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**ENHANCING VOICE AND PARTICIPATION OF
DEVELOPING AND TRANSITION COUNTRIES
IN THE WORLD BANK GROUP**

The 2002 Monterrey Consensus encouraged the World Bank and the International Monetary Fund, and I quote, “to continue to enhance participation of all developing countries and countries with economies in transition (DTC) in their decision making and thereby to strengthen the international dialogue and the work of these institutions as they address the development needs and concerns of these countries”.

Since Monterrey, the Bank has continued its progress on aspects of enhanced Voice and Participation for its Developing and Transition members. Initiatives to strengthen capacity for DTC participation in decision making have included training of counterpart staff under the Voice Secondment Program, and expanding support for the largest Sub-Saharan African Board constituencies with additional Senior Advisors and Advisors.

Bank Group responsiveness to DTC views on development has been heightened through increased diversity and decentralization of staff and management, deepened country ownership and expanded communications and voice of local stakeholders.

Advances on structural elements of reform, however, have awaited the results from discussions on Quota and Voice Reform at the Fund. With agreement reached in Spring 2008 at the Fund, Bank discussions on structural Voice and Participation issues, have now accelerated towards consensus on a package of specific reforms.

Reflecting this new context for enhancing Voice and Participation in the World Bank Group, the Development Committee (DC) in April 2008 “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.” The DC Communiqué sought concrete options from the Bank’s Board by the 2008 Annual Meetings, with a view to reaching consensus on a comprehensive package by the 2009 Spring Meeting.

The 2008 DC Communiqué also called for a process that is inclusive and consultative among Bank shareholders. In that light, the Bank's Executive Directors have exchanged views on all aspects of this topic over the last few months.

The ultimate goal of Voice reform is to increase the organization's responsiveness and ability to meet and support the needs of its shareholders. That progress becomes all the more relevant as the significant changes in the global political economy highlight the importance of modernizing the Bank Group's overall institutional governance arrangements.

Voice reform also has institutional benefits for the World Bank Group. Beyond its financial strength, the World Bank Group has a number of strategic assets at its disposal. These include its extensive global reach and country-based development platform, the depth and quality of its knowledge databases, and the professional expertise of its staff. Two other important strategic assets of the Bank Group are central to its effectiveness and legitimacy: (i) its brand name and associated convening power, including its ability to raise public attention on important development issues; and (ii) its role within the wider development community in helping to galvanize support for broad development initiatives.

Two core objectives for enhancing Voice and Participation at the World Bank Group are particularly important:

First, to ensure equitable participation of all developing countries and countries with economies in transition in the Bank's governance. This involves two goals of equal importance, namely:

- To continue to make progress in the overall adjustment of voting rights and shareholding in light of members' evolving economic weight in the global economy and responsibilities for the development mandate of the Bank; and

- To strengthen Voice and Participation for countries, whose weight in the global economy may be small, but for whom the Bank plays an important financing and advisory role.

□ **Second, to enhance legitimacy, credibility and accountability in Bank Group operations,** which involves the following set of goals:

- To broaden representation of DTC nationals in the staff and at all levels of management in the World Bank Group;

- To deepen ownership of all members in the Bank Group's strategic agenda, projects and programs, including at the country level; and
- To strengthen the dialogue with stakeholders, particularly in DTCs, on the Bank Group's activities.

We believe that making progress on these core objectives for Voice and Participation will enhance the Bank Group's overall development effectiveness. It will help reinforce the Bank Group's strategic assets, empower minority shareholders in the Bank, and strengthen the support and ownership of decisions taken by the Board. Especially in a development cooperative such as the Bank, consensus and compromise are needed to produce effective development responses to collective challenges.

To be more specific, the proposed package of reforms goes as follows:

- (a) **Increase in IBRD Basic Votes.** Basic Votes would be increased in the Bank's Articles to 5.55% of total votes (the percentage resulting from doubling the current number of Basic Votes). The weight of Basic Votes would be maintained.
- (b) **Realignment of IBRD shareholding**
 - (A) DTC members whose voting power would otherwise decrease due to the doubling of Basic Votes would benefit from an exceptional allocation of available (some 7,100) IBRD shares for subscription to mitigate that decline. These DTC members would be current on their IDA subscriptions. [Result: Combined with the increase in Basic Votes, DTC voting power in IBRD would increase from 42.6% to 44.0%,]
 - (B) The Bank's Board would complete a major review of IBRD shareholding that considers the evolution of all countries' relative weight in the world economy, as well as Bank-specific criteria. The review would lead to a subsequent significant realignment of IBRD shareholding for all members, and it would also provide an opportunity to further enhance the Voice of DTCs. The Board would develop proposals by the 2010 Spring Meeting and no later than the 2010 AMs, reaching consensus on potential realignment at the following meeting.
- (c) **Increase in IDA Part II voting power.** Part II members are expected to take up their allocated but unsubscribed IDA subscriptions, while

voluntary financial support from donors would be expected for the poorest Part II members, on an exceptional basis. [Result: IDA voting power of Part II members would increase from 41% up to 48%.]

- (d) **An additional voice for Sub-Saharan Africa in the Bank Group.** The Bank Group's 47 member countries in Sub-Saharan Africa would be represented by a third elected Executive Director on the Bank Group's Boards, as a result of the addition of a 25th Executive Director position. [Result: DTC chairs will hold the majority of Board seats – 13 out of 25 seats.]
- (e) **Strengthening Board effectiveness and internal governance.** The Bank Group's Boards of Executive Directors and Management would implement reforms that would enhance the effectiveness of internal governance processes and functions and would increase efficiency and reduce cost in the operations of the Boards. Agreement on a set of reforms to strengthen Board effectiveness and internal governance would facilitate the introduction of the additional Board seat for Sub-Saharan Africa in a relatively budget neutral manner.
- (f) **Deepening responsiveness to DTC views on development.** Bank Group senior management appointments will continue to recognize the importance of increasing diversity, and planning is underway to deepen Bank Group decentralization and field presence and increase the share of programs/ projects managed in the field. Bank Group Annual Meetings would be held more frequently outside of Washington, subject to decisions by shareholders.
- (g) **Process for selection of the Bank's President.** There is considerable agreement on the importance of a selection process for the President of the Bank that is merit-based and transparent, with Board consideration of multiple.
- (h) **IFC Voice reform.** Voice at the IFC Board will be enhanced with the third Executive Director for Sub-Saharan Africa. For IFC voting power and shareholding, the IFC Board would review the implications for IFC of introducing voice reforms similar to the IBRD, with proposals by the 2010 Spring Meeting and no later than the 2010 AMs, with a view to reaching consensus at the following meeting.

Also: **More frequent AMs to be held overseas**, subject to decisions by shareholders.

It is also important to mention the establishment by President Zoellick of a high level task force under the leadership of former Mexican president Ernesto Zedillo, entrusted with looking at the bank's governance structure.

All this to say that there is a clear process underway, defined within clear parameters and in keeping with the prerogatives and duties of the Board of Governors of the World Bank Group.

