FOR AGENDA

EB/CQuota/10/4

June 22, 2010

To: Members of the Committee of the Whole on Review of Quotas

From: The Secretary

Subject: **Fourteenth General Review of Quotas—Realigning Quota Shares—Further Considerations**

Attached for consideration by the Committee of the Whole is a paper on the Fourteenth General Review of Quotas—Realigning Quota Shares: Further Considerations, which is tentatively scheduled for discussion on **Wednesday, July 7, 2010**. Issues for discussion appear on pages 15 and 16.

Questions may be referred to Ms. Bassett (ext. 34621), Ms. Prowse (ext. 38744), and Ms. Treichel (ext. 36889) in FIN.

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INTERNATIONAL MONETARY FUND

Fourteenth General Review of Quotas—Realigning Quota Shares: Further Considerations

Prepared by the Finance Department

Approved by Andrew Tweedie

June 22, 2010

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I. INTRODUCTION[1]

1. **At its most recent meeting in April 2010, the IMFC pledged to complete the 14th General Review of Quotas before January 2011.**[2] This follows an earlier call by G-20 Leaders and the IMFC to bring forward the deadline for completing the 14th Review by two years as part of the multilateral response to the global financial crisis and the recognized need to enhance the Fund's legitimacy and effectiveness.

2. **The first formal meeting by the Committee of the Whole on realigning quota shares in the context of the 14th Review took place in March.** The discussions drew on preliminary analysis based on a derived data set through 2008, largely using WEO rather than IFS data as the primary source.[3] Directors stressed that their views were preliminary, pending release of the full 2008 data update. Nonetheless, a wide range of views were expressed, and it was evident that significant differences remain on several key issues.

3. **The 2008 data update has now been finalized.** As discussed in the recent update paper,[4] the new data confirm the broad trends that were evident in the earlier derived 2008 data set. In particular, they point to a further significant increase in calculated quota share of emerging market and developing countries (EMDCs) as a group relative to the 2007 data set (Table 1). In aggregate, EMDCs are now underrepresented by 2.2 percentage points compared with a position that was broadly aligned with their aggregate calculated quota share using data through 2007 (Table 2). As before, the aggregate data mask significant disparities across both regions—with Asia remaining the main under-represented region among EMDCs—and individual countries. Within the EMDC group, 50 out of 161 countries are under-represented by a total of 8.9 percentage points, while many EMDCs remain over-represented. Similarly, while advanced economies as a group are over-represented, 10 individual advanced economies also remain under-represented.

4. **This paper seeks to provide a basis for further discussions on the realignment of quota shares, but does not present any specific proposals.** It begins with a brief stocktaking of the key outstanding issues, and then presents further illustrative simulations,

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[1] The paper was prepared by a staff team led by S. Bassett and S. Prowse, and consisting of H. Treichel, R. Rozenov, L. Kohler, H. Lin, C. Visconti, C. Janada, S. Rodriguez, A. Dabney, and B. Wennerholm. T. Krueger also contributed.

[2] *Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund* (4/24/10).

[3] See *Fourteenth General Review of Quotas—Realigning Quota Shares-Initial Considerations* (EB/CQuota/10/1, 3/5/10).

[4] See *Fourteenth General Review of Quotas—Updated Data Set and Quota Calculations* (EB/CQuota/10/3, 06/03/2010).

based on the updated data set through 2008 and taking account of Directors' views expressed in March. It would be premature to present specific proposals at this time, given that discussions are still at an early stage and many Directors have stressed that their views remain preliminary. Rather, it is hoped that the discussion of this paper will help lay the groundwork for beginning to narrow options and moving toward formulation of a specific proposal in the coming months.

Table 1. Distribution of Quotas and Calculated Quotas (In percent)

	Post Second Round Quota Share 1/	Calculated Quota Shares 2/		
		2005 3/	2007 4/	2008 5/
Advanced economies	60.5	63.8	60.4	58.2
Major advanced economies	45.3	47.6	45.0	42.9
Of which: US	17.7	19.0	17.8	17.0
Other advanced economies	15.1	16.2	15.4	15.3
Emerging Market and Developing Countries	39.5	36.2	39.6	41.8
Developing countries	32.4	30.0	32.6	34.1
Africa	4.9	2.8	3.1	3.1
Asia 6/	12.6	15.8	17.2	17.7
Middle East, Malta & Turkey	7.2	4.8	5.4	6.2
Western Hemisphere	7.7	6.6	6.9	7.0
Transition economies	7.1	6.2	7.0	7.7
Total	100.0	100.0	100.0	100.0
Memorandum items:				
EU 27	31.9	32.9	32.1	31.3
LICs (PRGT-eligible countries)	4.3	2.2	2.5	2.6

Source: Finance Department.

1/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo which became a member on June 29, 2009 and Tuvalu in anticipation of its forthcoming membership. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
2/ Based on the following formula: CQS = (0.50*GDP + 0.30*Openness +0.15*Variability + 0.05*Reserves)^K. GDP blended using 60 percent market and 40 percent PPP exchange rates. K is a compression factor of 0.95.
3/ Based on IFS data through 2005. Reflects the impact of adjustments to current receipts and payments for re-exports, international banking interest, and non-monetary gold.
4/ Based on IFS data through 2007 as in SM/09/227.
5/ Based on IFS data through 2008 as in EB/CQuota/10/3.
6/ Including Korea and Singapore.

Table 2. Under- and Over-represented Countries by Major Groups 1/
(In percentage points)

	Post Second Round Quota Share	Difference 2/ 2007 3/	Difference 2/ 2008 4/
Advanced economies	**60.5**	**0.0**	**-2.2**
Under-represented		2.3	1.8
Over-represented		-2.3	-4.1
Emerging Market and Developing Countries	**39.5**	**0.0**	**2.2**
Under-represented		7.7	8.9
Over-represented		-7.6	-6.7
Total Under-represented Countries		**9.9**	**10.7**
Total Over-represented Countries		**-9.9**	**-10.7**
Memorandum items:			
EU 27	31.9	0.2	-0.5
Under-represented		2.1	2.2
Over-represented		-1.9	-2.8
LICs (PRGT-eligible countries)	4.3	-1.7	-1.7
Under-represented		0.1	0.1
Over-represented		-1.8	-1.8
Number of under-represented countries		64	60
Of which: EMDCs		52	50

Source: Finance Department.

1/ Under- and over-represented countries for the two datasets, respectively.
2/ Difference between calculated quota shares and post second round actual quota shares.
3/ Based on IFS data through 2007 as in SM/09/227.
4/ Based on IFS data through 2008 as in EB/CQuota/10/3.

II. Stocktaking

5. **Discussions to date have been guided by the parameters agreed by the IMFC in Istanbul.** These were that the review should achieve a shift in quota share to dynamic emerging market and developing countries of at least 5 percent from over-represented to under-represented countries using the current quota formula as the basis to work from. These changes would come on top of the 2008 reform, which when fully implemented will result in a net 2.7 percent shift in voting share to EMDCs as a group. The IMFC also indicated that the voting share of the poorest members should be protected.[5]

6. **The March paper addressed several issues arising from this guidance.** In particular, it noted that there were differences of view among the membership on whether the quota shift of at least 5 percent should be to dynamic EMDCs, from over- to under-represented countries, or to both groups, with some also emphasizing the net shift to EMDCs as a whole. The paper also discussed several alternative approaches to capturing the concept of dynamic EMDCs, and how to define the group of poorest members whose voting share should be protected, as well as alternative modalities for achieving that protection.

7. **The paper also presented a set of initial simulations to illustrate some of these issues.** The simulations allocated quota increases either equiproportionally (i.e., in proportion to a member's post second round quota share), selectively (i.e., in proportion to calculated quota shares, using the quota formula), or on an ad hoc basis (based on other criteria). The combinations of these allocation mechanisms were geared, based on a doubling of quotas, to achieving at least a 5 percent shift to one or both of the groups referenced in the IMFC guidance. The net shift to EMDCs was somewhat smaller, in the range of 1-3½ percent, but the simulations also resulted in a substantial realignment among the largest quotas. Given the goal of realigning quota shares, the equiproportional element (which does not alter quota shares) was set either to zero or a relatively small part of the overall increase compared with previous general reviews, with the major part distributed either selectively to all members or as ad hoc increases to a subset of the membership.

8. **The initial simulations gave prominent weight to the quota formula in determining quota increases.** In particular, the formula was used both to distribute the selective increases and for allocating ad hoc increases, which were mainly confined to countries that were under-represented using the formula. The only exceptions were the inclusion of (i) a small number of moderately over-represented EMDCs that met alternative criteria for capturing dynamism based on their relative shares in PPP GDP; and (ii) over-represented PRGT-eligible members whose quota shares were protected through part of the ad hoc increases.

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[5] *Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund* (10/04/09).

9. **Directors expressed a range of views in the March discussion.**[6] In particular, there were clear differences on the broad goals of the quota realignment, with many emphasizing a 5 percent shift from over- to under-represented countries, while many others called for a shift in quota share of at least 5 percent to EMDCs. Several Directors were open to considering alternative criteria to the formula for capturing dynamic EMDCs, but a number were skeptical about the usefulness of such work or considered that dynamism would be better captured in the formula itself. On the issue of the formula, many Directors maintained that it should not be reopened, given the tight timeframe available for completing the review, but others called for further work on the formula before it is used again. Many Directors expressed an initial preference for a combination of selective and ad hoc increases, while a number considered it premature to rule out an equiproportional increase at this stage. Finally, while Directors supported the goal of protecting the voting share of the poorest members, views differed on how to define this group and on the modalities, with many Directors open to exploring all options.

10. **Directors also held an initial discussion in April on the size of the overall quota increase under the 14th Review.** The staff paper prepared as a basis for that discussion presented a range of indicators and scenarios that broadly pointed to the need for at least a doubling of quotas.[7] Many Directors expressed preliminary views in support of a doubling of quotas, with some favoring a larger increase. A few other Directors were skeptical about the need for a quota increase beyond the amount needed to achieve a realignment of shares, and some considered it too early to express a view.

11. **It is clear from these discussions that meeting the IMFC pledge of completing the 14th Review before January 2011 will require compromises from all sides.** Many positions expressed to date, particularly on the realignment of quota shares, are in conflict. For example, while substantial shifts in individual quota shares are possible using the formula, a substantial net shift in quota share to EMDCs as a group is more difficult to achieve on this basis and additional elements are required. This reflects the fact that, within the EMDC group, many countries remain over-represented, as noted above. In particular, as illustrated in Table 2, more sizable net shifts would require a willingness of under-represented advanced economies to forego part of the increases they could expect under the formula and/or over-represented advanced economies to become modestly under-represented. Reopening the formula could in principle give a different result, but there seems little basis for expecting that it would be easier to agree on a revised formula than on an

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[6] See *The Chairman's Concluding Remarks – Fourteenth General Review of Quotas-Realigning Quota Shares-Initial Considerations* (BUFF/10/33, 3/22/10).

[7] See *Fourteenth General Review of Quotas—The Size of the Fund—Initial Considerations* (EB/CQuota/10/2, 3/15/10).

acceptable realignment of quota shares, and past experience suggests that changes in the formula have typically required protracted periods of discussions.

12. **While compromise is essential, the whole membership stands to gain from enhanced legitimacy and effectiveness of the Fund**. The needed compromises will inevitably require all members to sacrifice some of their individual interests for the broader good of the institution. However, there is wide agreement that enhanced legitimacy is critical to increasing the overall effectiveness of the Fund's role as the pre-eminent international financial institution responsible for fostering global monetary and economic stability, and that realigning quota shares together with broader governance reforms are needed to achieve this goal. All members stand to gain if the realignment of shares under the 14th Review is seen as enhancing the Fund's legitimacy and fostering greater engagement in the institution. Such an outcome would help support the Fund's efforts in promoting sustainable global recovery and reducing the vulnerability of the international monetary system to future crises.

III. Illustrative Simulations

A. Overview

13. **This section presents purely illustrative simulations that seek to provide a basis for the next round of discussions.** As noted, all the simulations at this stage are illustrative only and do not in any way represent staff proposals. The simulations take account of Directors' views expressed in March and can be divided into three broad groups. All three approaches would allow the 14th Review to proceed using the current quota formula as a key distribution tool, and without pre-judging the outcome of future work to improve the formula.

14. **The three groups differ in their approach to the ad hoc increases.** The first builds on the approach presented in the March paper, which focuses on EMDCs and relies primarily on the quota formula as the distribution key. The second group is intended to recognize the concerns that a number of Executive Directors have expressed about the formula, by giving a somewhat larger role to a country's economic weight in allocating quota shares. Specifically, the second group of simulations incorporates the quota formula's GDP blend variable[8] in the distribution key for allocating ad hoc increases, along with the quota formula. The third group makes the GDP blend variable the primary distribution key for the ad hoc increases, while the formula continues to be used to distribute selective increases.

[8] Consistent with the approach taken in the quota formula, the GDP blend variable—which reflects a linear combination of market GDP (60 percent) and PPP-based GDP (40 percent)— is compressed using a factor of 0.95 for the purpose of allocating quota increases. The number of countries potentially eligible under this approach depends on the specific assumptions used in each simulation. Up to 38 countries (including up to 32 EMDCs) are eligible in the simulations reported below; without the compression factor, the maximum number would drop to 23 countries (including 17 EMDCs).

15. **The simulations have several common features:**[9]

- **Data base**: all simulations use the updated data set through 2008, as presented in EB/CQuota/10/3.

- **Size of the overall quota increase**: pending further discussions on the size of the overall increase, all simulations are presented for overall increases of 50 percent, 100 percent, and 150 percent, respectively.

- **Allocation mechanism**: to facilitate comparability, all three sets of simulations employ the same mix of equiproportional/selective/ad hoc increases, namely: 0/60/40, 0/75/25, and 20/50/30.

- **Protecting the poorest**: as in the March paper, the quota shares of individual PRGT-eligible members are protected at their post-2008 reform levels. However, as discussed in Section IV, other options could also be considered for meeting the goal of protecting the voting share of the poorest members.

16. **The simulations include two other elements that could help facilitate a larger overall shift to EMDCs**:

- **The ad hoc increases are concentrated on EMDCs that meet the specified criteria.** Under-represented advanced economies benefit fully from the selective increases, but only participate in the ad hoc increases to the extent required to ensure that their increased quota share following the selective increase is not diluted by the ad hoc increase. This is similar to the approach presented in Tables 8, 10 and 12 of EB/CQuota/10/1, except that the quota share of under-represented advanced economies following the selective increase was not protected in the previous simulations.

- **Some of the simulations allow over-represented countries to become modestly under-represented as a result of the realignment.** In the 2008 reform, some over-represented countries (mainly EMDCs) became under-represented as a result of the agreed realignment. The extent of the resulting under-representation in these cases was modest, with the largest being 11.5 percent. In contrast, in the 11th Review, a limit was imposed to ensure that no over-represented country became under-represented. This limit affected a very small number of countries, reflecting the fact that the ad hoc increases themselves were a small part (10 percent) of the total distribution. The simulations in this paper illustrate two possible approaches: in the

[9] For further details, see the first section of the Statistical Appendix.

first (Tables 3A, 4A and 5A, and Tables A1, A3 and A5),[10] over-represented countries are fully protected from becoming under-represented; while in the second (Tables 3B, 4B and 5B, and Tables Table A2, A4, and A6) the protection is set at 95 percent of calculated quota share (allowing these countries to become modestly under-represented by up to 5 percent). Other thresholds could also be considered.

17. **Taking account of the above elements, the method used for allocating ad hoc increases in each group can be summarized as follows:**

Set 1: Ad hoc increases to dynamic EMDCs (Tables 3A and 3B, and Tables A1 and A2):

Ad hoc increases are allocated mainly to under-represented EMDCs and other EMDCs that meet the dynamic criterion based on their share in PPP GDP (i.e., the third option in Section III.C of EB/CQuota/10/1—see Box 1). Under-represented EMDCs receive a uniform reduction in out-of-lineness based on the formula or a fixed percentage increase above their post selective nominal quota, whichever is greater, while other dynamic EMDCs receive the fixed percentage increase.[11] A smaller portion of the ad hoc increase is allocated to protect against (i) the share of under-represented advanced economies being diluted as a result of the ad hoc increases; (ii) over-represented countries becoming (more than modestly) under-represented; and (iii) a decline in the post second round quota share of individual PRGT-eligible countries.

Set 2: Ad hoc increases allocated based on either the formula or the GDP blend (Tables 4A and 4B, and Tables A3 and A4):

Ad hoc increases are allocated mainly to countries that are under-represented either under the formula or the compressed GDP blend variable (i.e., a country's share in the compressed GDP blend variable is greater than its quota share after the selective increase). Eligible EMDCs receive the higher of the increase indicated by a uniform reduction in their out-of-lineness with respect to each of these two variables, respectively. The same protections apply as in the first set. In addition, advanced economies that are only under-represented with respect to the GDP blend (i.e., are over-represented using the formula) are capped at their post second-round quota share so that they do not gain quota share as a result of this approach.

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[10] Tables A1–A7 of the Statistical Appendix present simulation results for individual countries.

[11] This approach seeks to ensure that no over-represented EMDC under the formula receives a larger increase than under-represented EMDCs. The size of the fixed percentage increase is determined with a view to allowing a substantial decrease in out-of-lineness for under-represented EMDCs and an adequate increase in share for eligible dynamic but over-represented EMDCs.

Set 3: Ad hoc increases allocated based on the GDP blend variable (Tables 5A and 5B, and A5 and A6):

Ad hoc increases are allocated mainly to countries that are under-represented on the basis of the GDP blend. Eligible EMDCs receive a uniform reduction in their out-of-lineness with respect to the GDP blend variable. The same protection as in the first two sets applies to over-represented and to PRGT-eligible countries, and eligible advanced economies that are over-represented using the formula are again capped at their post-2008 reform quota share. In addition, the quota shares of EMDCs and advanced economies that are under-represented under the formula but not eligible for an ad hoc increase are protected at their quota share after the selective quota increase, so that their quota share does not decline as a result of the ad hoc increase.

Box 1. Dynamic EMDCs

The March paper (EB/CQuota/10/1) discussed three alternative criteria for capturing "dynamic" EMDCs. Staff has updated these calculations using the 2008 data base, and the set of countries meeting these criteria remains broadly unchanged. In particular, in the case of the criteria based on PPP GDP and contribution to growth, only Pakistan no longer meets the threshold (of 25 percent) for over-representation applied for all criteria. In the case of average GDP growth, Uganda no longer meets this threshold with the data update. In all, between 19 and 32 countries meet the criteria following the data update, compared with the previous range of between 20 and 33.

Alternative Approaches to Capturing Dynamism 1/

	PPP GDP 2/	Contribution 3/	Growth 4/
1	Albania	Brazil	Angola
2	Angola	* China	Azerbaijan
3	Azerbaijan	Colombia	Belarus
4	Belarus	Egypt	Bhutan
5	Bhutan	* India	Cambodia
6	Botswana	Indonesia	Chad
7	Brazil	Iran	* China
8	Cambodia	Korea	Equatorial Guinea
9	* China	Malaysia	Ethiopia
10	Colombia	Mexico	* India
11	Dominican Republic	* Peru	Jordan
12	Ecuador	Philippines	Kazakhstan
13	Egypt	Poland	Latvia
14	Equatorial Guinea	Romania	Panama
15	Estonia	Russia	* Peru
16	Ethiopia	Singapore	Qatar
17	Guatemala	Thailand	Slovak Republic
18	* India	Turkey	Turkmenistan
19	Indonesia	* Vietnam	United Arab Emirates
20	Iran		* Vietnam
21	Kazakhstan		
22	Korea		
23	Lithuania		
24	Mexico		
25	Nepal		
26	* Peru		
27	Philippines		
28	Poland		
29	Russia		
30	Thailand		
31	Turkey		
32	* Vietnam		

1/ Shading denotes over-represented countries. An asterisk in front indicates that the country meets the criteria under all three approaches.
2/ Includes EDMCs whose PPP GDP share divided by post second round quota share is greater than 1 and not over-represented by more than 25 percent.
3/ Includes EDMCs whose contribution to global GDP growth during 2004-08 is above 0.5% and not over-represented by more than 25 percent.
4/ Includes EDMCs whose real GDP growth during 2004-08 is above EDMC average and not over-represented by more than 25 percent.

B. Main Results

18. **Key results of the simulations are summarized in the Text Table below** (see also Tables 3–5 and the individual country results in Tables A1–A6). All three approaches considered in this paper can result in sizable shifts in quota shares, as well as a significant realignment in rankings among the largest quota countries. In general, the impact of the different approaches on country rankings is more stable (with a few exceptions) than the shifts in shares, particularly when comparing the first set of simulations with the second and third sets. The first set of simulations achieves the largest overall shifts in shares, resulting in increases that are significantly above the IMFC targets. However, this mainly reflects a decline in the U.S. quota share (and to a smaller extent that of Japan) and a correspondingly larger increase in the share of China. The second and third sets of simulations generally also achieve the IMFC targets provided the overall quota increase is large enough (a doubling rather than 50 percent).

Summary Table: Shifts of Quota Share under Alternative Simulations 1/
(In percentage points)

	Range of shift of quota share to:		
	Under-represented countries	Dynamic EMDCs 2/	EMDCs as a group
Set 1 Ad hoc to dynamic EMDCs 3/			
Full protection 4/	5.2 - 8.1	5.1 - 7.3	2.9 - 3.4
Partial protection 4/	6.6 - 10.2	6.6 - 9.7	4.4 - 5.5
Set 2 Ad hoc based on formula and GDP blend 5/			
Full protection 4/	4.2 - 7.0	4.0 - 6.3	1.9 - 2.3
Partial protection 4/	4.6 - 8.0	4.4 - 7.4	2.2 - 3.2
Set 3 Ad hoc based on GDP blend 6/			
Full CQS protection 4/	4.1 - 6.9	4.0 - 6.3	1.9 - 2.3
Partial CQS protection 4/	4.5 - 7.9	4.4 - 7.3	2.2 - 3.2

1/ Results for quota increases of 50, 100, and 150 percent; see Tables 3-5 for details.

2/ Includes all under-represented EMDCs plus other dynamic EMDCs defined as those whose PPP GDP share divided by post second round quota share is greater than 1 and who are not over-represented by more than 25 percent.

3/ Ad hoc increase to all under-represented countries and other dynamic EMDCs.

4/ As described in the text, under full protection the quota share of initially over-represented countries cannot fall below the calculated quota share as a result of the quota increase. In the case of partial protection, the quota share of initially over-represented countries cannot fall below 95 percent of the calculated quota share.

5/ Ad hoc increase to countries under-represented with respect to the formula or the GDP blend.

6/ Ad hoc to countries under-represented with respect to the GDP blend.

IV. Protecting the Poorest

19. **The modalities for protecting the voting share of the poorest members, as called for by the IMFC, still need to be decided.** In the 2008 reform, it was agreed that the share of basic votes in total votes would be maintained as quotas increase, implying that a

member's voting share would remain unchanged as long as its quota share does not change. However, low income countries remain over-represented on average and will tend to lose quota and therefore voting share as part of a formula-based realignment of quotas. One way of providing protection would be to further increase the ratio of basic votes to total votes over and above that agreed in the 2008 reform. This option would require another amendment of the Fund's Articles. An alternative, and the focus of the remainder of this section, is to set aside part of an ad hoc increase to the poorest countries to maintain their quota share.

20. **Protection of the poorest countries through ad hoc quota increases can be undertaken either individually or for the poorest members as a group**. Individual country protection (used in the simulations discussed above) has the effect of partially reversing the adjustments in quota share that result from the selective increases. In particular, eligible countries that are over-represented and therefore lose quota share after the selective increase receive (in some cases relatively large) ad hoc increases to reverse that decline. As a result, relatively little realignment in shares takes place within the group of PRGT-eligible countries. Conversely, when protection is applied at the group level, realignment within the group still takes place and the overall cost of the protection is somewhat reduced.

21. **These effects are illustrated in Tables 6 and A7 for two of the simulations presented in the previous section.** Overall, the impact of applying protection at the group rather than individual country level is to reduce somewhat the amount of the ad hoc increases set aside for protection, leaving more available for distribution to other eligible members. As a result, the shifts to the IMFC targeted groups are slightly higher (by 0.1 – 0.2 percent in these simulations) with no change in aggregate share of EMDCs. Within the group, the share of Africa declines by about 0.2 percent, while the shares of Asia and the Middle East, Malta, and Turkey increase.

22. **An additional issue concerns the countries that would be covered under the group of the poorest members.** As discussed in the EB/CQuota/10/1, there are different criteria that could be used, including the list of PRGT-eligible countries (presently 71 members) or the low income countries based on the IBRD's World Development Indicators (WDI) definition (presently 42 members; see Table 7). A further alternative would be to focus on those countries considered in the context of the recent proposal on post-catastrophe debt relief,[12] namely, eligibility could be limited to PRGT-eligible countries with annual per capita income below the prevailing IDA cut-off, or below twice the cut-off for countries meeting the "small country" definition. This group includes 48 countries with a per capita income of less than $1,135 (and up to twice this amount for small states), whereas the PRGT-eligible group includes a number of countries with significantly higher per capita incomes. All simulations in the previous section included protection of individual PRGT-eligible

[12] See *Proposal for a Post-Catastrophe Debt Relief Trust Fund* (SM/10/97, 4/22/10).

members. The impact of applying the protection to the smaller group of countries is to free up part of the ad hoc increase for other eligible countries. This again results in larger shifts to the IMFC targeted groups (by 0.2 percent for the simulations shown here), without changing the overall distribution between advanced economies and EMDCs. It also may reduce some anomalies in the treatment of over-represented countries based on whether they fall within or outside the PRGT-eligible list.[13]

V. Issues for Discussion

23. **Directors may wish to comment on the following issues:**

- What are Directors' views on the broad goals of the reform, taking into account the objectives set out by the IMFC? In this regard, should staff continue to pursue approaches that could generate shifts in quota share to both dynamic EMDCs and from over- to under-represented countries of at least 5 percent?

- How do Directors view the relative merits of the alternative approaches set out in this paper for distributing the quota increase? Do they see merit in the approach of introducing a distribution key based on the compressed GDP blend as a complement or alternative to the formula for distributing ad hoc increases? Are there other approaches that Directors consider worth exploring?

- What are Directors' views on the relative size of the selective and ad hoc increases? Do they agree that these should be the predominant elements of the increase, given the focus on realigning shares in the 14th Review? Do they see merit in keeping open the option of including a smaller equiproportional element as part of the overall increase?

- The simulations in this paper consider two options for facilitating larger net shifts to EMDCs: foregoing of ad hoc increases by under-represented advanced economies (while preserving their gains from the selective increase); and allowing for the possibility that over-represented advanced economies could become modestly under-represented. How do Directors view these approaches?

- How do Directors assess the options for protecting the voting share of the poorest members, including the role of a further increase in the share of basic votes? If protection were to be achieved through ad hoc quota adjustments, should protection be provided for individual countries or for the group as a whole? Would Directors see

[13] An example is the relative ranking of South Africa (not PRGT eligible) and Nigeria (PRGT eligible). If the quota share of PRGT eligible countries is protected, South Africa's quota share would tend to fall below Nigeria's even though it has a higher actual and calculated quota share.

merit in further exploration of the option of using the set of members that would be eligible for post-catastrophe debt relief, as recently discussed by the Board, as an alternative to the PRGT-eligible list? Are there alternative approaches that Directors wish to explore?

Table 3A. Illustrative Scenarios: Ad hoc Increase to Dynamic EMDCs; Full Protection 1/
(In percent)

	Post Second Round Quota Share 2/	Calculated Quota Share	0/60/40 3/			0/75/25 3/			20/50/30 3/		
			50%	100%	150%	50%	100%	150%	50%	100%	150%
Advanced economies	60.5	58.2	57.1	57.1	57.3	57.6	57.3	57.4	57.4	57.1	57.2
Major advanced economies	45.3	42.9	42.8	42.8	42.8	43.0	42.8	42.8	43.0	42.8	42.8
Of which: United States	17.7	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Other advanced economies	15.1	15.3	14.3	14.3	14.4	14.6	14.5	14.6	14.4	14.3	14.4
Emerging Market and Developing Countries	39.5	41.8	42.9	42.9	42.7	42.4	42.7	42.6	42.6	42.9	42.8
Developing countries	32.4	34.1	35.3	35.2	35.1	34.9	35.1	35.0	35.1	35.2	35.1
Africa	4.9	3.1	4.7	4.5	4.5	4.7	4.6	4.5	4.7	4.6	4.5
Asia 4/	12.6	17.7	16.1	16.7	16.9	15.6	16.4	16.7	15.6	16.1	16.4
Middle East, Malta & Turkey	7.2	6.2	7.0	6.6	6.3	7.0	6.7	6.5	7.1	6.8	6.6
Western Hemisphere	7.7	7.0	7.6	7.4	7.3	7.6	7.4	7.3	7.7	7.7	7.6
Transition economies	7.1	7.7	7.6	7.6	7.7	7.5	7.6	7.6	7.5	7.7	7.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:											
EU 27	31.9	31.3	30.1	30.2	30.3	30.4	30.4	30.5	30.3	30.2	30.2
LICs (PRGT-eligible)	4.3	2.6	4.3	4.4	4.4	4.3	4.3	4.4	4.3	4.3	4.4
LICs (proposed PCDR eligibility)	3.2	1.8	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Underrepresented countries (shift in p.p.)			6.1	7.4	8.1	5.4	7.0	7.8	5.2	6.5	7.1
Underrepresented EMDCs (shift in p.p.)			5.6	6.7	7.2	5.0	6.2	6.8	4.8	6.0	6.5
Dynamic EMDCs (shift in p.p.) 5/			5.9	6.9	7.3	5.1	6.3	6.8	5.1	6.2	6.7
EMDCs (shift in p.p.)			3.4	3.3	3.2	2.9	3.1	3.0	3.1	3.3	3.3
Uniform reduction factor 6/			46.1	53.1	56.5	35.0	42.9	49.0	37.8	40.2	40.5
Minimum ad hoc increase to dynamic EMDCs			25	35	40	15	20	20	20	30	35

Source: Finance Department.

1/ The simulations assume a 50, 100, and 150 percent increase of post second round quotas. The ad hoc increase is distributed to dynamic EMDCs as defined in footnote 5. Eligible under-represented EMDCs receive a uniform reduction in out-of-lineness or the minimum percentage increase above their post-selective nominal quota as shown above, whichever is higher. Eligible over-represented EMDCs receive the minimum percentage increase above their post-selective nominal quota. Under-represented advanced countries maintain their post-selective quota share. Over-represented countries which would become under-represented as a result of the overall quota increase are capped at their calculated quota share. PRGT-eligible countries receive at least their post second round actual quota share.
2/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo which became a member on June 29, 2009 and Tuvalu in anticipation of its forthcoming membership. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
3/ The overall increase is distributed to members on an equiproportional, selective and ad hoc basis in the proportion of x/y/z, respectively.
4/ Including Korea and Singapore.
5/ Includes all under-represented EMDCs plus other dynamic EMDCs defined as those whose PPP GDP share divided by post second round quota share is greater than 1 and who are not over-represented by more than 25 percent.
6/ Uniform proportional reduction in the gap between calculated and post-selective quota share.

Table 3B. Illustrative Scenarios: Ad hoc Increase to Dynamic EMDCs; 95 Percent Protection 1/
(In percent)

	Post Second Round Quota Share 2/	Calculated Quota Share	0/60/40 3/			0/75/25 3/			20/50/30 3/		
			50%	100%	150%	50%	100%	150%	50%	100%	150%
Advanced economies	60.5	58.2	55.2	55.0	55.1	56.1	55.3	55.3	55.8	55.0	55.0
Major advanced economies	45.3	42.9	41.2	41.0	41.0	41.7	41.1	41.0	41.5	41.0	41.0
Of which: United States	17.7	17.0	16.2	16.2	16.2	16.2	16.2	16.2	16.2	16.2	16.2
Other advanced economies	15.1	15.3	14.1	14.0	14.1	14.4	14.2	14.3	14.3	14.0	14.0
Emerging Market and Developing Countries	39.5	41.8	44.8	45.0	44.9	43.9	44.7	44.7	44.2	45.0	45.0
Developing countries	32.4	34.1	36.8	37.0	37.0	36.2	36.9	36.8	36.3	37.1	37.1
Africa	4.9	3.1	4.7	4.5	4.5	4.7	4.6	4.5	4.7	4.6	4.5
Asia 4/	12.6	17.7	17.0	17.9	18.2	16.5	17.7	17.9	16.2	17.5	17.8
Middle East, Malta & Turkey	7.2	6.2	7.2	6.9	6.6	7.2	7.0	6.8	7.2	7.1	6.9
Western Hemisphere	7.7	7.0	8.0	7.8	7.6	7.8	7.6	7.6	8.1	7.9	7.8
Transition economies	7.1	7.7	7.9	8.0	8.0	7.7	7.8	7.9	7.9	7.9	7.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:											
EU 27	31.9	31.3	29.5	29.4	29.5	30.1	29.7	29.7	29.9	29.4	29.4
LICs (PRGT-eligible)	4.3	2.6	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
LICs (proposed PCDR eligibility)	3.2	1.8	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Underrepresented countries (shift in p.p.)			7.7	9.5	10.2	6.8	9.0	9.8	6.6	8.5	9.2
Underrepresented EMDCs (shift in p.p.)			7.3	8.8	9.4	6.3	8.2	8.8	6.2	8.0	8.6
Dynamic EMDCs (shift in p.p.) 5/			7.8	9.2	9.7	6.6	8.4	9.1	6.7	8.4	9.0
EMDCs (shift in p.p.)			5.2	5.5	5.4	4.4	5.2	5.2	4.7	5.4	5.4
Uniform reduction factor 6/			57.0	76.4	89.5	50.9	77.3	82.0	41.4	70.0	76.2
Minimum ad hoc increase to dynamic EMDCs			35	45	50	20	25	30	30	35	40

Source: Finance Department.

1/ The simulations assume a 50, 100, and 150 percent increase of post second round quotas. The ad hoc increase is distributed to dynamic EMDCs as defined in footnote 5. Eligible under-represented EMDCs receive a uniform reduction in out-of-lineness or the minimum percentage increase above their post-selective nominal quota as shown above, whichever is higher. Eligible over-represented EMDCs receive the minimum percentage increase above their post-selective nominal quota.Under-represented advanced countries maintain their post-selective quota share. Over-represented countries which would become under-represented as a result of the overall quota increase are capped at 95 percent of their calculated quota share. PRGT-eligible countries receive at least their post second round actual quota share.

2/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo which became a member on June 29, 2009 and Tuvalu in anticipation of its forthcoming membership. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.

3/ The overall increase is distributed to members on an equiproportional, selective and ad hoc basis in the proportion of x/y/z, respectively.

4/ Including Korea and Singapore.

5/ Includes all under-represented EMDCs plus other dynamic EMDCs defined as those whose PPP GDP share divided by post second round quota share is greater than 1 and who are not over-represented by more than 25 percent.

6/ Uniform proportional reduction in the gap between calculated and post-selective quota share.

Table 4A. Illustrative Scenarios: Ad hoc Increase Allocated Based on Either the Formula or the GDP Blend; Full Protection 1/
(In percent)

	Post Second Round Quota Share 2/	Calculated Quota Share	GDP Blend Share 3/	0/60/40 4/			0/75/25 4/			20/50/30 4/		
				50%	100%	150%	50%	100%	150%	50%	100%	150%
Advanced economies	60.5	58.2	60.0	58.1	58.1	58.2	58.6	58.3	58.4	58.4	58.2	58.2
Major advanced economies	45.3	42.9	48.0	43.8	43.8	43.8	44.0	43.8	43.8	44.0	43.8	43.8
Of which: United States	17.7	17.0	21.6	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7
Other advanced economies	15.1	15.3	11.9	14.3	14.3	14.4	14.6	14.5	14.6	14.4	14.3	14.4
Emerging Market and Developing Countries	39.5	41.8	40.0	41.9	41.9	41.8	41.4	41.7	41.6	41.6	41.8	41.8
Developing countries	32.4	34.1	33.2	34.5	34.5	34.3	34.1	34.3	34.2	34.3	34.5	34.5
Africa	4.9	3.1	2.9	4.6	4.5	4.5	4.7	4.6	4.5	4.7	4.6	4.5
Asia 5/	12.6	17.7	17.3	15.4	16.0	16.2	15.0	15.7	16.0	14.9	15.6	15.9
Middle East, Malta & Turkey	7.2	6.2	5.2	6.9	6.5	6.2	6.9	6.6	6.4	7.0	6.7	6.5
Western Hemisphere	7.7	7.0	8.0	7.7	7.5	7.4	7.6	7.5	7.3	7.7	7.6	7.5
Transition economies	7.1	7.7	6.8	7.3	7.4	7.4	7.3	7.4	7.4	7.3	7.4	7.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:												
EU 27	31.9	31.3	27.8	30.3	30.4	30.5	30.6	30.5	30.6	30.5	30.3	30.4
LICs (PRGT-eligible)	4.3	2.6	2.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
LICs (proposed PCDR eligibility)	3.2	1.8	1.7	3.2	3.2	3.1	3.2	3.2	3.1	3.2	3.2	3.2
Underrepresented countries (shift in p.p.)				5.0	6.4	7.0	4.5	6.0	6.8	4.2	5.5	6.2
Underrepresented EMDCs (shift in p.p.)				4.6	5.7	6.1	4.0	5.2	5.8	3.9	5.0	5.5
Dynamic EMDCs (shift in p.p.) 6/				4.8	5.9	6.3	4.0	5.3	5.9	4.0	5.1	5.7
EMDCs (shift in p.p.)				2.3	2.3	2.2	1.9	2.2	2.1	2.1	2.3	2.3
Uniform reduction factor 7/				29.6	32.0	29.7	18.4	20.4	17.9	24.4	29.4	30.3

Source: Finance Department.

1/ The simulations assume a 50, 100, and 150 percent increase of post second round quotas. The ad hoc increase is distributed to all countries that are under-represented with respect to the formula or with respect to the GDP blend (see footnote 3). Eligible EMDCs receive a uniform reduction in out-of-lineness based on the formula (for those EMDCs under-represented under the formula only), or the GDP-blend (for those EMDCs under-represented under the GDP blend only), or the greater of the two (for those EMDCs that qualify under both criteria). Eligible advanced countries are capped at their post second round or post-selective quota share, whichever is greater. Over-represented countries which would become under-represented as a result of the overall quota increase are capped at their calculated quota share. PRGT-eligible countries receive at least their post second round actual quota share.
2/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo which became a member on June 29, 2009 and Tuvalu in anticipation of its forthcoming membership. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
3/ GDP blended using 60 percent market and 40 percent PPP exchange rates, compressed using a factor of 0.95.
4/ The overall increase is distributed to members on an equiproportional, selective and ad hoc basis in the proportion of x/y/z, respectively.
5/ Including Korea and Singapore.
6/ Includes all under-represented EMDCs plus other dynamic EMDCs defined as those whose PPP GDP share divided by post second round quota share is greater than 1 and who are not over-represented by more than 25 percent.
7/ Uniform proportional reduction in the gap between calculated and post-selective quota share or GDP blend (see footnote 3) and post-selective quota share, whichever is applicable.

Table 4B. Illustrative Scenarios: Ad hoc Increase Allocated Based on Either the Formula or the GDP Blend; 95 Percent Protection 1/
(In percent)

	Post Second Round Quota Share 2/	Calculated Quota Share	GDP Blend Share 3/	0/60/40 4/			0/75/25 4/			20/50/30 4/		
				50%	100%	150%	50%	100%	150%	50%	100%	150%
Advanced economies	60.5	58.2	60.0	57.6	57.3	57.3	58.3	57.6	57.5	58.0	57.3	57.3
Major advanced economies	45.3	42.9	48.0	43.5	43.3	43.3	43.8	43.3	43.2	43.8	43.3	43.3
Of which: United States	17.7	17.0	21.6	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7
Other advanced economies	15.1	15.3	11.9	14.1	14.0	14.1	14.4	14.2	14.3	14.3	14.0	14.0
Emerging Market and Developing Countries	39.5	41.8	40.0	42.4	42.7	42.7	41.7	42.4	42.5	42.0	42.7	42.7
Developing countries	32.4	34.1	33.2	35.1	35.3	35.2	34.4	35.0	35.0	34.7	35.3	35.3
Africa	4.9	3.1	2.9	4.6	4.5	4.4	4.7	4.6	4.5	4.7	4.6	4.5
Asia 5/	12.6	17.7	17.3	15.7	16.5	16.9	15.2	16.2	16.5	15.2	16.1	16.4
Middle East, Malta & Turkey	7.2	6.2	5.2	7.0	6.6	6.4	6.9	6.7	6.5	7.0	6.9	6.7
Western Hemisphere	7.7	7.0	8.0	7.8	7.6	7.5	7.6	7.6	7.5	7.8	7.7	7.7
Transition economies	7.1	7.7	6.8	7.4	7.4	7.4	7.3	7.4	7.4	7.3	7.4	7.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:												
EU 27	31.9	31.3	27.8	29.8	29.7	29.8	30.3	29.9	29.9	30.1	29.7	29.7
LICs (PRGT-eligible)	4.3	2.6	2.4	4.3	4.3	4.4	4.3	4.3	4.4	4.3	4.3	4.3
LICs (proposed PCDR eligibility)	3.2	1.8	1.7	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Underrepresented countries (shift in p.p.)				5.6	7.3	8.0	4.8	6.8	7.6	4.6	6.3	7.0
Underrepresented EMDCs (shift in p.p.)				5.2	6.6	7.1	4.3	6.0	6.6	4.3	5.8	6.4
Dynamic EMDCs (shift in p.p.) 6/				5.4	6.8	7.4	4.4	6.1	6.8	4.4	6.0	6.6
EMDCs (shift in p.p.)				2.9	3.2	3.1	2.2	2.9	2.9	2.5	3.1	3.2
Uniform reduction factor 7/				36.5	44.1	45.1	22.3	31.3	31.9	28.9	39.5	41.9

Source: Finance Department.

1/ The simulations assume a 50, 100, and 150 percent increase of post second round quotas. The ad hoc increase is distributed to all countries that are under-represented with respect to the formula or with respect to the GDP blend (see footnote 3). Eligible EMDCs receive a uniform reduction in out-of-lineness based on the formula (for those EMDCs under-represented under the formula only), or the GDP-blend (for those EMDCs under-represented under the GDP blend only), or the greater of the two (for those EMDCs that qualify under both criteria). Eligible advanced countries are capped at their post second round or post-selective quota share, whichever is greater. Over-represented countries which would become under-represented as a result of the overall quota increase are capped at 95 percent of their calculated quota share. PRGT-eligible countries receive at least their post second round actual quota share.

2/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo which became a member on June 29, 2009 and Tuvalu in anticipation of its forthcoming membership. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.

3/ GDP blended using 60 percent market and 40 percent PPP exchange rates, compressed using a factor of 0.95.

4/ The overall increase is distributed to members on an equiproportional, selective and ad hoc basis in the proportion of x/y/z, respectively.

5/ Including Korea and Singapore.

6/ Includes all under-represented EMDCs plus other dynamic EMDCs defined as those whose PPP GDP share divided by post second round quota share is greater than 1 and who are not over-represented by more than 25 percent.

7/ Uniform proportional reduction in the gap between calculated and post-selective quota share or GDP blend (see footnote 3) and post-selective quota share, whichever is applicable.

Table 5A. Illustrative Scenarios: Ad hoc Increase Allocated Based on the GDP Blend; Full Protection 1/
(In percent)

	Post Second Round Quota Share 2/	Calculated Quota Share	GDP Blend Share 3/	0/60/40 4/			0/75/25 4/			20/50/30 4/		
				50%	100%	150%	50%	100%	150%	50%	100%	150%
Advanced economies	60.5	58.2	60.0	58.1	58.2	58.3	58.6	58.3	58.4	58.4	58.2	58.2
Major advanced economies	45.3	42.9	48.0	43.8	43.8	43.8	44.0	43.8	43.8	44.0	43.8	43.8
Of which: United States	17.7	17.0	21.6	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7
Other advanced economies	15.1	15.3	11.9	14.3	14.3	14.4	14.6	14.5	14.6	14.4	14.3	14.4
Emerging Market and Developing Countries	39.5	41.8	40.0	41.9	41.8	41.7	41.4	41.7	41.6	41.6	41.8	41.8
Developing countries	32.4	34.1	33.2	34.6	34.6	34.4	34.2	34.4	34.3	34.4	34.6	34.6
Africa	4.9	3.1	2.9	4.6	4.5	4.5	4.7	4.5	4.5	4.7	4.6	4.5
Asia 5/	12.6	17.7	17.3	15.4	16.1	16.3	15.0	15.8	16.1	15.0	15.7	16.0
Middle East, Malta & Turkey	7.2	6.2	5.2	6.8	6.4	6.2	6.8	6.5	6.3	6.9	6.7	6.5
Western Hemisphere	7.7	7.0	8.0	7.8	7.6	7.5	7.7	7.5	7.4	7.8	7.7	7.6
Transition economies	7.1	7.7	6.8	7.2	7.2	7.3	7.2	7.3	7.4	7.2	7.2	7.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:												
EU 27	31.9	31.3	27.8	30.3	30.3	30.4	30.6	30.5	30.6	30.4	30.3	30.3
LICs (PRGT-eligible)	4.3	2.6	2.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
LICs (proposed PCDR eligibility)	3.2	1.8	1.7	3.2	3.1	3.1	3.1	3.1	3.1	3.2	3.1	3.1
Underrepresented countries (shift in p.p.)				5.0	6.3	6.9	4.4	6.0	6.7	4.1	5.5	6.1
Underrepresented EMDCs (shift in p.p.)				4.5	5.6	6.1	3.9	5.2	5.7	3.8	4.9	5.4
Dynamic EMDCs (shift in p.p.) 6/				4.8	5.8	6.3	4.0	5.3	5.8	4.0	5.1	5.6
EMDCs (shift in p.p.)				2.3	2.3	2.2	1.9	2.1	2.1	2.0	2.3	2.3
Uniform reduction factor 7/				37.8	40.9	37.9	23.5	26.1	22.7	31.1	37.6	38.6

Source: Finance Department.

1/ The simulations assume a 50, 100, and 150 percent increase of post second round quotas. The ad hoc increase is distributed to all countries that are under-represented with respect to the GDP blend (see footnote 3). Eligible EMDCs receive a uniform reduction in out-of-lineness based on the GDP blend. Eligible advanced countries are capped at their post second round or post-selective quota share, whichever is greater. Over-represented countries that would become under-represented as a result of the overall quota increase are capped at their calculated quota share. PRGT-eligible countries receive at least their post second round actual quota share. The quota shares of EMDCs and advanced economies that are under-represented under the formula but not eligible for the ad hoc are protected at their post-selective quota share.

2/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo which became a member on June 29, 2009 and Tuvalu in anticipation of its forthcoming membership. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.

3/ GDP blended using 60 percent market and 40 percent PPP exchange rates, compressed using a factor of 0.95.

4/ The overall increase is distributed to members on an equiproportional, selective and ad hoc basis in the proportion of x/y/z, respectively.

5/ Including Korea and Singapore.

6/ Includes all under-represented EMDCs plus other dynamic EMDCs defined as those whose PPP GDP share divided by post second round quota share is greater than 1 and who are not over-represented by more than 25 percent.

7/ Uniform proportional reduction in the gap between GDP blend (see footnote 3) and post-selective quota share.

Table 5B. Illustrative Scenarios: Ad hoc Increase Allocated Based on the GDP Blend; 95 Percent Protection 1/
(In percent)

	Post Second Round Quota Share 2/	Calculated Quota Share	GDP Blend Share 3/	0/60/40 4/			0/75/25 4/			20/50/30 4/		
				50%	100%	150%	50%	100%	150%	50%	100%	150%
Advanced economies	60.5	58.2	60.0	57.6	57.3	57.4	58.3	57.6	57.5	58.0	57.4	57.3
Major advanced economies	45.3	42.9	48.0	43.5	43.3	43.3	43.8	43.3	43.3	43.8	43.3	43.3
Of which: United States	17.7	17.0	21.6	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7
Other advanced economies	15.1	15.3	11.9	14.1	14.0	14.1	14.4	14.2	14.3	14.3	14.0	14.0
Emerging Market and Developing Countries	39.5	41.8	40.0	42.4	42.7	42.6	41.7	42.4	42.5	42.0	42.6	42.7
Developing countries	32.4	34.1	33.2	35.2	35.5	35.4	34.5	35.1	35.2	34.8	35.4	35.4
Africa	4.9	3.1	2.9	4.6	4.4	4.4	4.7	4.5	4.5	4.7	4.6	4.5
Asia 5/	12.6	17.7	17.3	15.8	16.6	16.9	15.2	16.2	16.6	15.2	16.2	16.5
Middle East, Malta & Turkey	7.2	6.2	5.2	6.9	6.6	6.4	6.9	6.6	6.5	7.0	6.8	6.6
Western Hemisphere	7.7	7.0	8.0	7.9	7.8	7.7	7.7	7.7	7.6	7.9	7.9	7.8
Transition economies	7.1	7.7	6.8	7.2	7.2	7.2	7.2	7.3	7.3	7.2	7.2	7.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:												
EU 27	31.9	31.3	27.8	29.8	29.6	29.7	30.3	29.9	29.9	30.0	29.7	29.7
LICs (PRGT-eligible)	4.3	2.6	2.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
LICs (proposed PCDR eligibility)	3.2	1.8	1.7	3.2	3.1	3.1	3.2	3.1	3.1	3.2	3.2	3.1
Underrepresented countries (shift in p.p.)				5.5	7.2	7.9	4.7	6.7	7.5	4.5	6.3	6.9
Underrepresented EMDCs (shift in p.p.)				5.1	6.5	7.0	4.2	5.9	6.5	4.2	5.7	6.3
Dynamic EMDCs (shift in p.p.) 6/				5.4	6.8	7.3	4.4	6.1	6.8	4.4	6.0	6.6
EMDCs (shift in p.p.)				2.9	3.2	3.1	2.2	2.9	2.9	2.4	3.1	3.1
Uniform reduction factor 7/				46.5	56.3	57.5	28.4	39.9	40.6	36.8	50.4	53.4

Source: Finance Department.

1/ The simulations assume a 50, 100, and 150 percent increase of post second round quotas. The ad hoc increase is distributed to all countries that are under-represented with respect to the GDP blend (see footnote 3). Eligible EMDCs receive a uniform reduction in out-of-lineness based on the GDP blend. Eligible advanced countries are capped at their post second round or post-selective quota share, whichever is greater. Over-represented countries that would become under-represented as a result of the overall quota increase are capped at 95 percent of their calculated quota share. PRGT-eligible countries receive at least their post second round actual quota share. The quota shares of EMDCs and advanced economies that are under-represented under the formula but not eligible for the ad hoc are protected at their post-selective quota share.

2/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo which became a member on June 29, 2009 and Tuvalu in anticipation of its forthcoming membership. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.

3/ GDP blended using 60 percent market and 40 percent PPP exchange rates, compressed using a factor of 0.95.

4/ The overall increase is distributed to members on an equiproportional, selective and ad hoc basis in the proportion of x/y/z, respectively.

5/ Including Korea and Singapore.

6/ Includes all under-represented EMDCs plus other dynamic EMDCs defined as those whose PPP GDP share divided by post second round quota share is greater than 1 and who are not over-represented by more than 25 percent.

7/ Uniform proportional reduction in the gap between GDP blend (see footnote 3) and post-selective quota share.

Table 6. Illustrative Scenarios: Ad hoc Increase Allocated Based on Either the Formula or the GDP Blend; Alternative Protection Mechanisms for Poorest Members 1/
(In percent)

	Post Second Round Quota Share 2/	Calculated Quota Share	GDP Blend Share 3/	Individual PRGT protection 4/		Group PRGT protection 5/		Individual PCDR protection 6/	
				0/75/25 7/	20/50/30 7/	0/75/25 7/	20/50/30 7/	0/75/25 7/	20/50/30 7/
Advanced economies	60.5	58.2	60.0	58.3	58.2	58.3	58.2	58.3	58.2
Major advanced economies	45.3	42.9	48.0	43.8	43.8	43.8	43.8	43.8	43.8
Of which: United States	17.7	17.0	21.6	17.7	17.7	17.7	17.7	17.7	17.7
Other advanced economies	15.1	15.3	11.9	14.5	14.3	14.5	14.3	14.5	14.3
Emerging Market and Developing Countries	39.5	41.8	40.0	41.7	41.8	41.7	41.8	41.7	41.8
Developing countries	32.4	34.1	33.2	34.3	34.5	34.3	34.5	34.3	34.5
Africa	4.9	3.1	2.9	4.6	4.6	4.4	4.4	4.4	4.4
Asia 8/	12.6	17.7	17.3	15.7	15.6	15.9	15.7	15.8	15.7
Middle East, Malta & Turkey	7.2	6.2	5.2	6.6	6.7	6.6	6.8	6.6	6.8
Western Hemisphere	7.7	7.0	8.0	7.5	7.6	7.5	7.6	7.5	7.6
Transition economies	7.1	7.7	6.8	7.4	7.4	7.4	7.3	7.4	7.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:									
EU 27	31.9	31.3	27.8	30.5	30.3	30.5	30.4	30.5	30.4
LICs (PRGT-eligible)	4.3	2.6	2.4	4.3	4.3	4.3	4.3	4.0	4.0
LICs (proposed PCDR eligibility)	3.2	1.8	1.7	3.2	3.2	3.1	3.1	3.2	3.2
Underrepresented countries (shift in p.p.)				6.0	5.5	6.2	5.7	6.2	5.7
Underrepresented EMDCs (shift in p.p.)				5.2	5.0	5.4	5.1	5.4	5.2
Dynamic EMDCs (shift in p.p.) 9/				5.3	5.1	5.5	5.3	5.6	5.4
EMDCs (shift in p.p.)				2.2	2.3	2.1	2.3	2.1	2.3
Uniform reduction factor 10/				20.4	29.4	21.3	30.2	23.6	32.0

Source: Finance Department.

1/ The simulations assume a 100 percent increase of post second round quotas. The ad hoc increase is distributed to all countries that are under-represented with respect to the formula or with respect to the GDP blend (see footnote 3). Eligible EMDCs receive a uniform reduction in out-of-lineness based on the formula (for those EMDCs under-represented under the formula only), or the GDP-blend (for those EMDCs under-represented under the GDP blend only), or the greater of the two (for those EMDCs that qualify under both criteria). Eligible advanced countries are capped at their post second round or post-selective quota share, whichever is greater. Over-represented countries which would become under-represented as a result of the overall quota increase are capped at their calculated quota share. Three alternative protection mechanisms for poorest members are implemented (see footnotes 4, 5, and 6).
2/ Includes ad hoc increases for 54 eligible members that are not yet effective; also includes Kosovo which became a member on June 29, 2009 and Tuvalu in anticipation of its forthcoming membership. For the two countries that have not yet consented to, and paid for, their quota increases, 11th Review proposed quotas are used.
3/ GDP blended using 60 percent market and 40 percent PPP exchange rates, compressed using a factor of 0.95.
4/ PRGT-eligible countries receive at least their post second round actual quota share.
5/ PRGT-eligible countries as a group maintain their post second round actual quota share.
6/ PCDR-eligible countries receive at least their post second round actual quota share.
7/ The overall increase is distributed to members on an equiproportional, selective and ad hoc basis in the proportion of x/y/z, respectively.
8/ Including Korea and Singapore.
9/ Includes all under-represented EMDCs plus other dynamic EMDCs defined as those whose PPP GDP share divided by post second round quota share is greater than 1 and who are not over-represented by more than 25 percent.
10/ Uniform proportional reduction in the gap between calculated and post-selective quota share or GDP blend (see footnote 3) and post-selective quota share, whichever is applicable.

Table 7. Selective Lists of Poor Countries

PRGT - eligible 1/				World Bank Low Income 2/		Proposed PCDR eligibility 3/	
1	Afghanistan, Islamic Republic of	49	Nigeria	1	Afghanistan, Islamic Republic of	1	Afghanistan, Islamic Republic of
2	Armenia	50	Papua New Guinea	2	Bangladesh	2	Bangladesh
3	Bangladesh	51	Rwanda	3	Benin	3	Benin
4	Benin	52	Samoa	4	Burkina Faso	4	Burkina Faso
5	Bhutan	53	Sao Tome and Principe	5	Burundi	5	Burundi
6	Bolivia	54	Senegal	6	Cambodia	6	Cambodia
7	Burkina Faso	55	Sierra Leone	7	Central African Republic	7	Central African Republic
8	Burundi	56	Solomon Islands	8	Chad	8	Chad
9	Cambodia	57	Somalia	9	Comoros	9	Comoros
10	Cameroon	58	St. Lucia	10	Congo, Dem. Republic of	10	Congo, Dem. Republic of
11	Cape Verde	59	St. Vincent and the Grenadines	11	Eritrea	11	Cote d'Ivoire
12	Central African Republic	60	Sudan	12	Ethiopia	12	Djibouti
13	Chad	61	Tajikistan	13	Gambia, The	13	Eritrea
14	Comoros	62	Tanzania	14	Ghana	14	Ethiopia
15	Congo, Dem. Republic of	63	Timor-Leste	15	Guinea	15	Gambia, The
16	Congo, Republic of	64	Togo	16	Guinea-Bissau	16	Ghana
17	Cote d'Ivoire	65	Tonga	17	Haiti	17	Guinea
18	Djibouti	66	Uganda	18	Kenya	18	Guinea-Bissau
19	Dominica	67	Uzbekistan	19	Kyrgyz Republic	19	Haiti
20	Eritrea	68	Vanuatu	20	Lao, People's Dem. Republic	20	Kenya
21	Ethiopia	69	Vietnam	21	Liberia	21	Kyrgyz Republic
22	Gambia, The	70	Yemen, Republic of	22	Madagascar	22	Lao, People's Dem. Republic
23	Georgia	71	Zambia	23	Malawi	23	Liberia
24	Ghana			24	Mali	24	Madagascar
25	Grenada			25	Mauritania	25	Malawi
26	Guinea			26	Mozambique	26	Mali
27	Guinea-Bissau			27	Myanmar	27	Mauritania
28	Guyana			28	Nepal	28	Mozambique
29	Haiti			29	Niger	29	Myanmar
30	Honduras			30	Rwanda	30	Nepal
31	Kenya			31	Senegal	31	Nicaragua
32	Kiribati			32	Sierra Leone	32	Niger
33	Kyrgyz Republic			33	Somalia	33	Papua New Guinea
34	Lao, People's Dem. Republic			34	Tajikistan	34	Rwanda
35	Lesotho			35	Tanzania	35	São Tomé & Príncipe
36	Liberia			36	Togo	36	Senegal
37	Madagascar			37	Uganda	37	Sierra Leone
38	Malawi			38	Uzbekistan	38	Somalia
39	Maldives			39	Vietnam	39	Sudan
40	Mali			40	Yemen, Republic of	40	Tajikistan
41	Mauritania			41	Zambia	41	Tanzania
42	Moldova			42	Zimbabwe	42	Togo
43	Mongolia					43	Uganda
44	Mozambique					44	Uzbekistan
45	Myanmar					45	Vietnam
46	Nepal					46	Yemen, Republic of
47	Nicaragua					47	Zambia
48	Niger					48	Zimbabwe

Source: Finance Department

1/ See *Eligibility to Use the Fund's Facilities for Concessional Financing (SM/09/288, January 11, 2010)*.
2/ Includes countries whose yearly per-capita GNI is $975 or less. See http://go.worldbank.org/K2CKM78CC0.
3/ Cutoffs based on income (Atlas method; Countries with income per capita below the IDA cutoff (currently US$1,135 per year) plus "small states" with income per-capita below 200% of the IDA cutoff). See *Proposal for a Post-Catastrophe Debt Relief Trust Fund (SM/10/97, April 22, 2010).*