

Voice and Vote Reform in the World Bank

Towards Common Ground

Amar Bhattacharya

Director

G24 Secretariat

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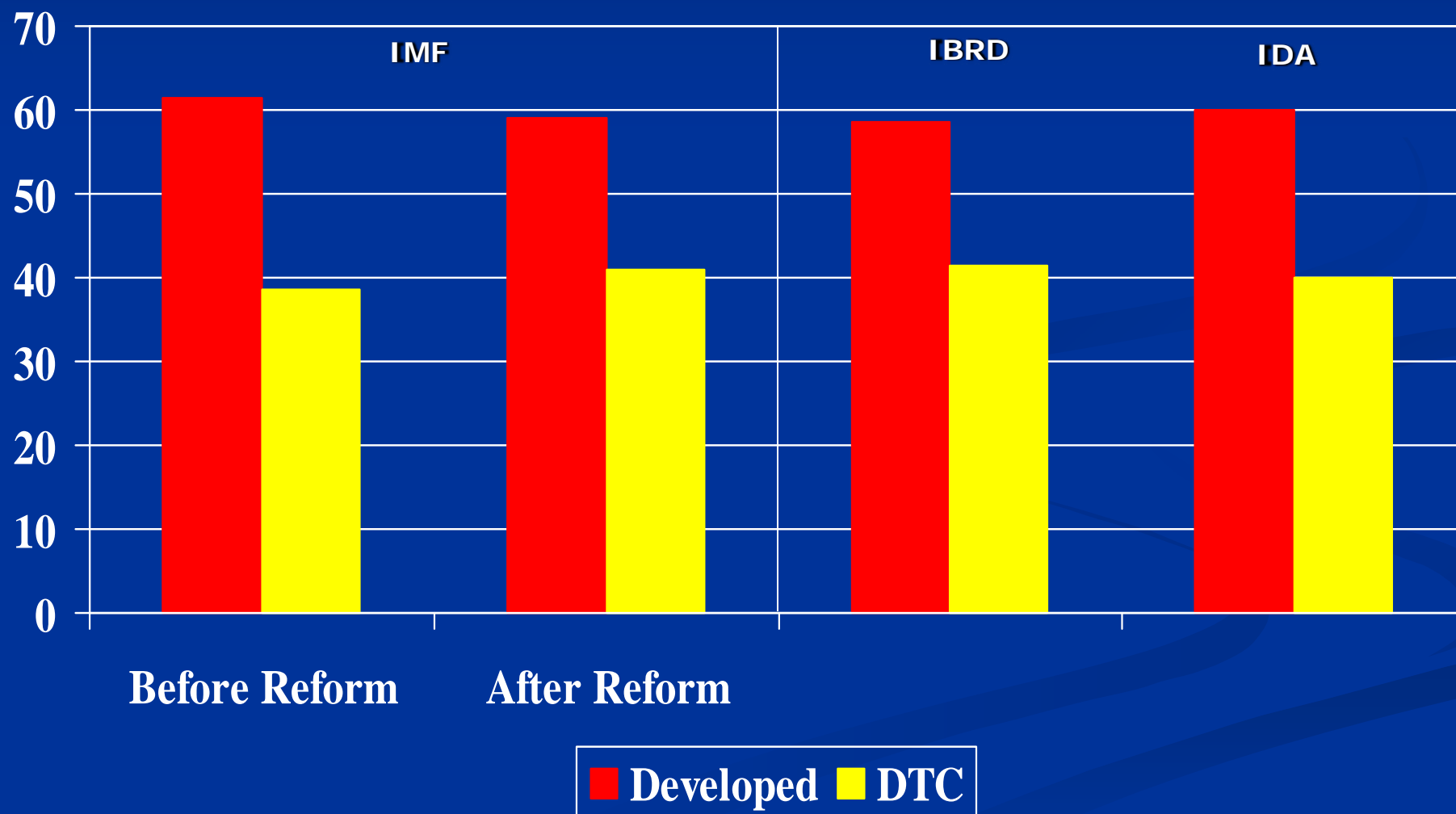
Overview

- Where are we starting from?
- Why the IMF outcomes do not provide the right benchmark?
- An approach tailored to the World Bank
- Implications for the immediate discussions
- State of Play and Next Steps

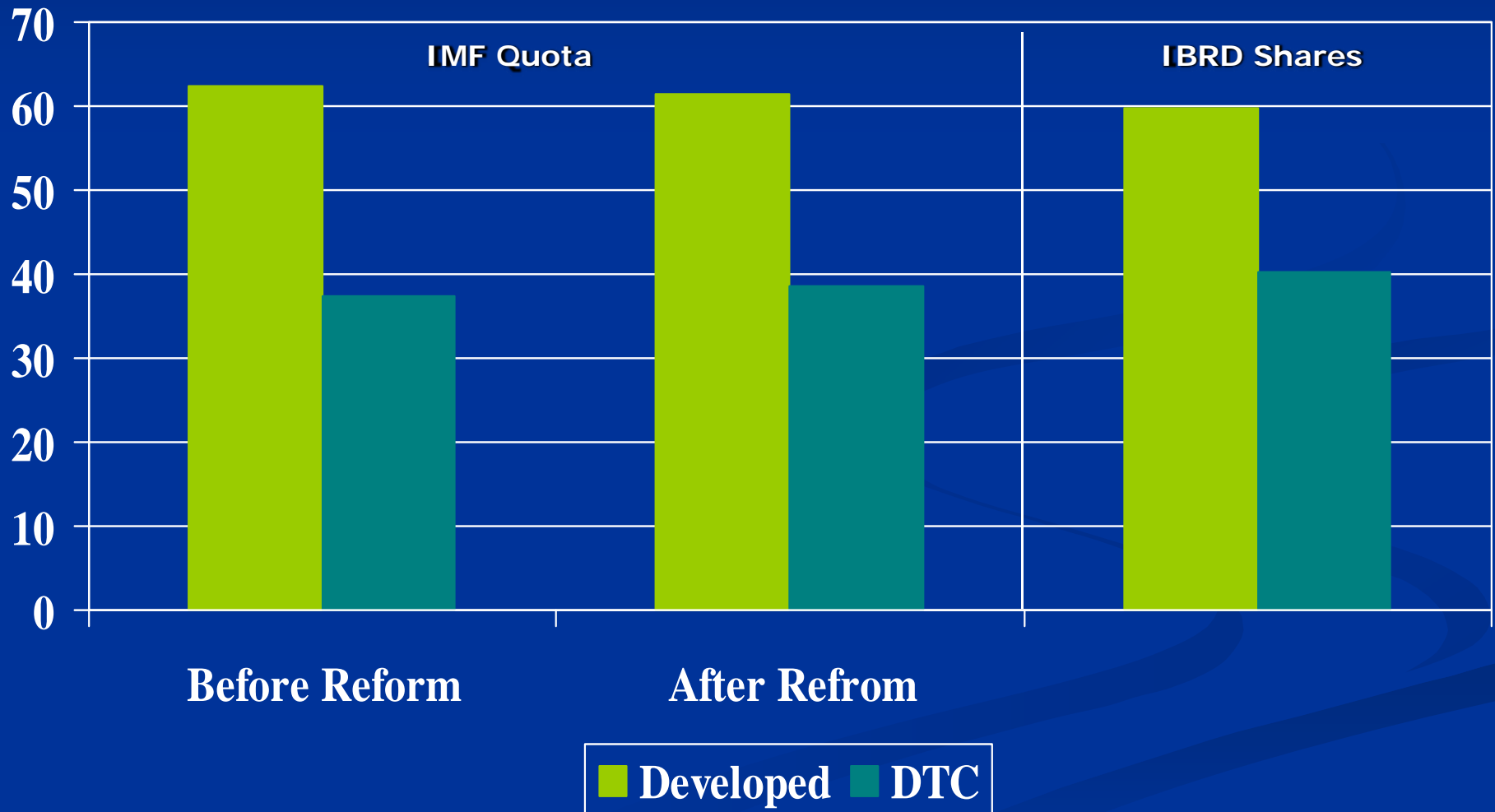
Voting Power at the World Bank Group and IMF

Type of Members	World Bank Group				IMF	
	IBRD	IDA (actual)	IFC	MIGA	Before Reform	After Reform
Developed Countries	58.6	59.4	67.4	50.0	61.5	59.0
Developing and Transition Countries (DTC)	41.4	40.6	32.6	50.0	38.5	41.0

Total Votes



IBRD Shares



New IMF Quota Formula

$$CQS = (0.5*Y + 0.3*O + 0.15*V + 0.05*R) \uparrow k$$

Y = 0.4 MP GDP + 0.6 PPP GDP over a three year period

O = annual average of current receipts and current payments over five year period

V = variability of current receipts and net capital flows measured as a standard deviation from the centered three-year trend over a thirteen year period

R = twelve month average over a year of official reserves

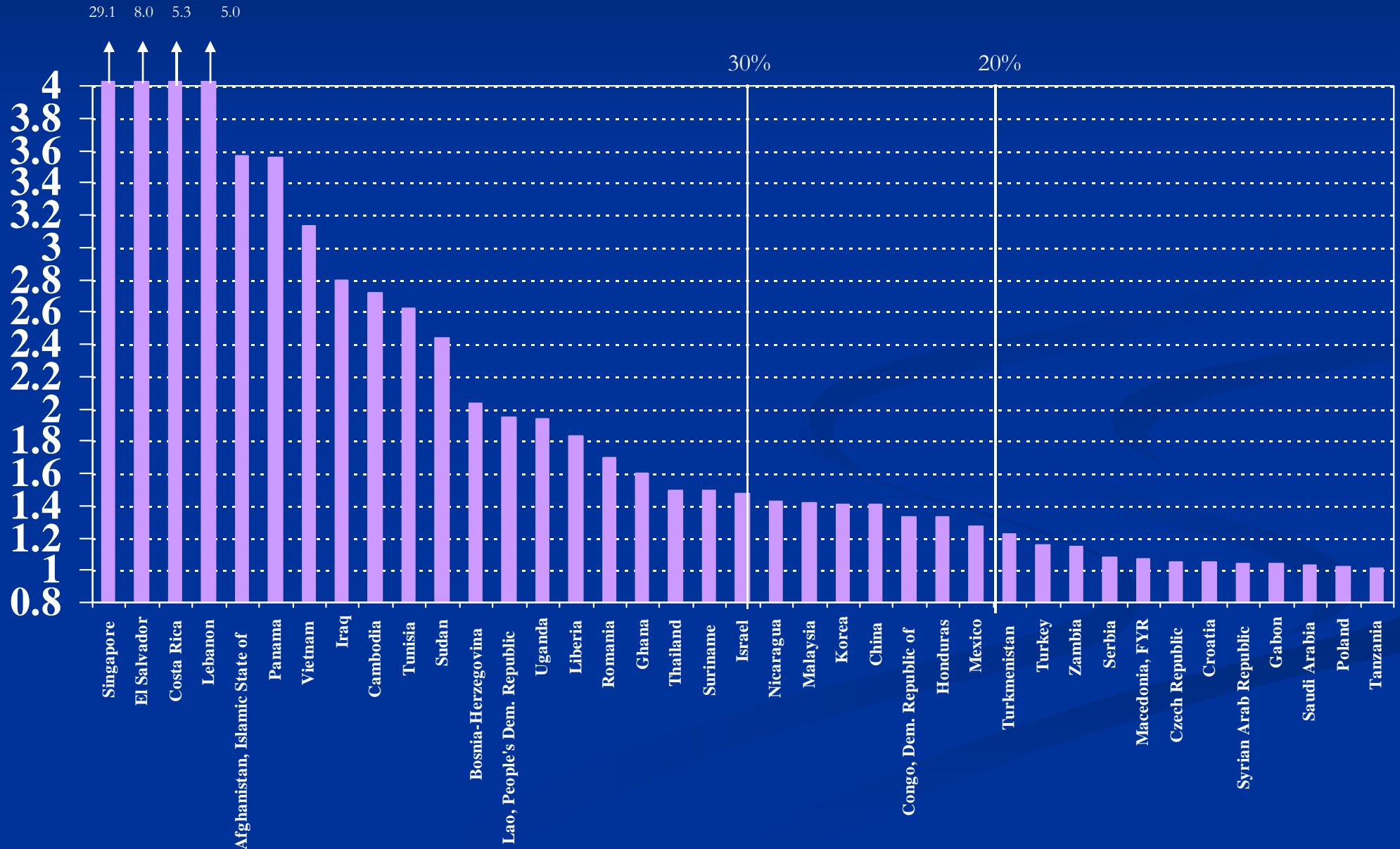
k = a compression factor of 0.95

IMF Quota Shares and Voting Power Compared to the WB

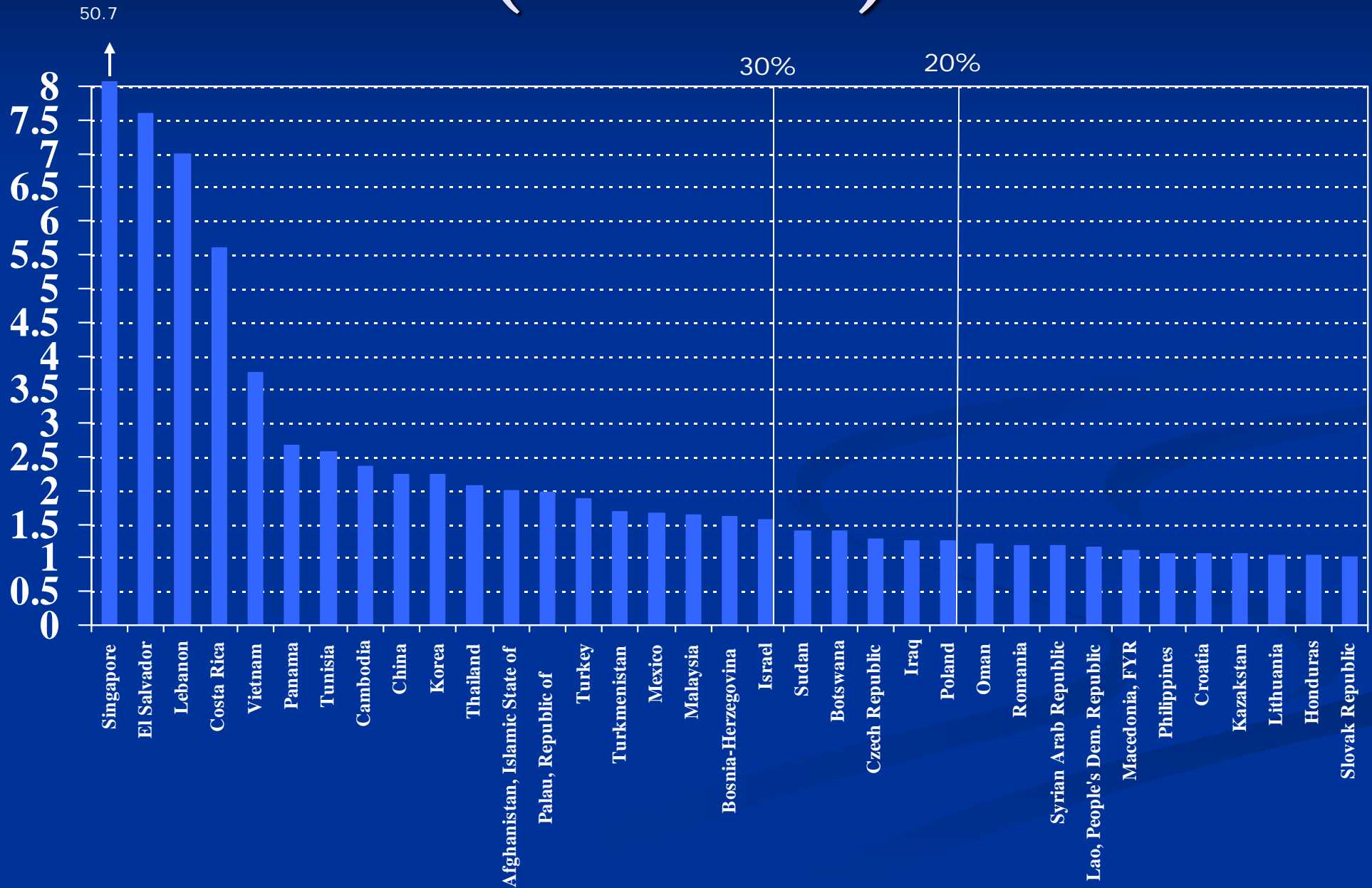
	IMF				
	Quota Shares Before Reform	Quota Shares After Reform	Calculated Quota (New Formula)	Voting Shares Before Reform	Voting Shares After Reform
Advanced Economies	62.5	61.4	64.4	61.5	59.0
US	17.4	17.7	19.0	17.0	16.7
Japan	6.2	6.6	8.0	6.1	6.2
EU-15	30.1	29.0	30.0	29.6	27.9
Other Advanced	8.8	8.1	7.4	8.8	8.1
Developing and Transition Countries	37.5	38.6	35.6	38.5	41.0
Asia	10.2	12.5	15.8	10.4	12.8
MENA	7.4	6.8	4.0	7.5	6.9
SSA	4.5	4.1	2.1	4.9	5.2
LAC	7.4	7.7	6.6	7.6	8.2
ECA	7.9	7.6	7.0	8.1	8.0
Total	100.0	100.0	100.0	100.0	100.0
IBRD	90.0	90.5	94.1	89.3	88.8
IDA-only	4.7	4.3	2.3	5.3	6.0
Non-Borrowers	5.4	5.2	3.7	5.4	5.2
G11+Russia	33.4	34.1	30.9	33.9	35.5
Non-G11	66.6	65.9	69.1	66.1	64.5

World Bank		
IBRD Shares	Total Votes	IDA Shares
59.8	58.6	58.4
16.8	16.4	12.9
8.1	7.9	10.1
26.1	25.6	27.8
8.8	8.8	7.6
40.2	41.4	41.6
11.0	11.2	12.0
7.3	7.3	5.9
4.9	5.5	9.1
8.7	8.9	7.2
8.3	8.5	7.4
100.0	100.0	100.0
90.0	89.2	81.3
5.4	6.2	12.7
4.6	4.6	6.0
35.6	36.2	32.6
64.4	63.8	67.4

IMF Actual Quota/IBRD shares (DTCs > 1)



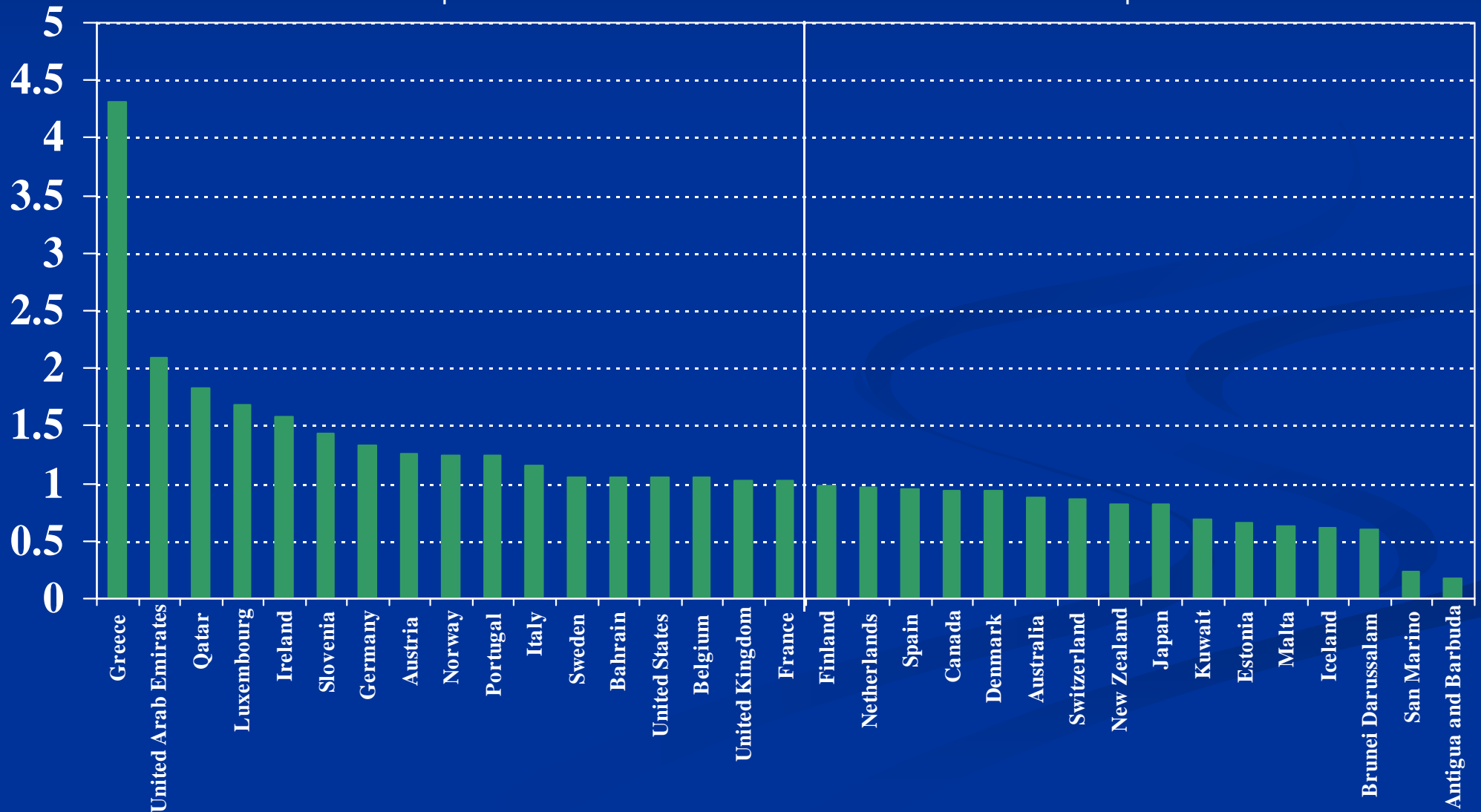
IMF Calculated Quota/IBRD Shares (DTCs > 1)



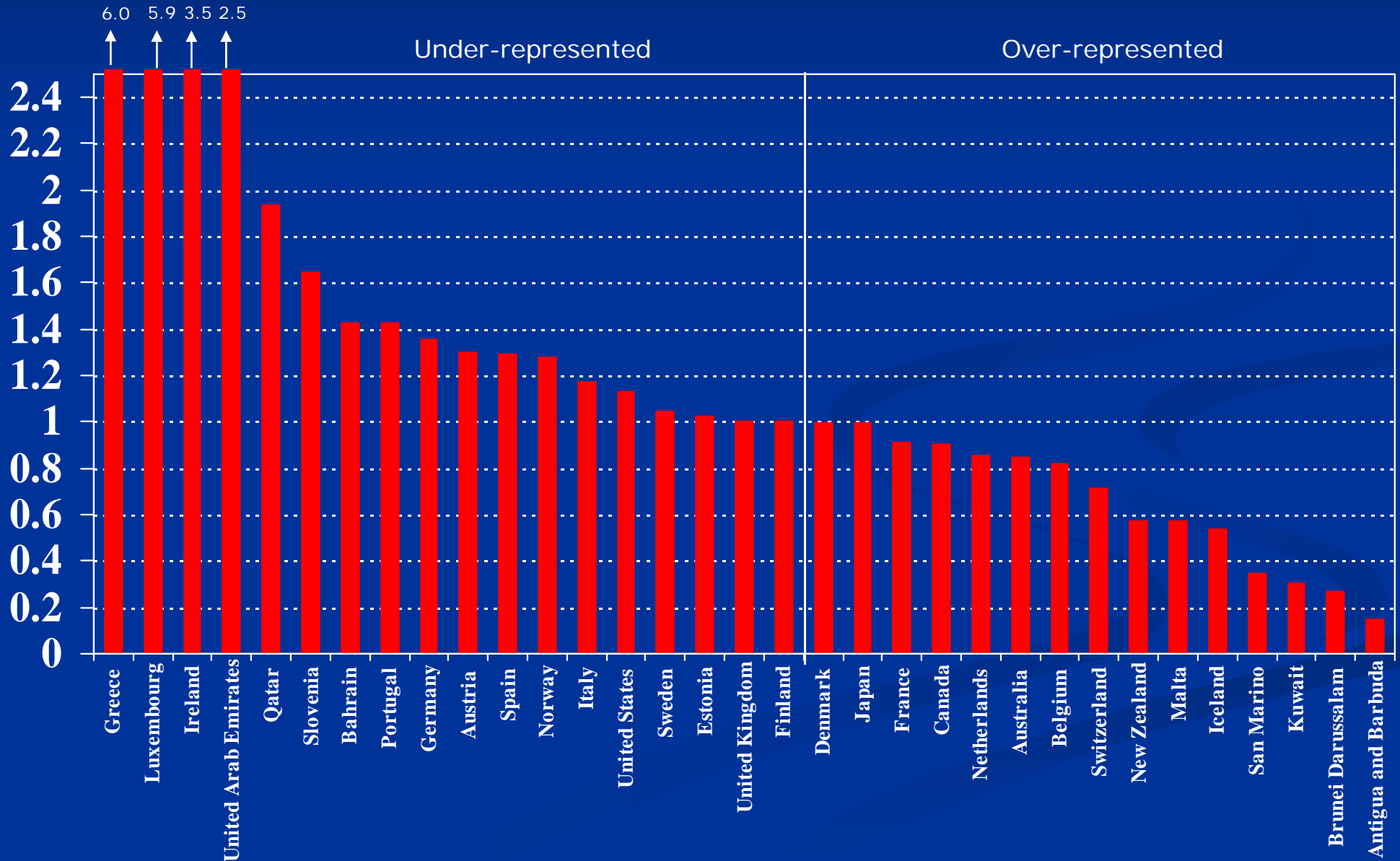
Actual Quota/IBRD Shares (Developed)

Under-represented

Over-represented



Calculated Quota/IBRD Shares (Developed)



Distinct Mission and Functions of the World Bank

	IMF	World Bank
Mission	International Financial Stability	Poverty reduction and development
Functions	Multilateral and bilateral surveillance Lending Technical Assistance	Global public goods related to development Market-based lending Concessional financing Policy advice and capacity building

Towards a World Bank Specific Formula

I. Democratic Pillar

1. Basic Votes
2. Population or Square Root of Population

II. Economic Pillar

1. GDP PPP

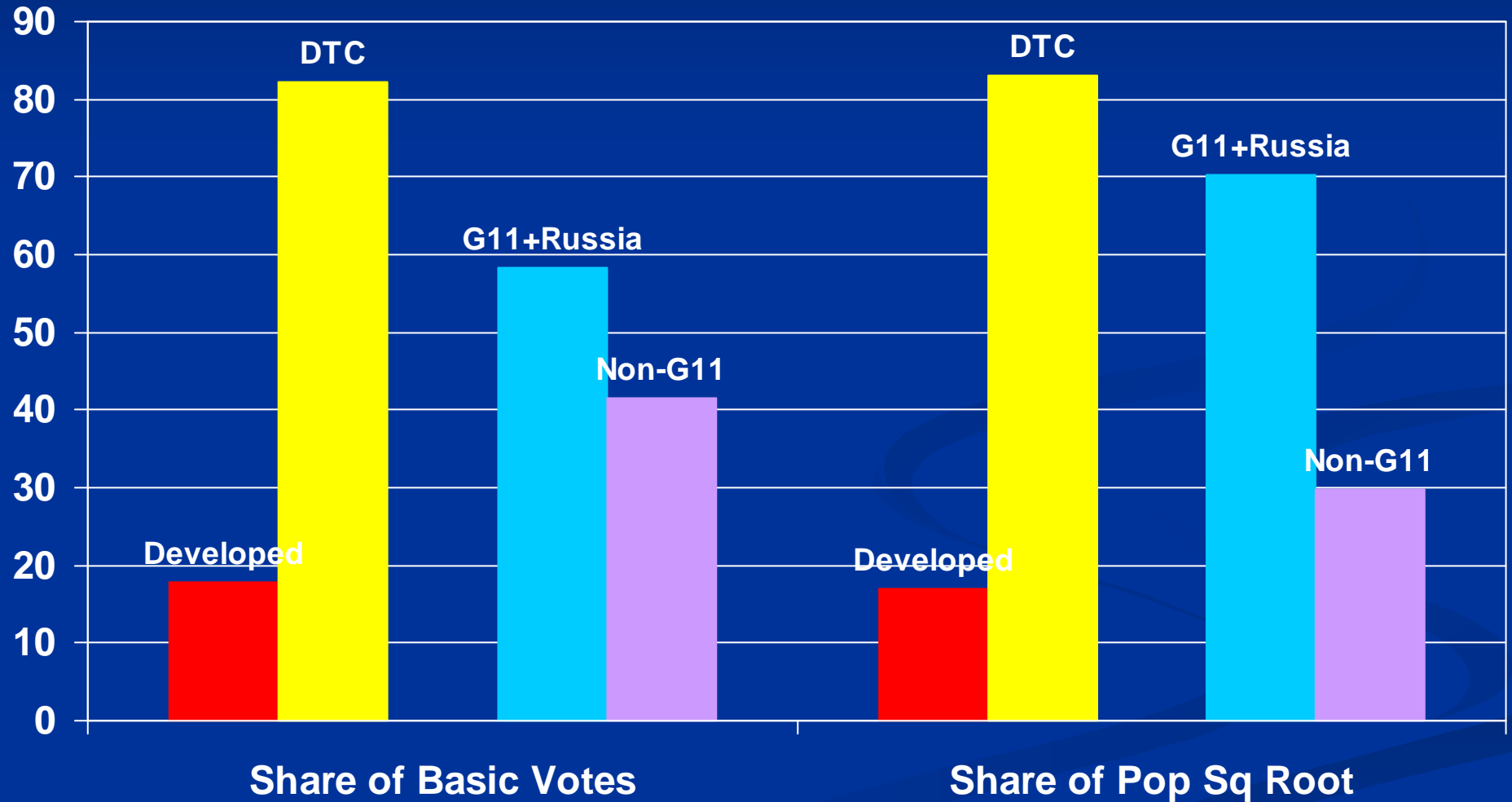
III. Development Cooperative Pillar

1. Demand or role of clients
2. Financial and non-financial contributions

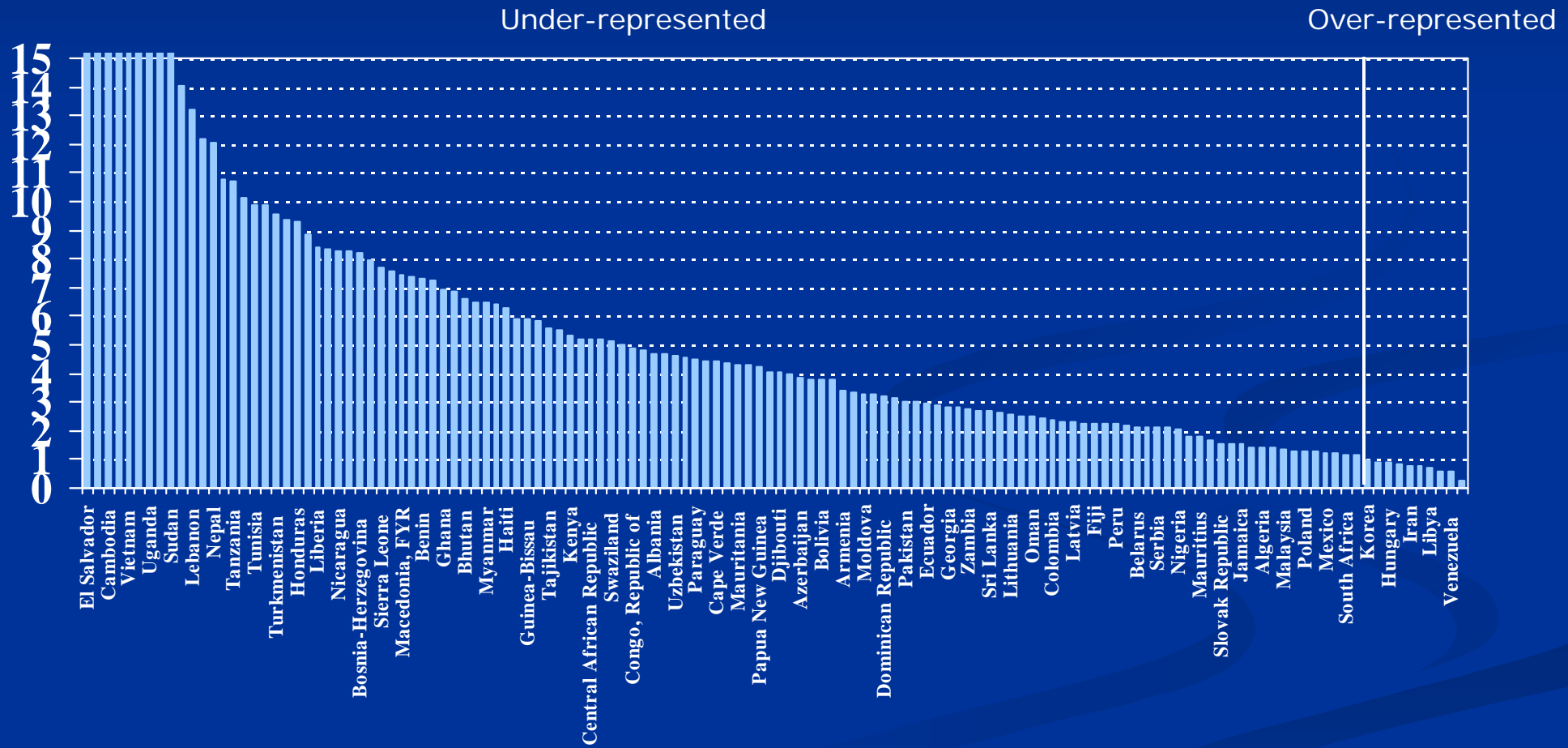
Increasing IBRD Basic Votes - Options

	Current Status	Doubling of Basic Votes	Tripling of Basic Votes	Setting Basic Votes at 10% of Total Votes	Restoring Original Weight of Basic Votes
Number of Basic Votes per Member	250	500	750	945	1028
Share of Basic Votes in Total Voting Power	2.86	5.55	8.10	10.00	10.78
DTC Voting Power in Total voting Power	41.36	42.49	43.56	44.36	44.69

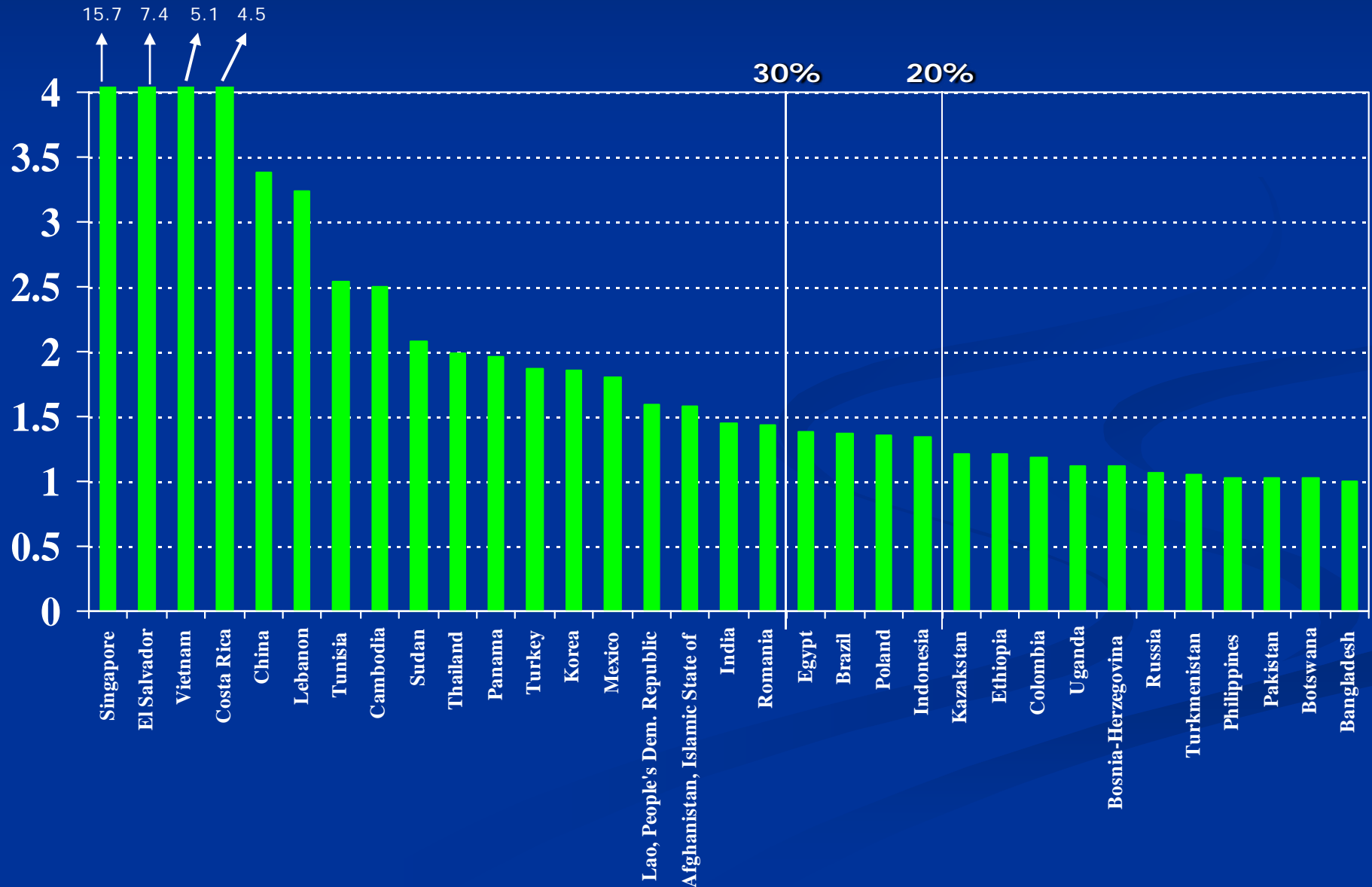
Share in Basic Votes and Population



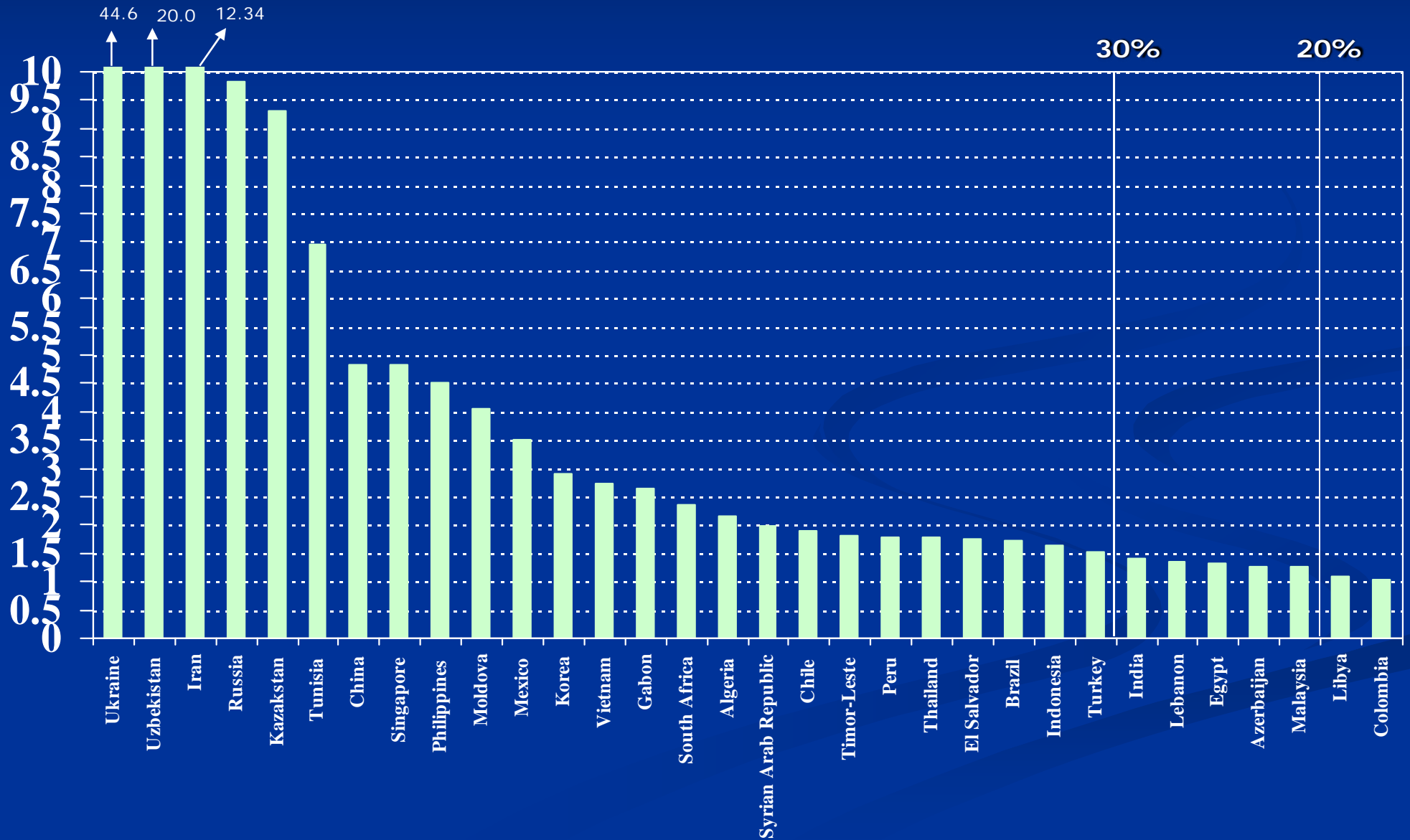
Population (sq. root)/ IBRD Shares (DTCs)



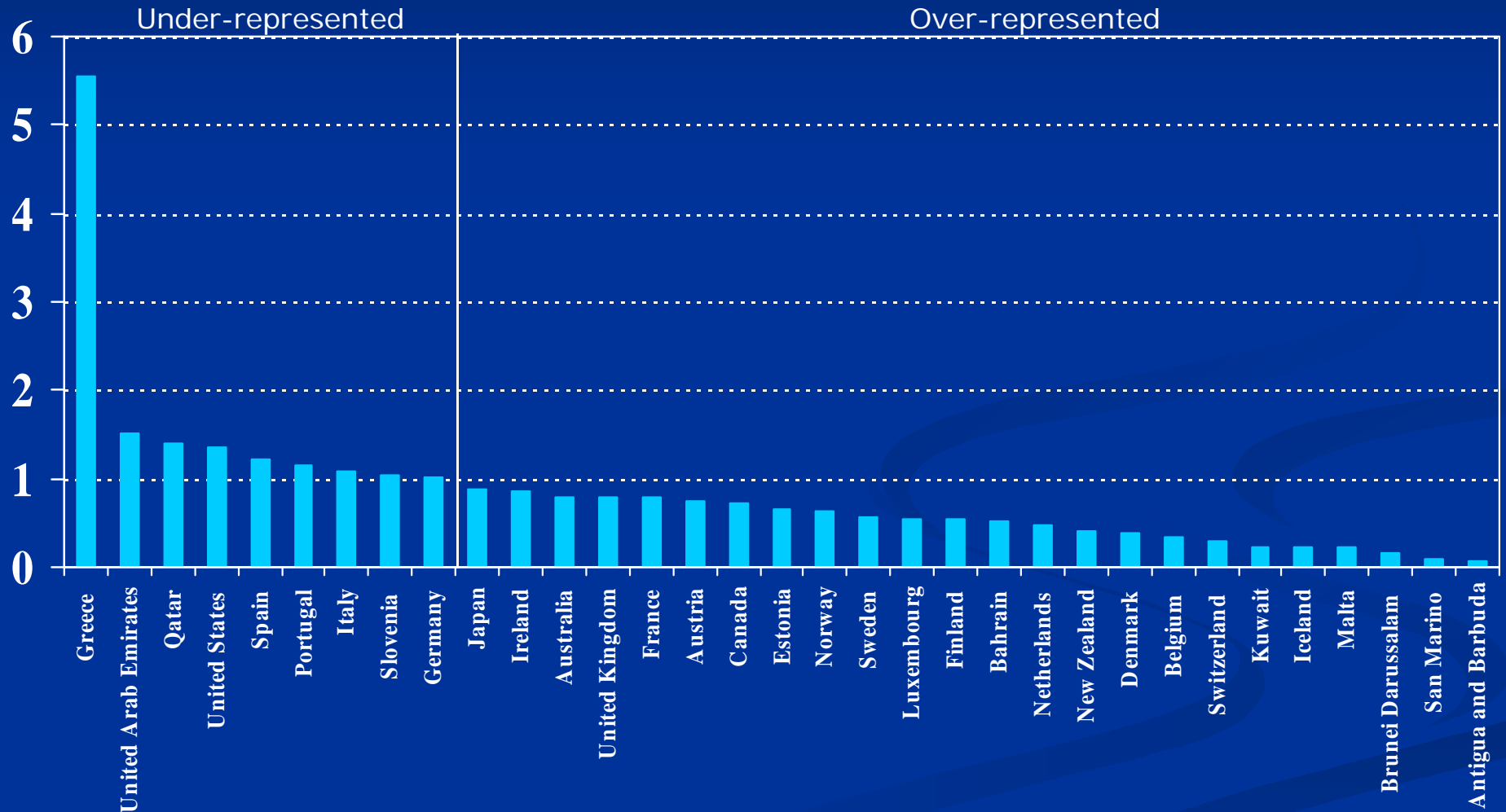
GDP PPP/IBRD Shares (DTCs > 1)



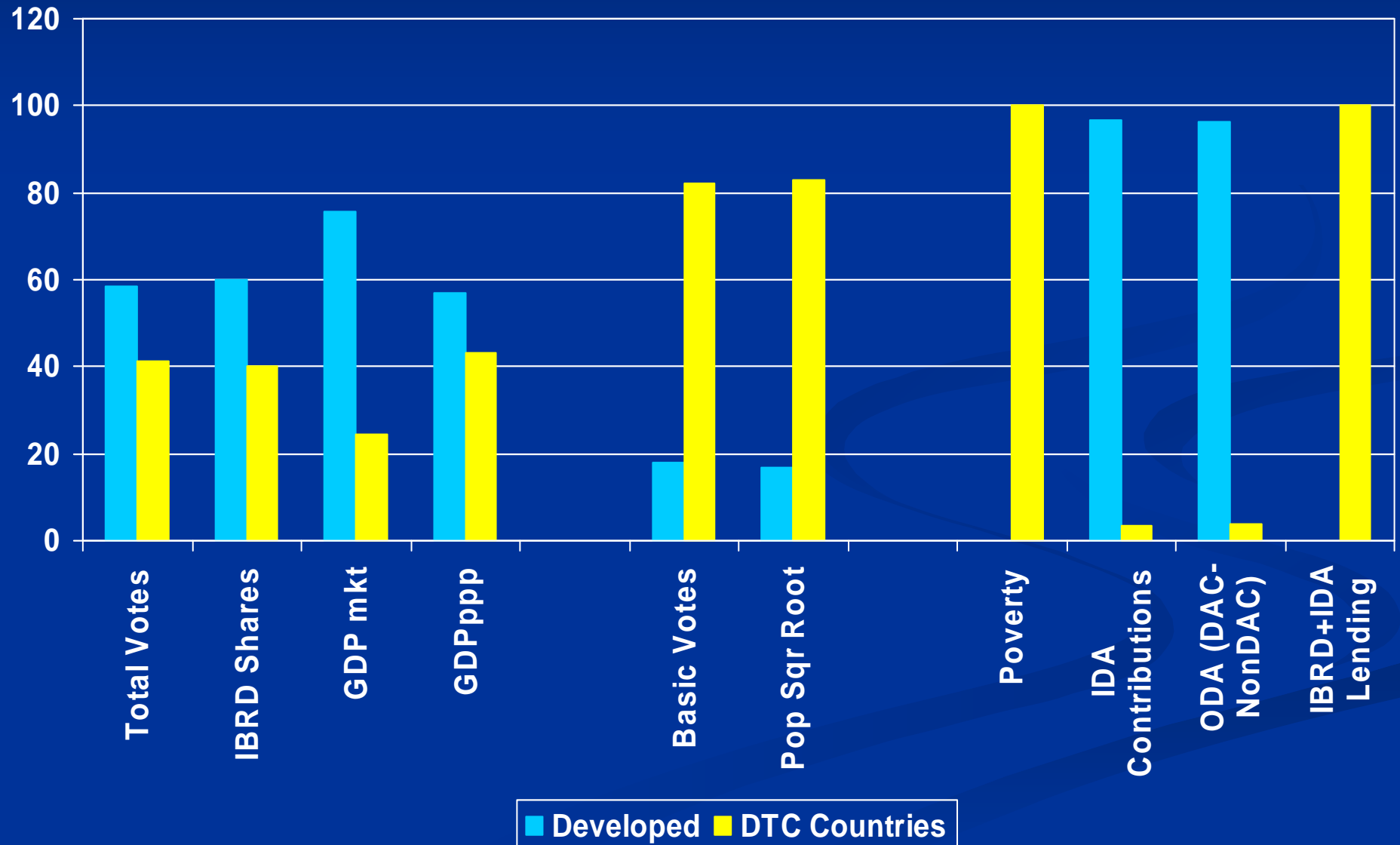
GDP PPP/IDA Shares (DTCs > 1)



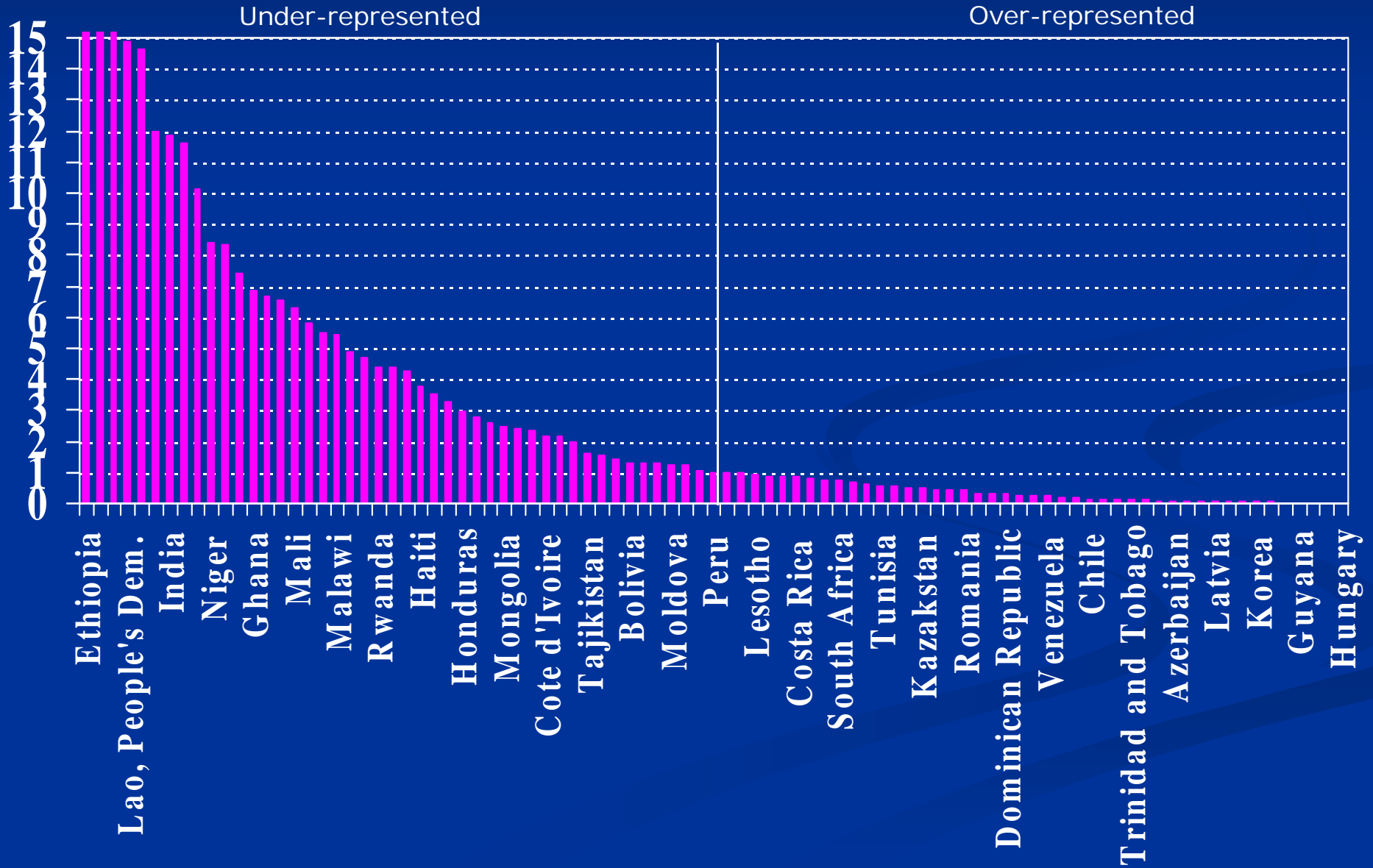
GDP PPP/IBRD Shares (Developed)



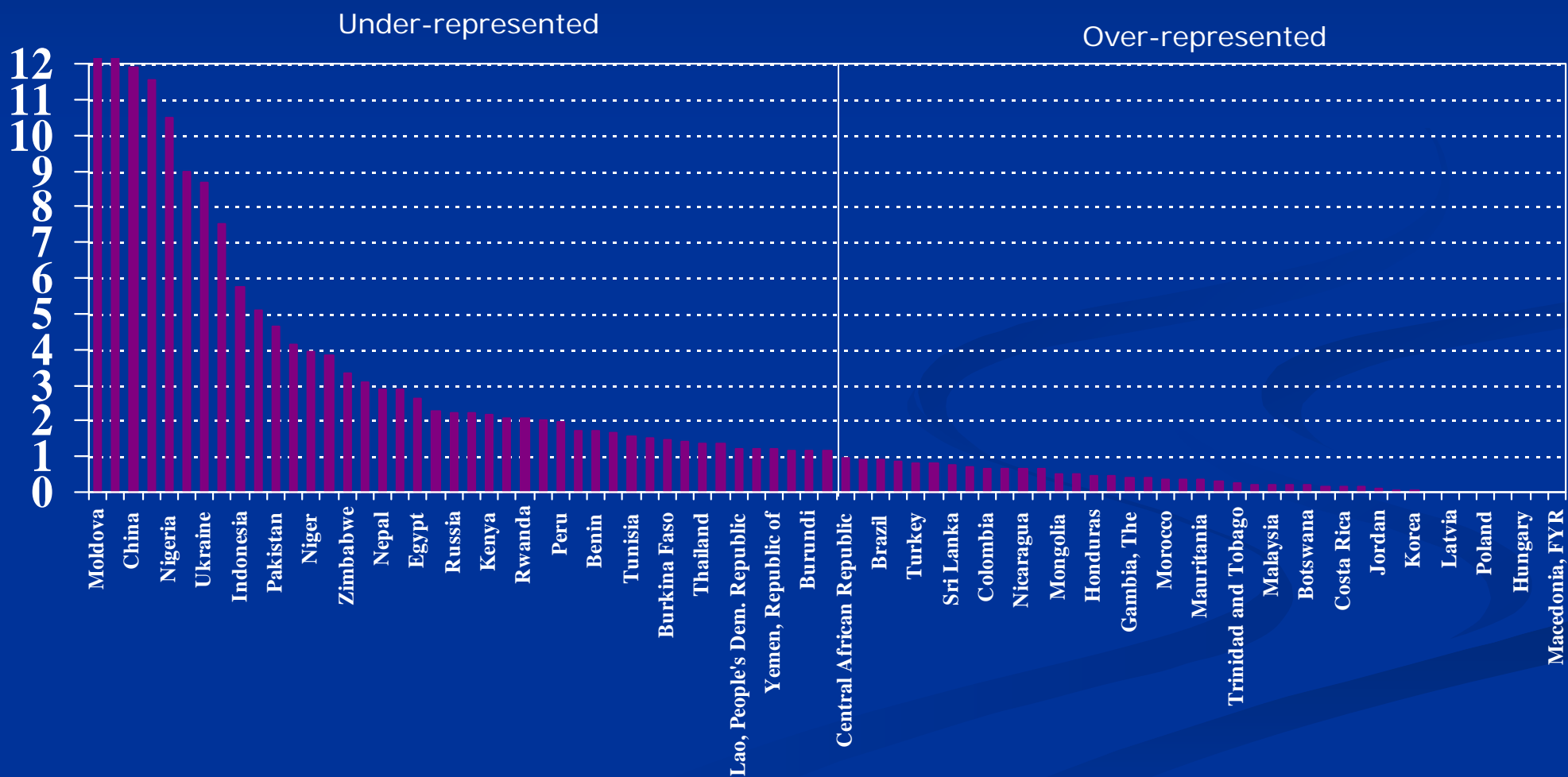
Elements of a Possible Formula for World Bank Voting Structure



Incidence of Poverty/ IBRD Shares (DTCs)



Incidence of Poverty/ IDA Shares (DTCs)



Simulations on a Possible Formula

	Simulation 1	Simulation 2	Simulation 3
GDPppp	0.350	0.350	0.350
Population Sqr Root	0.150	0.150	0.150
Poverty	0.250	--	--
IBRD Borrowing	--	0.125	--
IDA Borrowing	--	0.125	0.250
ODA Contributions	0.250	--	--
IDA Contributions	0.000	0.250	0.250

Results of Simulations

Regions	Simulation 1	Simulation 2	Simulation 3
Developed	46.5	46.6	46.6
DTC Countries	53.5	53.4	53.4
G11+Russia	50.2	46.9	48.3
Non-G11	49.8	53.1	51.7

Results of Simulations by Country Groupings

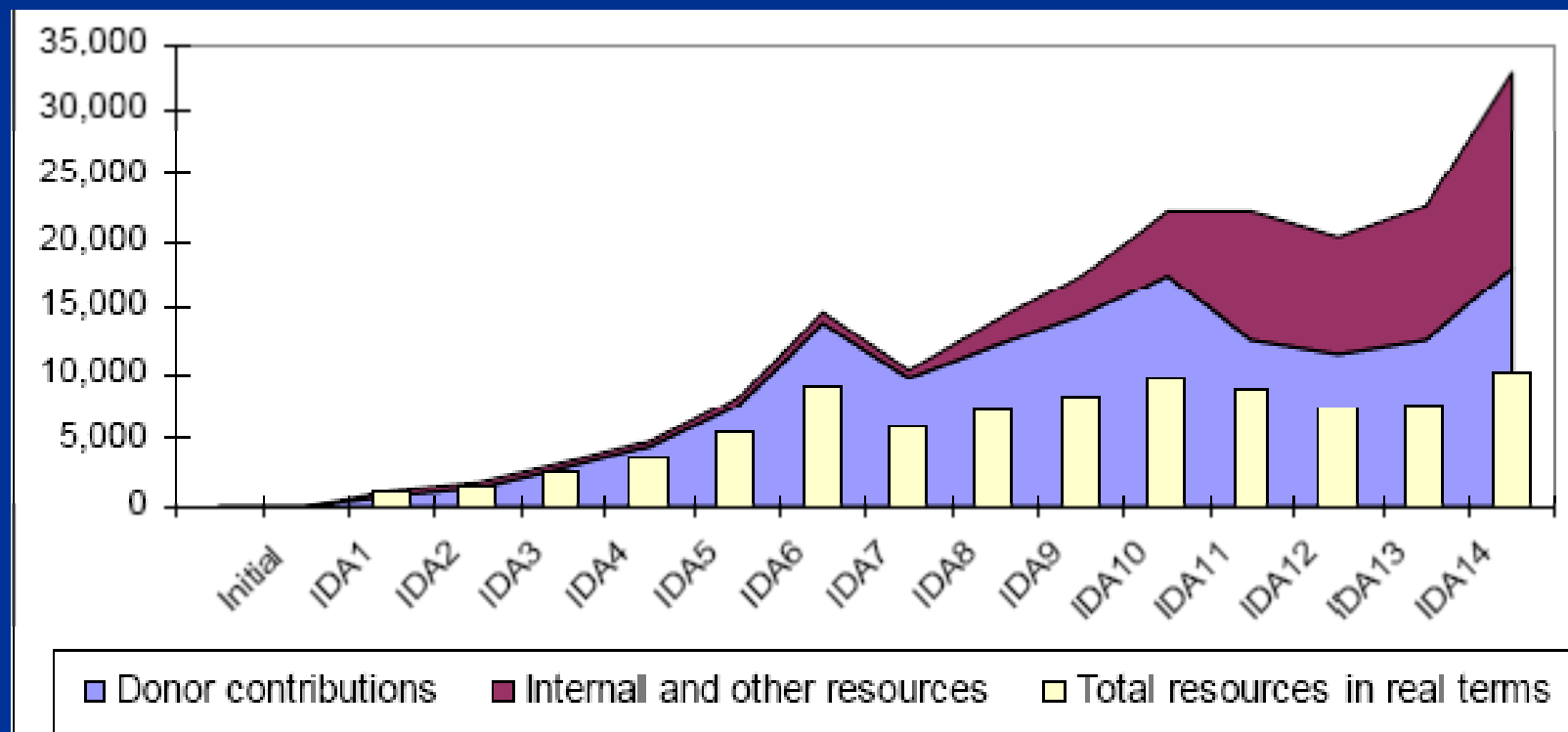
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MENA	3.9	4.2	3.6
SSA	8.1	7.6	14.3
LAC	6.0	12.1	6.3
ECA	5.5	9.5	6.9
Total	100.0	100.0	100.0

Additional Considerations

- Financial and non-financial contributions by developing countries need to properly recognized which would further boost the share of DTCs
- Similarly contributions of MICs to IDA through net income transfers reflows also need to be recognized

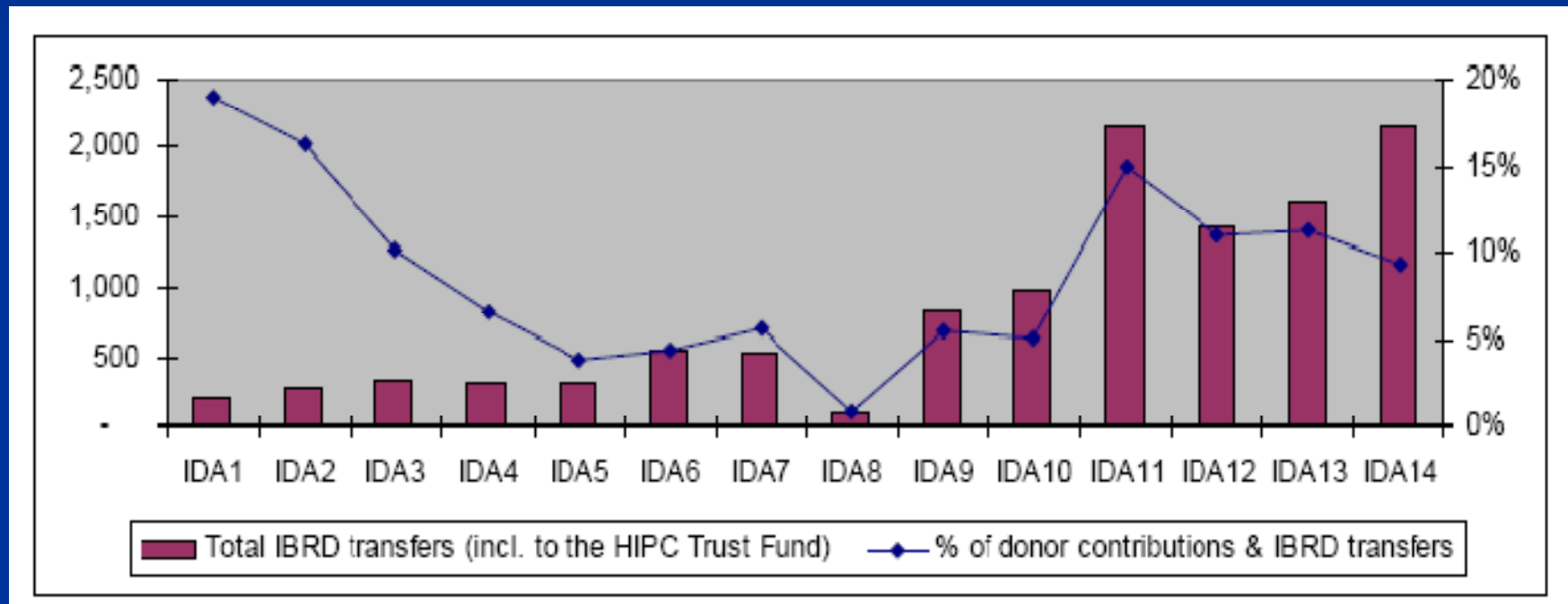
Growth of IDA since Inception, in Nominal and Real Terms

(per replenishment, USD equiv. million)



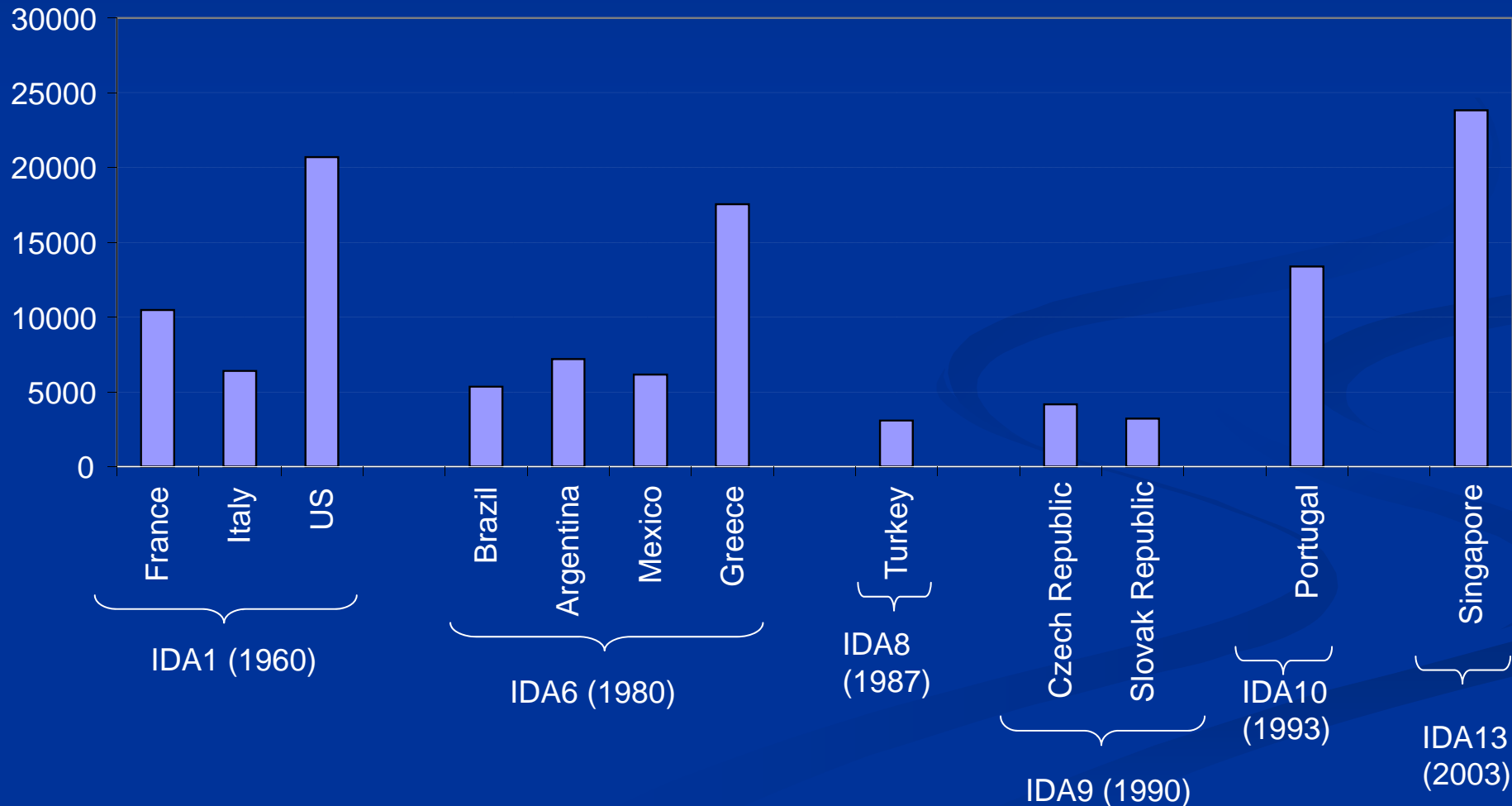
IBRD Net Income Transfers to IDA, Since IDA Inception

(USD equiv. million)



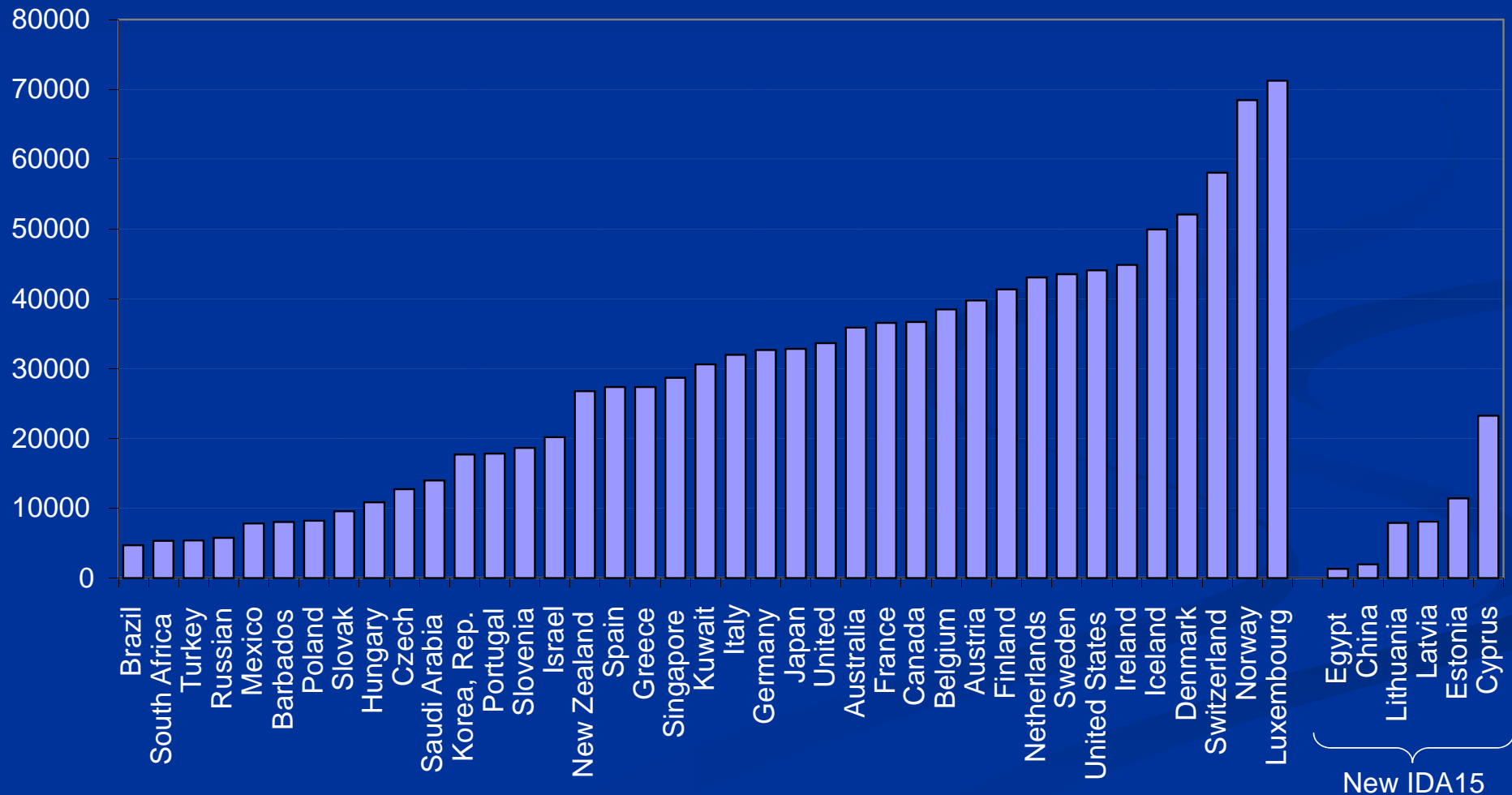
Entry of new IDA Contributors

GNI per capita, Atlas method (constant 2006, US\$)



Per capita income of IDA Contributors

GNI per capita, Atlas method (current, US\$)



Implications for the Immediate Discussions

- Strong case for parity
- Need for robust benchmarks for a credible package on voting power reform
- Other elements and sequencing
- Longer-term goals and process

Objectives of World Bank Reform

Two goals of “equal” importance:

- To make significant progress in adjusting voting rights and shareholding in light of members’ evolved economic weight in the global economy and responsibilities for the development mandate of the Bank; and
- To strengthen Voice and Participation for countries whose weight in the World Economy may be small but for whom the Bank plays an important financing and advisory role