

# INTERNATIONAL MONETARY FUND

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## IMF MEMBERSHIP APPROVES INCREASE IN FINANCING

The membership of the International Monetary Fund has formally agreed to increase the amount of financing for the organization, raising total subscriptions by about US\$60 billion, or 50 percent, to approximately US\$180 billion. The last time the IMF, which now has 151 member countries, had an increase in its financing was in 1983, when subscriptions were increased by about US\$38 billion, or 47.5 percent.

During meetings in early May in Washington D.C., the IMF's advisory body, the Interim Committee, recommended the increase to the full membership, and after taking a formal vote, the member countries have now signified their approval.

The increase in financing is technically known as an increase in quotas. The size of a member's quota in the IMF broadly reflects its relative position in the world economy. It determines its voting power in the institution; and it influences the amount a member can borrow from the Fund when it encounters difficulties in its international finances, as well as the amount of currency a member may be called upon to provide to the Fund when its international reserve position is strong. When a member provides currencies to the Fund, it receives a market-based rate of interest and an increase in its reserve position at the IMF. If a member should have a balance of payments need, it may use its reserve position at any time.

Two things must now happen for the increase to come into effect. First, the membership must approve an amendment to the IMF's Articles of Agreement, the international treaty that all members sign upon joining, to provide for the suspension of a member's voting and related rights if that member does not fulfill its obligations under the treaty. Second, individual members have to take the necessary steps under their laws to ratify the increase in their quota. These actions are expected to be completed by the end of 1991.

As part of the quota exercise, it was agreed that there will be a realignment of the shares of the major industrial countries, the biggest shareholders in the IMF. Under the new structure, the United States will remain the largest shareholder, with 19.62 percent of total quotas. The Federal Republic of Germany and Japan will be the next largest, each with 6.1 percent, followed by the United Kingdom and France, each with 5.48 percent of total quotas. Currently, the United Kingdom is the second largest shareholder, followed by Germany, France, and Japan.

At present, around 50 countries -- almost one-third of the membership -- are using financing from the IMF as they implement economic policies to counter their difficulties. Current borrowers from the IMF include a number of highly indebted countries like Mexico and Venezuela, which are attempting to restore strong growth to their economies; Eastern European members like Poland and Hungary that are moving their economies to a free-market basis; as well as many of the world's poorest countries like Ghana, Togo, Nepal, and Madagascar that are attempting to reverse many years of economic decline or stagnation.