

**WORLD
BANK
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BRIEFS**



The Former Soviet Union and the World Bank

Fifteen new countries have emerged to replace the former Soviet Union. Russia and 13 other republics have become members of the World Bank, and the fifteenth, Tadjikistan, is expected to join. The creation of new political and economic systems in countries once dependent upon a powerful center is posing wrenching problems of transition for all of them. Preparing programs for 15 new members whose need for help is so urgent and complex is an equally unprecedented task for the World Bank.

The Soviet Union and the Bretton Woods Conference

The association of the Soviet Union and the World Bank dates from the Bank's origins. In July 1944, the Bretton Woods Conference was convened to shape the new and cooperative world order which the participating countries hoped would prevail after World War II. The International Bank for Reconstruction and Development (IBRD) was established at Bretton Woods to promote economic development in this global context.

The USSR was an active participant in the conference and signed its final Act establishing the International Monetary Fund as well as the IBRD. But the Soviets never ratified the Articles of Agreement or paid in the 20 percent of its subscribed capital that was due within 60 days after the Bank began operations.

Had it joined, the Soviet Union would have been the Bank's third largest shareholder (after the United States and United Kingdom), with an allocation of \$1.2 billion (or 13 percent of the Bank's total initial subscribed capital of \$10 billion).

Steps to Membership

Over the next four decades the Bank grew in size and scope, but in the absence of the Soviet Union it never fulfilled its founders' intention of becoming a truly global institution. Then, at the beginning of the 1990s, as political and economic change swept through the 15 republics of the Union of Soviet Socialist Republics, the Soviet government indicated its interest in participating in the international financial system and sought membership in the IMF and the World Bank.

On July 15, 1991 Soviet President Mikhail Gorbachev formally applied for membership for the still intact Soviet Union in the IBRD and its three affiliates, the International Finance Corporation (IFC), the International Development Association (IDA), and the Multilateral Investment Guarantee Agency (MIGA).

In December 1991, the Soviet Union ceased to exist. In January 1992 the Russian Federation applied for membership in IBRD, IDA, IFC and MIGA.

During 1992 all 15 countries (including the Baltic states) applied for membership in the IBRD. All except Tadjikistan have become members. Eleven countries applied to IDA, 14 to IFC and 15 to MIGA.

As a result of the G-7 meeting held in Tokyo in October 1992, the World Bank was asked to chair consultative group meetings on public investment and technical assistance for the successor states. Full consultative group meetings on both public investment and technical assistance needs were held in December 1992 for Kazakhstan and Kyrghyzstan and for technical assistance for Azerbaijan and Uzbekistan. An organization meeting was held for Russia. This consultative group process should result in a more coordinated approach towards the former Soviet Union by the donor community.

To accommodate the 15 countries, the total authorized capital of the Bank was increased from \$174.74 billion to \$184.05 billion. Among the countries, Russia holds the largest number of shares (see box), on a par with Canada, India, Italy and Saudi Arabia. For membership to become effective, the countries will be required to pay in a total of \$540 million of capital. (Apr. 1993)

**Shares and Votes in World Bank
Allocated to the 15 Former Soviet Republics**

<u>IBRD Ranking</u>	<u>Country</u>	<u>Shares</u>	<u>IBRD % of Total</u>	<u>Votes</u>	<u>% of Total</u>
7	Russian Federation	44,795	2.99%	45,045	2.92%
27	Ukraine	10,908	0.73	11,158	0.72
60	Belarus	3,323	0.22	3,573	0.23
61	Kazakhstan	2,985	0.20	3,235	0.21
69	Uzbekistan	2,493	0.17	2,743	0.18
81	Azerbaijan	1,646	0.11	1,896	0.12
82	Georgia	1,584	0.11	1,834	0.12
88	Lithuania	1,507	0.10	1,757	0.11
92	Latvia	1,384	0.09	1,634	0.11
93	Moldova	1,368	0.09	1,618	0.11
102	Armenia	1,139	0.08	1,389	0.09
103	Kyrgyzstan	1,107	0.07	1,357	0.09
111	Tadjikistan	1,060	0.07	1,310	0.09
121	Turkmenistan	937	0.06	1,187	0.08
124	Estonia	923	0.06	1,173	0.08