

World Bank governance challenges: what must be done

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The Wolfowitz scandal should serve as a sobering wake-up call to the World Bank on the need for meaningful governance reforms. Its archaic 1940s convention of allowing the US to name the Bank's leader undermines the institution's legitimacy as well as the accountability of the Bank's president. The Bank does not need to look very far for reform proposals - including its own 2001 proposals for an open, competitive selection process that were summarily ignored.

Supporters and critics alike have long called for governance reforms at both the World Bank and the IMF. Civil society groups have offered an extremely healthy set of well-founded recommendations over time. Even the Boards of the Bank and Fund tacitly admitted the flaws in their leadership selection processes by convening special committees in 2001 to devise procedures for open, competitive processes based on merit, not national origin. But the US and Europeans (the Europeans assert the right to name the head of the IMF) have jealously guarded their naming privileges, ignoring all calls for reform.

Some key recommendations:

A transparent and accountable leadership selection process:

- Clear criteria and rules for identifying, nominating and selecting qualified candidates are critical. Explicit candidate qualifications and decision-making responsibilities are also important. (2001 committee, IFI Democracy Coalition, Fleming, Center for Global Development, High-Level Panel on IMF Board Accountability) Management experience and skill are especially important qualifications. (High-Level Panel on IMF Board Accountability)
- The Board - not one country - should oversee the selection process. (Jenkins and Alexander) Executive Directors should be informed in a timely manner regarding candidates, including their credentials and knowledge of the institution. (2001 committee)
- The position should be open to candidates from any member country. (IFI Democracy Coalition, Jenkins and Alexander, High-Level Panel on IMF Board Accountability) As such, the US should relinquish its control over the World Bank and Europe its stronghold over the IMF leadership selection processes. (IFI Democracy Coalition, Jenkins and Alexander)
- An Advisory Group of eminent persons should assist in the selection process. This group would be composed of persons familiar with the goals of the institution drawn from, but not necessarily restricted to, academia, diplomacy/international affairs, and international development, banking or finance. The group would be supported by executive search expertise and

consideration would be given to balance within the group. (2001 committee, IFI Democracy Coalition)

- There should be a channel for facilitating smooth communications during the selection process. (2001 committee)
- An opportunity for candidates to share their views with the broader membership and external stakeholders is necessary (Fleming).

More equitable representation on Executive Board

- Borrowing country member representation must be increased. Although member governments have made numerous proposals for how this might work, the US government has strongly opposed many of them. (Jenkins and Alexander. Also see World Bank [Options on Voice and Representation paper](#), April 2007)
- Governance at the Bank could be significantly improved by instituting double-majority voting for important Bank decisions. Such a system would require that decisions secure support from a majority of the voting weight of members, as well as a majority of Bank members, helping to balance the interests of a few large industrialized countries with high voting strength and the interests of more numerous developing countries with smaller economies. (For a proposal on how this would work at the Fund, see Chowla, P, J Oatham and C Wren.)

Accountability of leadership and Executive Board

- Leadership, including the Executive Board, should undergo formal, periodic assessments. These findings should be made publicly available. (High-Level Panel on IMF Board Accountability)

Transparency, Transparency, Transparency!

- The Bank's Board of Directors operates behind closed doors. Substantive records of Board deliberations should be publicly disclosed. Redactions for truly confidential information are warranted. (Jenkins and Alexander, High-Level Panel on IMF Board Accountability) Only in 2005 did the World Bank Board begin to release skeletal meeting minutes, and these are insufficient to provide citizens a record of how their governments are representing them at the institution. The public and media should have access to Board meetings as is common in legislatures around the world and even at the UN Security Council. (Jenkins and Alexander)

Meaningful participation

- Meaningful stakeholder participation must be more actively ensured. Recommendations for the IMF which apply to all IFIs include: providing adequate notice and relevant documentation for in-country discussions, circulating draft policy papers, providing consultation data in staff reports, protecting stakeholder privacy, and translating and disseminating

relevant country-specific documents to all local stakeholders. (High-Level Panel on IMF Board Accountability)

Resources

- [**The Bank Working Group to Review the Process for Selection of the President & The Fund Working Group to Review the Process for Selection of the Managing Director**](#) (MS Doc, 47 KB) (BIC website)
- [**Improving Global Leadership Selection**](#), by Tony Fleming, January 2007 (www.tonyfleming.org)
- [**Who Rules the World Bank?**](#) by Bruce Jenkins and Nancy Alexander, September 2005 (BIC website)
- Chowla, P, J Oatham and C Wren, “[Bridging the democratic deficit: double majority decision-making and the IMF](#)” London: One World Trust and Bretton Woods Project, February 2007 (Bretton Woods Project website)
- [**The Hardest Job in the World: Five Crucial Tasks for the New President of the World Bank**](#), the Center for Global Development, 2005 (Center for Global Development website)
- [**Democratizing the World Bank and IMF**](#), IFI Democracy Coalition, 2005 (Financial Policy Forum website)
- [**Options Paper on Voice and Representation**](#), the World Bank, April 6, 2007 (World Bank website)

The authors of this update have in some cases broadened recommendations originally made to either the World Bank or IMF to apply to both institutions.