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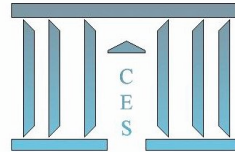
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**The Governance of the World Bank : Analysis and  
Implications of the Decisional Power of the G10**

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# *The Governance of the World Bank: Analysis and Implications of the Decisional Power of the G10<sup>1</sup>.*

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**Abstract.** This article discusses the World Bank's formal rules of governance. It states that theoretically, each of the World Bank's member states is represented within the decision making process but in practice it is otherwise. Indeed, we demonstrate that in reality the democratic imbalance in favor of the Most Developed Countries (MDCs), caused by the voting system of the WB, is much stronger than it appears. In the first place, our analysis of the formal decision making process demonstrates that the voting system is such that a coalition of particularly coordinated countries - the eleven countries of the G10 - can, on its own, constitute a majority permitting them to vote decisively on all issues. This implies that the remaining 174 members have no influence on voting results. Thus, this minority coalition alone is in position to approve loans and their attached conditions. In the second place, four features of the World Bank's governance which protect and re-enforce the power of this coalition are found. On the one hand, this analysis provides some explanations to the failure of various initiatives made to increase the voice of the Less Developed Countries (LDCs). On the other hand, it identifies several means susceptible of increasing the power of these countries in the institution. The main interest of this study shows that the democratic imbalance caused by the voting system is more important than it seems. Indeed, not only do the World Bank's formal rules of governance give the G10 the voting weight at all three levels of decision making but several governing features also permit the G10 to protect and re-enforce the power that they already have. Due to their right of veto, the MDCs can notably block any reform proposals.

**Keywords:** World Bank, governance, decision-making power, decision-making authorities, conditionality

*JE : O16, O19, F35, F59*

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## 1. Introduction

The question of the efficiency and legitimacy of the multilateral aid delivered by international financial institutions (IFIs) generates more and more economic analysis and discussions. On the one hand these studies deal with the determinants of IFI awarded loans and on the other hand with their governance. An increasing amount of studies (Dreher 2002, 2003, Harrigan and Wang 2006, Fleck and Kilby 2006, Dreher et Jensen 2006) show in particular that the attribution of loans and the number of attached conditions are influenced by the IFIs' main shareholders' economic and political interests. Nevertheless several questions remain to be answered: what means enable the main shareholders to influence aid allocation and its conditionality? What is the origin of the power and influence wielded by shareholders to weigh on the IFI's decisions? Some answers can be found in studies that focus on the governance of the IFIs (Swedberg 1986, Leech and Leech 2003, Woods 2003) and more precisely on the member states' modes of representation and participation within these institutions. Leech and Leech (2003) demonstrate the anti-democratic dimension of the weight based voting system, which is a major trait of the IMF and the World Bank. Woods (2003) studies the power and influence of the United States within the IFIs.<sup>2</sup> Swedberg (1986) questions the so-called "economic neutrality" of the IFIs, which in reality serves the interests of the most powerful nations by favouring capitalism and free trade.<sup>3</sup> They<sup>4</sup> have the capacity to exert political pressure both within the IFIs, by means of the characteristics relative to their governance<sup>5</sup>, and outside these institutions, by means of negotiations carried on within the G10 for instance. However these studies never examine the governance of the IFIs by itself and always exclusively concentrate on showing the influence of the United States within these institutions. Moreover essential aspects have not been examined. First of all, these works share common limits. Their authors do not mention (or very little) the International Development Association (IDA) and concentrate their analysis on the International Bank for Reconstruction and Development (IBRD). Additionally these works only consider the existence of coalitions of MDCs as exceptions (decisions made at the 85% special majority) without looking into their general dimension. Taken individually, each of these studies also leaves in darkness several important elements. Leech and Leech (2003) only take into account decisions taken at the simple majority. They do not either examine the possible uses of the power afforded to the United States. Moreover, by focusing exclusively on the United States, Woods (2003) ignores the influence held by other shareholders. Lastly, even though he introduces the notion of a "power to

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<sup>2</sup> According to her influence and power depend on four major characteristics of governance: the financing of the IFI, the use made of their resources, the composition of their staff, and the modes of their representation and participation within.

<sup>3</sup> According to which the decisions taken and the advice given by these institutions are exclusively developed on the basis of economic considerations.

<sup>4</sup> United States, Japan, Germany, United Kingdom, France.

<sup>5</sup> For instance the United States decided unilaterally of the structure of governance of the IFI.

decide”, Swedberg does not analyse the IMF and World Bank’s voting system in detail.<sup>6</sup> Yet, ascertaining whether a member has power to decide requires to know his voting weight and the appropriate voting rules. The studies mentioned here are therefore incomplete. This study seeks to fill these knowledge gaps.

Firstly, several reasons lead to study both the IBRD and the IDA. On the one hand the World Bank groups these two organisations. On the other hand, this paper takes an interest in decisions relative to the attribution of fundings and in the fixation of conditionality. Now, the IBRD and the IDA are the two only organisations of the World Bank group authorised to grant conditionnal funding.<sup>7</sup>

Secondly, it will show that the power held by some shareholders (United States), brought to light by the aforementioned works, can be used in order to determine the attribution of loans and the conditionality clauses of the World Bank. To validate such a hypothesis this study describes in steps the part taken by decisional authorities in the development of a funding project.

Thirdly, will be taken into consideration, in a more systematic way than that of existing works and on broader scale, a coalition of MDCs (members of the G10) motivated to obtain the power to decide. The main reason for this approach is that it considers the G10 to be a group concerned with its unity and coordination within an international institution like the World Bank. Lastly, this study introduces the clear notion of decisional power that enables to make away with the confusion generated by the various concepts usually used such as: *power, influence, voting power, voting weight*. By decisional power is meant the capacity of one or several members to attain in case of a vote the necessary majority to take a decision.

Once these elements are brought together and these works criticized and completed, this study attempts to show that even though theoretically each member of the World Bank is represented within the decisional authorities and takes part in the decision making process, in reality the practice is different. Known to all and consacrated within the constitution of the World Bank is the principle according to which each member state has a right to vote but holds a varying number of votes depending on his importance in the world economy. In practice, it turns out that this voting system is the source of an important democratic imbalance (Leech and Leech, 2003). By mechanically affording more votes to the MDCs than the LDCs, it disfavours the latter. It might be expected, despite this voting system, that each member of the Bank might make itself heard and weigh on decision making within the Governors’ Board and the Executive Board. Indeed, as the World Bank is an Intergovernmental Organisation, decisions made must by definition, for the most part, be consensual and therefore taken

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<sup>6</sup> Swedberg (1986), p. 380.

<sup>7</sup> The World Bank group contains, additionally to the IBRD and the IDA, the International Financial Society (IFS), the International Centre for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA).

unanimously or at the very least by a very large majority of members. This paper proposes to demonstrate scientifically that, truth be said, the imbalance is stronger than that.

First, an analysis of the formal decision making process shows that the system is such that a small minority coalition – the 11 countries of the G10 wealthiest on the planet – can by itself constitute a circumstantial majority and weigh in a decisive way on all votes (I). From this results the fact that the votes of the 174 other members of the World Bank has no incidence on the outcome of the vote. They are in a way excluded from the decision making process. Henceforth, this coalition of MDCs can in particular make by itself the decisions relative to the attribution of loans and the fixation of conditionality tied in to World Bank fundings. This explains why so many recent studies (Dreher 2002, 2003, Harrigan and Wang 2006, Fleck and Kilby 2006, Dreher and Jensen 2006) focus on the influence of the interests of the main shareholders of the IFIs (WB and IMF) as to the attribution of funding and the amount of attached conditions.

Secondly, four characteristics of the governance of the World Bank are highlighted that perpetuate and reinforce the decisional power of the MDCs (G10) (II). This analysis enables to, on the one hand explain why recent initiatives (Development Comity 2003, 2005) aiming to reinforce the power of LDCs within the WB and IMF have failed and, on the other hand, to identify the means susceptible to reduce the power of the MDCs (G10) in favour of the LDCs.

## **2. MDCs and the World Bank: représentation, participation and decisional power.**

This section analyses the representation and participation of the MDCs (G10) within the three decisional authorities of the World Bank (the Governors' Board, the Executive Board and the Presidency) in order to discern whether these countries hold, in certain cases, a decisional power. It is appropriate to specify that will be taken into consideration here a coalition of countries regrouping only MDCs, since there is a clear dichotomy MDCs/LDCs within the WB. On the one hand this dichotomy can be explained historically: the IFIs are in fact the result of an initiative by the MDCs who were their architects. On the other hand, since the voting weight of each member is measured according to his contribution to the Bank's capital, it disfavours the poorest. Lastly, as purveyors of funding the MDCs don't have the same preferences as to the amounts, modes of disbursement and funding conditions as the LDCs who seek funding.<sup>8</sup>

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<sup>8</sup> Mosley (1987) creates a model of negotiations between MDCs and LDCs relative to conditionality. He shows that the conditions wished for by the beneficiary of a loan (LDC) differ in terms of harshness from those wanted by the donator (MDC). The beneficiary of a loan, who must put in practice the conditions, will prefer a mild conditionality with less constraints, whereas to the contrary the donator, who seeks guarantees on the use of the funding, will choose a heavier conditionality. In the same way the donator will prefer to disburse a loan in several instalments, conditioning the

Attention is focused specifically on the G10 since its characteristics make it an optimal coalition. Indeed the theoreticians of coalitions (Riker 1962, Sandler et Hartley 2001) show that the more participants there are in a coalition, the harder it is to maintain unity and coherence. Small groups of countries are therefore more apt to solve collective action problems than large ones. According to Woods and Lombardy (forthcoming) the result is that within the IMF, an optimal group of countries is a group small enough to enable its members to generate and put in practice a common agenda in a coherent fashion. More precisely, three elements determine, according to them, the influence of a coalition within the IMF: the voting weight it holds, the possession of a common agenda and the importance of its lobbying capacity and technical support within the infrastructure. In continuity with this analysis, it's shown that the G10 is very clearly the most influent coalition within the IMF and the WB. Indeed, on the one hand, by bringing together the 11 wealthiest countries on the planet, the G10 is the coalition that is most apt to gather the necessary votes for decision making. On the other hand the homogeneity of the countries that form the G10 makes sharing a common agenda easier. Evidently, the more different the countries of a coalition, the harder it is to adopt a common agenda and agree on a common position. Not only is the G10 homogeneous from an economic and political point of view but more importantly it is a coalition with institutions that facilitate coordination among its members. Indeed, the Finance Ministers and Governors of Central Banks usually meet once a year alongside the yearly meetings of the IMF and WB in order to coordinate the group's position and issue a statement.<sup>9</sup> Furthermore, the deputy members of the G10 meet when it is needed, usually two to four times a year. Comitees and work groups are also established on an ad hoc basis.<sup>10</sup> As have argued Woods and Lombardy (forthcoming), these meetings and comitees aim to coordinate the group's positions as to the various questions brought up in the IFIs.<sup>11</sup> Lastly, the lobbying capacity of a coalition affects its influence within an institution like the WB. This capacity is closely linked to the number of civil servants the coalition can count on within the WB but also to the national agencies specialised in World Bank affairs, close to each member of the group. From this point of view, the eleven wealthiest countries are certainly the best off. Aside from the national development agencies (for instance the French Development Agency (AFD)), which each member of the G10 can make use of, the many national civil servants who support their executive directors should also be mentioned. On this subject Woods and Lombardi (forthcoming) estimate at thirty the number of american civil servants, present in Washington, who work alongside the executive director. Therefore,

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disbursement of each instalment to the fulfilment of certain conditions, whereas to the contrary the delicate situation of a loan beneficiary will tend to incite him to prefer the disbursement of the whole loan at once.

<sup>9</sup> [http://www.oecd.org/document/24/0,3343,fr\\_2649\\_34593\\_36253592\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/24/0,3343,fr_2649_34593_36253592_1_1_1_1,00.html)

<sup>10</sup> [http://www.oecd.org/document/24/0,3343,fr\\_2649\\_34593\\_36253592\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/24/0,3343,fr_2649_34593_36253592_1_1_1_1,00.html)

<sup>11</sup> In their study the authors studied the influence of the G7 within the IMF.

for the various reasons mentioned above, it makes a lot of sense to consider the G10 as a group of countries brought together and motivated by the obtention of decisional power.

Within each authority, decisions and voting rules are analysed in detail. Henceforth, a simple calculation of the aggregated voting weight carried by the MDCs (G10) within each authority will make it possible to ascertain whether they dispose of decisional power. Studies relative to the governance of IFIs do not tackle the question of adhesion to these institutions. Yet, any representation within the two WB institutions requires it beforehand. Moreover adhesion modes highly influence the representation of members within the WB since they determine the relative importance of a member and therefore the influence he holds within the institution. Even though any State can in theory become a member of the IBRD and IDA, the WB statutes nevertheless specify that a mandatory condition in order to become a member of the IBRD is to first be a member of the IMF.<sup>12</sup> Similarly, to gain membership to the IDA, one must first be part of the IBRD. To gain membership to the IBRD, a country must contribute to a fraction of its capital previously determined, at the time of adhesion to the IMF, by the quota assigned by the Fund, which is itself function of the relative importance of the country in the world economy.<sup>13</sup> Quotas fulfil three functions. On the one hand they determine the maximum amount of financial resources the new member is liable to provide the institution with. This amount is approximately the same in the case of the IBRD and the IMF.<sup>14</sup> On the other hand, they define the amount of financial aid a country can receive. Finally they determine the number of votes attributed to a new member and therefore the influence he wields within the institution.<sup>15</sup> The situation is the same with the IDA and the IBRD, where the fraction of capital subscribed by a member determines the number of votes held by a country. Thus the weighted vote system tends to give more influence to the MDCs than to the LDCs since those who contribute the most have the most votes.<sup>16</sup> There results a democratic imbalance in disfavour of the poorest countries (Leech and Leech 2003). Can the votes of the more humble countries nevertheless have an impact on decisions?

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<sup>12</sup> Article II, section I of the IBRD statutes.

<sup>13</sup> "A member's quota is broadly determined by its economic position relative to other members. Various economic factors are considered in determining changes in quotas, including GDP, current account transactions, and official reserves. When a country joins the IMF, it is assigned an initial quota in the same range as the quotas of existing members considered by the IMF to be broadly comparable in economic size and characteristics. The IMF uses a set of quota formulas to guide the assessment of a member's relative position." <http://www.imf.org/external/np/exr/facts/fre/quotasf.htm>

<sup>14</sup> In 2003, the fraction of IMF capital subscribed by the USA amounted to 17.33 % and, in the case of the IBRD, 16.52 %. As Woods argues (2000), "*Weighted voting in both organizations is calculated using formulae which reflect relative economic strengths of members countries. World Bank capital subscriptions differ slightly from Fund quotas due to different weightings given to some variable and the Bank's separate negotiations on capital increases*".

<sup>15</sup> Indeed, for the IMF, "The quota largely determines a member's voting power in IMF decisions." <http://www.imf.org/external/np/exr/facts/fre/quotasf.htm>.

<sup>16</sup> It must be mentioned that a new member cannot contribute more to the WB capital than the quota that was assigned to him.



In this study, the voting weight is meant as the proportion between the number of votes of one member and the total number of votes. At this point, it is necessary to identify the opportunities available to the MDCs to grant themselves decisional power. That is to say, which decisions are concerned and due to which voting rules? At the WB, there are several types of decisions made by various decisional authorities and that imply several different sets of voting rules. Depending on the type of decision and the correlative voting rules (50 % simple majority or special majority over 50 %), one or several members can hold decisional power in some areas and not in others. Moreover in some specific cases where the voting rules are characteristic (special majority) it is the intended vote of a member that determines whether he holds decisional power or not.<sup>17</sup> It is worth noting that the managerial structure of the IBRD is identical to those of the IDA and the IFS. The Governors, the Administrators and the Chairman act for both the IBRD and the IDA. (Table 1).

## 2.1 The Board of Governors.

The Board of Governors is the only one to allow direct political representation, since each member state disposes of one Governor.<sup>18</sup> The IBRD statutes specify that "*all the powers of the Bank fall to the Board of Governors*".<sup>19</sup> Even though the Statutes of the Bank allow the Governors to delegate the entirety of their power to Administrators, some decisions have to be taken by the Governors themselves.<sup>20</sup> Any meeting of the Board requires a quorum of Governors holding among themselves 2/3 of the total number of votes.<sup>21</sup> Each Governor disposes of the total number of votes awarded to the country he represents. Despite the fact that the Statutes of the WB specify that decisions must be made at the majority of expressed votes (50 %)<sup>22</sup>, it turns out that within the Governors' Board, decisions are most often made at the special majority<sup>23</sup>. The decision to amend the Statutes makes for a particular situation since it is ordinary (a simple majority will do) within the Board of Governors but becomes special when,

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<sup>17</sup> For instance the right of veto held by the USA (given their 17.11% voting weight at the IMF) on some decisions (like the increase of IMF quotas for instance) requiring an 85% majority of votes grants them decisional power as long as their intended vote goes against a quota increase. On the contrary, if their intention is to approve a quota increase, the USA do not dispose of decisional power, since the USA cannot by themselves meet the 85% of votes required to establish super majority.

<sup>18</sup> Generally the governor is the Finance minister of a country or the director of the Central Bank.

<sup>19</sup> IBRD and IDA Statutes : Article 6 Section 2a

<sup>20</sup> (i) the admission of new members; (ii) the authorization to increase capital; (iii) the suspension of a member; (iv) the interpretation of the statutes proclaimed by administrators; (v) the conclusion of an agreement with another international institution; (vi) the complete suspension of the WB operations and the distribution of its assets; (vii) the distribution of the annual income of the WB; (viii) lastly only the Governors can approve amendment proposals to the WB Statutes.

<sup>21</sup> IBRD Statutes, Article V, Section 2 d.

<sup>22</sup> In the absence of contrary provisions in the Statutes: IBRD Article V, section 3.

<sup>23</sup> Two types of special majority are specified in the Statutes of the Bank: decisions taken at the "super majority" (more than 50% of votes) and the "double majority" (which requires both a majority of members in support and a certain proportion of the votes).

once approved by the Governors, it is submitted to the approbation of the member states. In this study three special decisions only have been examined (increase in capital, increase in the number of administrators, amendment of the Statutes).<sup>24</sup> This is due to the fact that they are both frequently taken and prone to intense negotiations, given their implications. In the case of these decisions, voting rules are not the same for IBRD and the IDA (table 1).

Table 1 The three main decisions requiring a special majority within the WB

Decisions	IBRD	IDA
1-Capital increase	Proportion of total votes: ¾ or 75%	Proportion of total votes: 2/3 or 66.6%
2-Increase in the number of Administrators	Proportion of total votes: 4/5 or 80%	The IDA does not make such a decision.
3-Amendment of Statutes	Proportion of total votes: 85% Quorum of Members: 3/5	Proportion of total votes: 4/5 or 80% Quorum of Members: 3/5

Source: World Bank (2005)

This description of decisions and voting rules is useful in order to identify the opportunities for the MDCs (G10) to grant themselves decisional power within the Governors' Board. For each category of country an aggregated voting weight has been calculated.<sup>25</sup> The results can be found in table 2 and 3.

Table 2 Board of Governors of the IBRD : distribution of the voting weights according to income categories

Category	Number of votes	Voting weight	Numbers	Numbers %
High Income - G10	801 568	49,52%	11	5,98%
High Income - non G10	216 828	13,40%	27	7,07%
Upper Middle Income	210 032	12,98%	37	20,11%
Lower Middle Income	249 861	15,44%	56	30,43%
Low Income	139 870	8,64%	53	28,80%
<i>Total</i>	<i>1 618 159</i>	<i>100%</i>	<i>184</i>	<i>100%</i>

Source: Personal calculations based on the "Annual report of World Bank Lending, 2005"

<sup>24</sup> The following decisions, concerning financial and administrative aspects of the structure of the Bank, also require special majorities: the designation of the currency in which reimbursement must be made, when said reimbursements are not made in the loan's currency (Article IV, Section 4 b i); the buying and selling of certain bonds (Article IV, Section 8 iv); the setting of Governors' meetings (Article V, Section 2 c); the suspension of a member state (Article VI, Section 2); the decision to authorize a state that is no longer a member of the IMF to remain a member of the WB (Article VI, Section 3); the suspension of operations and the distribution of the assets of the Bank (Article VI, 5 b et f). Banque Mondiale, (2005), *Voix et participation des pays en développement et des pays en transition*, Comité du Développement, document de base, DC2005-0003/Add.2. Since these decisions are either occasional or have ever been taken (suspension and distribution of assets), we do not include them in this study.

<sup>25</sup> Five income categories can be distinguished: *High income G10*, *High income non G10*, *Upper middle income*; *Lower middle income*; *Low income*.

Table 3 Board of Governors of the IDA : distribution of the voting weights according to income categories

Category	Number of votes	Voting weight	Numbers	Numbers %
High Income G10	7 821 221	52,70%	11	6,71%
High Income non G10	1 812 278	12,21%	19	11,59%
Upper Middle Income	1 431 157	9,64%	31	18,90%
Lower Middle Income	1 827 668	12,32%	50	30,49%
Low Income	1 946 637	13,12%	53	32,32%
<i>Total</i>	14 840 318	100%	164	100%

Source: Personal calculations based on the "Annual report of World Bank Lending, 2005"

Amendment is a very important decision in the sense that it is necessary to, among other things, increase basic votes, modify or instor decisions made at the special majority. As section 3 will concentrate on demonstrating, an increase in basic votes is not in the interest of the MDCs (G10) since it would generate a reduction of their voting weight. On the other hand, the instauration of special majorities interesting for the MDCs (G10) and particularly for the five main shareholders in the sense that they grant them a right of veto. MDCs (G10) therefore take particular interest to the amendment of statutes. At the IBRD, an amendment first requires a decision made at a simple majority of 50%. By themselves, the MDCs (G10) do not have decisional power at their disposal due to their aggregated voting weight being of 49.52% in 2005 (Table 2). Nevertheless, as Wood and Lombardi (forthcoming) have shown, even though the MDCs (G10) do not dispose of a majority, they constitute a powerful block surrounded by additional votes.<sup>26</sup> Indeed, the added votes of a country like Spain (1.75% of votes), Australia (1.53%), Austria (0.70%), or Denmark (0.87%) would suffice to give the G10 a majority. Evidently the G10 can therefore very easily grant itself decisional power when the decision requires a simple majority. However, when they approve of an amendment proposal their decision is not final because to become effective the amendment requires the further approval of the member States.<sup>27</sup> The MDCs (G10) therefore do not have the benefit of decisional power as they are unable to bring together 85% of the votes. They nevertheless hold a right of veto. The USA have the priviledge of disposing by themseves of a right of veto (16.39%). When coordinated, the four main european and japanese shareholders may also wield tis right (20.95%). Finally, a group of other MDCs (G10) is also capable of making use of a veto. All in all, the voting rules relative to the amendment of the statutes of the IBRD confer upon the MDCs (G10) a two-fold guarantee: on the one hand a guarantee for the Governors of the MDCs (G10) of being able to confer themselves decisional power by bringing together at least 50% of votes; and on the other hand a guarantee for the MDC member States to be able to oppose any

<sup>26</sup> In their study the authors dealt with the G7 and not the G10.

<sup>27</sup> If the MDCs (G10) refuse an amendment proposal, this time their decision is final with no confirmation by the members States.

unfavourable amendment.<sup>28</sup> Since its creation the IBRD has never recorded an increase in basic votes. The situation is identical in the case of the IDA. Just like within the IBRD, the MDCs (G10) hold decisional power in the Board of Governors since their aggregated voting weight adds up to 52.70% (Table 3). On the other hand, when it comes to the approval of an amendment proposal by the member States, the MDCs (G10) abandon their decisional power as it is impossible for them to obtain 80% of votes. The MDCs (G10) must therefore necessarily coordinate themselves in order to achieve 20% of votes and dispose of a right of veto. This coordination is indispensable at the IDA whereas it wasn't in the case of the IBRD. It is in the interest of the MDCs (G10) to coordinate when an unfavourable amendment (an increase in the basic votes) has been submitted for approval to the member States. By themselves, the five main shareholders of the WB in 2005 have at their disposal 40.64% of the total IDA voting weight.<sup>29</sup> Since its creation in 1960, the IDA has not recorded an increase in basic votes. The increase in capital of the IBRD requires a majority of 75% among the Governors and implies an increase in the subscriptions of the member States. When a country contributes to an increase in capital its voting weight grows. Increases of capital necessarily imply an evolution in the voting weights of the contributing members. The decision to increase the IBRD's capital is therefore of interest to all members of the Bank as long as it offers them a chance to increase their voting weight. The MDCs (G10), which hold 49.52% of the total voting weight, do not dispose of decisional power on the subject of increases in the capital of the IBRD, since it is impossible for them to achieve 75% of the votes. On the other hand, if they coordinate so as to come up with 25% of the votes, they get the benefit of a right of veto enabling them to oppose any increase in capital if the implied evolution in voting weights is not convenient to them. The coordination of the MDCs (G10) is indispensable for these countries to have the benefit of a right of veto. It may be noted that the five main shareholders of the IBRD hold 37.34% of votes. Since the creation of the IBRD, there have been only three increases in the capital of the IBRD. At the IDA, an increase in capital requires a majority of 66.66% within the Board of Governors. The MDCs (G10) do not hold decisional power concerning increases in capital of the IDA. On the other hand, if they coordinate so as to obtain 33.4% of votes, the right of veto is theirs. Coordination among the MDCs (G10) is indispensable in order to obtain a right of veto. The five main shareholders of the IDA represent 40.64% of the votes.

Increases in the number of elected Directors require a majority of 4/5 or 80% of the votes within the Board of Governors. This decision can only be made within the IBRD (Table 1). For the MDCs (G10) this decision has no particular implications except for the fact that they must face, within the Executive

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<sup>28</sup> Indeed, if a group of countries within the Board of Governors achieves 50% of votes and proposes an amendment aiming, for instance, to increase basic votes, the voting rule relative to the approval of the amendment by the member States (85%) grants the MDCs (G10) a guaranteed ability to oppose it.

<sup>29</sup> USA, Japan, Germany, France, UK.

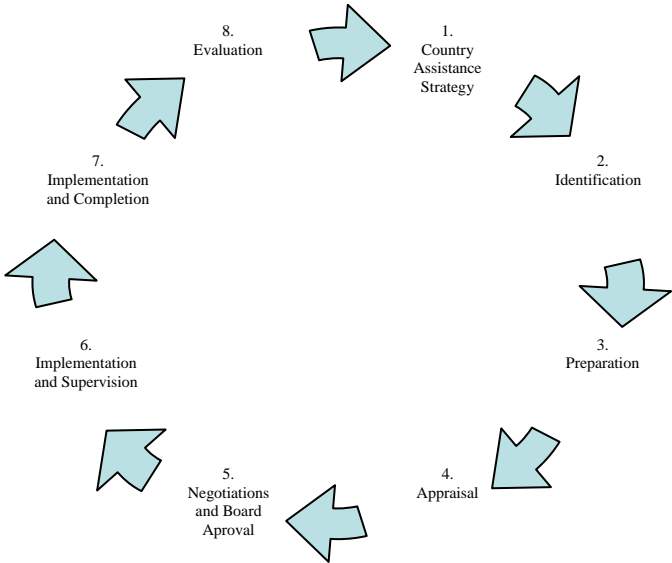
Board, a larger number of elected Directors. The MDCs (G10) do not hold decisional power when it comes to increases in the number of elected Directors, since they do not hold 80% of votes within the IBRD. On the other hand if they coordinate so as to obtain 20% of votes they dispose of a right of veto enabling them to oppose increases in the number of Directors. The five main shareholders of the IBRD hold 37.34% of votes.

As a conclusion, the MDCs (G10) very easily have decisional power at their disposal when decisions are made at the simple majority. But when decisions are made at the special majority the MDCs (G10) do not systematically wield decisional power. Nevertheless, they do systematically obtain a "common" or "individual" right of veto which confers them decisional power of sorts since they can by themselves oppose all decisions. Their voting intentions (to approve or oppose) determine whether or not they hold this power. This right of veto is very important since it enable them to oppose key decisions depending on where their interest lies. Thus, whatever the formal voting rules within the Board of Governors, the MDCs (G10) weigh on decisions in a decisive way. As a result, the 172 votes of WB members have no impact on decision making. These countries are therefore excluded from the decisional process. But as in any international institution decisions made at the WB must by definition, for the most part, be consensual and therefore unanimous or at least made by a large majority of members. Yet, the analysis of the Board of Governors enables to show that in reality even though members of the WB dispose of a right of vote, not all can make their voice heard and weigh on the decision making.

## **2.2 The Executive Board or Council of Administrators**

The Executive Board is the object of particular attention for three simple reasons. First, the political representation of member States within is unfavourable to LDCs, which renders decisional power analysis more interesting. Secondly, it is the main decisional instance within the WB. According to Strange (1974) for instance, the "powerful" Executive Board of the WB and the IMF constitutes the key to political influence upon the "neutral" decisions of these two institutions. Finally, it decides, among other things, of the approval of WB funding projects and of the attached conditions. In order to be as precise as possible, we describe in stage the intervention of decisional instances in the development process of a funding project. To that end the cycle of a WB funding project must first be described (Figure 1).

Figure 1 The cycle of World Bank projects



(1) The first phase of the cycle is entrusted to the WB which develops a Country Assistance Strategy (CAS) for each client. The CAS establishes the level and composition of the financial and technical assistance the WB is planning to afford to the country. (2) During the identification phase, the debtor and the Bank take part in the analysis of the development strategies for the country (included in the CAS) and in the identification of the projects capable of putting into action the chosen strategies. Projects are often born out of these strategies, of the Bank's economic and sectorial research, of the debtor's studies and of previous loans. (3) The debtor is responsible for preparing the project. Nevertheless the Bank often supplies technical and financial assistance. During this phase the national staff determines all the necessary conditions to guarantee the success of the project. The project is reexamined and if it is approved by the debtor, negotiations follow to define the conditions of the loan. (4) The WB has the exclusive responsibility of appreciating the project. The WB personnel takes care of it. The project staff evaluates the work undertaken as a whole then draws up a Project Evaluation Document (PED) and a Programm Document (PD) for structural operations. These documents are carefully written before being submitted to the Bank's decision makers. (5) The PED or PD, alongside a note by the President and the other documents relevant to the loan file, is submitted to the Executive Board for approval. If the funding is agreed, it is signed by the WB and the debtor. Detailed description is limited to phases 1 to 5 since step 5 consists in the final approval of a project. The decisional instances (the President and the Executive Board) therefore take part repeatedly in the process of development of a funding project and its conditionality. In the beginning, the Bank's junior personnel, supervised by a Country Director (senior personnel) works on the conception of the project (phases 1 to 4). Once it has been produced by the national staff, the project works its way back up the

hierarchical ladder of the Bank. First the Country Director submits it to the Vice-President in charge of the region to which the LDC belongs (phase 4). He takes the project up to the level of the general directors who in turn submit it to the approval of the Chairman (phase 4). If it is approved, the project is finally submitted to the approval of the Executive Board (phase 5). Thus if the MDCs (G10) have decisional power at their disposal within this council, they can, no doubt, approve by themselves the WB's funding projects and the attached conditionality.

Being responsible for the running of the Bank's general operations, the Administrators play three key parts: they approve funding projects submitted to them by the President; they decide on the general policy that guides the operations of the Bank and its direction; finally they must report back to the Governors (Woods, 2000 and WB, 2000). Each meeting requires a quorum of Administrators holding at least 50% of votes.<sup>30</sup> In 2005 the WB Board was composed of 24 members. All the Administrators have as background the Treasury, the Central Bank, a stabilisation fund or another revenue agency.<sup>31</sup> Within the Executive Board the representation of member States is mixed and indirect. More precisely, five directors are appointed by the five main shareholders (USA, Japan, Germany, France, UK) and the others are brought together in groups, with each one represented by an Administrator elected by one or several member States. The statutes of the IBRD or the IDA never mention the notion of groups which makes the whole issue particularly foggy. As Leech and Leech (2003) make a note of, groups have no formal existence and the way they function is not a matter of worry for the WB. Nevertheless according to Woods (forthcoming) and the WB (2005), member states voluntarily get together in groups.<sup>32</sup> All Administrators are elected or appointed by the Governors, every two years. Those that are appointed by the five main shareholders hold the same voting weight affected to their country and those that are elected hold the same total voting weight as the group they belong to. The composition and structure of the IBRD groups are identical to those of the IDA: whatever the institution at hand, three main types of groups appear: those that are largely dominated by one country, those that are led by several dominant countries and those within which the distribution of votes is more even.<sup>33</sup> If one sets aside China, the Russian Federation and Saudi Arabia, there are 16 elected Directors representing groups of countries within the Executive Board.<sup>34</sup> It is then possible to distinguish two categories of groups according to the

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<sup>30</sup> IBRD Statutes, Article V, Section 4 (f).

<sup>31</sup> According to Woods (2003), the WB only works with this type of agency when it is negotiating with member states. There results a system where WB personnel and their counterparts in the LDCs share a same ideology, all the more so as very often the latter have previously staffed at the WB and/or the IMF.

<sup>32</sup> *"Members decide by themselves how they are regrouped. Some countries (China, the Russian Federation, Saudi Arabia) form single country representations. Groups correspond roughly to geographic regions bearing certain political and cultural factors which determine their precise constitution"* La Banque Mondiale, (2005), *Le guide de la Banque Mondiale*, Editions de Boeck Université, p9.

<sup>33</sup> The country that dominates a group is called "dictator" since by holding the absolute majority of votes within the group, it becomes a permanent member of the Executive Board.

<sup>34</sup> These countries make up a group by themselves

nature of the united countries. Within the IBRD, 8 groups mix up MDCs and LDCs whereas 8 groups exclusively bring together LDCs. In 2007, among the mixed groups 5 were led by a Director from a “dictator” or dominant MDC. At best when Sweden leads its group, the MDCs lead 6 out of 8 mixed groups.<sup>35</sup> At the IDA the situation is identical. Among the mixed groups 5 were led by a Director from an MDC (G10). Even though Poland is the dictator of its group it is worth noting that the country leaves direction of the group to Switzerland. In addition, it may be noted that, at most, the MDCs (G10) lead 6 out of 8 mixed groups, when Sweden chairs the North Baltic group. In section 3, it shall be argued that the group system is characteristic of WB governance that reinforces the power of the MDCs (G10). Even though the statutes stipulate that decisions are to be made at a majority of 50%<sup>36</sup>, Bretaudeau (1986) and Woods (2000)<sup>37</sup> argue that decisions are usually made by consensus. The aim of consensus is to reduce conflicts generated by the weighted vote system and to ensure for countries external to the G7 the possibility of expressing their opinions (Woods, 2000). Yet, Woods (2000) shows that the voting weights of the different members are taken into account by all participants in Board meetings and particularly by the Board Secretary in charge of measuring the consensus.<sup>38</sup> The Board Chairman then determines the “sense of the meeting”, that is to say the decision to be taken.<sup>39</sup> Woods (2000) and a former WB official both argue that the voting weight of the Directors has an impact on negotiations and informal policy proposals, long before they get discussed in the Executive Board.<sup>40</sup> The weaker LDCs are thus wary of opposing the stronger MDCs (G10). Which demonstrates that voting weights are taken into account by all participating members of the Board? Lister (2004, quoted in Woods (2000)) confirms this by showing that « *Ultimately, the ‘sense of the meeting’ cannot but be reflective of the respective voting powers of those who favour and those who opposed a given proposal*... “*Voting power does determine each member’s influence in each decision. The fact that this structure doesn’t have to be externalised in formal voting on most occasions testified to its strength not to its unimportance*”. All in all, consensus is harmful not only to the transparency of the decision making process, but UN experience also shows that a majority of decisions were made by the most powerful members (Woods, 2000).<sup>41</sup> It is necessary to determine whether this thesis can be confirmed within the context of the Executive Board of the WB, by studying the decisional power of the MDCs when decisions are made at the simple

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<sup>35</sup> The presidency of the North Baltic group is rotative. In 2007, Norway presides the group.

<sup>36</sup> IBRD Statutes, Article V, section 3

<sup>37</sup> “*It’s often noted that the executive Boards of both institution operate by consensus, and hence formal voting weight is not really an issue*”, Woods, 2000.

<sup>38</sup> « *Typically during Board discussion within the IMF and the World Bank, the Secretary will keep a running tally of votes on any particular decision which assist the chairman in formulating the ‘sense of the meeting’* », Woods (2000).

<sup>39</sup> The Board Chairman is none other than the WB President.

<sup>40</sup> This piece of information was obtained through an interview with a former WB official.

<sup>41</sup> Because decisions are made behind closed doors without a detailed record of votes being kept. « *This means that parties not present at the discussion may never find out why or how a particular decision came to be made, nor can they hold any particular parties responsible or accountable for that decision*”, Woods (2000).



majority of votes. To begin it may be noted that a former WB official indicates that when the five main shareholders share a same view on an issue it is rare that this view not become the Board's final view.<sup>42</sup> For each category of countries the aggregated voting weight has been calculated. The results are presented in tables 4 and 5.

Table 4 IBRD Executive Board: distribution of country voting weights by income category

Income category	Number of members	Collective voting weight (%)	Individual voting weight (%)
High income G10	55	57,07	48,57
High income non G10	35	12,49	5,24
Upper middle income	50	14,15	5,69
Lower middle income	9	6,35	4,85
Low income	32	9,95	3,45
Total	181	100,0	67,8

\* Erythrea, Serbia Montenegro, Somalia and Surinam did not take part in the election of Executive Directors in 2006.

Source: personal calculations based on 2007 World Bank data.

Table 5 IDA Executive Board: distribution of country voting weights by income category

Income category	Number of members	Collective voting weight (%)	Individual voting weight (%)
High income G10	46	58,82	48,36
High income non G10	31	13,75	5,47
Upper middle income	47	10,96	2,45
Lower middle income	9	5,15	3,76
Low income	30	11,30	4,35
Total	163	100,0	64,4

\* Erythrea, Serbia Montenegro, Somalia and Surinam did not take part in the election of Executive Directors in 2006.

Source: personal calculations based on 2007 World Bank data.

Within the IBRD, the MDCs (G10) appoint and elect, at best, 11 Directors out of 24: 5 are appointed, 5 are elected and, regularly, the leadership of the Baltic North group is granted to Sweden. In 2005, the 11 MDC members of the G10 represented 5.98% of the total members of the IBRD yet within the Executive Board their proportion was at best 46% (11/24).<sup>43</sup> These countries are therefore over-represented within the IBRD's Executive Board. What's more, they systematically have decisional power at their disposal since their aggregated voting weight measures at 57.07% in 2007 (Table 4). Within the IDA, the situation is identical. The MDCs (G10) appoint and elect, at best, 11 Directors out of 24: 5 are appointed, 5 are elected and the leadership of the Baltic North group is also regularly Sweden's. The MDCs (G10) are equally over-represented within the IDA Executive Board since their proportion is at the highest 46% even though they only represent 6.71% of the total IDA members in 2005. Furthermore, they systematically hold decisional power to their benefit as their aggregated voting weight measures at 58.82% in 2007 (Table 5).

<sup>42</sup> Any Director opposing the five main shareholders runs the risk of paying for it when a decision involving the group or country he belongs to makes into the agenda.

<sup>43</sup> When Sweden is included. At its lowest the proportion is 42% (10/24)

To sum up, the MDCs (G10) systematically have decisional power at their disposal within the WB Executive Board. As in the case of the Board of Governors, the other WB members find themselves excluded from the decision making process to the extent that their votes have no impact on the outcome of votes. Among the 24 Directors that make up the Board, 14 (non G10) have no ability to be decisive in a vote. The “excluded” Directors represent 58% of the Board members. Yet the Executive Board constitutes the main decision making instance of the WB, in charge notably of deciding on the attribution of fundings. Thus, it is shown that, by themselves, the MDCs (G10) can determine the attribution of WB fundings as well as their conditionality clauses. These results help explain how so many recent studies (Dreher 2002, 2003, Harrigan and Wang 2006, Fleck and Kilby 2006, Jensen 2006) have brought to light the influence of the IFI’s (WB and IMF) main shareholders’ interests on the attribution of fundings and the amount of attached conditions.

### 2.3 The World Bank Presidency.

The President constitutes the third decisional instance within the WB. As an important actor in the attribution of fundings and their conditionality, he is the middle-man linking the staff in charge of the development of funding projects to the Executive Board to whom he submits projects for final approval. He therefore decides alone which projects to submit to the Executive Board. Yet, does the President hold decisional power? In this section, the duties of the President will be studied and whether they afford him decisional power will be determined.

The WB statutes do not go into detail as to the President’s nationality. Bretaudeau (1986) nevertheless shows that “*an unspoken agreement between the US and the EU results in the fact that up to now the IBRD President has always been an American and IMF’s a European*”. The President is appointed by the Administrators and manages the entirety of the WB’s departments.<sup>44</sup> Despite the fact that he is not a member of either the Executive Board or the Board of Governors, he chairs the Executive Board, gives direction to the debates and expresses the reached consensus, or its absence.<sup>45</sup> According to Bretaudeau (1986), the essential part of his power lies in his capacity to initiate matters with the Administrators, mostly on the subject of loans. In the case of a perfect balance of votes within the Executive Board the President can on occasion take part in the vote in order to reach a decision.<sup>46</sup> Finally, he is in charge of recruiting the Bank’s personnel, with no country quotas existing. The statutes do mention that he will “*take into account the importance of a recruitment policy with as large a*

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<sup>44</sup> « (...) traditionally, the US administrator appoints” La Banque Mondiale, (2005), *Le guide de la Banque Mondiale*, Editions De Boeck Université.

<sup>45</sup> IBRD Statutes, Article V, Section 5.

<sup>46</sup> IBRD Statutes, Article V, Section 5. (a).

*geographical base as possible'* though. On this subject, it will be determined in section 3 whether personnel constitutes an important characteristic of the WB's governance, reinforcing the MDCs' (G10) power. Even though personnel plays a crucial part in the conception of funding projects, Woods (2000, 2003) has criticized its recruitment strategy, its composition and its convictions.

Some of the President's duties afford him decisional power, adding up to that already granted the MDCs within the Governors' Board and the Executive Board. Indeed, as a US citizen the President always adopts the USA's side and that of the main MDC shareholders of the WB. Despite his owing exclusive allegiance to the organisation, Swedberg (1986) shows that the USA have up to now chosen all the Presidents. Trying to determine to whom the President really owes allegiance to is therefore much more complex a question than the statutes would make it appear. He adds: *"as a rule it can be said that no managing director or President can make a major decision of any kind without clearance from the US and – today – also from the major European nations and Japan"*. The President owes his decisional power firstly to his capacity to help reach a decision in the case of a perfect stalemate of votes. In this precise case, he makes the decision on his own and his vote necessarily satisfies the MDCs' (G10) side. The President then holds decisional power on the issue of fundings approved by the WB because he may, by himself, refuse a funding project submitted to him by the personnel. In which case the project is not submitted to the Executive Board. On the other hand, when he approves a project, he loses his decisional power over it in the sense that making the funding effective requires the approval of the Executive Board. The President's intentions therefore determine whether or not he holds decisional power.

It is shown that the President's decisional power enables him to determine the attribution of WB fundings and above all the attached conditionality. Nevertheless, some have been able to bring to light the fact that conditionality clauses are not determined, as this paper argues, by the decisional instances of the WB (President and Executive Board) but rather by the Bank's personnel in charge of the project conception. It must be kept in mind that, even though personnel is tasked with elaborating projects and their conditionality, these projects later work their way up the hierarchical ladder to finally be submitted to the President then the Executive Board. In last resort, the President and the Executive Board therefore determine a project's conditionality. For instance, when conditions are judged too mild by the President or when the amount or nature of these conditions are deemed inadequate, the project is either sent back to personnel to be modified or opposed and cancelled. From hence forth the team responsible for the project sees its reputation weakened. On the other hand, if the conditions attached to a project are considered sufficient and adequate, the President approves the project and submits it to the Executive Board. In that case, the team's reputation grows. The President therefore not only decides the conditionality of a funding but also exerts pressure on personnel in order for projects to be in conformity

with his preferences and those of the Executive Board. To make sure its projects get approved, it is in personnel's best interest to take into account the preferences of the President and the Executive Board. By showing how personnel's prestige grows in function of the number of approved loans, Dreher (2003d) confirms the existence of such behaviours. Dreher and Jensen (2007) also show how personnel pays attention to the most influent members of the Board when elaborating funding projects: "*majorities are known to staff and critical points are discussed before the agreement is presented to the Board*". Thus: "*staff might also try to prevent being overruled by the Executive board and design the letter of intend in a way suitable to the Board*", (Dreher and Jensen, 2007). A former official of the World Bank confirms the existence of pressure upon personnel exerted most often by the leadership and particularly the President. For instance, ever since the appointment of P. Wolfowitz to the Presidency, the Bank's communication and planned goals have focused on fighting corruption and on the "good governance". In order to maintain a good reputation within the institution and to please the President, this official shows how it is preferable for each document to contain several paragraphs on particular themes. Pressure exerted on the personnel by the President constitutes one of the determinants of conditionality. Woods (2003) confirms this by demonstrating that: "*Nevertheless, as was demonstrated during the first Reagan administration, a change in the politically appointed senior management in either institution can quickly redirect and underline a particular political mind set and blueprint for conditionality within the institutions*". To sum up, two duties afford the President decisional power. By resolving stalemates in the Executive Board, he makes use of his first decisional power. He becomes the 25<sup>th</sup> member of the Executive Board and the 11<sup>th</sup> to belong to an MDC (G10).<sup>47</sup> He will take the side of the WB's main shareholders (Swedberg, 1986). He benefits from a second decisional power when he opposes funding projects submitted to him by the Bank's personnel. This power enables him to exert pressure on the Bank's personnel in order for it to develop projects in conformity to his preferences and those of the more powerful members of the Executive Board. From a general point of view, the President's power adds itself to that held by the MDCs (G10) within the Bank. Evidently, the complicity between the President and the MDCs (G10) enables them for sure to determine the attribution of WB funding as well as the attached conditionality clauses.

In this first section, the study has shown that not only do the MDCs (G10) hold decisional power through the WB Board of Governors but they also are capable of a majority within the Executive Board, the main decision making instance of the WB. From then on, the Group of Ten can for instance decide, on its own, on the issue of approved funding ad conditionality clauses. What's more, the results have important implications when one considers the votes and participation of other WB members. Indeed, due to the voting weight of the G10 members and the formal voting rules within the WB, other members

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<sup>47</sup> When Sweden represents the North Baltic within the Executive Board.

are excluded from the decision making process. In other words, these countries hold a right to vote but their actual votes have little impact on the outcome. The principle according to which decisions made within an international institution must for the most part be made consensually and therefore unanimously or at least at a very high majority of members is not effective within the WB. Finally, it is argued that the President's decisional power adds itself to that held by the MDCs (G10) within the Governors' Board and the Executive Board. It has been shown that although the intermediary of the President and the Executive Board, the MDCs (G10) are able to determine, by themselves, the conditionality clauses attached to funding. With this result this paper contributes to the studies dealing with the determinants of the attribution of multilateral loans and their conditionality in the sense that these works brought to light the influence of the main IFI contributors without explaining the means enabling them to influence decisions. In the next section, other characteristics of governance are studied so as to find out if they maintain or increase the power of these countries.

### **3. Other characteristics of governance maintain and reinforce the power of the MDCs (G10) within the World Bank.**

This section studies four characteristics of World Bank governance, liable to maintain or reinforce the power of the MDCs (G10). It begins by looking into decisions relative to the increase of basic votes (automatically granted to each member at the time of joining) and the modification of quotas (these determine the financial contributions of the members to the capital of the IMF and the WB) because they can make the MDCs' (G10) power perennial. It is shown that these two decisions are not in the best interest of the MDCs (G10) since they imply a decrease of their voting weight. In each case, the voting rules are analysed as well as the opportunities for the MDCs (G10) to have the benefit of decisional power or to block decisions through their right of veto. Thus, this paper will attempt to explain why governance reform proposals, considered by the WB in the wake of the 2002 Monterrey consensus have not succeeded. Indeed, the under representation (inadequacy between the voting weight and the relative importance of a country in the world economy) of a large number of LDCs (mostly emergent countries) and the weakness of the voting weight of the poorer members have led the Development Committee to exhort the Bank to increase the part taken by these countries in the decision making process.<sup>48</sup> 13 measures have been considered by the Administrators.<sup>49</sup> Yet, in 2005, the WB report

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<sup>48</sup> Created in 1974 the Development Committee is a common emanation of the Governors' Board of the WB and IMF. Its task is to study all the aspects of transfers of resources to the LDCs, and to make suggestions to ease these transfers and make them more effective. The members of the committee are themselves Governors of the Bank or the Fund. The committee's composition changes every two years. The Development Committee is chaired by one of its members and does not

concluded: "(...) *modifying the voting structure and the composition of the boards turns out to be a complex venture. It is difficult to find common ground*". Henceforth, how come none of the considered measures have been carried even though the difficulties facing LDCs are known to all within the WB and the Bank itself was on the verge of dealing with them? In a second part, the characteristics liable to reinforce the power of the MDCs (G10) within the WB will be studied: the group system within the Executive Board and the Bank personnel. The group system is analysed in detail and a typology of these groups is created so as to determine if it is of particular benefit to the MDCs (G10). Then the recruitment and the composition of personnel which plays a major part in the conception of projects and defining of its conditionality is analysed. Two biases, one geographic, the other institutional, affect recruitment and the composition of personnel. Yet do these biases reinforce the power of the MDCs (G10) within the Bank? If these governance characteristics turn out to reinforce the power of the MDCs, this analysis will have brought to light means of action liable to increase the power of the MDCs.

### **3.1 Characteristics of governance that maintain the MDCs (G10) power within the World Bank.**

Two decisions are liable to make the MDCs' power perennial within the Bank. On the one hand the one relative to the increase of basic votes and on the other hand the one beating on the modification of quotas.

#### **The increase of basic votes**

The distribution of votes, within the IBRD, is not set up according to the democratic principle of one vote per country because each member is awarded an amount of votes proportional to the fraction of capital he must contribute, itself a function of the relative importance of the member in the world economy. Nevertheless, the vote attribution process is considered as "semi democratic" in the sense that the Bank articles stipulate that each country member sees himself awarded, whatever his financial contribution, 250 basic votes, whatever the quota affected to him by the IMF.<sup>50</sup> An additional vote is then awarded to member States for each fraction of capital they contribute. As Woods underlines (2000), basic votes aim explicitly to "(...) *to reinforce the institutions' identities as universal and public organisations*". Gold (1972) adds that: "*The basic votes were to serve the function of recognizing the doctrine of equalities of states*". Yet, it is interesting to find out that within the IBRD the proportion of basic votes within the total

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constitute a decision making instance but rather a place to exchange views and proposals, which must exercise a duty of control and coordination. The Development Committee generally meets twice a year (Bretaudeau 1986).

<sup>49</sup> Among them five were qualified as "structural" because they modified the voting structure and the composition of boards but also because they require an intervention of the shareholders to amend the statutes. These measures are the most apt to significantly modify the institution's governance.

<sup>50</sup> IBRD articles, 1989 amendment, section 3 of article V.

of votes has a tendency to decrease over time: it went from 10.78% to 2.8% between 1944 and 2005.<sup>51</sup> Woods observes the same phenomenon with the IMF: "*Whilst in 1946 basic votes in the IMF accounted for 11.3% of total votes, rising to a high of 14% in 1955, forty years later the proportion has slipped to around 3% in both the Fund and the Bank*". The semi democratic dimension of the vote attribution process within IFIs has therefore strongly faded over time. The main explanation for the decrease of the relative importance of basic votes is that, up to now, previous increases in IBRD capital have not been accompanied by a readjustment of basic votes.<sup>52</sup> Leech and Leech (2003) show, for instance, that within the IBRD since 1946, the number of members has been multiplied by 4 and the institution's capital multiplied by 37. Thus, the basic votes that represented an important fraction of the poorer countries' voting weight have weakened these countries' influence in the decision making process (Leech and leech 2003). A return to the basic votes situation of 1944 (meaning a proportion of 10.75% of the total votes held) would increase the voting weight of the LDCs and decrease that of the MDCs (G10). As an illustration, the voting weight of Guatemala would go from 0.14% to 0.17% of the total voting weight and that of France from 4.31% to 3.98% (Leech and leech 2003). In other words Guatemala would record a 21.4% increase of its voting weight and France a decrease by 6.9%. Clearly, a return to the basic votes situation of 1944, as considered recently by the Development Committee, would favour the poorest LDCs at the cost of the MDCs (G10), the MDCs (non G10) and even the major LDCs.<sup>53</sup>

Within the IBRD, an increase of the basic votes first requires an amendment of the statutes which itself demands a decision at the simple majority (50%) within the Board of Governors. It is worth keeping in mind that if it comes to be approved by the Governors, the amendment proposal is then submitted to all member States for approval. 85% of votes must then approve the amendment for it to take effect. But, as it has been seen in the previous section, the MDC Governors can easily grant themselves decisional power when decisions are made at the simple majority and the MDC (G10) member States are capable of wielding a systematic right of veto when decisions are made at a special majority of 85%. There results the fact that the MDCs (G10) have the means to block the amendment, whether within the Board of Governors or at the time of necessary approval by the member States. It so happens that they have a strong interest in doing so since a return to the 1944 proportion would provoke a strong decrease of

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<sup>51</sup> World Bank (2005) *Voix et participation des pays en développement et des pays en transition*, Comité du Développement, document de base, DC2005-0003/Add.2.

<sup>52</sup> World Bank (2005) *Voix et participation des pays en développement et des pays en transition*, Comité du Développement, document de base, DC2005-0003/Add.2.

<sup>53</sup> World Bank (2005) *Voix et participation des pays en développement et des pays en transition*, Comité du Développement, document de base, DC2005-0003/Add.2.

their voting weight: for instance the USA would go from 16.40% to 15.02%, Japan from 7.87% to 7.23% (Leech and Leech, 2003).<sup>54</sup>

Similarly to the IBRD, vote attribution process at the IDA is "semi democratic" since each member sees himself awarded with 500 basic votes, whatever his financial contribution to the institution's capital. On the topic of basic votes, the IDA situation is similar to that of the IBRD to the extent that 14 increases in capital with no accompanying basic votes increases, have progressively dimmed the "semi democratic" dimension of the vote attribution system. Just as at the IBRD, this phenomenon implies a weakened voting weight for the LDCs, given the importance of the proportion of basic votes among these countries total votes.<sup>55</sup> In similar fashion, a return to the 1944 situation as to basic votes would increase the voting weight of the poorest LDCs and decrease that of the MDCs. Since this decision is not in the best interest of the MDCs, chances are they will oppose it. All the more so when these countries always hold decisional power when decisions are taken at the simple majority and a right of veto when an amendment proposal requires 80% approval. The MDCs (G10) therefore have the means to block the amendment, whether within the Board of Governors or at the point where member States approve or not of the amendment.

Within the IBRD and the IDA, the rule relative to the amendment of statutes supplies the MDCs (G10) with the means to block proposals aiming to increase basic votes. It is shown that this characteristic of governance makes possible a perennial MDC (G10) power within the WB, by making its diminution impossible. It is now easier to understand why up to now no increase in basic votes has been recorded, whether at the IBRD or at the IDA. Recently, a restoration of these votes to their initial proportion (10.78% of the total of votes) has again been brought up by the WB and the Development Committee in 2002. But, the 2005 World Bank report states on this topic: "*No consensus can be reached as to this option, (...), because it requires an amendment of the Statutes.*" In the next section, it is shown how the voting rule for the modification of quotas adds itself to this governance characteristic.

### **The modification of quotas**

As seen previously, quotas are the reflection of the relative importance of countries in the world economy and determine: the fraction of capital (of the IMF, the IBRD or the IDA) each member State must contribute, the relative voting weight of a member and his influence within the IMF, the IBRD or the

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<sup>54</sup> The most powerful LDCs also recorded a decrease in their voting weight but minor compared to that of the MDCs. For instance the voting weight of Brazil would go from 2.07% to 1.94%.

<sup>55</sup> If the MDCs are subject to this phenomenon it is in a minor way, given the low proportion of basic votes among the total of votes they hold.



IDA.<sup>56</sup> Despite their being calculated and awarded by the IMF, these quotas therefore affect the representation of member States within the WB. Given their importance, these quotas must be examined every five years by the Governors' Board which can decide their eventual increase. These revisions serve the aim of both evaluating the adequacy of quotas to the funding needs of country members and of modifying them to take into account the evolution of the relative position of members in the world economy.<sup>57</sup> It may be noted that revisions are not always followed by quota increases. Between 1944 and 2007, 13 revisions of quotas took place for only 8 increases. If each year the IMF members automatically contribute to its capital, up to their affected quota, an annual automatic reconstitution of capital takes place, which does not necessitate the approval of member States. On the other hand, any increase in quotas decided during their five year revision demands the approval of member States. When an increase is decided upon, it reinforces or weakens the relative voting weight of certain members. In other words, a transfer of votes takes place: any increase of the quotas necessarily implies the reinforcement or reduction of the certain members' voting weight.

Often, quotas increases aim to reinforce the part taken and ability to be heard of the LDCs, some of whom are under represented like China, Korea, Mexico, Turkey and others still.<sup>58</sup> On this topic, "special" revisions of quotas (five year revisions aside) have been recommended by the IMF so they would correspond better to economic realities by affording more weight to the participation and votes of the LDCs. Recently, the Development Committee has in 2002, asked the WB and the IMF to examine means of reinforcing the participation of the LDCs to the decision making process.<sup>59</sup> In this context an increase in the LDCs' quotas was considered as for the WB (2003): "*it is the most direct means to increase the voting power (...)*". Nevertheless, as for the basic votes, the WB report states : "*no new formula nor increase in quotas presently has support of a sufficient nature to increase the total number of votes awarded the LDCs – no revision of the IBRD capital has been put in motion to this end either*". How is it possible to explain that such a measure has never succeeded, even though the IFI management has admitted its necessity and has requested that the IFIs find the pragmatic means to achieve it? It may be reminded that a modification of the quotas whose end is to increase the weight and participation of the LDCs within the decisional instances of the IFIs will result in a reduction of the voting weight and therefore of the power of the MDCs (G10). As an illustration, the WB (2003) states about a quotas increase that: "*There is worry as to the effect ad hoc quotas increases for some countries might have on others*". Clearly the MDCs (G10) have an interest in opposing this type of

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<sup>56</sup> Woods (2000): "*World Bank capital subscriptions differ slightly from Fund quotas due to different weightings given to some variable and the Bank's separate negotiations on capital increases*".

<sup>57</sup> <http://www.imf.org/external/np/exr/facts/fre/quotasf.htm>

<sup>58</sup> See above footnote 53.

<sup>59</sup>World Bank, (2003), *Renforcer la Voix et la participation des pays en développement et en transition dans les instances décisionnelles de la BM et du FMI*, Comité du Développement, document de base, DC2005-0003/Add.2.

measure since it will reduce their voting weight to the benefit of emergent countries. Thus, it is shown that the voting rule relative to the modification of quotas can make possible a perennial MDC power within the IMF and WB. Indeed, the IMF statutes establish that a majority of 85% of votes is compulsory for any modification of quotas.<sup>60</sup> And within the IMF the voting weights of the MDCs (G10) are near identical to those held within the IBRD: in the Fund, the voting weight of the United States is measured as 17.11% against 16.41% within the IBRD, for the Swiss it measures at 1.60% in the Fund against 1.66% for the IBRD. Finally the Australian voting weight in the IMF is 1.50% and 1.53% in the IBRD. The aggregated voting weight held by the MDCs (G10) in the IMF is therefore near identical to that held in the IBRD in 2005. As a result, the MDCs (G10) have at their disposal a systematic right of veto when decisions require 85% of votes. Therefore, it is shown that this right of veto enables them to prevent any revision of quotas liable to be a threat to their relative importance within the international financial institutions.

To sum things up, it has been shown that the voting rules relative to the increase of basic votes made it possible to make the MDCs (G10)' power perennial within the IFI. This analysis is thus a contribution to explaining the failure of governance reform proposals, considered by the WB in the wake of the Monterrey consensus of 2002. Indeed, since these reform proposals are based largely on a transfer of votes from the MDCs to the LDCs and since putting them into practice asks for an amendment of statutes, the MDCs (G10) make use of the right of veto granted to them by this voting rule. It is therefore not surprising to spot in WB reports (2003-2005) the following mentions about "structural" proposals of considered reforms : *"No consensus is reached as to this option"* or *"This measure does not have sufficient support at present"*. Henceforth, the issue of WB governance reform becomes problematic since all "structural" measures liable to reinforce to a certain extent the participation of the LDCs require an amendment of the statutes and thus give the possibility to the MDCs to make use of their veto. It would seem that a major change can only come from goodwill on the part of the MDCs (G10). The following section will allow to identify other possible means of action.

### **3.2 The governance characteristics that reinforce the power of the MDCs (G10) within the WB.**

In this section, two other aspects of WB governance liable to reinforce the relative importance of the MDCs (G10) are studied. To begin with, the group of countries system (or group system) within the Executive Board is analysed to see whether it reinforces the power of the MDCs (G10). Then this paper will move on to two biases (geographic and institutional) that are characteristic of the recruitment and composition of the WB.

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<sup>60</sup> IMF, Article III, Section 2c.

### **The group of countries system (group system) within the Executive Board**

It may be reminded that within the WB Executive Board, the representation of members is specific since five Administrators are appointed by the five main shareholders and the other shareholders are brought together in groups of countries, each group being represented by an Administrator elected by one or several members. Within each group, the election of the Administrator is held by taking into account the voting weight of each member of the group. To elect a Director a simple majority (50%) is required. It is shown that there results a bias in favour of the MDCs (G10). Since the richest countries hold the highest voting weights, they have a strong chance of being elected Directors. Additionally elected Administrators have at their disposal the total voting weight of the group they represent. Thus the group system supplies the MDCs (G10) with opportunities, as the strongest in terms of votes, to increase the voting weight at their disposal. A typology of the groups of countries, demonstrating that the MDCs (G10) largely benefit from the group system as their voting weight enables them to be near to systematically elected as Administrators. One of the most remarkable cases is that of Switzerland which holds, due to the group system, a collective voting weight of 3.04% instead of 1.66% within the IBRD in 2007. Given the advantages afforded by the status of Administrator, the composition of groups has evolved in time with the alliances passed between member States. According to Woods (forthcoming), even though the constitution of alliances between countries can be motivated by the will to form a more coherent group or by resulting gains in terms of influence, the reasons for which some countries decide to change groups are often very strategic. Rivalry between countries is frequent, when their voting weight allows it, in order to obtain the status of Executive Director or deputy. Woods (forthcoming) supplies several examples of such behaviours within the IMF. The composition of groups in the IMF is very similar to that of the Bank and it is pertinent to study these examples.<sup>61</sup> The author shows that originally Spain, Poland and Greece were together as part of a group chaired by Italy. But in 1978, for purely strategic reasons Spain joined the Central America group, within which it shared chairmanship with two other dominant countries: Mexico and Venezuela. For the same reasons, Poland left Italy's group for that of Switzerland within which it became deputy Administrator.<sup>62</sup> The group system is therefore rife with the strategic interests of its most powerful members, lusting after Administrator status.

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<sup>61</sup> Only eight countries belong to different groups (Iraq, Guyana, Zimbabwe, the Seychelles, Liberia, Cambodia, Papouasia. In the IMF for instance, Guyana is part of the group chaired by Brazil, whereas in the IBRD, it is part of the group chaired by Canada.

<sup>62</sup> In a similar fashion, the author shows that Greece left Italy's group before Spain to join a group led by Iran within which it was elected deputy Director. But when in 1978, Spain left Italy's group, Greece took its chance to return to its initial group and obtain the deputy director status previously held by Spain. Greek motivations were purely strategic in the sense that the group chaired by Italy did not dispose of the same voting weight as Iran's. In the IMF, Italy's group is among the most powerful whereas Iran's is one of the weakest.

By extension, the typology of groups elaborated in this section helps show how the group system strongly favours the MDCs (G10) which are very often Administrators. To begin with, it may be noted that the composition of groups in the IBRD is near identical to that of the IDA.<sup>63</sup> The distribution of voting weight within groups brings to light a certain typology of groups. There are a total of 16 groups.<sup>64</sup> Some are largely dominated by one country which systematically elects its Director and chairs the group. The latter is called "dictator" as by holding the absolute majority within his group he becomes a permanent member of the Executive Board (Leech and leech 2003)

In 2006 within the IBRD, this is the case of Italy, Canada, Switzerland, Brazil and India which draw a large benefit from the group system since in 2007 the collective voting weight wielded by Italy is 3.51% instead of 2.78%, in the case of Canada 3.85% instead of 2.78%, in that of Switzerland 3.04% instead of 1.66%, in that of Brazil 3.56% instead of 2.07%, that of India 3.40% instead of 2.78%. Among these 5 dictators, 3 are MDCs (G10). In 2007, the IDA counts 7 groups dominated by dictators. This is the case for groups chaired by Canada, India, the Netherlands, Switzerland, Italy, Brazil and Argentina. Despite being in the situation of a dictator, Poland does not chair its group.<sup>65</sup> Out of 7 dictators, 4 are MDCs (G10). The latter largely draw benefit from the group system since in 2007, the collective voting weight of Canada is 4.41% instead of 2.78%, that of the Netherlands 3.90% instead of 2.08%, that of Switzerland 3.80% instead of 1.09%, that of Italy 3.41% instead of 2.60%.

Other groups are chaired by a dominant member (in terms of votes). Despite not achieving an absolute majority he is very often elected. The IBRD counts 10 groups within which one or several countries are dominant. These are the groups chaired by: Belgium, Mexico, the Netherlands, South Korea, Ethiopia, Norway, Pakistan, Kuwait, Argentina and Malaysia. It may occur that dominants not chair a group. It is for instance the case of Australia, Iran and Indonesia. Among the 10 groups mentioned above, 2 are chaired by MDCs (G10). It must be added that Sweden regularly chairs the North Baltic group.<sup>66</sup> At best 3 out of 10 dominated groups are therefore chaired by MDCs (G10). The latter largely draw benefit from the group system since in 2007, the collective voting weight of Belgium is 4.81% instead of 1.81%, that of the Netherlands 4.47% instead of 2.21%, that of Sweden 3.45% instead of 0.94%. In the IDA, there are 7 groups within which one or more countries are dominant in 2007. These groups are chaired by: Norway, Ethiopia, Belgium, Maurice Island, South Korea, Malaysia, Pakistan, Kuwait and Mexico. Sweden, Australia and Indonesia are dominant but do not chair their groups in 2007. Out of 7 dominated groups, only one is chaired by a MDC (G10). But Sweden regularly chairs the North Baltic group. In which case 2 MDCs (G10) chair at most a dominated group. They largely draw benefit from the group

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<sup>63</sup> The IBRD counts 184 members in 2005, whereas the IDA only has 164.

<sup>64</sup> The single country groups of China, Russia and Saudi Arabia are not taken into account.

<sup>65</sup> Indeed, with a voting weight which is half of Poland's, Switzerland chairs the group.

<sup>66</sup> Not in 2007.

system since in 2007, the collective voting weight of Belgium is 4.35% instead of 1.07% and that of Sweden 5.01% instead of 1.97%.

Finally, the last type of group is characterised by a more even distribution of voting weight. The IBRD counts 1 such group in 2007. It is the African group chaired by Maurice Island. In this type of group, chairmanship largely depends upon the internally formed coalitions. The IDA counts 2 such groups. They are the French speaking and English speaking African groups chaired respectively by Maurice Island and Ethiopia.

After this analysis, it is shown that the group system strongly profits the MDCs (G10) and particularly those that are not directly represented at the Executive Board of the World Bank.

Indeed, on the one hand, among the 16 elected Directors of the IBRD, 6 are, at most, chaired by MDCs (G10) "dictators" or dominants in 2007. In the IDA, the situation is identical since at most, 6 groups out of 16 are chaired by MDCs (G10). These results indeed are the reflection of the "anti-LDC" bias that results from the voting rule relative to the election of Directors. On the other hand, the group system enables MDC members of the G10 (non represented on the Executive Board) to increase considerably the voting weight they hold. One of the most remarkable cases is that of Switzerland which holds, due to the group system, a collective voting weight of 3.04% instead of 1.66% in the IBRD in 2007. To all this can be added the fact that several studies have show that elected Administrators tend to defend the interests of their countries more than those of the group in general. According to Leech and Leech (2003) : "*several commentators have pointed out that although Directors are supposed to represent all their constituents equally, in fact they tend to give priority to the interest of their own countries and to regard attempts by other countries to become involved in decision making as interference*". Swedberg (1986) and Horsefield (1969) have shown that elected Directors vote according to the instructions of their governments. Now, disagreements are all the more frequent within a mixed group of extensive size (Leech and Leech 2003).<sup>67</sup> Elected Directors from MDCs (G10) will therefore defend their interests more than those of their group. From a general point of view, the group system has a tendency to increase the voting weight of the MDCs (G10) such as the Netherlands, Belgium, Switzerland, Italy, Canada or Sweden who are not the holders of direct representation within the Board. Thanks to the group system, the 11 countries of the G10 find themselves represented on the Executive Board. The group system is therefore a characteristic of governance which reinforces the power held by the MDCs (G10) within the WB.

Now that these results have been obtained, it is possible to show that it would be pertinent to regulate the way the group system functions in order to let LDCs take a larger part in the decision making

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<sup>67</sup> According to Leech and Leech (2003): "*there is a naturally considerable divergence of view, particularly in those constituencies containing both developing and industrial countries*".

process. Clearly, the problem of the part taken by the LDCs in decision making is the consequence of the way the Executive Board functions as the main decision making instance. Let us be reminded that within the IBRD in 2005, the proportion of the MDCs (G10) within this board measured at 46% even though these countries only represent 5.98% of the total members. The over representation of these countries is due on the one hand to the rule according to which 5 MDC Directors are automatically appointed on the Board and on the other hand to the composition of the 16 groups of countries. Evidently, to remove the privilege that is granted to the five most powerful countries would favour equity between the MDCs and the LDCs within the Board. It would also enable, according to coalition theory, the formation of smaller groups of countries (7 or 8 members per group) which would be more effective and influential. But such a measure would demand an amendment of Statutes and be open to an MDC (G10) veto. The same problem arises concerning the modification of the rule that applies to the election of Directors.<sup>68</sup> On the other hand, regulating the way the group system functions would make it possible to reinforce the participation of the LDCs to the decision making process without modifying the existing rules but by adding new ones. More precisely, the group system is characterised by a complete absence of rules. It would therefore be a case of creating rules where none existed. Indeed, at present, the IBRD and IDA statutes do not mention the notion of group. There are therefore no rules or procedures to follow when constituting these groups. The group system becomes a particularly muddy point. And as we have seen, this opacity seems to benefit the MDCs (G10). Therefore regulating the way the group system functions would create the possibility of putting an end to the opacity and to improve the participation and representation of the LDCs within the executive. Such a set of regulations would have for goals: to prevent a member from being a "dictator" or dominant within its group; to favour mixing between MDCs and LDCs; and to limit the number of members per group. A more even distribution of votes within a group would allow a rotation of the chairmanship among the group members and would incite each director to take into account the different opinions expressed by group members. Which is not the case at present. What's more, these measure do not penalise the G10 countries exclusively (it isn't a transfer of votes from the MDCs (G10) to the LDCs), their impact is borne by the members of the Bank as a whole. Which makes them more liable to be agreed to and approved by all members. These steps are necessary but by no means sufficient. They are not enough to considerably improve the situation of the LDCs within the Bank. Nevertheless such rules would prevent the MDCs (G10) from controlling 6 out of 16 groups of countries and from making as much use of the group system.

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<sup>68</sup> This rule (a simple majority of votes) implies a bias against the LDCs in the sense that the richest countries hold the highest voting weight. The latter therefore have a strong chance of being able to elect their Director. The rule of unanimity would be fairer and would allow to remove this bias.

## Personnel composition

The recruitment and composition of personnel are also characteristics that are liable to reinforce the power of these countries within the Bank. On this topic, it is important to remember that the President of the WB, an American citizen, is responsible for the recruitment and dismissal of his organisation's personnel (with the agreement of the Executive Board). Yet in the first section of this study, Swedberg (1986) showed that Presidents could not make decisions without the approval of the Bank's main shareholders. Furthermore Woods (2003) showed that: « *For all seniors appointments, however, the approval of the United States is de facto necessary* ». She even adds: "*below the level of head of department, other staffs are appointed at the prerogative of senior management. It bears noting that, even at this more junior level, the United States has gone some length to ensure that its own nationals have every incentive to work for the institutions*". The recruitment of personnel is therefore strongly determined by the main shareholders of the Bank (MDCs members of the G10) and particularly the United States.

Nevertheless, the existence of quotas within the WB ensures for all countries a representation among personnel.<sup>69</sup> Yet Woods (forthcoming) demonstrates that historically the United States have resisted the national quotas and have established English as the working language. According to Kapur, Lewis and Webb (1997, quoted in Woods, 2003), the fact that, within the WB, English is the working language has significantly biased the recruitment of personnel, not only from a geographical standpoint but also from the point of view of Universities. From a geographical standpoint, South Asia is better represented than South-East Asia and the United Kingdom than other European countries. At university level, the recruitment system has favoured graduates of English speaking institutions mostly situated in the United States and the United Kingdom. Woods (2000, 2003) confirms this point and argues that in 1991 a WB study showed that 80% of senior personnel attached to the departments of Research and External Affairs had been taught in economics and finance within US and UK institutions. To this can be added the fact that the internal research strategy and its results have been to a large extent compromised by the five main shareholders of the Bank (Kapur, Lewis, and Webb, 1997). The influence of the Reagan administration on WB research in the 1980s is quoted as an example. A letter written at the time by S. Fisher allowed to establish that the United States were successful in silencing all research undertaken on the issue of debt in the middle of the 80s. For these authors, the United States did not do this alone but with the help of Germany and the UK. Indeed: "(...) *the institution was under political orders (not only from the US, also the Germans and the Brits) not to raise issues on debt relief*" (Kapur, Lewis and Webb, 1997).

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<sup>69</sup> IRBD statutes, Article V, Section 5 (d).

Personnel plays a crucial part within the WB because it is in charge of coming up with funding projects and their conditionality. Now, it has been shown that despite the ideal of a recruitment on the largest possible geographical basis, personnel composition and recruitment are highly determined by the G10 members of the WB and particularly the United States. To this can be added pressure exerted by the President and Executive Board on personnel while they work on and prepare funding projects and their conditionality (Section 2.3). Clearly, the MDCs (G10) have at their disposal sufficient means to control and influence the development of projects. This piece of analysis allows to establish that personnel recruitment and composition are characteristics of WB governance that reinforce the MDCs' (G10) power.

Therefore an intervention upon the modalities relative to the recruitment and composition of personnel would allow for better representation of the LDCs within personnel and would improve their capacity for participation. The institutional bias that affects personnel recruitment could for instance be reduced. Rather than seeking to increase the number of LDC officials, particular attention should be given, during recruitment to the training undertaken by candidates from the LDCs and to their institutional origins. This would ensure a certain degree of heterogeneousness within a personnel whose staffers would not all have been trained in the United States and the United Kingdom. It would allow to put an end, as Woods shows (2000), to the single ideology that rubs off on WB officials. An ideology which is for the most part the result of an institutional bias to which the composition of personnel is subject at present.

To sum up, it has been shown that several characteristics of the WB governance allow the MDCs perennial and reinforced power within the Bank. First, the study of decisions relative to the increase of basic votes and to the modification of quotas has enabled to establish that these decisions give the MDCs a systematic right of veto allowing them to oppose all proposals that are liable to reduce their relative importance within the Bank. This paper makes a contribution to explaining the failure of governance reform proposals, considered by the WB since the Monterrey consensus of 2002. Secondly, it has been shown that the group system and the modalities relative to Bank personnel recruitment and composition also reinforce the power of the MDCs (G10). As an important player in the development of funding projects and their conditionality, the Bank personnel is influenced by the MDCs (G10). This result brings additional evidence in favour of the thesis according to which these countries have the capacity to determine the attribution of funding and the defining of their conditionality. Finally analysis brings to light some means of action liable to increase the LDC power without necessarily going through amendment of the statutes.



#### 4. Conclusion

This study has called into question the principle according to which each member State of the WB is represented within the instances of decision and takes part in the decision making process. First of all, according to the Bank's Statutes, each member has a right to vote but holds a varying number of votes according to its global economic significance. This implies in practice an important democratic imbalance in the sense that it mechanically gives more votes to the MDCs than the LDCs. It might be expected, despite this voting system, that each member of the Bank might make itself heard and weigh on decision making within the Governors' Board and the Executive Board. Indeed, as the World Bank is an Intergovernmental Organisation, decisions made must by definition, for the most part, be consensual and therefore taken unanimously or at the very least by a very large majority of members.

This paper demonstrates scientifically that, truth be said, the imbalance is stronger than that. Analysis of the decision making process shows that the system is such that a minority coalition – the 11 countries of the G10, the richest on the planet -- is by itself capable of constituting a circumstantial majority and exerting decisive weight on all votes. The votes of the 174 other members of the WB therefore have no incidence on the outcome of votes. More precisely, it is shown in this study that the formal rules of governance of the WB allow the G10 to hold on its own both the decisional power, within decisional instances, when decisions are made at the simple majority and a systematic right of veto on decisions which require special majorities. These results call into question the intergovernmental dimension of the World Bank and underline the need for a reform of this institution's governance.

Secondly, four characteristics of the WB governance which reinforce and turn perennial the decisional power of the MDCs (G10) have been examined. It is shown that formal voting rules relative to the increase of basic votes and to the modification of quotas afford the MDCs (G10) a right of veto allowing them to oppose special decisions liable to reduce their voting weight within the Bank. It makes it easier to understand why recent initiatives (Development Committee 2003, 2005) aiming to improve the part taken by the LDCs within the WB and the IMF have failed. Furthermore, the group system organising countries on the Executive Board strongly favours the representation of smaller MDCs and increases their voting weight. Lastly, geographic and institutional biases affect the composition and recruitment of WB personnel and strengthen the representation and power of the MDCs (G10). It is demonstrated that those two last WB governance characteristics supply opportunities to increase the power of the LDCs without necessarily resorting to an amendment of the statutes. To this end the way the group system functions should be regulated and the institutional bias, which is present in personnel recruitment, should be fought. Though necessary, such measures are not by themselves enough. On the other hand, they do not require an amendment of the statutes and are therefore not open to a MDC (G10) veto.

As a conclusion, this study shows the democratic imbalance implied by the weighted vote system is more important than it seems. Indeed, not only do the formal governance rules grant the MDCs (G10) decisional power within the decisional instances of the Bank, but what's more, several governance characteristics allow the MDCs (G10) to reinforce their already achieved power and establish it on the long term. Due to their right of veto, the MDCs (G10) can, and it must be noted, oppose any governance reform proposal.

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