International Monetary Fund

IMF Executive Board Recommends Quota and Related Governance Reforms

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The Executive Board of the International Monetary Fund (IMF) has recommended to the IMF Board of Governors a package of reforms on quotas and voice in the IMF to better align the current governance regime with members' relative positions in the world economy and to make it more responsive to changes in global economic realities while, and equally important, enhancing the participation and voice of low-income countries in the IMF. It is expected that the Board of Governors will vote on the package of reforms by its upcoming Annual Meeting in Singapore on September 19-20, 2006.

"The Executive Board's decision represents an endorsement of fundamental reform that will enable the Fund to evolve to meet the challenges of a changing global economy," IMF Managing Director Rodrigo de Rato stated. "To meet global challenges, we need to make sure the voice and representation of members is appropriate and the system that determines governance of the Fund is as transparent as possible."

The quota and governance reforms are designed as an integrated two-year program that should be completed no later than the Annual Meeting of the IMF Board of Governors in 2008. The reform package consists of the following elements: initial ad hoc increases in quotas for a small group of the most under-represented countries comprising China, Korea, Mexico and Turkey; to start immediately work on a new formula to guide the assessment of the adequacy of members' quotas in the IMF and be completed by the 2007 Annual Meetings; a second round of ad hoc quota increases based on the new formula; and work on a proposal to increase the basic votes that each member possesses to ensure adequate voice for low-income countries in the IMF.

Initial ad hoc increases for China, Korea, Mexico and Turkey

The initial ad hoc increases for China, Korea, Mexico and Turkey imply new quotas for the four countries as shown in Table 1, and imply an aggregate increase in quotas of SDR 3.81 billion (about US$5.66 billion), or 1.8 percent of IMF's total current quotas of SDR 213.48 billion (about US$317.26 billion). The ad hoc quota increases shall become effective after each member has consented to and paid the full amount of the increase. Both the written consent and the full payment to the Fund for the increase must be made no later than 30 days after the approval of the proposed ad hoc increases by the IMF Board of Governors.

Table 1. Current and New Quotas for China, Korea, Mexico and Turkey

	Current Quota (in millions of SDRs)	Proposed Quota (in millions of SDRs)	Current Quota (in millions of US dollars)	Proposed Quota (in millions of US dollars)
China	6,369.2	8,090.1	9,465.5	12,023.0
Korea	1,633.6	2,927.3	2,427.7	4,350.4
Mexico	2,585.8	3,152.8	3,842.8	4,685.5
Turkey	964.0	1,191.3	1,432.6	1,770.4

A second round of ad hoc quota increases, based on the new quota formula to be developed, is envisaged and will aim to achieve a significant further realignment of quotas, according to the reform plan. Beyond the second round, it is proposed that the Board of Governors would consider distributing any future increase in quotas with a view to achieving better alignment of members' quotas with their relative positions in the global economy, while continuing to ensure that the Fund has adequate liquidity to achieve its purposes, which is the traditional objective of general reviews of quotas.

Increase in basic votes

The Executive Board's proposal calls for at least a doubling of the basic votes that each IMF member possesses, and thereby at a minimum protect the existing voting share of low-income countries as a group. The proposal also calls for keeping the share of the basic votes in total voting power subsequently unchanged. The increase in basic votes will require an amendment to the IMF's Articles of Agreement. The Executive Board will seek to put forward a specific proposal on the basic votes by the Annual Meeting in 2007 (see IMF Quotas factsheet).

The reform measure calls for steps to enhance the capacity of African offices to effectively participate in the governance of the Fund. In this context, the Executive Board will consider the merits of proposing an amendment of the Articles of Agreement that would enable Executive Directors elected by a large number of members to appoint more than one Alternate Director in order to facilitate the work of their offices.

"The reforms endorsed by our Executive Board show the spirit of international cooperation is alive and well at the IMF. There is much work still to be done, but this is a very important and positive beginning," Mr. de Rato stated.

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