



The World Bank Presidency

Standard Note: SN/EP/4345

Last updated: 4 July 2007

Author: Ed Beale

Economic Policy and Statistics Section

Archive: This document is dated **4 July 2007** and has been archived. It is not scheduled for update. Please contact [the relevant subject specialist](#) if you would like any further information.

This note outlines the events surrounding the former World Bank President Paul Wolfowitz who announced his resignation on 17 May 2007. It also briefly details the management structure under which the World Bank operates and how the President is selected.

Following his nomination by President George Bush on 30 May 2007, Robert Zoellick the former US deputy Secretary of State became the new President of the World Bank on 1 July 2007.

Contents

A.	Introduction	2
B.	Background to resignation	2
C.	World Bank governance	3
D.	Selection of the President	5
E.	Nomination and appointment of Robert Zoellick as the 11 th World Bank President	6
	1. Challenges facing the new President	6
	2. Reaction to the new President	7
F.	Previous Presidents	9

A. Introduction

On 17 May 2007 Paul Wolfowitz, the then President of the World Bank Group, announced that he would resign on 30 June 2007, two years after he began a five year term on 1 July 2005. This followed a controversy which first came to prominence at the Spring 2007 Meeting of the World Bank and IMF a month earlier. The US nominated the former US deputy Secretary of State, Robert Zoellick to succeed Mr Wolfowitz, and Mr Zoellick became the 11th World Bank president on 1 July 2007.

B. Background to resignation

The spring meeting of the World Bank and IMF on 14-15 April 2007 was overshadowed by controversy surrounding the current World Bank president Paul Wolfowitz. In the run up to the meeting it was reported that, in 2005 following his appointment as President, Mr Wolfowitz had instructed the World Bank's head of human resources to give Shaha Riza, a bank official, a pay rise and promotion as part of a secondment package to the US state department; this was in order to avoid a potential conflict of interests because of Mr Wolfowitz's romantic involvement with Ms Riza (Bank rules prohibit one spouse or partner from working for another).¹

Before and after the Spring meeting there were widespread calls for the President to resign most notably from the World Bank's Staff Association and, among others, the Managing Director of the World Bank, Graeme Wheeler. However, there were also a number of parties that came out in support of Mr Wolfowitz; the White House said that it had "full confidence" in the President while ministers from a number of African countries praised his work in the continent.² Nevertheless, an ad hoc group of Executive Directors of the World Bank was formed to consider:³

... the arrangements made for the secondment of the staff member closely associated with the President. In that context, the ad hoc group will consider such other information as it deems appropriate, with reference to, inter alia, the Staff Rules, the Code of Conduct applicable to Board officials and the President, and the contract of the President, and to conflict of interest, ethical, reputational, and other relevant standards. On this basis, the ad hoc group will make early recommendations for decision by the Executive Directors.

This group sent their final report to the President last week and the Executive Directors received the full report on 14 May 2007, meeting to consider the report the following day.⁴ The primary conclusions of the report were that Mr Wolfowitz had broken the institution's staff rules and code of conduct, breached his contract and fallen short of the ethical standards expected of his office. The report also called for a review of the governance framework of the Bank.

¹ "Pressure grows on Wolfowitz to resign", *Financial Times*, 13 April 2007

² "African Ministers Praise Paul Wolfowitz's Support for the Subcontinent", World Bank Press Release, 14 April 2007

³ [Communication from the Executive Directors of the World Bank Group](#), 19 April 2007

⁴ The full report is available at: <http://go.worldbank.org/X0TDIQ0RU0>

While the White House continually backed My Wolfowitz in the run-up to his resignation, it was reported that following a conference call of G7 countries only Japan supporting the US position that Mr Wolfowitz should remain in post.⁵ On 17 May, following three days of consideration, the Executive Directors and Mr Wolfowitz released statements announced his resignation.⁶

It was widely reported that this was a negotiated resignation; the Executive Board's statement acknowledged Mr Wolfowitz's service and that the Bank shared responsibility for the controversy over the secondment package for Shaha Riza, accepting assurances that Mr Wolfowitz had acted ethically and in good faith.⁷ The terms of Mr Wolfowitz's departure caused further divisions within the institution:⁸

The staff association said the board had further eroded employee confidence by accepting that Mr Wolfowitz had acted in good faith over a generous secondment package awarded to Shaha Riza, his girlfriend. Mr Wolfowitz won acknowledgement both of his service and his key assertion that the bank shared responsibility for the controversy.

Allison Cave, head of the staff association, said: "We are pleased that he is leaving. But it is unacceptable that he stays a day longer.

"The board statement and the term will damage staff confidence in the board and make reform more difficult."

However, Mr Wolfowitz also received praise upon his resignation with the Ghanaian finance minister Kwadwo Baah-Wiredu describing him as someone who "really got his hands dirty ... [and] did a good job for Africa".⁹

In a statement on 21 May, the Senior Management Team outlined that responsibility for operations of the Bank had been effectively transferred to them until a new President was appointed on 1 July.¹⁰

C. World Bank governance

The World Bank group operates under the authority of the Board of Governors; each of the 185 member countries of the World Bank is represented by one governor (usually a government official at the ministerial level). The World Bank Group has four Boards of Directors; one for each of the associated institutions of the World Bank Group; the International Bank for Reconstruction and Development (IBRD); the International Development Association (IDA); the International Finance Corporation (IFC); and the Multilateral Investment Guarantee Agency (MIGA). The Boards meet separately or jointly as business requires.

⁵ "US signals it might be prepared to see Wolfowitz step down", *Financial Times*, 16 May 2007

⁶ Available at: <http://go.worldbank.org/NDB91EQRJ0>

⁷ "Wolfowitz steps down as Bank president", *Financial Times*, 18 May 2007

⁸ "Departure terms split bank", *Financial Times*, 18 May 2007

⁹ "Bank chief praised on 'good job for Africa'", *Financial Times*, 19 May 2007

¹⁰ See: <http://go.worldbank.org/B1FURREAM0>

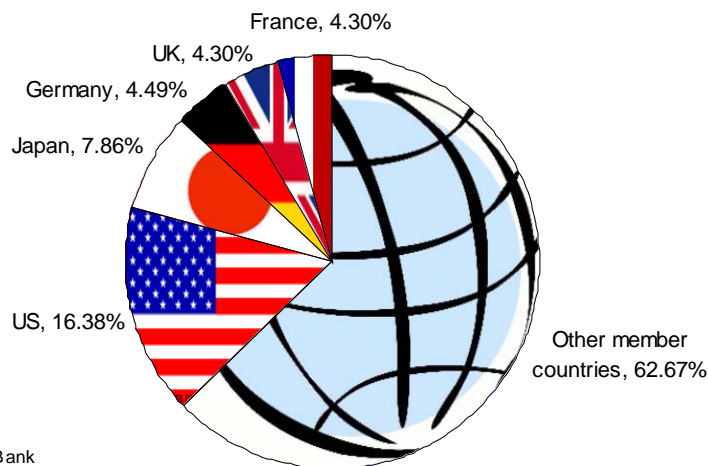
However, general operation of the Bank Group is delegated to a smaller group of representatives, the Board of Executive Directors, with the President of the World Bank serving as chairman of the board. The Executive Directors approve the President's contract and have the authority to remove the President from office. The IBRD Board is comprised of 24 Executive Directors. The Executive Directors of the IBRD serve *ex-officio* as Directors of the IDA and the IFC provided that the country that appoints them or any one of the countries that elects them is also a member of IDA and IFC. It is customary for the Directors of MIGA to also serve as Executive Directors of the Bank. Five of the 24 IBRD Executive Directors are appointed by the members who constitute the five largest shareholders of the Bank (currently the United States, Japan, Germany, France and the United Kingdom). The 19 remaining Executive Directors are elected by the Bank's other members.

The boards normally make decisions by consensus, however the relative voting power of individual executive directors is based on the shares that are held by the countries they represent (see chart 1 below). As the World Bank website states:¹¹

Like all corporate organizations, each of the agencies of the World Bank Group has shareholders; these are the member countries. Every shareholder is allocated a certain number of votes linked to the size of its shareholding. The votes include a specified number of membership votes (which is the same for all members) and additional votes based on the number of shares of the stock held. The number of votes of a member expressed as a percentage of the total number of votes held by all shareholders is the member's voting power.

Voting powers of the largest shareholders of the IBRD are show in the chart below.¹²

Chart 1: Voting power of the largest shareholders of IBRD



¹¹ See: <http://go.worldbank.org/VQBEJVHX10>

¹² A full list of votes and subscriptions of each member country are provided on the World Bank website: <http://go.worldbank.org/279I56NHG0>

D. Selection of the President

Paul Wolfowitz was the tenth president of the World Bank Group and was appointed on 1 June 2005 succeeding James D. Wolfensohn who had been president for two five-year terms. Although the Articles of Agreement do not specify the nationality of the President, by a long standing informal agreement the bank president is national of and is nominated by the largest shareholder in the bank, the United States, while the managing director of the IMF is a European. The President is then elected by the Board of Governors for a five-year, renewable term.

There had been call prior to Mr Wolfowitz's appointment for the selection process to be reformed and for a non-US citizen to be elected President. These calls were renewed following Mr Wolfowitz's resignation.

However, it was widely reported in the press that, as part of a deal between the US and major European shareholders (France, Germany and the UK) which saw Mr Wolfowitz resign (thus avoiding a vote by the Executive Board), the European government's agreed to allow the US to retain their right to select the next President.¹³ Indeed, speaking at a pre-G8 meeting of finance ministers in Potsdam on 20-21 May, the Chancellor Gordon Brown stated:¹⁴

The American Administration are likely to nominate an American ... There's a long history of a European being managing director of the IMF and an American nominee being president of the World Bank .

While similarly, it was reported that spokespeople at the meeting for both France and Germany indicated that they would not try to alter the tradition of a US President.¹⁵

Following Mr Wolfowitz's resignation, the World Bank's Executive Directors prepared a profile of the key qualities the President should have:¹⁶

- a proven track record of leadership;
- experience managing large, international organizations, a familiarity with the public sector and a willingness to tackle governance reform
- a firm commitment to development;
- a commitment to and appreciation for multilateral cooperation; and
- political objectivity and independence.

¹³ See for example: "No clear end-game in sight for Wolfowitz", *Financial Times*, 2 May 2007; "Deal offered on Wolfowitz exit", *The Times*, 9 May 2007

¹⁴ "G8 critical of China's \$20bn loan package for Africa", *The Times*, 21 May 2007

¹⁵ *ibid.*

¹⁶ "Communication from the Executive Directors on the Selection of the President of the World Bank", 29 May 2007

E. Nomination and appointment of Robert Zoellick as the 11th World Bank President

There was much speculation about who would replace Paul Wolfowitz as President of the World Bank on 1 July 2007. The US Government said that it would find a successor swiftly¹⁷ and, on 30 May 2007, following consultation with the Bank's other main shareholder governments, George Bush announced that he had nominated Robert Zoellick, a former US trade representative and deputy Secretary of State to succeed Paul Wolfowitz.

Although it was reported that the key European shareholders will not oppose the appointment of a US citizen by the US government (as outlined above) to the post, there had been continued calls for the selection process to be reformed and for the Executive Board to be able to choose between more than one candidate, based on merit.¹⁸ In a press release, the Executive Directors noted that "nominations may be made by any Executive Director of the Bank".¹⁹ Therefore, while the US had nominated Robert Zoellick as President it was still possible that other candidates may be put forward by other countries for consideration by the Board of Executive Directors. The Board set a deadline of 15 June to receive nominations. After this date, Board meetings and interviews with Mr Zoellick were held regarding the Presidency and the Board of Executive Directors unanimously approved his nomination to a five year term on 25 June 2007.²⁰

Non-US national candidates that had been suggested in the Press included Tony Blair, Ashraf Ghani, a former Afghan Finance Minister and Ngozi Okonjo-Iweala, Nigeria's former Finance Minister.

1. Challenges facing the new President

On becoming President, Mr Zoellick outlined a number of challenges facing the World Bank. Notably, a World Bank press release stated:

... a key challenge for the institution and its staff is to help all nations, particularly the poorest ones, share in the benefits of "sustainable globalization."

Speaking on his first official day on the job, the 53-year-old veteran diplomat and international banker said globalization was being driven by "two huge developments since the end of the Cold War" - an international labor force that has grown from 1 billion to 4 billion workers and a parallel large savings pool.

These two trends, Zoellick said, were creating many winners among nations, but leaving some, especially in Africa, lagging behind.

"One of the challenges of the Bank today is to help the poorest countries take advantage of these changes...and opportunities," he said.

¹⁷ ["White House promises to replace Wolfowitz quickly: Blair championed as new World Bank president: Anger over exoneration of leader forced to resign"](#), *The Guardian*, 19 May 2007

¹⁸ See for example: "Call to open up World Bank job", *Financial Times*, 23 May 2007

¹⁹ *ibid.*

²⁰ ["Press Release Regarding the Selection of Mr. Robert B. Zoellick as President of the World Bank"](#), World Bank, 25 June 2007

Zoellick said developed countries "have a real interest in creating success" among the poorest nations.

Talking about his recent tour of Africa, Europe and Latin America and the Caribbean, Zoellick said: "I am delighted to say there's a very high regard for the Bank and its people, but also recognition that there are new challenges ahead."

He said the leaders of developing nations in Sub-Saharan Africa he spoke with "were interested in social development, but they also wanted to stress the foundations for economic growth and building savings and investment in Africa."

Furthermore in an interview with the *Financial Times*, Mr Zoellick said he would also focus on restoring calm and purpose to bank staff, many of whom had been extremely unhappy with the actions of Mr Wolfowitz:²¹

I am going to be focusing very heavily on the staff and getting to know the management. I want to give these people a sense that I know their qualities ... People need to be treated with dignity.

The article also suggested seven areas that Mr Zoellick will have to focus on:²²

- The poorest countries, particularly in Africa, left behind by the globalisation of trade and private capital flows.
- Work in middle-income and emerging economies; with the bank continuing to lend even to countries such as China that have access to private capital, but contributing most through its know-how in helping to build the infrastructure of a modern economy.
- A larger role in fragile and post-conflict states.
- The role of the Bank in providing public goods, which prominently includes climate change but also combating disease or even supporting a trade round with aid for capacity building.
- Exploring how the bank could better support modernisers in the Arab and Muslim world.
- the bank's role as a learning institution.

2. Reaction to the new President

The nomination of Robert Zoellick was generally welcomed. The French Foreign Minister Bernard Kouchner commented:²³

²¹ ["An ear to lend Zoellick wants a wide debate on the development agenda"](#), *Financial Times*, 29 June 2007

²² *ibid.*

²³ ["US nominates new World Bank chief"](#), BBC news, 30 May 2007

Mr. Zoellick is certainly the right man for the job ... [however he] has to establish or rather re-establish confidence in the institution because it was a dark chapter with Wolfowitz.

The German Development Minister, Heidemarie Wiecek-Zeul, reported to be one of the key players in Mr Wolfowitz's resignation, welcomed Mr Zoellick's nomination:²⁴

It is important that a new President of the World Bank is installed without delay, so that the Bank regains its ability to act. The poorest of the poor in particular need a strong World Bank. Robert Zoellick is a good candidate with extensive international experience. We are looking forward to the dialogue with him and the other shareholders on the future challenges and strategies of the World Bank – especially a consistent poverty reduction, achieving the Millennium Development Goals and global climate protection.

In a letter to the *Financial Times*, World Health Organization (WHO) Collaborating Centre for Disaster Epidemiology, Director, Debarati Guha-Sapir said:²⁵

Robert Zoellick is about the best thing that could have happened to the World Bank ... Zoellick's interest in climate change and combating disease is spot on ... He is also absolutely right in his focus on conflict and post-conflict countries ... In general, the Bank must move away from soft social areas and concentrate on what it is best equipped to handle - loans, financial markets, infrastructure and growth, and capital flows related to development.

However, Paul Zeitz, executive director of the Global AIDS Alliance said:²⁶

[Mr Zoellick] has been a close friend to the brand-name pharmaceutical industry.

The bilateral trade agreements he has negotiated effectively block access to generic medication for millions of people.

He has no significant experience in economic development in poor countries and from a public health standpoint, Zoellick is a terrible choice for World Bank President.

²⁴ [“Wiecek-Zeul welcomes US proposal for the Office of World Bank President”](#), Federal Ministry for Economic Cooperation and Development, 30 May 2007

²⁵ [“Zoellick has the right priorities for World Bank”](#), *Financial Times*, 3 July 2007

²⁶ [“Profile: Robert Zoellick”](#), BBC news, 30 May 2007

F. Previous Presidents

Paul Wolfowitz was the second shortest serving President in the history of the World Bank, second only to Eugene Meyer the Bank's first President. The previous presidents were as follows:



[James D. Wolfensohn](#)
June 1995 - June 2005



[Lewis Preston](#)
September 1991 - May 1995



[Barber Conable](#)
July 1986 - August 1991



[Alden Winship Clausen](#)
July 1981 - June 1986



[Robert Strange McNamara](#)
April 1968 - June 1981



[George David Woods](#)
January 1963 - March 1968



[Eugene Robert Black](#)
July 1949 - December 1962



[John Jay McCloy](#)
March 1947 - June 1949



[Eugene Meyer](#)
June 1946 - December 1946