

INTRODUCTION

1. The 2002 Monterrey Consensus encouraged the World Bank (Bank) and the International Monetary Fund (IMF, Fund) to find pragmatic ways to continue to enhance Voice and Participation (Voice) of all Developing and Transition Countries (DTC) in their decision making, and thereby to strengthen the international dialogue and the work of those institutions as they address the development needs and concerns of these countries. The Development Committee (DC) has repeatedly urged the Bank and the Fund to take steps to achieve the above mentioned objective.

2. The October 2, 2004 Washington DC Meeting Communiqué on Voice reads as follows: "...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".

BRIEF BACKGROUND

3. The issue of enhancing Voice at the Bretton Woods Institutions (BWI) is a complex one with many dimensions at different levels including at the country level, at the level of the Executive Directors and at the structural and institutional levels. This multi-dimensional nature was reflected in the diversity of views expressed leading to, and during the October 2, 2004 DC meeting.

4. At the country level, enhanced ability of the DTC to influence the paradigm, the agendas, the strategies and policies, and ultimately the development programs supported by the BWI is considered by many as an affirmation of DTC ownership and leadership of the development process. It is also broadly agreed that this ownership is no less important than the voting structure in the BWI. Further, views have been expressed that, in addition to DTC governments, the intended beneficiaries and other stakeholders of the BWI-financed projects and programs should have the opportunity to make their views heard at all the stages of the project cycle by including a communications component in these projects.

5. At the level of the Executive Directors, offices representing a large number of countries which themselves have a large number of complex programs and projects need strengthening to allow them to represent their members more effectively.

6. Finally, views have been expressed that the first two points above are peripheral or marginal to the Voice issue and that the BWI voting rights and capital structure are the only fundamental issues worth pursuing on Voice. These structural and institutional issues relate to both IBRD's and IDA's voting and capital structure, the Fund's quota formula, the composition of the Board of Executive Directors and its effectiveness, and the representation of DTC nationals at the highest levels of the BWI management.

CURRENT STATUS OF VOICE

7. Some progress has been achieved at the country level: the Comprehensive Development Framework (CDF) and Poverty Reduction Strategy (PRS) initiatives, decentralization and harmonization have started the process of trying to put DTC more firmly in charge of the formulation and implementation of their development programs, bring decision making by BWI closer to the stakeholders at the field level, and lessen and reduce the transaction costs for DTC in their efforts to deal with a multitude of donors' procedural requirements. It is recognized however that much still remains to be done in all these areas. In addition, the regular inclusion of a communications component in Bank-financed projects and programs needs to be formalized.

8. Progress has equally been made with the offices of Executive Directors including specifically those representing more than 20 countries, through measures taken to increase the staff resources of the two Sub-Sahara African Executive Directors who each represents more than 20 countries. Progress has also been achieved through improved means of communications with capitals of the countries that Executive Directors represent, the establishment of an analytical trust fund to provide the two Sub-Sahara African Executive Directors with independent technical and research support, the launching of the secondment program to the Bank for DTC officials, and more focus on learning for the Executive Directors and their staff. The first cohort of 18 selected participants is joining the Bank in the spring.

9. Much less progress has been made on the structural and institutional issues which are therefore the main focus of this note.

STRUCTURAL AND INSTITUTIONAL ISSUES

10. The Executive Directors of the Bank have considered a number of options on structural and institutional issues for enhancing DTC Voice. The thirteen options currently under consideration represent those options which have been determined as worthy of more consideration by the Executive Directors. Executive Directors have had extensive discussions in both formal and informal settings in an effort to try to reach a consensus on an appropriate, manageable and feasible set of options for communication to and consideration by the DC. Informal consultations have also been held from time to time with the Board and Senior Management of the Fund. The results of these deliberations, including detailed evaluations of most of the options, have been regularly submitted to the DC.

11. The structural and institutional options can be grouped into two broad categories: those which the Board of Executive Directors and Bank management may decide on and implement and those whose resolution requires action by the shareholders, i.e. through an amendment of the Articles of Agreement of the Bank or approval by the Governors. These two sets of options are briefly reviewed below with more details provided in the

Attachments. **Attachment A** provides the legal requirements for amending the Articles of Agreement of the World Bank. Approval of the Governors would be obtained either through a mail vote or at the Annual Meetings.

Executive Directors /Management Options

12. There are four options which are within the competence, in terms of decision making, of the Executive Directors and/or Bank management. These are: the inclusion of a communications component in Bank-financed projects, higher representation of DTC nationals at the senior management levels of the Bank, measures to improve Board effectiveness and the selection of the heads of the BWI.

13. **Communications Component.** Some Bank programs and projects already include a communications component. In addition, for most projects and programs proposed for Bank financing, there is an Environmental Assessment (EA) process that requires extensive consultations with groups expected to be affected and local non-governmental organizations (NGOs) and taking their views into account.¹ Finally, a project launch workshop or meeting is organized for every new project to introduce it to all stakeholders. The Executive Directors will need to initiate discussions with Bank management with a view to determine additional measures that may be needed to complement existing policies and procedures on communications and consultations in projects and programs financed by the Bank. **Attachment B** provides more information on this option.

14. **Higher Representation of DTC nationals in senior management positions.** The Board needs to have further discussions with management on an appropriate framework that can be used to pursue the objective of higher representation of DTC nationals in senior management positions. In general, the Bank's staffing policies are implemented within the framework of the Articles' requirements that "in appointing the officers and staff the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible" [Article V, Section 5(d)].

15. **Board Effectiveness.** The Board has been discussing measures to improve its effectiveness over the last several months. The Committee on Governance and Executive Directors' Administrative Matters (COGAM) has been coordinating this effort. The main focus of the work has been on strategy and policy formulation, processes, procedures and structures. A working group of Executive Directors has been established to work on the main issues identified. The results of this work will be considered first by COGAM and then by the whole Board at an appropriate time.

16. **Selection of the Heads of the BWI.** In June 2000, working groups were established at the Bank and the Fund to review the process for the selection of the President of the Bank and the Managing Director of the Fund. These two groups

¹ More details are provided in OP4.01, January 1999: Environment Assessment.

produced a joint draft Report. Following the concurrence of the World Bank's Executive Directors, the Report was made publicly available.

Structural Options

17. The remaining nine options under consideration are structural in nature: (i) bridging the gap between IDA's allocated shares and actual voting rights; (ii) the role of IDA borrowers and of the Board of Executive Directors; (iii) the length of Executive Directors' terms; (iv) increase in Basic Votes; (v) increase in Membership Shares; (vi) Special Majorities; (vii) Board composition; (viii) Selective Capital Increases; and (ix) allocation of 50 percent of the Bank's capital to DTC. Some progress has been made on the first two options. However, no consensus has been reached on any of the other options.

18. **Gap between IDA's allocated shares and actual voting rights.** African Governors committed to make all necessary arrangements to pay their countries' allocated subscriptions in full by end-March 2005. The current situation is as follows: 13 of the 44 African countries contacted have fully paid for their shares and the corresponding votes have been allocated. Another two countries have fully subscribed and their payment is awaited. On the other hand, IDA management contacted 79 non-African DTC which are not current donors to IDA to encourage them to take up their full allocation of subscriptions. Sixteen of this second group of countries have fully paid and their votes have been allocated. Another one has fully subscribed and payment is expected.

19. **The role of IDA Borrowers and the Executive Directors.** Executive Directors have stressed the importance of (i) the increased participation of borrower country representatives in IDA's replenishment process instituted for the first time in IDA-13 replenishment negotiations and intensified in the IDA-14 replenishment, (ii) further reflecting borrower country concerns in meeting agendas, (iii) engaging borrower countries in IDA monitoring and evaluation process, and (iv) a clear definition of the issues to be dealt with in the replenishment process or the IDA Board. The outcome of the discussion of these issues should be presented to the Governors for further guidance. One last point that has been raised is how IDA voting power structure can be brought to bear on IDA decisions. For both IBRD and IDA, Executive Directors can only cast their vote as a block even if members in their constituencies hold different views, which is sometimes the case in mixed constituencies.

20. **The length of Executive Directors' terms.** The length of Executive Directors can be changed formally and in a permanent way through an Amendment to the Articles of Agreement. As a practical matter, the length of EDs terms has been and can be altered through informal agreements within elected constituencies. It is worth noting that some constituencies have already agreed on informal arrangements for longer terms.

21. **Increase in Basic Votes.** The degree of the impact of an increase in Basic Votes on DTC would depend on the magnitude of the increase considered. An amendment to

the Articles of Agreement would be required as explained in more detail in **Attachment C**.

22. **Increase in Membership Shares.** The impact of an increase in Membership Shares would be similar to the case of Basic Votes. However, this option would translate into a contingent financial liability for DTC. A possible option for low par shares without contingent liability may also merit further consideration. As **Attachment D** indicates, approval by the Board of Governors would be required.

23. **Special Majorities.** Considerations of Special Majorities that distinguish between developed countries and DTC and target specific policies or programs and projects raise a number of legal issues that would need first to be resolved. As explained in **Attachment E**, satisfactory resolution of some of these issues would require an amendment of the Articles of Agreement, whether a pilot scheme is considered or not.

24. **Board Composition.** The possibility of reducing the number of countries represented by a single office depends on whether (i) the overall number of Executive Directors is increased or (ii) some countries are reassigned between constituencies. The first alternative would require a decision by the Bank's Governors while the second would require a political decision among countries as explained in **Attachment F**. In either case, the Governors would have to play a major role. It has also been suggested that some regions agree to give up some of their chairs so that they can be reassigned to DTC regions which would thus benefit by having a smaller number of countries per chair.

25. **Selective Capital Increases.** In addition to issues of parallelism with the Fund, Selective Capital Increases would require approval by the Board of Governors and agreement by some members not to exercise their preemptive rights as explained in **Attachment G**. More than in the case of other options, progress on this one could require prior action at the Fund on the quota formula so that the distribution of quotas better reflect the current relative position of members in the world economy.

26. **Allocation of 50% of the Bank's capital to DTC.** This would be a variation of the Selective Capital Increases above. In addition, in order to make the allocation permanent, an automatic parity adjustment formula would have to be incorporated. **Attachment H** provides more details. Prior action on the IMF quota formula could also be needed.

CONCLUSION

27. As noted above, considerations on changing the voting structure and composition of the Boards of both the Bank and the Fund are proving to be complex. Finding areas with broad support has been difficult. Guidance is requested from the Development Committee as indicated in the first page of this report.

ATTACHMENT A

Legal Requirements for Amending the Articles of Agreement at the Bank

Amendment of the IBRD Articles of Agreement requires a three-stage process, under Article VIII:

1. A proposal for amendment may “emanate” from a member country, a governor, or the Executive Directors. If it originates with the Executive Directors, the regular process for Executive Directors’ approval would apply.
2. The proposal is placed before the Governors by the Chairman of the Board of Governors. The regular process for approval by the Board of Governors would apply (a majority of Governors exercising not less than two-thirds of the voting power constitutes a quorum; decision is by a majority of the votes cast). This may take place by voting without meeting (a mail vote).
3. If approved by the Board of Governors, the proposal is sent to all member countries for their approval. Three-fifths of the members holding 85% of the voting power must accept the amendment in order for it to become effective. Moreover, acceptance by all members is specifically required in the case of amendments modifying the right to withdraw from the Bank, preemptive rights or the limit on calls on capital.

The legal process required in each country by the Governor to approve and then the member country to accept an amendment will, of course, depend on the country’s own legal framework for participation in the Bank.

ATTACHMENT B

VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION ECONOMIES

OPTION: HAVE A COMMUNICATIONS COMPONENT IN BANK-FINANCED PROJECTS AND PROGRAMS.

Objective of Option

- Allow intended beneficiaries Bank-financed projects to become involved in all stages of the project cycle, thereby giving them a voice to shape project design, implementation and monitoring.

Background

- Design of projects and programs is the responsibility of prospective borrowers. Bank Management appraises the project and upon completion of negotiations with the prospective borrower, presents the proposed project for Board approval.

Expected Impact on Voice

- Communications component would empower all stakeholders in Bank-financed projects.

Current Status of Option

- This is a new option the specifics of which need to be developed with assistance of OPCS.

Action Required

- Hold consultations with Bank management on the next steps.

Comments

- Some Bank-financed projects and programs already include a communications component. In general, all projects have an Environmental Assessment (EA) process which involves extensive consultations with groups likely to be affected by a proposed Bank-financed project and local non governmental organizations (see OP 4.01). Finally, all projects include a launch workshop which introduces projects to all stakeholders.

- Most recent case of operation with specific communications component is the Haiti Economic Governance Reform Operation (EGRO) (IDA/R2004-0292/1, December 14, 2004).
- Objective of EGRO's communications activities is to (i) improve the public's access to information on economic governance policies, (ii) establish a strategy and mechanism to facilitate communication with the general public.
- This operation and others could be used as a framework in discussions with management on additional steps needed to improve communications in Bank-financed projects.

ATTACHMENT C

VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION ECONOMIES

OPTION: INCREASE IN BASIC VOTES

Objective of Option

- Restore the level of Basic Votes for smaller countries, currently at 2.8 percent of total votes, to at least 10.78 percent as at the start of the Bank.

Background

- Voting power at the Bank has two elements: each member has 250 votes (referred to as “basic votes” or “membership votes” plus one vote for each share of stock held (Article V, Section 3 (a)).
- Past capital increases were not accompanied by an adjustment for Basic Votes, which led to the erosion of the share of Basic Votes to total votes for many DTC.
- Changing the number of basic votes requires an amendment of the Articles of Agreement.
- See Attachment A on steps for amendment to the Articles.

Process required

- If it were agreed to return Basic Votes to their original level, an increase of 128,800 Basic Votes would be required.

Pros

- Increase in basic votes would not encompass a financial burden on members.

Cons

- Increasing votes for all countries equally would not correct the situation of countries under-represented in the Bank by virtue of their improved economic position in the world.
- DTC may view this level of change as insignificant and inconsequential.
- Increase in Basic Votes would require an amendment of the Articles of Agreement.
- Difficulty of determining the level of change that should be sought.

Expected Impact on Voice

- Bringing basic votes at least to at least the original 10 percent of total votes would raise DTC shares to 43 percent from the current 40 percent.

Current Status of Option

- No emerging consensus yet on this option, with many chairs indicating that the requirement of an amendment to the Articles of Agreement makes this option difficult to achieve.

Action Required

- Hold broad consultations with the shareholders to ascertain their willingness to consider an amendment to the Articles of Agreement.

ATTACHMENT D

VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION ECONOMIES

OPTION: INCREASE IN MEMBERSHIP SHARES

Objective of Option

- Reverse the erosion of developing countries' proportionate share of basic votes to total votes caused by successive capital increases.

Background

- Membership shares introduced in association with the 1979 General Capital Increase (GCI) to avoid a reduction in the aggregate voting power of developing countries that would have been caused by the GCI.
- Membership shares have no paid-in portion and are entirely callable.
- Increasing membership votes requires approval by the Governors representing three-fifths of member countries having 75 percent of total voting power.
- It has been estimated that Member subscribing to new 250 shares would incur contingent liability of about \$30 million. Amount would double for twice the number of shares.
- One suggested alternative would be to offer a special class of Membership Shares at a different, and substantially lower, par value than previously issued shares (for example \$5). This would alleviate the contingent liability burden for DTC of subscribing to these shares, and these shares would continue to carry one vote.

Pros

- Increase in Membership Shares, unlike an increase in Basic Votes, would not require an amendment to the Articles of Agreement.
- Reduced financial burden on DTC as a result of the shares issued.

Cons

- Increasing votes for all countries equally does not correct situation of countries under-represented in the Bank by virtue of their improved economic position in the world.
- DTC may view this level of change as insignificant and inconsequential.
- Member countries taking advantage of this option (without the shares at a low value of \$5 as discussed above) would incur a contingent liability of \$30 million for 250 shares, or more if more shares are issued.

- It is not clear that the resulting gain in additional shareholding percentage, particularly for the poorest members, would be worth the potential financial burden if shares not offered at a discount.

Expected Impact on Voice

- The net effect of allocating 250 shares to each member would be an increase in DTC's share of total votes from 40 percent to 41 percent.
- Allocation of 700 shares to each member would have the same impact as discussed in Attachment C, i.e. an increase in DTC shares from the current 40 percent to 43 percent.

Current Status of Option

- No emerging consensus yet on this option, with many chairs indicating strong reservations about the contingent liability which would be applicable also to DTC subscribing. Its potential perception by the capital markets remains to be assessed.

Action Required

- Hold broad consultations with the shareholders to ascertain their willingness to consider supporting the option.

ATTACHMENT E

VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION ECONOMIES

OPTION: SPECIAL MAJORITIES

Objective of Option

- Increase the number of countries whose agreement is needed for major decisions and ensure substantial support from Developing and Transition Countries for specific decisions.

Background

- Matters before the Bank are decided by a majority of the votes cast unless otherwise specified in the Articles of Agreement.
- Votes by the Board of Governors require a quorum of the majority of Governors exercising at least two-thirds of the voting power; votes by the Executive Directors require a quorum of the majority of Directors exercising at least one half of the total voting power.
- Some specific actions by the Governors and Executive Directors require special majorities of total voting power including increases in capital (75 percent majority), increases in the number of Executive Directors (80 percent majority), and amendment to the Articles of Agreement (approval by three-fifths of the member having 85 percent of the total voting power). Other decisions requiring special majority votes relate to financial and administrative aspects of the Bank's structure¹.

Suggestions made

- Suggestions made to require special majorities for additional matters or to introduce double majorities, with separate majorities required for development country members as done in some Regional Development Banks (RDBs).
- Suggestion also made to introduce double majority on operational matters defined as "projects, programs and personnel" for a pilot phase.

¹ Article II Section 2 (b) and Article VIII (a) for the areas described. Other areas mentioned where various special majorities are also required may be summarized as: selection of currency where repayments are not made in the currency loaned (Article IV, Section 4(b)(i)); buying and selling of certain securities (Article IV, Section 8(iv)); calling Governors' meetings (Article V, Section 2(c)); suspension of membership (Article VI, Section 2); maintenance of Bank membership after cessation of IMF membership (Article VI, Section 3); and suspension of Bank operations and distribution of Bank assets (Article VI, 5(b) and (f)).

Pros

- Double majorities could provide additional assurances that the voice of developing countries will be heard and considered and could permit a smaller group of countries to block decisions supported by a larger group.

Cons

- Special majorities as proposed would require an amendment to the Articles of Agreement for which broad support may not be available.
- Pilot phase would raise conflicts with the Bank's legal requirements, and therefore have no legal effect, unless the Articles of Agreement are first amended, in three areas: (i) because matters before the Bank are decided by a majority of the votes cast (Article V, Section 3(b)), a majority of the votes cast in favor of a matter during the pilot period would legally and automatically decide the matter; (ii) because all votes cast by an Executive Director are counted together as a unit (Article V, Section 4(g)), a split vote for mixed constituencies would not be feasible; and (iii) the Bank's Articles of Agreement do not define "Part I" and "Part II" countries and this would need to be done first..

Expected Impact on Voice

- See the "pros" above.

Current Status of Option

- No emerging consensus yet on this option.

Action Required

- Hold broad consultations with the shareholders to ascertain their willingness to consider supporting the option.

A comparative analysis of the situation of the other development banks on special majorities is annexed to this attachment.

ATTACHMENT E. ANNEX

Enhancing Voice and Participation of Developing and Transition Countries: Note on Special Majorities

1. Under the Bank's governance structure, each member's voting power consists of 250 votes plus one additional vote for each share of stock held by the member. Matters are decided by a majority of the votes cast, unless otherwise specified in the Articles of Agreement.² In this regard, two types of special majorities are specified in the Bank's Articles: super-majority decisions and double-majority decisions.
2. Super-majority: Certain decisions require approval by more than a simple majority of the total voting power. These decisions include:
 - (a) capital increases and maintenance of Bank membership after cessation of IMF membership (75%);
 - (b) increases in the number of elected Executive Directors (80%);
 - (c) distribution of assets after termination of operations (2/3);
 - (d) amendments to the Bank's Articles that would modify the right of members to withdraw from the Bank, the right to exercise preemptive rights in subscription to shares or the limitation on liability on shares to the unpaid portion of the issue price (100%); and
 - (e) calling special Governors' meeting (5 members or members holding ¼ of voting power).³
3. Double-majority: There are certain decisions that require **both** a numerical majority of members **and** a proportion of total voting power. Most generally, the quorum requirement for meetings of the Board of Governors is a majority of the Governors exercising at least two-thirds of the total voting power; for meetings of the Executive Directors, the quorum requirement is a majority of Directors exercising at least one-half of the total voting power.⁴ Other double-majority provisions include:
 - (a) amendments to the Articles, other than those specified above (3/5 of members holding 85% of total voting power); and

² IBRD Article V, Section 3.

³ IBRD Article II, Section 2 (b) [capital increases]; Article VI, Section 3 [maintenance of membership after cessation of IMF membership]; Article V, Section 4 (b)[increase in number of elected directors]; Article VI, Section 5 (f) [distribution of assets after suspension of operations]; Article VIII (b) [unanimous consent for amendments] and Article V, Section 2 (c) [requesting special Governors' meeting]. In addition, a 75% majority is required for selection of currency of repayments where repayments are not made in the currency loaned, and buying and selling of certain securities (Article IV, Section 4 (b)(i) and Section 8 (iv).)

⁴ IBRD Article V, Sections 2 (d) and 4 (f).

(b) suspension and restoration of membership, permanent suspension of operations and distribution of Bank assets to members (majority of Governors holding 50% of total voting power).⁵

4. Introducing Special Majorities. One option for consideration in enhancing the voice of developing and transition countries (DTCs) in the Bank is the introduction of special majority provisions in favor of DTCs. Currently, the double-majority provisions for the Bank require affirmative votes from a specified number of members as well as a specified percentage of voting power. These current double-majority provisions do not refer to a class of members. To introduce such provisions would require the introduction of legally-defined classes of members and the selection of a set of key decisions for which a double majority would be required. The introduction of such provisions would require amendment of the Articles of Agreement, because the Articles state that matters before the Bank are made by majority vote “except as otherwise specifically provided.”

5. Regional Development Banks (RDBs). Comparing the charters of the RDBs and the Bretton Woods Institutions in the attached Table⁶ reveals that all of these international financial institutions have special-majority voting requirements for major institutional decisions, such as capital increases, increases in Board seats, suspension of members, termination of operations and distribution of assets after termination, and charter amendments. The RDBs also require a special majority for selection of the President, which is a responsibility of the Board of Governors rather than the Executive Directors as in the Bank and Fund. The Inter-American Development Bank (IADB) and the African Development Bank (AfDB) require, in addition, a double-majority of regional members for most of these special majority provisions. The AfDB, the IADB, the Asian Development Bank (AsDB) and the European Bank for Reconstruction and Development (EBRD) have charter provisions that require that regional members or institutions maintain at least a majority of the total shareholding or voting power within the institution (60% for AfDB and AsDB). Where regional shareholding majorities are maintained, even super-majorities would require substantial regional support for a particular decision.⁷

6. Global Environment Facility (GEF). In the GEF, decisions of the Assembly and the Council are taken by consensus.⁸ In the case of the Council, if, in the consideration of any matter of substance, no consensus appears attainable, any member of the Council may require a formal vote.⁹ Decisions requiring a formal vote by the Council are taken

⁵ IBRD Article VIII (a) [amendments]; Article VI, Section 2 [suspension of membership]; Article VI, Section 5 (b) [permanent suspension of operations] ; and Article V, Section 2 (c) [requesting a Governors’ meeting].

⁶ The regional development banks included here are the African Development Bank (AfDB), Asian Development Bank (AsDB), Inter-American Development Bank (IADB) and European Bank for Reconstruction and Development (EBRD). The Bretton Woods Institutions included here are the IMF, IFC, MIGA, IDA and the Bank.

⁷ For example, in AfDB, a capital increase would require 75% of the total voting power. Since the regional members of AfDB maintain 60% of the total voting power, obtaining 75% of the total voting power would require at least 35% of the voting power of the regional members.

⁸ Instrument for the Establishment of the Restructured Global Environment Facility (1994) (the “GEF Instrument”), paragraph 25(b).

⁹ GEF Instrument, paragraph 25(b).

by a “double weighted majority,” that is, an affirmative vote representing both a 60 percent majority of the total number of Participants and a 60 percent majority of the total contributions.¹⁰ For meetings of members of the Council, two-thirds of the members constitute a quorum.¹¹

7. Pilot Proposal. A paper commissioned and circulated by the German Ministry for Economic Cooperation and Development, "Enhancing the Voice of Developing Countries in the World Bank," proposes the introduction of "double majority" voting in the decisions of the Bank for a pilot phase. The pilot phase would last for two years, and would be for decisions on "operational matters"--which is defined as projects, programs and personnel. In the pilot phase, decisions subject to a special double majority would require approval by a majority of votes, on the one hand, and a majority of Part II country votes, on the other hand. The paper suggests that implementing the pilot would require "two rounds of decisions to be taken by the Board on these issues during the two-year pilot phase, one by the industrialized countries and one by the developing countries and countries in transition....For a loan or program to pass, two different majorities would be required." The eight mixed constituencies (with industrialized and developing/transition countries) would be asked to cast two separate votes, reflecting the views of each group for the relevant vote. After the pilot phase, the approach might be finalized with an amendment of the Bank's Articles of Agreement.¹²

8. Implementation of the pilot phase raises conflicts with the Bank's legal requirements. Until the Articles are amended, three aspects of the pilot proposal would not have legal effect. Because matters before the Bank are decided by a majority of the votes cast,¹³ a majority of the votes cast in favor of a matter during the pilot period would legally and automatically decide the matter. Because all votes cast by an Executive Director are counted together as a unit,¹⁴ a split vote would not be feasible. Because the Bank's Articles do not define "Part I" and "Part II" countries, provisions to determine which members fall in which category would be required.

9. The personnel decisions proposed for the pilot are not subject to the approval of the Board. Under the Articles, the Executive Directors are responsible for the conduct of the general operations of the Bank, but the conduct of the ordinary business of the Bank is the sole responsibility of the President as chief of the operating staff of the Bank under the direction of the Executive Directors. The President is responsible for the organization, appointment and dismissal of the officers and staff subject to the “general control” of the Executive Directors.¹⁵ As a result, the Executive Directors are consulted

¹⁰ GEF Instrument, paragraph 25(c) (i).

¹¹ GEF Instrument, paragraph 17.

¹² “Enhancing the Voice of Developing Countries in the World Bank,” German Ministry for Economic Cooperation and Development, July 2004, pp. 16-18

¹³ Article V, Section 3 (b)

¹⁴ Article V, Section 4 (g) provides: "Each appointed director shall be entitled to cast the number of votes allotted under Section 3 of this Article to the member appointing him. Each elected director shall be entitled to cast the number of votes which counted toward his election. All the votes which a director is entitled to cast shall be cast as a unit." This is different from the legal requirements in the AsDB and the EBRD, where a Director may split his/her votes. In the AfDB and IADB, a Director must cast all of his/her votes as a unit, as in the Bank.

¹⁵ Article V, Sections 4 (a) and 5 (b)

on—but do not approve--managerial appointments. The Executive Directors appoint the members of the Inspection Panel and the Administrative Tribunal and the Director-General, Operations Evaluation, on the nomination of the President.

LEG 2/28/05

**PRINCIPAL DECISIONS REQUIRING SPECIAL MAJORITY OF VOTES IN
INTERNATIONAL FINANCIAL INSTITUTIONS**

DECISION	AfDB	AsDB	EBRD	IADB	IBRD	IDA	IFC	<i>IMF</i>	MIGA
Capital increase	Voting Power: 3/4 Governors: 2/3	Voting Power: 3/4 Governors: 2/3	Voting Power: 3/4 Governors: 2/3	Voting Power: 3/4 Governors: ³ / ₄ of which 2/3 regional members	Voting Power: 3/4	Voting Power: 2/3	Voting Power: 4/5 (non-initial subscription)	Voting Power: 85% (Quota Change)	Voting Power: 2/3 Governors: representing 55% of subscribed shares
Increase in Board seats	Voting Power: ³ / ₄ Governors: 2/3 of regional members if regional change; 2/3 of non-regional members if non-regional change	Voting Power: 2/3 Governors: Majority (one-time increase)	Voting Power: ³ / ₄ Governors: 2/3 (increased or decreased, or composition revised)	Voting Power: ³ / ₄ Governors: 2/3 of regional members if regional change; 2/3 of non-regional members if non-regional change	Voting Power: 4/5	--	--	Voting Power: 85%	Majority of votes cast
President selection	Voting Power: Majority Including majority of regional voting power	Voting Power: Majority Governors: Majority	Voting Power: Majority Governors: Majority	Voting Power: Majority Governors: Majority of regional Governors	--	--	--	--	--

DECISION	AfDB	AsDB	EBRD	IADB	IBRD	IDA	IFC	IMF	MIGA
Suspension [and restoration] of members	Voting Power: Majority Directors: Majority Votes: Majority of regional votes if regional member, Majority of non-regional votes if non-regional member	Voting Power: $\frac{3}{4}$ Governors: 2/3	Voting Power: 2/3 Governors: 2/3	Voting Power: $\frac{3}{4}$ Governors: 2/3 Including 2/3 of regional Governors if regional member, 2/3 of non-regional Governors if non-regional member	Voting Power: Majority Governors: Majority	Voting Power: Majority Governors: Majority	Voting Power: Majority Governors: Majority	Suspension of voting rights-- Voting Power: 70% Compulsory withdrawal of membership- Voting Power: 85% Governors: Majority	Suspension: Voting Power: Majority Governors: Majority Restoration: Majority of votes cast
Termination of operations	Voting Power: Majority Including majority of regional voting power	Voting Power: $\frac{3}{4}$ Governors: 2/3	Voting Power: $\frac{3}{4}$ Governors: 2/3	Voting Power: $\frac{3}{4}$ Governors: 2/3 of regional Governors	Voting Power: Majority Governors: Majority	Voting Power: Majority Governors: Majority	Voting Power: Majority Governors: Majority	Temporary suspension- Voting Power: 85% Extension of temporary suspension- - Voting Power: 85%	Voting Power: 2/3 Governors: representing 55% of subscribed shares

DECISION	AfDB	AsDB	EBRD	IADB	IBRD	IDA	IFC	<i>IMF</i>	MIGA
Distribution of assets after termination of operations	Voting Power: Majority Including majority of regional voting power	Voting Power: $\frac{3}{4}$ Governors: 2/3	Voting Power: $\frac{3}{4}$ Governors: 2/3	Voting Power: $\frac{3}{4}$ Governors: 2/3 of regional Governors	Votes : 2/3	Voting Power: Majority Governors: Majority	Voting Power: Majority Governors: Majority	Majority of votes cast	Majority of votes cast
Regional share	60% voting power	60% of subscribed capital stock	Majority of subscribed capital stock for EC members, EC and EIB combined	Minimum 50.005% voting power for regional developing members, 30% for U.S., 4% for Canada	--	--	--	--	--
Amendment of Charterⁱ	Voting Power: 3/4 Members: 2/3 Including 2/3 regional members having $\frac{3}{4}$ regional voting power	Voting Power: 3/4 Governors: 2/3	Voting Power: 4/5 Members: $\frac{3}{4}$ (including at least 2 countries from central and eastern Europe listed in Annex A)	Voting Power: $\frac{3}{4}$ Governors: Majority, Including 2/3 of regional Governors	Voting Power: 85% Members: 3/5	Voting Power: 4/5 Members: 3/5	Voting Power: 85% Governors: 3/5	Voting Power: 85% Members: 3/5	Voting Power: 4/5 Governors: 3/5
Request Governors' meeting	Members: 5 OR Voting Power: 1/4	Members: 5	Members: 5 OR Voting Power: $\frac{1}{4}$	Members: 5 OR Voting Power: $\frac{1}{4}$	Members: 5 OR Voting Power: $\frac{1}{4}$	--	--	Members: 15 OR Voting Power: $\frac{1}{4}$	Members: 5 OR Voting Power: 25%

DECISION	AfDB	AsDB	EBRD	IADB	IBRD	IDA	IFC	<i>IMF</i>	MIGA
Quorum: Governors	Voting Power: 70% Governors: Majority	Voting Power: 2/3 Governors: Majority	Voting Power: 2/3 Governors: 2/3	Voting Power: 3/4 Governors: Majority Including majority of regional members	Voting Power: 2/3 Governors: Majority				
Quorum: Executive Directors	Voting Power: 70% Directors: Majority	Voting Power: 2/3 Directors: Majority	Voting Power: 2/3 Directors: Majority	Voting Power: 2/3 Directors: Majority Including majority of regional members	Voting Power: 1/2 Directors: Majority				

ⁱ **UNANIMOUS AGREEMENT REQUIREMENTS:** For each institution, certain charter amendments require agreement of all members:
AfDB: amendments that would modify the right of members to exercise preemptive rights in subscription to shares, the limitation on liability on shares to the unpaid portion of the issue price or the right to withdraw from AfDB. Amendment of voting majorities provided for purpose of amending general rules for admission of non-regional countries requires the same voting majorities.
AsDB: amendments that would modify the right of members to withdraw from AsDB, the limitation on liability on shares to the unpaid portion of the issue price, members' protection from liability for AsDB's obligations or the right to exercise preemptive rights in subscription to shares.
EBRD: amendments that would modify the right of members to withdraw from EBRD, the right to exercise preemptive rights in subscription to shares, the limitation on liability on shares to the unpaid portion of the issue price and members' protection from liability for EBRD's obligations or the purpose and functions of EBRD. [Acceptance by three-fourths (3/4) of members having 85% voting power is required for an amendment modifying provisions regarding access by a potential recipient country to EBRD's resources for limited purposes during first three years of EBRD operation and continuation of such access beyond initial limits.]
IADB: amendments that would modify the right of members to withdraw from IADB, the right to exercise preemptive rights in subscription to shares and in contribution to the Fund for Special Operations or the limitation on liability on shares to the unpaid portion of the issue price and on

quotas to the unpaid portion that has become due and payable. An amendment of voting majorities provided for purposes of amending general rules for admission of nonregional countries requires the same voting majorities.

IBRD: amendments that would modify the right of members to withdraw from IBRD, the right to exercise preemptive rights in subscription to shares or the limitation on liability on shares to the unpaid portion of the issue price.

IDA: amendments that would modify the right of members to withdraw from IDA, the right to exercise preemptive rights in subscription to shares or members' protection from liability for IDA's obligations.

IFC: amendments that would modify the right of members to withdraw from IFC, the right to exercise preemptive rights in subscription to shares or members' protection from liability for IFC's obligations.

IMF: amendments that would modify the right of members to withdraw from IMF, the provision that no change in a member's quota shall be made without its consent or the provision that no change may be made in the par value of a member's currency except on the proposal of that member.

MIGA: amendments that would modify the right of members to withdraw from MIGA or the limitation on liability on shares to the unpaid portion of the issue price. Any amendment modifying the loss-sharing arrangement (Articles 1 and 3 of Annex I) which will result in an increase in any member's liability thereunder requires the affirmative vote of the Governor of each such member. Amendments of Schedules A (Membership and Subscriptions) and B (Election of Directors) require 2/3 of voting power of Governors representing 55% of subscribed shares. If an amendment affects any provision of Annex I (Guarantees of Sponsored Investments under Article 24), total votes must include the additional votes allotted under Article 7 of such Annex to sponsoring members and countries hosting sponsored investments.

ATTACHMENT F

VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION ECONOMIES

OPTION: BOARD COMPOSITION

Objective of Option

- Increase the number of Executive Directors representing Developing and Transition Countries (DTCs).

Proposal

- Agree that no Executive Director should represent more than 16 countries.
- This would be achieved through one of the following: (i) the creation of additional chairs, (ii) the reassignment of countries between constituencies, or (iii) the decision of a member or group of members to give up their chair(s) in order to maintain the total number of chairs at 24.

Background

- The number of Elected Executive Directors may be increased, as other members join the Board, by the Board of Governors with a four-fifth majority (Article V, Section 4(b)).
- Five Executive Directors shall be appointed, “one by each of the five members having the largest number of shares” (Article V, Section 4(b)(i)).
- Changing the country grouping in elected constituencies could be achieved through casting of votes by individual Governors at the next elections for Executive Directors.

Pros

- No amendment of the Articles of Agreement required.

Cons

- No broad support for an increase in the number of chairs.
- No broad political support for reassignment of countries to different constituencies.
- Increase in the number of seats may affect efficiency at the Board.

Expected Impact on Voice

- Reduction in the number of countries per chair to 16 or less would help improve the functioning of the offices currently representing more than 16 countries.

Current Status of Option

- No emerging consensus yet on this option.

Action Required

- Consult with all shareholders.

ATTACHMENT G

VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION ECONOMIES

OPTION: SELECTIVE CAPITAL INCREASES

Objective of Option

- Enhance voting strength of Developing and Transition Countries.

Background

- A Selective Capital Increase (SCI) requires approval by the Board of Governors.
- SCI needs to be restricted to Developing and Transition Countries in order to serve the goal of increasing their voice.
- Non-subscribing members must agree not to exercise their preemptive rights.
- If previous SCI model is followed, paid-in portion would be six percent of the price of the share (\$120,635), of which 10 percent would be in US dollars and the remainder in national currency.
- Subscription has paid in portion and contingent liability for member created by the callable portion of subscriptions.

Pros

- SCI does not require an amendment of the Articles of Agreement.
- Increase in DTCs' IBRD capital shares.

Cons

- Financial cost to DTCs
- Contingent liability for subscribing DTCs.
- Difficulty to determine which country gets what shares.
- Opposition of countries to shareholding dilution.
- No financial justification for a capital increase at this time.

Expected Impact on Voice

- See the "pros" above.

Current Status of Option

- No emerging consensus yet on this option.

Action Required

- Hold broad consultations with the shareholders to ascertain their willingness to consider supporting the option.
- Need to ensure that there is a Selective Quota Increase (SQI), at the Fund which is consistent with the sought SCI.
- If no SQI, then seek waiver to parallelism with the Fund.
- Waiver would make it possible to follow IBRD policy that members' shares should reflect their relative weight in world economy.
- Investigate, in preliminary fashion, likely implications for capital markets.

ATTACHMENT H

VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION ECONOMIES

OPTION: ALLOCATION OF 50% OF THE BANK'S CAPITAL TO DEVELOPING AND TRANSITION COUNTRIES

Objective of Option

- Enhance voting strength of Developing and Transition Countries.

Background

- Allocation of 50 percent of the Bank's shares to Developing and Transition Countries (DTC) would require Selective Capital Increase (SCI).
- A SCI would require approval by the Board of Governors.
- SCI needs to be restricted to Developing and Transition Countries in order to serve the goal of increasing their voice.
- To make 50 percent allocation to DTC permanent, Articles would also need amendment specific to that objective.
- Non-subscribing members must agree not to exercise their preemptive rights.
- If previous SCI model is followed, paid-in portion would be six percent of the price of the share (\$120,635), of which 10 percent would be in US dollars and the remainder in national currency.
- Member must pay in portion of capital increase and bear contingent liability for member created by the callable portion of subscriptions.

Pros

- Does not require an amendment of the Articles of Agreement.

Cons

- Financial cost to DTCs
- Contingent liability for subscribing DTCs.
- Difficulty to determine which country gets what shares.
- Resistance of countries to shareholding dilution.
- No financial justification for a capital increase at this time.

Expected Impact on Voice

- Increase in DTC's IBRD's shares.

Current Status of Option

- No emerging consensus yet on this option.

Action Required

- Hold broad consultations with shareholders to ascertain their willingness to consider supporting the option.
- Need to ensure that there is a Selective Quota Increase (SQI), at the Fund which is consistent with the sought SCI.
- If no SQI, then seek waiver to parallelism with the Fund.
- Investigate, in preliminary fashion, likely implications for capital markets.