

Report of the Executive Board to the Board of Governors on Progress on the Fifteenth General Review of Quotas

1. In February 2016, the Board of Governors adopted Resolution No. 71-2 on the Fifteenth General Review of Quotas (hereafter the "Fifteenth Review"), which (i) welcomed the entry into force of the Seventh Amendment on the Reform of the Executive Board, allowing the quota increases under the Fourteenth Review to become effective; (ii) urged the members who had not yet consented to their Fourteenth Review quota increases to do so without further delay and urged the members who had consented to their quota increases to make their quota payments in a timely manner; (iii) regretted that the Fifteenth Review had not been completed by December 15, 2015, as mandated by the Articles of Agreement and as requested in Board of Governors Resolution No. 70-1, and resolved to continue the Fifteenth Review under Article III, Section 2(a) and called on the Executive Board to work expeditiously on the Fifteenth Review in line with previous Executive Board understandings, and with the aim of completing the Fifteenth Review by the 2017 Annual Meetings; and (iv) requested that the Executive Board report to the Board of Governors on progress on the Fifteenth Review by the 2016 Annual Meetings and the 2017 Spring Meetings.¹ This report responds to that request.

2. In late March, Executive Directors held an informal discussion on the adequacy of Fund resources. This discussion built on earlier informal exchanges on developments in the International Monetary System and the Fund's role in the Global Financial Safety Net. Directors considered the implications for the size of the Fund of changes in the global economy, including structural shifts and ongoing transitions. The discussion was intended to inform subsequent deliberations on the Fund's overall lending capacity, ahead of the impending expiration of the first group of the 2012 bilateral borrowing agreements in October. The discussion was also intended to provide important input into future Executive Board deliberations on the size of the Fund's quota resources in the context of the Fifteenth Review.

3. The Executive Board subsequently agreed on August 29 on a framework for maintaining temporary access to bilateral borrowing. In this context, Executive Directors reiterated that the Fund is and must remain a quota-based institution.² However, Executive Directors recognized that securing continued access to bilateral temporary borrowing was the most practical option to maintain the Fund's overall lending capacity amid elevated risks in the global economy.³

¹ See Board of Governors Resolution No. 71-2 (2/19/16).

² The IMFC has also stressed its commitment to maintain a strong, quota-based, and adequately resourced IMF; see, for example, the [Communiqué of the Thirty-Third Meeting of the IMFC](#), April 16, 2016, Washington, D.C.

³ At their summit in Hangzhou on September 4-5, 2016, G20 Leaders agreed to support maintaining access to bilateral and multilateral agreements between members and the IMF, in line with the objective of preserving the IMF's current lending capacity, and called for broad participation of the IMF membership, including through new agreements. G20 Leaders also welcomed the entry into effect of the 2010 IMF quota and governance reform and stated that they are working towards the completion of the Fifteenth Review, including a new quota formula, by the 2017 Annual Meetings.

4. On September 9, Executive Directors discussed a range of issues relating to the quota formula and the distribution of any quota increases under the Fifteenth Review. The staff paper prepared as background updated the quota database by one year to 2014, and presented a range of illustrative simulations of possible reforms of the quota formula.⁴ The paper also presented illustrative simulations to show how possible changes in the quota formula might feed through into shifts in actual quota shares in the context of the Fifteenth Review.

5. Executive Directors' views on the quota formula at the September 9 meeting were broadly unchanged from those expressed in previous discussions, and significant divergences of views exist on many key issues. One broad view is that the current formula is already delivering sizable shifts in calculated quota shares in line with global economic developments and further significant reforms are therefore not required. Another broad view is that the current formula fails to adequately capture members' relative economic positions and that substantial further reforms of the formula are still needed. Differences also remain, *inter alia*, over whether and, if so, how to recognize members' voluntary financial contributions in quota adjustments. Significant further work will be needed to resolve these differences and achieve consensus on the broader issue of the appropriate size and distribution of Fund quotas over the medium term.

6. Executive Directors reiterated that steps shall be taken to protect the voice and representation of the poorest members in the Fifteenth Review, recognizing that further work is needed on how to define the poorest members.

7. Different views were expressed on the merits of updating the country groupings used in quota work ahead of the conclusion of the Fifteenth Review.

8. In light of the significant divergences of views that exist on many key issues for the Fifteenth Review, Executive Directors recognize that further reflection is needed on how best to take the work forward. We will report to the Board of Governors on the outcome of these discussions in the near future.

⁴ [Quotas—Data Update and Simulations](#) (8/11/16) provided background for the discussion.