



## IMF Board of Governors Approves Quota and Related Governance Reforms

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On September 18, 2006, the Board of Governors of the International Monetary Fund (IMF) adopted a Resolution on Quota and Voice Reform in the IMF. Members representing 90.6 percent of the total voting power cast votes in favor of the Resolution. Votes of Governors exercising 85 percent of the total voting power were required for adopting the Resolution.

The Resolution, which had been recommended by the IMF's Executive Board to the IMF Board of Governors, is a package of reforms on quotas and voice in the IMF (see [Press Release No. 06/189](#)). These reforms aim to better align the IMF's quota shares with members' relative positions in the world economy and to make it more responsive to changes to the global economy while, and equally important, enhancing the participation and voice of low-income countries in the IMF.

The two-year reform program includes as a first step ad hoc quota increases for a group of the most clearly underrepresented countries, China, Korea, Mexico and Turkey. The Resolution further requests that by the Annual Meetings in 2007, the IMF Executive Board reach agreement on a new quota formula to guide the assessment of the adequacy of members' quotas in the IMF. Such a formula should provide a simpler and more transparent means of capturing members' relative positions in the world economy. The new quota formula will provide the basis for a further rebalancing of quotas to be recommended to the Board of Governors by the Annual Meetings in 2007 and no later than by the Annual Meetings in 2008.

The Executive Board is also requested to propose an amendment of the IMF's Articles of Agreement to provide for at least a doubling of the basic votes that each member possesses, so as to protect the voting power of low-income countries as a group; and it is envisaged that the amendment should also safeguard the proportion of basic votes in total voting power.

The Resolution also calls on the Executive Board to act expeditiously to increase the staffing resources available to those Executive Directors elected by a large number of members whose workload is particularly heavy. Further, the Executive Board will give consideration to the merits of an amendment of the Articles that would enable each Executive Director elected by a large number of members to appoint more than one Alternate Executive Director.

It is also envisaged that the Board of Governors will consider distributing any increase in quotas with a view to achieving better alignment of members' quota share with their relative positions in the world economy, while ensuring that the IMF has adequate liquidity to achieve its purposes.

### ANNEX

In his speech to the 2006 Boards of Governors of the IMF and the World Bank Group to be delivered on September 19, 2006 in Singapore's Suntec Convention Centre, Managing Director Rodrigo de Rato will tell the members:

"I am delighted to tell you that Governors have voted overwhelmingly in support of the reforms.

"These reforms are the first step in a process that will increase the representation of many emerging market countries to reflect their increased weight in the global economy. Right away, they will increase the voting power of four countries—China, Korea, Mexico, and Turkey—that are most clearly underrepresented. Equally important, Governors have agreed that we must strengthen the voice and representation of low-income countries that continue to borrow from the Fund but have only a limited share in Fund voting.

"These governance reforms are tremendously important for the future of our

institution. They will enhance our effectiveness and add legitimacy to all of the other reforms that we are implementing. Their passage is a tribute to the hard work of the staff and the Board, and to your vision in recognizing that preparing the Fund for the future is in every country's interests. We will implement the agreed package over the next two years. There is much work to do, but this vote is a great start. It shows that the spirit of international cooperation is alive and well at the Fund."

The Managing Director's speech will also outline the key points of the IMF's Medium-Term Strategy, including strengthening economic surveillance and measures to prevent crises, especially in emerging markets, and will touch on key challenges facing the global economy, including a disorderly unwinding of global imbalances and risks from potential trade protectionism without a resumption of Doha Round negotiations. The Managing Director will also point to the IMF's role in low-income countries, particularly in the context of countries that have received substantial aid flows and debt relief.

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