The elephants in the room at the annual International Monetary Fund/World Bank meeting in Lima, Peru, were the China-inspired Asian Infrastructure Investment Bank (AIIB) and New Development Bank (or "BRICS Development Bank," as it was originally called). Will these new institutions behave like the World Bank or the more conventionally "bank-like" European Investment Bank (EIB)? Above all, will they be vehicles to promote – or, paradoxically, constrain – China's interests?

The reality is that over the next decade, these new institutions will not be huge lenders. The paid-in capital of each is $10 billion; so, even with an equity-to-loan ratio of 20% (the current floor for the World Bank), each will be able to lend only about $50 billion over the next decade – not chump change, but hardly a game changer – unless they "crowd in" substantial private investment. What matters is that the larger emerging markets are putting substantial capital into institutions that will be dominated by China – an indication of how frustrated they are with the World Bank and the IMF.

The World Bank is like an old ship: in its seven decades, all kinds of barnacles – sticky budgetary accretions and transaction costs – have accumulated on its hull, steadily impeding its speed and performance. In the 2015 financial year, the EIB lent more than twice the amount provided by the Bank, but with one-sixth the staff. Whether measured by flows (loan disbursements) or stock (loans outstanding), the World Bank is massively over-staffed, with a much higher administrative budget than the EIB.

When the Bank was formed, the key governance mechanism was a resident Board of Directors that reported to a Board of Governors – usually finance ministers or equivalent senior authorities from member countries. Over time, new offices proliferated: an Office of Internal Audit, an Independent Evaluation Office, an Inspection Panel, a Chief Ethics Officer, and an Office of Institutional Integrity.

Most of this bureaucratic growth was the result of pressure from developed countries, which timed their efforts with the periodic replenishment of the International Development Association (the World Bank's window for soft loans). Criticism from well-organized Western NGOs put more pressure on the Bank, deflecting attention from any real structural changes in the institution's governance. And savvy Bank presidents have known that the best way to deflect political pressure is to add yet more bells and whistles – especially when they are visible and loud.

Around two decades ago, there was an Ombudsman and a World Bank Administrative Tribunal to address internal staff grievances. Now there is a whole paraphernalia of "Internal Justice Services": the Respectful Workplace Advisers, an Office of Mediation (presumably an Office of Meditation will follow), Peer Review panels, an Office of Ethics and Business Conduct, and an entire Integrity Vice-Presidency. To paraphrase the comedian Fred Allen, "On ships they call them barnacles; at the World Bank, they attach themselves to desks and are called vice presidents." And, after the last reorganization, there are more than two dozen of them.

Meanwhile, the Bank's extreme risk-averse culture reflects a rational response to critics who make a huge fuss about every project or program failure. Critics who take failures in commercial projects in stride find the Bank sloth-like compared with the private sector and become indignant when its projects fail. Yet, instead of making the case that risk is intrinsic to economic development and developing a risk-balanced portfolio of projects (and loans priced accordingly), the Bank pretends that it can be infallible. As a result, the best has become the enemy of the good.

Risk aversion has gone hand in hand with skewed institutional priorities, as is evident in the Bank's budget. In the 2015 financial year, $623 million was allocated to "Client Engagement," while nearly 1.5 times that amount, or $931.6 million, went to "Institutional, Governance & Administration" (the remaining $600 million, for "Program and Practice Management," is ostensibly for supporting lending operations). Expenses for the Executive Board alone were $87 million. The Bank loudly proclaims the virtues of research – and then spends almost as much – $44 million – on "External and Corporate Relations."

Many of the challenges facing the World Bank come from the pressures placed on it by its larger shareholders. Because they refuse to cede power to smaller shareholders, or to allow a substantial increase in resources to meet much greater global needs, emerging economies had little choice but to create their own institutions.

The World Bank will not disappear: there are too many vested interests (including academics and NGOs) eager for a share of other people's money. But the Bank's performance epitomizes how even well designed and well-built ships slow down as the barnacles build up, until they must cede the way to newer vessels.