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GEOECONOMICS CENTER

BRETTON WOODS 2.0

ISSUE BRIEF

Governance Reform of the Bretton Woods Institutions

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The **GeoEconomics Center** develops data-driven programs, publications, and thought leadership at the nexus of economics, finance, and foreign policy. The Center aims to bridge the divide between these oft-siloed sectors with the goal of helping shape a more resilient global economy. Our work is built on the idea that the United States must lead with allies or risk becoming a bystander in a reshaped international financial system. The Center is organized around three pillars – the Future of Capitalism, the Future of Money, and the Economic Statecraft Initiative.

This issue brief is launched in January 2024 as part of the Atlantic Council GeoEconomics Center's Bretton Woods 2.0 Fellowship. This Fellowship aims to cultivate a new generation of economists to help reimagine the shape of the international financial system.

The **GeoEconomics Center's Bretton Woods 2.0 Project** examines the challenges facing the Bretton Woods Institutions and leverages data, research, and convenings to propose new solutions for the future of the IMF, World Bank, and World Trade Organization. The goal of the project is to deliver a blueprint for reforms in four key areas: governance and parallel institutions; macro-critical global trends; future of money and fintech; and non-state and quasi-state actors.

Introduction

At the October 2023 Annual Meetings in Marrakech, Morocco, it became clear to gathered leaders, economists, and representatives that the Bretton Woods Institutions (BWIs)—the International Monetary Fund (IMF) and the World Bank—must undergo structural changes to remain relevant and legitimate in a geopolitically charged environment. Recent IMF General Reviews of Quotas and the World Bank's parallel selective capital increases have been insufficient in adapting to economic and geopolitical shifts. Challenges of representation are further underpinned by geopolitical considerations, entrenched path-dependencies, and a tug-of-war between the desire to maintain historical precedence and the urgency to democratize institutional representation.

This paper provides an analysis of the governance challenges facing the BWIs. It examines the evolution and current state of quota reforms, the politics surrounding executive board representation, and the missions of the IMF and World Bank. Additionally, the paper addresses the structure and impact of influential committees like the International Monetary and Financial Committee (IMFC) and the Development Committee (DC). Through this holistic assessment, this paper charts a governance reform road map, drawing on reallocation strategies, diplomatic efforts, and a renewed emphasis on diversity and democratic principles. In doing so, we aim to position the BWIs as more inclusive, adaptable, and future-ready institutions, better equipped to navigate the ever-evolving global economic landscape.

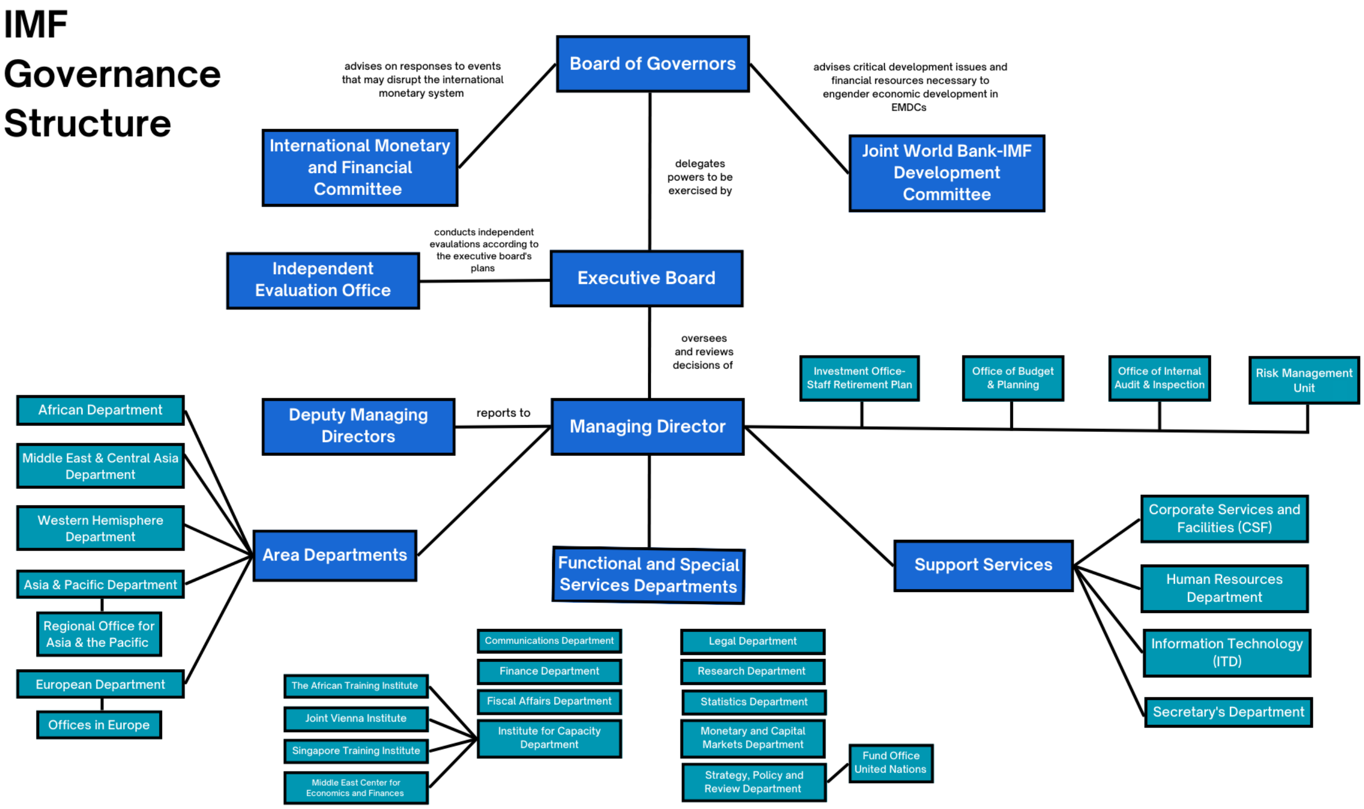
The organizational structure of the IMF and World Bank are shown in Figures 1 and 2 below.

Vote Shares and Quota Allocation Reform

The Fourteenth General Review of Quotas in 2010 was the last successful reform that resulted in tangible change to the IMF's vote shares. Not fully implemented until 2016, with outstanding changes related to the necessary reduction in the number of seats Western European member states have on the Executive Board, the reform increased quota shares by 100 percent.[1] However, the relative allocation of quotas did not change significantly,

1 "IMF Quotas," International Monetary Fund, accessed July 17, 2023, https://www.imf.org/en/About/Factsheets/Sheets/2022/IMF-Quotas.

Figure 1. Flowchart illustrating the organizational governance structure of the International Monetary Fund



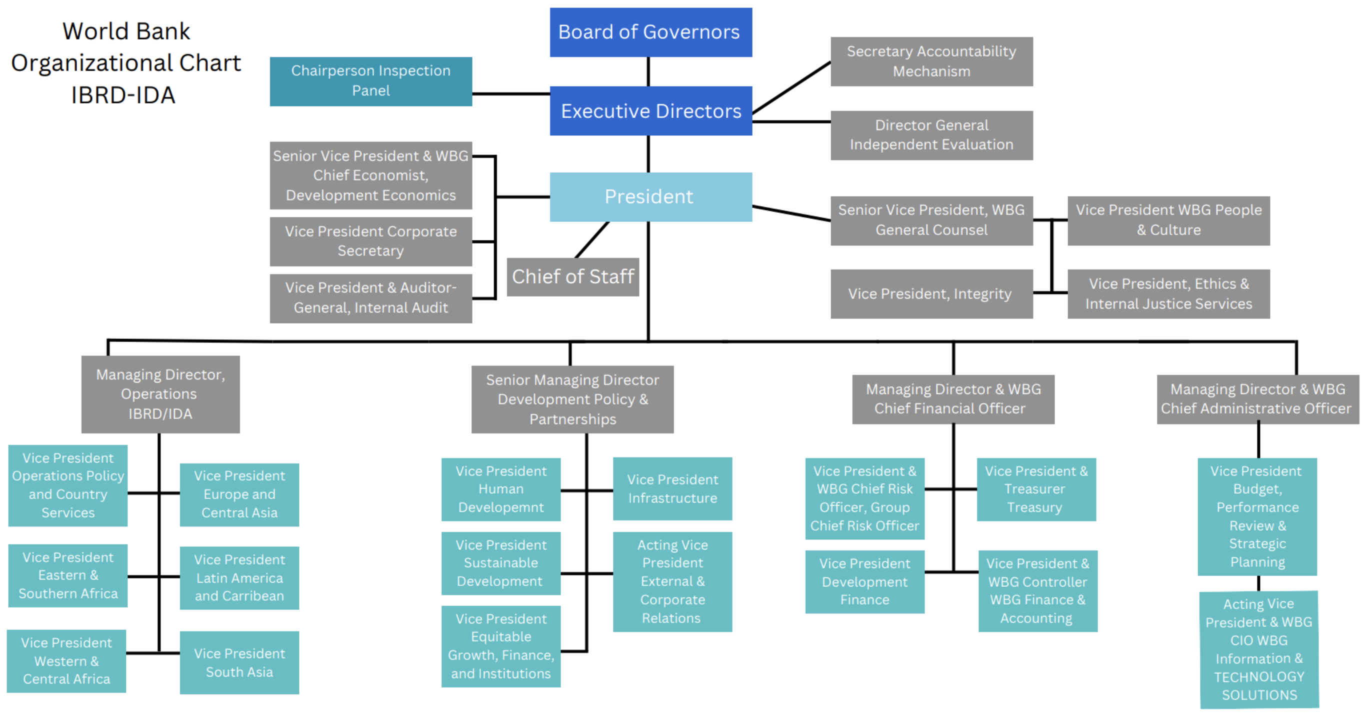
Source: "Governance Structure," International Monetary Fund, accessed November 27, 2023, https://www.imf.org/external/about/govstruct.htm; Bernhard Fritz-Krockow and Parmeshwar Ramlogan, eds., "Internal Organization and Financing" in International Monetary Fund Handbook: Its Functions, Policies, and Operations (Washington, DC: International Monetary Fund, January 2007).

with only minor adjustments made to the quota formula. In the most recent Fifteenth General Review of Quotas, which concluded in 2020, there were no alterations to the quota shares or Special Drawing Rights (SDR) allocations. Outcomes from the Sixteenth General Review of Quotas are expected to include equiproportional increases to the quotas of the BWIs. This foreseen outcome is welcome as it will result in a recapitalization of the BWIs to fund their necessary programs, and temporarily puts issues of geopolitical polarization on hold over the quotas issue. The Seventeenth General Review of Quotas in 2028 is now highly anticipated, as it will be the first opportunity since 2010 for the IMF's Executive Board to significantly alter vote shares between countries. Any final conclusion in 2028 without changes to both the quota formula and vote shares (especially increases to the vote shares of large Group of Twenty, or G20, members such as India and China) will be perceived as illegitimate. Given the enduring status of the vote share situation in the BWIs until the end of this decade, there are concerns over the future functioning of these institutions.

Geopolitical challenges to voting reform of the IMF and World Bank include most notably the United States and Japan's reluctance to substantially increase China's role and influence in the BWIs, preferring to preserve their status quo positions as the two largest shareholders at the expense of smaller states. For instance, Southeast Asia, excluding China, has just one seat on the IMF's Executive Board compared to Africa's three, despite the former's larger global market share. Both of these regions, however, remain heavily underrepresented in the quota shares, especially on a per capita basis.

In addition to the geopolitical struggles over quota reform and per capita representation, there is the simple arithmetic challenge of how to resolve the

Figure 2. Flowchart illustrating the organizational governance structure of the World Bank



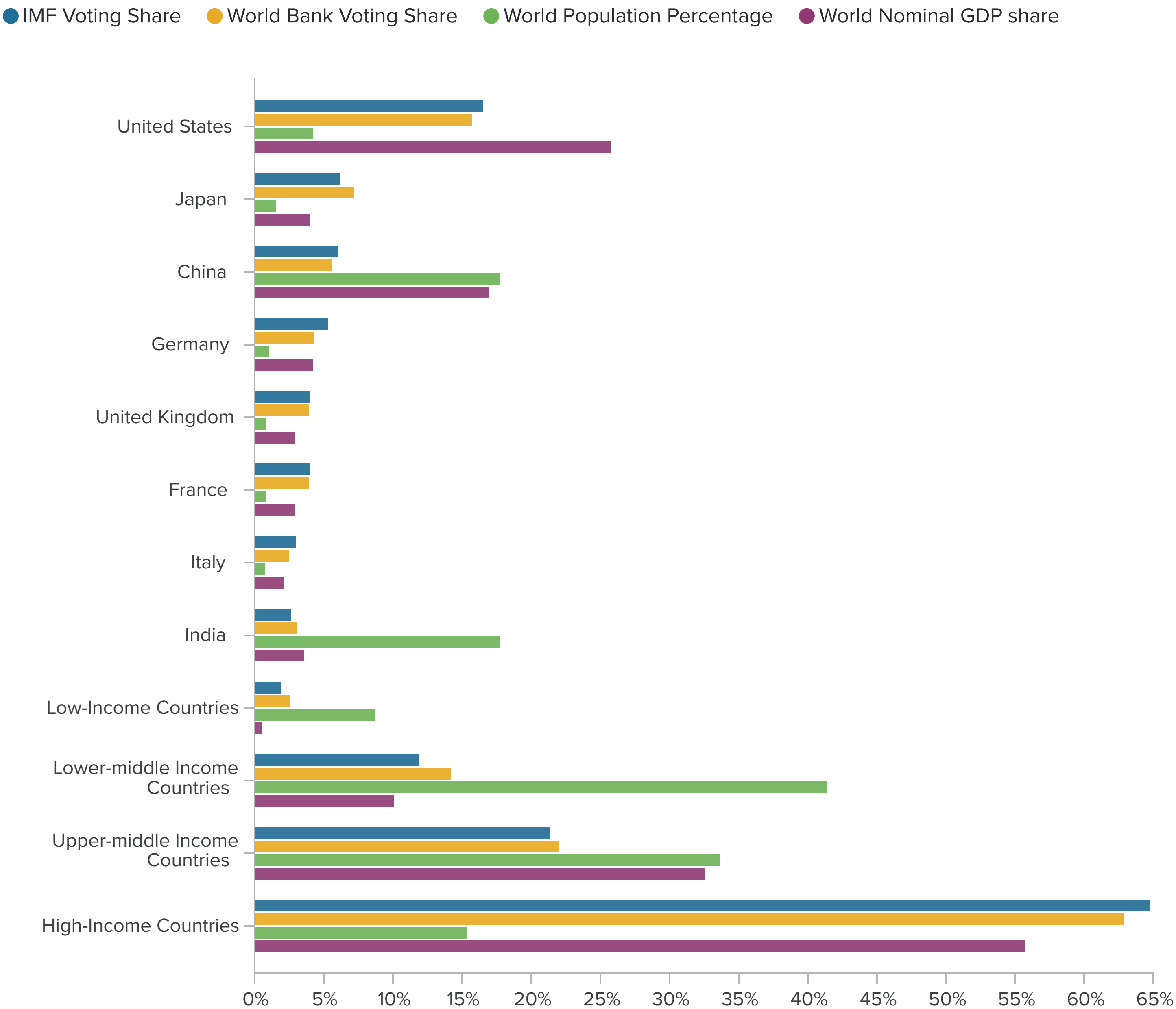
Source: "Organizational Chart Effective October 4, 2023," World Bank, accessed November 27, 2023, https://thedocs.worldbank.org/en/doc/404071412346998230-0090022021/original/TheWorldBankGroupOrganizationalChartEnglish.pdf.

overrepresentation of countries like the United States and Japan in the SDR allocation, and conglomerates of countries—like high-income ones—to the benefit of underrepresented countries and groupings such as upper-middle-income countries. As shown in Figure 3, and contrary to expectations, low-income and lower-middle-income countries are technically overrepresented in the BWIs compared to their proportion of nominal global gross domestic product (GDP). The United States is also "underrepresented" compared to its vote share in the IMF and World Bank in terms of its nominal GDP, although to a far lesser extent than China, and as emphasized by the fact that it also wields veto power over quota and voting reform. Low-income and lower-middle-income countries are typically included in executive board constituencies that have a high-income country represent their overall interests, or the most powerful member of their low-/lower-middle-income block dominate their representation. This means that even if lower-income countries are technically overrepresented on the foundation of GDP, in practice, their views are rarely heard or expressed on the executive board. And on a per capita basis, low- and lower-middle-income countries contain 8.85 percent and 40.13 percent of the global population, but only 1 percent to 2 percent and 9 percent to 13 percent of the BWI vote share, respectively.[2] This reflects a severe per capita underrepresentation.

From a historical perspective, these inequalities in representation have existed and persisted since the founding of the BWIs in 1944. While there were spikes in representation for middle-income countries as

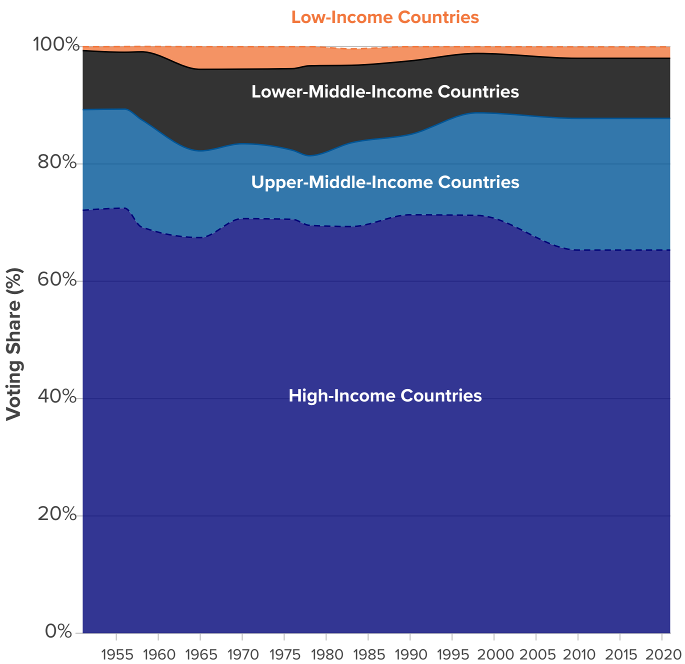
2 Authors' calculations using World Bank population data.

Figure 3. Comparative analysis of country representation in IMF and World Bank voting shares versus their respective global population



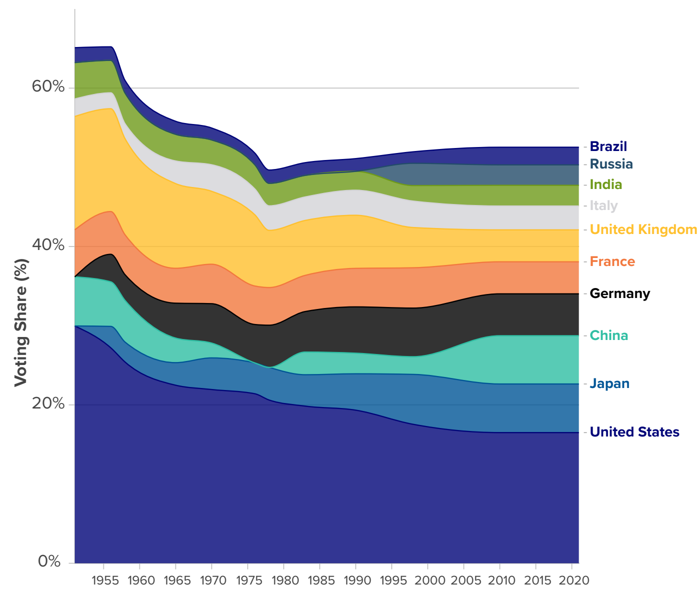
Source: International Monetary Fund, World Bank, Worldometer.

Figure 4. Historical progression of the IMF's voting shares distributed by country income categories from 1951 to 2021



Source: International Monetary Fund.

Figure 5. Historical changes in the IMF's voting shares by individual countries from 1951 to 2021, highlighting major nations such as the United States, Japan, China, and others.



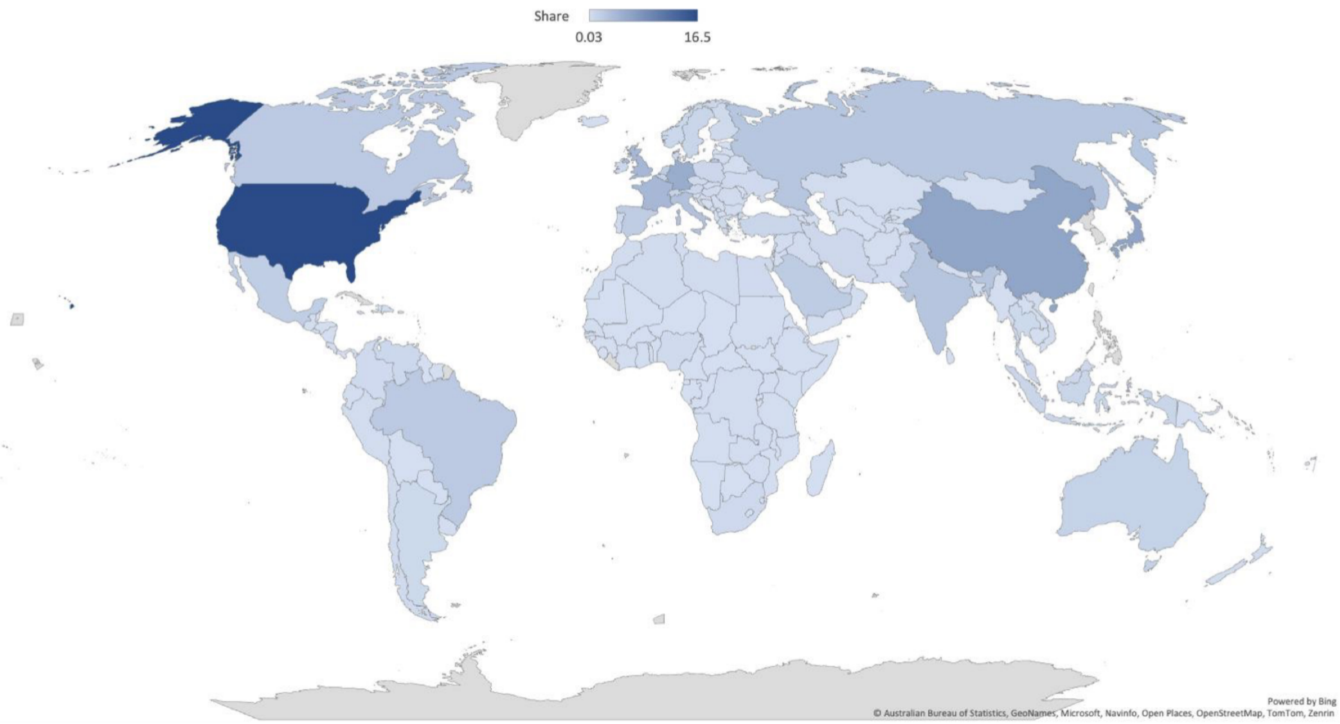
Source: International Monetary Fund.

decolonization accelerated and former colonies gained independence in the 1960s and 1970s, the representation of these countries has remained low and nearly constant since. And whilst China and India have made gains in their relative vote share in the twenty-first century, these alterations have not kept pace with the rapid expansion of their economies. Figures 4 and 5 demonstrate that these fluctuations of power have not only generated grievances for underrepresented states, but also anxieties for heavyweights in the BWIs. High-income countries have gone from their peak of over three-quarters of votes to two-thirds at present, with the United States shedding a few percentage points worth of votes every few decades. Increasing the representation of emerging, middle-income, and low-income countries requires reallocating vote shares to these states, but in the larger historical perspective, worries from Western countries that their voice and influence in the BWIs is declining over time are not unfounded. At the same time, however, upper-middle-income countries have been able to widen their vote share in successive General Reviews of Quotas, whereas lower-middle-income countries experienced a reduction in their vote shares in the late 1990s which has stabilized since the turn of the century. The "sandwiching" of lower-middle-income countries reflects enduring inequalities in the voting system, and grievances in how slow the BWIs are to respond to nondominant actors in the international system.

Despite these structural, path-dependent, and geopolitical obstacles to sweeping and urgent governance reforms of the IMF and World Bank, there are several ways forward, which we chart and detail below. Necessary governance reforms go hand in hand with changes in how top-level BWI leaders are selected, sources of democratic representation in the organizations, the promotion of diversity in background and viewpoint, and an expanded view of the voice and role of development-centered accountability in the BWIs.

We recommend the following four-point approach to future General Reviews of Quotas. First, a quota reallocation should be rules-based, automatic, transparent, and gradual. The quota allocation in a subsequent general review is unlikely to reflect the true formula calculation so long as the United States and China (and to a lesser extent the European Union and China) are engaged in an economic freeze. The United States and China both lose out from a stasis in the IMF and World Bank—China foregoes establishing itself as the second-largest power via quota allocations, and the United States annuls

Figure 6. Map of the Fourteenth General Review (2010) quotas distributed by member states, with darker shades of blue indicating greater share percentage



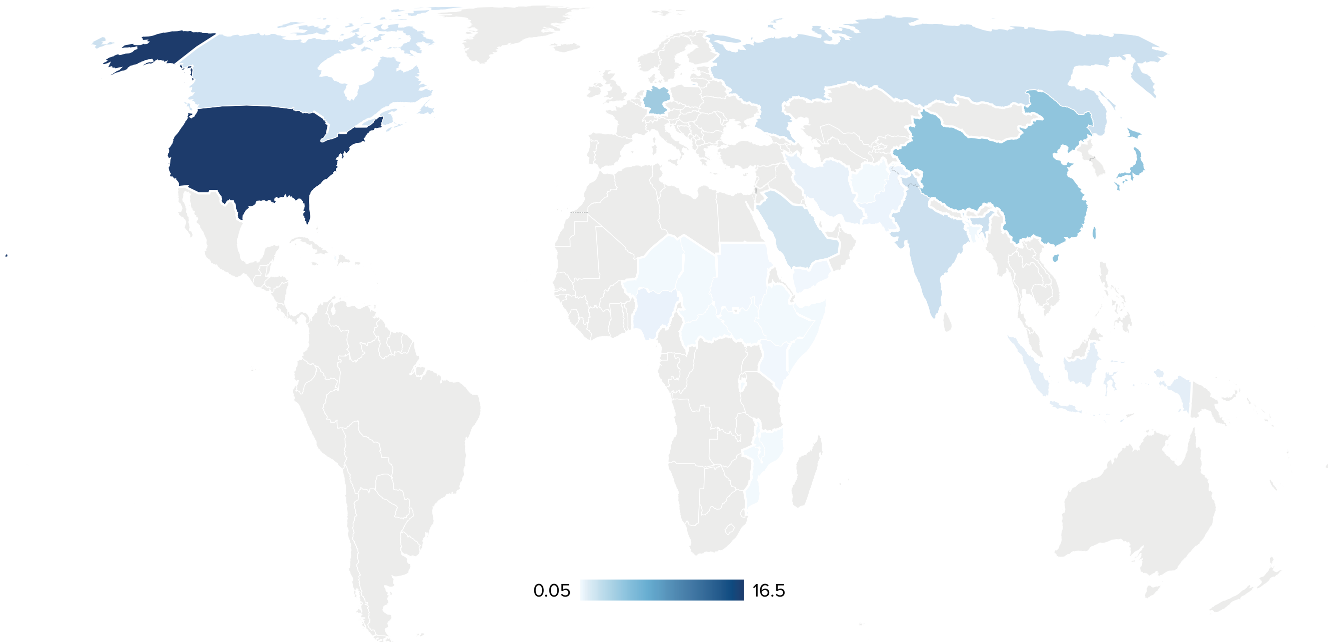
Source: "IMF Members' Quotas and Voting Power, and IMF Board of Governors," International Monetary Fund, last updated December 14, 2023, https://www.imf.org/en/About/executive-board/members-quotas.

efforts to convince countries in the Global South that development financing with the Group of Seven (G7) is more accessible and representative than Belt and Road Initiative or BRICS (a grouping that includes Brazil, Russia, India, China, and South Africa) financing. Notably, any quota increase for China likely cannot surpass 15 percent given congressional opposition to removing the United States' veto power in the BWIs. Gradual quota reallocations would help solve this blockage, and work to make the BWIs reflect current and future market dynamics better than the current five-year review system, since its effectiveness depends on the stances of the largest powers in the BWIs and the preferences of the US Congress. Figures 3 and 5 demonstrate how the general review rounds have not kept pace with fluctuations in GDP dominance, which this reform seeks to address.

Adopting a rules-based quota reallocation system also ensures transparency, fairness, and reduces potential biases or geopolitical manipulations, much like institutions such as the Asian Development Bank (ADB). The ADB serves as a model, as it periodically adjusts members' voting powers through reviews of capital subscription.[3] The BWIs should adopt a similar automatic mechanism for regular quota reviews to stay adaptive as economic weights shift. To prevent potential disputes over data gathering and accuracy in shaping these fixed quota changes, we recommend a neutral third party—such as a geographically diverse consortium of academic and research institutions—verify economic data and review the allocation formula during every general review period. Joint External Evaluations of the World Health Organization can serve as a model for how experts can be brought together by an international organization to

3 Asian Development Bank, *ADB Annual Report 2022: Building Resilience in Challenging Times*, April 2023, http://dx.doi.org/10.22617/FLS230039.

Figure 7. Map highlighting the eleven largest emitters and nineteen countries most vulnerable to climate change, showing their respective shares (in percentages) of the Fourteenth General Review (2010) quotas



Source: Emissions Share, IMF Fourteenth General Review (2010) quota. This map details the allocated 2010 International Monetary Fund (IMF) quotas for the widely recognized 11 largest greenhouse gas (GHG) emitting countries and the 19 nations most at risk or climate change impacts. The specific inclusion of 11 emitters and 19 at-risk countries is based on a consensus that does not extend to the top 10 and top 20, respectively, due to varying metrics and assessments.

assess member states' activities, although they are not without their own criticism of "groupthink."[4]

The United States and China should find commonality on the principle that gradual quota reallocation will protect both nations' standings in the BWIs in the long term, as each is predicted to reach its economic peak in this century. It is in the long-term interest of the United States to support gradual quota reallocation to maintain its prominent position as economies like China continue growing. A rules-based system would allow the United States to gradually adjust while retaining veto powers on major decisions.

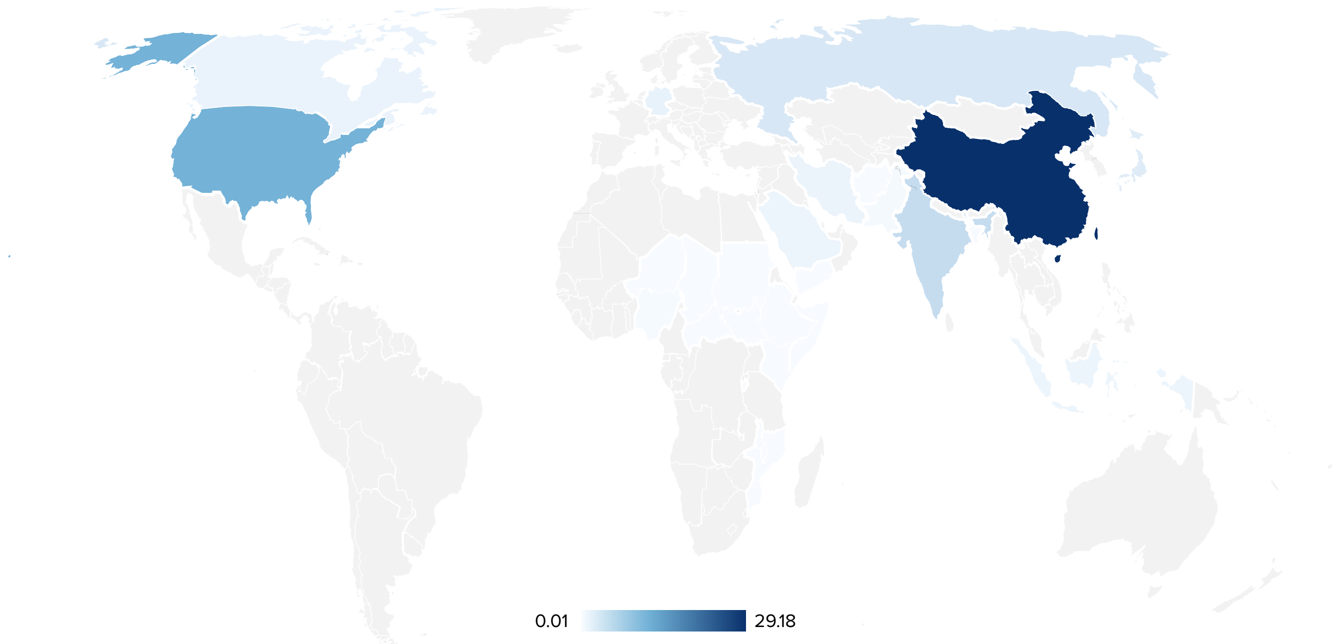
Second, the introduction of weighted voting on the executive boards for specific issues, such as climate financing, is recommended. Low-income economies, notably small island states and those contributing less than 0.5 percent annually to global emissions, find themselves in an ironic predicament.[5] Although they are minimal contributors to global emissions, they often suffer the most severe consequences of climate change. The case of the Pacific islands is illustrative. Despite their minimal carbon footprint, they are on the front line of sea-level rise, with some facing the real threat of being submerged in the foreseeable future.[6] Furthermore, regions like Latin America and the Caribbean and Sub-Saharan Africa, with countries such as Honduras and Malawi, respectively, are recurrently hit by extreme climate events, from hurricanes to droughts. Yet, these nations and regions lack adequate representation in BWIs when decisions regarding climate finance, adaptation, and

4 Alexander Kentikelenis and Leonard Seabrooke, "Organising knowledge to prevent global health crises: a comparative analysis of pandemic preparedness indicators," *BMJ Global Health*, August 24, 2021, https://gh.bmj.com/content/6/8/e006864.

5 "CO2 Emissions by Country," Worldometer, accessed December 14, 2023, https://www.worldometers.info/co2-emissions/co2-emissions-by-country/.

6 Intergovernmental Panel on Climate Change, *Special Report on the Ocean and Cryosphere in a Changing Climate*, 2019, https://www.ipcc.ch/srocc/.

Figure 8. Map highlighting the eleven largest emitters and nineteen countries most vulnerable to climate change, showing their shares of emissions (in percentages) in 2016



Source: Emissions Share, IMF Fourteenth General Review (2010) quota. This map details the allocated 2010 International Monetary Fund (IMF) quotas for the widely recognized 11 largest greenhouse gas (GHG) emitting countries and the 19 nations most at risk or climate change impacts. The specific inclusion of 11 emitters and 19 at-risk countries is based on a consensus that does not extend to the top 10 and top 20, respectively, due to varying metrics and assessments.

mitigation are made.[7] The onus of these climate events often falls on nations least responsible for causing them, primarily due to the historical and current emissions of major economies like the G7 and rising giants like China.[8] Introducing weighted voting on specific issues like these, as opposed to all issues, would allow major powers such as the G20 to maintain their influence over the BWIs while also ensuring a more democratic decision-making process on issues of critical global importance.

Weighted issue voting could take on a formula similar to qualified majority voting utilized by the Council of the European Union. For example, voting on changes to climate action in the IMF (such as on alterations to the Resilience and Sustainability Trust) could require 55 percent of normal vote shares and 65 percent of the votes from the lowest emitters to pass. Such a vote procedure change should encourage constituencies with representation from the lowest emitters to drive consensus-based discussions at the BWIs over climate policy.

Third, a joint committee modeled on the Group of Twenty-Four should be created between the United States, China, the EU, and other major economies to coordinate on governance reforms. This committee can propose and review draft plans for advancing quota reallocation and other reforms.

And fourth, address European representation. Reformation of the overrepresentation of European nations in the BWIs is necessary, as their outsized weight as individual nations is a remnant of an outdated postwar reality. This proposal can also be combined with others below which seek to remedy how G7 powers have an overtly dominant

7 David Eckstein et al., "Global Climate Risk Index 2020," Germanwatch e.V., December 2019, https://www.germanwatch.org/sites/default/files/20-2-01e%20Global%20Climate%20Risk%20Index%202020_14.pdf.

8 "Climate Watch (CAIT): Country Greenhouse Gas Emissions Data," World Resources Institute, April 10, 2014, https://www.wri.org/data/climate-watch-cait-country-greenhouse-gas-emissions-data.

role in selecting the managing director/president and deputy directors/vice presidents at the IMF and World Bank, respectively. This remedy should promote fair representation for all regions in an effort to actualize how the BWIs are meant to be truly global—not regional—institutions, and recognize the historically important role European nations played in the founding and early years of the BWIs. Concrete steps to achieve this goal include the establishment of a rotating European seat on the IMF's Executive Board, a hybrid representation model, and engagement in sustained diplomatic lobbying between BWI officials and European states to persuade them of the necessity of governance reform for the sake of the institutions' long-term viability and these states' legitimacy and soft power within them.

In addition to this four-point proposal, we find it necessary to highlight the role of Executive Directors (EDs) in the governance, and therefore necessary reform, of the BWIs. Unlike the internal management of BWIs, EDs are appointed by the governments of member countries. This distinction is critical in understanding the governance dynamics, as EDs represent the interests of their respective countries and are not part of the internal management team of the BWIs. The ED selection process underscores the intergovernmental nature of these institutions, where member countries exercise their influence through appointed representatives rather than direct management roles.

Distinct from BWIs' internal management, the executive board plays a pivotal role in governance but does not engage in the day-to-day operations of the institutions. Comprising EDs and their advisers, the board is responsible for broad oversight and strategic direction, reflecting member countries' interests. In contrast, the management team, including the managing director of the IMF and the president of the World Bank, handles operational aspects, policy implementation, and administrative functions. This clear separation of roles ensures that while member countries influence BWIs' policies through the executive board, the management retains autonomy in operational decisions and execution.

At the heart of the BWIs' challenges lies the mismatch between global economic power dynamics and entrenched governance structures. The executive boards unequally represent the one hundred and ninety plus countries who are members or observers of the BWIs, with some countries having their own representative, and others being grouped into multicountry constituencies. Executive board decisions are also guided by consensus decision-making, the efficacy and transparency/fairness of which is directly proportional to the representation and diversity present within the executive board.

Focusing on individual candidate selection at the constituency level on the order of merit also opens up opportunities for these three big powers of the BWIs - the United States, China, and the European Union countries. If each views its deputy director as being outmaneuvered by the other two (and the "wild card" deputy director/vice president), then a diffused selection process should improve the quality of the pool of deputy directors/vice presidents that their preferred deputy director/vice president works with daily. Indeed, the soft and hard power of these three states will likely give them an edge in the new brokerage of backdoor deals between deputy directors/vice presidents while also opening up avenues for other member states to select candidates with the technical and political backing necessary to carry out the BWIs' missions. And increasing the number of deputy directors and vice presidents dilutes the ability of the management to cut out the executive board from key consensus-based decisions, which should improve the accountability of each body within the BWIs to one another and external stakeholders (i.e., the ministers who report to Annual and Spring Meetings). The number of candidates in the running for each constituency should also be maximized as much as possible so that the selection is a competitive and diverse process.

Diversity in Leadership and Staff

The selection process for top leadership positions at the BWIs, such as the IMF managing director and World Bank president, is emblematic of larger systemic biases. The current consensus process guiding the selection of the IMF managing director has historically advantaged European G7 states, notably France, limiting diversity and broader global representation. Conversely, the tradition enabling the United States to appoint the World Bank president mirrors a dated power dynamic, which does not reflect today's diversified global economic scenario. It also undemocratically lets the United States set the tone for long-term development projects and priorities without due consideration to the beliefs of other countries, including its closest allies in the G7 and G20.

To make the selection of the World Bank president more representative, a public, weighted vote should be taken every five years by member countries. The positions of IMF managing director and World Bank president should also be rotated throughout the regions, so that each (sub)

World Bank President Ajay Banga and Managing Director of the International Monetary Fund (IMF), Kristalina Georgieva, attend a panel on the third day of the annual meeting of the International Monetary Fund and the World Bank, following last month's deadly earthquake, in Marrakech, Morocco, October 11, 2023. REUTERS/Susana Vera.

continent is represented in the BWIs in due course. If a formal regional rotation mechanism cannot be politically agreed to, then the BWIs should opt for leadership election requirements which mandate a high percentage of constituencies to consent to the selection of the IMF's managing director and the World Bank's president. Such a stipulation would ensure that developing countries, which are often lumped together in large constituency groupings, have a more inclusive say in the election of top BWI leadership.

The selection process for deputy directors and vice presidents should also prioritize diversity in expertise and geographic representation. Making these processes more transparent through public criteria, deliberations, and rationale would enhance legitimacy.

Moreover, the undue influence exerted by major global economies, such as the United States, EU, China, and Japan, in the selection of deputy directors and vice presidents, while historically accepted, hinders the infusion of a truly global perspective into BWI leadership.

This overarching theme of major economies wielding excessive power in key appointment processes underlines the pressing need for reform.

Several policy changes can be advocated in response to these concerns. First, the consensus decision-making process, while a cornerstone of BWI governance, requires increased transparency, especially in preliminary negotiations and public reporting of the final votes on managing director and president selection. Second, regular assessments of the executive board's composition, ensuring it accurately reflects current global representation, should be instituted. Third, the quantity of deputy director and vice president positions should be doubled. The doubling of deputy director and vice president positions allows the current large, dominant powers to retain direct representation and a secure voice to the managing director/president. This reform also allows other constituencies to be represented in these positions for the first time. Fourth, we recommend a rotational system for these new positions that cycles through the constituencies every two and a half years

Table 1. Table of the World Bank's Executive Offices by constituent countries

Executive Director Office	Countries
EDS01	United States
EDS02	Japan
EDS03	United Kingdom
EDS04	France
EDS05	Germany
EDS06	Afghanistan, Algeria, Ghana, Iran, Libya, Morocco, Pakistan, and Tunisia
EDS07	Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines
EDS08	Argentina, Chile, Peru, and Bolivia
EDS09	Australia, Cambodia, Kiribati, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Republic of Korea, Samoa, Solomon Islands, Tuvalu, and Vanuatu
EDS10	Austria, Belarus, Belgium, Czechia, Hungary, Kosovo, Luxembourg, Slovak Republic, Slovenia, and Turkey
EDS11	Bahrain, Egypt, Jordan, Iraq, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, West Bank and Gaza, and Yemen
EDS12	Bangladesh, Bhutan, India, and Sri Lanka
EDS13	Benin, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Gabon, Guinea, Guinea-Bissau, Equatorial Guinea, Madagascar, Mali, Mauritania, Mauritius, Niger, Sao Tome and Principe, Senegal, and Togo
EDS14	Botswana, Burundi, Eritrea, Eswatini, Ethiopia, the Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, Seychelles, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe
EDS15	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago
EDS16	Brunei Darussalam, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, and Vietnam
EDS17	China
EDS18	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Spain
EDS19	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Moldova, Montenegro, the Netherlands, North Macedonia, Romania, and Ukraine
EDS20	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden
EDS21	Albania, Greece, Italy, Malta, Portugal, San Marino, and Timor-Leste
EDS22	Saudi Arabia
EDS23	Russian Federation, Syrian Arab Republic
EDS24	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan
EDS25	Angola, Nigeria, and South Africa

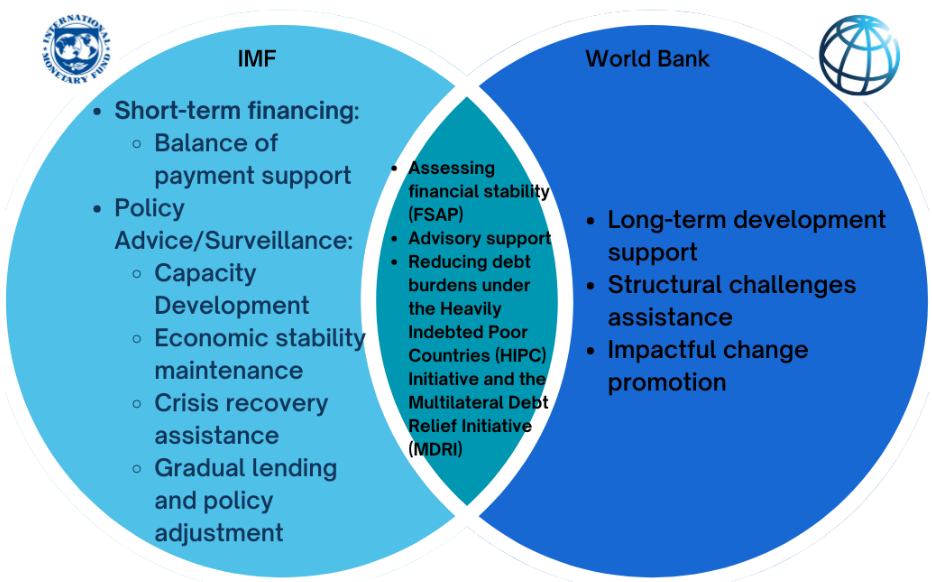
Source: World Bank.

(with nonrenewable term limits). Such an alteration will give each BWI constituency the chance to elect its own deputy director/vice president in due course without threatening the status quo power of the United States, China, European Union countries, and Japan.

The consensus nature of the executive board may also inadvertently pit the management of the BWIs against the rest of the board. For decisions which rest on vote share, managers and vice presidents can brainstorm, negotiate, and close settlements more effectively and efficiently with a smaller number of players. BWI managers are, therefore, incentivized to discuss policy ideas and reforms with the "big" players and come to a verbal agreement with individual ministers from these countries before the issue or topic is even brought to an executive board meeting. Backroom bargaining generates issues of misrepresentation and illegitimacy on two fronts. First, it allows the executive board, or specific executive board members, to deflect from difficult decisions formally taken in the board's name, but informally decided behind the scenes via brokering between managers and individual ministers. Second, it advantages more powerful member states and those who have appointed more competent executive directors due to their ability to broker better terms for the interests of their countries and/or board constituencies.

While such an informal decision-making structure is unlikely to be resolved by structural governance reforms, the selection and appointment of deputy directors and vice presidents from nondominant constituencies can help ensure that more and diverse viewpoints are considered in the daily, fast-paced decisions of the managing director of the IMF and president of the World Bank. The permanent selection of deputy directors and vice presidents by the United States, China, Japan, and European Union countries incentivizes these officials to act as delegates of these countries instead of as stewards for the management, prosperity, and good relations of the BWIs. To avoid alternative selection procedures unduly favoring the G7/G20, the number of deputy directors should be doubled. Japan, China, the United States, and their respective allies in the BWIs, while likely to be reticent to implement these reforms, should still undertake them, particularly as a means for revitalizing the culture and energy of the BWIs amidst stalling quota reform rounds and to retain their ability to select their own deputy director/vice president.

Figure 9. An illustration of the core mandates of the IMF and World Bank, highlighting their distinct responsibilities and overlapping functions in global economic governance



Source: IMF. IMF Factsheet. <https://www.imf.org/en/About/Factsheets/Sheets/2022/IMF-World-Bank-New>.

Additionally, accepting BWI reforms would bolster the legitimacy of the institutions in the eyes of emerging economies, indirectly favoring major economies like Japan, China, and the United States due to their significant roles. A reformed Bretton Woods system ensures global economic stability from which these leading economies benefit the most. And championing these reforms enhances the United States, China, and Japan's economic diplomacy, makes the institutions more inclusive, and gives other countries a greater stake in the rules-based international order upon which multilateralism depends.

Mandates of the Bretton Woods Institutions, Development Committee, and International Monetary and Financial Committee

The International Monetary and Financial Committee (IMFC) and the Development Committee (DC), as indicated in Figures 1 and 2, offer crucial insights into the IMF and World Bank's Boards of Governors. Particularly significant is the DC, with eleven of its twenty-five members from developing nations ensuring diverse perspectives on development financing. To enhance governance, the mandates of both committees should expand to include quarterly reports to the board on key initiatives and issues such as climate change actions. The committees should request focused briefings on the World Bank's climate projects and integration of climate into country strategies. Additionally, integrating private sector and grassroots nongovernmental organization representatives as observers or advisers would provide real-time, ground-level feedback to refine institutions' approach.

Both the IMF and the World Bank should hone their primary focuses: the IMF on short-term financial assistance and the World Bank on long-term development. However, adaptation is crucial; the IMF should expand its concessional lending and engage with a broader spectrum of countries, while the World Bank needs transparent and fair loan provision focused on its core mission, and both institutions should work effectively on mitigating and addressing climate change. Avoiding "mission creep" and having a clear distinction between their roles ensures they stay effective. The World Bank's country offices provide invaluable localized insights, and expanding the roles of committees like the IMFC and DC will ensure the BWIs address current global challenges. Infusing grassroots NGOs and the private sector's insights can further fortify their relevance. By tackling these foundational issues, the BWIs can adeptly navigate today's global economic arena, ensuring trust, representation, and robust leadership.

Conclusion

The BWIs stand at a pivotal juncture in their governance structure, requiring both an introspective review and a forward-looking overhaul. We are encouraged by recent proposals like the addition of a twenty-fifth seat on the IMF's Executive Board for Sub-Saharan Africa. However, greater representation on executive boards alone is insufficient without corresponding reforms in the selection of deputy directors and vice presidents. The entrenched practices within the IMF and World Bank, evident in the challenges posed by the executive boards' consensus nature and the current selection dynamics for deputy directors and vice presidents, underscore the urgency for reform. Key to revitalizing the BWIs will be a shift toward a more democratized governance, which begins with reevaluating quota allocations and the appointment mechanisms for leadership roles, including the managing director, deputy directors, president, and vice presidents. This would ensure these roles are not monopolized by major powers but are reflective of global dynamics.

The BWIs are at a crucial crossroads, demanding both introspective scrutiny and proactive transformation. A shift toward democratized governance is imperative, emphasizing the reevaluation of quota allocations and diversification of leadership roles to reflect global dynamics, especially considering the growing roles of countries like China and India.

The role of the World Bank's country offices and their unique capability to provide localized knowledge should be recognized and leveraged.[9] Furthermore, the mandate of committees like the IMFC and DC should expand to reflect current global challenges, including gender equality, healthcare resilience, education, and climate change, among others. Introducing representatives from the private sector and grassroots NGOs can provide a richer tapestry of insights, ensuring the BWIs remain relevant, effective, and representative of the twenty-first-century global economy.

9 Patrick Weller and Xu Yi-Chong, "Agents of Influence: Country Directors at the World Bank," *Public Administration* 88 (1): 211–231, https://doi.org/10.1111/j.1467-9299.2010.01801.x.

In essence, the road map for BWI reform aims at constructing a more inclusive, diverse, and transparent governance structure. By addressing these foundational challenges, the BWIs can be better equipped to navigate the complexities of today's global economic landscape, fostering trust, representation, and effective leadership.

Methodological Appendix

Many of our conclusions and recommendations are the result of high-level, semi-structured interviews conducted with former officials and consultants at the International Monetary Fund (IMF) and World Bank, lobbyists on behalf of the Bretton Woods Institutions (BWIs) in Washington, D.C., and related think tank experts.

Below, we provide more detailed information on the data, sourcing, and methodology behind the figures produced in this report. We sourced historical IMF and World Bank data from annual reports, IMF Surveys, and documentation of the General Reviews of Quotas. Details are provided here in the Methodological Appendix.

BWI organizational figures

To create the IMF organizational map, we consulted its governance structure as posted publicly on the IMF's website, and Chapter 10 of the International Monetary Fund Handbook, which explained the roles and relationships between secondary and tertiary departments. To create the World Bank's organizational map, we used the organizational structure posted on the World Bank's website. We then cross-checked the official World Bank organizational structure with other organizational charts published in research papers to understand the relationship between World Bank offices. IMF and World Bank officials were consulted as to the accuracy of our governance figures before publication.

Representation in Bretton Woods Institutions versus economic contribution

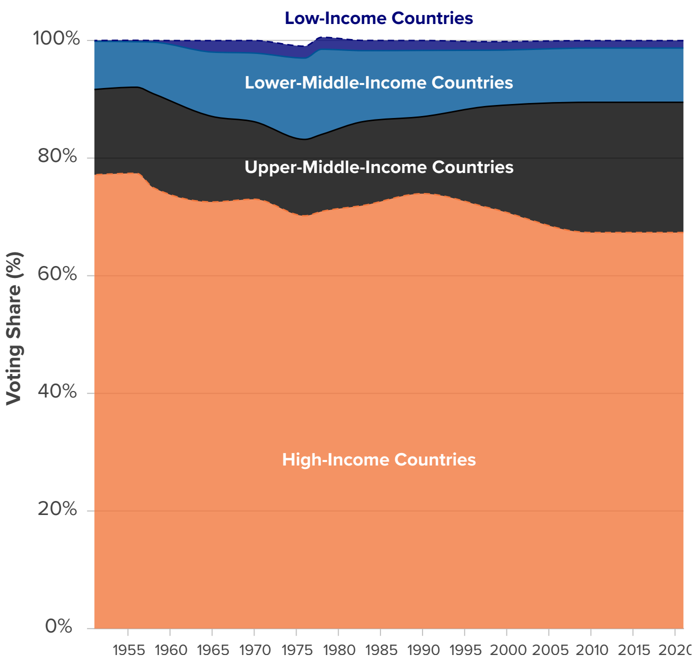
In generating Figure 3, we took the voting share data from the IMF's Fourteenth General Review of Quotas and the World Bank's allocation of votes data from International Bank for Reconstruction and Development documentation. Percentage of gross domestic product data statistics was calculated for each country or country grouping using the most recently available World Bank data. Population statistics were also sourced from the World Bank. (Data from 2022 was prioritized in all instances.)

Historical evolution of the IMF and World Bank's voting power

To construct Figure 5, we first sourced general review tables and figures where the voting share by country was readily apparent. This was the case for the IMF's 1951 (pages 100–103), 1956 (pages 137–139), and 1959 annual reports (pages 169–172), and the Fourteenth General Review of Quotas. The statistics for 2010 to the time of publication, subsequent to the Fourteenth General Review of Quotas, were taken from the IMF's updated website and utilize present statistics, as there have been small alterations since the Fourteenth General Review of Quotas was concluded in 2010. In other general reviews or corresponding annual reports, only total vote numbers were provided, so the percentage share of voting power had to be calculated by hand. This data was sourced from the following pages per year/report: 133–135 in the IMF's 1965 annual report corresponding to the fourth quinquennial review, 214–216 of the 1971 annual report, and 128–130 of the 1976 annual report. The fourth quinquennial review annex page 463 was used to verify that vote/quota increases had been applied in the 1965 annual report. The 1983 annual report (pages 177–179) was sourced for the corresponding vote shares to the Eighth General Review of Quotas. Pages 120–123 in the 1990 annual report were consulted for the Ninth General Review of Quotas. The 1999 annual report (pages 194–197) was referenced for the Eleventh General Review of Quotas vote shares. The country classifications (low, lower-middle, upper-middle, and high-income) were determined using the World Bank's classification system. Other caveats: The United Arab Republic — a political union of Egypt and Syria that existed between 1958 and 1961 — was classified as a lower-middle-income country, the Malagasy Republic was classified as a low-income country (in line with Madagascar's classification today), Dahomey was classified as a lower-middle-income country (in line with Benin's classification today).

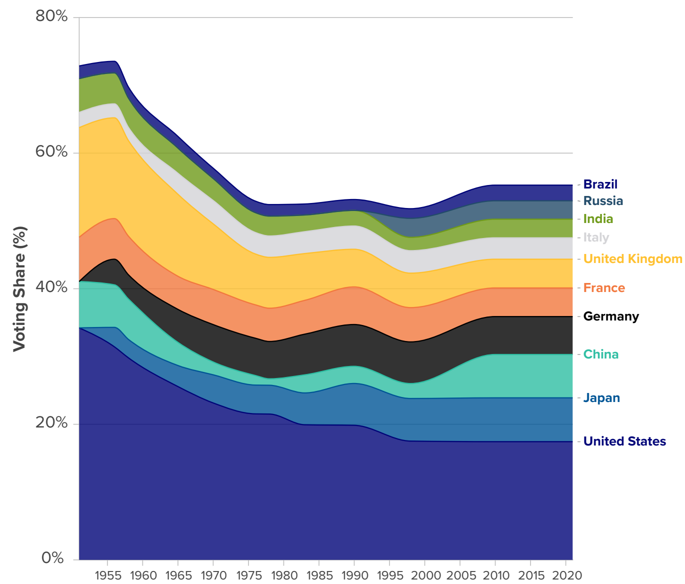
To construct Figures 10 and 11 in the appendix, we started by sourcing the records of each general quota review, dating back to 1951. In instances where each country's quota share was readily apparent in a chart, as with the first (pages 100–103) and fourteenth reviews (IMF webpage), we inputted the relevant data into Excel. Quota shares as a percentage were calculated in other cases using data on the amount of Special Drawing Rights held by a country. These latter cases included the second (pages 137–139), third (pages 161–163), fourth (page 463), fifth (pages 271–272; cross-checked with pages 108–111 of the 1976 Annual Report), sixth (pages 250–251; Increases

Figure 10. Stacked area chart depicting the changes in the IMF's quota shares from 1951 to 2021, categorized by high-income, upper-middle-income, lower-middle-income, and low-income countries



Source: International Monetary Fund.

Figure 11. Stacked area chart illustrating the historical changes in the IMF's quota shares from 1951 to 2021, broken down by individual countries



Source: International Monetary Fund.

in Quotas note of the Sixth General Review), seventh (pages 262–263; Increases in Quotas note of the Seventh General Review), eighth (pages 593–595; taken from the Increases in Quotas report of the IMF Executive Board to the Board of Governors), and ninth (page 104 in the 1990 Annual Report) general reviews. The IMF Survey of the 11th General Review of Quotas was also consulted for 1998 quota share values. The country classifications (low, lower-middle, upper-middle, and high-income) were determined using the World Bank's classification system, as was performed above. The same caveats and details in the above explanation apply to the appendix figures here.

Moreover, Figure 10 visualizes the historical evolution of the IMF's quota shares from 1951 to 2021, segmented by country income groupings: low-income countries, lower-middle-income countries, upper-middle-income countries, and high-income countries. The data was sourced from the IMF and presented in a stacked area chart format. For each year specified, the quota share percentages of each income grouping are accumulated to represent 100 percent of the total. The data set is not continuous for every year within the range, but the figure interpolates the quota shares for the missing years to provide a smoother visualization. It is important to note potential variations in the definitions of country income classifications over time, and the data for the years 2010 and 2021 are identical, which reflects a stasis in distribution since 2010.

Likewise, Figure 11 illustrates the historical trajectory of the IMF's quota shares by specific countries from 1951 to 2021. Countries represented include Brazil, Russia, India, Italy, the United Kingdom, France, Germany, China, Japan, and the United States. The data is displayed in a stacked area chart, wherein each country's quota share percentage for the respective year is represented by distinct color-coded segments, cumulating to 100 percent for each year. The data, sourced from the IMF, covers select years between 1951 and 2021. It is observed that the data for certain countries, such as Russia, is not available for all years. Furthermore, the quota shares for 2010 and 2021 are identical, possibly signifying either a consistent quota distribution or a lack of updated data for 2021. The graph offers an interpolated view for years with missing data, ensuring a continuous visual representation across the timeline.

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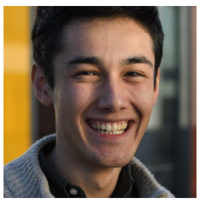

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