

**POLICY BRIEF**

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# REFORMING WORLD BANK GOVERNANCE FOR EQUITABLE CARIBBEAN REPRESENTATION

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## EXECUTIVE SUMMARY

The World Bank's governance structure significantly disadvantages Caribbean Small Island Developing States (SIDS), limiting their influence over policies that directly affect their development and climate resilience. This brief analyzes the current governance imbalance, demonstrates its impact on financing decisions, and proposes specific reforms to enhance Caribbean's voice in World Bank decision-making processes. By addressing these structural inequities, the World Bank can ensure more responsive and effective support for the unique challenges facing Caribbean SIDS.

## GOVERNANCE IMBALANCE ANALYSIS

### Current Voting Power Distribution

The World Bank's governance structure has remained largely unchanged since its establishment in 1944, creating severe imbalances in decision-making power:

- **Dominant Powers:** The United States holds 15.84% of voting power, followed by Japan (7.02%) and China (5.87%).
- **Caribbean Marginalization:** All Caribbean SIDS combined hold only 1.01% of total votes (29,011 votes among 189 member countries).
- **Historical Decline:** Basic votes, which ensure minimum representation regardless of economic size, have declined from 10.78% of total voting power in 1979 to just 5.55% today.
- **Representation Gap:** Caribbean countries are represented by only two Executive Directors on the 25-member Board, diluting their specific concerns.

### Empirical Evidence of Impact

This governance imbalance affects financing decisions and policy outcomes:

- **Declining Climate Finance:** World Bank climate finance lending to Caribbean SIDS fell from US\$344 million in FY2022 to just US\$85 million in FY2024, despite increasing climate vulnerability.
- **Adaptation Financing Approach:** While 77% of World Bank climate finance to the Caribbean (FY2018-FY2024) is directed to adaptation projects, the publication recommends shifting from the current project-based model to a more anticipatory, strategic, and transformational approach that better addresses Caribbean needs.
- **Policy Conditionalities:** Financing often comes with policy conditions that may not align with Caribbean priorities or contexts.
- **SDG Financing Gap:** Caribbean SIDS face a significant financing gap for achieving the UN Sustainable Development Goals, estimated at US\$5 billion annually for climate resilience alone.

# GOVERNANCE REFORM PROPOSALS

## 1. Restore Basic Votes

### Specific Reform Measures:

- Increase basic votes from the current 5.55% to at least the 1979 level of 10.78% of total voting power.
- Establish a minimum threshold of 0.15% voting power for each member country.
- Implement automatic adjustment mechanisms to prevent future erosion of basic votes.

### Benefits:

- Would increase Caribbean combined voting power from 1.01% to approximately 2.1%.
- Ensures minimum voice regardless of economic size.
- Recognizes the sovereign equality principle in international organizations.

### Implementation Pathway:

- Requires amendment to the World Bank's Articles of Agreement.
- Needs 85% of total voting power for approval, necessitating support from major shareholders.
- Could be implemented through a phased approach over 3-5 years.

## 2. Introduce Weighted Voting for Climate Issues

### Specific Reform Measures:

- Create a dual voting system where climate financing decisions use a weighted formula that accounts for:
  - Climate vulnerability (40% weight)
  - Population size (20% weight)
  - Implementation capacity (20% weight)
  - Traditional voting shares (20% weight)
- Apply this weighted system to Climate Investment Funds, Green Climate Fund resources, and climate-related operations.

### Benefits:

- Would significantly increase Caribbean influence on decisions directly affecting their climate resilience.
- Creates more balanced stakeholder input between contributors and affected countries.
- Establishes precedent for issue-specific governance innovations.

### Implementation Pathway:

- Could be initially implemented as a pilot program without changing the Articles of Agreement.
- Requires operational policy changes approved by the Executive Board.
- Could begin with advisory votes before transitioning to binding decisions.

### 3. Reform Executive Board Representation

#### Specific Reform Measures:

- Create a dedicated Caribbean constituency with its own Executive Director.
- Establish a minimum of three seats for Small Island Developing States globally.
- Implement constituency rotation reforms to ensure all members have regular direct representation.
- Create a formal SIDS advisory group to the Executive Board.

#### Benefits:

- Ensures Caribbean-specific concerns receive dedicated attention.
- Improves information flow between the Bank and Caribbean stakeholders.
- Enhances legitimacy of Board decisions affecting small states.

#### Implementation Pathway:

- Requires Executive Board procedural changes.
- Could begin with observer status for dedicated Caribbean representatives.
- Should include capacity support for effective constituency management.

### 4. Leadership Selection Reforms

#### Specific Reform Measures:

- Implement transparent, merit-based selection for all senior leadership positions.
- Establish geographic diversity requirements for senior management.
- Create a formal role for small states in the presidential selection process.
- Institute term limits for all senior positions.

#### Benefits:

- Increases likelihood of leadership understanding small state challenges.
- Improves institutional culture regarding small state concerns.
- Enhances legitimacy and global ownership of the institution.

#### Implementation Pathway:

- Requires Executive Board decisions on selection procedures.
- Could be implemented for positions below the President initially.
- Should include expanded candidate search mechanisms.





## POTENTIAL OUTCOMES

### Potential Quantifiable Improvements

- **Financing Alignment:** Reforms could help address the decline in climate and development financing to Caribbean SIDS.
- **Policy Relevance:** Reforms could lead to better policy alignment with Caribbean-identified priorities.
- **Institutional Responsiveness:** Improved representation could contribute to more efficient project approval and implementation processes for Caribbean operations.
- **Voice Amplification:** Reforms aim to increase Caribbean policy proposals considered by the World Bank.

### Potential Broader Systemic Benefits

- **Enhanced Legitimacy:** Improved perception of World Bank relevance and fairness among small states.
- **Better Development Outcomes:** More contextually appropriate interventions potentially leading to improved project success rates.
- **Global Governance Innovation:** Could serve as a model for governance reforms at other international financial institutions.
- **Regional Integration:** Potential platform for more coordinated Caribbean development approaches.

## POLITICAL ECONOMY CONSIDERATIONS

### Challenges and Mitigation Strategies

- **Major Shareholder Positions:**
  - Strategy: Focus initially on climate-specific governance reforms as a pilot.
  - Emphasize improved effectiveness rather than power redistribution.
  - Build coalitions with supportive non-Caribbean constituencies.
- **Implementation Complexity:**
  - Strategy: Propose phased approach with clear milestones.
  - Develop technical assistance for capacity building.
  - Create monitoring framework to demonstrate impact.
- **Institutional Culture:**
  - Strategy: Combine formal reforms with staff diversity initiatives.
  - Develop Caribbean-specific knowledge products to raise awareness.
  - Create formal consultation mechanisms alongside voting reforms.

## Strategic Advocacy Approach

Caribbean governments could consider a coordinated, multi-level advocacy strategy:

1. **Regional Consensus:** Develop a unified CARICOM position on governance reform priorities.
2. **Strategic Coalitions:** Partner with other vulnerable regions (Pacific SIDS, Africa) on shared governance concerns.
3. **Leverage Chairs:** Work through G24, Commonwealth, and OAS to amplify reform proposals.
4. **Stakeholder Mobilization:** Engage civil society, academia, and development partners in supporting reforms.
5. **Technical Evidence:** Produce rigorous analysis demonstrating governance-outcome linkages.

## ACTION PLAN FOR POLICYMAKERS

### Immediate Actions (0-12 months)

- Form a Caribbean Working Group on MDB Governance Reform with ministerial leadership.
- Develop a detailed Caribbean position paper on specific reform proposals.
- Engage Executive Directors representing Caribbean countries with specific instructions.
- Identify and cultivate champions among major shareholders and Bank leadership.
- Begin formal and informal advocacy at Spring and Annual Meetings.

### Medium-Term Actions (1-3 years)

- Submit formal reform proposals through appropriate World Bank channels.
- Build technical capacity for effective participation in governance discussions.
- Develop monitoring mechanisms to track reform progress.
- Create regular regional consultation mechanisms on World Bank policies.
- Implement coordinated regional voting strategies on key decisions.

## CONCLUSION

Reforming World Bank governance structures is essential for ensuring Caribbean SIDS can effectively influence decisions that directly impact their development trajectory and climate resilience. The proposed reforms would address equity and representation issues while potentially improving the effectiveness of World Bank operations in the Caribbean region. By adopting a strategic approach to governance reform advocacy, Caribbean policymakers can contribute to creating a more responsive and effective international financial architecture that addresses the unique challenges facing small island states.

Learn more: [www.debthub.cpdngo.org](http://www.debthub.cpdngo.org)

**'How Can the World Bank Better Support the Shared Debt, Climate, and Development Financing Challenges Facing Caribbean SIDS?'**

