

## 2010 Reforms and Fifteenth General Review of Quotas—Report of the Executive Board to the Board of Governors

1. In completing the Fourteenth General Review of Quotas (hereafter the “Fourteenth Review”) and approving the Proposed Amendment on the Reform of the Executive Board (hereafter the “Board Reform Amendment”), the Board of Governors requested the Executive Board to bring forward the timetable for completion of the Fifteenth General Review of Quotas (hereafter the “Fifteenth Review”) to January 2014.<sup>1</sup> The Executive Board was also requested to complete a comprehensive quota formula review by January 2013.<sup>2</sup> These forward-looking elements were part of an agreed package of 2010 quota and governance reforms (hereafter the “2010 Reforms”). Each member committed to use its best efforts to complete the required steps for the effectiveness of the quota increases under the Fourteenth Review no later than the Annual Meetings in 2012.<sup>3</sup>

2. To facilitate its work on the Fifteenth Review, the Executive Board established a Committee of the Whole on January 30, 2013.<sup>4</sup> However, the initiation of work on the Fifteenth Review was put on hold to facilitate the achievement of the required acceptance threshold for the entry into force of the Board Reform Amendment (i.e., acceptance by three-fifths of the members representing 85 percent of the total voting power), which is one of the general conditions for the associated effectiveness of the quota increases under the Fourteenth Review.

3. In light of continuing delays in the implementation of the 2010 Reforms, the Board of Governors, in February 2014, adopted Resolution No. 69-2 requesting the Chairman of the International Monetary and Financial Committee (IMFC) to consult with the membership and to advise the IMFC at its Spring 2014 Meeting on progress in making the Fourteenth Review and the Board Reform Amendment effective, and on the available options for completing the current round of the quota reform process, with the objective of completing the Fifteenth Review by January

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<sup>1</sup> Board of Governors Resolution No. 66-2 on Fourteenth General Review of Quotas and Reform of the Executive Board, adopted December 15, 2010. The deadline for completing the Fifteenth Review mandated under the Articles of Agreement is December 15, 2015 (Article III, Section 2(a) requires the Board of Governors to conduct a general review at intervals of not more than five years).

<sup>2</sup> The Executive Board reported to the Board of Governors on the outcome of the quota formula review on January 30, 2013 (*Outcome of the Quota Formula Review—Report of the Executive Board to the Board of Governors* (1/30/2013)). The report noted that important progress had been made in identifying key elements that could form the basis for a final agreement on a new quota formula.

<sup>3</sup> In accordance with Board of Governors Resolution No. 66-2, no increase in quotas under the Fourteenth Review can become effective until three conditions have been met: (i) consent to quota increases by members having at least 70 percent of quotas as of November 5, 2010, (ii) entry into force of the proposed Amendment on the Reform of the Executive Board, and (iii) entry into force of the Amendment on Voice and Participation. Condition (i) has been met, see below, as has been condition (iii), with the Voice and Participation Amendment entering into force on March 3, 2011. Condition (ii) requires acceptance of the proposed amendment by three-fifths of the members representing 85 percent of the total voting power.

<sup>4</sup> In accordance with Rule D-3 of the Fund’s Rules and Regulations. See *Committee of the Whole for the Fifteenth General Review of Quotas*.

2015.<sup>5</sup> At its April 2014 meeting, the IMFC urged the United States to ratify the 2010 Reforms at the earliest opportunity and agreed that, if the 2010 Reforms were not ratified by the end of 2014, it would call upon the IMF to build on its existing work and develop options for next steps. Since February 2014, the Executive Board has continued to be informed on progress towards the effectiveness of the 2010 Reforms. It also held an informal discussion in July 2014 on a staff paper that updated the quota database through 2012, including by incorporating the 2011 International Comparison Program (ICP) global estimates of purchasing power parity (PPP) rates, and presented a range of illustrative quota formula simulations.<sup>6</sup>

4. The Board Reform Amendment has still not entered into force and there is considerable uncertainty as to whether it will enter into force in the near future. As of mid-January 2015, 163 members representing 79.6 percent of total quotas as of November 5, 2010 (requirement: 70 percent) have consented to their quota increases, and 146 members (requirement: 113) representing 77.1 percent of total voting power (requirement: 85 percent) have agreed to the Board Reform Amendment.<sup>7</sup>

5. Given that the 2010 Reforms were not implemented by end-2014, and as requested by the IMFC, the Executive Board held an informal discussion in January 2015 on options for next steps, building on its existing work. The Executive Board is committed to work expeditiously on interim steps to make meaningful progress in the key areas covered by the 2010 Reforms, pending their full implementation, to provide a basis for IMFC discussion at the 2015 Spring Meetings.

6. The Executive Board deeply regrets the continuing delay in implementing the Fourteenth Review quota increases and the Board Reform Amendment. It reiterates the importance and urgency of the 2010 Reforms for the Fund's credibility, legitimacy, and effectiveness. This includes ensuring that, as a quota-based institution, the Fund has sufficient permanent resources to meet members' needs, that its governance structure evolves in line with members' changing positions in the world economy, and that the voice and representation of the poorest members are protected.

7. The Executive Board has so far delayed commencement of its work on the Fifteenth Review in order to facilitate the implementation of the 2010 Reforms. As a result, it has not completed its work in accordance with the timetable set forth in Board of Governors Resolutions No. 66-2 and No. 69-2. The Executive Board proposes to move the deadline for the completion of the Fifteenth Review, which will build on the Fourteenth Review, to December 15, 2015, in line with the timetable mandated under the Articles. In this context, the Executive Board reiterates its agreement that achieving broad consensus on a new quota formula would best be done in the context of the

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<sup>5</sup> See Board of Governors Resolution No. 69-2 and *2010 Reforms and Fifteenth General Review of Quotas—Report of the Executive Board to the Board of Governors* (1/30/14).

<sup>6</sup> *Quota Formula—Data Update and Further Considerations* (7/2/14).

<sup>7</sup> Forty-two members have not yet accepted the Board Reform Amendment. Acceptance by the United States is needed to reach the required acceptance threshold.

Fifteenth Review, and that the discussions on this issue would be integrated and move in parallel with the discussion on the Fifteenth Review.

8. Against this background, the Executive Board proposes that the Board of Governors adopt a Resolution (i) expressing its deep regret that the Fourteenth Review quota increases and the Board Reform Amendment have not become effective, and that the Fifteenth Review has not been completed; (ii) emphasizing the importance and urgency of the 2010 Reforms for the Fund's credibility, legitimacy, and effectiveness, and reiterating its commitment to their earliest possible implementation; (iii) urging the remaining members who have not yet accepted the Fourteenth Review quota increases and the Board Reform Amendment to do so without further delay; (iv) calling for the completion of the Fifteenth Review by December 15, 2015; and (v) calling on the Executive Board to work expeditiously and to complete its work as soon as possible on interim steps in the key areas covered by the 2010 quota and governance reforms, pending their full implementation, and thus to enable the Board of Governors to reach agreement on steps that represent meaningful progress towards the objectives of the 2010 Reforms by June 30, 2015. The Executive Board stresses that such interim steps should not in any way be seen as a substitute for the 2010 Reforms, which remain the highest priority.

## Appendix

### Resolution No. [ ]

#### **2010 Reforms and Fifteenth General Review of Quotas**

*In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Board of Governors on January 28, 2015 for a vote without meeting:*

WHEREAS in Resolution No. 66-2 the Board of Governors agreed on the quota increases under the Fourteenth General Review of Quotas (hereinafter the "Fourteenth Review") and the Proposed Amendment on the Reform of the Executive Board (hereinafter the "Board Reform Amendment") aimed at strengthening the credibility, legitimacy and effectiveness of the Fund;

WHEREAS members committed under Resolution No. 66-2 to use their best efforts to complete the necessary steps for the effectiveness of the Fourteenth Review and the Board Reform Amendment by the Annual Meetings in 2012;

WHEREAS the Board of Governors requested in Resolution No. 66-2 that the Executive Board bring forward the timetable for completion of the Fifteenth General Review of Quotas (hereinafter the "Fifteenth Review") to January 2014;

WHEREAS the Executive Board agreed that achieving broad consensus on a new quota formula would best be done in the context of the Fifteenth Review, and that the discussions on this issue would be integrated and move in parallel with the discussion on the Fifteenth Review;

WHEREAS in view of the delays in the effectiveness of the Fourteenth Review quota increases and the Board Reform Amendment, as well as in the completion of the Fifteenth Review, the Board of Governors, in February 2014 adopted Resolution No. 69-2 requesting the Chairman of the International Monetary and Financial Committee (IMFC) to consult with the membership and to advise the IMFC at its 2014 Spring Meeting on progress in making the Fourteenth Review and the Board Reform Amendment effective, and the available options for completing the current round of the quota reform process, with the objective of completing the Fifteenth Review by January 2015;

WHEREAS, notwithstanding the aforementioned commitment and request, the Fourteenth Review quota increases and the Board Reform Amendment have not yet become effective and the Fifteenth Review has not yet been completed;

WHEREAS the Secretary of the Fund has submitted, on January 28, 2015, to the Board of Governors the Report of the Executive Board entitled *2010 Reforms and Fifteenth General Review of Quotas*; and

WHEREAS the Executive Board has requested the Board of Governors to vote on the following Resolution without meeting, pursuant to Section 13 of the By-Laws of the Fund:

NOW, THEREFORE, the Board of Governors, noting the recommendations and the said Report of the Executive Board, hereby RESOLVES that:

1. The Board of Governors deeply regrets that the Fourteenth Review and the Board Reform Amendment have not become effective, and that the Fifteenth Review has not been completed by January 2015 as requested under Board of Governors Resolution No. 69-2.
2. The Board of Governors emphasizes the importance and urgency of the 2010 quota and governance reforms for the Fund's credibility, legitimacy, and effectiveness, and reiterates its commitment to their earliest possible implementation.
3. The Board of Governors urges the members who have not yet accepted the Fourteenth Review quota increases and the Board Reform Amendment to do so without further delay.
4. The Board of Governors calls for the completion of the Fifteenth Review in line with previous Executive Board understandings, and by December 15, 2015 as mandated under the Articles of Agreement.
5. The Board of Governors calls on the Executive Board to work expeditiously and to complete its work as soon as possible on interim steps to make meaningful progress in the key areas covered by the 2010 quota and governance reforms pending their full implementation, and thus to enable the Board of Governors to reach agreement on such steps by June 30, 2015. The Board of Governors stresses that such interim steps should not in any way be seen as a substitute for the 2010 Reforms, which remain the highest priority.