Selecting the World Bank President

Updated May 10, 2023

Congressional Research Service
https://crsreports.congress.gov
R42463

Summary

Since its founding after World War II, the presidency of the World Bank has been held by a citizen of the United States, the Bank's largest shareholder. According to an informal agreement among World Bank member countries, a U.S. candidate is chosen as the president of the World Bank and a European candidate (typically French or German) is appointed as the managing director of the International Monetary Fund (IMF).

World Bank President David Malpass announced that he was stepping down in February 2023, a year before the end of his five-year term expires. Mr. Malpass, nominated to the position by President Donald Trump in 2019, faced criticism during the past year over comments he made about the impact of greenhouse gas emissions on the environment. Later in February, President Biden nominated Ajay Banga to succeed Mr. Malpass. When the nominating period closed on March 29, 2023, no other World Bank member countries had put forward a candidate. Mr. Banga was confirmed by the World Bank Board for a five-year term on May 3, 2023 and he will assume the presidency on June 2. nominated, Ajay Banga served as Vice Chairman at General Atlantic. Previously, he was President and Chief Executive Officer of MasterCard.

The formal requirement for the selection of the World Bank president is that the executive directors appoint, by at least a 50% majority, an individual who is neither a member of the Board of Governors nor Board of Executive Directors. There are no requirements on how individuals are selected, on what criteria, or by what process they are vetted. Although the executive directors may select the IMF managing director by a simple majority vote, they historically aim to reach agreement by consensus. With these factors combined, the custom guaranteeing European leadership at the IMF and American leadership at the World Bank has remained in place.

This custom has been subject to increasing criticism during the past two decades. The first line of criticism is directed at the current distribution of voting power, which critics contend does not account for the increasing integration of developing countries into the global economy. A second line of criticism is directed at the method of selecting World Bank and IMF leadership, which critics argue elevates nationality above merit and undermines the legitimacy and effectiveness of the institutions. Calls for a more open, transparent, and merit-based leadership selection process have been made consistently in the past, and at times have been incorporated into communiqués of various summits, but have yet to change the leadership selection process at either institution.

Contents

Introduction 1
Background 1
What is the World Bank? 1
Leadership Selection at the World Bank 2
Formal Process for Selecting the World Bank President 4

Contacts

Author Information 7

Introduction

World Bank President David Malpass announced that he was stepping down in February 2023. Mr. Malpass, nominated to the position by President Donald Trump in 2019, had faced criticism during the past year over comments he made about the impact of greenhouse gas emissions on the environmentLater in February, President Biden nominated Ajay Banga to succeed Mr. Malpass. Ajay Banga currently serves as Vice Chairman at General Atlantic. Previously, he was President and CEO of MasterCard. When the nominating period closed on March 29, 2023, no other World Bank member countries put forward a candidate. Mr. Banga was confirmed by the World Bank Board for a five-year term on May 3, 2023 and he will assume the presidency on June 2.

This report provides information on the World Bank selection process and previous efforts to reform the process. According to an informal agreement among their member countries, the U.S. nominee is chosen as the World Bank president and a European candidate (typically French or German) is appointed as managing director of the International Monetary Fund (IMF). This custom has been subject to increasing criticism during the past two decades. The first line of criticism is directed at the current distribution of voting power, which critics contend does not account for the increasing integration of developing countries into the global economy. A second line of criticism is directed at the method of selecting World Bank and IMF leadership, which critics argue, elevates nationality above merit and undermines the legitimacy and effectiveness of the institutions.

Background

What is the World Bank?

The World Bank is a multilateral development bank (MDB) that offers loans and grants to low- and middle-income countries to promote poverty alleviation and economic development.[1] The World Bank has near-universal membership, with 189 member nations. U.S. membership in the World Bank is authorized by a federal statute known as the *Bretton Woods Agreements Act* (22 U.S.C. 286 *et seq*.).[2] Only Cuba and North Korea, and a few microstates such as the Vatican, Monaco, and Andorra, are nonmembers.

Two of the Bank's five facilities, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), lend directly to governments to finance development projects and policy programs in member countries. The IBRD provides middle-income developing countries with loans at near-market rates using funds raised by the World Bank on international capital markets. IDA was established in 1960 due to concerns that low-income countries could not afford to borrow at the near-market rate terms offered by the IBRD. IDA provides grants and concessional loans funded by contributions from donors and transfers from the IBRD to low-income countries. A country's eligibility for IBRD or IDA financial assistance depends on its relative poverty, defined as gross national income (GNI). For

[1] In addition to the World Bank, the United States is a member of four regional development banks: the African Development Bank (AfDB); the Asian Development Bank (AsDB); the European Bank for Reconstruction and Development (EBRD); and the Inter-American Development Bank (IDB).

[2] For additional background, see CRS Report R41170, *Multilateral Development Banks: Overview and Issues for Congress*, by Rebecca M. Nelson, CRS Report RS20792, *Multilateral Development Banks: U.S. Contributions FY2000-FY2020*, by Rebecca M. Nelson, and CRS Report R41537, *Multilateral Development Banks: How the United States Makes and Implements Policy*, by Rebecca M. Nelson and Martin A. Weiss.

2023, countries with a per capita GNI below $1,255 are eligible for IDA funding.[3] Three other World Bank-affiliated organizations are dedicated to promoting private sector finance and investment in low-income countries. The International Finance Corporation (IFC) promotes private sector development in developing countries by making loans and investments in small- and medium-sized companies in those countries. The Multilateral Investment Guarantee Agency (MIGA) provides private investors with insurance coverage against noncommercial risk (expropriation, war and civil disturbance, and/or breach of contract) in developing countries. The International Center for the Settlement of Investment Disputes (ICSID) provides dispute resolution for investment disputes between governments and foreign investors.

The United States is the largest contributor to the World Bank, having the largest share of the IBRD's subscribed capital, $51.3 billion (16.69%) of a total of $307 billion.[4] As the largest contributor, the United States holds a single seat on the 25-member Board of Executive Directors and carries 15.79% of the total votes in Bank decision-making. As a result, the United States uniquely has unilateral veto power on decisions requiring an 85% majority vote. The largest shareholders after the United States are Japan (6.89% of voting power), China (4.45%), Germany (4.03%), France (3.78%), and the United Kingdom (3.78%).[5] The large voting power of the United States ensures the U.S. ability to veto major policy decisions at the Bank.

A citizen of the United States has always held the presidency of the World Bank. The World Bank's president is chairman of the Board and elected by the Board of Directors. The president is the chief of the operating staff of the Bank and conducts, under direction of the executive directors, the ordinary business of the Bank.

Governance Structure of the World Bank

The Board of Governors is the highest policymaking authority of the Bank. All 189 countries are represented on the Board of Governors, usually at the finance minister or central bank governor level. Bank governors usually meet annually at the fall annual IMF/World Bank meetings.

The 25-member Board of Executive Directors is responsible for the conduct of the general operations of the Bank. The Board considers and decides on loan and credit proposals and policy issues that guide the general operations of the Bank and its overall direction. The Board functions in continuous session at the Bank and meets as often as required by Bank business; standing Board meetings are held twice weekly, with Board Committee meetings several times a month. The majority of Bank decisions require a 50% majority vote. Some special matters (changes in the Articles of Agreement or approval of funding increases, for example) require an 85% affirmative vote. Since the U.S. vote in the IBRD exceeds 15%, no funding increases, amendments, or other major actions can go into effect without U.S. consent.

The Development Committee is a forum of the World Bank and the International Monetary Fund with 25 members, usually ministers of finance or development, and who represent the full membership of the Bank and Fund. Its mandate is to advise the IMF and World Bank Boards of Governors on major economic development issues.

Leadership Selection at the World Bank

Selecting the leadership at the two major international financial institutions—the IMF and the World Bank—is guided by a tradition that the World Bank president is an American and that the IMF managing director is a European. The informal agreement reflects the political and economic balance of power at the end of World War II. At the time, the United States believed that the

[3] Further background information is available at http://ida.worldbank.org/about/borrowing-countries.

[4] CRS In Focus IF11361, *The World Bank*, by Rebecca M. Nelson.

[5] World Bank 2018 Annual Report and Financial Statements.

World Bank should be headed by an American since the United States was the only capital surplus nation, and World Bank lending would be dependent on American financial markets. The U.S. Secretary of the Treasury at the time, Fred Vinson, believed that if an American representative headed the World Bank, the IMF must be headed by a non-American.[6] Moreover, he noted, "it would be impracticable to appoint U.S. citizens to head both the Bank and the Fund."[7]

Previous World Bank Presidents (1946-Present)

- David Malpass, 2019-2023. Banker and former Under Secretary of the Treasury for International Affairs under President Donald Trump.
- Jim Yong Kim, 2012-2019. Physician and anthropologist, cofounder of a global health nonprofit organization, and former president of Dartmouth College.
- Robert Zoellick, 2007-2012. Former U.S. Trade Representative and Deputy Secretary of State under President George W. Bush.
- Paul Wolfowitz, 2005-2007. Former Deputy Defense Secretary under President George W. Bush.
- James Wolfensohn, 1995-2005. An investment banker and lawyer, born in Australia, who later became an American citizen.
- Lewis Preston, 1991-1995. A commercial banker who was chief executive of J.P. Morgan.
- Barber Conable, 1986-1991. Former Member of Congress from New York for 20 years.
- Alden Winship Clausen, 1981-1986. A commercial banker who was chief executive of BankAmerica.
- Robert S. McNamara, 1968-1981. Former Defense Secretary under Presidents John F. Kennedy and Lyndon Johnson. President of Ford Motor Company.
- George David Wood, 1963-1968. An investment banker and chairman of First Boston Corp.
- Eugene Robert Black, 1949-1962. Former top executive at Chase National Bank.
- John Jay McCloy, 1947-1949. A lawyer and former Assistant Secretary of War during World War II.
- Eugene Meyer, 1946. An investor and owner of the *Washington Post*.

Source: http://www.worldbank.org/en/about/archives/history/past-presidents.

Despite the growth of world capital markets, and the fact that the World Bank is no longer reliant on U.S. capital markets, the convention on the IMF and World Bank selection has remained intact. The U.S.-EU agreement is not unique. A 2009 study finds that

> Informal agreements allocating positions of authority and decision making pervade international organizations. Whether in secretariats or political, judicial, and administrative bodies, tacit understandings that assign representation to certain states or groups of states are the norm, not the exception...[8]

The Articles of Agreement of the African Development Bank (AfDB) and the Asian Development Bank (AsDB) each specify that only citizens of regional countries may serve as presidents of those banks. By tradition, the Japanese Finance Ministry nominates a Japanese citizen to be president of the AsDB. The Articles of the Inter-American Development Bank (IDB) and the European Bank for Reconstruction and Development (EBRD) specify only that their president must come from a member country. By tradition, the IDB president is selected by a competitive process from among citizens of the Latin American countries. The EBRD president is also elected

[6] Miles Kahler, *Leadership Selection in the Major Multilateral* (Washington, DC: Institute for International Economics, 2001).

[7] Ibid.

[8] Jacob Katz Cogan, "Representation and Power in International Organization: The Operational Constitution and its Critics," *The American Journal of International Law*, 2009, vol. 103.

by a presumably competitive process, though only French and German citizens have served to date in that capacity and there is normally only one nominee.

Second-tier offices in these institutions have also traditionally been reserved for U.S. citizens. First deputy managing director at the IMF and executive vice president at the IDB are traditionally U.S. citizens. These individuals are appointed by the chief executive of the institution, but in the case of the IMF and IDB an individual is typically designated by the U.S. Government. At the Asian Development Bank and EBRD, one of the vice presidents for an operational region has typically been a U.S. citizen.

However, despite these restrictions, there have been successful efforts to open up the selection process across the MDBs. Most recently, in November 2022, governments nominated five candidates for the presidency of the Inter-American Development Bank, with the Brazilian candidate Ilan Goldfajn winning the November 20th election and assuming the presidency.[9]

In 2015, the AfDB members elected Akinwumi Adesina of Nigeria, after a transparent election involving seven other candidates. Adesina garnered 58% of the total vote of AfDB shareholders.[10] The 2012 World Bank election was the first to include several candidates and Kim's nomination was, unlike past nominations, not unanimous. The announcement of Kim's selection noted that a new selection process (introduced in 2011) yielded multiple nominees (former Nigerian Finance Minister Ngozi Okonjo-Iweala and former Colombian Finance Minister and United Nations Under Secretary-General for Economic and Social Affairs Jose Antonio Ocampo) and that the nominees received support from different member countries.[11] In the most recent election, however, no other country besides the United States put forward a candidate.

Formal Process for Selecting the World Bank President

The formal guidelines for choosing the World Bank president are laid out in the Bank's Articles of Agreements and Bylaws.[12] Article V, Section 5, states that "[t]he Executive Board shall select a President who shall not be a Governor or an Executive Director." This decision may be reached by a simple majority of the Executive Board. Section 13(c) of the Bank's bylaws stipulates the terms of service. World Bank presidents are elected for renewable five-year terms. Neither the articles nor the bylaws articulate any specific qualifications for the position of president of the World Bank.

The Bank's Articles of Agreement, however, are silent on any requirements on how individuals are selected, on what criteria, or by what process they are vetted. There is no formal search process for candidates. Nominations can only be made by the 25 World Bank executive directors and there is no concerted search process of the Executive Board to identify and vet possible candidates.

---

[9] Reuters, *Brazil's Goldfajn elected to replace ousted IDB president*, November 20, 2022.

[10] Morris, Scott and Ben Leo, *African Development Bank Elects New President, Raises Bar for Transparency*, Center for Global Development, May 29, 2015, https://www.cgdev.org/blog/african-development-bank-elects-new-president-raises-bar-transparency.

[11] The World Bank, *World Bank's Executive Directors Select Dr. Jim Yong Kim 12th President of the World Bank Group*, April 16, 2012. http://www.worldbank.org/en/news/press-release/2012/04/16/world-bank-executive-directors-select-dr-jim-yong-kim-12th-president-of-the-world-bank-group.

[12] The World Bank Group's Articles of Agreement and Bylaws are available at the Bank's website: http://www.worldbank.org/en/about/articles-of-agreement.

In 2000, two internal working groups (the World Bank Working Group to Review the Process for Selection of the President and the International Monetary Fund Working Group to Review the Process for Selection of the Managing Director) were created to discuss the selection procedure. A joint draft report of the working groups was endorsed by the executive directors on April 26, 2001, but never formally implemented. The report declared, among other things, that transparency and accountability are critical to the selection process.[13]

Instead of implementing the 2001 report's recommendations, the Executive Board adopted in 2011 a procedure that specified qualification criteria, established a nomination period, and provided for an interview process. Critics point out that the agreed procedures remain vague and largely nontransparent. Most notably, development expertise is not included as a qualification and the decision will be taken not by public vote, but rather by consensus according to prior practice. Declaring the importance of an "open, transparent, and merit-based" process, yet continuing to perpetuate the status quo, according to three former World Bank chief economists, is hypocritical, and "destroys the trust and spirit of collaboration needed to manage the profound problems facing the world."[14]

The 2023 nomination period opened on February 23, 2023 and ran through March 29, 2023It is notable that the Executive Board "strongly encouraged" the nomination of female candidates.[15] Helen Clark, former prime minister of New Zealand and a member of GWL Voices, an advocacy group for multilateralism and gender equality made up of 62 global women leaders, wrote recently that the World Bank is one of 13 international organizations never to be led by a woman.[16]

[13] International Monetary Fund and the World Bank, "The Bank Working Group to Review the Process for Selection of the President and the Fund Working Group to Review the Process for Selection of the Managing Director—Draft Joint Report," April 25, 2001.

[14] Francois Bourguignon, Nicholas Stern, and Joseph Stiglitz, "End the Monopoly: let's make it a real World Bank at last," *Financial Times,* March 21, 2012."

[15] World Bank, "Selection of the President of the World Bank Group," February 22, 2023.

[16] Helen Clark, "How to ensure the next World Bank president is its first woman leader," *The Hill,* February 20, 2023.

2001 Recommendations of IMF and World Bank Leadership Reform

1) Executive Directors should establish clear criteria for identifying, nominating, and selecting qualified candidates for the post;

2) Executive Directors should be informed in a timely manner regarding candidates, including their credentials and knowledge of the institution;

3) There should be a channel for facilitating smooth communication;

4) Transparency and accountability are critical; and

5) Any decision concerning the selection process should take into account any impact on the selection process at other international financial institutions.

2012, 2018, and 2023 World Bank President Selection Criteria

1) A proven track record of leadership;

2) Experience managing large organizations with international exposure, and a familiarity with the public sector;

3) Ability to articulate a clear vision of the Bank's development mission;

4) A firm commitment to and appreciation for multilateral cooperation; and

5) Effective and diplomatic communication skills, impartiality, and objectivity.

Sources: International Monetary Fund and World Bank

The decision to select a new World Bank president is made by a majority vote of the World Bank's Executive Board. Unlike the United Nations General Assembly, which relies on a one-person, one-vote governance system, the World Bank uses a weighted voted system. Voting is loosely based on contributions to the Bank. The five largest shareholders (United States, Japan, Germany, France, and the United Kingdom) have their own seat on the Executive Board. All other countries have gravitated into mixed-state groupings or constituencies.

There is no formal congressional involvement in the selection of Bank management. U.S. participation in the World Bank is authorized by the Bretton Woods Agreement Act of 1945.[17] The act delegates to the President ultimate authority under U.S. law to direct U.S. policy and instruct the U.S. representatives at the Bank. The President, in turn, has generally delegated authority to the Secretary of the Treasury. With the advice and consent of the Senate, the President names individuals to represent the United States on the Executive Board of the World Bank. The position of U.S. executive director is held by Dr. Adriana Kugler, who is on leave from Georgetown University where she is a professor of economics. The alternate executive director position is currently vacant.[18] The Executive Board has authority over operations and policy and must approve any loan or policy decision. The U.S. executive director is supported primarily by Treasury Department staff.

Unique among the founding members, the Bretton Woods Agreement Act requires specific congressional authorization for certain decisions, such as changing the U.S. share at the Bank or amending the Articles of Agreement. However, neither the approval of individual loans nor the selection of the managing director requires congressional approval. That said, Congress has many avenues to direct or influence U.S. policy at the World Bank and other financial institutions. Over the years, Congress has enacted into law directives (many of them overlapping) requiring the Secretary of the Treasury to instruct U.S. executive directors to take specific actions within the MDBs. It has required the Secretary to consult with other countries about possible coordinated action within the MDBs on specific policy proposals or issues. It has also directed the Secretary

[17] 22 U.S.C. §286 et seq.

[18] For more information on Dr. Kugler, see: https://www.worldbank.org/en/about/people/a/adriana-kugler.

to consult with the relevant committees before U.S. executive directors may vote to support certain kinds of initiatives. Many of these directives require that the U.S. representatives at the MDBs oppose many kinds of loans. These include, for example, loans to countries whose governments violate internationally recognized human rights, expropriate property owned by American investors without adequate compensation, support international terrorism, or fail to cooperate in the suppression of illegal drug trafficking or trafficking in persons. Other directives require the Administration to pursue certain goals or to advocate particular policies in the MDBs. These can include efforts to include measures relating to workers' rights, greater emphasis on the needs of the poor in various situations, more efforts to restructure debts of impoverished countries, increased emphasis on integration of women in the development process, for example.

Author Information

Martin A. Weiss
Specialist in International Trade and Finance

Disclaimer