

## V. NEXT STEPS

54. **The QFRG recommends a major simplification and updating of the quota formulas** based on a normative analysis of the principal functions of quotas and consideration of the principal changes in the world economy which affect members' ability to provide financing and the need for IMF resources. The staff supports major elements of the QFRG's recommendations, in particular the goal of simplicity; the use of variables representing ability to contribute and potential need to borrow; the inclusion of GDP at market exchange rates; and the inclusion of a measure of variability. However, staff believes that in addition to the QFRG's proposed variability measure, consideration should also be given to other measures of variability, including ones that could incorporate current payments or short-term capital flows, and would also favor exploring the possible inclusion of other variables, such as openness. Moreover, decisions on the definition and weights of variables will need to be informed by the degree of acceptability of the calculated quota distribution that any new formula produces. However, quantification would be a major undertaking and unlikely to bear fruit for some time. **Staff could undertake a work program that includes quantification as well as consideration of alternative formulas, based on guidance provided by the Executive Board on the above and other issues.**