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How Western states keep the lead in the World Bank: Multipolarity, Geopolitics and the World Bank's Conflicted Attempts at Shareholding Reform

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Abstract

This paper examines the World Bank's protracted and conflicted attempts at shareholding reform from 2008 to the present, situating them within the broader context of multipolarity and intensifying geopolitical rivalries. Despite repeated commitments since the Bretton Woods conference that voting power should reflect countries' relative weight in the world economy, the Bank's governance remains strikingly misaligned. China, India, and Indonesia—three of the four most populous countries—remain markedly underrepresented relative to their economic size, while many advanced economies retain disproportionate influence.

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This paper is based on analysis of policy documents on the Bank's shareholding reviews and more than a dozen interviews with Bank staff and current and previous Executive Directors in the Bank's Resident Board of Directors. The authors declare that they have no financial interests or personal relationships that could have influenced the work reported in this paper.

Drawing on interviews with Executive Directors, Bank staff, and external observers, the paper traces the reform trajectory across successive rounds of review (2008, 2010, 2015, 2018, 2020, and the ongoing 2025 process). It highlights how technical proposals for “dynamic formulas” and equitable redistribution have consistently collided with entrenched geopolitical interests, notably U.S. resistance to a meaningful increase in China’s voting power, European reluctance to relinquish single-seat privileges, and Japan’s determination not to be overtaken by China. At the same time, institutional design—particularly the constitutionalized principle of “preemptive rights” in capital increases—has entrenched inertia by allowing any shareholder to veto dilution of its relative voting share.

The result is a widening gap between rhetoric and reality: while official discourse stresses “equitable voting power,” actual reforms have delivered only fractional adjustments, often eroded in subsequent years. The paper sets out three scenarios for the 2025 shareholding review—a worst-case outcome of stalemate, a modest reform limited to symbolic gestures, and a best-case scenario involving a new institutional design based on misalignment limits, responsible shareholding, and open leadership selection. We argue that unless substantive reform is forthcoming, the Bank risks undermining its legitimacy as the world’s premier development finance institution in an increasingly multipolar world.

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Without history, there is no past;
everything is new.
(Devesh Kapur)

Hopes for significant reform remain slim as the 2025 [Shareholding] Review unfolds amid deepening geopolitical tensions… In this fractured context, the World Bank faces mounting scrutiny, particularly from Globa South Countries who view its governance as outdated and disconnected from today's development needs
(Bretton Woods Project) [1]

1. Introduction

The creation of an array of multilateral organizations to govern international economic affairs in the immediate post-Second World War decades is one of the lasting achievements of that era. It is more than plausible that the activities of the International Monetary Fund (IMF), the World Bank, the several regional development banks, and the World Trade Organization (WTO) have raised the global level of prosperity well above what it would have been if the world economy had no more governance than in the 1920s and 1930s.

These organizations have at their core a treaty which requires signatory states to give up some fraction of their sovereignty to a cooperative of member states, governed collectively by representatives of those states. Virtually all states in the world are included in the representation system, in contrast to the G20, for example.

There is then a question of how the organizations are financed and how decisions are made within them. In the case of both the Bank and the Fund, member states contribute to the capital or equity of the Fund. Unsurprisingly, from the start of operations in the 1940s, the developed western states have pledged more capital and received more shares and therefore more votes than developing countries, the would-be borrowers. However, it has been a foundational principle stated repeatedly throughout the Bank's history, from the original Bretton Woods conference in 1944 onwards, that shareholdings and votes should reflect each country's "weight" in the world economy, though not stated in the Articles of Agreement. Even since as recently as the early 1990s there have been dramatic changes in these weights as measured by GDP. The share of low- and middle-income countries in global Gross National Income (GNI) rose from 14 % in the early 1990s to 58 % in 2015 (in PPP terms), according to the Bank.[2] Other things being equal,

[1] Comment by the Bretton Woods Project on the state of play (by July 2025) of the ongoing shareholding review in the World Bank, see BWP (2025).

[2] These data are cited from the report initiating the 2015 shareholding review (DC 2015c).

this should be reflected in a roughly corresponding change in the allocation of shares and votes in favor of that bloc of countries.

Official discourse started acknowledging this more than fifteen years ago. In a speech in April 2010, hailed by some as the most important speech of a Bank president since 1973 when Robert McNamara set poverty reduction as the Bank's new mission,[3] Robert Zoellick declared the end of the Third World. "If 1989 saw the end of the 'Second World' with Communism's demise, then 2009 saw the end of what was known as the 'Third World'", he said. "We are now in a new, fast-evolving multipolar world economy – in which some developing countries are emerging as economic powers; others are moving towards becoming additional poles of growth; and some are struggling to attain their potential within this new system" (Zoellick 2010).

Zoellick made these remarks a few days ahead of the 2010 Spring Meetings of the Bank and the Fund in Istanbul, arguing that the advent of this "new, fast-evolving multipolar world economy" required fundamental reforms of the World Bank itself, not least in terms of the balance of power between developed countries and emerging powers. If the "economic and political tectonic plates are shifting" so too must the World Bank, he said (ibid).

Fast forward to 2025; what is the current state-of-affairs on voting reform in the Bank? Countries' shareholding and voting power remain considerably out of sync with their relative economic weight in the world economy. Three of the four most populous countries in the world – China, India and Indonesia – are spectacularly underrepresented in World Bank governance relative to their economic weight. Beyond the massive underrepresentation of these large Asian countries, there are a number of strange anomalies. Why does Argentina have more shareholding than Indonesia, when its economy is only little more than a third of the size of the Indonesian economy? Why is Saudi Arabia's shareholding almost two and half times larger than Turkey's when its economy is smaller? And why does India have less voting power than both United Kingdom and France individually, when the Indian economy is larger than theirs combined? And all of this after a 15-year long process of intensive voting power reform.

In this paper, we trace the shareholding and voting power reform process and seek to understand its outcomes, both in terms of accomplishments and failures. Based on more than a dozen interviews with Executive Directors, World Bank staff and external observers of Bank governance, we describe the trajectory of shareholding reforms, explore explanatory factors, and offer insights on the state-of-play as the Bank embarks on a new round of negotiations in the context of the ongoing 2025 shareholding review. Having described 15 years of attempted voice reform the paper identifies three scenarios for the ongoing 2025 shareholding review: a worst-case scenario, a modest-reform scenario and a best-case scenario, thus ending on a constructive note, suggesting principles that might carry the Bank forward, if countries were to focus on their shared interests rather than remain stuck in narrowly conceived self-interest.

[3] For McNamara's famous Nairobi-speech, see https://www.worldbank.org/en/about/archives/president-mcnamara-nairobi-speech-1973.

2. Shareholding and Voting Power: A Primer on World Bank Governance

The two main institutions of the World Bank Group (WBG) are the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).[4] In the voice reform process, the IBRD is at the core of the deliberations. The centrality of the IBRD in Bank governance results from the fact that the while shareholding differs for IBRD, IDA and IFC (International Finance Corporation), it is IBRD shareholding that legally determines the structure of all three Boards (DC 2010:3). Further, while formally one talks of three separate Boards for IBRD, IDA and IFC, it is in fact the same people that are on the Boards of each of them. Executive Directors simply have different voting power depending on whether the subject matter at hand concerns the IBRD, IDA or IFC.

The IBRD was established in 1944 as the original institution of the World Bank Group. The IBRD aims to "reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services" (WB 2010a). The shareholding of its 187 member countries is comprised of two elements: basic votes and quota shares. Basic votes were introduced at the founding of the IBRD to ensure voting power for the smaller member countries. The number of basic votes has been constant at 250 per member, as stipulated in the Articles of Agreement, throughout the history of the Bank. In 1979, all member countries were invited to subscribe to an additional 250 'membership shares', hence simulating a doubling of basic votes (WB 2003a: 8; WB 2008a). The rest of IBRD shareholding consists of quota shares. More specifically, on top of the 250 basic votes and membership votes, each member country has one additional vote for each share of stock held (IBRD Article V, section 3a). There is no market, of course, where IBRD shares can be bought and sold. Instead, IBRD shares are allotted to member countries in proportion to their relative weight in the world economy, and countries may or may not choose to 'subscribe' to the allotted shares. This combined system of basic votes and quota votes were a compromise between two factions at the original Bretton Woods conference, "respectively preferring a one member-one vote system and voting based purely on the size of each country's economy" (Woodward 2007: 1). In the words of the World Bank: "The fundamental principle underlying the allocation of shares of the IBRD's capital stock to its members is that members' subscriptions should reflect their relative position in the world economy" (DC 2003a: 11).

Over the years the share of basic votes in quota votes has eroded to just 2.8 pct from the initial level of more than 10 pct when the Bretton Woods institutions were established. This erosion of basic votes has resulted from selective capital increases by which some countries have been allotted additional quota shares with no accompanying adjustment of basic votes.[5] One of the first achievements of the voice reform process that began in 2008 was to partially redress this erosion of basic votes, as we shall see.

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[4] The World Bank Group is completed by three additional affiliate organizations, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID).

[5] Before the voice reform process initiated in 2008, selective capital increases for the IBRD had been undertaken six times over the course of the Bank's history, namely in 1966, 1970, 1977, 1984, 1995/96, and 1998. For more detail, see Vestergaard (2011).

Many states give high importance to their share of votes as a measure of their standing vis-à-vis rivals. While votes are rarely taken at any level of the governance structure, Executive Directors of the resident Board, and Bank staff in the Corporate Secretariat, stress that negotiations are manifestly shaped by relative voting shares, known to all participants. The main three levels of governance are i) the Board of Governors, comprised of a political representative of every member government; ii) the Board of Executive Directors, comprised of civil servants of member governments, currently 25, six of whom represent only their own country (US, Japan, China, Germany, UK and France), the others represent multiple countries grouped into constituencies; and iii) the Development Committee, a sub-committee of the Board of Governors whose composition mirrors the composition of the Board of Executive Directors but at a political rather than civil servant level.[6]

Of these, the most important for operational purposes is the resident Board of Executive Directors (the Board hereafter), where the main negotiations over the distribution of shareholdings and votes between countries take place. When we talk of agreement being reached or not reached, we mean among this set of 25 people, for the most part. The chair of the Board is also the President of the Bank. He (so far always a he) listens to the deliberations and draws out a consensus or lack of consensus, with no vote. But everyone knows the vote distribution from which the various speakers speak, not only for individual chairs (notably the US chair, the heavyweight) but also for blocs (such as Part I, developed countries, and Part II, developing and transition countries (DTCs)). The chair's conclusions are shaped by the vote distribution in the background. In addition, an unusually forceful Executive Director for a low-ranked constituency may have more influence than the ranking would suggest; or an unforceful Executive Director may have less influence than the ranking would suggest (the Japanese Executive Directors, wielding the second biggest share of votes after the US, have often been under-influential).

3. Solid Beginning. The First Phases of Voice Reform (2008-2010) [7]

At the 2010 Spring Meetings the Bank presented a set of proposals on voice reform that were the culmination of a process that had begun years before, to be endorsed by the Board of Governors. The essence of the proposed voice reform was to enhance the voice and participation of DTCs in Bank governance, through three different "pillars of voice reform": voice as shareholding; voice as responsiveness (to borrower governments); and voice as effective representation on the Board.

What was eventually agreed can be summarized in four features. First, the voice reform process – which had proceeded in two main phases, culminating in October 2008 and April 2010 respectively – accomplished a total shift of voting power of more than 4 percentage points from developed countries to

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[6] The Board of Executive Directors has six standing sub-committees, one of which is COGAM, the committee on governance and administrative matters. COGAM is responsible for Board deliberations on shareholding and voting reform.

[7] This section draws on our previous work on World Bank governance reforms (see Vestergaard and Wade 2011a, 2011b and 2013; Vestergaard 2011).

DTCs.[8] This was a significant yet relatively modest voting power realignment, both in view of the various options considered by shareholders in the course of the process and from the perspective of realigning voting power with the realities of the rapidly evolving 'multipolar' world economy that President Zoellick had drawn attention to.

Second, and closely related to the first point, 'voting power to GDP' ratios in the World Bank remained considerably unbalanced despite the oft-cited principle that voting power should 'largely reflect economic weight'. This meant that several small European countries (Belgium, Luxembourg, among others) and some large DTCs (Saudi Arabia and South Africa) retained disproportionately large voting power while several dynamic emerging market economies, including not least China, continued to be significantly under-represented.

Third, low-income countries as a group would lose voting power in the second phase of the voice reform process, thus eroding some of the gains they made in the first phase, despite repeated assurances to the contrary from the Board of Governors and the Development Committee.

Fourth, Sub-Saharan Africa would gain a third constituency (meaning a third seat on the Board), raising the number of seats and Executive Directors from 24 to 25. The intention was to enable stronger representation of African countries, compared to the prevailing situation where the two African EDs each represented more than twenty states, far more than any other ED. With three chairs, each ED could be responsible for representing substantially fewer states, improving "representation".[9]

3.2 Looking Forward

The 2010 voice reforms were the result of what was termed a "building block" approach (as opposed to a formula-based approach), which "distributed shares based on certain thresholds and ratios (DC 2015: 10). While it was not a formula-based realignment, in other words, the end-result could be mimicked by a kind of proxy-formula such that the outcome was "to allocate 75 percent of shares according to economic weight, 20 percent according to IDA recognition, and 5 percent to smallest poor country protection" (ibid.). The Board of Governors stressed, however, that it "was a one-off approach", only relevant for the selective capital increase of the 2010 voting power reform.[10]

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[8] As reported in the Communiqué of the Development Committee at the end of the Spring Meetings, "we endorsed voice reform to increase the voting power of developing and transition countries (DTC) in IBRD by 3.13%, bringing it to 47.19%. This represents a total shift of 4.59 % to DTCs since 2008" (DC 2010). The DTC category dates back to 2008 and is opaque at best. It includes countries that are hardly developing or in transition, such as Korea and Singapore, and has remained unchanged since its creation despite many global economic changes.

[9] However, as things worked out, three African countries managed to grab the third chair for themselves, leaving the other two still very over-loaded. This is widely seen as contrary to what was intended, and seen by the IMF as a case study in how *not* to add a chair.

[10] Selective capital increase as distinct from a general capital increase, by which capital is increased in exact proportion to existing distribution of shares, such that relative shareholding is not affected.

While the realignment was claimed to have been guided by a "quota framework", many reported to us that in fact the reallocation of shares was based on *ad hoc*, "backroom deals", which left many participants deeply dissatisfied.

The Board of Governors agreed to institute a new practice of undertaking shareholding reviews every five years.[11] At the same time, however, shareholders left a *tabula rasa* for these future shareholding reviews. No quota formula which could have served as the basis for future voting power realignments was agreed on. On the contrary, part of the bargain was that the quota framework that had guided the 2010 voting power realignment specifically *could not* be a point of departure for the 2015 shareholding review. Instead, a new Formula was to be developed:

> For the next shareholding review in 2015, we committed to establish a work program and a roadmap to arrive at a benchmark for a *dynamic formula* reflecting the principles we agreed in Istanbul, moving over time towards equitable voting power and protecting the voting power of the smallest poor countries (DC 2010a, emphasis added)

In the wake of the 2010 Spring Meetings two points were clear. First, the agreed shareholding reallocation was the beginning rather than the end of the process of reforming shareholding in the Bank. Second, several crucial issues remained unresolved, in particular (1) whether or not the overall objective of future shareholding realignments should be voting power parity between developed countries and DTCs, and (2) whether and how IDA contributions (made by advanced countries) might be recognized in future shareholding reforms. However, while there was agreement about using the language of "equitable" voting power, member countries interpreted the meaning of that term differently. These unresolved issues have haunted shareholding reforms ever since.

4. From Deep Fatigue to Further Reform: the 2015 Shareholding Review

4.1 Report on the 2015 Shareholding Review

The intense and protracted negotiations of the first two phases of voice reform up to 2010 – involving hundreds of hours of Executive Directors' time and thousands of hours of staff time -- had left shareholders exhausted and in many cases frustrated too. So when Executive Directors were asked in the autumn of 2014 to initiate a new process of negotiating shareholding reform, in the run-up to the 2015 shareholding review, many reacted with distinct lack of enthusiasm.

Bank staff tasked with guiding and informing the process were determined to push forward, however. A comprehensive shareholding review was produced ahead of the 2015 Spring Meetings, with a main text of fifteen pages and no less than 50 pages of annexes. At the core of the report was an updated review of "the weight of members in the world economy" and their "contributions to the WBG [World Bank Group] development mission" in conjunction with a review of "the distribution of shares and voting power", so

[11] The commitment to hold a shareholding review every five years is not a commitment to realign shareholding; the outcome of the review may be that Governors conclude that no realignment is necessary.

as to ascertain the progress towards equitable voting power (DC 2015, p. 1-2). In the words of the shareholding review:

> Rapid growth in per capita incomes in developing countries starting in the second half of the twentieth century has dramatically changed the global economic landscape. Combined with faster population growth, it has resulted in a much larger share of the developing world in the world economy: the GNI share has increased from about 14 percent in the early 1990s to nearly 32 percent in 2013, at market exchange rates, and has reached 58 percent in PPP terms. These trends are likely to continue (DC 2015: 1-2).

A rise in the GNI share of the developing world from 14 percent in the early 1990s to 58 percent (PPP) in 2013 is dramatic, which developing countries kept pointing to in the context of the shareholding review.

The report goes on to underline three contextual factors that set the frame for the negotiations. One was the evolving institutional landscape with new development institutions emerging, highlighted as a complicating factor. Another was that at the Fund, headquartered a stone's throw from the Bank across 19th street in Washington DC, the parallel process of the IMF quota review had stalled, with the Board unable to negotiate an agreement. Last but not least, the report notes that the process by which member states ratify the Bank's 2010 reforms had not yet been completed. On the contrary, deadlines had been extended to allow all shareholders to complete the process.

The report notes that shareholders had expressed "a broad range of views on the need for additional capital in IBRD" (DC 2015: 3), a precious, diplomatic understatement of negotiations fraught with conflicting interests. Whereas some EDs believed that the case to be made for a realignment of shareholding "is already clear" – and hence wanted to "move ahead quickly" – the majority of EDs believed that "other issues or processes need to be addressed or completed first" (ibid.), a reference not least to completion of the capital subscriptions of the 2010 Capital Increase.

Despite confounding factors and diverging views the 2015 shareholding review ended on an optimistic note. "While there are differences on some substantive issues", it says, there is agreement nevertheless "on the steps that need to be taken to resolve them and the timeframe for doing so" (ibid.).

4.2 The Lima Shareholding Review Principles

Apart from the extensive analysis of shareholding misalignment, the main component of the 2015 shareholding review was a set of principles for the Bank's subsequent shareholding reviews, now known as the Lima shareholding principles. These were negotiated by the Executive Board in the first half of 2015 and endorsed by the Board of Governors at the Annual Meetings in Lima in October 2015.

"We welcome the Report of the 2015 Shareholding Review", said the Governors, and "[we] agree to the shareholding review principles and the Roadmap for its implementation, including further consideration of the WBG's long term role:

> We commit to implementing the Roadmap, including agreement on a dynamic formula by the 2016 Annual Meetings, based on the guidance set out in the report. We stress the critical

importance of wider reforms to strengthen WBG responsiveness to its members and their voice and representation in its governance (DC 2015b)

Beyond maintaining momentum towards a substantial shareholding reform, the agreement on the Lima shareholding principles was the major achievement of the 2015 shareholding review. There are five which can be summarized as follows:

1. Shareholding reviews should be undertaken every 5 years based on agreed principles and a dynamic formula.
2. The guiding principle for realignments is to achieve an "equitable balance of voting power"
3. As a global cooperative, all voices in the Bank are important; all members have Basic Votes
4. The smallest poor member countries shall be protected from dilution of their voting power.
5. Shareholding brings both rights and responsibilities; all should contribute in line with their capacity to do so.

These principles continue to guide shareholding reviews. They are invoked and reaffirmed at practically every Board engagement on shareholding, although some members choose to emphasize the "equitable voting power" principle, while others emphasize the one on "rights and responsibilities".

In addition to endorsing these principles at the Annual Meetings in Lima in October 2015, the Board of Governors also approved the Roadmap that set the course for a shareholding realignment "strongly anchored" in these principles by the 2016 Annual meetings a year later (ibid.). Some observers remember not being particularly optimistic about the prospects of actually reaching agreement on a shareholding formula in such a short time span, given the very divergent views on the extent of misalignment, on proposed adjustments, and on what the desirable characteristics of such a formula might be. However, the commitment by their Heads of State to these shareholding principles no doubt made it more difficult for Executive Directors to appear to be dragging their feet in efforts to devise a shareholding formula.

4.3 The Dynamic Formula

Historically, the shareholding of member countries in the Bank had for many years closely trailed shareholding in the IMF. But in the context of the 2010 voice reforms, a break with this tradition had been made. With reference to the 2010 "quota framework", the 2015 shareholding review report stressed that while the "weights derived from this distribution could be considered in the upcoming work on the formula", the specific weights of any prospective formula would be subject to negotiation and agreement "by the Board as part of this work".

Eventually, shareholders managed to agree to a Dynamic Formula (DF) by the Annual Meetings in 2016 as planned. Two of the variables used in the 2010 reforms were included: economic weight, as measured by GDP, and contributions to the Bank's development mission, as measured by contributions to the International Development Association (IDA).

A country's GDP was given an 80 % weight in the formula, while contribution to IDA was given a 20 % weight. GDP data was based a blend of GDP at market exchange rates (60%) and at purchasing power parity (40%). IDA contributions, on the other hand, were given as a combination of a country's contributions in the last three IDA replenishment (80%) and its historic contributions (20%).

These were not the only elements discussed, however. Developing countries suggested that if financial contributions to IDA were counted as "contributions to the Bank's development mission", to be reflected in Bank shareholding, why would the financial contributions of developing countries in the form of accumulated interest payments on loans not be treated in the same way (which would have boosted the shareholding of big developing country shareholders)? This was not acceptable for the majority of the shareholders and the option was disregarded:

> Other potential formula variables have been considered, notably borrowers' interest payments and contributions to trust funds. In light of the technical issues involved and the range of views on the case for and against including each of these in the formula, it has been decided, in a spirit of compromise, not to consider them further (DC 2016c: 3).

With the Dynamic Formula in place and agreed by the shareholders, the second phase of the 2015 shareholding review could begin; negotiating the size and composition of the capital increase and what degree of shareholding realignment could be achieved.[12]

4.4 Overall Results of the 2018 Realignment

The process of negotiating a shareholding realignment based on the new Dynamic Formula took another 18 months. At the Spring Meetings in 2018, the Development Committee agreed on a realignment of shareholding:

> We welcome the Report of the Shareholding Review and accept its recommendations. The recommended Selective Capital Increase (SCI) for IBRD will result in rebalanced shareholding and reduce extreme underrepresentation while continuing to deliver voice reform in manageable steps (DC 2018a).

Interestingly, the Communiqué does not say what the accepted recommendations were, nor the extent of the voting power realignment achieved. These details can only be found separately in the report to the Governors produced for the 2018 Spring Meetings:

> We recommend a Selective Capital Increase for IBRD… members… [which] would result in an increase in the voting power of the DTC countries as a group from 46.9 per cent to 47.4 per cent (DC-report 2018).

The capital increase consisted of two elements: a Special Capital Increase (SCI) of 267,943 shares which increased aggregate shareholding from roughly 2.3 million (2,276,687) to a little over 2.5 million

[12] Actual shareholding refers to "subscribed capital", whereas calculated shareholding is a reference to what shareholding would be if corresponding fully to the Dynamic Formula.

(2,544,630) shares, and a General Capital Increase (GCI), which took aggregate shareholding to almost 2.8 million shares (2,775,130).

In aggregate terms, a capital increase of a more than 20 % was accomplished, increasing the total number of shares by 500,000, from roughly 2.3 million to 2.8 million shares.

Before we dive into the country-specific details of the 2018 shareholding reform, two disappointing features should be noted. First, despite increasing total shares by more than 20%, the magnitude of the shift of voting power from advanced economies to DTCs was only 0.5 percentage points, or only roughly a tenth of what was accomplished in the first phases of voice reform back in 2008 and 2010 (4.59 percentage points). Second, a substantial part of the modest increase in the 2018 realignment only restored the gradual erosion of the voting power shift made in the 2010 reforms that had occurred in the intervening years. To be specific, the improvement relative to the end-result of the 2010-reforms was a meager 0.21 percentage points (i.e., from 47.19 to 47.4 percentage points).[13]

It should be noted that the "erosion" of gains from the 2010 reforms were largely the result of the failure of some DTCs to subscribe to the shares they were allocated in the 2010 reforms, often because they failed to get parliamentary approval. The difference between the agreed 47.19 % in 2010 to the actual 46.9 % before the 2018 reforms was in large part self-inflicted, in other words.

Using *only* the net figure of shareholding realignment between advanced countries and DTCs misrepresents the scale of the realignment to some extent. Behind the net figure of a 0.5 percentage point shift in the 2018 realignment there is a gross shift of roughly 1.5 percentage points. That the gross shift is three-fold larger reflects that much realignment occurs *within* the DTC group, from overrepresented DTCs to underrepresented DTCs. A cynic might comment that triple of almost nothing is still almost nothing.[14]

An additional reason to venture beyond net shifts between developed countries and DTCs when assessing the voting reform, is that that the DTC category is problematic in and of itself. South Korea and Singapore are high-income countries and yet counted as DTCs, as are Eastern European countries such as Poland and Hungary. The upshot is that if one looks beyond net results for DTCs as a group, some significant and important reallocations were achieved, not least with respect to reducing the underrepresentation of China, even if only partially.

4.5 Country-Specific Results

Table 1 gives an overview of the voice reform process in terms of the reform of shareholding that was achieved in the 2018 shareholding realignment, as seen relative to the earlier phases of voice reform:

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[13] This failure to subscribe to allocated shares may in turn reflect that incentives are too weak for poor countries. In contrast to the situation in the IMF, where shareholding determines access to funds, there is no link in the Bank between capital subscriptions on one side and borrowing or grants on the other.
[14] This was Martin Wolf's framing of post-financial crisis increases in Basel 3 bank capital requirements.

Table 1 Evolution of voting power in the World Bank – ten largest shareholders (%)

	Before 2008	After 2010 reform	After 2018 reform
US	16.34	15.98	15.87
Japan	7.84	6.89	6.83
China	2.78	4.45	5.71
Germany	4.48	4.04	4.07
UK	4.29	3.75	3.73
France	4.29	3.75	3.73
India	2.78	2.93	2.93
Russia	2.78	2.79	2.72
Italy	2.78	2.66	2.62
Brazil	2.07	2.25	2.25
DTCs aggregate	42.60	47.19	47.40

Sources: DC 2015c, Annex 9a (data in first column) and DC 2018c, annex tables (data in second and third column).

In summary, some of the most significant country-specific results of the 2018 reforms were as follows:

- China increased its shareholding by 60,265 shares: 46,405 shares from the SCI, and 13,860 shares from the GCI. It is noteworthy that China received almost all (around 97%) of the unsubscribed shares (step 3). In aggregate, China's voting power increased by 1.26 percentage points, taking its total voting power from 4.45 to 5.71 per cent
- 29 countries saw an increase in their shareholding while 92 countries saw their shareholding decrease. The remaining 68 countries were protected (no change to their voting power)
- After China (1.26 percentage points), Qatar saw the largest increase in voting power (0.037 percentage points), followed by Sweden, Germany, and Indonesia with 0.033, 0.029, and 0.027 percentage points, respectively
- The most diluted countries were (in order) Saudi Arabia, USA, Belgium, Iran, and Russia (-0.139, -0.109, -0.079, -0.074, and -0.066 percentage points, respectively). Of these, Saudi Arabia and Belgium were protected from further dilution by the 5% limits (no country was diluted by more than 5%, in relative terms,) and 24 countries in total benefitted from dilution limits.

All changes to voting power were at the second decimal point, with only a few exceptions (China, Saudi Arabia and US).

In short, the revision of shareholding accomplished in 2018 – meaning agreed by the Board and the Development Committee, representing the Board of Governors – fell far short of announced intentions. Perhaps it was for good reason that the Communiqué from the 2018 Spring Meetings did not report the details of the agreement as it had when the 2010 reforms were completed. Instead, shareholders noted that they would embark on the next five-yearly shareholding review only two years down the road, in 2020, stressing that this would "provide an opportunity to review underrepresentation relative to updated calculated shareholding from the IBRD Dynamic Formula" (DC 2018a).

5. The Non-Starter. On the 2020 Shareholding Reform

If there was fatigue in 2015, following the first two intensive phases of voice reform from 2008 to 2010, there was even more fatigue among relevant Bank staff and Executive Directors when in autumn 2019 they embarked on the scheduled 2020 shareholding review. Little more than a year had passed since a three-year period of intensive negotiation of the 2018 shareholding review had concluded with shareholding reform that achieved some realignment for China but little else.

Add to this that the Covid pandemic began in early 2020. Several of our interviewees said that for negotiations to make headway on such difficult matters, being physically present with one another – from corridor conversations to more formal negotiation meetings – was crucial.

Furthermore, a key argument used by members who were not too keen on further changes to shareholding was that 2020 was simply "too soon after 2018" – as evidenced by the fact that shares allocated in the 2018 agreement had not yet been fully subscribed and by the fact that the subscription window for those changes to shareholding remained open.

With this background it is not surprising that the 2020 shareholding review produced no shareholding reform. In its concluding report, the Development Committee stressed that a "shareholding realignment is not necessarily required with each review, but only when shareholders, through the Board of Governors, decide that the results warrant adjustment" (DC 2021: 1).

While this is true – and fully in line with the Lima shareholding principles – it effectively extended the long period of meager shareholding realignment ever since the 2010 shareholding review with another five years. Now underrepresented shareholders have to wait until 2025 (following the five-year schedule) for the next opportunity to review and realign members' voting power in the Bank.

The concluding reports of the 2020 shareholding review stressed that there was an overwhelming majority behind the decision to not move forward with voting power reform. Eleven constituencies, jointly representing more than 50 per cent of voting power, "supported completion of the Review with no shareholding adjustment", whereas only six constituencies, representing only just over 20 per cent of voting power, favored "further work on the options for adjustment in shareholding" (ibid). Almost 30 per cent of shareholders abstained from taking a stand. To advance a political process that is so complicated and conflict-ridden as shareholding reform in the World Bank, active support from only 20 per cent of shareholders is far below what is required, of course. In the words of the Development Committee:

> Changes in voting power are, where possible, consensus-driven and require very broad support from the Membership and there is a 75 per cent majority required to issue new shares. Accordingly, there is insufficient support for the Review to recommend adjusting IBRD shareholding at this time (DC 2021: 5).

Note again the explicit nod to the challenges that remain. The concluding report pointed to "continuing misalignment issues in the shareholding structure that merit careful and thorough consideration", including "several cases of extreme misalignment" (DC 2021: p.6). In essence:

> 43 countries (representing 46.7 per cent of shareholding) were found to be under-represented. Four of these under-represented countries were misaligned by more than 100 per cent... While there were countries at different stages of development in both the under- and over-represented groups, the 10 most under-represented countries were all from the DTC group (DC 2021, p.2).

The report stressed that "potential ways to address" these continuing misalignments had in fact been considered during the review, but none had "sufficiently broad support to be pursued further at this stage" and hence these issues would need to be considered again "in the next shareholding review which will be in 2025" (DC 2021: p.6).

6. When Geopolitics Gets in the Way

How can one make sense of the process since the conclusion of the first voice reforms in 2008 to 2010 until today, as the Bank is grappling with its 2025 shareholding review, a period of 15 years that has produced only very limited voting power realignment?

There are two main factors at play, which reinforce each other. The geopolitics of the relation between the world's two largest economies, US and China, and a little-noticed contradiction in the founding principles of the Bank. We return to the latter below. First a few observations on the geopolitics that constitutes the strong undercurrent impeding substantive shareholding reform.

6.1 US Resistance to Realignment

Of course, the negotiations over capital contributions and shares and votes are affected not only by the economics (country economic weights) and by the personal characteristics of Executive Directors, but also by the politics of the inter-state system. The US's post-war hegemony is reflected in two key governance features at the Bank. First, the US is the only state with a share of votes sufficient to give it a veto; and second, the US has a monopoly on the presidency of the Bank. The President is always an American citizen, thanks to the gentlemen's agreement with the Europeans that the US will support whoever they nominate as Managing Director of the Fund and they will support whoever the Americans nominate as President of the Bank. In practice though not in theory the President is highly responsive to the wishes of the US government, including Treasury, State Department, and the US Congress; his promised responsiveness is key to him being nominated and then renominated for a second term. The benefits include the ability of the Treasury Secretary or Secretary of State, as they are being driven home in the evening, to phone the Bank President and have a chat about developments in various parts of the world.

The "China factor" has increasingly affected Board activities over the past decade, especially since about 2016. One of very few points of consensus in polarized Washington DC is that America is engaged in a zero-sum "game" with China. The US government is determined not to allow China more than a marginal increase in its very underrepresented share of shareholding and votes. The "Russia factor" has loomed since 2022, with Russia's invasion of Ukraine and the US proxy war against Russia; the US has been determined to oppose virtually any suggestion made by the Russian Executive Director on any subject.

The economic, political and military tensions between the dominant US and the rising China often play out inside the Bank, such as when Americans complain that Bank procurement goes excessively to China, even to the point where US officials contact Bank project staff to demand to know why they are giving so much procurement to Chinese firms. But also more indirectly, in the sense that other western governments are keen not to upset the Americans. When a western Executive Director published an Opinion essay in a global newspaper proposing the Bank institute a double-majority voting system (majority of shares, majority of countries) they were rebuked by authorities at home, asking "Why upset the Americans? Why stand with the global South?"

6.2 European Resistance to Realignment

Beyond loyalty to the US, the three largest European shareholders – Germany, France and UK – are reluctant to go along with voting power realignment because of the system of five single-seat chairs of which they have historically claimed three. The Articles of Agreement stipulate that "the five largest Members each appoint an Executive Director and may not form constituencies with other Members". The five single seats are not for specific countries, but for the five largest shareholder countries. Since 2010, China has been the third largest shareholder, behind US and Japan but ahead of Germany, UK and France. Despite being overtaken by China, France and UK nevertheless have both maintained their single seat by an exceptional measure adopted by the Board:

> With the 2010 voice reforms, China became the third largest shareholder and the United Kingdom and France the joint fifth largest shareholders. The Executive Directors opted to resolve 'solely as a temporary measure' that France and the United Kingdom could each appoint an Executive Director 'until the first Board election of Executive Directors after 2015'. An extension of this resolution was submitted to the Board of Executive Directors for approval on August 2015 (DC 2015, footnote 11)

If shareholding fully reflected economic weight, the three European countries would fall further down the ranking of large economies. Specifically, Germany, France and the UK would be overtaken by India in the top-5 and Germany would be the only European country to retain a single-seat in the Board.

6.3 Japanese Resistance to Realignment

For Japan, a scenario where China becomes a larger shareholder in the Bank than Japan is politically unacceptable. As one informant expressed it, Japan "would rather sink to the bottom of the sea" than allow that.

The US equally does not want Japan to be overtaken, because Japan in these multilateral organizations agrees to almost whatever the US wants, which means that the number two shareholder always walks behind where the number one shareholder is going.

6.4 The Resistance to Realignment by Part 1 Countries Collectively

A common thread throughout the voice reform process has been the struggle over the interpretation of "moving towards equitable voting power". In one interpretation, championed particularly by underrepresented middle-income countries, this means that shareholding in the Bank should move in the direction of reflecting countries' economic weight in the world economy, on a country-by-country basis. In another interpretation, favored by high-income countries, it means that low- and middle-income countries should over time move *towards* 50 % of the shareholding in the Bank.

Put simply, high-income countries have interpreted the notion of "equitable voting power" in a manner that allows them to maintain their majority indefinitely. Several informants suggested that it would be unlikely that high-income countries would allow themselves to get in a minority position vis-à-vis low- and middle-income countries in a multilateral development bank that they have built and largely funded for 80 years. As an Executive Director from a very high-income country exclaimed to us, "The Bank is first and foremost a bank! Since when do the customers control a bank?"

This, however, is at odds with one of the founding principles of the Bank – that shareholding should reflect relative economic weight – which in turn perhaps explains why maintaining a developed country share of more than 50 % is never formulated openly as an objective. But for developing countries, this is the big elephant in the room: the share of low- and middle-income countries in the world economy have long passed 50 % but their shareholding has not – and likely will not, in a foreseeable future.

6.5 Preemptive rights - or shareholding realignment preempted?

Against the backdrop of this somber account of how geopolitical tensions translate into different kinds of blockages to voting power realignment, there is yet another elephant in the room. The constitution of the Bank – the Articles of Agreement – effectively renders the Bank a perpetual hostage to such politics.

There is a fundamental tension in the governance of the Bank. On one hand, it is a foundational principle – expressed repeatedly since the founding conference in 1944 – that countries' shareholding should reflect their economic weight in the world economy. On the other hand, member countries' "preemptive rights" are constitutionalized in the Articles (II, section 3c):

> If the authorized capital stock of the Bank is increased, each member shall have a reasonable opportunity to subscribe, under such conditions as the Bank shall decide, a proportion of the increase of stock equivalent to the *proportion which its stock theretofore subscribed* bears to the total capital stock of the Bank, but no member shall be obligated to subscribe any part of the increased capital (emphasis added).

This statement of preemptive rights means that any country that stands to lose relative voting power can simply refuse, insisting instead to be made whole -- to have its share of total shareholding maintained (and of course it then has to pay to "subscribe" to those additional shares).

Apart from the preemptive rights, it should be noted also that any voting power realignment requires a Selective Capital Increase (SCI) which in the case of the IBRD requires approval of three-fourths of total voting power (DC-Report, SR2015, p.21). The upshot is that the process of realigning Bank shareholding requires almost full consensus amongst shareholders and widespread support amongst the group of high-income countries.

How could shareholding adjust to the changing relative weights of countries in the global economy – when all shareholders have preemptive rights to not be diluted in their shareholding? How could this evolve to anything other an impossible game of squaring the circle? Seen from this perspective, results achieved might even be seen as politically impressive. Indeed, several of our informants expressed the view that in terms of negotiating the required political compromises, the 2018 shareholding agreement was no small feat.

7. Looking Forward. On the 2025 Shareholding Reform.

Here we present three scenarios for the 2025 shareholding review.

7.1 The modest-reform scenario

While the IMF completed its 16th quota review in December 2023 with no realignment of voting power, there are several reasons why the result in the upcoming 2025 shareholding review in the Bank need not necessarily reproduce the outcome in the Fund. In fact, we suggest that the 2025 shareholding review in the Bank could possibly produce a different outcome than we have seen in the Fund.

The Bank has a history of being ahead of the Fund in key aspects of voice reform. A prominent case in point here is the creation of a third African country constituency, expanding the number of ED's from 24 to 25, which the Bank accomplished in 2010, whereas it took the Fund more than a decade to follow suit, agreeing to a similar change only by the end of 2023. This may reflect, in part, that external pressures as well as internal drivers are more forceful in the Bank than in the Fund, given their different mandates. The Bank's development mandate attracts more attention from NGOs than does the balance of payments mandate of the Fund.

After the disappointing 2020 shareholding review – which abstained entirely from voting power reform – many informants expressed the view that the Bank *must* achieve some substantive voice reform in the 2025 shareholding review. If not, the Bank and its dominant shareholders not only face accusations of yet another voice reform failure, but also of rendering their newly instituted process of five-yearly shareholding reviews futile.

At the same time, the geopolitical tensions are real and manifest in many ways, so it may well be that a major realignment proves impossible, in large part because of US refusal to allow China's shareholding to increase. In this scenario, the Development Committee and the Board could agree to move forward by focusing less on the complicated agenda of "correcting current misalignments" and more on "enhancing multilateralism", code for boosting the voting shares of low-income countries, especially African states. We envisage that in this scenario they agree to (1) to an increase in Basic Votes to raise the voice of low- and middle-income countries, despite the fact that this requires an amendment of the Articles Agreement (and hence an 85 % majority) and (2) a general capital increase (GCI) to boost the Bank's lending capacity (an equal proportional increase for all).

Both elements would likely be modest – but symbolically important, and sufficient to fend off accusations of failure. Repeating the non-result of the 2020 shareholding review would extend the period of non-realignment to more than a decade, given that the next steps could then be taken no earlier than in 2030, in the context of the next shareholding review. For these reasons, there will be considerable pressure, both externally and internally, to avoid a non-outcome.

7.2 Worst-case scenario

In the worst-case scenario, the US – regardless of all such pressures – not only refuses to allow China a higher level of shareholding, but also resists any other voting power reforms that reduce the voting power of the US and its key allies. The 85 per cent majority required to change the Articles would then prove impossible to mobilize, and there could not even be an increase in Basic Votes. This outcome would mirror the recently completed 16th quota review in the Fund where also no voting power realignment was agreed – but would depart from it in the sense that the Bank would not even get a substantial capital increase, as was agreed at the Fund.

7.3 Best case scenario

We conclude by outlining what we consider to be the best-case scenario. Going forward, a different mechanism is needed to ensure substantial realignment progress. In the best-case scenario, shareholders adopt the notion of "misalignment limits" and agree to a principle that shareholding misalignment – understood as deviation of actual shareholding from calculated shareholding – should not exceed 20 % (whether for under- or overrepresentation). Acknowledging that it will be difficult to reduce misalignment to no more than 20 % for all member countries in just one shareholding review, we suggest that shareholders agree that the final deadline for achieving this is the 2030 shareholding review.

The big question here is, of course, how the US could be convinced to go along with this, given that China would then stand to increase its shareholding considerably. This would no doubt require a 'grand bargain' with China that goes beyond World Bank governance.

Within the parameters of Bank governance, support from the Trump administration might possibly be garnered by coupling it with a new principle of "responsible shareholding" that institutionalizes a mandatory commitment for large shareholders to make minimum contributions in every round of IDA replenishment.[15]

In an important way, shareholding in the Bank currently is a free lunch, a right that can be exercised with only a limited burden of financial responsibility attached. Large shareholders are not obliged to contribute financially to the Bank's lending arm for the poorest countries, IDA, which therefore to large extent is financed by voluntary contributions from the US, UK and other European, high-income countries.

The Heritage Foundation's long blueprint for the Trump administration, *Project 2025*, called for the US Treasury to leave both the Bank and the Fund. Most likely this is a threat made to gain leverage for making the Bank act more fully in line with US foreign policy objectives while at the same time cutting US financial contributions to the Bank.

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[15] A large shareholder, subject to this mandatory IDA contribution, could be defined as any shareholder with a share of total shareholding of more than 0.1 %, and the required minimum IDA contribution for all countries above this threshold could be equiproportional: requiring that their IDA contribution cannot be a lower percentage of the latest aggregate IDA replenishment than their share of total shareholding.

It is possible that a transactionally-oriented Trump administration would support a deal that reduces American financial contributions to the Bank while substantially raising those of China (currently the most under-represented country in terms of shareholding and votes relative to GDP), provided the US at the same time retains its veto, and also retains the gentlemen's agreement that US gets to appoint the Bank's president (while the Europeans hold on to the parallel privilege for the head of the IMF).

Calling on China to raise its financial contributions to the Bank, and other emerging market economies too, would rhyme well with Trump's pressure on European countries to raise their contributions to NATO.

It is likely that China would be happy to contribute more financially -- provided its shareholding and votes are raised substantially to match its much-increased relative weight in the global economy. It can signal that otherwise it will lose interest in the Bank and redouble its efforts to build up institutional competitors. But if the US and China struck this kind of deal the deadlock would be broken.

President Xi Jinping could portray it as a victory for himself and China. In turn, Trump might play a World Bank deal to his advantage in other dealings with Xi.

Trump would probably delight in the outrage such a deal would provoke amongst pundits and commentators -- that a US administration allowed China to take a larger shareholding stake in the Bank. He might reply that he is in the business of getting better deals for America, and making China pay up and take more responsibility for the World Bank is a better deal for America. Beyond that, the dealmaker may derive considerable satisfaction in breaking a deadlock that has prevailed in the Bank for decades.

The combined principles of misalignment limits and responsible shareholding should be coupled with an increase in Basic Votes to accommodate the interest of the poorest, small member countries.[16] Changing the share of basic votes in total votes requires a change of the Articles of Agreement. In the best-case scenario, the existing percentage of Basic Votes in total votes (5.55) is raised, and the Board is given discretion to change it again without this requiring a new amendment of the Articles. The Articles should read: "Basic votes constitute a percentage of total votes, above 5.55 per cent, as determined by the Board of Executive Directors".

In addition to these shareholding reforms, the best-case scenario makes the selection of the Bank's President competitive and open to all nationalities, and changes the practices of appointing Managing Directors, such that there is always a Managing Director from Africa, from Asia and from Latin America.

Given that the Articles are being amended to enable the increase in basic votes, another important amendment to the Articles should be agreed. "The President of the Bank is appointed by the Board, following nomination of at least three candidates, identified by a search committee with representatives from both Board and Management".

If the informal agreement between US and European member states, that the Bank President is always an American national and the Managing Director of the Fund always a European is maintained, then at

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[16] The 2018 realignment indicated that Poorest Small Protection by means of allocating shares is not a viable strategy, because many of the targeted countries struggle to subscribe to those additionally allocated shares.

least the establishment of a search committee and a process by which three candidates must be put forward, makes it possible that better suited candidates can be appointed than has been the case on numerous occasions in the Bank's recent history.

Last but not least, the best-case scenario removes one big obstacle to adjustment of Bank governance to the changing geopolitics of the world economy. It removes the veto right now enjoyed by all member countries over any decrease in their relative share of World Bank (IBRD) shareholding, through the pre-emptive rights guaranteed in the Articles of Agreement. A change of the Articles on this point is essential to the future viability of the Bank. In the best-case scenario, the pre-emptive rights are replaced in the Articles of Agreement with the new principles of misalignment limits and responsible shareholding.

8. Concluding remarks

In 2008, the World Bank embarked on a process of reform to enhance the voice and participation of developing countries in the governance of the World Bank. The first two phases produced an aggregate shift of 4.59 per cent of voting power from advanced economies to DTCs (Vestergaard and Wade, 2013). At the same time, it was agreed that this was only the beginning: from now on there would be shareholding reviews in the Bank every five years.

We have reviewed the 2015 and 2020 shareholding reviews and taken stock of the 2025 shareholding review, on which Bank staff and shareholders are currently embarking. The IMF completed its 16th quota review in December 2023 with no realignment of voting power. While the Bank had announced a time schedule for the 2025 shareholding review (DC 2024) that involved the release at the Spring Meetings earlier this year of a report on the options for further shareholding reform no such report has been published. Indeed, there is a growing sense that the process is stuck:

> Hopes for significant reform remain slim as the 2025 Review unfolds amid deepening geopolitical tensions. Ongoing wars in Gaza and Ukraine, marked by widespread human rights violations, coupled with escalating US-led trade restrictions and strategic rivalries, have strained prospects for multilateral cooperation. In this fractured context, the World Bank faces mounting scrutiny, particularly from Global South countries who view its governance as outdated and disconnected from today's development needs… (BWP 2025).

"If the Bank once again fails to deliver", comments Emma Burgisser of a UK-based NGO, "they should be out of the running to lead the international development finance system and the proposal by the Group of the 46 Least Developed Countries to initiate a comprehensive review of IFI governance systems should be reconsidered" (cited in BWP 2025).

The Bank's Board, management and technical staff have worked intensely for more than ten years – from late 2014 onwards – to find a way to continue the realignment of shareholding that had begun in 2008-2010. Shareholders of the Bank agreed only to a very limited voting power reform in 2018 and decided not to move forward with shareholding realignment in the context of the 2020 shareholding review.

The elaborate process of negotiations we have described with reference to 2015, 2018, and 2020, and continuing now with the ongoing 2025 shareholding review, is a hybrid of diplomacy and theater in a highly complex geopolitical context. Despite all the hours, weeks, months of deliberations at several authority levels – and all the technical inputs – the process will likely bend back on itself, so that at the end of the next review it starts again at much the same place as last time.

What are the main factors working against substantive voting power realignment? First, "the Bank is first and foremost a bank" and its founders and funders will not allow it to be run by its "customers". Second, the US and most of its G7 allies will not – in the current geopolitical situation – allow China to increase its voting power substantially, "not even by a single decimal point", some say. An Executive Director from a prominent DTC member country keeps making the point in relevant Board discussions that "the Bank is still seen as an American institution. It must become more multilateral." This director reports that African Executive Directors often thank him for such remarks, saying they agree but dare not say so at the Board because of their countries' dependence on the good-will of the Bank.

It is hardly surprising that representatives of high-income countries tend to highlight progress in the other two kinds of voice reform, namely, effective representation (such as the third Board chair for Sub-Saharan Africa) and the more nebulous "responsiveness to client preferences". Their governments and Executive Directors are effectively saying: "We obviously cannot allow large middle-income countries (such as China) to have influence on the Board in proportion to their economic weight in the world economy, because we would then lose control of the Bank. But our efforts to listen and to adapt Bank operations to the needs of developing countries also constitute a form of voice reform". No surprise if representatives of developing countries find this stance patronizing.

In Bank governance reforms, the biggest misalignment is not in voting power itself. The biggest misalignment is between the rhetoric and the reality of shareholding reform, amply documented here. We cannot see this rhetorical misalignment continuing much longer without bringing the standing of the World Bank as a trusted multilateral development bank in jeopardy (it is the only *global* development bank, with the very partial exception of the New Development Bank).

If World Bank governance reform is to become unstuck, pre-emptive rights must be removed from the Articles of Agreement and replaced with a principle of responsible shareholding, requiring all large shareholders to make financial contributions to IDA in proportion to their shareholding.

If a substantive shareholding reform along the lines we have indicated in our best-case scenario does in fact materialize in the coming years, it will be because weighty-enough shareholders realize that the risk of jeopardizing the Bank's legitimacy and global standing is rising and should be tackled sooner rather than later.

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