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On the
Transfer of Real Resources to Developing Countries)



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**ENHANCING VOICE AND PARTICIPATION OF DEVELOPING AND
TRANSITION COUNTRIES IN THE WORLD BANK GROUP:
UPDATE AND PROPOSALS FOR DISCUSSION**

Attached for the October 5, 2009, Development Committee Meeting is a background document entitled "Enhancing Voice and Participation of Developing and Transition Countries in the World Bank Group: Update and Proposals for Discussion", prepared by the staff of the World Bank.

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**ENHANCING VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION COUNTRIES
IN THE WORLD BANK GROUP:
UPDATE AND PROPOSALS FOR DISCUSSION**

1. Shareholders are actively engaged in advancing reforms to enhance voice and participation of developing and transition countries (DTC) in World Bank Group (WBG), in the context of efforts to strengthen WBG long-term effectiveness and financial capacity. Voice reform has several dimensions: voice as voting power and shareholding, as effective representation at the Board, and as responsiveness to DTC views on development. In October 2008, the Development Committee agreed on the Phase 1 package of reforms, as a key step.¹ In April 2009, the Committee reviewed a progress report² and took note of the heightened relevance of voice reform in light of the global economic crisis and the need for a strong multilateral approach. The Committee agreed to accelerate work on the second phase of reform with a view to reaching agreement by the 2010 Spring Meetings, involving all shareholders in a transparent, consultative and inclusive process. This paper updates Ministers on progress to date on the first phase and lays out current proposals for discussion under the second phase.

1. Update on Phase 1

2. Phase 1 reforms will increase DTC voting power in the International Bank for Reconstruction and Development (IBRD) from 42.6 percent to 44.1 percent by increasing Basic Votes to 5.55% of total votes, and allocating IBRD shares to sixteen DTCs whose voting power would be reduced by the proposed increase in Basic Votes. Importantly, the Phase 1 reform adds an elected Executive Director for Sub-Saharan Africa (SSA) on the WBG Boards (the IBRD Board and those for the International Development Association (IDA), International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA)). Phase 1 promotes an increase in IDA Part II voting power through members' subscriptions and voluntary financial support from donors for the poorest members. Finally, Phase 1 notes agreement on strengthening Board effectiveness and internal governance; deepening responsiveness to DTC views on development; and a merit-based and transparent selection process of the Bank's President.

3. The proposed amendment of the IBRD Articles of Agreement to increase Basic Votes has been approved by the Board of Governors and has been transmitted to all members for acceptance. Currently, acceptances have been received from two-thirds of members representing over 50% of total voting power. While this meets the required three-fifths of members, more acceptances are needed to reach the 85% of the total voting power that is required for the amendment to be effective. Subscription to the unallocated shares can begin after this amendment has become effective. For the third SSA Executive Director, discussions among SSA Governors on the realignment of the two current SSA constituencies are well advanced.

¹ "Enhancing Voice and Participation of Developing and Transition Countries in the World Bank Group: Options for Reform," DC2008-0013, October 12, 2008.

² "Enhancing Voice and Participation of Developing and Transition Countries in the World Bank Group: 2009 Progress Report," DC2009-0005, April 20, 2009.

4. In IDA, the voting power of Part II members has increased to 43.55%, from 40.10% in April 2008, reflecting the continued progress in receiving outstanding IDA subscriptions from Part II members and allocation of France's €1 million (equivalent to \$1.4 million) contribution to the Voice Trust Fund. To reach their allocated voting share of 48.3%, IDA Part II subscribers would need to subscribe to an additional \$20.9 million, of which \$6.4 million relates to IDA-only recipients. In addition to France's contribution that has already been received and allocated to participating IDA-only recipients, two donors (Norway and Spain) have pledged to provide in aggregate some \$3.4 million in grant funds to assist IDA-only recipients to take up their remaining outstanding IDA subscriptions. These grant funds, subject to final government approval, will raise Part II voting power in IDA by another 1.6%.

2. Phase 2 Reforms: Options

5. Questions to frame shareholders' guidance were outlined at the April 2009 Development Committee meeting and discussed at meetings of Development Committee Deputies in June and September. Those questions focus on: (1) IBRD shareholding realignment (implementing "moving over time towards equitable voting power between developed and developing members;") (2) criteria for IBRD share allocation; (3) mechanism for IBRD share realignment; (4) IFC Voice Reform (realignment of voting shares); (5) IDA Voice Reform (realignment of voting shares); and (6) implications of other major reform issues.

6. **IBRD Shareholding Review and Realignment.** As agreed in Fall 2008, the IBRD Shareholding Review in Phase 2 will consider the evolving weight of all members in the world economy and other Bank specific criteria consistent with the WBG's development mandate, moving over time towards equitable voting power between developed and developing members. The agreed work program specified four stages of work to proceed in sequence:

- (a) Reviewing the specific development mandate of the Bank vis-à-vis the Fund and the possible implications for a realignment of IBRD shareholding, and setting out the principles for shareholding at IBRD. (6 months)
- (b) Developing various criteria and options for realignment of IBRD shareholding, considering relative weight in the world economy, members' contributions to the Bank Group mandate, and additional Bank-specific criteria such as GNI and GDP, at market rates and based on PPP, as well as other criteria. (6-12 months)
- (c) Analyzing the implications of how different options for realignment would apply for individual members; developing initial proposals for realignment of shareholding. (6 months)
- (d) Structuring the available mechanisms to facilitate an adjustment of relative shareholding of members, also taking into consideration the Bank's uses and need for capital; finalizing proposals for realignment of shareholding. (6 months)

With the accelerated timetable (Spring 2010), the work program led by the Board and supported by Management has progressed through the first three stages, culminating in the proposals discussed in paragraph 29.

7. 2010 Shareholding Realignment. **There is an emerging consensus that a significant increase of DTC voting power should result from the 2010 IBRD Voice Reforms, in addition to the 1.46% increase for the same countries under Phase 1.** Agreement on a target range for this net shift of voting power at the October 2009 Development Committee meeting

could facilitate agreement on a reform package by April 2010; some consider agreement on a shift premature in advance of agreement on realignment principles and criteria. Some envision the shift in 2010 as a move towards the ultimate objective of parity (50:50 voting power) without involuntary dilution of any DTC member's voting power, to enhance the voice of all DTC members. Some envision the shift in 2010 as the result of the application of agreed criteria for all members, and consider that "equitable voting power" can be measured in other ways (economic weight, equality of countries, and equality of population).

8. While IBRD does not have formal classifications of members as developed and DTC,³ the 2008 Phase 1 reforms adopted the same identification of developing members as used in the IMF reforms in that year, to facilitate comparison of the resulting Phase 1 increase in IBRD DTC voting power with the 2008 IMF increase. Since Phase 2 and Phase 1 together form part of the WBG Voice Reforms, the same DTC classification used in Phase 1 would be used to measure the increase in DTC voting power in Phase 2. In future adjustments of IBRD shareholding, there may be need to revise this classification, bearing in mind IBRD's multilateral nature without predetermined membership blocs.

9. Periodic Shareholding Review. **There is an emerging consensus that the IBRD governance framework would be strengthened by instituting a regular IBRD shareholding review at periodic intervals.** IBRD shareholding has been reviewed and realigned flexibly in the past: regularly in parallel with IMF quota adjustments until the 1980s, while IMF quotas were used in IBRD shareholding as the primary measure of relative weight in the world economy, and less frequently since then. IBRD shareholding has also been adjusted, selectively, when new members have joined. The last general capital increase (GCI) for IBRD was approved in 1988; the last selective capital increase (SCI) was approved in 1998.

10. The appropriate interval for periodic shareholding review would be five years. Five years is the interval specified in the Articles of Agreement of both the IMF⁴ and IDA⁵ for regular reviews of resources (and consequently voting shares). The IBRD Articles are silent on this issue and there has been no Board of Governors' decision establishing a periodic shareholding review. In practice, IMF quota reviews have generally followed in five year intervals, although the next IMF quota review is slated to start this fall and conclude by January 2011, less than five years from the April 2008 agreement on a new formula and ad hoc quota adjustments. IDA replenishment reviews have taken place at three year intervals, leading some to suggest six years as an appropriate interval here.

11. The general principles to guide IBRD Shareholding Reviews could be derived from the October 2008 principles noted in the paragraph 6 above. In each Review, the Board of Governors could review the weight of all members in the world economy; and contributions to the WBG

³ IDA members participate as Part I and Part II, and MIGA members as Category One and Category Two. These distinctions are not based solely on levels of economic development.

⁴ IMF Article III, Section 2 (a) provides: "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." According to the IMF website, there are infrequent ad hoc adjustments, such as the April 2008 adjustment, and: "[t]he goal is to have a dynamic mechanism to adjust quota shares every five years to reflect members' evolving weight in the world economy and to increase the shares of underrepresented countries."

⁵ IDA Article III, Section 1 (a) provides: "The Association shall at such time as it deems appropriate in the light of the schedule for completion of payments on initial subscriptions of original members, and at intervals of approximately five years thereafter, review the adequacy of its resources and, if it deems desirable, shall authorize a general increase in subscriptions."

development mandate; and assess progress “towards equitable voting power between developed and developing members.” While reviews would take place regularly, shareholding realignment would not necessarily be required with each review, but only when shareholders, through the Board of Governors, decided that the results warranted adjustment.

12. **IBRD Shareholding Realignment: Criteria.** IBRD shareholding has been based on the principle of members’ weight in the world economy, measured primarily by reference to quotas at the IMF. Since 1984, IBRD shareholding has not been kept strictly parallel with IMF quotas, and in SCIs, economic weight was also assessed by reference to GDP in 1988 and GNP in 1998 as an equal alternative measure. Over time, contributions to the WBG development mandate were also recognized in IBRD shareholding, on an ad hoc and infrequent basis; comparatively large IDA contributions figured prominently in some cases, and additional IDA contributions were required for all participants in the last SCI.⁶

13. There are different views on criteria for the 2010 realignment. Parity in voting power between developed and DTC members could be seen as the ultimate objective, to be achieved through subscriptions by DTC members to sufficient IBRD shares to reach 50% of total voting power. In that case, allocation of additional shares could be made to avoid involuntary dilution of any DTC member’s voting power and could be made on a pro rata basis or on economic criteria. Or, a shift in DTC voting power could be brought about through use of criteria of economic weight and contributions to WBG development mandate, as explained below. In either case, a significant shift in DTC voting power could be achieved even with participation in an SCI by underrepresented developed countries; the overall size of SCI would be larger to accomplish this. Similarly, a decision to allocate additional shares to avoid or minimize decreases in individual DTC voting power would have an impact on the size of the shift in DTC voting power as well as the overall size of an SCI.

14. Economic Weight. There are different views on the measurement of economic weight in the world economy. IMF quotas could continue to be a factor in measuring economic weight in determining IBRD shareholding, or, the direct link to IMF quotas in IBRD shareholding could be modified or superseded. A criterion based on IMF Quotas could be either: (a) IMF calculated quotas under the IMF quota formula approved in April 2008 (CQ); or (b) IMF actual quotas, as the post-second round quotas following the April 2008 ad hoc adjustments (AQ). The IMF quota review now underway, to conclude by January 2011, could have implications for using CQ and AQ as a measure for the 2010 IBRD Shareholding realignment – such as adjusting IBRD shareholding in 2011 to reflect changes in IMF Quotas.

15. Other measures of economic weight that could be used as Bank-specific criteria include: Gross Domestic Product (GDP), both at market exchange rates (MER) and based on purchasing power parity (PPP), and Gross National Income (GNI), which has been a factor in prior IBRD

⁶ In the 1979 special share allocations for Japan and France, the objective was to make Japan’s share allocation in IBRD comparable with its IDA burden share and to recognize France’ role as a major source of official development assistance among OECD countries. In 1987, special share allocations were provided to Japan, Italy, Canada, the Netherlands and Korea to better reflect their economic positions and their support to the World Bank Group in various forms, including co-financing and access to their capital markets and contributions to development assistance. In 1996, shareholders again provided a special capital increase (2% of authorized capital stock) to Japan to recognize its large and sustained efforts in IDA. In the 1998 SCI, Brazil, Denmark, Korea, Spain and Turkey received special capital increases in IBRD with an agreement that these members provide additional contributions to IDA and maintain the higher share levels in future IDA replenishments.

shareholding decisions. In the 2008 IMF quota formula, GDP is measured at a blend of 60% MER and 40% PPP; using this GDP factor from the IMF Quota formula could preserve a linkage to IMF quotas without the complexities above. The April 2008 Report to the IMF Board of Governors states: “This approach captures the central role of quotas in the Fund’s financial operations, for which GDP at market exchange rates is the most relevant, as well as the Fund’s non-financial activities, where PPP GDP can be viewed as a relevant way to capture the relative volume of goods and services produced by economies.”⁷ In view of the different operations and activities of the Bank, the other blends are also considered, with PPP weights up to 100%.

16. There is an emerging consensus to select between IMF Quotas or GDP Blends in the next stage of discussions, as criteria to measure economic weight.

17. Development Mandate. Factors suggested for consideration to reflect member contributions to the WBG mandate include: contributions to IDA; contributions to WBG trust funds; contributions from IBRD borrowers; and contributions from IDA recipients.

18. Historically, IBRD shareholders have agreed to reflect IDA contribution levels in IBRD shareholding where IDA contributions were considered comparatively large for the member, but have not established a rule or mechanism that takes regular IDA contributions of all IDA donors into account in IBRD shareholding.⁸ Another approach would be to focus on substantial IDA contributions as a factor in IBRD shareholding. IDA donors (both developed and DTC) with substantial IDA contributions in recent and upcoming IDA replenishments could be eligible to subscribe to IBRD shares in an SCI, without necessarily being underrepresented on economic weight. This approach reflects the view that voice reform will be most meaningful in a financially strong WBG that can serve its members, and emphasizes that both economic weight and contributions to WBG mandate are relevant for IBRD shareholding.

19. Another factor in IBRD shareholding could be a donor’s share of WBG trust fund contributions. Unlike IDA contributions, trust fund contributions are not generally subject to governance oversight by the Bank’s Board. Trust fund contributions may also vary in their degree of earmarking by donors for specific purposes or recipients, and their alignment with the WBG mandate. At the same time, the Bank’s Trust Fund reforms in recent years have addressed some of these concerns, suggesting that, with continued progress on these reforms, trust fund contributions could be a factor in future IBRD shareholding reviews. Progress in trust fund reform is covered in management’s regular reviews. The Board will review progress in implementing the 2007 Trust Fund Management Framework by the spring of 2010.

20. Another factor in IBRD shareholding could be contributions from IBRD borrowers and IDA recipients, or WBG clients more broadly defined. For both IBRD borrowers and IDA

⁷ Reform of Quota and Voice in the International Monetary Fund—Report of the Executive Board to the Board of Governors, March 28, 2008 (IMF Report). The IMF Quota decision in 2008 also included the following one-time adjustments: (a) The U.S. agreed to forego a portion of the increase, and several others agreed to forego increases to keep “the same proportionate reduction in out-of-lineness as the United States”. (b) Under-represented emerging market and developing economies whose shares in GDP-PPP were substantially larger than their quota shares (by more than 75%) were to receive a minimum quota increase of 40%, “to give additional recognition to dynamism by bringing forward expected future growth for those countries that are most out-of-line in terms of PPP.” (c) There were special provisions for those who had ad hoc increases in the first round. There was also a compression factor of 0.95 applied to a linear combination of the four variables, to reduce the dispersion of calculated quotas, moderating to some extent the role of size in the formula.

⁸ See note 6 above.

recipients, such a factor would recognize that they contribute to the WBG through their development efforts and knowledge interchange that benefits the WBG and all its members. Generally, WBG clients make similar contributions without regard to financing. For IBRD borrowers, there is also the suggestion that the loan charges paid by borrowers provide a financial contribution; given the large grant element of IDA financing, this is less relevant for IDA recipients. However, there are financial limitations in attributing IBRD income to lending, and policy considerations regarding equity for small borrowers, exclusion of clients engaged through knowledge products and technical assistance, as well as limitations due to policies for allocation of IBRD/IDA financing. A factor that treats all IBRD borrowers and all IDA recipients equally regardless of volume would alleviate some of these concerns. In addition, many have suggested paying particular attention to low income members in Voice reforms.

21. IBRD Shareholding Realignment: Mechanism. There has been an emerging consensus that the 2010 IBRD shareholding realignment should be accomplished through an increase in IBRD capital. Whether this should be a selective capital increase (SCI) or in conjunction with a general capital increase (GCI), is yet to be determined, and will depend on the stage of shareholders' ongoing discussions on IBRD financial capacity when agreement is reached on the 2010 realignment. At that time, agreement will be necessary also on financial dimensions, such as proportion of paid-in capital and commitments to release of national currency paid-in capital. An SCI should include a portion of unallocated shares, adequate to cover potential new members in the period before the next shareholding review, to obviate the need to increase capital at the time of membership. In addition, fixing the amount of unallocated shares at the time of the SCI will allow members to calculate the potential for any future decline in shareholding percentage when new members join.

22. An additional increase in Basic Votes (such as tripling at 8.11% or return to original level at 10.78%) could be considered in a package of reforms. Basic Votes would be increased under Phase 1 reforms to a fixed percentage of 5.55%, regardless of increases in IBRD capital—if the necessary amendment to the Bank's Articles is accepted by 3/5 of members (112) holding 85% of the total voting power. An increase in Basic Votes automatically decreases the voting power of larger members, and in Phase 1, an exceptional allocation of unallocated shares was made to mitigate those decreases for 16 DTCs. A further increase in Basic Votes in Phase 2 would require acceptance by members of another Articles' amendment, and, without the allocation of new shares to larger members, would lead to a further decline in voting power of larger shareholders, DTC and developed alike.

23. **IFC Voice Review.** The IFC Voice Review that the IFC Board agreed to undertake is the first thorough examination of the voice dimensions in the IFC context, and provides a basis for the consideration of similar Voice reforms at IFC. The work program is proceeding, sequentially, in four stages:

- a) Reviewing the specific development mandate and functions of IFC within the World Bank Group and the possible implications for a realignment of IFC shareholding, and setting out the principles for shareholding at IFC.
- b) Developing various criteria and options for realignment of IFC shareholding, considering all relevant criteria.

- c) Analyzing the implications of how different options for realignment, including Basic Votes increases would apply for individual members; developing initial proposals for realignment of shareholding.
- d) Structuring the available mechanisms to facilitate an adjustment of relative shareholding of members, also taking into consideration the Corporation's uses and need for capital; finalizing proposals for realignment of IFC shareholding.

At this point, the work program has focused on the first stage. Subsequent stages will be addressed after the October 2009 Development Committee Meeting.

24. **There is a consensus that Spring 2010 should also be the target for agreement on IFC Voice Reform.** Applying an IBRD approach to voice reforms at IFC can lead to different options, derived from such perspectives as the principles and mechanisms for IBRD reform, the magnitude of IBRD reform or the results of IBRD reform. Shareholder discussions on more precise options will provide the opportunity to achieve consensus on the contours of IFC voice reform, after the Fall Development Committee discussions on WBG voice reform and IBRD and IFC financial capacity.

25. **Increasing IDA Part II Voting Power.** Part II members continue to take up their allocated IDA subscriptions. Part II members as a group now hold 43.55% of IDA voting power, less than the 48.3% that could be achieved if all IDA Part II subscribers took up all their allocated subscriptions.⁹ With the current pledges of donor financing, IDA Part II voting power would rise another 1.6 percentage points. If additional donors come forward to provide the remaining \$2.5 million in grant funds, this could raise Part II voting power by an additional 1%, to around 46%. In addition, some have suggested enhancing borrower representation in IDA replenishment discussions.

26. **Institutional Reforms.** As agreed by the Committee in October 2008, the Voice reform package has also included connections to several areas of institutional reforms, where progress is ongoing.

27. One cluster focuses on voice as responsiveness to DTC views on development:

- (a) Workforce Diversity. The Board and its Human Resources Committee will continue to monitor management's action plan and progress report on Diversity and Inclusion, along with IFC's action plan implementation.
- (b) Decentralization. The Bank continued to make progress on devolving task management authority to the field as well as on decentralizing staff in FY09, albeit the latter at a slower pace due to budget constraints. Over the last five years, the Bank's presence in fragile and conflict-affected states has grown by 56%, and overall field presence grew by 36%. The Bank's internal architecture will need to support adequate response to the increasingly diversified and fast evolving needs of its client base. As the Bank decentralizes further, the physical shift of more staff outside HQ and more delegation of authority and responsibility will require optimal deployment of the Bank's expertise, better connected knowledge flows, including to external knowledge networks, and supportive operational and HR policies. The Bank is currently developing a number of

⁹ The potential voting power includes all effective IDA replenishments including IDA15 and one third of Multilateral Debt Relief Initiative (MDRI) subscription votes.

"key platforms" that will be essential to improve the effectiveness of service delivery to clients and critical to support any future decentralization approach. In IFC, considerable progress has been achieved in decentralization, providing targeted assistance in frontier and fragile markets.

- (c) Country Ownership. The Bank's responsiveness to client views is the most salient dimension of voice reform for many members, often the smallest countries. The Bank's Country Assistance Strategy (CAS) has evolved from a prescriptive document to a participatory process, ensuring that the Bank's assistance is based on recipient countries' own development and poverty reduction priorities. The Board continues to focus on the alignment of Bank support with country priorities and ownership.
- (d) Annual Meetings. The Annual Meetings are traditionally held outside Washington, D.C. every third year, with the selection of host country made roughly three years in advance. Plans are underway for the 2012 Meetings to be held in Egypt. In FY10, COGAM is scheduled to discuss a paper by management on options for the format and location of future meetings, which would include considerations of affordability.

28. Another cluster of institutional reforms focuses on governance issues:

- (a) Internal Governance and Board Effectiveness. The Board reported to the Development Committee in April 2009 on its internal governance review including the overarching issues of Board effectiveness, oversight and strategy, as a package reflecting a balanced approach to reforming overall Board governance.¹⁰ Since then, the Board and Management have brought forward internal governance improvements in several areas: increasing transparency and clarity of Board Committee terms of reference and functions through adoption of a comprehensive resolution on Standing Committees; revising Board meeting processes to improve dialogue on issues raised by Board members; and clarifying chairmanship procedures to minimize potential conflict of interests. The work program for the next six months includes: strengthening Board oversight through a revamped group-wide financial and operational Quarterly Reporting process and a review of risk management units; introducing a pilot for conditional advance approval of selected operations through CAS reviews; and introducing a process for Board and Management evaluation.
- (b) Selection of the President. The Development Committee's Fall 2008 Communiqué stated that there is considerable agreement on the importance of a selection process for the President of the Bank that is merit-based and transparent, with nominations open to all Board members and transparent Board consideration of all candidates. Some shareholders have suggested that such an open, merit-based and transparent process apply similarly to the selection of Bank senior management as well the IMF Managing Director, and should be conducted without regard to nationality or geographical preference.
- (c) Governance Commission. In October 2008, the Bank's President launched an independent, High Level Commission to make recommendations on the modernization of WBG governance so it can better fulfill its mission of overcoming global poverty and

¹⁰ Review of Internal Governance Conclusions and Proposals, DC2009-0004, April 17, 2009.

promoting economic growth. The Commission, chaired by former Mexican President Ernesto Zedillo, is expected to complete its work in October 2009.

A report reviewing progress and proposals on governance improvements and overall governance reform could be prepared for the April 2010 Development Committee meeting.

3. Phase 2 Reforms: Proposals for Discussion

The previous sections present a broad range of options and alternatives, reflecting emerging consensus in some areas and differing shareholder views in others. The proposals below, for Development Committee discussion, aim at confirming areas of current consensus, to reach a reform package that can be agreed by the Committee's Spring 2010 meeting.

29. Proposals for IBRD Shareholding Review and Realignment:

- A. The IBRD Voice Reforms should result in a significant increase of DTC voting power, in addition to the 1.46% increase for the same countries under Phase 1.** Whether as a move towards parity as the ultimate objective or as the result of the application of agreed criteria, a net **increase [of __%]¹¹** would be significant.¹²

Achieving this shift would be based on agreement on how to address involuntary dilution of DTC voting power and how to maintain Phase 1 outcomes.

- B. The 2010 IBRD Shareholding Realignment should be based on criteria reflecting economic weight of members in the world economy and contributions to the WBG development mandate, to result in this significant increase.**

Shares would be made available based on economic under-representation, as measured by IMF Quotas or GDP Blends. Consideration will also be given to how to address recognition of IDA contributions, WBG client contributions, and changes in the position of the low income members.

- C. The 2010 IBRD shareholding realignment should be accomplished through a selective increase in IBRD capital.**

- D. The Board of Governors will institute a regular IBRD Shareholding Review at intervals of five years.** Each Shareholding Review will review the weight of all members in the world economy and contributions to the WBG development mandate; and assess progress towards

¹¹ Shareholders have suggested several options, including an increase of 6%; a range of 2% to 6%; or at least 3%. Some found it premature to set a number or a range in advance of agreement on realignment of principles and criteria.

¹² The G20 Leaders' Statement from the September 24-25, 2009 Summit in Pittsburgh in paragraph 27 declared the following: "We commit to pursue governance and operational effectiveness reform in conjunction with voting reform to ensure that the World Bank is relevant, effective, and legitimate. We stress the importance of moving towards equitable voting power in the World Bank over time through the adoption of a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission, and that generates in the next shareholding review a significant increase of at least 3% of voting power for developing and transition countries, in addition to the 1.46% increase under the first phase of this important adjustment, to the benefit of under-represented countries. While recognizing that over-represented countries will make a contribution, it will be important to protect the voting power of the smallest poor countries. We recommit to reaching agreement by the 2010 Spring Meetings."

equitable voting power between developed and DTC members. Realignment would take place when shareholders, through the Board of Governors, decided that the results warranted adjustment. In future adjustments of IBRD shareholding, there may be need to revise the DTC classification, bearing in mind IBRD's multilateral nature without predetermined membership blocs. With continued progress on trust fund reform, trust fund contributions could be a factor in future IBRD shareholding reviews.

30. Proposal for IFC Voice Reform: **Spring 2010 should also be the target for agreement on IFC Voice Reform.** Shareholder discussions on more precise options will provide the opportunity to achieve consensus of IFC voice reform, after the Development Committee discussions on WBG voice reform and IBRD and IFC financial capacity.

31. Proposals for IDA Voice Reform: **Part II members are encouraged to continue to take up their already allocated IDA subscriptions.** Grant funds are sought, towards the remaining \$2.5 million for outstanding subscriptions of IDA-only recipients. Management should provide options for further enhancing borrower representation at the forthcoming IDA16 replenishment discussions.

32. Proposal for Governance: **A report would be prepared for the April 2010 Development Committee meeting that reviews progress and proposals on governance.**