WORLD BANK AND DEVELOPMENT WITH A LOOK AT IRAN

Mohammad Taghi Alijani
Master of International Relations, International Pardis, University of Guilan, Rasht, Iran
Email: fatemeh_zadbagher@yahoo.com

Abstract

During World War II, the World Bank was established and post-war its first loans amounted to $ 250 million was granted for the reconstruction of France in 1974. World Bank was established after World War II with the aim of modernizing Europe and nowadays, with a membership of 148 countries has become one of the largest sources of development assistance in the world. This organization, in cooperation with International Monetary Fund, United Nations, development banks of bilateral and multilateral aims to reduce poverty and improve environmental health continues their activities in the world and particularly in developing countries. Today, human for food, clothing, travel, education, communication, entertainment and conversation and communication is not limited to national and regional borders and inquiring mind of human leads him to select areas of the world. This is the essence of the concept of globalization and the emergence of this fact led to think scientists about event that surround human and each day finds new flaunt. In particular, with the information revolution and the advent of the internet, satellite and new information and communication technologies, the concept of globalization is more important and more sensitive and is caused to more responsibility of human for understanding external reality and the regulation of other aspects of the reality. References to the forces of globalization has increased in trade, economy, politics, culture as well as in various literature of scientific and educational institutions around the world and many works been codified about its consequences and effects. At this time examining the role of the World Bank in economic globalization and development issues, seem very important. Overall, World Bank and International Monetary Fund and the World Trade Organization are the most important international institutions that play an important role in the global economy. Various issues have been proposed about this organization and their role in the development of southern countries. Some people know useful the performance of these organizations and operate to their instructions. However, some critics believe that these organizations have a damaging role in the development process and procedures will lead to social inequality. The results of this study indicate that although the World Bank through a loan of development can have an effective role on the development of the country but the role of government guidance and management is very efficient.

Keywords: World Bank, Globalization, Development, Iran, Loans

Introduction

The world's economies are highly divergent. However each economic follows growth and economic development objectives. The reason for this problem is associated with many benefits that will be realized in process of growth. However, access to high and sustainable economic growth requires an answer to this question, what factors will provide economic growth rate? or the rate of economic growth, how and through different agents and policies will be affected? For a long time economists to answer such questions have been allocated much of the debate to express views of economic growth. Since the late 80s, a lot of research was done in the context of growth patterns that led to
new patterns called "endogenous growth models". These patterns suggest that mechanisms within the economy such as education, appropriate level of knowledge and skills, research, and... contribute to economic growth. Of course purpose of endogenous growth theorists are not lack of attention to factors of capital and technologies, but they believe that both these are essential part of growth. However, the use of a set of policies, along with capital and technology will affect the growth rate of the economy. Business development, human resources development, enhances productivity and efficient government policies are approaches and policy requirements to achieve a sustainable growth in new patterns of growth. In other words, according to these studies, economic growth happens based on a set of mechanisms that in this series, except for Initial production inputs, other factors are involved. With regard to this issue if necessary field is not created for the functioning of these mechanisms, cannot expect a sustainable economic growth (Hemmati, 2010: 90).

Considering the fact that most Islamic countries have been developing countries and or less developed and are facing with problems such as low level of per capita income and low rates of economic growth; so these countries to get rid of such problems requires rapid and sustained economic growth (Nejadjavad & Gilaninia 2016; Tanyani & Gilaninia, 2015). But to achieve economic growth have been raised different limitations in various countries, including Islamic countries that given these limitations, different solutions are offered and implemented. Dependence on foreign trade and production to supply international markets has been one of ways to a considerable success for some countries. In fact, opening the economy on foreign trade leads to more competition. By expanding competition, domestic firms have used of existing resources with more efficient and have improved their productivity. As well as expansion of trade relations can increase the speed of dissemination of technology that this along with international competitiveness is lead to increase productivity of domestic companies and economic growth (Shahsavand, 2010:23).

Statement of Problem

The World Bank, whose real name is International Bank for Reconstruction and Development (IBRD), is the most important international organization. It is active in financing economic development of developing countries. As is clear from name of this organization, unlike regional development banks whose scope of their activities is limited to a certain geographic area, works all around the world. Official goal of World Bank has been improving living standards in developing countries, by granting financial resources from industrialized countries. World Bank task contribute to the reconstruction and development of member countries with a productive investments in the areas of agriculture, energy, education, health, family planning, roads and communications, as well as encouraging private foreign investments with the right conditions and help to develop the long-term international trade.

Bank funds will be used exclusively for the benefit of member countries of the bank. A country that is not a member of the World Bank, cannot apply for the loan of this organization. World Bank does not give cash loans to applicant, but also provides loans for development projects or guarantees loan for projects. This bank in addition to lending, many services also provide in the field of technical assistance (Fisher & Gerhard, 2010, Ferandz & Miller, 2010). World Bank loans are granted for certain projects in member states and repay it starts after the completion of the project. The deadline for repayment of the loan is based on the project's useful life that is usually 25 years. Granted loans may also be paid to non-projects, including the purchase of raw materials and equipment of imported for the strengthening of existing facilities and production facilities, natural disasters, damage caused by war, civil projects and infrastructural planning for development (Shafiei, 2011: 13).

For many years legal and judicial reform projects of the World Bank are implemented as a condition of receiving loans and technical assistance in developing countries that its aim of this project is achieving good governance and rule of law in developing countries (Gilaninia, 2017). In this regard, banks has published several effects about the rule of law, its meaning and their impact on comprehensive and sustainable development, but are never provided a comprehensive evaluation of the project conducted and its effects. On the other hand, both internationally and domestically in developing countries, there are some criticisms on performance of bank and impact of its projects, including legal and judicial reform projects.

However, and according to what was said that today capital doesn't belongs to specific time and place but also investments are cross-regional and cross-border and everyone be succeed in attracting it certainly has contributed to the prosperity and development. Thus, by providing the appropriate fields and facilitate investment in the Investment Service Center can be helped to further develop of the country. This paper has studied performance of the World Bank in relation to the development situation in Iran and has considered challenges and opportunities facing the Iranian economy from this perspective.
Research hypothesis also be expressed as follows:

Although development aid and World Bank loans can have an effective role in the development of the country but role of management and direction of the government is necessary to achieve the optimal situation.

World Bank, Development and Challenges in Iran

In the Middle East, Egypt has been known the largest recipient of World Bank assistance during the past five years. During period mentioned this bank has paid $ 1.2 billion loan to Egypt. After Egypt Iran is known second recipient of loans from the World Bank. The volume of loans paid by the World Bank to Iran over the past five years dollars is announced $ 1.1 billion. Economic experts believe that despite an increase in revenues and investments in the Middle East inequalities has increased more than ever before in this region (Nasehi, 2012: 92).

The amount of loan approved by the World Bank after the Islamic Revolution until 2006 was over $ 4,2417 million. Loans approved in contracts of Iran by this organization for environmental issues are including $ 250 million for the project of reconstruction of earthquake-stricken areas, $ 157 million to improve irrigation. Also they paid $ 77 million for project of drainage in Tehran, $ 145 million for wastewater projects of Tehran, $ 279 million for project of water and wastewater in Shiraz and Ahwaz, $ 20 million for project of environmental management, $ 224 million for water and wastewater projects in northern cities. One million dollars of the total loan amount has been received as down payment. Another important point is that Iran pays lowest interest foreign loans in a world to the World Bank.

In 2005-2006, if Iran did not receive another loan from the bank, thus with a loan received so far, should repay one billion and 572 million dollars by installments to January 15 of 2022 that $ 302 million is loan interests and in lack of funding government will have to pay a fine or loss of loans. After a few years of the loan received by Iran to reduce water pollution, air pollution and industrial and municipal wastewater treatment, maybe it can be said that only Tehran has benefited from loan of $ 250 million for Water and Wastewater Company of this province in the first phase. In other cities has been limited only to the inauguration ceremony of the project.

Cities of Rasht, Shiraz, Ahwaz, Sari, Babol and Anzali are including cities that have received loans of the World Bank to improve its urban and industrial pollutants. However, in May 2012, company executive of Ahwaz Water and Wastewater in justification Seminar of World Bank loan said that the current trend of attracting funds of the World Bank to implement water and wastewater projects is not satisfactory. Ahwaz Water and Wastewater projects using loans of the World Bank in terms of credit line is shared with the city of Shiraz and if in one of these two cities is not attract part of the loan for some reason and loans for other city is used (Nasehi, 2012: 92).

The World Bank in its report titled, World Development Indicators 2012 (WDI2012) analyzed the different parts of economic and non-economic of countries in the world and Iran and its focus has attracted on progress achieved towards the realization of the UN Millennium Development Goals. The World Bank in its report said that Iran is Thirtieth-largest economy in the world in terms of gross national income and twenty-fourth largest economy in terms of the world GDP growth. The World Bank has said that in preparing this report has used more than 900 development indicators for all countries of the world. This report consists of various sectors such as education, health, poverty, environment, economy, trade, etc. Some of them are as follows:

- Size of the economy: Iran is one of the world's largest economies. Gross national income in 2012 was equivalent to 251 billion and $ 500 million and it is said that with such income Iran has ranking 30 in the world.
- Structure of the labor force: women labor force is low in Iran.
- Unemployment rate: The unemployment rate for women is more than men.
- Poverty eradication and prevention of child mortality: a significant reduction in child mortality.
- The role of women in development: women's share of parliamentary seats has increased.
- Energy production and consumption: Iran's energy consumption has multiplied.
- Foreign trade structure of Iran: imports are more than 1.4 times.
- Transport services: 72.8 percent of Iran roads are asphalted.
Conclusion and Recommendations

Economic growth is the goal of ensuring in a dynamic economy. Accordingly, the realization of this goal will require adequate funding and investment. Thus facilities of international institutions and attract foreign investment can be considered efficient and effective methods in this field. World Bank report entitled "Globalization, Economic Growth and Poverty: Building one comprehensive World Economy" implies that although globalization has reduced poverty in many developing countries but this process must be conducted in such a way that improve lives of the poorest and most marginalized countries. In addition, to help all developing countries (including Iran) to take better advantage from the benefits of globalization and at the same time curbing its risks and dangers is presented a program of seven axes. In this program is asked of poor countries that improve conditions and investment environment in these countries and provide better social security to support the poor in the reform process and taking advantage of opportunities in one changing economic environment. In this program is asked of the rich countries that open their markets to exports from developing countries and reduce massive subsidies for their agricultural that prevent exports of poor countries. In the report were mentioned on the necessity of a substantial increase in development assistance, particularly to solve the problems related to education and health. Correct identification of economic situation and the situation of country's industries have important role in decision-making government and how to implement policy of liberalization reforms and institutional. According to results obtained, some of the proposed strategies include:

- Reform of tax system for tax share to the Iranian government total revenue is low. While taxes for many people and institutions are tax deductible but receive full tax from low-income groups.

- Detailed examination of government spending suggests that most of the costs are surplus and do not have positive implications for the national interests.

- Efforts to reduce dependence on oil because it is Iran's most important exports and determining its price is beyond the government's ability.

- Strengthening the private sector and effectiveness of private property law.

- Development and implementation of supportive rules and encouragement for foreign investment.

- Development of scientific research centers and support of manufacturers and entrepreneurs.

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