

**VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION
COUNTRIES IN DECISION MAKING AT THE WORLD BANK AND THE
INTERNATIONAL MONETARY FUND**

COMMITTEE OF THE WHOLE, MARCH 29, 2005

Executive Summary

The 2002 Monterrey Consensus encouraged the World Bank (the Bank) and the International Monetary Fund (the Fund) to find pragmatic ways to continue to enhance Voice and Participation (Voice) of all Developing and Transition Countries (DTC) in their decision making.

Since then, it has been widely acknowledged that Voice is a complex issue with dimensions at many levels including at the country, the Executive Directors' (EDs) and the structural and institutional levels. It has also been recognized that views differ widely among members about what constitutes Voice, including the structural options, what other issues should be included in the Voice discussions as well as the sequencing of the actions. However, despite these differences and the lack of a clear consensus, it has been agreed that all views should be taken into account and reflected in the continuing work on Voice.

A number of measures have been taken at the World Bank, many of them before Monterrey, to increase DTC ownership of their development efforts through their involvement in the design and formulation of lending and non-lending operations through the Comprehensive Development Framework, the Poverty Reduction Strategy initiatives, decentralization and harmonization of procedures among donors. At the same time, the capacity of offices of Executive Directors, including specifically those representing 20 or more countries (DTC), has been strengthened through improved means of communications with their capitals, the establishment of an analytical trust fund to provide Sub-Sahara African Executive Directors with independent technical and research support and the launching of the secondment program. Under the Secondment Program, DTC officials come to the Bank to experience and learn first hand how policies, programs and projects are designed and implemented in a development institution.

In addition to these measures, EDs have considered structural and institutional issues dealing with IDA Voting and Capital structure and IBRD Voting and Capital Stock. Subsequently, additional issues such as communications in Bank-financed projects, higher representation of DTC nationals in senior management positions, Board effectiveness, the allocation of 50% of the total authorized shareholding of the Bank to DTC and selection of the head of the Bank were added.

Specific options have been formulated on each of the issues. For IDA Voting and Capital Structure, the questions reviewed have been the gap between IDA's allocated shares and actual voting rights and the role of IDA Borrowers and Executive Directors in

the IDA replenishment process. For IBRD Voting and Capital Stock, the following options have been considered: Increase in Basic Votes, Increase in Membership Shares, Selective Capital Increases and Special Majorities. In addition, Board Composition, the length of Executive Directors' terms and the allocation of 50% of IBRD capital to DTC have also been included.

Each option has been carefully evaluated: the changes required for adoption have been assessed, the likely impact of the option on Voice evaluated, the consequences for the shareholding and management processes of the Bank where applicable carefully looked into, and the implications for coordination with the IMF reviewed.

Progress reports reflecting extensive consultations among the EDs in an effort to reach consensus have been prepared for the Development Committee (DC) and further work undertaken on the basis of the guidance provided.

At the October 2, 2004 Washington Meeting, the DC issued a communiqué which reads in relevant parts: "...We urge the Boards (of the Bank and the Fund) to cooperate closely together in exploring all relevant options and to strive to achieve consensus amongst all members. We look forward to receiving a report regarding the feasibility of these options, to allow us to address the necessary political decisions at our next meeting".

Consultations took place between the Bank and the Fund at various levels that made it possible to exchange views on the different options and issues under consideration.

The report in the Annex provides the options described above. It contains an analysis of the range of options which are available to deal with the issues. Thus, apart from the issues of communications in Bank-financed projects, higher representation of DTC nationals in senior management positions, Board effectiveness, and the selection of the head of the Bank, which are within the EDs' prerogative and on which action has been taken and will be taken, implementation of structural issues require (in most cases) decisions at the highest Governance level, i.e. the Board of Governors and in some cases, amendment to the Articles of Agreement.

It should also be noted that some of the structural proposals are solely related to the Bank, since the IMF has a different capital structure. However, since the Bank's capital structure has historically been related to the IMF decisions on quota, some EDs believe that these issues should be dealt with in parallel with the proposed changes in the IMF structure. This underlines the need for a political consensus at the Governors' level.

Accordingly, guidance is sought from the Ministers on three specific points:

- In view of the fact that the structural issues presented in the Bank have historically been related to the IMF, should they be considered further only after progress in the IMF work on quota review?

- If the Bank were to pursue work on structural issues separate from the IMF, which options do Ministers think are more feasible politically for a consensus?
- Do the Ministers agree that the work already undertaken to strengthen DTC ownership of their development programs and build their capacity is an important element of Voice and needs to be continued?