WORLD BANK IN THE WORLD'S ECONOMY

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Abstract: *The World Bank is one of the largest world's resources for financing the countries in development, whose main target is helping poor countries with the use of their financial resources and large experience. In today's world there are at the same time very rich and very poor and the challenge for reducing poverty is very big. The World Bank works on going through these differences by helping the governments of the member countries in their intentions to invest into education and health centers, to provide water and electrical energy, as well as on the fight against illnesses such as AIDS and malaria, protection of living environment and providing a decent life standard. Financial help from World Bank for the Republic of North Macedonia provided realization of line of activities as well as continuing of international liquidity of the country.*

Keywords: *World Bank, Developed Countries, International Monetary Fund, Financial Transactions, Economic Growth.*

1. INTRODUCTION

The World Bank is a world-class organization focused on social and economic growth and has invested hundreds of billions of dollars in developing countries. The World Bank promotes development through access to information resources, advisory services, concessional lending to poor countries, private sector loans, targeted investment funds, microcredit, development initiatives, investment insurance and international arbitration regulations. The core mission of the World Bank is to: support the economic and social progress of developing countries, so that their people can live a better and more fulfilling life. On average, annually, the Bank lends approximately $18 billion to the governments of about 80 developing countries to support more than 225 projects. In addition to loans, the Bank offers technical assistance and government policy advice.

«Our dream is a world without poverty» is the primary motto of the institution that speaks of a better tomorrow, promising better education and a better life in general.

The subject of explicit elaboration here will be the World Bank, relations with its sister institution - IMF, analysis of activities in developing countries and the most important segment - credit arrangements that the Republic of Macedonia has established with the World Bank.

2. INTERNATIONAL MONETARY FUND VERSUS WORLD BANK

The Bretton Woods institutions, collectively referred to as the International Monetary Fund and the International Bank for Reconstruction and Development. The World Bank, was created in 1944 to maintain international liquidity and restore the system of convertible currencies. The international financial community has imposed primary responsibility to the World Bank for

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financing economic development. The Bank's first loans were intended to finance the rebuilding of Western Europe's war-torn economies. When the goal was met, attention was directed to helping poor countries around the world.

The International Monetary Fund and the World Bank are not affiliated in any formal way, but often coordinate economic activities in the targeted regions.

The key differences between the International Monetary Fund and the World Bank are shown in the following comparative analysis:

Table 1. Features and Objectives of the World Bank and International Monetary Fund

World Bank	International Monetary Fund
Promote economic development of poor countries in the world.	Promote a global agenda for maintaining international monetary stability.
Special financial assistance through the International Development Association (IDA) for poor countries with a GDP per capita of less than $865 per year.	Assistance to all Member States - developed and developing countries - who are temporarily facing balance-of-payments problems.
Encouraging private enterprises in developing countries through the activities of the International Finance Corporation (IFC).	Replenish Member States' currency reserves by allocating special drawing rights in proportion to their quotas.
Financial resources acquired through lending on the international bond market.	Financial resources provided on the basis of paid quota of Member States.
It owns authorized capital of $ 184 billion, of which member states pay about 10%.	Owns fully available quota of 145 billion SDR (about $ 215 billion).
7000 employees from 181 Member States.	2300 employees from 184 Member States.
The President of the Bank is always a US citizen.	The IMF President is a citizen of one of the Western European countries
Priority goals:	Priority goals:
Investing in human capital by increasing the amount of investment in education.	Consultations and cooperation between Member States to resolve international monetary problems.
Supporting social development and institution building as key elements of poverty reduction.	Encourage balanced growth in international trade with a goal to achieving high employment rates, real income growth, and productive resource development.
Increasing the ability of government bodies to provide quality, efficient and transparent services.	Exchange rate stability and avoiding competitive currency depreciation.
Supporting private business development.	Multilateral system of international payments, in order to avoid foreign exchange restrictions.
	Short-term financial resources to correct short-term disturbances in the balance of payments.

Source: William A Delphos: Inside the World Bank, Washington, 1997, page 28

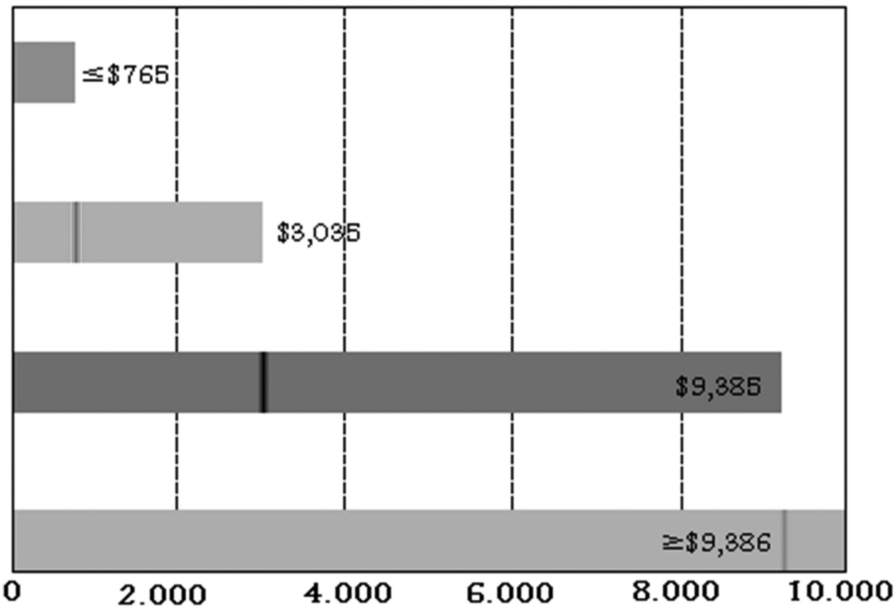
These two institutions, often equated by the public, are obvious contrasts that highlight differences in their cultures, styles and missions: one is dedicated to eradicating poverty and the other to maintaining global stability. Unlike the IMF, which sends its resident representative to developing countries, a significant portion of the World Bank staff lives permanently in the country they are trying to help.

2. WORLD BANK ACTIVITIES IN DEVELOPING COUNTRIES

According to the set criteria of the World Bank, national economies are classified into three groups: low developed, middle developed and highly developed economies. Underdeveloped and mid-developed economies are often referred to as developing economies (developing countries). The terms industrialized or developed refer to states whose economies are highly developed. This classification, statistically expressed in accordance with the projections for the average annual GDP per capita by country, implies:

- $ 765 for low-income countries,
- From $ 766 to $ 3,035 for middle- to low-income countries,
- From $ 3,036 to $ 9,385 for intermediate - advanced countries,
- $ 9,386 for highly developed countries.

The graphic story of the World Bank's average GDP per capita by individual countries is as follows:



Graph 1: Classification of countries according to level of development

Source: The World Bank: Getting to know the World Bank, Washington D.C. page 42

The main question in which group from the presented graphical classification according to the degree of development would appear the states as Indonesia, Bangladesh, Slovenia and Croatia?

The answer would be: Indonesia and Bangladesh as representatives of certain poor regions of East and South Asia are classified in the group of underdeveloped countries, Croatia and Slovenia of the region of Europe are ranked as follows: Croatia in the group of middle-to-low developed with intension to middle to high developed countries and Slovenia in the group of medium-high-developed countries.

The Bank's loans are usually approved with a repayment period of 20 years and a grace period of 5 years from the date the loan is used.

In order to increase the volume of funding for less developed countries, the Bank began co-financing various projects in the mid-1970s. It co-finances with public national and international development agencies, commercial banks and other development financing institutions.

3. THE RELATIONS OF THE REPUBLIC OF NORTH MACEDONIA WITH THE WORLD BANK

The Republic of North Macedonia belongs to the group of middle-low-developed countries according to the average per capita income of $ 2,380 per year. It is located at the junction crossing important transport routes linking Central and Eastern Europe with South and Southeast Europe. The small territory, the relatively high degree of economic openness (foreign trade accounts for 90% of GDP), surrounded by neighboring countries make the country susceptible and vulnerable to external influences that are particularly relevant.

The state has had a long transition from a centrally planned to a market economy, with efforts for economic reform in many sectors often interrupted. The primary objective of the Republic Macedonia is to become a member of the European Union (EU). It was the first country to sign a Stabilization and Association Agreement with the EU in April 2001, and was granted candidate status in November 2005.

With the Republic of Macedonia's membership in the World Bank in 1993, and meeting all the necessary requirements, the World Bank Board of Directors provided realization of many projects intended for private sector development, infrastructure improvement and providing social welfare in the country.

By analyzing the Republic of North Macedonia's established arrangements with the World Bank and the country's economic growth projections with financial assistance from the Bank, we will recognize its particularly important role in stimulating the functioning of crucial sectors.

4. CONCLUSION

The World Bank Group today represents one of the most significant sources of international financial support for development. Its primary task is to provide a combination of funds and ideas to improve living standards and eliminate poverty in the many developing countries in which it operates. The conditions under which Bank loans are approved are extremely favorable, and no developing country could obtain a loan under these terms from any other financial institution, especially those held by private equity. The Bank is not tasked to finance the development of developed countries, but to provide loans to countries in those regions that do not have the economic capacity to withstand borrowing under the usual conditions of the international capital market, nor have the bargaining power to obtain favorable loans from well-known financial institutions.

Despite significant World Bank engagement, the world is still far from overcoming the problem of poverty, given that about 3 billion people on the planet survive on less than $ 2 a day and about 1.2 billion on less than $ 1 a day.

The Republic of North Macedonia is in a phase of economic development which requires cooperation with the World Bank.

The arrangements the Republic of North Macedonia has with the World Bank are financing structural reforms that have had long-term results.

More significant reforms have been made towards achieving macroeconomic stability, maintaining a stable exchange rate, reducing the budget deficit, building a modern legislative framework, promoting the private sector, establishing a social protection system, creating effective banking regulation, of the privatization process.

The economic policies and reforms implemented in cooperation with the World Bank should be consistent with the reforms and policies of convergence and integration into the European Union, as a long-term strategy of the Republic of Macedonia.

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