VOICE REFORM IN THE WORLD BANK

Jakob Vestergaard
Danish Institute of International Studies

FOREWORD

This study is co-funded by the Ministry of Foreign Affairs of Denmark, as it is one of three components of commissioned work on ‘Global reforms in light of the economic crisis’. On behalf of DIIS, I thank the Ministry for funding the study as well as for useful interaction in the course of the project.

The study is based on a combination of desk research and two interview missions in the World Bank. Interviews were carried out jointly with Professor Robert Wade (LSE) in Washington in June and September 2010. I should like to take this opportunity to extend my gratitude to Robert Wade for a highly rewarding collaboration.

The interviews in the World Bank were arranged and coordinated by the Nordic-Baltic Office in the World Bank. I should like to express my gratitude to the Nordic-Baltic Executive Director, Anna Brandt, and Alternate, Jens Haarlov, for all their advice and assistance during our visits to the Bank. A special thanks to their assistant, Betsy Barrientos, for managing our interview schedule so competently and diligently.

At DIIS, I benefited from the research assistance provided by Anna Maria Fibla and Nynne Warring, and from useful comments by several colleagues in the course of the project. I thank Senior Researcher Peter Gibbon (DIIS), Professor Morten Ougaard (CBS), Professor Georg Sørensen (AU) and Professor Robert Wade (LSE) and a number of anonymous civil servants in the Ministry of Foreign Affairs for comments on previous versions of this work.

Last but not least, I should like to thank our many interviewees, inside and outside the Bank (see Appendix A for a full list), who devoted time to meet us – and made the study such a fascinating experience.

LIST OF CONTENTS

LIST OF TABLES

INTRODUCTION

In a speech in April 2010, "hailed by some as the most important speech of a [World] Bank president" since Robert McNamara "set poverty reduction as the Bank's new mission", Robert Zoellick declared the end of the Third World (Wade 2011):

> "If 1989 saw the end of the 'Second World' with Communism's demise, then 2009 saw the end of what was known as the 'Third World'. We are now in a new, fast-evolving multipolar world economy – in which some developing countries are emerging as economic powers; others are moving towards becoming additional poles of growth; and some are struggling to attain their potential within this new system".[1]

Speaking a few days prior to the 2010 Spring Meetings in Istanbul, Zoellick argued that the advent of "a new, fast-evolving multipolar world economy" required fundamental reforms of the World Bank itself, not least in terms of the balance of power between developed countries and emerging powers. At the Spring Meetings, the World Bank thus presented a set of allegedly wide-ranging proposals on voice reform, to be endorsed by its Board of Governors, that were the culmination of a process that had begun years before. The essence of the voice reform process which now culminated was to enhance the voice and participation of developing and transition countries (DTCs), particularly through an increase of their voting power. If the "economic and political tectonic plates are shifting" so too must the World Bank (Zoellick 2010). The question one must ask, however, is whether actual reforms undertaken measure up to the grandiose rhetoric of Robert Zoellick. The present paper examines the voice reform process in the World Bank on the basis of more than forty interviews with Bank staff and extensive analysis of voice reform documents from the origin of the process in the first scoping paper in 2003 onwards.

The main findings of the paper are as follows. First, voice reform process – which had proceeded in two main phases, culminating in October 2008 and April 2010 respectively – accomplished a total shift of voting power of 4.59 pct points from developed countries to DTCs. This is a very modest voting power realignment, both in view of the various options considered by the Bank and its shareholders in the course of the process and from the perspective of the alleged objective of realigning voting power with the realities of the rapidly evolving 'multipolar' world economy. Second, and intimately related to the first point, 'voting power to GDP' ratios in the World Bank remain considerably unbalanced despite the oft-cited principle that voting power should 'largely reflect economic weight'. This means that a number of small European countries (Belgium, Holland, etc) and a few large DTCs (Saudi Arabia and South Africa) have disproportionately large voting power while several dynamic emerging market economies, including not least

1 Robert Zoellick, "The end of the Third World?", address to Woodrow Wilson Center for International Scholars, Washington DC, 14 April 2010.

China, continue to be significantly under-represented. Third, despite repeated assurances to the contrary, low-income countries as a group lost voting power in the second phase of the voice reform process, thus eroding some of the gains they made in the first phase. Fourth, the voice reform process has made no headway with respect to the future shareholding reviews that shareholders have agreed to undertake every five years. Instead, a tabula rasa has been produced for future shareholding review, since no quota formula which could have served as the basis for future voting power realignments was agreed upon. On the contrary, part of the bargain made was that the (somewhat loose and opaque) quota framework, on the basis of which the voting power realignment was made, specifically cannot be a point of departure for the 2015 shareholding review. A number of crucial issues – such as whether the overall objective of future shareholding realignments should be voting power parity between developed countries and DTCs, and whether and how IDA contributions should be recognized in future IBRD shareholding – therefore remain unresolved. This leads directly to the fifth and last finding of the study, and one of its key policy recommendations. The fact that all member countries have a veto right over any decrease in their relative share of World Bank (IBRD) shareholding, through the pre-emptive rights guaranteed in the Articles of Agreement, is hugely detrimental to any process of adjustment of Bank governance to the rapidly changing geopolitical realities of the global economy. A change of the Articles on this point is essential therefore to the future viability of the World Bank.

The paper first provides some background to the voice reform process in terms of a brief overview of its key governance arrangements (section 1) and the evolution of the voice reform agenda in the Bank from 2003 to 2007 (section 2). This is followed by a separate examination of phase 1 and phase 2 of the voice reform, completed in 2008 and 2010 respectively (section 3 and 4). On the basis of this analysis, the paper then critically assesses the key component of the voice reform process, namely the voting power realignment (section 5), before it moves on to identify some of the problems created for the future, not least in the context of the planned 2015 shareholding review (section 6). A final section summarizes the main findings of the paper (section 7).

THE GOVERNANCE OF THE WORLD BANK

The two main institutions of the World Bank Group (WBG) are the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The World Bank Group is completed by three additional affiliate organizations, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). In the voice reform process, the IBRD was at the core of the deliberations and hence will be so also in this paper. The centrality of the IBRD in Bank governance results from the fact that the while shareholding differs for IBRD, IDA and IFC, it is IBRD shareholding that legally determines the structure of all three Boards (DC 2010:3). Further, while formally one talks of three separate Boards for IBRD, IDA and IFC, it is in fact the same people that are on the Boards of each of these three institutions. Executive Directors simply have different voting power depending on whether the subject matter at hand concerns the IBRD, IDA or IFC.

Shareholding and voting power

The IBRD was established in 1944 marks as the original institution of the World Bank Group. The IBRD aims to "reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services" (WB 2010a). The shareholding of its 187 member countries is comprised of two elements: basic votes and quota shares. Basic votes were introduced at the founding of the IBRD to ensure voting power for the smaller member countries. The number of basic votes has been constant at 250 per member, as stipulated in the Articles of Agreement, throughout the history of the Bank. In 1979, all member countries were invited to subscribe to an additional 250 'membership shares', hence simulating a doubling of basic votes (WB 2003a: 8; WB 2008a). The rest of IBRD shareholding consists in quota shares. More specifically, on top of the 250 basic votes and membership votes, each member country has one additional vote for each share of stock held (IBRD Article V, section 3a). There is no market, of course, where IBRD shares can be bought and sold. Instead, IBRD shares are allotted to member countries in proportion to their relative weight in the world economy and countries may or may not choose to 'subscribe' to the allotted shares. This combined system of basic votes and quota votes were a compromise between two factions at the original Bretton Woods conference, "respectively preferring a one member-one vote system and voting based purely on the size of each country's economy" (Woodward 2007: 1). In the words of the World Bank itself:

The fundamental principle underlying the allocation of shares of the IBRD's capital stock to its members is that members' subscriptions should reflect their relative position in the world economy, subject to the right of each member to maintain its existing pro rata share in the capital on the occasion of any increase in the authorized capital (pre-emptive right)" (DC 2003a: 11-12).

Historically, this criterion of proportionality between quota shares and weight in the global economy has been dealt with by the World Bank by means of establishing an close link between IBRD shareholding and IMF quotas (ibid.). Even today, the World Bank explains that "the quota assigned by the Fund is used to determine the number of shares allotted to each new member country of the Bank" (WB 2011) despite the fact that the 2010 voting power realignment was based on a quota framework developed exclusively for World Bank (IBRD) shareholding and with only implicit reference to IMF quota. By predicating shareholding in the Bank on IMF quota, the Bank has effectively imported the IMF quota formula which in fact gives only 50 pct. weight to GDP.[2] Over the years, however, the historical link between IMF quota and IBRD shareholding has been slightly loosened, in part because of a number of selective capital increases that have increased voting power for certain countries in recognition of their generous contributions to IDA. Interestingly, the recently completed World Bank voting power realignment in fact gave stronger weight to GDP (75 pct) than is the case in the IMF formula (50 pct.)

Over the years the share of basic votes in quota votes has eroded to just 2.8 pct from the initial level of more than 10 pct when the Bretton Woods institutions were established. This erosion of basic votes has resulted from a number of selective capital increases by which some countries have been allotted additional quota shares with no accompanying adjustment of basic votes. Selective capital increases for the IBRD has been undertaken six times in the course of the Bank's Bank history, namely in 1966, 1970, 1977, 1984, 1995/96, and 1998 (Kapur et al 2007; WB 2010c).[3] In the latest of these selective capital increases (SCIs) countries that "were 15 pct or more below their appropriate level of shareholding… were eligible to participate, if they were also prepared to demonstrate their commitment to the Bank Group by increasing their contributions to IDA" (DC 2007: 12). Eventually, only five (Brazil, Denmark, Korea, Spain and Turkey) out of 25 eligible countries chose to participate (ibid.), possibly because participation was made contingent on increased IDA contributions.

The Executive Board of Directors

Country constituencies

All member countries have direct representation as members of the Board of Governors, which convenes twice a year, during the Spring and Annual Meetings of the World Bank and the IMF. The role of the Board of Governors is rather limited, however. Processes of deliberation and negotiation amongst the shareholding

2 The other three elements in the IMF quota are openness (30 pct), economic variability (15 pct) and international reserves (5 pct).

3 A selective capital increase (SCI) changes the relative voting power of member countries, whereas a general capital increase (GCI) increases the shareholding of all member countries in proportion to their existing shareholding, and hence a GCI does not affect relative voting power. Prior to the capital increase in 2010 only three GCIs had been undertaken in the course of the Bank's history, namely in 1959 (USD 11 bn), 1980 (USD 44 bn) and 1988 (USD 75 bn).

member countries mainly take place in and through the Executive Board of Directors (EBD), a resident body within the World Bank. At first, the EBD consisted of 12 Executive Directors, as prescribed in the IBRD Articles of Agreement (Article V, Section 4b). The five largest shareholders in the Bank was granted the right to appoint their own Executive Director, while the other seven were elected Executive Directors, based on country constituencies. Over the years, the total number of Executive Directors has increased to 25. Most of this increase occurred before the early 1990s. The latest expansions were the allocation of a seat to Russia and a new seat formed around Switzerland in 1992, and the addition of a third African chair, taking effect from November 2010, as a result of the voice reform process. In the Articles of Agreement, it is stated that the five largest shareholders have their own Executive Director, whereas the remaining Executive Directors represent country constituencies. Formally speaking, there are five *appointed* and twenty *elected* chairs then. But three of the twenty 'elected' Executive Directors are single-country constituencies, namely China, Russia and Saudi Arabia. Of the multiple country constituencies many are so-called 'mixed constituencies', where developed countries and DTCs share a seat on the Executive Board of Directors. Spain, for instance, currently holds the Executive Directorship of a country constituency that includes Mexico, Costa Rica and Venezuela and others.[4]

Voting system

The voting system of the Executive Board of Directors is based on the shareholding of the member countries that have appointed or elected a given Executive Director. Thus, while it is the same persons that are on the Board of Executive Directors of the IBRD, IDA and the IFC, their voting power depend on which of these three WBG bodies a given vote is cast for, given that countries relative shareholding is not the same for these three bodies. Most decisions require a simple majority, although there are some important exceptions to this rule. Special majorities are required for issues such as capital increases and amendment of the Articles of Agreement. Amendment of Articles thus requires approval by the Board of Governors, support from at least 60 pct of member countries and at least 85 pct of total voting power (DC 2007, Annex II). The latter criterion is what effectively gives the US a veto on fundamental changes in the Bank: given that the US has just over 15 pct of total voting power no amendment of the Articles can be decided without the support of the US.[5] Increases in the Bank's capital also require a special majority, although here only a 75 pct majority applies (DC 2003b: 5). It is important, however, to note that in the context of an increase of the Bank's capital, each and every member country have a right to "subscribe to a proportionate share of the

4 See Appendix 2 for an overview of the current configuration of the 25 seats on the Executive Board of Directors.

5 Special majorities in both the World Bank and the IMF have changed over time to ensure that US veto power was preserved even if its share of voting power declined. In the case of the IMF, "a special majority of 75 percent of votes was required when US voting power was just over 25 percent; that special majority requirement is now 85 pct, retaining a US veto power even though US voting power has slipped to 17 percent" (Woods 2008b).

increase" (DC 2007: 5). This in effect means that no member country can have its share of total shares reduced without its concurrence, a principle known as 'pre-emptive rights' (IBRD Article II, sections 2b, 3b and 3c). The implication is that since any realignment of voting power requires a selective capital increase voting power reform can only be undertaken if all 187 member countries agree unanimously.

Voting culture

Scholars have noted that it is "customary among official spokesmen for the BWIs to say that decision in the executive are normally taken by consensus and formal votes are avoided Leech and Leech" (2005: 612). In practice, it seems that the Executive Board of Directors is indeed a consensus-driven body. Only twice in its recent history has a vote been called: in 1996, when a proposal was put forward to forbid smoking in Bank premises and in 2000, when Management proposed increasing an administrative fee for borrowing (Yi-chong and Weller 2009: 50). A word of caution is warranted, however. Absence of formal voting is not necessarily the same thing as consensus decision making (Leech and Leech 2005, Woods 2001):

> [D]ecision making during a debate where there is contention involves the secretary informally keeping a tally of the weighted votes held by the executive directors who speak on each side according to the sense of their contribution, a 'consensus' being deemed to have been found when the required majority has been reached. Thus although a formal vote is avoided, the system may be closer to weighted majority voting than consensus building (Leech and Leech 2005: 612).

The relation between Executive Directors and their constituencies is another important dimension in how member countries' voting power translates into actual influence on decision making, or not. Formally, Executive Directors don't really represent anyone other than themselves. An Executive Director can thus in principle cast his vote against what is the majority view in the constituency he represents, since there are no formal mechanisms of accountability (Woods and Lombardi, 2006). "The fact that an Executive Director has been selected by certain member countries", explains Francois Gianviti, former General Counsel of the IMF, "does not create an obligation for him to defer to their views of or to case his vote in accordance with their instructions" (Woodward 2007: 3). Moreover, scholars have observed that Executive Directors obviously cannot 'split their vote', to reflect diverging views if there is not consensus in the constituency, which may be a particularly delicate matter in mixed constituencies. It is difficult to assess to which extent the absence of formal mechanisms of accountability impedes the voice and participation of member countries on the Executive Board of Directors. Practices of consultation and coordination no doubt vary considerably from one constituency to the other.

Relations with Management

The Board of Executive Directors performs a dual role with respect to the Bank. On one hand, Executive Directors acts as representatives of the member country or countries that appointed or elected them, and on the other hand they are Bank officials devoted to the interests and concern of the institution. The Executive Board of Directors has the overall responsibility of the general operations of the Bank and exercise all the powers delegated to it by the Board of Governors. Formally speaking, these delegated power includes selecting the President, who serves as the Chairman of the Board, although in practice the role of the Board is limited to approving the President appointed by the US. The Executive Board of Directors also has the formal authority to remove the President from office. The day-to-day operations of the Board are somewhat more mundane, however.[6] The key tasks include deliberating and decision-marking on proposals made by Bank management on IBRD loans and guarantees, IDA credits and grants, IFC investments and policies that "impact on the World Banks general operations" (WB 2011b).[7] It is important to note here that formally speaking it is Management (the President) that sets the agenda for Board meetings. The role of the Board is mainly reactive, in other words.

Although it is formally within the powers of the Board to hire and fire the President, in fact he is appointed by the US and at the end of the day he is only accountable to the President of the United States and the US Congress. This, of course, has been subject of considerable debate and contestation, not least in the context of voice reform deliberations, and numerous are the declarations that ensure that the Executive Board of Directors, the Board of Governors and the Development Committee are committed to selecting future Presidents of the World Bank on the basis of an 'open, transparent and merit-based process'. Despite many such assurances progress in this domain remain to be seen.

6 The Board is resident and function in continuous session, meeting once or twice a week (WB 2011b).

7 In addition to its executive functions, the Board has oversight functions, and two World Bank bodies report directly to the Board to help it perform this role: the Independent Evaluation Group (IEG) and the Inspection Panel.

EVOLUTION OF THE VOICE REFORM AGENDA IN THE BANK

The voice reform process originates in the Monterrey consensus, articulated at the United Nations International Conference on Financing for Development, held in Monterrey on 22 March 2002. While the main elements of the Monterrey consensus were agreements on such issues as debt relief, development aid and fighting corruption, the communiqué included an important commitment to work to enhance the voice and participation of developing countries in multilateral institutions:

> We stress the need to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting… A first priority is to find pragmatic and innovative ways to further enhance … effective participation … and thereby to strengthen the international dialogue and the work of [multilateral institutions] as they address the development needs and concerns of these countries (UN 2003: 20)

For the first several years after the Monterrey consensus progress in deliberations on voice reform in the governing bodies of the World Bank was modest, to put it mildly, as we shall see. But the global economic crisis raised the urgency of reforming the Bretton Woods institutions in the eyes of most countries and the creation of a G20 Leaders' forum gave further impetus to the voice reform process.

From the World Bank Annual Meetings in September 2002 onwards, the agenda of increasing voice and participation for developing countries was a regular item in Development Committee communiqués. The first background report on the issues was prepared for the 2003 Spring Meetings and the coming years saw a number of progress reports and further background reports prepared for subsequent Spring and Annual Meetings, culminating in an *Options Paper* prepared for the 2007 Spring Meetings (DC 2007). This section briefly sketches the starting point of these deliberations – as stated in the background paper for the 2003 Spring Meetings (DC 2003a) – and their culmination in the form of the 2007 Options Paper on voice and representation prepared for the 2007 Spring Meetings.[8]

The 2003 Background Paper

In direct response to the Monterrey consensus, the Development Committee requested the World Bank and the IMF to prepare a background paper to "facilitate consideration, at its Spring 2003 meeting, of ways of broadening and strengthening the voice and participation of developing countries and countries with economies in transition" in these two institutions (DC 2003a: 1).9 The background paper set out noting that

8 In the interim period, voice reform was on the agenda of the Development Committee three times – in Fall 2003, Fall 2004 and Spring 2005.

9 In the terminology of the Bretton Woods institutions, this background paper is known as the 'joint Bank/Fund Technical Note DC2003-0002'.

a "broad degree of consensus" would be required for voice reform to succeed and then proceeded to outline the key issues and the possible avenues to pursue.

The paper identified three main issues for deliberation by member countries. First, the relative voting power of member countries, and particularly the question of the extent to which some countries might be said to be 'over-represented' and others 'under-represented'. Second, the problems of ensuring voice and participation for countries that are members of very large country-constituencies, given the complexity of coordination in these constituencies. This problem is further aggravated by the severe imbalances in the resources made available for different country-constituencies by the capitals of their member countries, notably the very modest resources available for Executive Directors representing developing countries. Third, the challenge of ensuring regional balance: "significant changes in the regional composition of the Boards to strengthen developing country participation would require", the paper noted, "understandings among the membership on what regions are 'under'- or 'over-represented'" (DC 2003a: 2). The paper then proceeds to discussing "a range of options" for each of these three issues.

Before proceeding with the discussion of possible options, the paper identifies two key issues upon which it notes such a broad measure of agreement that it sees is no reason to discuss them further: (i) the constituency-based system of representation and (ii) the principle that voting power should "in large measure reflect the relative importance of member countries in the global economy" (DC 2003a: 3). It is important to highlight these two alleged areas of broad agreement here, since subsequent developments have cast them both into doubt. First, the rise of the G20 have undermined the constituency-based systems of decision-making in the Bank and the Fund in key areas, and may do so increasingly in the future, if the G20 forum is further institutionalized. Second, although the principle that voting power should reflect relative weight in the global economy is agreed upon in theory, significant disparities remain enormous in practice, even after the voting power realignment of 2010 (as we shall see in section 5).

The background paper divides its consideration of options in two main categories: proposals to enhance voice and proposals to enhance voting power:

Proposals to enhance voice

First, a number of administrative 'fixes' to the problems of large multi-country constituencies are discussed. Support for these constituencies may take many different forms, ranging from the provision of technological assistance to facilitate communication with capitals (videoconferencing etc) and establishment of a trust fund to support research and analysis for select multi-country constituencies to supporting the employment of additional assistants in the most burdened Executive Directors' offices and the addition of a second Alternate Executive Director for the largest multi-country constituencies. Second, a few more politically and/or legally demanding measures to enhance the voice of developing countries are mentioned, not least the possibility to increase the number of chairs on the Board so as to reduce the number of member countries in the largest constituencies and of reviewing the regional composition of the Board. "A reduction in the number of Executive Directors appointed or elected by industrial countries, combined with a rearrangement to reduce the number of countries in the largest constituencies, could be seen as proportionally strengthening the voice of developing country Directors in the Boards", the paper notes (DC 2003a: 6). With regard to this latter option the paper also notes, of course, that such "significant changes" would "raise a set of complex issues" and would require "broad-based political consensus among the membership" (ibid.). More specifically, a regional re-balancing of chairs along these lines would have to be effected in the context of the bi-annual election of Executive Directors and an amendment of the Articles of Agreement would be required in order to adjust the rights of member countries standing to lose their entitlement to appoint Executive Directors. In extension of these two proposals on changes in the composition of the Boards, the paper also considers the option of increasing the membership of the Development Committee and the IMFC to include more members from developing countries and countries in transition.

Proposals to enhance voting power

The paper acknowledges that the "most straightforward dimension" of voice and participation is voting power in the Boards of the Bank and the Fund (DC 2003a: 1). Nevertheless, considerably less attention and effort is expended in considering and elaborating the options in this area than on broader aspects of voice and participation.[10] Further, although increasing developing countries' IBRD shareholding is recognized to be "the most direct way" of enhancing their voting power this option is mentioned only to reject it, it seems (DC 2003a: 8). "There is not at present sufficient support", the paper declares, for initiatives "that might lead to an increase in the overall voting share of developing countries" (ibid.). This then directs attention to the other main mechanism for enhancing the voting power of developing countries, namely a uniform increase in member countries basic votes. But the brief discussion of this option also ends on a pessimistic note, with the observation that this proposal "have been made from time to time, but lacked wide support" and that an increase in "basic votes requires an amendment of the Articles of Agreement" (ibid.). A third an final option is discussed, namely to increase the use of special majorities for specific types of decisions. "It has been suggested that requiring a special majority of 70-85 pct of votes on critical decisions could give additional assurances that the voice of developing countries will be heard and considered", the paper explains (DC 2003a: 9). However, such an increased use of special majorities "would be likely to favor the status quo", it is

10 Of the papers total of nine pages, only one page is devoted to 'possible avenues for enhancing voting strength' (DC 2003: 8).

argued, "and it is not clear that it would, in practice, have the effect of increasing developing country voice" (ibid.).

The 2007 Options Paper

A striking observation made in the Options Paper is that "despite the recurring appearance of Voice on the Development Committee agenda, substantial debate on structural issues tool place only in the fall of 2003 in Dubai" (DC 2007: 3). The paper explains that this "limited debate on Voice and the overall lack of progress… are due to the lack of political consensus" on key issues such as IBRD's voting structure; potential changes in IBRD's capital stock; and the composition of the Board of Executive Directors (ibid.).[11] Therefore, the Options Paper proposes a two-phased program for voice reform. The first phase should move rapidly head with "an initial package of options which holds the promise to generate consensus and help build momentum" in areas such as appointment of more DTC nationals in senior management positions, procedures for the selection of the Bank's President and Board effectiveness (DC 2007: 17). The second phase would then "address the more challenging structural options for which a political consensus can be achieved as early as possible", such as a possible increase in basic votes and a selective capital increase (DC 2007: 17-18).

Although the Development Committee had not discussed voice reform much since the 2003 Annual Meetings, extensive deliberations had been ongoing among the Executive Directors of the resident Board at the Bank in the interim period. These debates inform the inventory of options presented in the 2007 Options Paper. It is noteworthy that out of the ten main options summarized towards the end of the paper, nine relate directly to IBRD voting structure, IBRD capital stock or composition of the Board – ie., precisely those areas of voice reform that were treated only superficially, if not with disdain, in the 2003 paper. That these areas of reform have now moved centre stage in itself indicates significant progress in the process of deliberation, even if there is not yet consensus on any of them.

The main options presented may be summarized in three categories, to reflect whether they affect IBRD voting structure, IBRD shareholding, or the composition of the Board:[12]

---

11 Progress is noted in one area, namely capacity building. The paper mentions two examples of voice enhancing capacity building: the establishment of an analytical trust fund "to provide sub-Saharan EDs with independent technical research support" and a multi-year second program for DTC officials in the Bank (DC 2007: 3)

12 As compared to the ten main options summarized in the Options Paper (cf. Annex II) three options are left out in Table 1 above. First, the option relating to voting and capital structure for IDA is left out since matters pertaining to IDA are beyond the scope of the present paper. Second, the option of extending the length of Executive Director's terms on the Board is not considered since it falls outside the three categories of the table. Third, the option of creating a Donor's Trust Fund is an auxiliary measure – intended to assist the poorest DTCs in purchasing shares – and hence is subordinate to the options listed in the capital stock category.

Table 1 Main options for voice reform

Category	*Instrument*	*Options*
Voting structure	Increase basic votes	a) Doubling basic votes. DTC share of total votes would then increase from 40 to 41 pct b) Increasing basic votes to at least the original 10 pct of total. DTC share of total votes would then increase from 40 to 43 pct.
	Special majorities	a) Increased use of special majorities (currently required only for capital increases, number of Executive Directors and amendments to the Articles). b) Introduction of double majority voting, with separate majorities required for developing country members
Capital stock	Selective capital increase	a) DTCs under-represented by Fund quota criteria allowed to purchase additional shares (80.000). This would increasse DTCs share of total shares from 40 to 42.8 pct b) DTCs under-represented by purchasing power parity criteria allowed to purchase additional shares (291.000). This would cause "significant changes in country rankings". c) Allocation of 50 pct of the Bank's shares to DTCs (on a permanent basis)
	Increase membership shares	a) Allocation of 250 membership shares to each member. This would increase DTCs share of total shares from 40 to 41 pct. b) Allocation of 700 membership shares to each member. This would increase DTCs share of total shares from 40 to 43 pct.
Board composition	Reduce number of countries in the largest country constituencies (to max 16)	a) Creation of additional chairs b) Reassignment of countries between constituencies c) Decision of a member country or group of member countries to give up their chair(s)

Source: DC 2007

Two ways of changing the voting structure are conceived. First, one may increase the basic votes and one may expand the use of special majorities. Basic votes may either be doubled or restored to their original level of 10 pct of total votes, which would increase DTC share of total votes to 41 or 43 pct points, respectively. The other way of enhancing the voice of DTCs considered here is to increase the use of special majorities, which are currently only required for matters such as capital increases and amendment of the articles. One particular form this might take, would be the introduction of double majority voting for some areas of decision-making, by which a decision requires not only a majority of weighted voting but also that a simple majority of developing countries is in approval.

With respect to IBRD shareholding, three ways of undertaking a selective capital increase are considered, along with the option of an increase in 'membership shares'. A selective capital increase can benefit countries that are under-represented either vis-à-vis IMF quota or in purchasing power parity terms. Interestingly, the impact of the first of these two options is estimated to result in an increase in DTC share of voting power from 40 to 42.8 pct, whereas the other option is simply not quantified. Instead, it is said that a realignment based on GDP at purchasing power parity would cause “significant changes in country rankings”, and the message is subtly conveyed that such ‘significant change’ this is not desirable. The third and final option with respect to the selective capital increase is the allocation, on a permanent basis, of 50 pct of Bank shares to DTCs. The other approach to enhancing IBRD shareholding considered is that of increasing membership shares’, as had last been done in the context of the selective capital increase of 1979. This option is considered at two levels: either one allocates 250 or 700 membership shares to each member country, with the effect of raising the DTC share of total voting power from 40 pct to 41 pct or from 40 pct to 43 pct, respectively.

As most of these options require consensus or a large special majority, it is somewhat discouraging that the Options Paper notes an *absence* of consensus or agreement on all of these ten main options. The paper concludes its overview of the options by stating that it appears that the voice reform agenda is “an issue on which agreement on a way forward has been elusive with no significant progress made” (DC 2007: 16). The paper then identifies a set of ‘concerns’ with respect to which agreement is necessary if voice reform is to succeed. Unfortunately, member countries are noted to have substantially “different positions” in all of these areas, including in the following three main ones (ibid.):

- The need to realign the shareholdings and voting rights of member countries with their changed position in the global economy
- The need to take into account donors’ contribution to IDA and to overall ODA, including the funding of trust funds
- The need to prevent or at least contain the erosion of the position of smaller countries which, although they have a small share of the global economy, represent a significant focus of the Bank’s work

These are fundamental issues, but at the same time extraordinarily elementary ones. The fact that four years of deliberations of member countries, mainly at the level of their Executive Directors, have led to little agreement on these issues speaks volumes of the difficulties of reforming the governance arrangements of the World Bank.

One cannot help getting the sense that the Bank’s Articles of Agreement – notably their granting of pre-emptive rights to all member countries and the large majorities required for many governance changes – was proving to be a severe barrier to institutional adjustment and change in the Bank in a situation where the institutions viability seemed more and more to depend on such adjustment and change. Eventually, as we shall see, some limited voice reform was achieved, but the question remains whether the highly restrictive

Articles of Agreement make adaptation of the Bank's governance so difficult that it will be unable to reshape and reinvent itself so as to become a relevant and attractive forum for multilateral development corporation, also for the rising powers of the global economy.

FIRST PHASE OF VOICE REFORM

At the Spring Meetings of 2008 the Development Committee encouraged "the Bank to advance work on all aspects of voice and participation, keeping in mind the distinct nature of the Bank's development mandate, and the importance of enhancing voice and participation for all developing and transition countries in the World Bank Group" (DC 2008a). Later that year, at the Bank's Annual Meeting, the Development Committee endorsed the first package of voice reforms (DC 2008b), as outlined in the background paper by Board and Management (DC 2008c).[13] While the background paper summarizes for each reform area a wide range of options it concludes by identifying and recommending a much narrower set of concrete decisions. While such narrowing is of course a *sine quo non* for concrete recommendations to be made, it is unfortunate that the paper does not state the criteria by which one option has been chosen over others.

The three main areas of reform identified are (i) an increase in IBRD shareholding, (ii) realignment of IBRD shareholding, and (iii) addition of a third Executive Director for the African countries.[14] Before proceeding with each of these three areas of reform it is necessary to note the overall framing of the voice reform. "Designing and evaluating options to address… voice reform" requires, the paper notes, "the classification of member countries as 'developed', 'developing' or 'in transition'" (DC 2008c: 5). This classification is no simple matter and in fact "different classifications are used for different purposes and in different contexts" (ibid.). However, in all discussions of voice reform issues since the time of the Monterrey consensus the Bank has counted all middle- and low-income countries as DTCs and high-income countries as developed countries, based on the Bank's World Development Indicators (WDI). The IMF, on the other hand, uses country classifications from its World Economic Outlook (WEO) which divides countries in two groupings; 'advanced economies' versus 'developing and emerging economies'. In the background paper to the 2008 Annual Meeting, options are evaluated in terms of a double book-keeping: the impact on the DTC share of total shares is calculated both in terms of WEO and WDI classifications.[15] In all subsequent voice reform documents the Bank abandons WDI data and calculates and communicates only data based upon the WEO country classifications, as we shall see. This choice on the part of the Bank to no longer use its own terminology and data derives from a combination of two factors: the framing of the voice reform agenda in terms of parity between developed countries and DTCs and the declaration by the G20 Leaders of numerical targets for shifts of voting power to be achieved in the Bank and the Fund. If the Bank proceeded with WDI

13 The list of concrete decisions recommended can be found in DC (2008c, section 66a, p. 20-21).

14 Other important areas of reform, beyond the scope of this paper, were voting power for Part 2 countries in IDA and voice reform for the IFC.

15 Interestingly, in the section with concrete recommendations, voice reform impact is listed in WEO not WDI terms (DC 2008c: 20).

data and the Fund with WEO data, the Bank's voting power realignment would appear to be less progressive than that of the IMF – which, of course, the Bank wanted to avoid.

Increasing basic votes

The main element of the first phase of the voice reform, agreed at the 2008 Annual Meetings, was an allocation of basic votes for the explicit purpose of benefiting the poorest developing countries. The background paper prepared for the Annual Meetings in October 2008 discussed three options towards this end. First, the Doubling-option, by which basic votes would be doubled to reach 500 pr member, and thereafter account for 5.55 pct. of total votes. Second, the Tripling-option, by which basic votes would increase to 750 per member, taking basic votes to 8.10 pct of total votes. Third, the 'Original level'-option, by which basic votes would be reset at the level originally agreed in 1944, i.e. at 10.78 pct of total votes. These three options would have the following impact on the IRBD voting power:

Table 2 Voice reform options, Phase 1

	Pre-voice reform	Doubling	Tripling	Reset to original-level
Basic votes	250	500	750	1028
Basic votes share of total votes (pct)	2.86	5.55	8.10	10.78
DTC voting power (WEO)	42.6	43.8	44.9	46.1
DTC voting power (WDI)	40	41.2	42.3	43.4

Source: World Bank 2008.

Eventually, agreement was reached on the most conservative of these options, the doubling-option. The decision to increase basic votes by 250 per member was accompanied by a decision to maintain the share of basic votes in total votes at 5.55 pct in the future. In terms of the relative voting power of developed countries and DTCs, the doubling of basic votes was predicted to result in a shift of 1.2 pct points from the former to the latter, irrespective of the country classifications used (WEO or WDI). In later official documents, however, the aggregate shift of voting power achieved in Phase 1 was announced to be 1.46 pct. pints (DC 2010a).[16]

Realignment of IBRD shareholding

The background paper discusses three main options by which one may achieve a realignment of IBRD shareholding: a selective capital increase; a share exchange; and an allocation of unallocated shares (DC

16 The Spring 2010 Voice reform paper says that the shift of voting power to DTCs in phase 2 was 3.13 pct points and that the total shift in phase 1 and 2 was 4.59 pct points, implying that the shift of voting power in phase 1 was 1.46 pct points (DC 2010a: 21).

2008c: 8). With regard to the former, the paper discusses the option of including in the first phase of the voice reform "an up-front and small" selective capital increase, "limited in size and scope" but eventually abandons this option in favour of two other recommendations. Firstly, the use of currently unallocated shares to "address the decline in voting power of larger DTC members resulting from an increase in Basic Votes" (DC 2008c: 10). Secondly, it was recommended than any substantive selective capital increase was postponed until a comprehensive shareholding review has been undertaken. It was observed in this regard that shareholding in the Bank had not been reviewed since 1998, despite the "dynamic changes in the world economy" and the resulting changes in countries' relative weight in the global economy (DC 2008c: 10). The proposal, endorsed by the Board of Governors, was therefore to undertake a review that "would lead to a subsequent significant realignment of IBRD shareholding for all members" so as to "further enhance the Voice of DTC members" and "address the concept, advocated by some members, of moving over time towards equitable voting power between developed and developing members" (DC 2008c: 10).

It is interesting to note, in parenthesis, the phrasing chosen here. The commitment is not for the review to 'move towards equity' but to '*address the concept* of moving towards equity'. This phrasing reflects deep-seated disagreements between developed and developing countries on the overall target of the voice reform process, as we shall discuss at some length in later sections.

Increasing the voice of African countries on the Executive Board of Directors

The third and final dimension of the first phase of the voice reform process was the decision to expand the Executive Board of Directors so as to allow for a third African chair, bringing the total number of Executive Directors to 25. The decision to grant a third chair to the African countries – championed by the Nordics – was initially not widely supported on the Board. In fact, at first few Executive Directors took the idea seriously. In 2009, the Zedillo report – commissioned by Robert Zoellick – had recommended a *reduction* of chairs from 24 to 20 (Zedillo 2009). Given both external and internal pressure to reduce rather than increase the number of Executive Directors on the Board, the successful negotiation of a third African chair by the Executive Directors is all the more significant.

THE SECOND PHASE OF VOICE REFORM

The second phase of the voice reform was originally planned for the 2011 Spring Meetings. At the 2009 Spring Meetings in Washington it was decided to accelerate the process, however. “The global economy has deteriorated dramatically since our last meeting”, the communiqué noted, with “especially serious consequences” for developing countries, to the extent that the “[h]ard-earned progress towards the Millenium Development Goals (MDGs)” were now considered to be “in jeopardy” (DC Communiqué 2007a). The immediate impact of the crisis and the need to launch a “strong multilateral response” to it motivated member countries to agree on significantly accelerating the voice reform process. “We agree to accelerate our work on the second phase of the reform”, the communiqué said, “with a view to reaching agreement by the 2010 Spring Meetings” (ibid.).

Voting power realignment

The main element of the second voice reform, agreed at the 2010 Spring Meetings, was to increase the voice and participation of developing countries in general and dynamic emerging market economies in particular, by transferring voting power from developed countries. The target-result of the IBRD voting power realignment emanated from the G20 Leader’s summit in Pittsburgh in September 2009:

> We stressed the importance of adopting a dynamic formula at the World Bank which primarily reflects countries’ evolving economic weight and the World Bank’s development mission, and that generates an increase of at least 3% of voting power for developing and transition countries, to the benefit of under-represented countries. While recognizing that over-represented countries will make a contribution, it will be important to protect the voting power of the smallest poor countries (G20 2009).

The process of reaching agreement on how to achieve this shift of voting power was difficult. One important complication was that every single member country had ‘pre-emptive rights’, which in effect meant that 187 countries had veto power over any agreement reached. Achieving a compromise hence was no easy task. The initial stance of DTCs was that no developing country should lose voting power in this second phase of the voice reform. Developed countries refused to accept this demand, in part because they found that several DTC’s (such as Saudi Arabia) were significantly over-represented and thus should contribute to achieving the target by taking cuts in their voting power. Both sides agreed, however, on the principle that the voting power of the poorest developing countries should be maintained.

While initially the objective had been to arrive at a quota formula that would determine the shareholding of each member country, eventually it was necessary to settle for something less ambitious but more pliable to political compromise: a quota ‘framework’. Agreement was reached through a lengthy process of negotiation among the Executive Directors, involving several iterations of ‘reverse engineering’ on a quota framework that would yield a result politically acceptable to all parties. The quota framework sets out overall principles in a format that resembles a formula but at the end of the day isn't one. Instead, what resulted was a principled quota 'framework' which had the advantage over a more rigorous formula that it could be bent in different directions in order to facilitate the complex political compromise to be accomplished.

The quota framework sets out three determining factors for IBRD shareholding: economic weight, as measured by GDP (75 pct.), past and future contributions to IDA (20 pct), and 'contributions to development', a measure of a country's history of Bank borrowing (5 pct.). The weights given to each of these three determining factors refer to their aggregate share in total IBRD quota shares: 75 pct of quota shares are allocated between countries on the basis of economic weight, 20 pct on the basis of contributions to IDA and 5 pct on the basis of development contributions.

The GDP component

While the inclusion and large weight in the quota framework of the first of these three components, Gross Domestic Product (GDP), was beyond dispute, the proper indicator of GDP was not. Generally, developed countries want this component to be based on GDP at market exchange rates, whereas DTCs want it to be based on GDP at purchasing power parity (PPP). The GDP of dynamic emerging market economies, for instance, is significantly higher at purchasing power parity than in market exchange rates, so hence there is a quite significant conflict of interest on this matter. Eventually, the compromise was reached to follow the approach adopted in the 2008 IMF Quota and Voice reform, for which a weighted average of GDP at market values (60 pct) and GDP at purchasing power parity (40 pct) was used.

The voice reform paper claims that a realignment that simply brought 'under-represented' members' shareholding up to their share of the global economy (based on GDP 60/40) "would yield only a 1.3 pct increase in DTC voting power for Phase 2 reforms" (DC 2010a: 6). To achieve the "desired net increase of at least 3 pct" a number of "adjustments" are therefore adopted (ibid.). First, developed countries whose IBRD shareholding is below 90 pct of their calculated economic weight are eligible to take up additional shares to reach this 90 pct threshold. Second, all DTCs whose IBRD shareholding is below its calculated economic weight are eligible to take up additional shares readjust accordingly, since "applying a threshold for … under-represented DTC members would work against the objective of the 2010 Realignment" (DC 2010a: 6). Moreover, the proposed voting power realignment was conditioned upon the voluntary forbearance of a number of under-represented countries. Quite a few European countries were identified as under-represented, including Germany, Greece, Italy, Ireland, Poland, Portugal, Spain and Turkey (DC 2010a: 24). Some of these countries chose to forebear the increased shareholding they were hence entitled to (Germany, Greece, Portugal, Spain), others did not (Italy, Ireland, Poland and Turkey). There were also DTCs in the list of countries identified to be under-represented (Brazil, China, India, Indonesia, Korea, Mexico, Thailand, Vietnam etc), but here only China chose to forebear its entitlement. The US was the sixth and final country that joined the small club of countries that chose to forebear its entitlement to increased shareholding.[17]

The IDA component

The second component of the quota framework, IDA contributions, was the result of a considerable struggle on the part of the main IDA donor countries, which felt that generous contributions to IDA over the past several decades should be recognised in terms of larger IBRD shareholding for these countries. Eventually, the IDA component came to recognize both past (actual) IDA contributions and future (promised) IDA contributions. The recognition of future IDA contributions was included with the objectives of (i) recruiting new IDA donors among middle-income countries, and (ii) preventing large DTC's from blocking the entire voice reform process. Prior to the voice reform, IDA contributions had only been reflected in IBRD shareholding on an ad hoc basis. Now a more systematic and consistent framework for recognising IDA contributions was arrived at:

- The two components of recognition of *past* IDA contributions: Countries that meet criteria for recognition of IDA13-15 contributions are granted a 2 pct. increase, while countries that meet criteria for 'historical' IDA contribution are granted a 1-1.5 pct increase. Countries that meet both IDA13-15 and historical IDA contribution criteria are granted a 3-3.5 pct increase.
- The two components of recognition of *future* IDA contributions: Current IDA donors were allocated shares in order to maintain their voting power if they increased their IDA16 contribution with at least 50 pct over their IDA15 contribution, while new IDA donors were allocated shares so as to maintain their voting power if they contributed to IDA16 "at their notional IDA burden share" (WB 2010: 5).

Not all are satisfied with the result, however. The new quota framework gives more weight to promises of future contributions, critics argue. As mentioned, future IDA contributions were only recognised for DTCs that would otherwise stand to lose voting power. The future IDA contributions element hence was not a general mechanism to incentivize member countries to make IDA contributions but a mechanism to preserve the voting power of certain powerful DTCs, including Russia, Saudi Arabia and Kuwait, whom without this provision would have been tempted to use their pre-emptive rights to block the voice reform. A result of this arrangement is that the relative weight of a dollar given to IDA in the past as compared to a dollar promised in future IDA contribution is by no means transparent. The main IDA donors in recent decades – including

17 The final element of the GDP component of the IBRD quota framework was a so-called 'PPP booster' which, modelled after a similar component in the 2008 IMF Quota and Voice reform, gave countries whose "PPP-based weight in the world economy" was "30 pct or more above their IBRD shareholding a total increase in shareholding percentage of at least 10 pct" (DC 2010a: 7). Countries eligible for the PPP booster included Egypt, India, Indonesia, and Uganda.

Denmark, France, Germany, Norway, Sweden and the UK – thus complained that actual (past) IDA contributions carried far too little weight relative to pledges for future IDA contributions. Some even lamented that 'one dollar promised is given 400 times more weight than one dollar given in the past'.

The third and final element of the quota framework, 'development contributions', was a mechanism to recognize "some of the many ways in which DTCs and their specific development experiences contribute to the World Bank Group" (WB 2010: 9).[18] Technically, the component consisted of three main mechanisms: the PPP booster, the smallest poor protection and IDA recognition. In terms of *real politik*, this component was included to avoid erosion of the voting power of low-income countries.

A quota framework, not a formula

The IBRD shareholding realignment was made on the basis of a quota framework as opposed to a quota formula, although it was widely agreed that the latter had been preferable. The challenge in arriving at a formula was to identify objective criteria on the basis of which the overall shift of voting power would result, while at the same time satisfying the condition that all countries that would yield voting power were willing to accept this. Unfortunately, this proved impossible. The two main factors complicating the search for a quota formula was that the end-result of the exercise was defined in advance (in terms of the 3 pct shift) and the fact that all member countries could veto a reduction of their relative shareholding through the exercise of pre-emptive rights. The target set by the G20, and the way it was formulated, created the problem of deciding how to operationalize the distinction between developed countries and DTCs. While this may at first glance appear to be a trivial issue, it is in fact a contentious one. The World Bank usually classifies countries as low-, middle- or high-income countries, whereas the IMF classifies countries as either 'advanced economies' or 'developing and emerging economies'. The former classification is the basis of the World Development Indicators (WDI) and the latter is used in the IMF's flagship publication, World Economic Outlook (WEO). In the 2008 voice reform paper, the World Bank was still operating a double-book keeping for the voice reform. It thus listed the impact of various increase in basic votes both in WDI and WDI terms. The main problem for the Bank was that WDI data gave a lower DTC share of total voting power than WEO data – and hence the Bank could move considerably closer to parity of voting power simply by adopting the WEO country classification.[19] Eventually, both the Bank and the Fund came to adopt an operationalization of the DTC category that was based on the WEO but amended it by relegating some 'advanced countries' to the DTC category. In the final operationalization, the DTC category included a number of high-income countries

18 For further details, see WB (2010: 9-10).

19 The current status of the share of DTCs in total voting power was 40 pct in WDI terms and 42.6 pct in WEO terms (DC 2008b: 8).

such as Saudi Arabia, Singapore and Poland.[20] This further amplified the problem of handling the G20 target: was Saudi Arabia, for instance, to loose voting power in capacity of being a significantly 'over-represented' country, or to be protected against losses in voting power in its capacity of being a DTC country?

Indeed, the notion of 'over-representation' posed a significant challenge for the Bank. To the extent that shareholding is not based on a quota formula, the notion of 'overrepresentation' is not so clear. While there was in the past a link between IBRD shareholding and the IMF quota this has, over the past two decades, been gradually loosened on the understanding that shareholding in the Bank should reflect other criteria than shareholding in the Fund, given the two institutions' quite different mandates. Given the Bank's development mandate, many of its shareholders felt that elements of the IMF quota formula (such as 'openness') were irrelevant whereas other criteria (such as contributions to IDA) were crucial in determining shareholding not just in IDA but also in the IBRD.

The absence of a quota formula was particularly problematic for because it made the calculation underlying the allocation of IBRD quota shares completely in-transparent. Indeed, throughout the entire voice reform process, Bank staff abstained from giving the details of the different calculations to Board members, fearing that this might undermine efforts to reach a compromise. Even now, months after an agreement has been reached, Bank staff avoids sharing the details of the calculus, even with independent researchers, in direct contradiction to its newly launched, high-profile 'access-to-information' initiative.

Overall results of the second phase of voice reform

Overall, the main result of the voice reform process was a transfer of voting power from the US, Japan and a number of European countries to dynamic EMEs, especially China. Table 3, which lists the 20 countries that gained most voting power and the 20 countries that yielded most voting power, shows that the five countries that gave up most voting power was the five countries that were the World Banks' five largest shareholders prior to the voice reform, namely Japan, France, UK, US and Germany. As a direct result of the voice reform, China has now moved up to become the third largest shareholder. On the winning side of the voice reform process are, other than China, a number of other large DTCs, including Brazil, India, Mexico, South Korea, and Turkey, but also a couple of European countries, such as Greece, Poland, Spain and Romania.

20 Observers in the Bank explained that a key criteria in deciding to follow IMF's categorisation was not to come out appearing as 'less progressive' than IMF in the voice reform process [ask Michael Koch to elaborate].

Table 3 The main receivers and givers of the IBRD voice reform

	Countries that increased their voting power (pct points)	*Countries that reduced their voting power (pct points)*
1	China (1.64)	Japan (-1.01)
2	South Korea (0.58)	France (-0.55)
3	Turkey (0.55)	United Kingdom (-0.55)
4	Mexico (0.50)	United States (-0.51)
5	Singapore (0.24)	Germany (-0.48)
6	Greece (0.21)	Canada (-0.35)
7	Brazil (0.17)	Netherlands (-0.29)
8	India (0.13)	Belgium (-0.23)
9	Vietnam (0.12)	Switzerland (-0.20)
10	Spain (0.11)	Australia (-0.20)
11	United Arab Emirates (0.09)	Venezuela (-0.16)
12	Thailand (0.08)	Italy (-0.14)
13	El Salvador (0.5)	Nigeria (-0.10)
14	Costa Rica (0.5)	Denmark (-0.09)
15	Romania (0.5)	South Africa (-0.09)
16	Poland (0.4)	Sweden (-0.09)
17	Indonesia (0.4)	Ukraine (-0.09)
18	Tunisia (0.4)	Algeria (-0.08)
19	Sudan (0.4)	Austria (-0.07)
20	Panama (0.4)	Pakistan (-0.07)

What is most striking, perhaps, is that only 22 of the 187 member countries were significantly affected by the voting power realignment, if by 'significantly affected' is understood subject to a change of voting power of more than 0.1 percentage points. The overall scale of the voting power realignment will be further problematized in the next section.

With regard to the substantial increase of voting power for China, it should be stressed that China gave up as much as half of its entitlement (as measured by economic weight). The Chinese reportedly felt this was necessary if a voice reform was to be reached which did not take too much voting power from other DTCs.[21]

In terms of the distribution of increases and decreases in voting power across the worlds four main regions, it is noteworthy that many of the major givers are from Europe (six of the top 10) while many receivers are

21 Other observers interpreted the Chinese forbearance of voting power as reflecting a hesitation to move too quickly into a position of high responsibility in the World Bank.

from Asia (5 of the top 10), as demonstrated in Table 4 which lists the top 10 countries in these two categories.

Table 4 Regional profile of the voting power reallocation

	Main receivers	Main givers
Africa		
Asia	China, South Korea, Singapore, India, Vietnam	Japan
Europe	Turkey, Greece, Spain	France, UK, Germany, Netherlands, Belgium, Switzerland
Americas +	Mexico, Brazil	US, Canada, Australia

While the main focus of the voice reform was on IBRD shareholding, which determines the structure of the Board of Executive Directors, the reform package also included voting power realignments for shareholding in the IFC and IDA. The overall shifts of voting power from developed countries to DTCs agreed upon in the course of the two phases of the voice reform process, for each of these three Bank institutions, may be schematically represented as follows:

Table 5 DTC share of voting power after second phase voice reforms

	Before	Phase 1 (pct. point increase)	Phase 2 (pct. point increase)	After
IBRD	42,60	1,46	3,13	47,19
IDA	40,1		5,49	45,59 [22]
IFC	33,41		6,07	39,48

Source: DC 2010a: 14, 21, 32.

22 DTCs share in IDA shareholding may potentially increase a further 2.5 pct points. "If all available IDA subscriptions will be taken up, Part 2 shareholding in IDA could increase to 48.3 pct" (DC 2010a: 14).

THE VOTING POWER REALIGNMENT IN PERSPECTIVE

Insufficient

With 44 pct of IBRD shareholding and voting power before the voice reform, DTCs were 6 pct point away from voting power parity with developed countries. After the voice reform, their share has increased to 47 pct, and they are hence now only 3 pct points away from the parity goal. The 3 pct point shift of voting power from developed countries to DTC's may thus be seen as a 'half-the-way' compromise vis-à-vis the DTC objective of achieving parity of voting power (Wade 2010). It is important to stress, however, that if one deploys the country categories that the World Bank normally uses – namely low-income countries, middle-income countries and high-income countries – a very different picture of the results of the voice reform process emerge. The following table schematically summarized the phases of the voting power realignment and its net-effect on low-, middle-, and high-income countries:

Table 6 The two phases of the IBRD voting power realignment (shareholding in pct points)

	Pre-Phase 1	Post-Phase 1	Post-Phase 2	Net change
LIC's	3.45	3.94	3.84	0.39
Lower MIC's	14.11	14.66	16.41	2.30
Upper MIC's	17.11	17.42	18.13	1.02
HIC's	65.32	64.09	61.66	-3.66

Low-income countries (LICs) gained 0.49 pct points voting power in first phase of the voice reform but lost 0.1 pct points of that in the second phase. In the voice reform overall, the group of lower middle-income countries gained 2.3 pct points and the group of upper middle-income countries gained 1.02 pct points. For both these groups there aggregate share of voting power in the Bank remain below 20 pct, whereas the loss of voting power for the high-income countries is sufficiently limited for its aggregate voting power to remain above 60 pct.

In brief: if one had thought of parity in terms of low- and middle income countries on one hand, and high-income countries on the other hand – as would be natural in the case of the World Bank – there would be a very long way to go to achieve parity. The 3 pct point shift would then only be roughly one fifth of what would have been required to achieve parity. Further, it should be stressed that framing the voice reform as a matter of shifting voting power from developed countries to DTCs obfuscates the fact that the voice reform achieved very little for the low-income countries. Of the aggregate shift of 4.59 pct points from developed countries to DTCs, LICs achieved only a net increase of 0.39 pct points – less than 9 pct of the net shift of voting power, that is. And although it was an explicit objective of the second phase of the voice reform to preserve the voting power of the poorest countries, in fact it didn't: of the modest 0,49 pct points that low-income countries gained in Phase 1 they lost 0,10 pct points in Phase 2. This decline in voting power in the second phase was small, but its symbolical significance is nevertheless considerable.

More generally, one must appreciate that the overall shifts of voting power, from developed countries to DTCs, are very modest when seen in relation to the changing composition of world GDP. A comparison of the voting power of two of the rising Asian countries, China and India, with two small European countries is particularly illustrative of this. Prior to voice reform, China and India together had only approximately 40 pct more voting power than the aggregate of Belgium and the Netherlands (5.56 compared to 4.01), despite the fact that their aggregate share of GDP was more than seven times larger (13.6 pct as compared to 1.89 pct). The voice reform generally changed the relative distribution of voting power in favour of dynamic emerging market economies, but again the comparison of China and India with the Netherlands and Belgium is illustrative: although the aggregate voting power of China and India is now double that of Belgium and the Netherlands, the relative voting power remains entirely out of line with their relative shares of GDP (see table 7). One can further illustrate such imbalances by calculating voting power to GDP ratios. What the voting power to share of GDP ratio tells use you is basically how much voting power you get in the Bank for 1 pct share of world GDP.

Table 7 The voting power of dynamic emerging market economies in perspective

	Share of GDP (pct of world total, market values)	Share of GDP (pct of world total, PPP values)	Share of GDP (pct. of world total, 60/40 values)	Voting power (before voice reform)	Voting power (after reform)	Voting power to GDP ratio [23]
China	8.56	12.55	10.16	2.78	4.42	0.44
India	2.25	5.22	3.44	2.78	2.91	0.85
-- Total	10.81	17.77	**13.60**	5.56	7.33	0.54
Netherlands	1.36	0.93	1.19	2.21	1.92	1.61
Belgium	0.80	0.54	0.70	1.80	1.57	2.24
-- Total	2.16	1.47	**1.89**	4.01	3.49	1.85

Source: World Development Indicators (WDI), 2009-data.

It is highly problematic, not least form the perspective of the legitimacy of the governance of the World Bank, that the ratio can vary as much as from 0.44 for China to 2.24 Belgium (see table 7). It is simply not reasonable that 1 pct share of world GDP translates into 2.24 pct of Bank voting power for Belgium but only 0.44 pct for China. The disparity in this measure is by no means exclusive to the specific comparison of China and Belgium, but part of a general pattern. Table 8 lists the voting power to GDP ratios of the thirty

23 This ratio is calculated as the ratio of voting power after reform (column six in table 6) to share of GDP in pct of world total, at 60/40 values (column four in table 6).

largest countries (at 60/40 GDP). The ratio varies from below 0.5 at the bottom (China) end to almost 3.5 at the top end (Saudi Arabia).

Table 8 Voting power to GDP ratios in the World Bank

Country	Share of GDP (60/40)	Share of voting power (VP)	VP to GDP ratio
US	22.27	15.85	0.71
China	9.32	4.42	0.47
Japan	7.22	6.84	0.95
Germany	5.26	4.00	0.76
France	4.03	3.75	0.93
UK	3.90	3.75	0.96
Italy	3.35	2.64	0.79
Russia	3.34	2.77	0.83
India	3.28	2.91	0.89
Brazil	2.76	2.24	0.81
Spain	2.41	1.85	0.77
Canada	2.20	2.43	1.11
Mexico	2.02	1.68	0.83
S. Korea	1.68	1.57	0.94
Australia	1.46	1.33	0.91
Turkey	1.32	1.08	0.82
Netherlands	1.25	1.92	1.54
Indonesia	1.04	0.98	0.94
Poland	0.92	0.73	0.79
Iran	0.82	1.47	1.79
Saudi Arabia	0.81	2.77	3.44
Belgium	0.72	1.57	2.19
Switzerland	0.68	1.46	2.14
Sweden	0.68	0.85	1.25
Argentina	0.66	1.12	1.70
Norway	0.60	0.58	0.97
Thailand	0.59	0.49	0.83
Austria	0.59	0.63	1.07
South Africa	0.57	0.76	1.32
Greece	0.54	0.33	0.61

Source: World Development Indicators, 2008-data.

Although basic votes and the inclusion of other criteria than GDP in the quota framework by definition will by definition lead to variation in this ratio from country to country, the variation demonstrated here is far in excess of what is reasonable. Indeed, the Bank itself has typically defined 0.85 as the threshold for under-representation: countries whose shareholding to economic weight ratio was below this threshold would then be eligible to increase their shareholding.[24] It is noteworthy in this regard that only ten out of the thirty largest countries have a voting power to GDP ratio that is *within* a 0.85 to 1.15 band of variation. In other words, two thirds of these countries are significantly under-represented or over-represented by this criterion – after two phases of intensive voice reform.

Voting power to GDP ratios may be calculated as averages for income groups also, of course. That low-income countries has a very large average voting power to GDP ratio reflects the fact that for these countries basic votes and membership votes constitute a large part of their total votes, which is not the case for middle-income countries and high-income countries.[25] More interesting is the comparison between the two latter country groupings. The voting power to GDP ratio of high-income countries remains considerably higher (0.86) than the voting power to GDP ratio for middle-income countries (0.59). What these data reveals is, roughly speaking, that a dollar of GDP is worth 50 percent more in the Bank if it is produced in a high-income country than in a middle-income country. Again, this figure provides an important perspective on the results of the voice reform process, which begin to appear very meager indeed.

Table 9 Average voting power to GDP ratios – by income class

	Share of voting power	Share of GDP (60/40)	VP to GDP ratio
High-income countries	61.66	71.89	0.86
Middle-income countries	16.41	27.5	0.59
Low-income countries	3.84	0.61	6.29

In light of all this, it must be stressed that the often cited principle that voting power should "in large measure reflect the relative importance of member countries in the global economy" appears to be a rhetorical device more than a principle followed in practice.[26] While some variation in this ratio is inevitable if one wants to acknowledge other factors than GDP, it is profoundly problematic that the ratio can vary as much as it does – in favor of already privileged high-income countries.

24 This was the rule adopted, for instance, in the 1998 selective capital increase.

25 Technically, future calculations of the voting power to GDP ratio should be operationalized in terms of share of quota votes to share of GDP rather than share of total votes to share of GDP. This would solve the problem of low-income countries appearing to be grossly over-represented, because basic votes make up a large part of their total votes.

26 This quote is from one of the first Development Committee background papers on voice reform (2003: 3), but all subsequent papers reiterate it again and again.

Disingenuous?

The claim made by the Bank (DC 2010a: 6) that a voice reform which increased the shareholding of under-represented countries so as to reflect their weight in the global economy would yield only an aggregate net increase of 1.3 pct voting power is somewhat surprising. On the one hand, Bank documents on the voice reform acknowledge the pressing need to adjust IBRD shareholding to reflect the rapidly changing configuration of the global economy, and on the other hand it argues that such adjustment will yield only a total shift of just over 1 pct of shareholding and voting power. There are two options: either the configuration of the global economy has not changed much after all, or the figure stated by the Bank doesn't quite tell the truth. Unfortunately, it is not altogether straightforward to penetrate deeper into this important matter, in part because the Bank does not give any details of *how* it arrives at this mysteriously low figure.

An explanation probably can be found in three factors: a creative classification of countries, the de facto counting of the basic votes of low-income countries as over-representation of DTCs, and the use of an inappropriate benchmark for economic weight in the global economy. First, a country such as Saudi Arabia, which is significantly over-represented, have most likely been counted in the DTC group – although otherwise classified as a high-income country in the World Bank – and hence the net increase of voting power for DTCs for an adjustment of shareholding to correspond with GDP levels have necessarily been reduced in proportion to the downward adjustment of Saudi Arabia and other over-represented 'DTCs'. This leads to the second contributing factor, namely that the category of over-represented DTCs may well have included all low-income countries – which almost by definition are 'over-represented' vis-à-vis their GDP because basic votes and membership votes constitute a substantial part of their total voting power. Of course, the only reasonable and appropriate way to do these calculations would be to base them on an alignment of quota votes to GDP, such that the basic votes of low-income countries would no longer appear as 'over-representation'. Thirdly, being familiar with the history of the voice reform documents, the suspicion lingers that a key element in arriving at this rather low figure is to use IMF quota as the benchmark of whether a country is under-represented or not, instead of GDP directly (at 60/40 levels) as indicated in the 2010 voice paper[27] In so doing, the Bank ignores the fact that shareholding in the IMF is *also* out-of-line with countries' economic weight in the global economy – because it *also* includes a range of non-GDP criteria ('openness', 'economic variability', and international reserves) which are given an aggregate weight of 50 pct in calculating IMF quotas. In brief, the IMF quota is by definition a poor benchmark, to say the least, for a realignment exercise allegedly intended to bring Bank shareholding into line with countries' relative economic weight in the global economy. The 1.3 pct figure that the Bank is presenting as the amount of shareholding that would

27 "An SCI that brought under-represented member's IBRD shareholding up to their share of the global economy based on GDP 60/40, however, would yield only a 1.3 pct net increase in DTC voting power for Phase 2 reforms" (WB 2010a: 6, emphasis added).

need to shift for voting power in the Bank to be in line with countries' relative economic weight is false; what this figure tells us is the amount of shareholding that would need to shift for voting power in the Bank to be in line with IMF quotas.

Unfortunately, there is a further problem in addition to the data being manipulated in this manner. The Spring 2010 voice reform paper obfuscates that this is what is being done. There is no reference to the IMF quota in the text. Indeed, the only reference made that hints in this direction is a footnote explaining how 'IBRD shareholding to IMF quota' ratios were used in the 1998 selective capital increase exercise (DC 2010a: 6, footnote 5). To understand what is going on one must know the history of the preceding voice reform papers. In the 2003 voice paper it is quite explicitly said that the principle that shareholding should reflect economic weight "has been implemented through the use of IMF quotas" and that "parallelism with IMF quotas has allowed the IBRD to determine the allocation of shares to new members, and adjustments in the allocation of current members in response to changes in their relative economic position (to the extent reflected in IMF quotas), while generally avoiding negotiations on the specific allocation of IBRD shares" (DC 2003a: 12).[28] In the 2007 Options paper, the use of the IMF quota criterion is also made explicit. The document lists countries whose IBRD shareholding to IMF quotas ratio is above, below or within a 15 pct threshold (DC 2007: table 7). Nothing is more illustrative of the absurdity of using IMF quotas as benchmark for the IBRD shareholding realignment than the fact that this criteria identifies Belgium as one of the countries that is satisfactorily within the 15 pct threshold and hence not 'over-represented'. Of course, IBRD shares to IMF quota ratios are nothing more than indicators of the degree of consistency between the misrepresentations of member countries in the two institutions.

All this is all the more striking when one considers how the World Bank typically responds to developing country arguments that other factors than GDP, such as population, should count in determining shareholding and voting power. Despite grave under-representation of a number of emerging market economies and corresponding over-representation of a number of developed countries, the Bank does not refrain from referring to the principle that IBRD shareholding should largely reflect economic weight when rejecting proposals to include other criteria:

> Some critics suggest voting and shareholding should be based not only on a country's relative place in the global economy but on population as well, or other factors. Such steps – or even a move in these directions – would obviously create a radically different structure for the World Bank… and so it is not developed here as a viable option (DC 2003b: 4).[29]

28 Note the parenthesis which demonstrates awareness that changes in relative economic weight are not fully reflected in IMF quotas.

29 It is interesting, although perhaps not surprising, that the position articulated here (by Management) is very close to the position of the US, as articulated by its Executive Director to the World Bank, Mr Brookins, that same year (in

Despite the fact that the World Bank does not abide by this alleged principal principle – and despite the fact that as a consequence voting power to GDP ratios deviate almost absurdly, even after the 2010 voting power realignment – the Bank nevertheless frequently uses this principle to disregard proposals to include non-GDP criteria in deliberations on realignment of IBRD shareholding. It is difficult not to see in this a considerable measure of hypocrisy on behalf of developed countries.

2003). "[A]n increase in developing countries' share of votes… would do more harm than good and, in our view, would be inconsistent with the principle that shares in the IFIs should reflect economic weights in the world economy" (quoted in Wade 2005).

PROBLEMS CREATED FOR THE FUTURE

IDA recognition: 'Instrument to Deter Adjustment'?

The IDA component has helped two types of countries maintain a larger share of IBRD shareholding and voting power than they would otherwise have been able to. First, a number of traditional IDA donors have been able to moderate the downward adjustment of their IBRD shareholding through the 'historical IDA contribution' component. Second, a number of large DTCs have avoided a loss of shareholding and voting power through the 'future IDA contribution' component. Although the official line is that these components are necessary if the Bank is going to be able to maintain generous IDA contributions from traditional IDA donors, as well as recruit new IDA donors in the DTC group, one gets the sense that in reality the IDA component is used simply as an instrument to deter adjustment. If a country can deter a loss of voting power through one form of IDA recognition or the other, it is likely to do so, regardless of whether this would likely impact on its future IDA contributions or not. It is highly unfortunate that IDA contributions have become an instrument of resistance to voting power realignment. Not least because it is difficult to imagine that the the IDA contribution component can be left out in future shareholding reviews. For although there is agreement in principle that the 2010 quota framework should not be used again, one may fear that it nevertheless has set a precedent from which it will be difficult to deviate substantially.

Despite the inclusion of an IDA contribution component, many traditional IDA donors lost voting power in the voice reform process. Some observers found this troubling from the perspective of the Bank's development mandate. There was now considerable risk, they argued, that the voice reform would impact negatively on future IDA replenishments. As one developing country observer framed it, 'if your voting power has significantly decreased, how can you be expected to continue giving generously to IDA'? Will countries that have traditionally been large IDA donors as generously in the future, despite significant reductions in their overall voting power in the Bank? Low-income countries are 'keeping their fingers crossed', the observer said. Fortunately, the recently completed IDA 16 replenishment did not vindicate this suspicion. IDA16 raised commitments by IDA donors by 18 pct as compared to the IDA15 replenishment. This is a reasonably good result in a year of widespread fiscal austerity in many donor countries, even if it is a considerably lower increase than that of IDA15 over IDA14 (36 pct increase). Of course, it is too early to say anything conclusive about the impact of the voice reforms on future IDA replenishments; IDA 17 and IDA 18 will give a clearer picture of this.

It should be stressed that the downward trend on the voting power of many main IDA donors is an inevitable effect of the fact that most of them have much more voting power than their GDP bodes for. The only way in which the governance of the World Bank can be made legitimate, not least in the eyes of the rising powers of the world economy, is to create a much better balance between GDP and voting power.

Since this recalibration process will inevitably further reduce the voting power of traditional IDA donors in coming years, it may be wise to consider devising a new financing model for IDA, to counter arguments that the recognition of IDA contributions in future IBRD shareholding is essential to ensure future flows of funding to IDA. As for IDA recognition in the IBRD shareholding framework the conclusion is clear: since it is neither transparent nor principle-based, and works against the overall objective of realigning shareholding with economic weight, this component ought to be left out altogether.

The 2015 shareholding review and beyond

An important set of problems relates to the upcoming 2015 shareholding review and, indeed, potentially to subsequent shareholding reviews. First, the 2010 voting power realignment has not established a framework or precedent on the basis of which the 2015 shareholding review can be undertaken. On the contrary, the possibility of using the 2010 quota framework for the 2015 shareholding review has been explicitly ruled out:

> The approach used for the 2010 shareholding realignment and its elements *are the basis for the current selective capital increase only*. For the next shareholding review in 2015, we committed to establish a work program and a roadmap to arrive at a benchmark for a dynamic formula reflecting the principles we agreed in Istanbul, moving over time towards equitable voting power and protecting the voting power of the smallest poor countries (Communiqué from Spring Meetings 2010, emphasis added).

This decision reflects, of course, that many member countries were highly dissatisfied with the quota framework developed for the 2010 voting power realignment. The decision not to use the framework for subsequent shareholding reviews was an essential element of the political compromise of the 2010 voice reform, in other words. Thus, although member countries have agreed to develop a “transparent, dynamic and rules-based formula” for the 2015 shareholding review (DC 2010a: 16), one should not underestimate the difficulty of this task, particularly seeing that deliberations on this will have to start from scratch.

Second, member countries remain in deep disagreement on the overall objectives of shareholding realignments. Many DTC’s see parity of voting power as the overall objective, which in the view of many Part 1 countries is a profoundly problematic objective, not least from the perspective of a rapidly evolving global economy where DTCs should gradually ‘graduate’ to become developed countries and hence make a parity objective increasingly anachronistic. This disagreement is reflected in the communiqué from the 2010 Spring Meetings, which abstains from using the word parity due to fierce resistance from Part 1 countries. Instead, the communiqué states that “future IBRD shareholding reviews will aim at closing the remaining gap towards *equitable* voting power” (WB 2010: 9, emphasis added), a phrasing that is more open to interpretation. Again, while this room for interpretation evidently was a necessary part of the political compromise of the 2010 voice reform, it constitutes a significant unresolved issue for future deliberations on these issues. Should ‘parity’ remain the overall objective of future shareholding realignments and if so how should one draw the line between developed countries and DTCs, in the context of a global economy that may be said to lend itself less and less easily to such a distinction?

Third, the current combined system of appointed and elected chairs on the Executive Board of Directors is under pressure because of the rapidly changing configuration of the global economy. Although the Articles of Agreement stipulate that only the five largest shareholders have an appointed chair, the number of de facto appointed chairs has already risen from the original five (US, Japan, Germany, France, UK) to currently eight appointed chairs (+ China, Russia, Saudi Arabia). With new powers demanding to be treated fairly and waning ones refusing to give up their privileges, the total number of appointed chairs is likely to continue to increase in the coming decade.

Table 10 The global economy, and the system of appointed chairs under pressure

Ranking	*WB voting power (pct)*	*2010 GDP (PPP)*	*2020 GDP (PPP)*
1	US (15.85)	USA	China
2	Japan (6.84)	China	USA
3	China (4.42)	Japan	India
4	Germany (4.0)	India	Japan
5	France (3.75)	Germany	Russia
6	United Kingdom (3.75)	Russia	Germany
7	India (2.91)	United Kingdom	Brazil
8	Russia (2.77)	France	United Kingdom
9	Saudi Arabia (2.77)	Brazil	France
10	Italy (2.64)	Italy	Mexico

Source: DC 2010a and Euromonitor 2010

Even before the ink is try on the voice reform agreements, the voting power of the largest countries as well as the granting of appointed chairs is already significantly out line with the current configuration of the world economy, as measured by GDP in PPP terms. Within the top 10, UK and France command more voting power than their GDP merits, and India and Brazil less. By the criterion of GDP (at PPP values), there is little justification to explain why India has not been granted an appointed chair when Germany, Russia, UK and France have been allowed to keep theirs. In 2020, Brazil will have risen above the UK and France, and hence will also have a legitimate claim to an appointed chair. If India and Brazil are indeed to be granted appointed chairs this can only happen in two ways: by increasing the number of Executive Directors on the Board (from 25 to 27) or by reconfiguring country constituencies. Neither a larger Board nor fewer but larger elected country constituencies are desirable solutions to this predicament. Instead, the World Bank Group should move in the direction of an all-elected Board (as is currently being discussed in the IMF).

Finally, the controversial role of the G20 has created a significant problem for future governance reforms in the World Bank. From the perspective of the 168 member countries of the World Bank not involved in G20 deliberations it was controversial, to say the least, that the overall targets of voice reform in the Bank (and the Fund) was decided by G20 countries. There is an increasing sense of resentment towards the role of the G20 in these matters on behalf of the excluded countries. In the preparation of the Seoul summit, the development agenda was given considerable priority by the South Korean presidency. A development sub-committee was established to prepare and facilitate G20 deliberations in this area. Representatives of a range of international organizations, including the World Bank, were invited to provide consultancy and technical inputs in this process. This became an issue of heated controversy in the Board of the Bank. Several non-G20 countries felt that it was not appropriate for the World Bank to be providing analysis and background material for what they saw as an illegitimate, self-selected club of leading economic powers. From this perspective, Bank involvement in G20 deliberations on development amounts to implicitly accepting or even legitimizing the G20. Some non-G20 executive directors have tried to resist this involvement by demanding to see the budget line being used to cover the time World Bank officials have spent providing inputs for this process towards the Seoul summit.[30] What will the role of the G20 be in the run-up to the 2015 shareholding review? How will resentment on the part of the G172 over potential agreements made by the G20 countries impact on the 2015 shareholding review? These are very much open questions, and G20 'leadership' and resentment towards it may considerably complicate (if not undermine) the process of further shareholding realignment in the Bank in coming years.

30 See Bosco (2010) for a further reflection on this example and on the attitude of non-G20 countries to the G20.

CONCLUDING REMARKS

The voice reform is a significant diplomatic achievement. It is the first time in the Bank's history that comprehensive voting power realignment has been agreed upon. There is considerable difference in the interpretation of the *impact* of the voice reform on the Bank, however. Some observers see the voice reform as a 'complete game-changer' and consider the fact that most parties are frustrated with the deal as testifying to a process of negotiation and compromise where all parties have been forced to give up some of their own narrow interest for a significant collective agreement to be reached. Others see it as a relatively minor step which will not substantially affect the day-to-day operations of the Bank, and which falls far short of what is necessary to increase the legitimacy of the institution.

The main findings of this paper tend to support the latter of these views. First, the voting power realignment is insufficient when seen in relation to the considerable imbalances in terms of countries' voting power relative to GDP. The fact that China has a 14 times larger share of world GDP than Belgium and yet less than three times more voting power in the Bank, is illustrative of the severity of this problem. Second, the aggregate shift of voting power from developed countries to DTCs is very modest in percentage point terms (as little as 3 pct points has been shifted) and high-income countries have retained more than 60 pct of voting power. To add insult to injury, one dollar of GDP produced in a high-income countries translates into 50 pct more voting power than one dollar of GDP produced in a middle-income country does. Third, the stated objective of at least avoiding *a decline* in voting power for the world's poorest countries in the second phase of the voice reform was not achieved; the aggregate voting power of low-income countries in fact decreased.

Overall, to consider the voice reform a substantial achievement in terms of the broad objective of 'enhancing voice and participation for all developing and transition countries' would be a misrepresentation of what was actually accomplished.

REFERENCES

Ayres, R. (1983). Banking on the Poor: The World Bank and World Poverty. Cambridge, MA, MIT Press.

Birdsdall, N. (2006). Rescuing the World Bank: A CGD Working Group Report & selected essays Maryland, United books Press, INC.

Bosco (2010). Who's afraid of the G20. *The Multilateralist*, Foreign Policy blog. http://bosco.foreignpolicy.com/posts/2010/09/28/does_the_g_20_need_a_secretariat

Buira, A., Ed. Challenges to the World Bank and IMF: Developing country perspectives. London, Anthem Press.

BWP (2009b) ICSID—International Centre for Settlement of Investment Disputes. bretton Woods project, critical voices on the World Bank and IMF Volume, DOI:

BWP (2006b) IFC- International Finance Corporation bretton Woods project, critical voices on the World Bank and IMF Volume, DOI:

BWP (2006) MIGA—Multilateral Investment Guarantee Agency. bretton Woods project, critical voices on the World Bank and IMF Volume, DOI:

BWP (2010) WBG- World Bank Group. Bretton Woods project, critical voices on the World Bank and IMF Volume, DOI:

BWP (2009) Who pays for the Fund and the Bank? Bretton Woods project, critical voices on the World Bank and IMF Volume, DOI:

BWP (2010b) World Bank-IMF spring meetings 2010. Bretton Woods project Volume, DOI:

DC (2008a). Development Committee Communiqué, April 13, 2008. Washington DC: The World Bank Group.

DC (2008b). Development Committee Communiqué, October 12, 2008. Washington DC: World Bank.

DC (2008c). Enhancing voice and participation of developing and transition countries in the World Bank Group: Options for Reform. Development Committee Technical Note DC 2008-0013. Washington DC: The World Bank Group.

DC (2010a). World Bank Group voice reform: enhancing voice and participation of developing and transition countries in 2010 and beyond. Development Committee, DC2010-0006, Washington, D.C.

Euromonitor (2010). *Top ten largest economies by GDP in PPP terms: 2010 and 2010*. Euromonitor Global Market Research Blog, Special Report, 7 July 2010. http://blog.euromonitor.com/2010/07/special-report-top-10-largest-economies-in-2020.html (accessed 28 January 2010).

Griffith-Jones, S. (n.d.). "Governance of the World Bank."

Horton, A. (2010) At issue: Analysis of World Bank voting reforms: Governance remains illegitimate and outdated. . The Bretton Woods Project: Critical voices on the World Bank and IMF Volume, DOI:

Kapur, D., Lewis, J.P., and Webb, R. (eds.), (1997). *The World Bank. Its first half century*. Washington, D.C: The Brookings Institution.

Kapur, D. (2002). The Changing anatomy of governance of the World Bank. Reinventing the World Bank. J. R. P. a. J. A. Winters. New York, Cornell University Press.

Kapur, D. (2006). The "Knowledge" Bank. Rescuing the World Bank. N. Birdsall. Washington D.C., Center for Global Development.

Leiteritz, C. W. a. R. J. (2005). ""Our poverty is a world full of dreams:" Reforming the World Bank." Global Governance: 369-388.

Lombardi, D. (2008). "The Corporate Governance of the World Bank Group." GEG Working Paper 37(The Global Economic Governance Programme, University College, Oxford.).

Lombardi, D. (2010) Taking Stock of the IMF and World Bank Spring Meetings: G-20 Here to Stay? The Brookings Institution Volume, DOI:

Martinez-Diaz, L. (2009) Toward a Grand Bargain on World Bank Reform. Brookings Volume, DOI:

McElhinny, V. (2010). The general capital Increase: New World - Same World Bank. IFI Info Brief. Washington, Bank Information Center.

Peet, R., Ed. (2003). Unholy Trinity: The IMF, World Bank and WTO London, Zed Books.

Phillips, D. A. (2009). Reforming the World Bank: Twenty years of Trial - and error. New York, Cambridge University Press

Project, B. W. (2009). Bretton Woods Project Submission on the DFID White Paper Bretton Woods project.

Project, B. W. (2010a) Spring meetings 2010: Communiqués coverage. Bretton Woods project Volume, DOI:

Rich, B. (2002). The World Bank under James Wolfensohn. Reinventing the World Bank. J. R. P. a. J. A. Winters. Ithaca and London, Cornell University Press.

Ritzen, J. (2004). A chance for the World Bank. London, Anthem Press.

Subramanian, N. B. a. A. (2007). From World Bank to World Development Cooperative, Center for Global Development

Theis, D. "World Bank Reforms Voting power, gets $86 Billion Boost." Retrieved 10th of May, 2010, from http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22556045~pagePK:64257043~piPK:437376~theSitePK:4607,00.html.

UN (2003). *Monterrey consensus on financing for development*. Department of Economic and Social Affairs. Geneva: United Nations.

UTC (2010) World Bank Agrees to Increased Capital and Voting Power for Developing Countries. MercoPress. South Atlantic News Agency Volume, DOI:

Vines, c. L. G. a. D., Ed. (2000). The World Bank Structures and Policies Cambridge, Cambridge University Press.

Wade, R. (2007). "What the World Bank Should do." Challenge 50(5): 6-16.

Wade, R. (2010). What's up at the World Bank?

Wade, R. H. (2007). "Ngaire Woods The Globalizers: The IMF, the World Bank and Their Borrowers." New Political Economy 12(1): 127-138.

Wade, R. (2011). From waning to emerging world order. *Politics and Society* (forthcoming).

WB (2010c). *World Bank Chronological History*. Washington, D.C.: The World Bank Group.

WB (2011). Voting powers. Washington, D.C.: World Bank Group. http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/BODEXT/0,,contentMDK:21429866~menuPK:64020035~pagePK:64020054~piPK:64020408~theSitePK:278036,00.html (accessed 29 January 2011).

Williams, D., Ed. (2008). The World Bank and Social Transformation in International Politics: Liberalism, governance and sovereignty. Oxon, Routledge.

Winters, J. R. P. a. J. A. (2002). Reinventing the World Bank. Reinventing the World Bank. J. R. P. a. J. A. Winters. New York Cornell University Press.

Woods, N., Ed. (2006). The Globalizers: The IMF, the World Bank, and their borrowers. Ithaca and London, Cornell University Press.

Woods, N. (2008a). From Intervention to cooperation: reforming the IMF and World Bank. Progressive governance. London.

Woods, N. (2008b). Governing the Global Economy: Strengthening Multilateral Institutions International Peace Institute.

Woods, N. (2009). The International Response to the crisis and the reform of the international financial and aid architecture, Directorate-general for external policies, Policy department. European Parliament.

Zedillo Commission (2009). Empowering the World Bank for the 21st Century. Report of the High-Level Commission on Modernization of World Bank Group Governance. Washington, D.C: The World Bank.

Zoellick, R. (2010). Spring Meetings a turning point for the World Bank. http://blogs.worldbank.org/meetings/category/tags/voice (accessed 29 January 2011).