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Contents

	Page
Executive Board Attendance	1
1. Committee of the Whole for the Development Committee—Voice and Participation of Developing Countries in Decision-Making at the World Bank and IMF—A Technical Note by Bank/Fund Staff for the Development Committee	3

Executive Board Attendance

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Executive Directors

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D. Ondo Mañe
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M.J. Callaghan

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A. Mirakhor
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H. Oyarzábal

M. Portugal
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Wei Benhua
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K. Yagi

Alternate Executive Directors

N. O'Murchú

W. Szczuka
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B. Mellor, Temporary
R. Steiner
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Wang X.

A.G. Zoccali

S. Anjaria, Secretary
O. Vongthieres, Assistant

Also Present

IBRD: T. Bernes, Executive Secretary; N. Lichtenstein, Chief Counsel. External Relations Department: M. Chatah, M. Bell, B. Sarr. Human Resources Department: D. Mendes. Legal Department: E. Holder, Deputy Director; J. Jones. Policy Development and Review Department: T. Geithner, Director; M. Ahmed, Deputy Director; P. Fallon, S. Kashiwagi. Secretary's Department: L. Hubloue. Treasurer's Department: M. Kuhn, Deputy Treasurer. Western Hemisphere Department: R. Sab. Advisors to Executive Directors: S. Bakhache, S. Farid, O. Garner, F. Haupt, A. Ismael, J. Jonas, S. Kropas, F. Manno, J. Milton, T. Miyoshi, P. Nijssse, E. Nyambal, L. Palei, Y. Patel, S. Rouai, C. Sia, F. Varela, F. Vermaeten. Assistants to Executive Directors: A. Al Nassar, V. Bhaskar, J. Borpujari, L. Cao, N. Davidson, M. Di Maio, C. Faircloth, C. Gust, C. Josz, T. Kudiwu, D. Lombardi, K. Oo, J. Salleh, T. Segara, T. Skurzewski.

**1. COMMITTEE OF THE WHOLE FOR THE DEVELOPMENT
COMMITTEE—VOICE AND PARTICIPATION OF DEVELOPING
COUNTRIES IN DECISION-MAKING AT THE WORLD BANK AND IMF—A
TECHNICAL NOTE BY BANK/FUND STAFF FOR THE DEVELOPMENT
COMMITTEE**

Documents: Voice and Participation of Developing Countries in Decision-Making at the World Bank and IMF—A Technical Note by Bank/Fund Staff for the Development Committee (EB/CW/DC/03/1, 2/5/03)

Staff: Hubloue, SEC; Ahmed, PDR; Bernes, DC

Length: 2 hours, 30 minutes

Mr. Bennett submitted the following statement:

Key Points

This chair is committed to finding innovative and pragmatic ways to enhance the voice and participation (V&P) of developing and transition countries.

At this early stage, it is not useful to dwell on proposals for which a widespread political consensus does not yet exist. For Ministers to make early progress, the Board should narrow its focus to consider options aimed at boosting capacity in the two largest multi-country constituency offices.

Consideration should be given to the following three part proposal for early progress:

(i) Giving the two ED offices the option of adding either one Advisor or two Assistants;

(ii) Providing technological support to help enhance communication with capitals; and

(iii) Creating an IMF-sponsored support position within each office to deepen their analytical capacity.

Over the medium term, more work is needed to assess the implications of proposals that fundamentally alter the governance structure of BWIs.

Bretton Woods Institutions (BWIs) stand out among international institutions because of their consensus-based decision-making process and reliance on a constituency-based system for representation. On balance, the

underlying structure of the system is sound, but there is scope to further enhance governance.

Let me note from the outset that this chair fully supports exploring options to deepen the V&P of developing and transition countries within BWIs, but at the same time recognizes that progress is likely to be slow. The reality is that we are a long way from political consensus on most V&P issues, particularly those related to voting strength and proposals requiring a change in the Articles of Agreement. Making early and concrete progress will prove elusive unless a pragmatic stance is taken. In particular, it would be useful to narrow the current discussion to proposals aimed at enhancing capacity in large multi-country constituency offices, which are arguably less divisive and can generally be operationalized by decisions taken at the Executive Board level. The purpose, however, should not be to “micromanage” the constituency system. Indeed, constituencies and their membership should have the final say when it comes to decisions on the speed of rotations and the appropriate mix of developed/developing countries within the constituency.

A Proposal for Early Progress

All multi-country constituencies must deal with “representation” challenges, but these are especially acute for the two largest multi-country constituencies that represent Africa. Indeed, the sheer volume of day-to-day work involved in representing a constituency comprising of 20 or more countries is compounded by the fact that African countries are major users of Fund/Bank resources and the reality that direct support from capitals on complicated country-specific economic and social matters is generally limited.

To enhance the capacity of these chairs, I propose that the Board endorse the following three measures:

(i) Give each of the offices the choice of hiring either one additional Advisor or two additional Assistants to help reduce workload pressures;

(ii) Instruct the Fund to proceed with the enhanced technological support identified in the paper to improve communications with capitals. (Once in place and operating in a satisfactory manner, consideration might be given to extending the service to other offices.); and

(iii) Provide additional technical and resource support to strengthen the analytical capacity of the offices. The joint report suggests that a research trust fund might be established. My preference would be to create a support position within each office, staffed by a mid-ranking IMF economist. Ideally, the officer would have a wide range of Fund experience, across a number of departments, and would be appointed for a three-year term to provide continuity to office operations. With a better understanding of the Fund’s

operations that the officer's expertise and experience would bring, each office would be in a better position to engage staff in a more timely and productive manner.

Medium-Term Work Plan

The pragmatic approach advanced above does not preclude the Board from advancing its work on other more complicated aspects of V&P over the medium to long term. Indeed, work on developing an alternative quota formula is ongoing and best suited to take up questions related to voting strength. One could also argue that it would be premature to discuss increasing the number of basic votes until a revised quota formula has been agreed upon, as this formula may do much to redress concerns related to voting strength. In any event, the report does not provide a clear sense of the practical implications of proposals that would alter the governance structure of the Fund, including by increasing voting majorities and/or the number of elected Executive Directors. In terms of making informed judgments that will underpin the intensified international debate on V&P issues, more work is required to articulate the pros and cons of the options presented in the paper, particularly those requiring Governors' approval or changes in the Articles of Agreement.

Mr. Yagi and Mr. Miyoshi submitted the following statement:

This chair welcomes today's discussion. Sound macroeconomic management in developing countries, particularly low-income countries, is essential for these countries to achieve sustainable economic growth and development as well as poverty reduction. One of the responsibilities of the Fund is to provide advice and assistance to members in implementing sound policies. What is important is to ensure that the Fund's advice and assistance are appropriate and effective, and to facilitate strong ownership of developing countries in the implementation of sound policies. This chair believes it appropriate that we approach the issue for discussion today, namely, how to increase the voice and participation of developing countries, from the viewpoint of how to strengthen ownership on the part of those developing countries to address their own challenges.

On the other hand, we should recognize the importance of the distribution of voting power that reflects the relative position of each member in the world economy to ensure the effective operation of the Bretton Woods institutions. This shareholding principle should be applied strictly to the Fund in particular, because the Fund quotas denote the amount of capital subscription of each member, which determines the amount of access to Fund resources to be allowed each member as well as the distribution of voting power. Changing the distribution of quotas with political consideration against this fundamental principle could result in the weakening of the institution. We

should also note the Board's informal custom of making decisions on a consensus basis as far as possible, which gives each chair, including that of developing countries, more opportunities to make its voice heard than its actual voting power suggests.

When we see the joint staff paper in this perspective, it appears to be leaning too far toward institutional issues such as voting power and the number of chairs. Feasibility should be taken into account when considering the options and short-term measures should be distinguished from longer-term issues. For example, the benefits of options that require an amendment to the Articles of Agreement should be weighed against the costs to implement that amendment both internationally and domestically. As for the increase in the number of countries participating in the IMFC, we should take into account the need for efficient discussion, in addition to the costs associated with coordination on which countries should acquire additional seats.

In the short term, it is possible to explore measures to help the offices of the Executive Directors operate more effectively, based on the current seating of the chairs. For instance, providing chairs representing multi-constituencies with extra technological support to facilitate communications with capitals, and facilitating intra-constituency interaction, such as constituency meetings in preparation of the Spring and Fall Meetings, are worth considering. Moreover, although it was not long ago that the number of Advisors/Assistants was increased, a further increase should not be ruled out if it is judged to be truly helpful. That said, the needs of developing countries' chairs should be made clear in the first place, and the costs and benefits of the options should be analyzed.

Moreover, each Executive Director's office can change the pace of rotation of positions basically by its own decision, and therefore each office should make that decision with a view to strengthening its voice. The measures taken at the operational level should also be considered, although they are not referred to in the paper. For example, the Fund could be more flexible in establishing resident representatives at the request of a member in order to better understand the situation of the countries that have needs vis-à-vis the Fund. Management and senior staff could take more care to ensure continuity in the composition of staff missions to developing countries for surveillance and lending operations, and could conduct surveys or hold informal discussions, such as Executive Board seminars, to facilitate deliberations on the Fund's policies to developing countries.

Regarding medium and long-term measures, the review of regional distribution of chairs and of the formulation of constituencies should be added to the menu of options. The joint staff paper appears to be thinking of increasing the voice of developing countries almost exclusively by increasing the total number, for example of chairs. However, improvements could be

made also by reviewing the existing regional balance of the distribution of chairs. One more chair in one developing region would not lead to strengthening of voice of developing countries in other regions, while the increase in the number of chairs could have adverse effects on the efficiency of discussion at the Executive Board, whose size is already sufficiently large. The reorganization of constituencies can be another option because it can be implemented by decisions of the individual members concerned, even though mutual agreement among a large number of members is required and it cannot therefore be achieved easily in a short period of time.

Mr. Vittas and Mr. Lombardi submitted the following statement:

We would like to express our appreciation to the staff of the Fund and the Bank for preparing this useful and concise technical note. It sets out a number of possible steps that could be taken to strengthen the participation of developing countries in decision-making at the BWI. While the feasibility and effectiveness of all these ideas deserves to be carefully analyzed, we share the judgment that priority should be given to measures, including actions to support in-country and intra-constituency capacity, that could be easily and quickly implemented within the current legal framework.

Enhancing the Voting Strength of Developing Countries

The option of increasing the number of basic votes is a promising avenue and should be further explored, even though its implementation would require an amendment of the Articles of Agreement. The weight of basic votes as a percentage of the total votes has indeed declined significantly, following past quota increases. Action to reverse this decline would tend to strengthen the voting power of developing countries, especially the smaller ones, and therefore deserves support. However, a number of related issues need to be investigated further by staff, including the question of where to peg the number of basic votes and the consequences of any change on the representation of other groupings.

Quotas determine not only voting rights, but also contributions and access to Fund resources, and SDR allocations. It follows that any change in quotas will have broad implications, beyond voting shares alone. Most developing countries, especially in Africa, are unlikely to maintain their quota shares, let alone experience an increase, in the context of a general increase in quotas that includes a selective component. Ad hoc quota increases could, in theory, be considered as a means of strengthening the voting power of developing countries in the Fund. However, an ad hoc quota increase for low-income countries would be inconsistent with the basic principle that quotas should reflect countries' economic and financial position in the world economy and cannot therefore be regarded as an appropriate tool to improve the voice of low-income developing countries in the Fund. Indeed, many

developed and emerging countries present a stronger case for an ad hoc quota increase.

We also doubt that the use of special majorities for specific categories of decisions could help address the issue at hand. In fact, it is not clear whether such a provision would work in favor of small developing or transition countries, rather than increase the veto power of the larger member countries.

Enhancing the Voice of Developing Countries

An increase in the number of Executive Directors could help alleviate the workload of the largest multi-country constituencies but would pose problems related to the governance of the Board and would require understandings on the reconstitution of multi-country constituencies that are acceptable to the vast majority of members. The option of increasing the number of Alternates seems more promising, even though it would entail a modification of the Articles of Agreement. While this in itself should not prevent us from further assessing the advantages and feasibility of this proposal, other measures that may deliver similar results in the near term should be explored in parallel. In particular, we are favorably inclined to the idea of augmenting the staff in the offices of the Executive Directors representing the two sub-Saharan African constituencies, along the lines proposed by Mr. Bennett.

As pointed out in the staff note, there may be room for increasing the effectiveness of the constituency system. For example, changes in the composition of constituencies might spread the workload more evenly across chairs and thus conceivably contribute to increasing the collective voice and influence of developing countries or transition economies in the Bretton Woods Institutions. Developing countries may also find it useful to explore alternative rotation schemes or intensify informal interactions with other constituencies in an effort to forge consensus on issues of particular interest to them. However, these are matters for individual members to decide upon and any changes in present arrangements do not require amendments of the Articles of Agreement or collective decisions by the governing Boards of the BWI.

In general, we support the various administrative measures discussed by the staff to ensure that the representatives of large multi-country constituencies are in a position to share information with their national authorities and therefore to involve them effectively in the dialogue with Fund management and staff and to increase their influence on Fund decisions. In particular, we see merit in expanding the Extranet and the use of video-conferencing facilities and would also support increased emphasis on capacity

building initiatives, although the financing implications need to be kept under review.

As regards the voice of developing countries in the Development Committee and the IMFC, there may be room for a more extensive involvement and active role for observers. Also, in setting the agenda of the IMFC we would be in favor of paying increased attention to developments in low-income countries, notably during the session on surveillance.

The possibility of increasing the size of delegations from developing countries to the Spring and/or Annual Meetings, within the current overall attendance ceilings, might be worth exploring. The current ceilings do not allow effective discrimination between the needs of chairs depending on the number of countries they represent. A very basic—though meaningful and immediate—step might be to change these arrangements so as to ensure that a larger number of developing country representatives participate directly in the Spring and/or Annual Meeting. Such a change would seem to us to warrant more attention than the possibility for developing country chairs to meet more frequently throughout the year.

Mr. Portugal submitted the following statement:

The Fund is a remarkable institution that has been able to combine universal membership, weighted voting, a constituency representation system, and a culture of deciding by consensus—characteristics that have endowed it with superior operational agility and efficacy when compared to other international organizations while, at the same time, preserving broad legitimacy of decision making. Weighted voting has given creditor countries confidence in the decision-making process encouraging them to provide financial resources to cooperate with debtor countries, while the tradition of consensus decision-making allows debtor countries to have a somewhat stronger voice than their voting shares. The constituency system, on the other hand, has contributed to reconcile the legitimacy of universal membership with the efficiency of a relatively small governing Board. The Bank shares the same characteristics.

Despite its well-thought organizational structure and decision-making process, the Fund is often perceived as an institution dominated by a small group of powerful developed countries that acts as a policeman of developing countries, imposing on them harsh fiscal and monetary discipline to the benefit of financial markets. While this is mostly a problem of wrong and unjust perceptions and insufficient information to be corrected by better communications, it may also partly reflect organizational shortcomings, lop-sided priorities, and implementation mistakes, as well as the new challenges created by the increasing globalization of trade and, especially, financial flows. The growing discontent with globalization, international organizations,

and the Fund in particular imposes on all of us the responsibility to try to improve the legitimacy, efficiency, and accountability of our organizational structure and decision-making process. Improving governance of the Fund is part of the efforts towards creating a new international financial architecture that can help deliver higher and more stable growth of income and employment worldwide, and a fairer distribution of the fruits of economic progress among and within nations.

The Fund's decisions affect the lives and destinies of hundreds of millions of people in the developing world. This simple but powerful reality, together with a growing trend towards democratization of decision-making processes worldwide, do require an increase of the influence of developing countries in the decision-making processes of the Bretton Woods Institutions (BWIs). Increasing the influence of developing countries in decision-making is a goal linked to another equally important and interconnected objective, which is how to improve further the independence, authority, and accountability of the Board. Even though it is not our topic of discussion today, I will briefly mention some personal ideas related to this latter issue, which are not necessarily shared by all members in our constituency.

The paper deals with two separate issues, and I wonder the merits of discussing them at the same time. First, it deals with administrative issues that can be decided by the Board of Directors, without the need of consulting with the Board of Governors, such as providing certain chairs with additional technical support, an idea which in principle I support. Second, there are substantive issues—such as basic votes, quota formulas, majority votes, and additional chairs—that require amending the Articles of Agreement. I believe the Development Committee as well as the IMFC should concentrate on the second set of issues, while the Executive Board should discuss, prior to the up-coming Spring Meetings, a staff paper with concrete proposals regarding the first set of issues.

I am always in favor of small, practical steps that can gradually and marginally contribute to improvement, but since the challenges are substantial, we should not shy away from bolder steps when these are considered desirable, even if they initially appear difficult to achieve. In particular, we should not shy away from a given proposal that seems appropriate simply because it would require, for instance, a substantial majority or amending the Articles of Agreement.

In this sense, I fully agree with the staff that the most straightforward and important dimension of increasing the strength and effectiveness of developing countries' participation in decision-making of BWIs is to increase their aggregate voting power. While this requires an 85 percent majority and such a broad consensus always seems difficult and elusive to achieve, a moderate increase in the voting power of developing countries at the BWIs

should, nonetheless, still be pursued as the most important avenue for enhancing their influence in decision-making.

The way forward here seems to be a combined approach involving an increase in basic votes and a change in the quota formulas, simplifying and reducing the number of formulas and giving more weight to GDP and to international reserves. Such changes in the quota formula could increase the shares of large and fast-growing emerging market countries but also of large industrial countries partly moderating the impact of an increase in basic votes, preserving both developed countries' overall voting majority and the current veto position of the largest shareholder. The implementation of these changes in the voting structure could be phased-in gradually according to an agreed schedule, and be done either in the context of a selective quota increase, when there is a general quota increase, or through ad-hoc quota increases targeted to some emerging market countries.

The staff noted that new quota formulas, which could achieve those objectives, were discussed during the Twelfth General Review of Quotas, and that there was not sufficient support for a specific formula. While this is true, there is agreement among the membership to review quota formulas, an agreement expressed in the September 1997 Interim Committee Communiqué. There is also agreement to discuss further the distribution of quotas and the associated governance issues, reporting to the IMFC next September. Therefore, I strongly believe that the option of an increase in basic votes coupled with the above-mentioned changes in the quota formula, both to be implemented concomitantly according to an agreed schedule, should remain a main mechanism for increasing the influence of developing countries in decision-making at the BWIs.

Another important complementary approach that could be explored would be to increase the use of the special majority of 70 percent to approve decisions on policy issues that involve the use of Fund resources.

There is also considerable merit in many of the proposals listed by the staff under the heading of enhancing the voice of developing countries' representatives at the BWIs. Adding a second Alternate Executive Director to multi-country constituencies could contribute to increase the seniority, and hence the level of representation, of the representative indicated by the benefited country. Increasing the number of advisors and assistants to Executive Directors of large multi-country constituencies, as well as physical space to accommodate them, could allow for the direct presence of countries that currently do not have any nationals as representatives at the BWIs. These measures should be seen first and foremost as a way of increasing representation and not simply as aiming to reduce work pressures.

It would also be desirable to increase the analytical and research capacity conducted from a developing country perspective on international monetary and financial topics, in order to support Executive Directors' offices representing developing countries. The idea of establishing a trust fund to finance these initiatives is worthwhile exploring further.

If the problem of improving analytical and decision-making capacity to deal with Fund issues in poorer, least developed countries is addressed, making greater use of modern technology for improving communications between Washington and capitals by use of video conferencing and extranet facilities could also make a contribution to increase voice and participation of developing countries. This could also allow for intra-constituency teleconferencing separate from the Spring and Annual Meetings. These measures could contribute to increase the effectiveness of the constituency system.

I am doubtful, however, about the merits of increasing the number of Executive Directors. There has already been a substantial increase in the size of the Board, which grew from 12 Executive Directors in 1946 to the present size. This growth was justified by the substantial increase in the Fund's membership, but this now has stabilized. There is presently broad balance in the regional representation of developing countries with three chairs for Africa, three chairs for Latin America, three chairs for the Far East, and two chairs for the Middle East. While it is true that transition economies and other European emerging markets are represented mainly by chairs of industrial countries, it is also true that the overall number of European chairs seems large given the process of economic integration experienced in that region. A small size is instrumental to ensure the Boards' efficiency, effectiveness, and collegiality. It might also be difficult to decide for which region a twenty-fifth chair should be assigned. More importantly, it is doubtful whether simply adding one more chair would substantially improve the overall influence of developing countries in decision-making. In any case, we do see merit in staff's proposal of strengthening developing countries' voice in the Development Committee and in the IMFC, something that can be achieved without increasing the size of the Executive Board.

Another possible proposal I am doubtful about is a reconstitution of Board constituencies. It is not clear what objectives such a reconstitution would serve. Having constituencies of a broadly similar size in terms of number of countries could reduce workload and increase representation. On the other hand, this would probably be achieved with a loss of regional identity, which is another important aspect of representation. As the staff indicates, there is nothing in the Articles of Agreement that hinders a reconstitution of constituencies, which depends entirely on the interests of member countries. Yet this has not taken place. This is because such interests seem to be closely linked to the current size of the Board and distribution of

voting power among members that elect Executive Directors. Without changes in these parameters it is unlikely that a reconstitution would occur. Regarding the size and composition of the Executive Board and considering the objectives mentioned in footnote 8 on page 6, it seems difficult to go beyond what exists now, unless a major consolidation would occur prompted by a European re-arrangement.

Linked to the topic of increasing the influence of developing countries in decision-making is the objective of further strengthening the independence, authority, and accountability of the Board, which could help improve the efficiency, public standing, and image of the Fund.

Currently, the five appointed Executive Directors, who together represent a third of the voting-power, do not have a mandate and can be sacked at anytime. This practice seems at odds with the preaching that the Fund does concerning the independence of central banks. The very short tenure of Executive Directors is a disadvantage from the point of view of their efficiency and effectiveness. When coupled with the possibility of unlimited re-elections, it may also contribute to diminish the independence of Executive Directors. The possibility that a large number of Executive Directors changes in a short period of time may also adversely affect the functioning of the Board. These organizational shortcomings may have an adverse effect on governance. It would seem that a better system would be one where the five appointed Executive Directors would continue to be appointed but for a fixed-term, that the tenure of all Executive Directors were longer, say six years without the possibility of reelection, and that rotation of Executive Directors would be staggered with the biennial elections and appointments renewing one-third of the Board each time.

More authority and independence has to come hand-in-hand with greater accountability. It would be important, therefore, to examine ways to further increase the accountability of the Executive Board as a whole and of individual Executive Directors. All should be accountable for ensuring that Fund's activities contribute in the best possible way towards achieving the purposes set forth in the Articles of Agreement. But while each individual Executive Director should be accountable before his or her own authorities and constituency, the Executive Board as a whole is to be accountable to the Board of Governors and, maybe, to the IMFC.

Many of the ideas presented in the staff paper and here would require changes in the Articles of Agreement. However, if undertaken, they would signify a true revolution in the governance of the Fund. If there were sufficient support for these or other ideas, maybe one way to move forward would be for the Dean to organize a retreat of Executive Directors where these could be further discussed.

Mr. Reddy submitted the following statement:

The need to broaden and strengthen the participation of developing countries in decision making at the Bretton Woods Institutions (BWIs) has been debated extensively in the past as part of the discussion on the reform of the international financial architecture. This debate has highlighted the important fact that progress on this issue can be achieved only through structural changes in the BWIs, which in turn would require perceptual changes amongst their membership, especially the major shareholders. The staff document which lists out the available options has to be viewed in this context.

That a structural/perceptual change is essential, is demonstrated by the fact that the most significant of the options outlined by staff require obtaining an 85 percent majority in the Board. Such a level of support may not be easy to muster in the short term, after the Board has been unable to reach agreement on a quota increase. Therefore the modalities for implementation of such suggestions remain an important concern. Of the 15 suggestions made by staff in their Technical Note—six require approval with an 85 percent majority, three require approval of the Board of Governors/ IMFC/Executive Board, three are endogenous to the constituency, while the balance three can possibly be implemented immediately.

Enhancing Voting Strength

With respect to the options available for enhancing voting strength, the views expressed by this chair during the recent quota discussions still hold. We would like to reiterate that while suggestions for the change in the governance structure of the IMF may encompass proposals beyond revision of the quota formulas and the concomitant change in the determination of voting power, quota determination does remain a fundamental feature of the IMF governance and needs to be addressed squarely. Other instruments like increase in basic votes and selective quota increases remain ancillary to this issue and need to be activated in conjunction with a general quota increase. It can be argued that an increase in basic votes is necessary to recognize the equal importance of member countries in the institutional mechanism. We however feel that proposals to increase basic votes and to provide selective quota increases should be undertaken only in conjunction with a general quota increase.

We are hesitant to support the proposal to increase the number of decisions which are subject to special majorities in the absence of details as to which additional decisions will be brought under this dispensation. Already, critical financial decisions are subject to this constraint. Enlarging this list may—while providing more voice to the developing country chairs, also result in more decisions being decisively influenced by a fewer number of

countries, through the use of a blocking vote. Thus, this arrangement may possibly result in the enlargement of the scope for democratic deficit in the governance of the Fund—the very opposite of the intention of such a move. In our view, the number of decisions subject to special majority should be as minimal as possible. Ideally, all decisions could be determined on the basis of simple majorities, or at least we should move in such a direction.

Enhancing Voice

The options for enhancing voice appear attractive- but only those which do not require amendments to the Articles of Agreement appear, in the ultimate analysis to be amenable to implementation at this stage. This chair has earlier urged that the Fund should support the G-24 Research Group in its work on delineating the perspective of developing countries on important policy issues. Lack of funds has constrained the capacity of the G-24 in undertaking quality research on current issues affecting developing countries in particular and the global economy in general. We therefore support the proposal to provide the G-24 with technical and research support.

On the issue of additional staff support to large country constituencies, we feel that this should not be a necessary presumption and should be entirely need based. While additional staff support should not be seen as an entitlement in large multi country constituencies, we are sympathetic to the need to address the work related demands of very large constituencies, especially if countries in such constituencies are also supported with IMF programs. We feel that additional staff support to large multi country constituencies can be considered on a case to case basis by the Board.

Given that country specific circumstances will have to be kept in mind while making the appointments to EDs' offices, we do not agree that explicit and objective selection criteria for such appointments should be imposed externally on the ED concerned.

We welcome the suggestions to provide multi country constituencies with extra technological support to facilitate communications with capitals. With relatively modest budgetary implications, such a proposal can significantly improve the effectiveness of the EDs offices and enable senior officials of member countries to contribute to decision making at the BWIs effectively. More intra constituency interaction apart from the Annual Meetings will help in enhancing country ownership of IMF policies.

Enhancing Participation

An increase in the number of chairs on the Board will operationalize the long felt need to provide greater voice to underrepresented countries and enable them to participate more effectively in the Board in the context of the

culture of decision making by consensus. A smaller Board, on the other hand will provide a more focused forum conducive to efficient deliberations as well as the give and take associated with consensus building. We note that what should be the optimal size of the Board remains a moot question. The increase of one (or two?) seats, may make only a marginal dent on the operational efficiency of the Board, while generating substantial benefits in terms of representation for a large number of small economies. We do not have a firm position on this issue as yet.

The suggestions relating to increasing the effectiveness of the constituency system through reconstitution of the Board constituencies, improving interaction across constituencies as well as altering the rotation of the EDs and their staff are useful, but remain internal to the constituency. On such matters, there can be no single right answer, as is demonstrated by the variety of present practices in different constituencies.

Moving Forward

This discussion on enhancing the voice and participation of developing countries in the decision making of the BWIs is extremely germane to the reform of the international financial architecture. Including issues like improving the infrastructure in EDs' offices and reconstituting Board constituencies in the agenda for this discussion may give an impression that the real issues are being side stepped. Further, while such suggestions of an administrative nature may be significant, they at best facilitate better articulation of the existing voices of the developing countries on the Board rather than amplifying them—which remains the object of this discussion.

As pointed out earlier, it is necessary to recognize and accept that improving the voice of developing countries can only be done through implementing those structural changes in the BWIs which lead to a redistribution of voting strength.

We therefore suggest a two-step approach for moving forward.

First, some of the options outlined in the staff document can be approved at the Board/Management level. We suggest that such options be considered by the Board and those which receive support can be implemented straight away. These actions can then be recorded as implemented. This will ensure that the document, when it is considered by the Development Committee is not cluttered with issues that can be resolved internally by the IMF.

Second, irrespective of the action taken as part of the first step, the Development Committee, in its deliberations, should focus solely on those important issues which require political direction and broad Ministerial

support. Hence it will be appropriate if the DC document does not contain references to those actions which merely require support at the Management/Board level.

While the matter is being considered by the DC, it is not clear what role the IMFC will have in the discussion of these concerns. There may be merit in taking a view on this important issue also.

Ms. Jacklin and Ms. Lundsager submitted the following statement:

Key Points

We support the principle that developing and transition countries should play a strong role in policymaking at the IMF and World Bank. They head one half the chairs in the Board. The most significant assurance that these countries have a strong role is the principle that Board decisions are generally taken by consensus after thorough discussion.

The paper lists a number of proposals to further enhance their voice and vote, but generally in a narrow context. Broader issues of Board efficiency and regional balance are not fully explored.

We accept that each Executive Director needs a basic level of resources to perform his/her job effectively. In terms of specific proposals, we are open to consideration of additional resources for the two largest constituencies, depending on their judgment of their priorities and the budgetary implications. We are also open to a broader discussion of Board chairs, within an overall limit of 24 seats or fewer.

We are not prepared to support isolated changes to the quota or voting structure, nor any changes involving ad-hoc amendment of the Articles of Agreement. As the IMF and World Bank are financial institutions, shareholder positions should be closely aligned with members' relative weights in the world economy and contributions to the financing of the institution.

We appreciate the value of ensuring that developing and transition economies play a significant role in the formulation of policies at the IMF and World Bank, as well as more broadly. As one of the earliest and strongest supporters of the G-20, the development of the PRSP process and the inclusion of borrowing country representatives during the IDA-13 negotiations, the United States has been a long-standing supporter of strengthening the voice of developing and emerging market countries in the international financial system.

The paper for discussion today presents the issues under consideration in a rather narrow prism, when in fact the issues have a much broader context and ramifications. We will elaborate on this point below.

Representational Capacity

Each Executive Director should possess sufficient staff resources to carry out his/her important responsibilities on behalf of his/her constituency. Clearly, the workload of the largest constituencies in terms of countries represented, particularly the two African chairs, is significantly larger than for other chairs. This fact is already reflected in the staffing of ED offices, as the largest constituencies have a combination of eight advisors/assistants compared to three or four for many other chairs. Nonetheless, we can support a proposal to provide added resources—increased staffing or travel/representation/technology support—to the two African constituencies, based on their view of their priority needs and assuming reasonableness of the additional costs. But, we would not support a broader increase of Board staffing, given the budgetary implications and the recent ED office staff expansions in 2000. Nor would we support the proposal for another Alternate ED, as that raises more fundamental issues in the governance structure.

Institutional Structures

Enhancing Voting Strength: Any discussion of voting strength should be made in the context of quotas and Board composition. The Fund and the Bank are primarily financial institutions. Altering voting shares to support specific regional groupings or classes of countries regardless of their weight in the global economy and contribution to IMF/Bank resources would not be appropriate.

Country shares in the IFIs should reflect relative weights in the world economy. By this measure, the figures reported in the staff paper (SM/02/132) on quota formulas last July indicate that developing and transition countries are currently over-represented in terms of their voting power. Of course, there are specific examples of under-representation as there are examples of over-representation. We would not support any selective quota increase for under-represented countries that comes at the expense of all other countries, including others that are under-represented.

Developing/transition/emerging market countries chair about half of the Board.

In view of the fact that the Fund takes decisions principally on a consensus basis, we doubt that engineered alterations in the voting rights of certain constituencies would materially enhance the voice of these countries.

The Number of Executive Directors: The paper narrowly looks at the voice of developing countries from the perspective of whether Board seating, voting or staffing needs to be increased. It only peripherally refers to questions of the efficiency of the Board and regional balance. A broader framing of the issues may be appropriate. We strongly oppose another increase in the overall size of the Board. The Articles of Agreement currently envisage a Board of 20 chairs. Only through a series of consensus decisions—including support from our chair—has the Board grown to its current level of 24. The current size is already so large as to inhibit efficient discussions in some cases.

Mixed Constituencies: As noted in the paper, several chairs have mixed membership, which can sometimes lead to blurred messages. While we recognize that such constituency formulations are voluntary, we note that if the creditor countries of some constituencies joined together and the emerging/developing countries in those seats joined together, then the voice of emerging/developing countries could be enhanced.

The IMFC: We do not support altering the size or composition of the IMFC, which should continue to be based on the composition of the IMF Board. Special invitees can sometimes be justified, on a case-by-case basis.

Framework: It is important that the Fund and Bank Boards work together in considering the issues at hand. The Board structures of the two institutions are closely and inextricably aligned. Thus, we have fundamental doubts about the efficacy and feasibility of pursuing differing tracks in the Fund and Bank Boards, or the notion that “voice” and “participation” can be a Development Committee issue alone.

Ms. Indrawati submitted the following statement:

We thank the Fund/Bank staff for preparing a comprehensive technical note for today’s discussion. This note clearly highlights the outstanding issues that need to be resolved in order to strengthen the voice and participation of developing countries in decision-making at the World Bank and IMF. Nevertheless, we think that the administrative issues, such as the proposed increase in personnel in the Executive Directors’ offices, can be dealt with separately and not be brought up to the Development Committee meeting together with the fundamental issues, such as the imbalance of the voting power. Doing so obscures the importance of the fundamental issues and downplays the urgency of resolving the unsatisfactory situation with regard to the quota issue. Moreover, the Executive Board of the respective institutions can pass the decisions on administrative issues without the oversight of the Development Committee. We support the proposal by other Directors to have staff prepare a detailed paper for the Executive Board to discuss the proposals on administrative issues before the Spring Meetings.

We have several comments on both the fundamental and administrative issues.

Fundamental Issues

At the Monterrey Summit, the IMF and World Bank were urged to find pragmatic and innovative ways to enhance participation of developing countries, in order to strengthen international dialogue and the work of these institutions. The current efforts to reform the international financial architecture would not be complete without changes in the way the BWIs operate.

Since the IMF quota system serves as the basis not only for determining access to Fund financing, but also for the distribution of voting power within the institution, fundamental reforms are needed to address its structure and therefore the Fund's governance. The views of developing countries are presently marginalized and not adequately represented in the IMF's decision-making process. In the case of several Asian countries, the huge discrepancy between their actual and calculated quotas indicates that their representation does not reflect fully the size of their economies and the level of integration in the world economy.

We reiterate our view that the most direct and effective way of enhancing developing countries' voice and participation in the decision-making process is by solving the fundamental problem of governance within the institution, i.e., through an increase or redistribution of quotas. An increase in the share of basic votes, which has been significantly eroded, would also help achieve this. However, there was no consensus toward any of these decisions during the 12th General Review of Quotas. We hope that in the 13th Review, a new formula to calculate quotas that is simpler and more transparent can be agreed upon, together with a new quota structure that will rectify the problem of under-representation among some of the developing countries.

Turning to the issue of the voting structure, given that the IMF is a multilateral institution, it is inappropriate for a single member country to exercise an inordinate amount of power that overrides the views of all other members. Proponents of the status quo argue that creditor countries have the right to protect their interests. A solution could be to reform the voting process in the Fund. Voting on issues involving the draw down of Fund resources could be subject to the present allocation of quota-based voting power. On other issues that affect all member countries, the voting structure should be on an equitable basis, i.e., one member one vote. The consensus-seeking process that the Fund encourages is often dominated by countries with majority voting power. Despite the institution of voting thresholds that call for special

majority of 70–85 percent, in some cases it has nevertheless led to decision paralysis. Indeed, the 85 percent “supermajority” threshold still allows a member country with more than 15 percent voting power to veto major decisions, such as increases in quota. A possible solution would be to cap the supermajority share at 80 percent or lower.

One of the proposals in the paper is to increase the size of the Executive Board in order to improve the representation of countries in the largest multi-constituency chairs. While this is a well-intentioned proposal, especially in its aim to ease the burden of such constituencies, we would require greater clarification on how such a move will be carried out. Creating an additional chair per se will not solve the fundamental issue of the imbalance in the voting power, and a complex rearrangement of the entire Executive Board would likely be necessary.

Administrative Issues

Given the substantial workload borne by multi-constituency chairs, especially those with 10 countries or more, we support increasing the number of Advisors/Assistants in the EDs’ offices. This will facilitate more active and effective participation in Board discussions. Consideration could also be given to adding another Alternate ED in multi-country constituencies, particularly where there are more than two large countries. This would widen country representation within the constituency. The decision on rotation and the length of terms should be left to each constituency to adopt according to their needs.

We also strongly support the provision of technical/research and technological assistance. Countries can communicate with their capitals and intra-constituency meetings can be held with more ease, allowing Executive Directors to better represent the views of constituency members at the Board, and to efficiently inform their authorities of the Fund’s deliberations. However, we would like to seek staff’s clarification on the funding of intra-constituency interaction apart from the Spring/Annual meetings. Perhaps staff could elaborate on what they had in mind in raising this proposal.

With regard to the staff’s suggestions to increase the size of the Development Committee and the IMFC, and to invite representatives from selected countries to participate in IMFC/DC discussions, we share the staff’s view that it would raise complex issues in selecting the additional members, especially if there were no corresponding increase at the Executive Board. Further discussion and clarification of this proposed course of action is necessary to avoid instituting a superficial solution that does not solve the fundamental problem of under-representation of developing countries.

Finally, we would like to point out that the paper has not addressed the issue of the leadership of the BWIs. Since the inception of these institutions,

developing countries have been excluded from senior management positions. To enhance the voice of developing countries, the Fund and Bank should consider institutionalizing the selection process to allow capable individuals irrespective of nationality to take the helm, such as is practiced in the WTO and the UN. We suggest that in the future, a formal independent selection committee be established, with the selection process guided by explicit and objective criteria. We would appreciate staff or management's comments on this.

Mr. Le Fort and Mr. Pereyra submitted the following statement:

We welcome this opportunity to continue the debate on ways to strengthen the participation of developing countries in the decision-making process at the Bretton Woods Institutions. The background paper prepared by the staff of the World Bank and the Fund for the Development Committee at its Spring 2003 meetings suggests a number of mechanisms that could be used to achieve this end. At the outset, we would like to express our view that, even though all of them deserve careful consideration, the most relevant issues contained in the staff report are the ones that would effectively bear on the voting structure of the Executive Board. Therefore, in the remainder of our statement, we will concentrate on these, and will clearly differentiate them from other issues, which we regard as more administrative in nature.

The first and most important avenue for improving the voting structure of the Executive Board, described in paragraph 7 of the staff report, is associated with the discussion held over the past two years in the context of the Twelfth General Review of Quotas. We would like to emphasize the basic notion, supported throughout the discussion by this chair and others, that quotas should better reflect the developing countries' increasing role in world trade and financial markets. No less attention should be given to their greater exposure to volatilities in private capital flows. We continue to maintain that the current quota structure does not reflect these features, to the detriment of developing and emerging economies.

In this regard, we encourage the Executive Directors to carry on the work on options for a reform of quota formulas in the context of the Thirteenth Review of Quotas. More specifically: (i) we maintain the view that a quota formula should be simple and transparent in order to be effective in guiding the quota determination process; and (ii) concerning GDP valuation, we support the PPP approach, which avoids market exchange rate volatility, and is, therefore, more adequate in establishing longer-term economic prospects and to make cross-country comparisons. In accordance with the agreement to maintain open the Executive Board's agenda to evaluate the distribution of Fund quotas and related governance issues, and with the aim of fulfilling the Monterrey Consensus principle that the participation of developing and transition countries in world fora should be enhanced, material

progress in this field should be reported to the IMFC for the September 2003 Annual Meetings. The latter will provide a unique opportunity for a fruitful debate and, hopefully, for concrete solutions.

We also see merit in exploring ways to increase the number of Executive Directors representing developing countries, so as to allow a better representation of member countries by reducing the size of the largest constituencies. As staff rightly points out, the current distribution results in substantial difficulty to thoroughly take into account the variety of country-specific issues that require attention. Therefore, in the case of constituencies that represent a mix of developed and developing countries, the latter could find that their voice is less diluted in a constituency formed exclusively by countries with a similar degree of development and shared issues. However, we see several problems in tackling this issue through an increase in the number of Executive Directors, as an increase in the proportion of developing country constituencies could entail a significant enlargement in the scale of the Board, leading to longer meetings and difficulties in dialogue. Besides, a larger Board scale would increase operating costs. We concur with Mr. Yagi's and Mr. Miyoshi's suggestion that this issue should be tackled as a redistribution of representation, and it should not imply an augmentation of the number of constituencies. At the same time, we recognize that such a process would involve complex discussions.

Regarding other possible avenues for improving voting power, we remain open to restoring the role of basic votes as a means to strengthen the representation of developing countries in the governance of the Fund. However, as noted by staff, such policy should be regarded as a way to achieve a targeted increase in voting power, particularly of very small countries, and therefore, its impact would be limited. In any event, we consider that rather than focusing on ad-hoc adjustments, the priority of this exercise should be the revision of the quota structure to better reflect the relative economic size of countries

Concerning the use of special majorities for specific types of decisions, it is not clear to us to what extent requiring a majority of 70–85 percent would give additional assurances that the voice of developing countries will be heard. From experience, the cases in which such a majority is required—for example the latest review of quotas—frequently result in developing countries' inability to press forward for critical decisions. Considering that the chairs representing “purely” developing country constituencies amount approximately to one half of the total, such proposal would, if anything, render the approval of decisions favoring developing countries even more difficult, and therefore favor the status quo. In consequence, we stress the need to increase the relative representation of developing countries as the only effective way to strengthen their position within the Bretton Woods Institutions.

A second group of proposals are aimed at improving the capacities of developing-country constituencies. We consider them important, but they should be primarily discussed and developed within the institutions as part of their administrative policies to improve their operation, and not as part of the political effort towards improving the representation of developing countries. Keeping this in mind, adding Advisors, Assistants, or a second Alternate Executive Director in large multi-country constituencies could be effective ways to address the heavy workload they endure, and therefore deserve further discussion. The same can be said of the suggestion to facilitate intra-constituency interaction. Additionally, we could support initiatives such as establishing a trust fund for research and analysis, as a way to balance the asymmetry in technical support between developed- and developing-country constituencies. We also attach importance to the use of technological facilities, such as videoconferencing and the extranet system, to facilitate communication with capitals.

Finally, we would be ready to support the informal participation, on specific issues, of additional invitees from developing/transition at the Development Committee and the IMFC. We agree that the structures of the two committees should be flexible enough to allow representatives from countries that are not members, but are significantly affected by the issues under consideration, to convey their views and requests. To sum up, the proposed administrative actions to improve country and constituency performance would be valuable, although not sufficient, to enhance significantly the voice and participation of developing countries.

Mr. Oyarzábal submitted the following statement:

At the outset, I would like to reaffirm the position of this chair that consistently has been to support enhancing the capacity of developing countries and economies in transition to play a more effective role in the decision making process of the Bank and the Fund. This exercise should encompass our African members, as well as developing countries in other areas of the world.

The paper presented by the staff is most useful as it opens up numerous alternatives in addressing the issue at hand. In my view, there are certain criteria that must be present in our discussion to reach positive conclusions and respond to the requirements of our Ministers in Monterrey and Johannesburg to address this legitimate claim. In the first place, political realities must be kept in mind when addressing the alternatives in the paper. Second, pragmatic aspects relating to the effectiveness of the Board, the need for greater analytical depth for country authorities as well as country constituencies, and administrative issues such as the distribution of time to address many critical issues of many countries with dire needs must be considered. It is imperative to keep in mind the efficiency of constituencies in

fulfilling their mandate. Third, it is also necessary to be conscious of the costs involved in the alternatives proposed, although the benefits of greater participation will in the long run be significant. It is worth mentioning that this exercise of reviewing Fund and Bank governance should be seen through the lens of strengthening the legitimacy of these institutions by enabling participation and representation in the international dialogue. I would like to stress that we should aim at reaching an agreement of this issue for the meeting in April.

One can visualize that this process of enhancing Fund and Bank governance, be carried out in various steps. The position of this chair goes along that direction and could support the following:

(i) Greater support should be given to Executive Directors offices by adding another Alternate Executive Director, more Advisors and Technical Assistants. This would be applicable to all constituencies that represent eight countries or more. The principle can be addressed today and the numbers be analyzed with more specific information and budgetary issues subsequently, before the April meeting. It would be worthwhile keeping in mind that some single country constituencies are not filling all of their available posts and there are some savings that can be taken into account if they do not intend to utilize their full entitlement of slots.

(ii) I support the suggestion to strengthen technological aspects relating to communication in those countries that have such requirements.

(iii) I also favor addressing the needs of those constituencies that require greater technical and research support. Our preference would be that this effort be principally carried out at the country level where one would expect that it would have a greater multiplier effect and be of a more permanent character. This does not exclude the possibility that such aid be in part channeled through the chairs themselves.

(iv) The AFRITAC experience must be enhanced. It should play a leading role in developing domestic technical and administrative capacity in those countries that need to deal with multilateral organizations. This fruitful experience should also be implemented in other regions of the world, where greater technical assistance from the Fund has already been requested. This chair is in the process of promoting such support in the case of Central America, including the Dominican Republic, which is part of the Central America Monetary Council.

An alternative, which is not explored in the staff paper but could be considered, is the possibility of expanding the use of Fund resident representatives with the aim to strengthen technical capacity, especially oriented towards policy formulation, decision-making and implementation.

The catalytic role that is often played by a resident representative can also be beneficial towards creating an awareness of the Fund's mandate and how it is able to support countries under various circumstances.

Taking into account the political situation relating to any subject regarding quotas, only some comments are warranted:

(i) The use of Fund quotas to increase member participation would have to be considered in the context of an ad hoc review of quotas. This chair has consistently supported the need to address this issue, not only in light of the subject we are dealing with today, but also to achieve greater balance and better overall representation in the Board. In any case, it is clear that for small developing countries it is going to be a difficult process to obtain greater representation through this means.

(ii) A general increasing of basic votes could be supported. Yet, it appears that political consensus for such an approach is very elusive at this time.

(iii) Adding an additional chair at the Board could be further explored.

In closing, I would like to stress the significance of capacity building to support technical assistance. In effect, the voice of smaller countries would be made stronger when the content of their message can be based on the strength of consistent policy implementation, which creates a track record of commitment to sound macroeconomic policy.

Mr. Usman and Mr. Ondo Mañe submitted the following joint statement:

We very much welcome the opportunity for today's discussion. As we have reiterated in the past, we attach great importance to this issue. The mere fact that we are today addressing this issue is a reflection of the recognition in various global fora, of the need for strengthening the voice and representation of the developing countries and countries with economies in transition in the international financial system. We very much hope that our deliberation today, will lead to substantive progress as well as to meaningful proposals to effectively enhance the voice and participation of the developing countries in the Bretton Woods Institutions (BWIs). The staff paper raises some very pertinent issues that the Board will eventually need to address but that will require resolve and political will from the membership for the required changes to take place.

The paper lists a number of relevant issues for consideration by the Board, as possible suggestions to strengthen the voice and participation of developing countries in the decision-making process of both the Fund and the World Bank. As starting point for this discussion, it is imperative to establish

a clear demarcation of the issues related to governance of the two institutions from those specifically associated to strengthening representation capacity, particularly of the large multi-country constituencies. The former would essentially focus on the issues to effectively address the need to broaden and enhance the voice of the developing countries as well as those with economies in transition in international economic decision-making process in the BWIs, which will form the basis for a paper to be subsequently conveyed to the Development Committee. The latter, involves in our view issues of essentially administrative character, which fall under the purview of the Board of Directors to decide on.

Enhancing the Voice of the Developing Countries

Under the current system of weighted voting structure in the BWIs, the issue of representation is obviously, closely linked to that of the voting power determined by the size of specific quotas. The tradition of decision-making by consensus has somewhat allowed the small shareholders' views to be heard, although the practicality of such approach as in the case of the sub-Saharan African countries, becomes very much questionable when considering that the representation of 45 countries, i.e., a quarter of our membership, is compressed in only two chairs at the Board. In addition, a substantive workload correlated not only to the regular surveillance activities of the Fund, but also to both institutions' extensive engagement in a large number of programs (including reform, emergency assistance, post-conflict) and development projects, and the growing involvement in poverty reduction and debt relief strategies in the sub-Saharan Africa region has overburdened the ability of the African chairs to efficiently represent the constituency members and to conduct Board work. An enhanced participation by these countries at the table through additional chairs for the sub-Saharan Africa region, will enable these countries to better contribute to the strengthening of the international dialogue and the work of the BWIs as called for in various international gatherings, while at the same time offering better opportunities to convey their needs and concerns as well as to contribute to forge a consensus on many of the issues of critical importance to these countries. Through an increased participation of these countries in the decision-making process, these members could also claim their fair share of ownership of these institutions and the ability to influence the policies and procedures of the BWIs that ultimately have an effect on their economic performance. It will also have an added advantage of reducing the size of the constituencies to a more manageable level. It would also provide an opportunity to have a more balanced representation of the developing countries in the Board.

The voice of the developing countries, most particularly of those from the sub-Saharan Africa region, has been beset in large part by their very low voting power, which has limited the extent to which they could effectively influence Board decisions. Two chairs holding a mere 4.6 percent of the total

voting share represent currently 45 sub-Saharan African countries. Hence, we attach great importance to the issue of increasing the voting power of these countries, which we view as a means to effectively enhance the voice of the developing countries.

The quota formula in use in the Fund has worked largely in favor of few countries, while most developing countries, most particularly those from the sub-Saharan Africa region, have seen their share of quota consistently declining with the successive quota reviews. As such, it is important that in future quota reviews, the quota share of the sub-Saharan African countries be ring-fenced to avoid further erosion of their voting power.

To address this problem we continue to favor an increase in the number of basic votes that would restore its weight as a percentage of total votes to the original level of 11.3 percent as envisaged by the founding members. The fact that this approach would require an amendment to the Articles of Agreement should not deter the Board from taking or delaying a decision that could help to raise the relative voting power particularly of smaller members.

We believe that the current system of special majorities for selected decisions has worked relatively well and do not see the need to introduce any further changes.

Strengthening the Capacity of the Large Multi-Country Constituencies

As regards the strengthening of the capacity of multi-country constituencies, the staff has made a number of suggestions. As we said above, we believe that they fall under the responsibility of the Board, and should be dealt with fairly soon.

Given the workload associated with countries in program, the resources presently allocated to multi-country constituencies are clearly inadequate. We strongly believe that resources, in terms of additional staff and improved communications links with our capitals should be given a high priority. The staff has made several suggestions, and not all may be suitable to all multi-country chairs, but they should be studied, and the relevant ones implemented. For instance, we do not see the need for increasing the number of Alternate Executive Directors as no substantive improvements in the strengthening the capacity of these offices are expected to result from such approach. However, we see merit in the suggestion to provide developing country chairs with technical and research support, including through the establishment of a trust fund, which will enable these chairs to obtain independent analysis.

The staff also made some suggestions regarding the constitution of some Chairs as well as the period of rotation. We think that this is an issue best left to each constituency to decide, and they neither need a decision from the Development Committee nor the Board.

On increasing the membership of the Committees to include more members from developing countries, as well as their informal participation on specific issues by additional invitees, while we do not oppose these proposals, we do not view these as helping to increase the voice of developing countries. In fact, in the case of including more members from developing countries, they may complicate the proceedings, as these countries do not have a seat at the Board.

In conclusion, we think the paper which will be presented to the Governors should contain only issues of fundamental importance that require political consensus, and we also request that a paper on the administrative issues be prepared for Board's consideration as soon as possible.

Mr. Mirakhor said that he wished to welcome back Mr. Bernes to the Boardroom and that he was looking forward to hearing Mr. Bernes's remarks.

Mr. Oyarzábal said that he joined Mr. Mirakhor in welcoming Mr. Bernes back to the Board table. He was certain that Mr. Bernes's contribution would be highly regarded.

On Ms. Jacklin's comment regarding mixed constituencies, the experience of his mixed constituency had been extremely useful and rich, Mr. Oyarzábal related. On many policy issues, the position of his constituency had been close or in line with the consensus reached at the Board. That could be attributed partly to the process of reaching a consensus within a mixed constituency prior to a Board meeting, facilitated by the openness of discussion, the awareness of different interests, and the sharing and exchange of views, with the objective of sending positive messages from the institution. One should be aware of the danger of polarization, which seemed to dominate many of the current global issues. Although polarization should be avoided, it was important not to compromise the basic principles. Having lived in the United States for a long period of time, he had always thought of his high school as being a melting pot of nations—something that had contributed to the richness of the United States. It was hoped that that would continue into the future.

Ms. Jacklin thanked Mr. Oyarzábal for his discussion of the importance of mixed constituencies in helping to build consensus positions in the Board, which helped reinforce the principal point made in her preliminary statement—that the issue of the voice and voting strength of developing countries needed to be viewed from the perspective of how the Board operated, which was essentially on the basis of consensus. The concern about mixed constituencies had been raised in light of the tradeoffs of a suggestion to add another seat to the Board, which would detract from the efficiency of its operations. If members chose to be in mixed constituencies, she respected that choice and did not view mixed constituencies as hampering the good workings of the Board. However, in the overall debate on how to

enhance the voice and voting strength of developing countries, the issue of mixed constituencies should be raised as another factor in the configuration of the Board for maximum efficiency. It was beyond dispute that the Board functioned best on the basis of consensus, and mixed constituencies might further that objective.

The Acting Chair (Mr. Sugisaki) asked the Executive Secretary of the Development Committee (Mr. Bernes) to brief the Board on the outcome of the World Bank Board discussion on February 13, 2003.

The Executive Secretary of the Development Committee (Mr. Bernes) made the following statement:

The Committee of the Whole of the World Bank met last week to consider the technical note by the staff, which was a checklist of ideas and proposals that have been advanced in various fora. This was really seen as a shareholders' issue. The Committee of the Whole also had as background a paper that had been circulated by the two African Executive Directors at the World Bank shortly prior to the issuance of the joint staff technical note, and an ideas paper by the United Kingdom. Mr. Duquesne, of course, also participated in that discussion, so I am sure he will correct me if I missed any of the key points.

Generally, speakers felt that the paper's listing of possible options was a useful aid to an important and necessary discussion among shareholders of the Bretton Woods institutions. Their view was that several of the shorter-term and administrative measures presented in the paper, which do not require actions by capitals or Governors but rather are within the purview of the Boards, should be explored in detail and implemented as quickly as possible. They look to substantive guidance from the Development Committee on structural and governance issues related to member countries' voting shares.

A couple of points were brought out during the discussion. First, it was felt that the technical note could be usefully supplemented by making reference to, from a World Bank perspective, the increased decentralization of the Bank's operations and the extent to which that does enhance participation and voice at the country level, the ongoing use of participatory processes in developing country assistance strategies, and the importance of country-owned PRSPs in increasing Bank and Fund sensitivity to their member countries. Directors also noted the need to improve the use of existing local capacity, including regional technical centers, which would be relevant to the Fund, and the importance of enhancing capacity to articulate positions in borrower countries' institutions and within governments. They requested that these elements be added to the technical note.

In terms of the options, the view was that the paper might be reorganized to perhaps start with the options that were easiest to implement

and could be implemented relatively quickly, and then to progress to some of the structural issues, which, following the discussion by the Fund Board, we would pursue with the staff. As I indicated, a number of Executive Directors felt that one could move forward fairly quickly on many of the suggestions regarding additional financial, technological, research, analytical, and human resource support to multi-country constituencies. Indeed, the Committee on Governance and Executive Directors' Administrative Matters of the World Bank, chaired by Mr. Neil Hyden, did meet Wednesday to consider this further. They are anxious to pursue these issues, with an aim to report on the work underway—if not actual decisions—to the Development Committee at its next meeting. There was some suggestion as to how best to pursue this work with the Fund, whether both institutions should move in parallel but in a coordinated fashion, or whether there should be a joint work. We are looking forward to the discussion here before coming to conclusions on that.

With respect to voting strength, a number of Executive Directors from both developed and developing country chairs indicated a willingness to explore different aspects related to enhancing the voting strength of developing countries and countries with economies in transition. A number also indicated that the option of increasing the number of basic votes per country ought to be explored further.

On the question of the size of the Board, a number of Executive Directors felt that, on efficiency grounds, the size of the Board should not be increased, although others were prepared to look at the possibility of an additional seat or seats, or other issues related to the composition of constituencies.

Mr. Ondo Mañe asked why the Boards had to report to the Development Committee on issues that were within the competence of the Boards or managements of the Fund and the Bank, such as technical and administrative issues, including the provision of technical assistance and expansion of the AFRITAC, which did not concern the Development Committee.

Mr. Duquesne commented that Mr. Bernes's remarks were all correct, except on the question of increasing the number of chairs, which, according to Mr. Bernes's report, had been supported by "a number of Directors," and opposed by "other Directors." In fact, a vast majority of the Board had opposed such an increase, while a minority, including France, had been in favor of the increase in the number of chairs.

Mr. Mirakhor thanked Mr. Bernes for his comments. Like Mr. Ondo Mañe, he also wondered why the Development Committee had to be reported on administrative issues. It would be useful to know whether the Bank Board had felt that decisions that were basically political should be forwarded to the two Committees for the consideration of political authorities. Some reading of the sentiments in the Bank Board would be helpful in setting the parameters for the discussions of the two Boards.

The Acting Chair (Mr. Sugisaki) remarked that, based on preliminary statements and the discussion so far, the issues mentioned in the technical note could be distinguished between those of an administrative nature and those of a more structural nature, or between short-term and long-term measures. One approach would be for the Board to deal with some of the short-term or administrative measures without referring them to the Development Committee, as suggested by Mr. Ondo Mañe. The Board could discuss those issues, including procedural aspects.

Mr. Scholar said that he agreed with the Acting Chair's assessment. To answer Mr. Mirakhor's question, there had been a sense in the Bank Board that the Development Committee could usefully, as Mr. Mirakhor had suggested, serve as an opportunity for Governors to give their overall political views on the direction of the longer-term and more fundamental set of questions. The Bank Board had also felt that, if the two Executive Boards could, before the Spring Meetings, manage to make progress, or even reach agreement on those measures that were within their responsibility, then ideally the Development Committee could welcome that progress and give its views on the next stage of the debate. That sentiment could not be described as a totally agreed position, however, because the debate was still evolving within the Bank Board, and the same would likely be true in the case of the Fund Board discussion.

Mr. von Kleist made the following statement:

An analysis of the large number of preliminary statements prepared for today's meeting shows clear signs of an emerging consensus concerning the Voice and Participation of Developing Countries in Decision-Making at the World Bank and the IMF. Following Mr. Bennett's lead, I shall refer to this rather longish topic as V&P. I found the preliminary statements of Mr. Usman and Mr. Ondo Mañe especially useful, as well as those of the other Directors representing a larger number of developing countries, for instance Mr. Portugal and Mr. Oyazábal. With these preliminary statements, I think that a lot has already been achieved, namely, a presentation of the views of those chairs who are actually confronted most directly with the issues at hand. Of course, I also eagerly look forward to the oral statements of the other colleagues representing developing and transition countries in the Board. The emerging consensus clearly distinguishes between measures that can be implemented in the short term by the Executive Board and other more fundamental questions that could only be addressed by the Governors or even by a change to the Articles of Agreement.

On the first issue, the easily and in the short term implementable measures, I think that Mr. Bennett made very sensible proposals, where I would look forward to a detailed costing before we take any decisions.

I would only like to amend Mr. Bennett's proposal in one way; it narrowly focuses on the two sub-Saharan African chairs. While this is acceptable as a first step, we should definitely not lose sight of the others.

Therefore, it might prove useful to include a sunset-clause into any changes that will occur in this context, to help ensure that we might reach a sustainable solution for everyone concerned. I have a strong hope that we can reach a consensus on the “administrative measures” as they have been called before the Spring Meetings, to present them to Governors at the IMFC and the DC.

On the other ideas on the table, the long-term issues, I perceive that the emerging consensus recognizes that it will take much more thought and time to reach sustainable solutions. Mr. Vittas and Ms. Jacklin made important points on this. The quota issue, including a possible increase of basic votes, is a complex one. Quotas can always only add up to 100 percent, and I might note that employing any of the vast majority of quota formulas based on economic and financial variables, Germany’s quota share would increase. I do not need to repeat all the arguments in this debate, as we shall have to come back to this issue in a separate discussion anyway. One look at the latest designation plan, due for a lapse-of-time decision next week, in combination with Mr. Oyazábal’s final sentence, highlights some of the difficult questions for which we have to come up with answers.

I look forward to more work by the staffs of both institutions, taking account of the fact that the Fund is a monetary institution and the World Bank is a development institution. I would also very much look forward to the discussion of intra-constituency arrangements which was raised in a number of preliminary statements and discussed now between Mr. Oyarzábal and Ms. Jacklin. Somebody could come up with a range of issues that could be discussed, so that we do not have the feeling that there is only some sort of internal debate going on in the multi-constituency countries. It is necessary for the discussion to take place among those concerned. It would be nice, however, from the transparency perspective, if everybody else could follow that debate. That would be highly interesting, and we could probably learn a lot from that. We should not exclude these issues as being something completely different. We are talking about the governance of this institution and, therefore, we need to look at everything. There are different groups who deal with different questions, but I do not think that it makes sense to say right now that we will not talk about certain questions because those are internal matters. They do concern the same subset of problems.

Mr. Mirakhor thanked Mr. von Kleist for his thoughtful statement. On Mr. von Kleist’s last point, it was crucial to understand the independence of each constituency, while at the same time recognizing the externalities associated with intra-constituency arrangements in the working of the Board and operation of the institution. Up to the present time, staff positions in multi-country constituencies had been regarded as entitlements to members, but the selection process for staffing was a major problem. As there were absolutely no terms of reference or minimum qualifications for the staffing of multi-country constituencies, Executive Directors had little control over the selection of their staff once those entitlements were assigned to member countries. There was only one multi-country

constituency in the Fund Board that had absolute freedom to select its own staff. It was fortunate, nonetheless, that Governors had often inquired about the qualifications of the staff for Executive Directors' offices, in which case each Executive Director could make recommendations. To enhance efficiency in the operations of the Board and the institution, the Board should take it as a special responsibility to suggest minimum guidelines on recruitments or terms of reference for the staffing of the offices of Executive Directors, including for the Executive Director position. The idea was for the Board to provide guidance or suggestions to Governors in selecting their staffs for the offices of Executive Directors, not to impose, as suggested by Mr. Reddy and also implied in Mr. Bennett's preliminary statement, a solution or a rule on multi-country constituencies. There was a delicate balance between the entitlements and the rights of members to assign staff to multi-country constituencies and the effective work of the constituencies. If agreed, the staff could draw up terms of reference and minimum qualifications for Technical Assistants, Advisors, Alternate Executive Directors, and Executive Directors, with input from individual Executive Directors, the Secretary's Department, and management.

Ms. Jacklin commented that Mr. Mirakhor's idea suggested a broader issue, which had to be looked at in the context of the overall budget. While Directors were seriously concerned with the ability of the two largest constituency chairs to effectively represent their constituencies because of staffing and communications problems, as reflected in the preliminary statements, they did not envisage a quick solution. The Board needed to carefully consider how best to improve the position of the two largest constituencies in terms of voice and vote. That was a serious issue that should be addressed promptly and thoughtfully. As such, the Spring Meetings should not be regarded as a political deadline for reaching agreement on this.

Ms. Indrawati said that she supported Mr. Mirakhor's suggestion on staffing guidelines, which she viewed as an ideal proposal for strengthening the role of multi-country constituencies with limited staff capacity, putting them on a more level playing field with others and up to the expectation of the Board. Each Executive Director's office could contribute to the drafting process. Nevertheless, it was important to avoid imposing those guidelines on Governors, and one would have to accept the fact that there would always be a gap between the ideal qualifications and the actual qualifications of the staff seconded by authorities. It was hoped that that gap could then be filled with increased technical and research support as proposed in the technical note.

Mr. Bennett remarked that there was considerable merit in Mr. Mirakhor's comments, and agreed that they should be explored further. While Ms. Jacklin was correct in pointing out that the problem was of a longer-term nature and that the Board should not rush to judgment, it did not seem that the Board had considered the issue at hand in a rush over the past two years. It would be helpful if the Fund and Bank Boards could reap an early harvest from the ideas that had been produced and agree on a package of options where a broad consensus had been reached in a timely manner. The Board would not be able to resolve some of the thorny issues associated with the structural aspects that were raised in the technical note.

Mr. Oyarzábal said that he agreed with Mr. Bennett. The budget process had just started, providing a good opportunity to discuss costing issues. By the time the budget was to be approved in late April, the Board might be able to reach definite conclusions on representation and participation issues. There was an urgent need to enhance the effectiveness of the representation of the two African chairs.

Mr. Usman observed that the Acting Chair had drawn attention to the fact that the issue of voice and participation of developing countries involved two distinct aspects—the fundamental aspect related to governance and the administrative aspect. The latter could be addressed at the Board level, and was currently the focus of the Board. The Board had spent five years reviewing the quota formulas and still had not been able to reach any clear understanding. It had concluded the Twelfth General Review of Quotas without an increase in quotas and started the Thirteenth Review. That did not suggest that the Board had rushed to conclude its deliberations on this issue. There remained fundamental issues that had to be considered.

In her preliminary statement, Ms. Jacklin had pointed out that developing and transition countries were currently overrepresented, Mr. Usman recalled. In fact, half of those countries were underrepresented. Clearly, that was a structural issue that needed to be considered at the political level. The administrative issues, on the other hand, should and could be decided by the Board without delay. Large multi-country constituencies had experienced difficulties in reaching their members owing to technological and communications problems, which hindered the effectiveness of their function at the Board, especially in representing the voice of their constituency members.

Mr. Andersen said that he had found Mr. Mirakhor's suggestion on the terms of reference for the staffing of Executive Directors' offices interesting and useful. His constituency was in the process of drafting job descriptions for the various positions, which would be considered by constituency members at the highest level. Each constituency member had complete freedom to select staff for his office; the terms of reference would only serve as common guidelines.

Mr. Szczuka made the following statement:

We thank the staffs of the Fund and the Bank for laying out the key issues involved in seeking to strengthen the developing and transition countries' involvement in decision-making at the Bretton Woods institutions. We fully support this exercise since we agree on the necessity to further enhance these countries' participation in the Fund and in the Bank, and in the international dialogue more generally. However, we believe that our approach to addressing this issue should be a very pragmatic one and that the benefits of introducing the proposed changes should always be compared to the costs incurred; I believe Mr. Yagi made a similar point. All proposals to strengthen developing and transition countries' participation should be judged against the yardstick of whether they have the potential to increase the overall effectiveness and efficiency of the Fund and the Bank.

We support the staff's approach of not only looking at the ways to increase the voting strength of these countries, but also how to increase their voice in the fora of our institutions. We believe that the simultaneous pursuit of these two objectives is more pragmatic and is more practical and promising, not the least since decisions in the Fund and the World Bank Boards are mostly taken on the basis of consensus. Conversely, the discussions on alternative quota formulas in the Fund and the fact that the discussions on voting power in the Bank does not seem to have progressed since the 1988 general capital increase, show that there is currently not sufficient support for changing the developing and transition countries' quotas and the IBRD capital shares. As Mr. von Kleist mentioned, it is not that obvious whether the developing countries would actually benefit from any change on the basis of the current quota formulas.

We see some merit in the proposal to increase the number of basic votes, but we believe this issue should be discussed in the context of the overall debate about any possible quota increase and/or realignment of the quotas whenever a consensus for considering such changes should emerge. The amendment of the Articles of Agreement that would be required for changing the number of basic votes would likely be a very time-consuming and cumbersome process and would not, therefore, in any case allow reaching any concrete results by the time of the Spring Development Committee meeting. We are not in favor of introducing new voting majorities for specific issues, as this most likely would further strengthen the voting power of the larger members. It would risk undermining the current practice of consensual decision-making to the detriment of the smaller countries and the institutions themselves.

Turning to the possible ways to enhance developing and transition countries' voice, and I stress transition countries because they also should not be neglected in this process—I mean, in my own constituency, I have a number of transition countries which are at HIPC-like levels—we could support the idea of adding further Advisors and/or Assistants to multi-country constituencies on a selective basis. I would like to stress the word selective, because I think that last time we made a mistake by giving everybody additional Advisors or Assistants, and I think this should be avoided this time. I would even prefer, even though this is not realistic, that Chairs that are not fully using their entitlements would consider transferring some positions to other Chairs. Anyway, I agree with Mr. von Kleist that we should discuss this whole issue in the context of the budget debate and look at the costing of this proposal.

However, the goal should primarily be to increase quality rather than the quantity and we, therefore, agree that the introduction of some clear and objective job profiles and criteria for employment of staff in ED offices could be considered, but the decision how to approach this issue should be left to

each individual Director and to members of his or her constituency. So, here I am halfway supporting Mr. Mirakhor while, I think, still preserving the independence of an Executive Director. We could also support the idea of providing more technical and research assistance, possibly to be financed by a Trust Fund or some other external resources. However, I am not quite sure at this moment whether the modality proposed by Mr. Bennett is the best one, but we are open to discussing it.

As with the issue of additional Advisors and Assistants, however, the question of equal treatment arises here. Which constituencies should benefit from such funding and what type of work should primarily be funded? We would like to recall that the issue of strengthening the voice and involvement in IFI decision-making is not only an African or developing country one, but also equally concerns the countries in transition.

On possibilities to increase the effectiveness of the constituency system, it is clearly up to individual countries to choose whether they should seek representation in a more “mixed” or a more “pure” constituency, and here I can support Mr. Oyarzábal that, at least in our case, experience with a mixed constituency is a fairly positive one. In any case, however, the chances of much movement in regard of changing the composition are not great due to the complexity of reaching agreement between the large number of countries involved. Seeking to slow down the rotation of EDs, their Alternates and office staff would seem more promising. Two years may indeed be too short for a member of the Board to become operational and effective. The staff also has a point that too many Directors rotating at the same time could be detrimental to the functioning of the Board as a whole. But the question of rotation among constituency members is, of course, again, up to the respective countries to decide.

We do not support the proposal to increase the number of Executive Directors. A decision to this effect would be difficult to reach, given the necessary majority of voting power, and the benefits would need to be carefully weighed against the efficiency cost of increasing the size of the Boards. Similarly, on strengthening the voice in the Development Committee and the IMFC, we are not in favor of increasing the size of the Committees. However, consideration could be given to increasing ad hoc informal participation of developing and transition countries. This would seem more appropriate for the Development Committee, since the role of these countries in the international financial system is still limited. Also, the Development Committee is a joint IMF-World Bank institution.

Mr. Duquesne made the following statement:

At the outset, let me, like others, thank the staff of the two institutions for this useful and comprehensive paper which lays down the main options.

As I share most of the comments made by Mr. Vittas in his written statement, I will try to focus on a limited number of points. Nevertheless, I hope that my colleagues who attended the meeting in the Bank a week ago will forgive me if I repeat myself.

We consider this subject one of the most important we will have to address in the months to come, and I would like to come back at the end of my statement to how the French presidency of the G8 intends to push this issue further.

I appreciate the fact that the paper focuses on developing countries and in particular the representation of sub-Saharan Africa. It is the main issue that Ministers want to address. If Mr. Szczuka will allow me, I would say that extending the reflection, as shown during the beginning of the discussion today, to the situation of transition economies would raise a whole different set of issues related to mixed constituencies and would further complicate the problem.

First, on the method and on what we want to achieve, like other colleagues and in line with what was said in the Bank and with what the Acting Chair said, I think that we need to distinguish between what can be achieved very quickly and the issues on which we will need to keep the momentum but which will need more time to mature. It seems to me from Mr. Ondo Mañe's and Mr. Usman's statement that the most urgent thing from their point of view is to deal with the administrative and technical capacity to fulfill their role as EDs. I think that we could make real progress on these issues at the Spring Development Committee (DC) or even before. As rightly stated in our African colleagues' statement, the issues related to governance of the two institutions raise a number of political and technical issues and can only be addressed in the medium term. However, I also think, like Mr. Scholar a moment ago, that we should take the opportunity of this DC meeting to offer some political guidance on these issues even if their implementation will take more time, or would require an amendment of the Articles of Agreement.

On the administrative and technical capacity of developing country EDs' offices, I broadly support the suggestions made by our African colleagues and by Mr. Bennett. We support the idea of adding, for example, one advisor or two assistants to the offices of the African chairs but this should be limited to the two largest constituencies and should go hand in hand with enhancing the transparency and rigor in the selection process, in line with what was suggested by our dean. We ask the staff to provide ministers with more detailed proposals and their budgetary implications so that guidance can be given by ministers at the DC. We could also support the addition of a second alternate for these two chairs. We also support the options made on providing developing country chairs with additional technical/research support. We would also like to have more information on the creation and

functioning of a dedicated Trust Fund. Another idea which could be explored would be to provide developing countries chairs with an envelope of cross support to request a limited number of specific studies from staff. Mr. Bennett's proposal to create a support position within each African office also deserves further consideration.

On the strengthening of voice of developing countries in the IMFC, while we are flexible on the issue of representation at the DC and the IMFC, we believe that the most urgent issue to address is how to organize the debates so that developing countries can express themselves effectively. I would suggest that in the future, for each topic, it could be decided to ask a developing country representative to be lead speaker.

Turning now to the governance of the two institutions, I will make three comments:

(i) Like Mr. Vittas and others, we would be in favor of an increase in basic voting rights. The paper could make a clearer and more detailed case for this option;

(ii) We do not favor extending the number of cases which require a special majority;

(iii) On the number of EDs, I believe that each Executive Director for Africa should represent no more than 14 countries, which is currently the number of countries in the largest non-African constituency in the Fund. I therefore request that the mention in paragraph 11 of adding a 25th chair be replaced either by "adding two extra chairs" or by "increasing the representation of sub-Saharan Africa." This strangely is a point on which the staff seems to make a precise and quantitative proposal.

To conclude, we attach great importance to the issue of voice which, according to us, is broader than the mere decision-making process of the boards of the institutions. It encompasses a variety of issues. I am thinking in particular of the need to diversify our human resources (not only in terms of nationality but also in terms of academic origin), especially for senior positions, the quality of the participatory process in Bank and Fund operations, the strengthening of the role of resident representatives, the utilization of local capacities and the creation of regional technical assistance centers in developing countries. Increasing voice should also be on the agenda of the whole international community in the various fora dealing with globalization issues.

As far as the French G8 presidency is concerned, President Chirac is clearly aware of the importance of increasing voice of developing countries, and he considers that the G8 is not the world's management board.

Several years ago, the G8 countries opened up to consultations with the rest of the world. In Genoa and Kananaskis, the promoters of NEPAD were invited. President Chirac wants to go a step further, and he will invite to Evian several Heads of State and Government not only from emerging but also from poor countries representative of the world to discuss how globalization can be made to benefit all and how we can move toward global democracy. This event will probably take place before the Summit (on June 1st) so as to influence the discussion among the Eight.

The Acting Chair (Mr. Sugisaki) thanked Mr. Duquesne for informing the Board of President Chirac's intentions regarding the organization of the forthcoming G-8 summit.

Mr. Szczuka said that Mr. Duquesne's view on transition economies was not clear to him. In his constituency, there were transition countries with per capita income below US\$150. Should those countries be deprived of the right to have greater voice and representation in the Bretton Woods institutions simply because they were classified as transition countries?

Mr. Duquesne responded that the system of mixed constituencies worked to the benefit of developing countries as greater support in terms of voice and technical capacity could also be expected from the chair representing them and from other more developed members of that constituency. The current debate should be limited to the two African constituencies. Broadening the discussion to cover all developing countries would raise a number of concerns. If other mixed constituencies wished to enter into the debate, it was agreeable to him. However, judging from comments in the preliminary statements, it was not likely that the result would be as they had wished.

The Acting Chair (Mr. Sugisaki) asked Mr. Duquesne why he had chosen 14 countries as a cut-off point.

Mr. Duquesne replied that 14 was the number of countries in the largest constituencies after the two African ones.

Mr. Al-Turki made the following statement:

I join others in thanking the staff for this helpful follow up to the Development Committee's request. There can be no disagreement on the importance of a strong voice and participation of the developing countries in the decision-making at the Bank and the Fund. The note provides an extensive overview of the options in that regard. This includes suggested administrative changes as well as possible modifications in the Fund's governance.

While the suggested administrative improvements deserve consideration, these are designed mainly as a means of increasing the efficiency and capacity of developing country chairs. These measures are also generally within the competence of the Management and the Board as noted

by Mr. Ondo Mañe, Mr. Usman, and others. I therefore favor revision of the paper to exclude the references to such administrative matters and deal with these matters immediately.

In that connection, I wish to stress the importance of avoiding any action that appears to detract from the continued autonomy of the Executive Directors in the management of their own offices. Specifically, the staff should not make judgment calls on the adequacy of the Executive Directors' criteria for recruiting suitable staff. However, in paragraph 10, the judgment is implicit that the chairs representing the developing countries lack adequate criteria for recruiting staff suitable for their needs. The text should be accordingly revised.

The same need for caution applies to the staff's references to "the relevance, coherence and quality" of G24 work and the readiness of developing country Executive Directors "to provide substantive real-time inputs on policy issues and more systematically to take the lead in agenda setting". In all these issues, while responding to requests for assistance as appropriate, the staff should refrain from presuming to judge the actions of the Executive Directors.

That said, given the importance of the issues, it is critical to also avoid giving the impression that any administrative modifications could substitute for more substantive action. Removal of the suggested administrative changes would focus the paper mostly to the substantive issues elaborated on in paragraphs 7, 8, 9, and 11. While considering these issues, it is important to be candid on the prospects for change in the context of the special legal requirements noted in Attachment 3. Therefore, it should be emphasized that the task at hand essentially requires willingness of the rest of the world to make accommodations to allow for a larger say for the developing countries.

Mr. Callaghan made the following statement:

To give meaningful effect to the objective of broadening and strengthening the voice and participation of developing countries, it is necessary to clearly identify the specific problems which are limiting the participation of developing countries. For example, is the problem that developing country views are not sufficiently taken into account because they do not have the voting strength to influence outcomes, or is it because they have difficulty in registering their views in Board discussions like this one, or is the problem the capacity of the largest multi-country constituencies to adequately represent the interests of their members in their specific dealings with the Fund and the Bank, or is the problem the failure of the institutions to be sufficiently responsive to the views of developing countries? If this is the case, then is the answer for developing countries to try and have a louder or more voices, or is the answer to try and improve the listening ability of the

Fund and the Bank to enhance their efforts to consult developing countries and be more responsive to their views and needs?

The technical note presents a range of options, but the nature of the problems we are trying to overcome in order to strengthen the voice of developing countries is not well analyzed; there seems to be a lot of assumptions involved. While recognizing the difficulties, we would be in a better position to identify possible solutions if we had a better understanding of the specific problems we are trying to address. In addition, we need to specify which developing countries we are referring to, and this has already come up in the discussion. Is the problem that the voice of all developing countries needs to be strengthened, or are we only talking about a subset, are we just talking about sub-Saharan Africa, as Mr. Duquesne suggests?

If we are discussing questions of governance in the Fund, then this clearly goes beyond the position of just the African constituencies. From the preliminary statements, it is clear that the scope of the issues being discussed ranges across not only a focus on sub-Saharan Africa, but covers broad questions of representation of emerging markets, transition economies, the overall governance of the Fund. In your introductory remarks, Mr. Chairman, you referred to a distinction that some Directors have made between fundamental issues and administrative matters, but I do not think this distinction adequately separates the range of issues that are being brought together, it is very broad, and I think that this is not helping progress. We need to specify exactly what we are trying to deal with and specify the problems, and then we are better placed to look at the solutions.

One thing we do know is that there is a strong expectation on the institutions, the Fund and the Bank, to do something meaningful in terms of being more inclusive when it comes to the views of developing countries. The pressure is on the international community to deliver something, and to deliver something sooner rather than later. Against that background, I will comment on some of the specific measures suggested in the paper.

Before doing so, I would raise again this point not specifically mentioned in the paper, and that is how to improve the responsiveness of the organizations to the views of developing countries, and I think this is something that Mr. Duquesne has touched upon in his remarks at the end when he said that the voice raises issues that are much broader than just voting rights and the level of staffing in Executive Director offices.

For example, we do have to ask ourselves whether the staff, management, and the Board sufficiently seek out the views of developing countries on issues; are we doing enough to appreciate, understand, and respond to the needs of developing countries; are there sufficient outreach efforts, and this is an area I know where Mr. Ondo Mañe has raised concerns

on a number of occasions. As I said, is the problem the strength of the voice of developing countries, or is it the inability of the Fund and developed economies to listen? At a minimum, we should at least acknowledge this aspect of the issue before us. We have to give the message that we want the international community to hear the voice of developing countries.

In this regard, we should also acknowledge areas where there has been some progress, where there is change. For example, in recent years, greater attention has been paid in the policy processes directly affecting developing countries, such as the PRSP and PRGF processes. Also, on the conditionality and ownership issues, we have been trying to seek the views of developing countries. This is a positive; I think we should recognize it. The Fund is also perhaps more focused on outreach and consultation efforts, and there have been efforts to build better links to the UN processes. More broadly, efforts directed at capacity-building will contribute to developing countries having a stronger voice, albeit over time. Certainly, there is room for improvement on all these activities, and we should be discussing specific measures to improve outreach efforts to the developing countries, but we should also acknowledge that some progress has been made.

As regards the measures raised in the paper, we are very sympathetic to the workload pressures for offices of Executive Directors representing a large number of developing countries; we are a constituency of 14 countries and Mr. Duquesne has already indicated this number as his cutoff point in terms of large constituencies. But, we are a mix of developed, emerging market and small island developing economies, and we only have a handful of members with or are seeking programs and yet that is enough to keep us truly occupied. If there is a need to increase the number of Advisor and Assistant positions in the largest multi-country constituencies, then this should be done; but we need to make sure that increasing the size of the offices is beneficial and is well-targeted.

The concept of increasing technical and research support for developing country chairs may be sensible if this is judged to be where the shortcoming exists. We would like to explore this proposal before taking any decisions. We need to do some more thinking as to how such a concept would operate, but I think it is an area where a real difference may be able to be made. If there is a need to provide developing countries with extra technical support to facilitate communications between members of a constituency or between constituencies, then clearly this should be pursued. On the question of redistributing constituencies so that more or fewer chairs represent a mix of developed or developing countries, constituency membership must always be the choice of each member country. I would make a similar point to Mr. Oyarzábal and note that, based on the experience of this constituency, both developed and developing countries can be better off in a mixed constituency.

As for the IMFC to include members from developing countries and countries in transition, it should not be necessary if multi-country constituencies have capable Governors, with the necessary resources to represent them. In addition, the IMFC, like the Executive Board, should be kept to an efficient size. Twenty-four chairs are already on the large side. However, informal participation of developing countries on issues of specific interest has merit, and would provide a signal that we do want to hear the views of developing countries. In such cases, there should be a direct link between additional invitees and the issues being discussed.

Turning to the more challenging issue of voting strength, while the Twelfth General Review of Quotas is now closed, we certainly have very large unfinished business. As we have said many times, the legitimacy of the Fund depends on quotas reflecting members' relative positions in the world economy, but this will not help the position of developing countries, particularly Africa, for their relative position has declined and, as Mr. von Kleist already alluded to, that on any of the revised quota formulas we are looking at, their position will decline even further.

When it comes to quotas and voting strength on the basis of a country's relative importance in the world economy, the undeniable fact is that Asia's quota and voting weight should be increased. Any change in quota representation may not be achievable at this time, but we must continue to work on this issue. It would be a damning signal we would be giving all countries, not only developing countries, if we say that any change in quotas is assigned indefinitely to the too-hard basket. Increasing basic votes provides an avenue to do something meaningful to increase the voting strength of small and developing countries.

Restoring basic votes to their original level would be very disruptive and is unlikely to be accepted by developed countries. Moreover, the relative proportion of basic to quota-based votes is rather arbitrary. However, a doubling, for example, of basic votes would not impact significantly on the relative voting strength of developed countries, but would be a significant signal to small and developing countries that the international community is listening to their concerns and is doing something about it. An increase in basic votes involves a change in the Articles of Agreement and may also be put in the too-hard basket, but we should at least attempt to advance some increase in basic votes.

To conclude, I would repeat again just the point that we should not be looking simply at what should be done to strengthen the voice of developing countries, but we should also be considering what can be done to improve the capacity of the institutions to listen to the views of developing countries.

Mr. Shaalan made the following statement:

We welcome the staff paper and the many preliminary statements which indicate the importance accorded by the international community to enhancing the voice and participation of developing countries in the Bretton Woods institutions. This issue had been highlighted in the Monterrey Summit, which called on the World Bank and the IMF to find pragmatic and innovative ways to continue to enhance the participation of all developing and transition countries.

We agree with the many Directors that made a clear distinction between fundamental issues of governance focused on the voting power of developing countries which would need to be discussed at the level of the Development and IMFC Committees and those administrative reforms that can be addressed within the respective Boards of the two institutions. We also agree that, while it may be easier to address proposals of an administrative nature aimed at enhancing the capacity of developing country chairs, it does not mean that we should shy away from addressing the more difficult issues of the size and distribution of quotas. Both types of issues must be placed for serious consideration by the relevant bodies.

We therefore support the proposal by other Directors to have staff prepare a detailed paper for the Executive Board to discuss the proposals on administrative issues pertaining to the Fund before the Spring Meetings. Today's technical paper has a number of interesting proposals which we would expect to be included in such a paper for Board consideration.

With regard to the possible reforms to the voting structures of the two institutions to enhance the voting strength of the developing countries, while they are difficult and sensitive issues, we hope that, nonetheless, the spirit of cooperation among members will prevail, and the real grievances of developing country members will be seriously considered and addressed.

Our suggestion would be for the staff to continue to explore ways of enhancing developing country voting strength, taking into account the innovative suggestions that have been made in today's preliminary statements as well as possibly other additional ways, and to include them in the paper to be presented to the Development Committee. We should also consider presenting the paper for the IMFC's consideration.

With regard to the specific proposals in the paper as they relate to fundamental issues of representation, our preliminary position would be:

- As agreed, as part of our work program during the period of the Thirteenth General Review of Quotas, we should continue to work on new quota formulas and to provide a status report to the IMFC in September 2003.

- Increasing the number of basic votes is an option that should remain on the table, though the increase would have to be substantial to bring it to the relative level of basic votes at the time of the establishment of the Bretton Woods institutions.
- We do not think it would be beneficial to expand the use of special majorities for specific types of decisions.
- Ms. Indrawati brought up the issue of the method of selection of the Managing Director. We agree with her that this issue should be addressed in the context of the other governance issues being discussed today. Some Directors spoke of the perceptions that the Bretton Woods institutions are basically run by the larger industrial countries with what amounts to an entitlement for the two top management positions, unlike the case in other international institutions where developing countries have held top positions. We would do well to reemphasize the criteria for selection that were agreed to on the occasion of the most recent selection of the Managing Director.

Finally, on a personal note, the reference made by Mr. Mirakhor to the one chair that selects his own Advisors and Assistants was me. I am most grateful to member countries in my constituency for having given me the trust and the authority to do just that. I may tell colleagues from developing countries that they would be considerably better off if indeed we could follow the provisions of the first bullet in paragraph 10 that the Fund could give or provide Directors with objective criteria to help them select, but interference beyond that would be counterproductive, would render this institution considerably less efficient, and would reduce the voice of the less developed countries even further than if Directors were given the freedom to select their own candidates.

Mr. Wei made the following statement:

We warmly welcome today's discussion on the voice and participation of developing countries in decision making at the two Bretton Woods Institutions (BWIs), which is a concrete move to implement the Monterrey Consensus and the requests put forward by the Development Committee last September. At the same time, we would like to thank staff for its great efforts in bringing about a constructive report for today's discussion.

What I would like to highlight at the very beginning is that the issue of the voice and participation of developing countries in decision-making is essentially a governance issue for the two BWIs. Although the two institutions attach great importance to the culture of consensus, the voting power distribution has failed to reflect the changing world picture, especially the

rapid economic development of the developing countries and transitional economies and their increasing share in the world economy. Due to the flaw in quota formulae, the economic strength of the developing countries cannot be adequately reflected in their quotas. Like others, we believe that members should fully cooperate by engaging in dialogue on an equal footing to address the above problems.

Next, I will comment on specific issues raised in the report.

First, to enhance the voice and participation of the developing countries the report presents a mix of fundamental solutions and administrative solutions—the latter not requiring the approval of the Board of Governors. Therefore, it would be practical for the Board to reach a consensus on those administrative solutions as expeditiously as possible and submit the fundamental solutions for discussion at the upcoming Spring Meeting of the Board of Governors.

Second, on enhancing the voting power of developing countries, the quota formula revision and general quota increase should be put at the top of the agenda. It is regrettable that the Twelfth General Review of Quotas was concluded with no quota increase and that the quota formula revision still has a long way to go. We reiterate our position that this work be taken up as soon as possible during the Thirteenth General Review. At the same time, we join others in supporting the continued work on addressing the issue of basic votes. On this issue, Mr. Callaghan has made a number of constructive and valuable comments to which I would like to extend my full support.

Third, on enhancing voices, a clear definition of the large multi-country constituencies is lacking in the report but it is obviously necessary to facilitate today's discussion. On specific issues, with regard to adding Advisors/Assistants to ED offices, we are in favor of increasing the Advisors and Assistants from developing countries to better represent their countries' views. Meanwhile, in view of the numerous countries represented by the two African constituencies, we are supportive of increasing another Alternate Executive Director position in each of the offices, but take full note that this requires an amendment to the Articles of Agreement. Moreover, we strongly support the suggestion to provide technical and research support to developing country chairs as well as to the G-24 groups. Needless to say, this will help the developing countries draw on expertise to make in-depth research on the most important economic issues. It is important that the developing countries be able to determine and choose the experts and make full use of the support. We also agree on the proposals to facilitate communications between the developing countries and their capitals as well as facilitating intra-constituency interaction separate from the annual meetings.

Fourth, in consideration of the over burden of the two African constituencies which represent 45 countries—about a quarter of the membership—we welcome the proposal to create another African chair on the Board. We believe that this is a fundamental solution to ensure a more appropriate representation of African countries.

Fifth, on increasing the effectiveness of the constituency system, we are in favor of the proposal to encourage greater interaction across constituencies, including dialogue between the developed and developing constituencies. On the issue of the rotation of Executive Directors in multi-country constituencies, we share staff's view that a two-year period can be seen as too short in that a Director may have to leave immediately after she or he becomes familiar with all the policy issues and procedures. Nonetheless, this also calls for an amendment to the Articles of Agreement. In addition, we express our support for strengthening developing countries' voice at the IMFC and DC through both approaches as proposed by staff in the paper.

Last but not least, we would like to express our concerns on the under-representation of staff from developing countries in the Fund—especially that of senior staff. This matter needs to be addressed urgently. One solution is to hire employees directly from the developing countries—senior and middle-level professionals in particular who have a thorough understanding of the economic issues in these countries. Another suggestion worth considering is that the Managing Director might appoint one or two special advisors from the developing countries at the Deputy Managing Director level who, due to their strong background and rich experience in understanding the issues relating to these countries, can provide specific expertise on their concerns. This seems a very operational way of increasing the representation of the developing countries in the Fund.

With these remarks, it is our hope that the Board can reach consensus on these administrative solutions today while laying a sound footing for reaching decisions on fundamental solutions at the upcoming Spring meetings of the IMFC and DC.

Mr. Kremers made the following statement:

I also very much welcome today's discussion and the staff document. I would agree with Mr. Bennett in his preliminary statement and other speakers that we should focus on measures that can be quickly and easily implemented within the current legal framework. I would be more hesitant to spend too much time and resources on measures for which there is not enough support because they might get in the way of making some progress on specific problems now. Therefore, like Mr. Vittas, I would support an expansion of the staff of the two African constituency offices, which represent more than 20 countries each.

Also, capacity-building both within the constituency offices and in the capitals could receive more attention. Furthermore, like Mr. Usman and Mr. Ondo Mañe, I would strongly support an increase in resources to implement technical and administrative improvements to the communications with capitals of developing countries, as well as to improve communications among constituencies.

Finally, I would like to echo Mr. Oyarzábal's views on mixed constituencies. I have not been here very long, but my impression from talking within my constituency and also with representatives from developing countries outside my constituency is that mixed constituencies are enriching for both sides of the bridge here.

Mr. Andersen made the following statement:

Like others, I thank the Bank and Fund staff for producing an interesting technical note in response to the request made by the Development Committee and as a follow-up to the conclusions reached almost a year ago at the Monterrey Conference, where the international community agreed on the need to continue to enhance participation of all developing countries and countries with economies in transition in the decision-making of the two Bretton Woods Institutions.

In line with the Monterrey consensus, our chair support efforts to enhance the developing countries' participation and to amplify their voice in the Fund and the World Bank. Such efforts would also appear to be in line with the emphasis put on promoting country ownership of development processes in recent years.

I am in broad agreement with the general points made by Mr. Vittas in his statement, but would like to emphasize a number of specific points.

Different options are presented in the technical note, one group containing suggestions that with the necessary support of this Board can be relatively easily implemented within the current legal framework, whereas others require changes to the Articles of Agreement by an extended majority of the Board of Governors. We are prepared to move ahead on both fronts, both on the steps that can be agreed by this Board and implemented very soon and on some of the issues that have a longer time horizon.

Concerning the latter, I would, in particular, like to emphasize that the option of increasing the number of basic votes is something that our chair could support. The weight of basic votes as a share of the total votes has declined significantly, and an approximation of the original composition of votes would indeed increase the voting power of developing countries. On

other quota issues, our views have been expressed recently on many occasions and they remain unchanged.

On the changes that could be agreed by this Board and implemented relatively soon, we see significant merit in options aimed at capacity building at constituency and country levels. Thus, capacity-building efforts at the country level, but also at the institutional level, could contribute significantly to raise the voice and participation of developing countries. At the country level, the importance of the PRSP process as well as the AFRITAC Initiative deserves special emphasis, and I think Mr. Callaghan made a number of important remarks concerning the necessity of outreach efforts to the developing countries.

At the institutional level, I am open to the option of additional AEDs, but have noted the legal challenges as well as the fact that this option may actually not be in high demand amongst the developing countries, something that we obviously should attach importance to. While an extra AED could lessen the workload in an ED's office, a simpler way to achieve much the same results would be by adding other staff, something I can also support, for example along the lines suggested by Mr. Bennett. Furthermore, I support the suggestions to provide developing countries with extra technological support to facilitate communications and interactions with capitals. In this regard, a further expansion of the material available at the extranet could be considered. I also see merit in the suggestions to provide additional technical and resource support to strengthen the analytical capacity of the offices. This could possibly be done by establishing a fund financed by donor contributions. I am also open to the interesting idea of Mr. Bennett to create a support position within the relevant offices staffed by a mid-ranking IMF economist. Like Mr. von Kleist, I would be interested in seeing some cost estimates of the various administrative options.

As regards the voice of the developing countries at the IMFC and DC, I am favorable to the idea of inviting representatives from selected countries on an ad hoc basis to participate in discussions on particular issues to ensure that developments in low-income countries are appropriately reflected in the Committee discussions, in particular during the surveillance discussions. Of course, this would necessitate more allocated to such discussions. While the Committees currently function well, I would suggest that management prepares a paper on various modalities for increased participation of low-income countries and the ensuing implications. I found Mr. Duquesne's proposal to ask representatives from developing countries to be lead-speaker on relevant issues quite interesting. Moreover, I see merit in the suggestions to facilitate intra-constituency interactions separate from Annual Meetings.

Finally, I agree with Mr. Bennett that we should be careful not to micromanage the constituency system. As stressed by Mr. Reddy, such issues

as a possible reconstitution of the Board constituencies, altering the rotation of EDs and their staff, and the term of office of individual EDs remains internal to the constituency. Thus, these are issues, which should continue to be dealt with within each constituency family. Of course, this does not exclude that we share experiences on various issues, and to try to establish some kind of common guideline on job qualifications for EDs' offices as suggested by Mr. Mirakhor would seem to be an idea that deserves further attention. Finally, like Mr. Kremers, I concur with the remarks made at the outset by Mr. Oyarzábal on the merits of mixed constituencies.

Mr. von Kleist remarked that Germany was a member of various groupings—both formal and informal—including G-7, G-20, and the European Union. Some of these groups had the practice of inviting high-ranking personalities to participate in selected sessions of their meeting. It was not a pleasant experience for those high-ranking representatives to be excluded from the rest of the meeting. While he had no firm view on the question of inviting non-member participants to IMFC or Development Committee discussions, he did not find that to be the optimal solution.

Mr. Mirakhor commented that Mr. Andersen had been the last speaker to mention the strength of mixed constituencies, in support of Mr. Oyarzábal's comments. Based on his own experience at the Fund, that system had been the greatest blessing for the Board. He recalled the time when Mr. Posthumus, one of Mr. Kremers's predecessors—a tall, biblical figure—had been on the Board. Representing a creditor country, Mr. Posthumus had always admonished developing countries about the strength of their macroeconomic policies. But the minute the transition economies had joined that constituency, Mr. Posthumus's view had changed and, since then, that chair could often be counted as a supporter of developing countries, particularly on access limits and on rates of charges. The mixed constituency system was an important strength of the Board and should not be taken lightly.

Mr. Scholar made the following statement:

I strongly support today's consensus and hope that the Board can play a leading role in taking it forward, because there is an important issue of credibility here both for us as a Board and for the institution as a whole. We have faced criticism on this issue for many years. We made a commitment at Monterrey, which was widely welcomed, and we really do now need to deliver on that commitment. Many people have commented on the content of the proposals. At this stage, I do not feel the need for me to add to that. I would just like to comment briefly on timing and on process.

On timing, I agree that there should be no rush for a political fix, as it was described, on the big and structural issues. Equally, I agree with Mr. Callaghan and many others that we cannot regard these as too difficult. I think that the correct procedure here has been very well described by Mr. Usman, that we should put the political issues to the politicians, have an orientation debate at the Development Committee and perhaps at the IMFC as

well, and we have a ready-made vehicle within the Fund for taking this forward, which, of course, is the next quota review. But, as many Directors have said, the other issues that we are looking at today are not difficult issues. Monterrey was a year ago; it is now time to demonstrate progress on that and make an agreement. So, I very much hope that we can agree on a package of measures to present to our Governors in April.

On the question of process—what should be in this package and how should we get from here to there—since we are talking about the voice of developing countries, it is a very good general principle to say that we should listen to what the developing countries say and do our best to meet those concerns rather than try to impose a different set of ideas or preferences. There have been many good proposals made both today and last week at the Bank in the various written and oral statements of developing country chairs and, I should add, mixed constituency chairs. What I hope is that the staffs of the two institutions can now pull all of these together, including, of course, the costing, which is an important aspect. I hope it will not take too long.

We will need to have a further discussion here and in the Bank to reach agreement on what can go forward and also to deal with the issue that several speakers have raised of the scope, namely, which chairs should be included here. It seems to us that the greatest need for help is in the largest constituencies, but, that said, we are happy to consider the precise scope and going somewhat wider than that. If the staff can get us to this position in the next few weeks, we would then be in a good position to put a final package to Governors in April. I hope that the Committees would then welcome what we have achieved and give us their views and advice on how to take forward the next stage of the discussion. This would be a really important achievement for us. It would help our members; it would improve the effectiveness of our two institutions; and, finally and importantly, it would do us a great deal of good in the public eye.

Mr. Kiekens made the following statement:

Today the Board is responding to a mandate given by the Development Committee last fall. In the follow up to the Monterrey consensus the Development Committee expects innovative and pragmatic measures that would continue the ongoing process of enhancing the inclusion in our decision-making of all developing countries and all countries whose economies are in transition. Too many of today's speakers forget to include the transition countries. By the same token, many speakers seem to forget that our mandate applies to all of the developing and transition countries, which are the 156 members that are not among the 29 advanced economies. I request that all of what we decide today for the benefit of developing countries would equally apply to the transition economies.

The present constituency system for the representation of countries in the Fund and the World Bank is working rather well. I would like to confirm what Mr. Oyarzábal and Mr. Kremers had to say about the benefits of mixed constituencies, where advanced economies intimately cooperate with developing and transition countries. Such a combination of countries requires that the Executive Director constantly strives for and reaches balanced positions acceptable to all his constituents. Such a combination also increases the influence in the Fund of the developing and transition countries belonging to these constituencies.

A review of our agenda shows that the Board devotes considerable time to discussing the key problems facing the developing countries and the linkages between these problems and the policies of the advanced economies. The topics crowding our agenda—e.g., the HIPC Initiative, the Fund's support for emerging market countries facing balance of payment problems, the reform of the architecture of the international financial system, our bi-annual WEO discussions, and Article IV consultations that identify the positive and negative spillovers of advanced countries' policies on the rest of the world, especially in the domains of trade and agricultural—are all topics on which, through our constituency-based system of representation, every country has a fair chance to express its views.

The Report of the Monterrey Conference recognizes this system's effectiveness: it asks the Fund and Bank "to continue to enhance the participation of developing and transition countries in their decision making," and not to alter the way these and other countries contribute to the work of the Bretton Woods institutions.

This being said, there is always room to improve even the best performing systems of representation.

It is fair to recognize that the two African Directors in particular, who together represent 45 sub-Saharan countries, bear a heavy burden. I am open to a review of the staffing rules for EDs' offices in order to make sure that multi-country constituencies serving many developing or transition economies are adequately staffed. Adequate staffing requires that the Executive Director and his alternate, advisors, and assistants, comply with the high standards of professionalism. I agree with other Directors that the Board should establish guidelines for professional standards for EDs and their personnel. I also suggest that the Fund provide specific training to incoming staff to EDs' offices.

I support the suggestion that the Fund should provide additional resources to developing and transition countries, to improve their analytical capacity to contribute to Board discussions. For sub-Saharan Africa, an obvious channel for transferring such capacity is the NEPAD Secretariat in

Africa. NEPAD's peer-based surveillance, patterned after the work methods of the OECD, should provide useful insights and make valuable contributions to the deliberations of the Fund's and World Bank's Executive Boards.

What I have discussed so far consists of administrative measures on which the Board has the authority to decide. I would also like to discuss some long-term avenues for increasing the voice of developing and transition countries, which require a political consensus and an eventual change in the Article of Agreement.

The first such avenue for formally increasing the voice of the smaller countries in the Fund is to increase the number of basic votes, whose weight and significance in total—votes has been dwindling ever since the creation of the Fund because their numbers have remained unchanged since then. Correction of this situation is worth an amendment to the Fund's Articles of Agreement in its own right, but could also be achieved at the same time as the amendment of the Articles of Agreement needed to establish the SDRM.

The direct effect of increasing the number of basic votes on the voices of the Fund's poorest members should not be exaggerated, because most of our decisions are taken by consensus, and all Directors, representing the entire world, contribute quite effectively to the building of that consensus.

Should the Fund's voting structure be changed in as more fundamental way in favor of the developing countries?

Several critics of the Fund think that it should, because, in their view, the present voting system disproportionately favors the advanced economies, allowing the largest of them to use the Fund as an instrument of their own foreign policies. I have argued that there is a good case for accepting ad hoc increases for those few emerging market countries whose actual quotas are far below their calculated quotas. In addition, we should continue working on adjusting the quota formulas to ensure that calculated quotas adequately reflect countries' relative positions in the world economy. However, there are obvious limits to how far an adjustment of voting power can go, since it would create serious moral hazard if the borrowing countries would become, within the Fund, their own bankers and bankruptcy judges, to use Professor Eichengreen's words. The true response to the politicization, both real and imagined, Professor Eichengreen argues, is not a complete overhaul of the voting structure, but measures that would "depoliticize" the IMF by ensuring that Directors' positions are not driven by illegitimate political considerations to the detriment of developing countries' interests. Not everyone will agree on how to achieve this worthy goal, but further debating such measures would help improve the Fund's governance and, hence, the voices of the developing and transition countries.

Mr. Mirakhor noted that Mr. Kiekens's suggestion about training opportunities for the staff of Executive Directors' offices was constructive and useful. Perhaps that could be included as one of the options in the technical note.

Mr. Szczuka stated that, like Mr. Ondo Mañe and Mr. Usman, he wished to stress the importance of improving communications with constituency members, including those outside of the African constituencies. The Fund's extranet system would not be of any benefit to members if they had no computer or internet access. Technological support for those countries would clearly help improve communications with their respective Executive Directors' offices, which would, in turn, greatly enhance the voice and participation of developing and transition countries. There was not a need for additional Advisors or Assistants in offices of Executive Directors. He thanked Mr. Kiekens for his argument in support of transition countries, and Mr. Shaalan for his understanding of the problems of those countries. Transition countries should also be included in the Board's consideration of voice and participation issues where applicable.

Mr. Mozhin expressed that, very often, he felt a strong influence—and in the most uncritical way—of the first preliminary statement that he read. In this vein, he wished to associate himself with the views expressed by Mr. Bennett in his preliminary statement.

Ms. Indrawati said that she strongly supported Mr. Kiekens's idea of providing six-month training for Advisors and Assistants, especially for those from developing countries. His suggestion was in line with the earlier Board discussion on diversification of the Fund staff as it could help broaden the opportunity for candidates from developing countries to enter the Fund.

Mr. Steiner stated that he shared many of the interesting points raised by Mr. Callaghan. He believed that, while adequate staffing and technical assistance, as well as other administrative issues were particularly relevant to the two African constituencies, the broader issue of enhancing voice and participation was relevant to all developing countries.

Mr. Bennett noted that Mr. Kiekens's suggestion on staff training was interesting, but that a period of six months might be too long. The lore of the Fund was difficult for people to understand regardless of where they were from, hence such training should not be limited to staff from developing and transition countries only. An introductory training session for all staff would be helpful. He also shared Mr. Scholar's remarks about the process going forward. It was hoped that the path that the Board would take would be the one outlined by Mr. Scholar, namely, that the staff would come back quickly with a consensus or an attempt at a consensus of measures as the basis for proceeding in an early manner.

Mr. von Kleist commented that, while his chair was willing to review all of the proposals that had been put on the table, one should bear in mind the fact that resources were limited. In that light, the infrastructure investment idea suggested by Mr. Szczuka and the training sessions proposed by Mr. Kiekens should be fully costed before any decisions could be taken. The cost of providing training, for example, comprised not only six-month salaries for the trainees but also the time and salaries of the trainers. His constituency normally

provided on-the-job training for newcomers, which, indeed, put a strain on the Executive Director and the Alternate Executive Director. A training course would therefore be helpful. Nevertheless, it was a major issue whose budget sources needed to be fully considered by the Board.

Mr. Szczuka supported Mr. von Kleist's approach, assuring him that costing issues were always in his mind. It might be possible to obtain external resources, for example, trust fund-like resources from donor countries.

Mr. Mirakhor commented that, on Mr. von Kleist's suggestion, which he found useful, such training could be handled by the IMF Institute to minimize the cost. For a single-country constituency like Mr. von Kleist's office, it might be relatively easy and affordable to provide on-the-job training for newcomers. Similar training was also provided within multi-country constituencies but the cost to them in terms of their contributions to the Board was enormous.

Mr. Shaalan added that, as pointed out by Mr. von Kleist, there were certain costs that were unquantifiable in monetary terms, such as the time spent by Executive Directors on training their staff. Those hidden costs should also be fully taken into account when estimating costs.

Mr. Scholar said that he agreed on the need for full costing, but did not think that it would be too difficult or take too long to do.

Mr. Garner said that, given the needs of the African constituencies and some other constituencies representing developing and transition countries, he associated himself with Mr. Steiner's comment on the relevance of voice and participation issues to all developing and transition countries, and also supported Mr. Kiekens's proposal on training for newcomers.

Mr. Andersen agreed that Mr. Kiekens's idea of providing training for new staff of Executive Directors' offices was indeed interesting, and that Mr. Mirakhor's suggestion in that connection was also useful. The aim should be to provide targeted training for the various groups of staff.

Mr. Reddy said that he supported the widely expressed view on measures of an administrative nature to strengthen the capabilities of Executive Directors' offices, particularly for the two African constituencies. Such proposals could be brought forward as early as possible by the staff as one year had already passed without progress.

Mr. Usman noted that the rationale behind the conception of the basic votes had been to make the voting structure more reflective of the size of population in member countries, apart from their economic position. As mentioned by Mr. Kiekens, there were 156 developing and transition countries out of the membership of 185, accounting for more than half of the world's population. Their declining voice and effectiveness in decision-making in

the Bretton Woods institutions was a problem that had to be corrected. The issue of basic votes was too important to be overlooked.

The Secretary (Mr. Anjaria), responding to Mr. Shaalan's comment on the size of delegations, said that, through ongoing consultations and discussions with the U.S. Executive Director's Office, the intention at the present time was not to recommend or impose a limit on the size of delegations to the Spring Meetings, compared with the previous limit of 36 badges per Fund/Bank constituency. It was hoped that that would give the needed flexibility to delegations and that the overall size of participants would not increase from the year before. It remained to be seen what the outcome would be; the registration process would need to be closely monitored for that purpose.

The recent memorandum by Mr. Egilsson to the Managing Director had served as the latest trigger for the discussions on that issue, the Secretary continued. The recommendation for not suggesting a limit on the size of delegations had been made on the basis of the latest information on the security situation. As mentioned in the Secretary's response to Mr. Egilsson, which had been copied to all Executive Directors, given the current tension and uncertainty, the situation would need to be kept under close watch. Notwithstanding the fact that there would be no limit on the size of delegations, Executive Directors were requested to urge their respective authorities to exercise a reasonable amount of self-restraint for both efficiency and security reasons. The hope and expectation was that it would not be necessary to impose a limit in the future, but the situation would still need to be monitored closely.

The Acting Chair (Mr. Sugisaki) said that that was very good news.

Mr. Andersen agreed with the Acting Chair and thanked the Secretary for the information, which he would forward to his authorities. He also expressed appreciation to those who had contributed to such an outcome. It was indeed a pleasing ending to the two-hour discussion of governance issues.

The Acting Chair (Mr. Sugisaki) added that that had been attributed partly to the efforts of the U.S. host, for which he was thankful.

The Executive Secretary of the Development Committee (Mr. Bernes) responding to additional comments and questions from Executive Directors, made the following statement:

In his preliminary statement, Mr. Ondo Mañe asked why some of these administrative issues are to be reported to the Development Committee when they are within the purview of the Boards. As we know, the Boards always make decisions, while the Committees do not as they are advisory bodies. Certainly, the Development Committee would not intend to get into a discussion on the number of staff in individual offices, or the size of budgets. Those are technical issues within the purview of the Boards. But, there is a relationship. Chairman Trevor Manuel, having seen the strain on Mr. Rustumjee of trying to balance the workload, is concerned in a general sense of the ability of the offices to cope. Therefore, a message along the lines

suggested by Mr. Scholar—that the Boards are working on these issues and are addressing them—is of interest.

Another relationship is on the quality of staff. One of the messages to Ministers and Governors is that it is important that these positions be staffed with qualified people. The question is how to do it. Mr. Hyden was making it a point to tell me that when he was staffing a position in his office, and when he told the relevant Governor the sorts of qualifications he was looking for, the Minister responded that, “Well, the only person who meets those qualifications is the Deputy Finance Minister, and I am really not sure I can afford to let this person go.” So, there is a relationship between the quality of the people, the capacity in the country, and the training issue which was raised and which, incidentally, the World Bank Board had also been looking at separately from this exercise. There is the question of where the capacity-building emphasis goes, if a Trust Fund is to be established—is it in Washington, in the capitals, in the regions, or a combination, and what combination—on which Governors do have some views.

On Ms. Jacklin’s comment that we should not rush to make political decisions, the Chairman said before the discussion of the Board that he saw two tracks, potentially. That is, there were some issues on which short-term agreement might be possible, and some other issues on which there was a need for a broader discussion, which was going to take time. He also saw the April discussion as opening that debate up carefully to see how some of those issues might be explored over the longer term. Thankfully, there is a great deal of coincidence in the two Board discussions.

The staff was asked to clarify the funding of intra-constituency interaction apart from the Spring/Annual Meetings. This was a question that has been raised particularly with the two African chairs, which concerns a lack of financial capacity to meet in between the Spring and Annual Meetings to consider issues of relevance to both the Fund and the Bank, and how to address that. In the World Bank Committee of the Whole discussion, it was suggested that, were a Trust Fund established to support research and analytic work outside, an element of that Trust Fund might be used to support well prepared, focused meetings of constituencies in between to help with the capacity-building in capitals, which then can support the interaction back and forth. As Mr. Szczuka said, to have better communications, people at both ends need to have the technical, intellectual, and research capacity to be able to make use of what is available for them.

Mr. Ondo Mañe thanked Mr. Bernes for his response and stressed that the issue of competence should be made clear. There were two separate issues—administrative issues that had to be dealt with by the Boards, and political issues that had to be addressed by the Development Committee. One way to solve the problem would be for the technical note to focus on issues that required political consideration, without referring to other administrative

issues that were not relevant to the Development Committee. However, that was not the title of the technical note, which was “Voice and Participation of Developing Countries in Decision-Making at the World Bank and IMF.” Perhaps the Development Committee communiqué could include a bullet point stating that it welcomed the measures taken to strengthen the capacity of low-income countries in representing their constituencies.

The Acting Chair (Mr. Sugisaki) thanked Mr. Ondo Mañe for his suggestions and added that the Development Committee Executive Secretary would certainly be considering what should be included in the communiqué of the Development Committee. There would be no summing up for the current discussion; Directors’ views would be reflected in the revised version of the technical note as well as in the Fund’s future work.

The Acting Chair (Mr. Sugisaki) made the following concluding points:

Directors underscored the importance of enhancing the effective voice and participation of developing countries and, as several of you remarked, of transition countries as well. As Mr. Bernes and many Directors noted, this paper is a collection of possible options, not proposals by the staff. The way forward is for Directors and their authorities to determine, and the discussions in the Fund and Bank Boards are a first step, and several of you noted that both Boards seem to be moving in the same direction in some basic respects.

In particular in this connection, Directors see merit in moving quickly to consider administrative, capacity-building aspects subject to Executive Board decision, while referring more fundamental—and often political—issues for ministerial consideration. On issues of an administrative nature, Directors have, of course, the possibility to use the Committee on Administrative Matters to help them prepare decisions in this area in accordance with the timetable Directors will decide. I can assure Directors that the staff stands ready to provide all the technical and analytical support that they may need, and I note that Directors expressed the hope that these issues might be addressed in the Board, through a further staff paper, including cost estimates, before the Spring Meetings. I also noted that Directors were attracted by Mr. Mirakhor’s suggestion that guidelines on standard requirements for positions in the offices of Executive Directors would be helpful.

Directors look forward to consideration of the issue of Fund quotas, quota shares, and governance in the context of the Thirteenth General Review of Quotas, as mandated by the Fund Board of Governors. Directors made a variety of comments on some of these issues this morning, and the IMFC will receive a progress report on these issues for its Fall Meeting and will continue to have a vital interest in guiding the further work of the Fund on Fund-related issues. For these fundamental issues, Directors recognized that these need careful consideration, but many of you clearly hope that progress can be made as quickly as feasible. I also noted that Directors made useful suggestions concerning the organization of IMFC and Development Committee meetings, which we will wish to explore.

The Acting Chair (Mr. Sugisaki) added that he wished to touch on the issue that Mr. Callaghan had particularly stressed and some other Directors had also referred to, namely, that the voice and participation of developing countries was not only an agenda for the Board of Governors or for the Executive Board, but also for the Fund as an institution. In its daily operations, the Fund needed to listen more carefully to the views of developing countries. Considerable progress had been made in that regard, for example, through the PRSP process and through the ongoing effort to enhance program ownership by borrowing countries. Still, more could be done.

After revision and circulation to the two Boards, the joint technical note would be provided to the forthcoming Development Committee meeting and, in accordance with the standard practice for the Development Committee papers, it was proposed to post the joint technical note on the external website of the Committee prior to its meeting, the Acting Chair concluded.

Mr. Duquesne said that he wished to make his position on short-term and long-term matters clear. For issues of a short-term nature, he agreed on the need to address the administrative capacity problems of the two African constituencies only, and would not consider issues related to the functioning and capacity of other mixed constituencies, given the budgetary constraints as pointed out by Mr. von Kleist. Therefore, if a package were to be approved rapidly, his support would be limited to that for the two African constituencies.

The Acting Chair (Mr. Sugisaki) took note of Mr. Duquesne's position.

Mr. Kiekens commented that the Acting Chair's concluding statement was equally important as a summing up. He wondered whether that statement would be posted on the external website and whether it would be provided to the IMFC.

The Acting Chair (Mr. Sugisaki) replied that his concluding statement would not be posted on the external website, but the joint technical note, after revisions, would be posted there.

Mr. Kiekens suggested that, in addition to Mr. Mirakhor's idea of drawing up criteria for professional qualifications, the staff technical note should also include the proposal to provide training for staff of the offices of Executive Directors. Several Directors had been agreeable to that idea and considered that such training would enable their staff to obtain the needed qualifications. Also, it would be useful to include transition countries when referring to developing countries in general. The mandate from the Development Committee had been to broaden and strengthen the voice and participation of developing and transition countries.

Mr. von Kleist added that the current joint technical note had underemphasized the proactive stance that the Fund had taken on many of the issues under consideration, including in particular the AFRITAC initiative and other capacity-building efforts. In the final draft, therefore, a stronger reference should be made to the progress on that front.

Mr. Usman noted that there seemed to be general consensus about the plight of the African constituencies and the urgent need to address their problems. That point, therefore, should be emphasized in the revised technical note.

APPROVAL: April 15, 2003

SHAIENDRA J. ANJARIA
Secretary