing both the immediate needs of vulnerable populations and the structural challenges of sustainable growth. The first goal is the eradication of extreme poverty, defined as living on less than USD 2.15 per person per day (based on the World Bank's international poverty line, updated to 2017 purchasing power parity). The Bank has set a target to reduce the global extreme poverty rate to no more than 3 percent by 2030. This objective is pursued through a combination of financial support, technical assistance, and policy advice. The World Bank finances programs that expand access to basic needs such as health care, education, clean water, sanitation, and social protection. These investments are designed not only to alleviate immediate deprivation but also to build human capital, which is essential for long-term development.

However, the fight against poverty faces significant challenges, particularly in fragile and conflict-affected states, Sub-Saharan Africa, and rural areas of developing countries. Recent crises such as the COVID-19 pandemic, rising global food and energy prices, and climate change have reversed progress and highlighted the need for more resilient and adaptive strategies.

The second goal focuses on fostering inclusive growth by ensuring that economic progress benefits the bottom 40 percent of the population in each country. Shared prosperity goes beyond aggregate economic expansion by emphasizing equity, social inclusion, and equal opportunity. The World Bank supports reforms that enhance productivity, generate quality jobs, and reduce inequality through better access to infrastructure, markets, and financial services. Special attention is given to gender equality, youth employment, and rural development, as these dimensions are critical for empowering disadvantaged groups and fostering more balanced growth.

Table 1. World Bank's Twin Goals

Goal	Definition / Purpose	Key indicators	Instruments and means	Major challenges
Reducing Extreme Poverty	Eliminating extreme poverty worldwide by reducing the share of people living on less than USD 2.15/ day to a maximum of 3% by 2030	- Extreme poverty rate - Access to basic services (education, health, water, energy) - Level of social protection	- Loans for social programs - Technical assistance and advisory services - Projects in health, education, and basic infrastructure	- Economic and health crises (e.g., COVID-19) - Climate change - Conflicts and political instability - Slow pace of development in Sub-Saharan Africa
Promoting Shared Prosperity	Raising living standards for the poorest 40% of people and narrowing social gaps.	- Income growth of the bottom 40% - Gini coefficient (inequality) - Access to markets, jobs, and infrastructure	- Structural reforms - Investments in rural and urban development - Support for the private sector - Programs for gender equality and inclusion	- Persistent regional inequalities - Limited access to finance and markets - Gender and social discrimination - non-inclusive economic growth

Source: processed by the authors based on data extracted from the World Bank Report Poverty and Shared Prosperity 2022

Although conceptually distinct, the goals of poverty reduction and shared prosperity are mutually reinforcing. Sustainable poverty eradication cannot be achieved without inclusive economic growth, and shared prosperity cannot be realized unless the poorest are lifted out of extreme deprivation. Together, they constitute a comprehensive vision of development that integrates equity with efficiency.

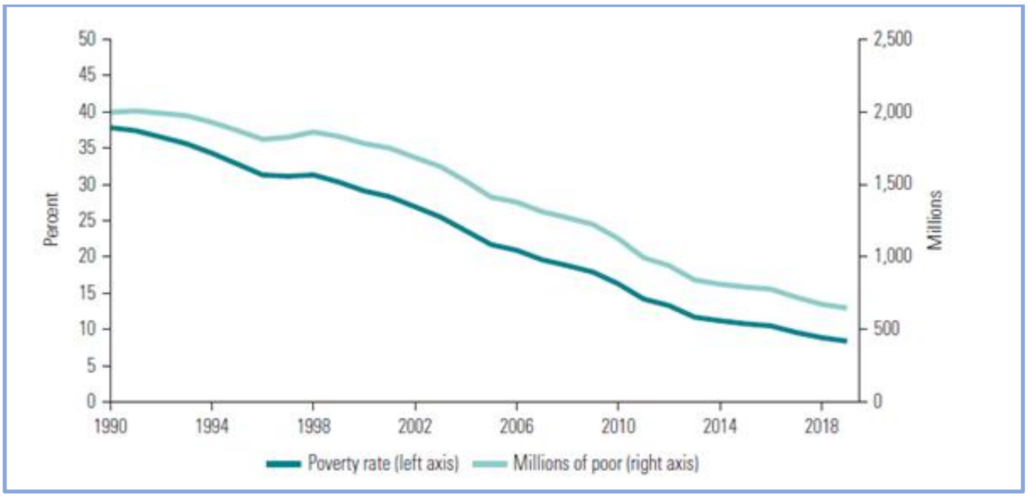
To monitor progress toward these goals, the World Bank relies on an extensive set of indicators derived from household surveys, national accounts, and global databases. These include poverty headcount ratios, income distribution measures (such as the Gini coefficient), and data on access to basic services. The Bank also promotes open data initiatives to enhance transparency and accountability. Policy implementation is embedded in the Country Partnership Frameworks (CPFs), which align World Bank support with the development priorities of individual member states. Through tailored lending programs, technical assistance, and partnerships with governments, the private sector, and civil society, the Bank aims to translate its twin goals into tangible outcomes.

The World Bank's twin goals represent a dual commitment: to eliminate the most severe forms of deprivation while fostering equitable economic growth that benefits all citizens, particularly the most vulnerable. This dual approach underscores the Bank's role not only as a financial institution but also as a catalyst for inclusive and sustainable development worldwide.

Over the past two years, the world has undergone profound transformations that have significantly reshaped the scope and severity of poverty. To assess these impacts, the starting point is the World Bank's official poverty estimates at both regional and global levels for 2019, immediately before the pandemic. According to these estimates, 8.4 percent of the world's population, equivalent to 648 million people were living in extreme poverty. On average, individuals in this category survived on incomes about 30 percent below the international poverty threshold, reflecting lives marked by severe hardship. Entering the pandemic, these figures were already far higher than what would have been necessary to achieve the global target of eliminating extreme poverty by 2030. Despite being high, the 2019 figures indicated a continuation of the long-term downward trend in global poverty, with a decline of 1.2 percentage points compared with 2017.

However, the data also signalled a slowdown in progress prior to the pandemic. Between 1990 and 2013, the global poverty rate fell from 37.8 percent to 11.7 percent, translating into more than one billion people escaping extreme poverty. This period ended on a strong note: from 2008 to 2013, poverty decreased at an average annual rate of 1.4 percentage points, equivalent to about 86 million people per year. Yet, beginning in 2014, the pace of poverty reduction decelerated. From 2014 to 2019, global poverty declined by only 0.6 percentage points annually, or roughly 33 million people per year, with South Asia standing out as the only region sustaining rapid progress. Consequently," the pandemic struck a world already experiencing slowing advancement toward the 2030 goal of eradicating poverty, a concern highlighted in the 2018 and 2020 editions of Poverty and Shared Prosperity" (World Bank 2018, 2020).

Figure 1 shows the poverty rate and population living under the global poverty threshold of USUSD 2.15 a day.



Source: World Bank, Poverty and Inequality Platform, https://pip.worldbank.org

Figure 1. Global extreme poverty rate in recent years

4. SOURCES OF FUNDING AND FINANCIAL INSTRUMENTS

The World Bank mobilizes financial resources from a variety of sources and channels them into development projects designed to reduce poverty and promote sustainable growth. Its funding structure relies on a combination of capital contributions from member states, resources raised in international capital markets, and income generated through its own operations. These funds are then directed through various financial instruments tailored to the specific needs of borrowing countries.

Table 2. Financial Resources and Instruments Used by the World Bank Group

Institution	Sources of Funding	Main financial instruments	Target Beneficiaries / Focus
IBRD	- Capital contributions from member countries - Borrowing from international capital markets (AAA-rated bonds) - Loan repayments and reflows	- Sovereign loans at near-market rates - Risk management products (currency/interest swaps) - Catastrophe bonds	Middle-income countries and creditworthy low-income countries
IDA	- Donor country contributions (replenishments every 3 years) - Transfers from IBRD and IFC income - Loan repayments from past IDA credits	- Highly concessional loans ("credits") - Grants - Partial risk guarantees	Low-income countries and fragile states

IFC	- Borrowing from international capital markets - Retained earnings from investments - Capital contributions from member states	- Equity investments in private firms - Loans to private sector - Risk-sharing facilities - Advisory services	Private sector development in emerging and developing economies
MIGA	- Capital contributions from member countries - Premiums paid by investors for insurance	- Political risk insurance (against expropriation, war, breach of contract, etc.) - Credit enhancement guarantees	Foreign investors and private enterprises in developing countries
ICSID	- Funded by member state contributions and service fees paid by disputing parties	- Arbitration services - Conciliation services - Mediation mechanisms	Governments and foreign investors involved in investment disputes

Source: processed by the authors based on data extracted from the World Bank Reports

The diversity of financial instruments reflects the World Bank's strategic flexibility. Loans and credits finance long-term structural reforms and infrastructure development, grants target the most vulnerable populations, and guarantees and equity investments stimulate private capital mobilization. Meanwhile, risk management tools ensure resilience in the face of global shocks.

The combination of multiple sources of funding and a broad portfolio of financial instruments enables the World Bank to address the complex needs of member countries. This structure allows it not only to provide financial resources but also to leverage global capital markets, support private sector involvement, and mitigate risks—thereby maximizing its impact on global poverty reduction and shared prosperity.

5. ANALYSIS OF WORLD BANK–FINANCED PROJECTS

Between 2018 and 2021, the World Bank Group demonstrated a steady increase in its financial commitments and disbursements, reflecting both its growing role in supporting global development and its critical response to emerging crises, particularly the COVID-19 pandemic.

World Bank recorded a decrease in commitments of approximately 7.89% in 2019 compared to the previous year, while the IBRD experienced an increase of about 0.82%. In the following years, both institutions saw growth in commitments, with varying percentage changes from year to year. In 2020, the World Bank experienced the largest fluctuations in commitments, which increased by 22.69% compared to 2019.

IDA commitments increased year by year during the analysed period, with the exception of 2018, while IDA disbursements followed an upward trend, reaching their highest level in 2021 at USD 22,921 million. These developments indicate that, throughout the period under review, IDA commitments grew steadily, reflecting stronger involvement and greater interest in financing IDA projects, while disbursements showed variations but recorded overall growth, with some fluctuations between consecutive years.

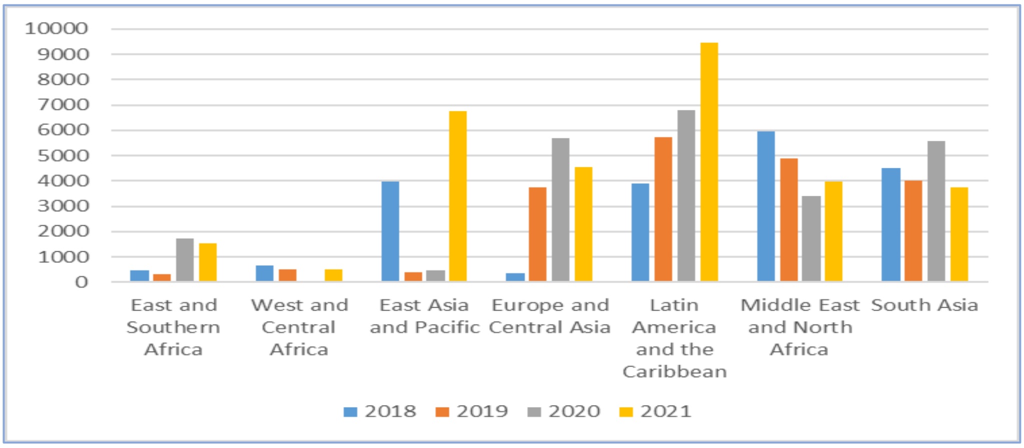
Table 3. Commitments and disbursements of the World Bank Group by fiscal years, in millions of dollars

World Bank Group	2018	2019	2020	2021
Commitments	74,265	68,105	83,547	98,830
Disbursements	45,724	49,395	54,367	60,596
IBRD				
Commitments	23,002	23,191	27,976	30,523
Disbursements	17,389	20,182	20,238	23,691
IDA				
Commitments	24,010	21,932	30,365	36,028
Disbursements	14,383	17,549	21,179	22,921

Source: processed by the author based on data extracted from the World Bank Report 2021

Overall, the data suggest a significant expansion of World Bank operations between 2018 and 2021, particularly as a countercyclical response to the pandemic. The upward trend in both commitments and disbursements demonstrates not only the Bank's capacity to mobilize resources at scale but also its central role in supporting member countries in times of global crisis.

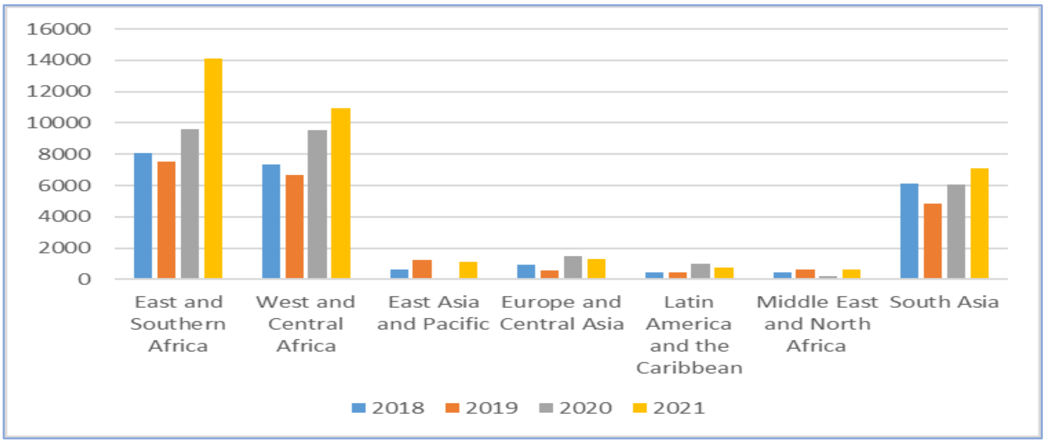
International Bank for Reconstruction and Development (IBRD) has engaged in over 21,500 development projects worldwide. Out of these, 16,547 have been completed, while 2,773 remain active. These numbers reflect the Bank's substantial contribution to advancing global development efforts. The successful completion of more than 16,500 projects demonstrates its capacity to deliver impactful results, while the continuation of over 2,700 projects highlights its ongoing commitment to addressing structural challenges and supporting long-term development objectives.



Source: processed by the author based on data extracted from the World Bank Report 2021

Figure 2. IBRD Commitments, by region, in Million USD

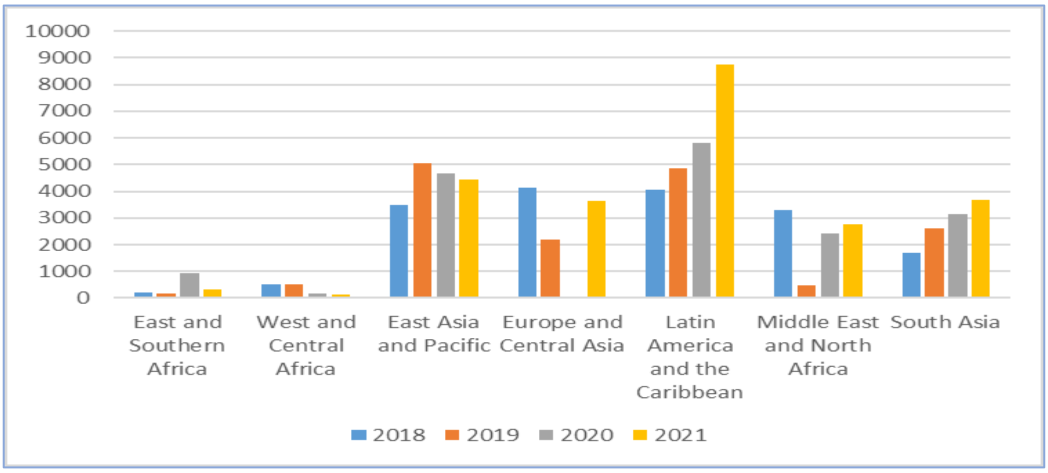
According to the data from figure 2, the region with the highest IBRD commitments during the analysed period is Latin America and the Caribbean, with a total of USD **25,869** million. In contrast, the region with the lowest level of financing is West and Central Africa, with a total of USD **1,664** million.



Source: processed by the author based on data extracted from the World Bank Report 2021

Figure 3. IDA Commitments, by region, in Million USD

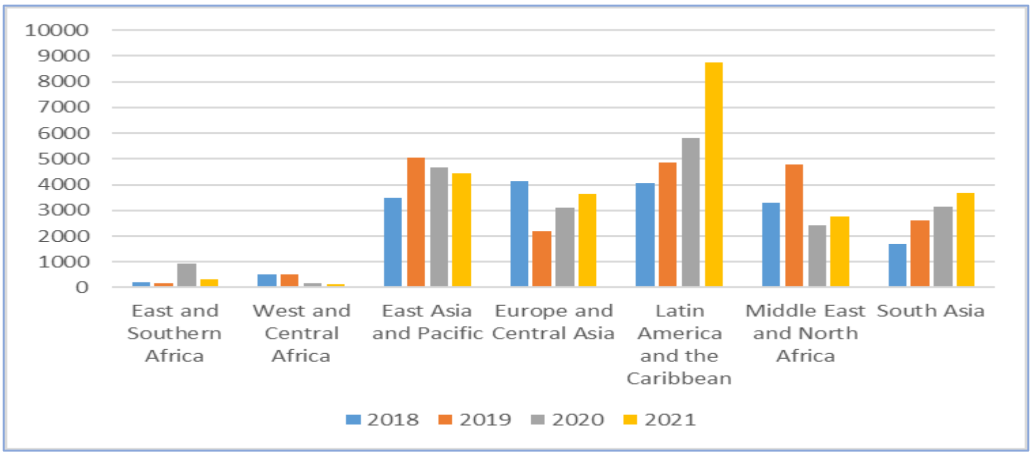
According to the data from figure 3, the region with the highest IDA commitments during the analysed period is Eastern and Southern Africa, with a total of USD 39,249 million. In contrast, the region with the lowest level of financing is the Middle East and North Africa, USD 1,902 million.



Source: processed by the author based on data extracted from the World Bank Report 2021

Figure 4. IBRD Disbursements, by region, in Million USD

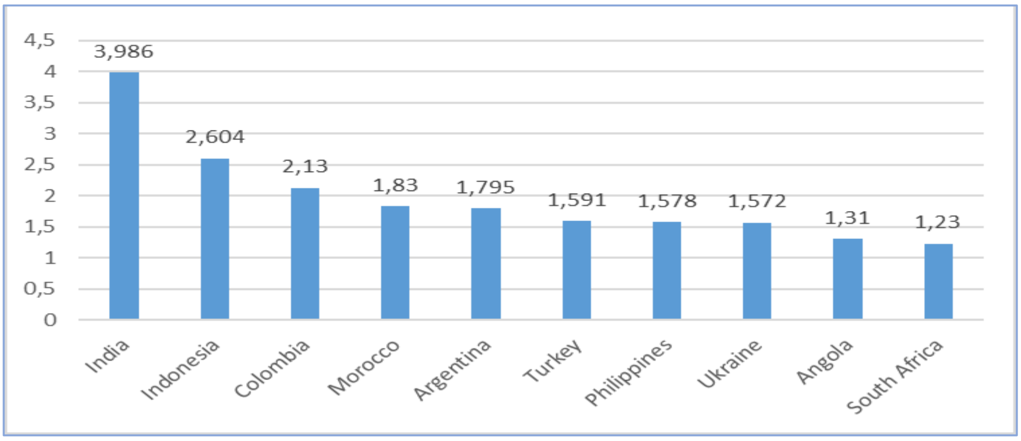
The region for which the IBRD made the highest disbursements during the analysed period is Latin America and the Caribbean, with a total of USD 23,543 million, while the region with the lowest disbursements is Western and Central Africa, with a total of USD 1,342 million.



Source: processed by the author based on data extracted from the World Bank Report 2021

Figure 5. IDA Disbursements, by region, in Million USD

The region for which IDA made the highest disbursements during the analysed period is Latin America and the Caribbean, with a total of USD 23,453 million, while the region with the lowest disbursements is West and Central Africa, with a total of USD 1,342 million.

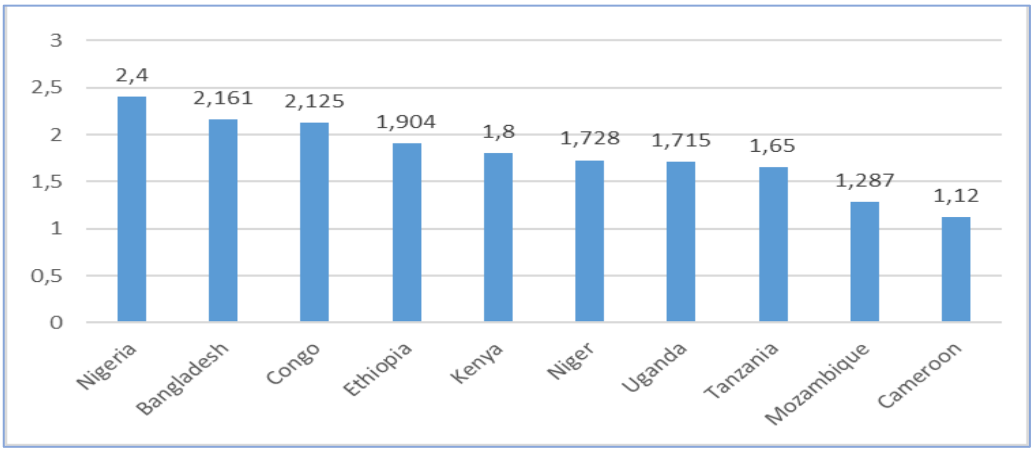


Source: processed by the author based on data extracted from the World Bank Annual Reports

Figure 6. Major Borrower Countries of the World Bank (IBRD) million USD

India recorded the largest commitments, totalling USD 3,986 million, while South Africa had the smallest commitments at USD 1,230 million. In terms of debt, Nigeria held the highest amount at USD 2,400 million, whereas Cameroon had the lowest debt in 2022, totalling USD 1,120 million.

At the beginning of the 2022 fiscal year, 74 countries were eligible for IDA assistance. New IDA lending commitments for the current year amounted to USD 37.7 billion across 305 operations, including 12 mixed IBRD-IDA operations. These commitments comprised USD 24.5 billion in credits and USD 13.2 billion in grants.



Source: processed by the author based on data extracted from the World Bank Annual Reports

Figure 7. Major Borrower Countries of the World Bank (IDA) million USD

6. CONCLUSIONS

The World Bank's institutional framework and governance mechanisms ensure transparency, accountability, and effective decision-making. The combination of member-country representation and specialized management structures enables the Bank to address global development challenges while maintaining operational efficiency. The Bank's dual mandate remains central to its operations, reducing extreme poverty and promoting prosperity with measurable progress in reducing extreme poverty and fostering shared prosperity. Strategic programs targeting low-income countries demonstrate that tailored interventions can significantly improve living standards and economic opportunities.

A diverse range of funding sources, including member contributions, capital markets, and concessional financing, allows the World Bank to support a variety of projects. The effective use of financial instruments such as loans, credits, and grants enhances the Bank's capacity to respond to both development needs and crises.

World Bank–financed projects show a strong correlation between proper project design, governance, and sustainable outcomes. Projects that integrate local needs, environmental considerations, and robust monitoring mechanisms tend to achieve higher impact and long-term success. World Bank remains a critical global institution in addressing poverty and promoting sustainable development. Its governance, funding mechanisms, and project implementation strategies collectively support its mission, though continuous adaptation and evaluation are essential to respond effectively to evolving global challenges.

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